



Annual Report 2015

CELEBRATING OUR DECADE

2005

22 March

1st Board Meeting of Axis REIT Managers Berhad

15 June

Axis-REIT was established

3 August

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

16 December

Acquisition of Wisma Kemajuan

2006

8 January

Voted 2nd best IPO for the year

22 May

Acquisition of Axis North Port Logistics Centre

30 June

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

30 October

1st issuance and placement of 50 mil new units

3 November

1st Unitholders' meeting

2007

1 August

Acquisition of Axis Shah Alam DC1

7 September

Acquisition of Giant Hypermarket



15 November

Acquisition of FCI Senai

16 November

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

30 November

Acquisition of Nestle Warehouse (now known as Quattro West)

2008

25 January

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

30 January

Completed 1st placement exercise

30 April

Acquisition of BMW Centre PTP

30 April

Acquisition of Niro Warehouse

4 August

Acquisition of Delfi Warehouse

9 December

Acquisition of Axis Vista

11 December

Reclassification into an Islamic REIT

2009

20 October

Acquisition of Axis Steel Centre

14 December

Acquisition of Bukit Raja Distribution Centre

2010

5 March

Acquisition of Seberang Prai Logistics Warehouse 1 and 2

6 April

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

21 May

Formation of the Malaysian REIT Managers Association (MRMA)

10 September

Won the APREA Best Practices Award

1 October

Acquisition of Tesco Bukit Indah

15 October

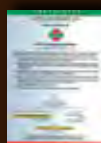
Acquisition of Axis PDI Centre

15 November

Acquisition of Axis Technogy Centre



Space under Management (Million)



0.98 sq ft



1.18 sq ft



1.65 sq ft



2.17 sq ft



2.85 sq ft



3.67 sq ft

No of Properties

5

7

9

14

19

21

Unit Price (RM)

1.25

1.73

1.68

1.85

1.12

1.93

IPO

2005

2006

2007

2008

2009

OF SUCCESS 2005 - 2015

2015

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



31 March
Acquisition of Axis Shah Alam DC 2

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

9 September
Completed the Unit Split exercise

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



2014

25 March
Disposal of Axis Plaza

4 April
Completed the refurbishment of Axis Business Campus

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

18 December
Acquisition of Axis Shah Alam DC 3

18 December
Acquisition of Axis MRO Hub

30 December
Acquisition of Axis Steel Centre @ SiLC

2013

15 February
Successfully issued 2nd tranche Sukuk of RM155 million

20 February
Completed the refurbishment of Infinite Centre

20 November
Won the APREA Best Practices Award



2012

17 January
Acquisition of Bayan Lepas Distribution Centre

15 February
Acquisition of Seberang Prai Logistics Warehouse 3

24 February
Completed the refurbishment of Nestle office to Fonterra HQ

16 July
Successfully issued 1st tranche Sukuk of RM110 million

30 August
Acquisition of Emerson Industrial Facility Nilai

1 October
Acquisition of Wisma Academy Parcel and The Annex

10 October
Won the APREA Best Practices Award

31 December
Disposal of Kayangan Depot

2011

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

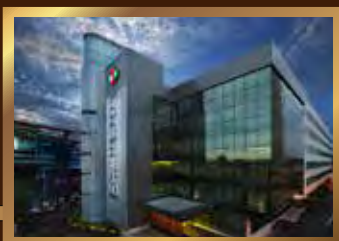
1 March
Acquisition of D8 Logistics Warehouse

18 April
Acquisition of Axis Eureka

18 April
Disposal of Axis North Port Logistics Centre

11 October
Won the APREA Best Practices Award

19 October
Completed of refurbishment of Crystal Plaza



4.28 sq ft

26



4.45 sq ft

27



5.46 sq ft

31



5.46 sq ft

31



6.85 sq ft

33



7.01 sq ft

34

2.37

2.62

3.13

2.93

3.62

1.64

2010

2011

2012

2013

2014

2015

Post Unit Split

Axis-REIT Highlights

Market
Capitalisation
RM1,803,661,000



Total Assets Under
Management

RM2,141,493,000



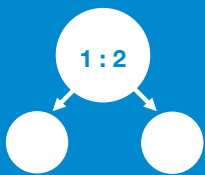
Total Space
Under Management

7,015,242 sq. ft.



Unit Split

exercise completed
on 9 September 2015.



Revaluation Gain for 2015

RM5,791,000



Average Net
Property Yield

8.41%



Total Acquisition
for 2015

RM45,000,000



Weighted Average
Lease Expiry
(by rental revenue)

3.99 years



Positive Rental
Reversion for 2015

8%





About Axis-REIT

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

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

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

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

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

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

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

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

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

MISSION

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

VISION

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

SIX PRINCIPLES OF MANAGEMENT

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

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

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This annual report for the year ended 31 December 2015 has been prepared by Axis REIT Managers Berhad (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All currencies are expressed in Ringgit Malaysia unless otherwise stated. This Annual Report is dated February 2016.

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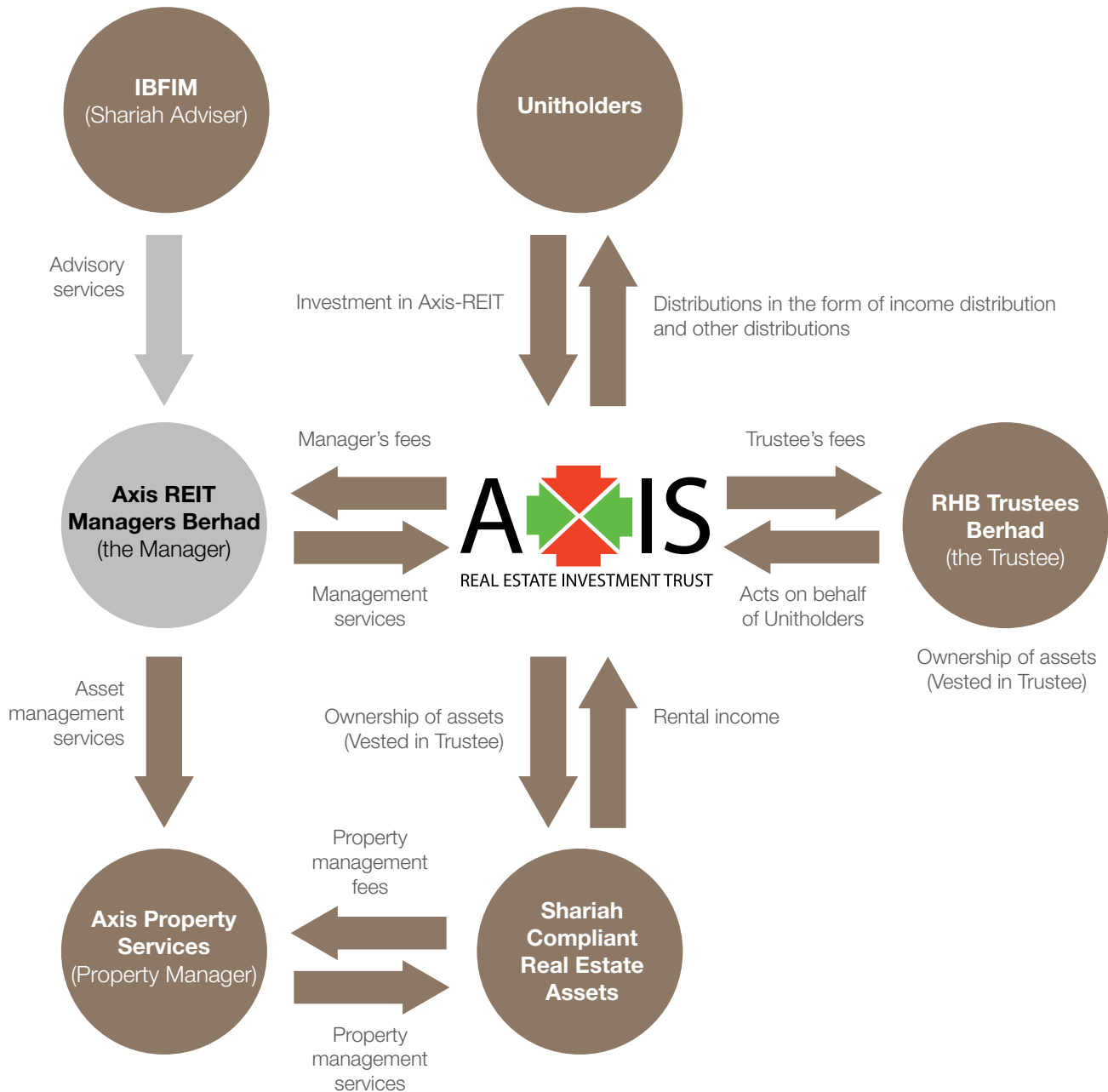
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Salient Features of Axis-REIT

Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total returns to Unitholders and be the REIT of choice for Shariah and non-Shariah investors.
Approved Fund Size	1,099,793,068 Units
Market Capitalisation	RM1,803,661,000
Assets Under Management	RM2,141,493,000
Authorised Investments	At least 50% of the Fund's total asset value must be invested in real estate and / or single purpose companies at all times.
Initial Public Offering Retail Price	RM1.25 per Unit (equivalent to RM0.625 per Unit of the enlarged unit base after adjusting for unit split exercise)
Financial Year End	31 December
Distribution Policy	<p>Quarterly income distribution.</p> <p>1st to 3rd quarter – at least 95% of the current year-to-date distributable income</p> <p>4th quarter – at least 99% of the current year-to-date distributable income</p>
Financing Limitations	Up to 50% of the total assets value of the Fund.
Revaluation Policy	The investment properties shall be revalued at least once every year by registered independent valuers.
Minimum Initial Investment	Minimum of 100 Units
Quotation	Main Market of Bursa Securities
Bursa Securities Stock Number	AXREIT 5106

Axis-REIT Structure



Chairman's Message



"A Perfect 10:
Celebrating a Decade
of Success"

Dear Unitholders,

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

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

Axis-REIT's Six Principles of Management



**Prudent capital and risk
management**



**Yield-accretive asset
purchases**



Excellent investor relations



**Maintaining the highest levels
of corporate governance**



**Proactive asset and tenant
management**



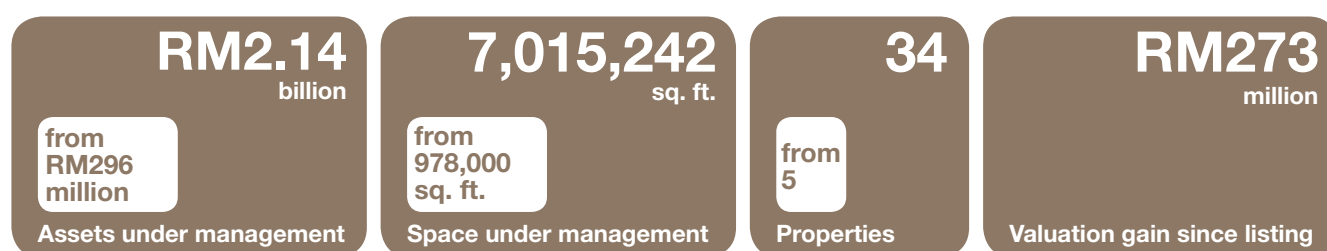
**Development of human
capital**

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

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

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


AUM Milestones, 2005-2015:




Market Leadership in Innovation

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

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



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



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

Chairman's Message

Forging Ahead

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

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

Distributions, Unitholders' Funds and Net Asset Value

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

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

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

Engaging Our Stakeholders

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

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

Corporate Citizenship

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

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

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

2016: Seeking Silver Linings Amid Economic Headwinds

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

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

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

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

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

In Appreciation

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

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

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

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

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

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

To the Next Decade of Success

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

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

Board of Directors



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



Leong Kit May
Chief Executive Officer / Finance Director



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



Stephen Tew Peng Hwee
Non-Independent Non-Executive Director



Alvin Dim Lao
Non-Independent Non-Executive Director



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



Mohd Sharif Bin Hj Yusof
Senior Independent Non-Executive Director

Directors' Profile



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

former Chairman of the Selangor Turf Club and now serves as their International Relations Chairman. He is the Honorary Life Chairman of the Malaysia Australia Business Council after heading the council for 19 years. Tunku Shahabuddin was also the Chairman of the Automobile Association of Malaysia for 23 years, President of the Asia-Pacific Region of the Alliance International de Tourisme, Governing Board Member of the Malaysia Canada Business Council, and a former Committee Member of MASSA (Malaysia South-South Association). He was appointed Honorary Consul General of Austria in 1972.

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

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, 80, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. On 18 September 2007, he was appointed Chairman of the Board of Directors, and on 23 October 2007, Chairman of the Audit Committee. He is also a member of the Nomination Committee. Tunku Shahabuddin has a vast and illustrious career in the local administrative and business arena with various roles in multinational companies.

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

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

Tunku Shahabuddin is Chairman of Berjaya Assets Berhad, Jotun (M) Sdn. Bhd. and DHL Worldwide Express (M) Sdn. Bhd. He was an inaugural member of NISIR (National Institute of Scientific Industrial Research), now known as SIRIM. He is the



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

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

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

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

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



Leong Kit May
Chief Executive Officer /
Finance Director

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

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

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

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

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

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

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

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



Stephen Tew Peng Hwee
Non-Independent
Non-Executive Director

Stephen Tew Peng Hwee, 54, a Malaysian, is a Non-Independent Non-Executive Director of Axis REIT Managers Berhad. He was appointed to the Board on 25 October 2004.

Stephen graduated with a Diploma from the Institute of Marketing, United Kingdom, in 1982, following which he started his career as a real estate agent and today owns the real estate agency Hectares & Stratas. He is the past president of the Malaysian Institute of Estate Agents (MIEA) and served as a board member of the Board of Valuers, Appraisers and Estate Agents from 1998 until 2004. He was given the prestigious ‘Lifetime Achievement Award’ by MIEA in 2015. Stephen is a regular speaker on subjects such as Achieving Success In The Commercial and Industrial Real Estate Market, Making Money Investing In REITs as well as How To Become A Successful Real Estate Agent.

Together with other investors, he has, over the past 28 years, purpose-built many buildings for investment income which have housed multinationals. In 1992, he teamed up with Dato’ Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. Stephen currently serves as a member of the Executive Committee and the Remuneration Committee of the Board. He is also a director of Axis REIT Sukuk Berhad.

Directors' Profile



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

Independent Non-Executive Director

Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor are 47, a Malaysian, has been Independent Non-Executive Director of Axis REIT Managers Berhad since 2006. He is also Chairman of the Remuneration Committee and a member of the Nomination Committee.

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

Datuk Seri FD Iskandar attended Malay College Kuala Kangsar (MCKK) and later obtained his law degree from the University of Queensland, Australia, before going on to obtain his Masters in Business Administration.

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

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

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

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

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

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



Alvin Dim Lao
Non-Independent
Non-Executive Director

Alvin Dim Lao, 44, a Filipino national, was appointed as a Non-Independent Non-Executive Director to the Board and a member of the Audit Committee of Axis REIT Managers Berhad on 30 December 2011.

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

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



Mohd Sharif Bin Hj Yusof
Senior Independent
Non-Executive Director

Mohd Sharif Bin Hj Yusof, 76, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. He is a member of the Audit Committee and Chairman of the Nomination Committee of Axis REIT Managers Berhad. He is also the Senior Independent Director.

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

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

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

Menara Axis



Manager's Report

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Letter from the CEO

Dear Unitholders,

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

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

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

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



A Challenging Year

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

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

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

Portfolio Management

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

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

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

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

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

Unit Split

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

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

Letter from the CEO

Proactive Asset and Tenant Management

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

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

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

GST Implementation

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

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

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

Succession Planning and Leadership Transition

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

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

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

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





The “A Team”

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

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

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

Target Intact

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

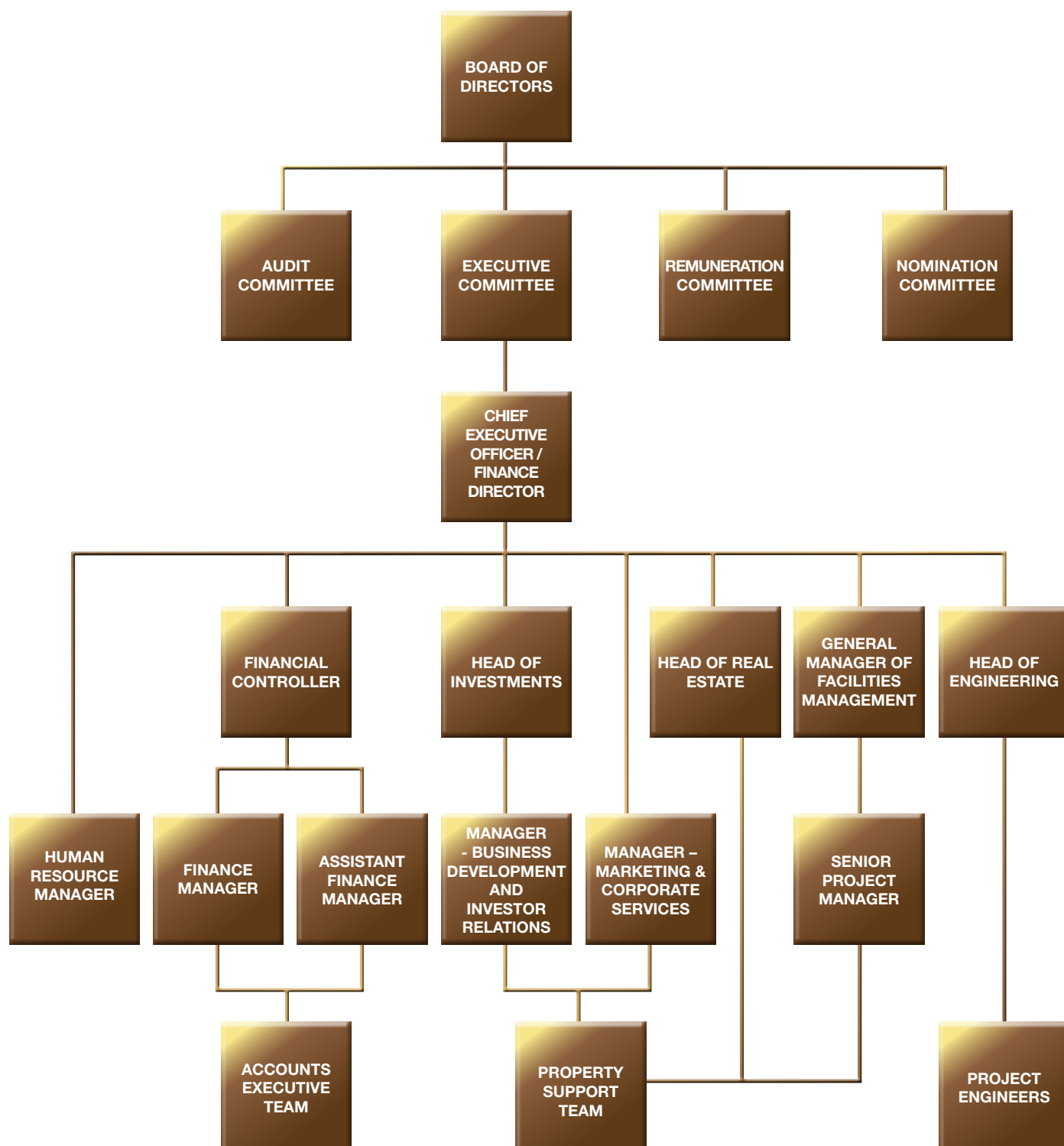
When our AUM broke the RM2 billion mark for the first time at the end of 2014, we set our next goal, which is to grow our AUM to RM3 billion by 2018. We remain fully committed to this target. Guided by our six principles of management, we remain focused on delivering the best returns to our Unitholders.

On behalf of the Manager, I am pleased to submit our report and audited financial statements to the Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the year ended 31 December 2015.

Leong Kit May

Chief Executive Officer / Finance Director
15 February 2016

Axis REIT Managers Berhad's Company Structure





THE A TEAM



The A Team



Low Ay Kean
Human
Resource
Manager

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

Selina Khor
Property
Manager

Leong Kit May
Chief Executive
Officer / Finance
Director

Jackie Law
Head of Real
Estate

Loh Yen Fern
Senior Project
Manager

Chan Tze Wee
Manager,
Business
Development
& Investor
Relations



Stacy Cheng
Assistant Finance
Manager

Ong Chiou Yann
Finance Manager

**Abdul Aziz Abdul
Rasheed**
Head of
Engineering

Nikki Ng
Financial Controller

Siva Shanker
Head of
Investments

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

The A Team Profiles

Leong Kit May

Chief Executive Officer / Finance Director

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

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

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

Siva Shanker

Head of Investments

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

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

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

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

Jackie Law

Head of Real Estate

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

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

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

Selina Khor

Property Manager

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

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

Siva Shankar Palany

General Manager of Facilities Management

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

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

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

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

Nikki Ng

Financial Controller

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

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

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

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

The A Team Profiles

Ong Chiou Yann

Finance Manager

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

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

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

Abdul Aziz Abdul Rasheed

Head of Engineering

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

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

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

Chan Tze Wee

Manager, Business Development & Investor Relations

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

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

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

Stacy Cheng

Assistant Finance Manager

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

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

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

Lalitha Anandarajah

Manager, Marketing & Corporate Services

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

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

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

Loh Yen Fern

Senior Project Manager

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

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

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

Low Ay Keean

Human Resource Manager

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

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

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

Our Competitive Advantage

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

Our Management Team - The A Team

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

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

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

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

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

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

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

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

Succession Planning

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

Market Leadership and Innovation

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

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

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

Our Strategic Direction

Axis-REIT is now a listed REIT with a track record of over 10 years. Since its formation, we have successfully grown its size and profitability. In order to have a clear direction, we continue to keep the Fund guided by a forward-looking strategy and innovative, yet flexible, action plan. Given the current volatility in the capital markets, we feel it is important that we are vigilant so that we are able to anticipate and respond quickly to changes.

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

Our Vision and Mission Statement remains unchanged.

Our core strategy is:

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

Prime Locations

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

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

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

Asset Enhancement Initiatives as a Value Added Strategy

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

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

Creating New Deal Flows

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

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

Our Competitive Advantage

Engaging with Regulators

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

Disposal Strategy

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

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

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

Capital Management

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

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

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

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

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

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

Risk Mitigation and Stability

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

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

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

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

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

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

Development of Human Capital

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

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

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

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

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

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

Conclusion

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



The
Finance
Team

Financial Review

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

Highlights

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

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



Nikki Ng
Financial Controller

Performance Highlights

Gross Revenue (RM'million)

RM163.08

FY2014
137.63

Realised Net Property Income (RM'million)

RM139.33

FY2014
116.07

Asset Under Management (RM'million)

RM2,141.49

FY2014
2,085.88

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

RM273.00

FY2014
267.00

No. of Properties

34

FY2014
33

No. of Unitholders

3,611

FY2014
3,176

Financial Review

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

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

Income Distribution

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

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

2015 IDRP Successfully Implemented

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

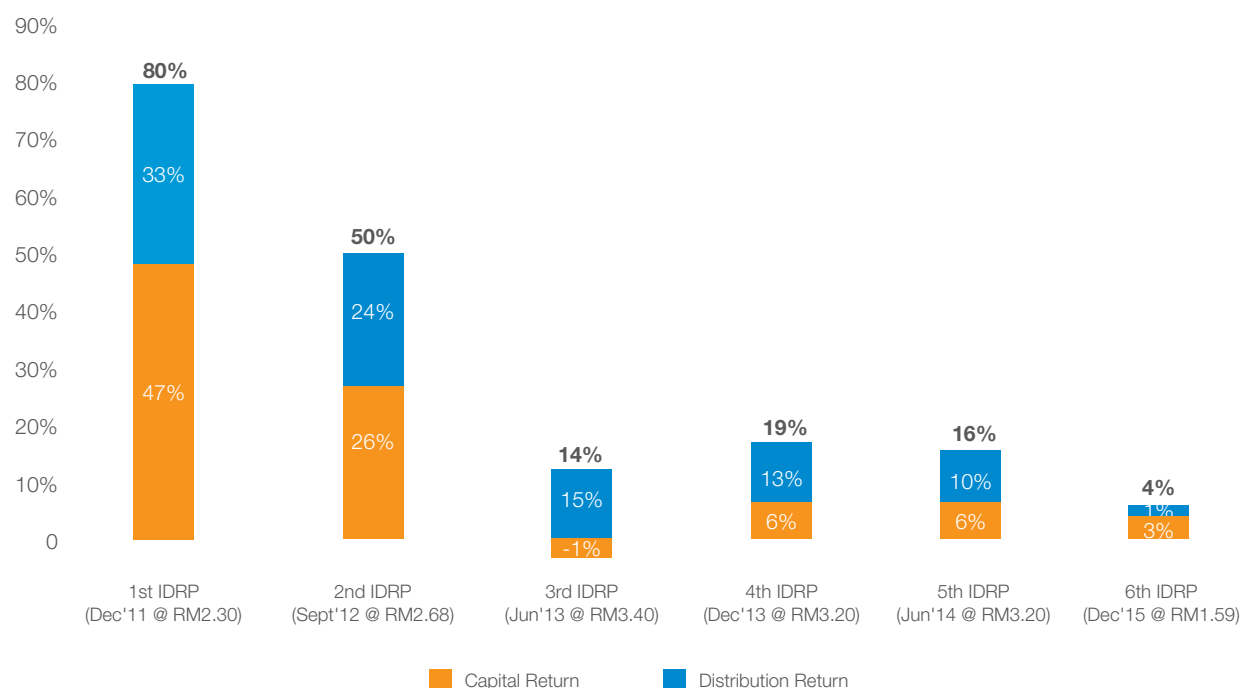
The IDRP was offered to unitholders at a price of RM1.59 per unit representing a 5.8% discount to the five-day volume weighted average market price ("VMAMP").

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

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

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

Total Returns on IDRP



Acquisition of Yield-Accretive Property

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

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

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

Upgrading of Property Management and Accounting Platforms to be GST compliant

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

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

Financial Review

Summary of Performance

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

* Adjusted to reflect Unit Split

Summary Of Results

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

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

** Restated to reflect Unit Split.

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

Increase in Gross Revenue with Recent Acquisitions

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

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

The breakdown of total gross income is as follows:

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

Gross Property Yields

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

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

Financial Review

Management of Property Operating Expenses

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

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

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

Overall Financial Results

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

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

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

^ Acquired on 31 March 2015

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

Unrealised Rental Income / Unbilled Lease Income Receivable

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

Profit Income

In 2015, we registered a profit income of RM744,000 from placement of funds under Islamic REPO.

Portfolio Valuations

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

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

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

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

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

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

Financial Review

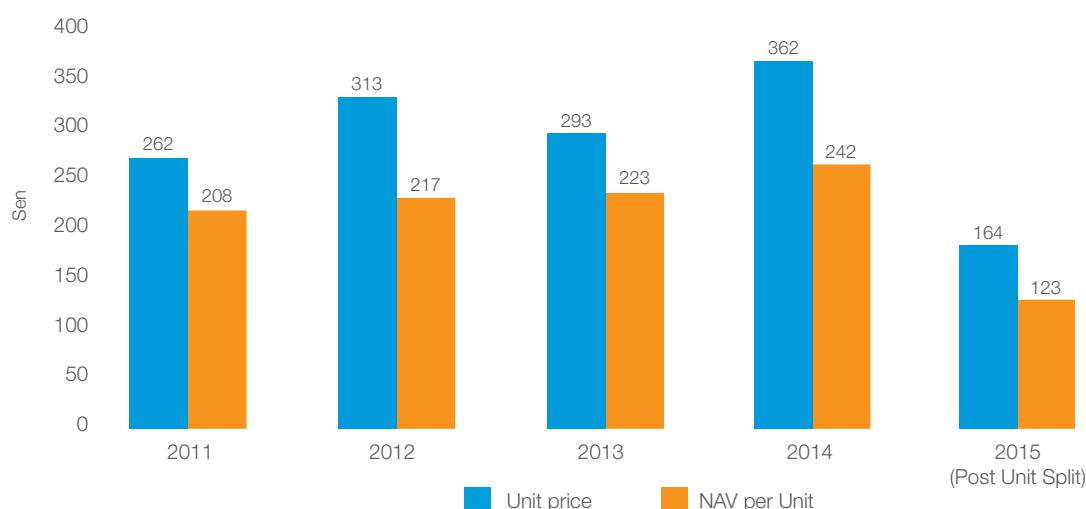
Valuation Analysis

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

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

Premium to NAV Recorded for 2015

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



Non-Property Expenses

Details of total non-property expenses are as follows:

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

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

Administrative and Professional Fees

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

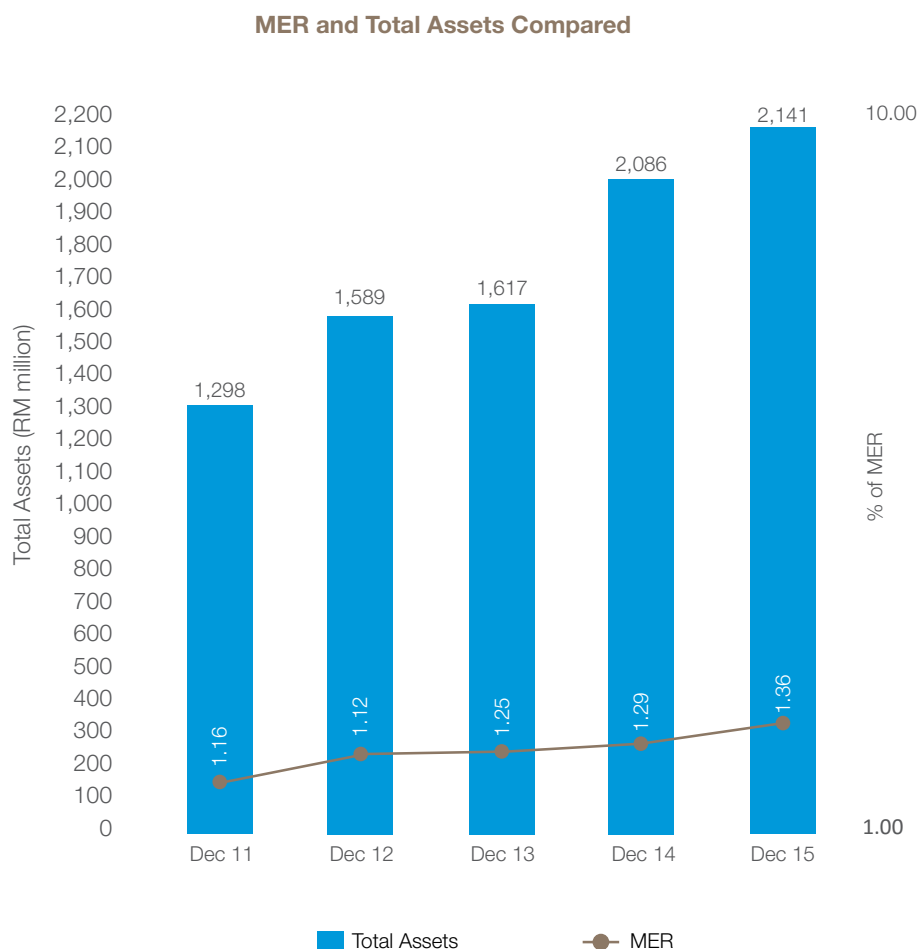
Islamic Financing Cost

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

Financial Review

Management Expense Ratio ("MER")

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



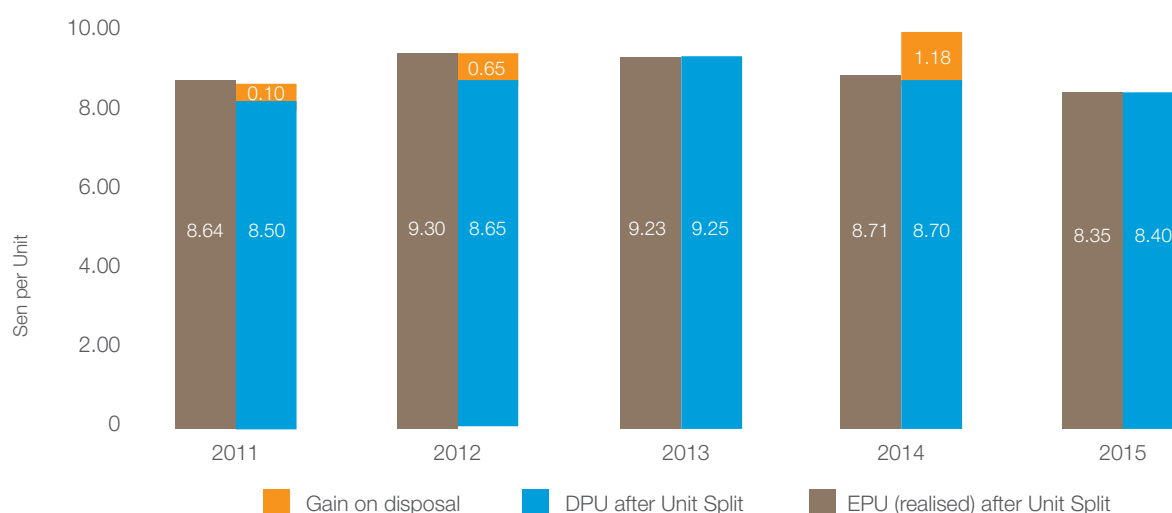
Earnings Per Unit ("EPU")

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

Distribution Per Unit ("DPU")

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

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



Capital Management

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

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

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

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

Financial Review

Unit Split Completed in 2015

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

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

Alignment of Interest Between the Manager and the Fund

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

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

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

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

General Mandate to Issue New Units in Axis-REIT

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

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

Upsizing the Size of the Sukuk Programme

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

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

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

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

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

Financing Profile

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

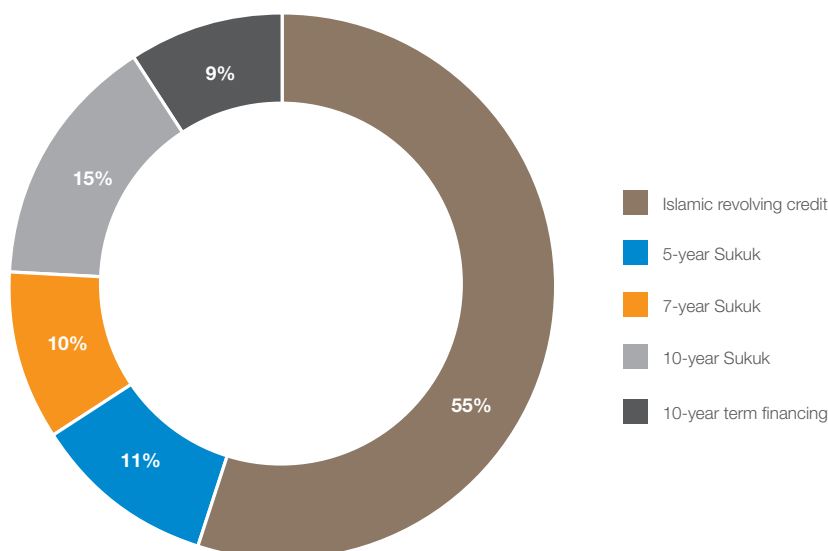
* For comparison purposes, the effective profit rate excludes the incidental cost of financing.

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

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

Financial Review

Financing Profile



Risk Management

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

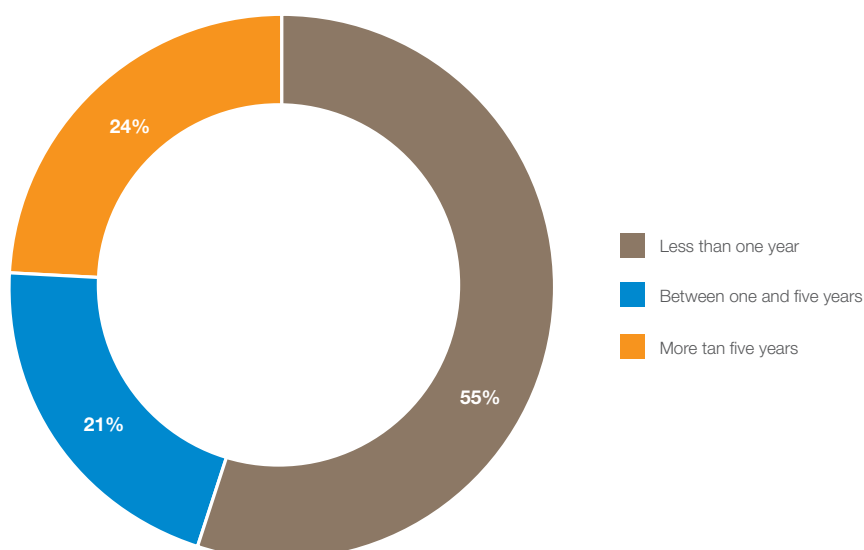
Liquidity Risk

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

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

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

Financing Maturity Profile

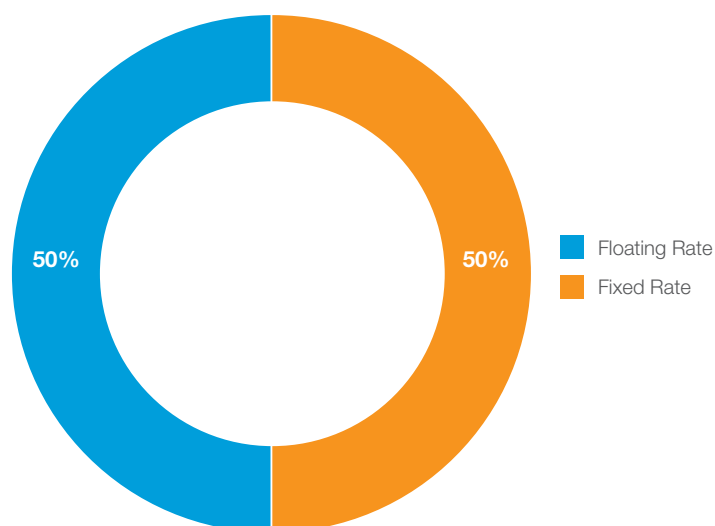


Interest Rate Risk

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

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

Financing Profile Fixed and Floating Rate as at 31 December 2015

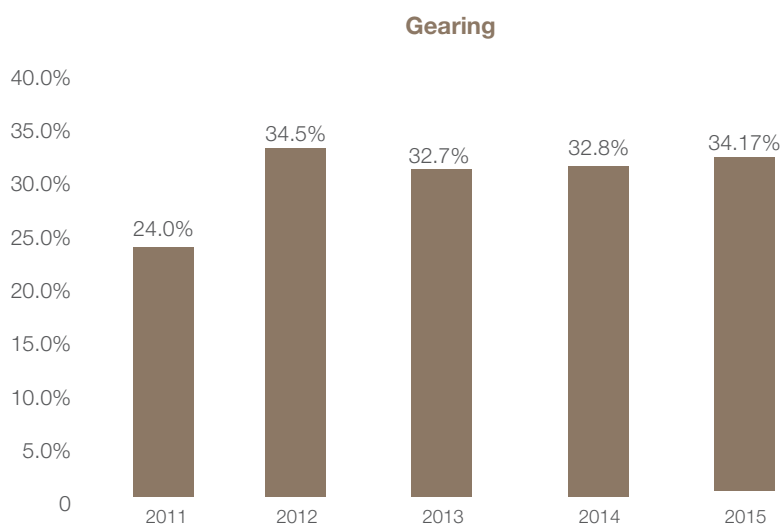


Interest rate is a general economic indicator that will have an impact on the capital management of the Fund regardless of whether it is a Shariah-compliant fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments.

Gearing Risk

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

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



Financial Review

Valuation

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

All valuations are conducted by independent registered valuers approved by the SC. In 2015, Axis-REIT had 10 registered valuers in its panel. The Manager is also looking into expanding this panel further to provide the Fund with a transparent valuation model for the benefit of all Unitholders. It is the Fund's policy to ensure that no valuer may conduct more than two consecutive full comprehensive valuations of any particular property, which is consistent with the SC's Guidelines on REITs.

Tenant and Credit Risk

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

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

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

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

Doubtful Debt Provision and Impairment Losses of Trade Receivables

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

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

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

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

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

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

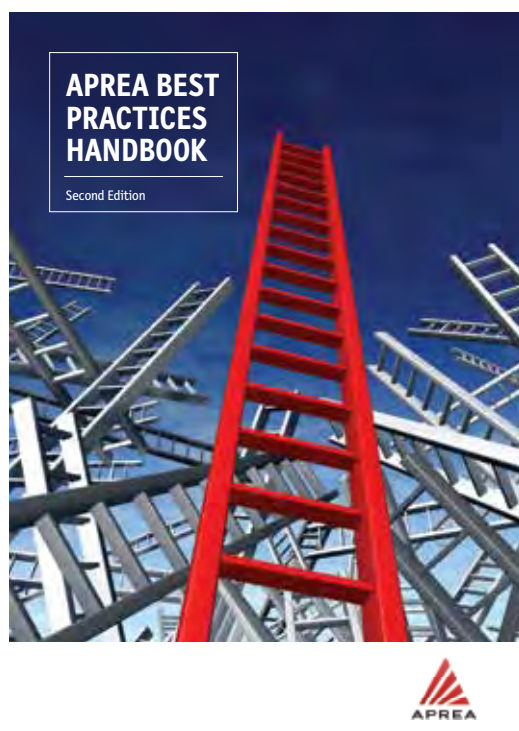
Risk Management Framework

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

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

Compliance with Best Practices

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



A Snapshot in US Dollars (USD)

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

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

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

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

Summary of Results

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

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

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

Direct Method Statement of Cash Flow

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

Statement of Cash Flows (Direct Method) For the Year Ended 31 December 2015

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

Report on Shariah Compliance



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

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

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

IBFIM's services include:

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

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





The
Real Estate
Team

Real Estate Report

Despite a challenging economic landscape in 2015, and a softer rental market, the Real Estate Team is proud to report an 82% tenant retention rate and 8% positive rental reversion in 2015. As at 31 December 2015, the portfolio occupancy stood at 91.97%.

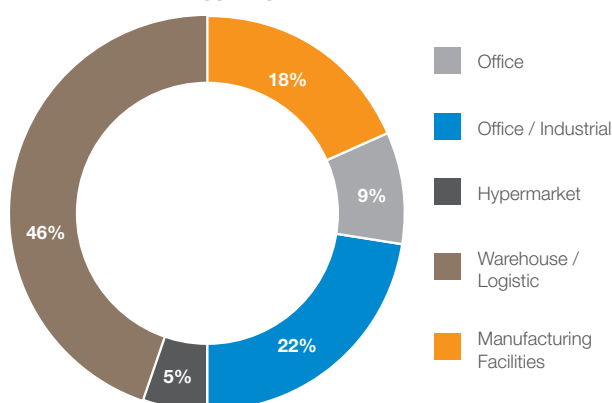


Jackie Law
Head of Real Estate

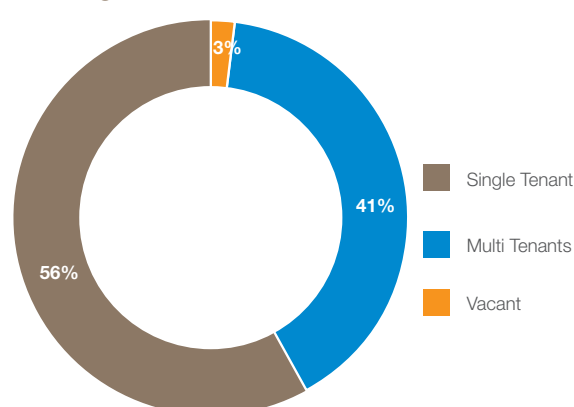
Overview

Portfolio Size	: 34 properties
Total Space Under Management	: 7,015,242 sq. ft.
Number of Tenants	: 140
Occupancy	: 91.97%
Gross Income	: RM163,077
Net Operating Income (NOI)	: RM139,331
Average Rental	: Commercial Office: RM4.64 per sq. ft. Office / Industrial Buildings: RM2.72 per sq. ft. Warehouse / Logistic Centres: RM1.52 per sq. ft. Manufacturing Facilities: RM1.33 per sq. ft. Hypermarkets: RM2.24 per sq. ft.

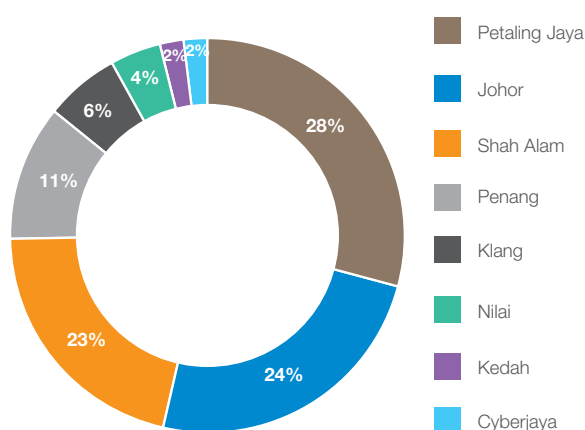
Asset Type by NLA



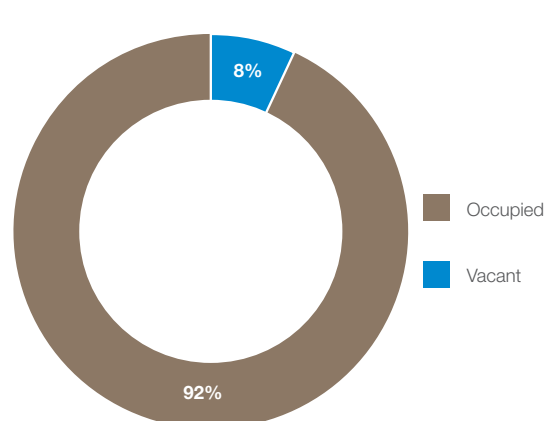
Single Tenant vs Multi Tenants



Portfolio Diversification by Geographical Location



Occupancy Rate



Axis-REIT's portfolio has grown its space under management from 1,186,052 sq. ft. since its listing in 2005 to 7,015,242 sq. ft. after 10 years. The Fund has continued to consistently deliver strong results to our unitholders annually. The team remained committed to working extremely hard to deliver good results during the soft economic environment as a result of the impact of GST, which was implemented in April 2015, and the weakening Ringgit.

The Real Estate Team remains focused on our Key Performance Indicators (KPIs) to drive our progress and performance. These KPIs are:

- Revenue growth; and
- Risk management

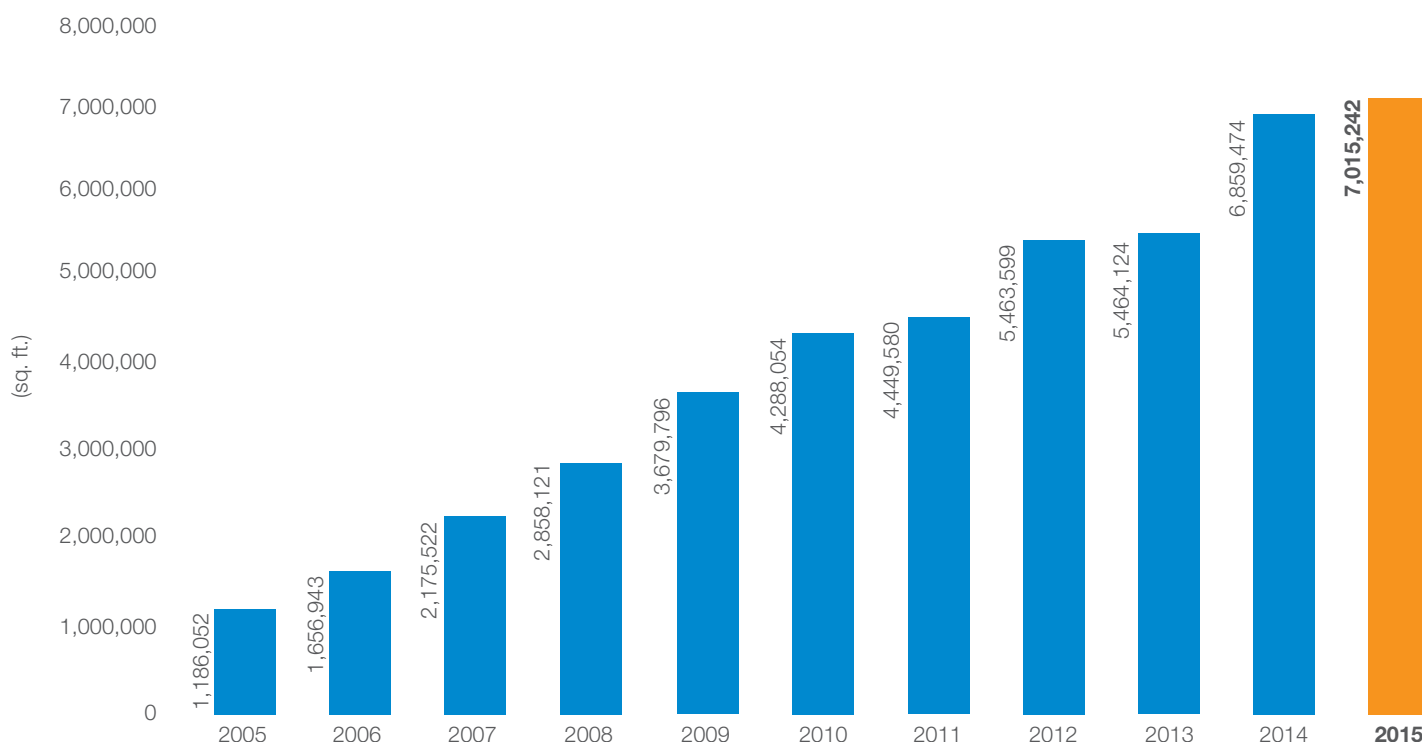
Revenue Growth

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

Acquisitions

The Manager completed the acquisition of Axis Shah Alam DC 2 on 31 March 2015 adding 164,000 sq. ft. of space under management and gross rental revenue of RM2.66 million to the portfolio. The Manager has also signed a Sale and Purchase Agreement to acquire four properties in Kulajaya valued at RM61 million in November 2015. These transactions are expected to be completed in the first quarter of 2016. These four properties, namely Beyonics iPark Campus Block A, Block B, Block C and Block D will contribute an additional RM4.84 million in annual rental revenue to the Fund. Through such strategic acquisitions, the Manager is able to provide additional revenue to the Fund and improve the overall occupancy and WALE of the portfolio as acquisitions have 100% occupancy rates and come with long-term leases.

Space Under Management (sq. ft.)



Real Estate Report

Lease and Rent Reversion Management

In 2015, the Real Estate Team successfully renegotiated 736,554 sq. ft. out of 902,251 sq. ft. of space due for renewal in 2015. The Manager achieved an 82% tenant retention rate and average positive rental reversions of 8% for the year. In addition, we also secured new tenancies for 112,958 sq. ft. of space. New tenants were a mix of office and warehouse occupiers in multi-tenant buildings.

Space Renegotiated and % Rent Movement

Properties	Space Renegotiated (Sq. Ft.)	% Rent Movement as at 31 Dec 2015
Crystal Plaza	3,407	No Change
Axis Business Park	15,713	12.13%
Axis Shah Alam DC 1	110,406	15.38%
Wisma Kemajuan	64,060	10.63%
Axis Eureka	160	0.22%
Axis Technology Centre	111,889	10.04%
Seberang Prai Logistic Warehouse 3	64,500	No Change
Quattro West	10,991	7.50%
Wisma Academy Parcel	79,026	7.09%
FCI Senai	136,619	12.00%
Infinite Centre	9,040	2.06%
Delfi Warehouse	130,743	No Change
TOTAL	736,554	
Space due for renewal 2015	902,251	
Tenant Retention Rate	82%	

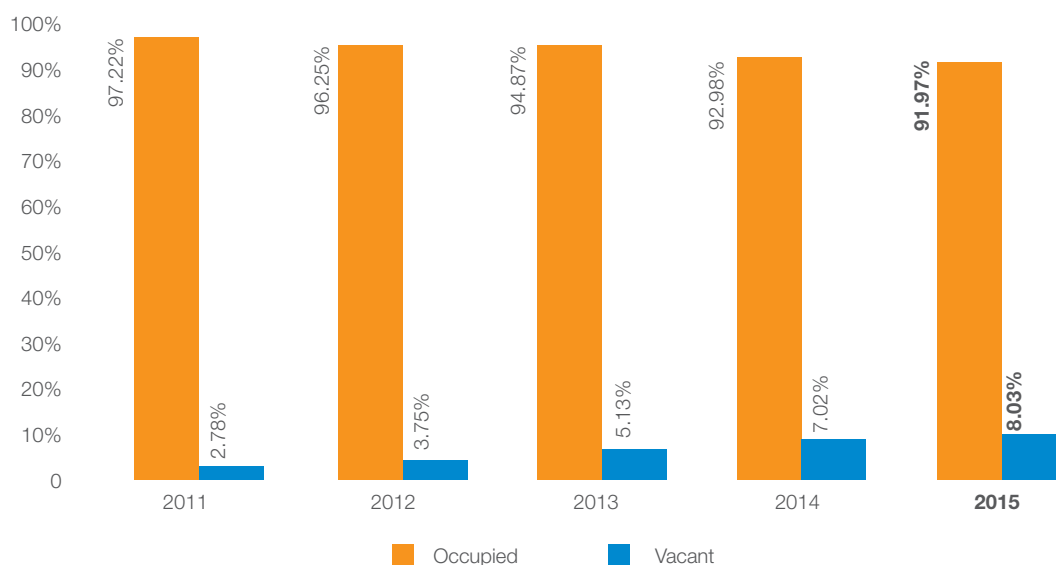
Occupancy Management

The Real Estate Team has a strong culture of cultivating good customer relationships and, to-date, we have managed to maintain a good track record of tenant retention. The percentage of leases renewed has been consistently high and well above the industry average.

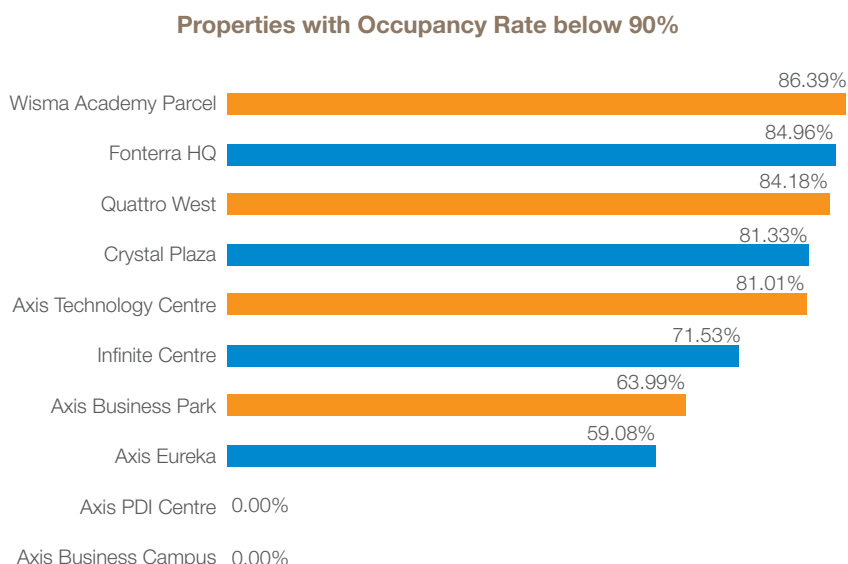
The team is also proactive in securing tenants to fill vacant spaces in our portfolio and we work closely with registered real estate agents to enable a wider market reach. The soft economic environment in the second half of 2015 has impacted the conclusion of new tenancy as companies are more cautious in their expansion and relocation plans. Decision making was deliberated longer. However, in Q4 2015 the Real Estate Team managed to secure new leases to fill the portfolio.

Our overall portfolio occupancy stood at 91.97% as at 31 December 2015. This was 1.01% lower when compared to 2014 as Axis PDI Centre became vacant in Q4 2015. The Manager is taking this opportunity to redevelop this 50 acre site into a 1.3 million sq. ft. warehouse and will be collaborating with our promoter for this project.

Portfolio Occupancy Rate 2011 - 2015



As at 31 December 2015, 10 of our 34 properties registered an occupancy rate below 90%. These properties are listed in the table below:



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 five 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 tenants are satisfied with the building management.

Tenant Care

The Real Estate Team, together with the facilities management and project management divisions, provide good customer care services to our tenants. We are proud that, because of this, some tenants have been growing 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; and
- 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 steps to mitigate them:

Tenant Credit Worthiness

To minimise tenant credit risk, a credit evaluation process is conducted before a prospect is offered tenancy within our portfolio. This is then repeated annually to ensure the business is progressing well. 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, credit risks of the tenant and commercial negotiation. 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. The average security deposit for the portfolio is approximately three months of rental income,

With a tenant base of 140 local and international companies, dedicated efforts have been put in to manage account receivables. This enables us to react efficiently towards any delay in payments. We also have a seven-day payment period which will incur a 1.5% compensation charge.

Maintaining a Diverse Tenant Base

Axis-REIT has 140 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 53.49% of the Fund's total revenue in 2015.

The top 10 rental income contributors by gross rental as at 31 December 2015 are:

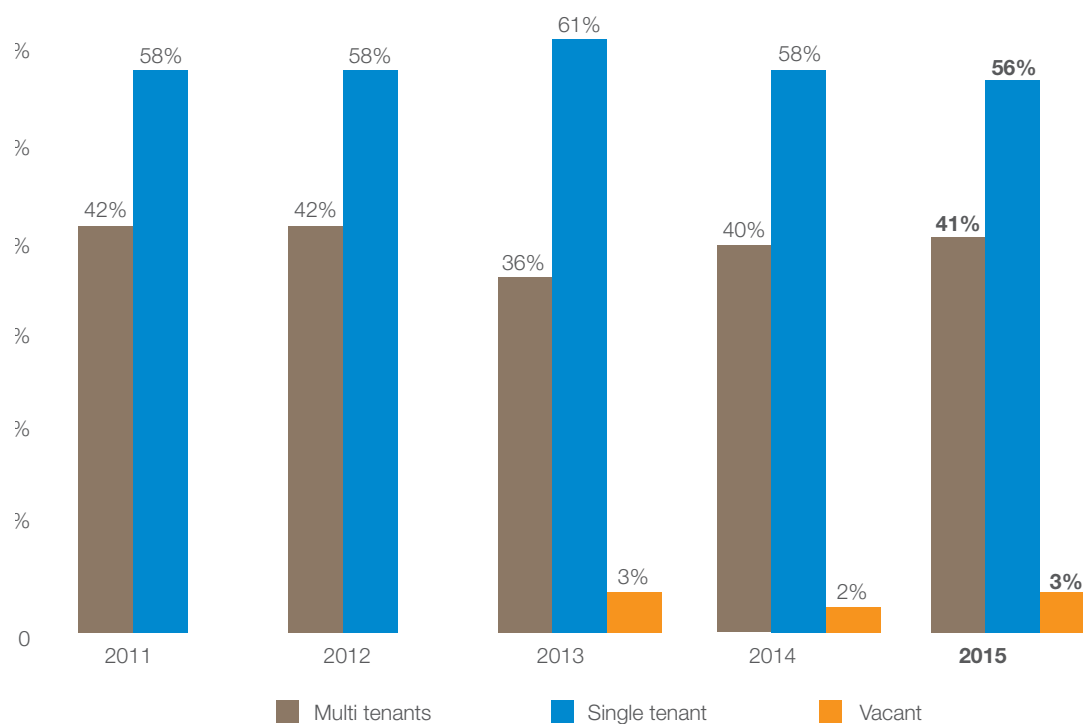
- Konsortium Logistik Berhad
- LF Logistics Services (M) Sdn. Bhd.
- Yongnam Engineering Sdn. Bhd.
- Schenker Logistics (Malaysia) Sdn. Bhd.
- Tenaga Nasional Bhd.
- Tesco Stores (Malaysia) Sdn. Bhd.
- Strateq Data Centre Sdn. Bhd.
- DHL Properties (Malaysia) Sdn. Bhd.
- SR Technics Malaysia Sdn. Bhd.
- Nippon Express (M) Sdn. Bhd.

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.

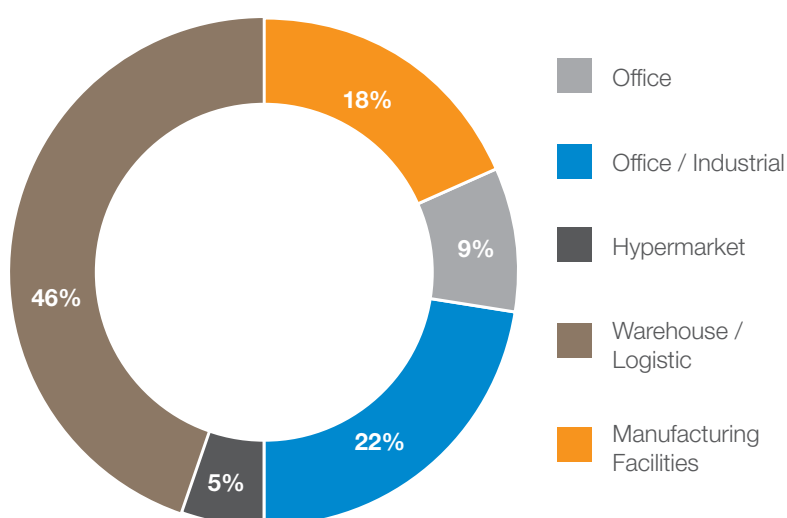
The majority of our multi-tenanted properties are located in prime locations of Petaling Jaya, namely Menara Axis, Crystal Plaza, Quattro West, Axis Business Park, Infinite Centre, Wisma Kemajuan, Wisma Academy Parcel, The Annex, Axis Technology Centre and Axis Vista.

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

Single-Tenanted Properties vs Multi-Tenanted Properties



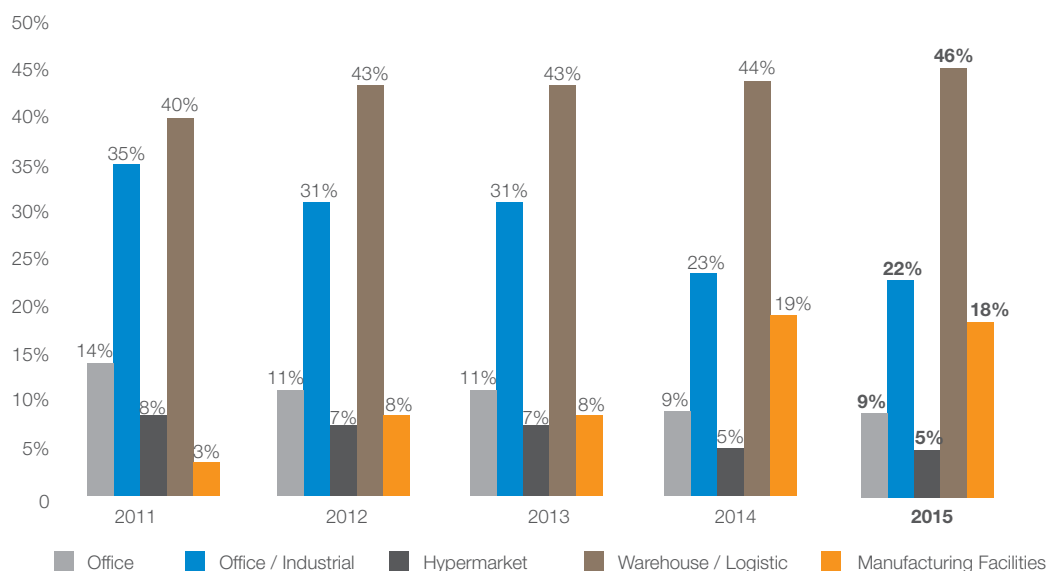
Portfolio Diversification by Type and Net Lettable Area



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

Real Estate Report

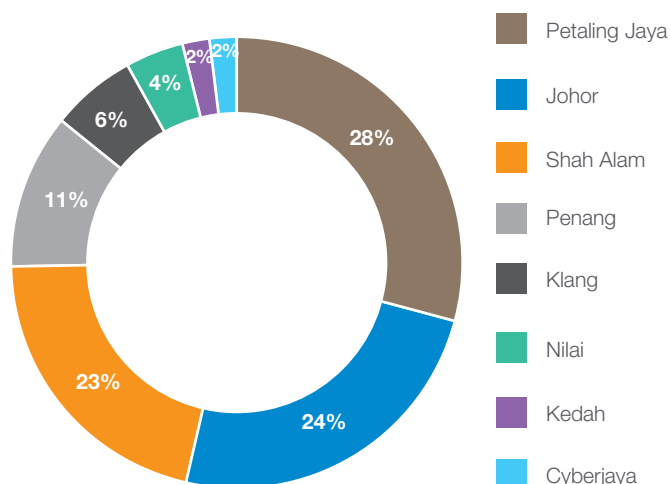
Diversification by Property Type and Net Lettable Area – 5 Year Analysis



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. Our asset acquisition targets will focus on these locations with excellent growth potential.

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 only to certain sectors. 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 five years is:

	2011	2012	2013	2014	2015
By NLA	5.64	4.43	3.89	4.22	3.89
By Rental	5.19	4.17	3.99	4.33	3.99

The WALE by NLA and rental has reduced due to the shortening of lease term. This will be improved with new long leases secured.

Managing Lease Expiry Profiles

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

In 2015, 902,251 sq. ft. of the net lettable area of the portfolio was due for renewal. The Real Estate Team has managed to renegotiate tenancy renewal for 736,554 sq. ft. of space achieving 82% tenant retention rate. We are confident we will manage the tenancy renewals in 2016.

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

Properties	Year 2016	% of Total NLA	% of Rental Income / month	Year 2017	% of Total NLA	% of Rental Income / month	Year 2018	% of Total NLA	% of Rental Income / month
Menara Axis	103,019	1.47	3.29	22,073	0.31	1.11	-	-	-
Crystal Plaza	120,122	1.71	3.82	11,153	0.16	0.33	-	-	-
Axis Business Park	65,284	0.93	1.44	139,407	1.99	3.04	7,717	0.11	0.22
Infinite Centre	51,145	0.73	1.02	30,383	0.43	0.46	21,096	0.30	0.38
Wisma Kemajuan	129,279	1.84	2.34	9,583	0.14	0.26	47,569	0.68	0.91
Axis Vista	40,937	0.58	0.72	77,080	1.10	1.26	-	-	-
Quattro West	61,474	0.88	2.09	8,073	0.12	0.25	18,160	0.26	0.54
Axis Technology Centre	61,234	0.87	0.95	34,020	0.48	0.39	20,635	0.29	0.45
Axis Eureka	15,235	0.22	0.52	54,259	0.77	1.59	-	-	-
Wisma Academy Parcel	65,148	0.93	1.28	50,741	0.72	1.07	78,145	1.11	1.45
The Annex	45,400	0.65	0.51	-	-	-	-	-	-
Emerson Industrial Facility Nilai	291,642	4.16	1.66	-	-	-	-	-	-
Axis Steel Centre	-	-	-	366,839	5.23	3.59	-	-	-
Bayan Lepas Distribution Centre	-	-	-	205,151	2.92	3.03	-	-	-
Seberang Prai Logistic Warehouse 3	395,225	5.63	4.10	-	-	-	-	-	-
Fonterra HQ	600	0.01	0.01	-	-	-	-	-	-
BMW Centre PTP	-	-	-	161,474	2.30	2.38	-	-	-
Axis PDI Centre	-	-	-	-	-	-	-	-	-
Axis Shah Alam DC 1	-	-	-	-	-	-	-	-	-
Axis Shah Alam DC 2	-	-	-	-	-	-	164,400	2.34	1.94
D8 Logistics Warehouse	-	-	-	-	-	-	171,000	2.44	2.27
FCI Senai	-	-	-	-	-	-	136,619	1.95	1.16
Delfi Warehouse	130,743	1.86	1.06	-	-	-	-	-	-
Axis Shah Alam DC 3	362,167	5.16	4.50	-	-	-	-	-	-
Total	1,938,654	27.63	29.31	1,170,236	16.67	18.76	665,341	9.48	9.32

Real Estate Report

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 remaining of term for the leasehold properties is described in the table below.

Properties		Land Tenure	Years Remaining on Leasehold Expiry as at 31-12-2015
1	Axis Business Park	Leasehold	45
2	Crystal Plaza	Leasehold	44
3	Menara Axis	Leasehold	50
4	Infinite Centre	Leasehold	50
5	Wisma Kemajuan	Leasehold	50
6	Axis Business Campus	Leasehold	53
7	Axis Shah Alam DC 1	Freehold	-
8	Giant Hypermarket	Freehold	-
9	FCI Senai	Leasehold	52
10	Fonterra HQ	Freehold	-
11	Quattro West	Leasehold	57
12	Strateq Data Centre	Leasehold	53
13	Niro Warehouse	Leasehold	36
14	BMW Centre PTP	Leasehold	40
15	Delfi Warehouse	Leasehold	52
16	Axis Vista	Leasehold	51
17	Axis Steel Centre	Leasehold	87
18	Bukit Raja Distribution Centre	Freehold	-
19	Seberang Prai Logistic Warehouse 1	Leasehold	38
20	Seberang Prai Logistic Warehouse 2	Leasehold	38
21	Tesco Bukit Indah	Freehold	-
22	Axis PDI Centre	Leasehold	76
23	Axis Technology Centre	Leasehold	52
24	D8 Logistics Warehouse	Leasehold	40
25	Axis Eureka	Freehold	-
26	Bayan Lepas Distribution Centre	Leasehold	47
27	Seberang Prai Logistic Warehouse 3	Leasehold	37/53
28	Emerson Industrial Facility Nilai	Leasehold	80
29	Wisma Academy Parcel	Leasehold	47
30	The Annex	Leasehold	47
31	Axis MRO Hub	Leasehold	70
32	Axis Shah Alam DC 3	Freehold	-
33	Axis Steel Centre @ SiLC	Freehold	-
34	Axis Shah Alam DC 2	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 of this Report.

This table describes 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 31-12-2015 (RM'000)	% of Total Portfolio
1 Axis Business Park	03/08/2005	84,600	98,657	20,344	119,000	5.81
2 Crystal Plaza	03/08/2005	56,400	65,076	44,324	109,400	5.34
3 Menara Axis	03/08/2005	71,440	82,410	37,591	120,000	5.86
4 Infinite Centre	03/08/2005	25,450	35,237	6,763	42,000	2.05
5 Wisma Kemajuan	16/12/2005	29,192	36,899	25,101	62,000	3.03
6 Axis Business Campus	30/06/2006	32,681	58,731	14,807	73,538	3.59
7 Axis Shah Alam DC 1	01/08/2007	18,783	20,148	7,353	27,500	1.35
8 Giant Hypermarket	07/09/2007	38,678	38,973	2,027	41,000	2.00
9 FCI Senai	15/11/2007	12,538	12,693	4,307	17,000	0.83
10 Fonterra HQ	16/11/2007	7,352	11,127	3,872	15,000	0.73
11 Quattro West	30/11/2007	40,376	50,702	5,098	55,800	2.73
12 Strateq Data Centre	25/01/2008	37,549	42,729	10,471	53,200	2.60
13 Niro Warehouse	30/04/2008	14,811	15,234	2,466	17,700	0.87
14 BMW Centre PTP	30/04/2008	27,470	28,160	2,141	30,300	1.48
15 Delfi Warehouse	04/08/2008	12,743	12,803	2,797	15,600	0.76
16 Axis Vista	09/12/2008	32,481	33,748	22,251	56,000	2.74
17 Axis Steel Centre	20/10/2009	65,882	66,288	3,727	70,016	3.42
18 Bukit Raja Distribution Centre	14/12/2009	72,636	75,492	21,508	97,000	4.73
19 Seberang Prai Logistic Warehouse 1	05/03/2010	17,695	17,821	2,378	20,200	0.99
20 Seberang Prai Logistic Warehouse 2	05/03/2010	6,981	7,384	615	8,000	0.39
21 Tesco Bukit Indah	01/10/2010	76,750	76,924	15,076	92,000	4.49
22 Axis PDI Centre	15/10/2010	86,146	86,521	(1,522)	85,000	4.15
23 Axis Technology Centre	15/11/2010	49,697	50,240	2,960	53,200	2.59
24 D8 Logistics Warehouse	01/03/2011	30,521	30,689	1,812	32,500	1.59
25 Axis Eureka	18/04/2011	52,050	53,236	764	54,000	2.60
26 Bayan Lepas Distribution Centre	17/01/2012	49,471	50,067	1,432	51,500	2.51
27 Seberang Prai Logistic Warehouse 3	15/02/2012	60,139	61,771	1,728	63,500	3.10
28 Emerson Industrial Facility Nilai	30/08/2012	27,011	27,316	2,693	30,009	1.47
29 Wisma Academy Parcel	01/10/2012	74,242	74,863	5,041	79,905	3.90
30 The Annex	01/10/2012	12,289	13,239	5,630	18,868	0.92
31 Axis MRO Hub	18/12/2014	53,357	53,375	(375)	53,000	2.59
32 Axis Shah Alam DC 3	18/12/2014	185,661	185,677	(2,287)	183,390	8.95
33 Axis Steel Centre @ SILC	30/12/2014	156,020	155,949	(449)	155,500	7.59
34 Axis Shah Alam DC 2	31/3/2015	45,751	45,781	219	46,000	2.25
Total		1,664,843	1,775,960	272,663	2,048,626	100.00%



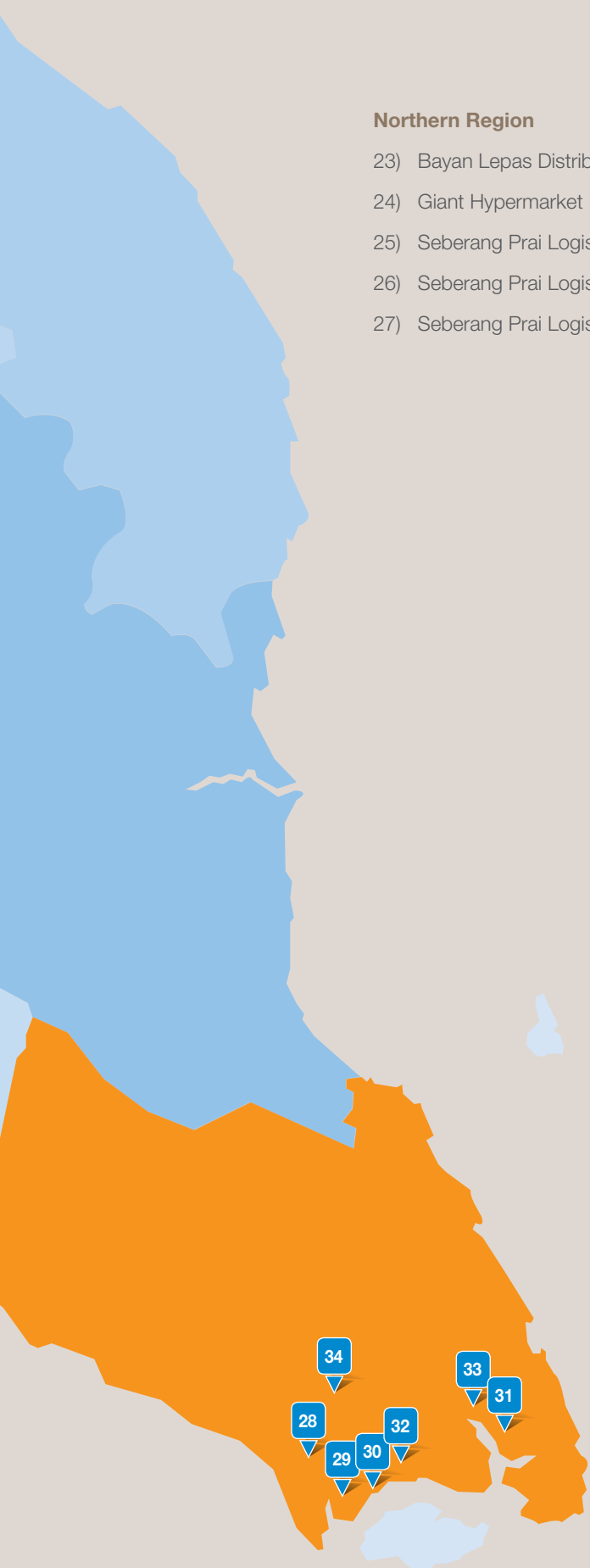
Locations of Investment Property Portfolio as at 31 December 2015

Northern Region

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

Southern Region

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



Investment Property Portfolio

as at 31 December 2015

34 Properties

7,015,242 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 DC2



Axis Shah Alam DC 3

Central Region - Port Klang



Fonterra HQ



Axis PDI Centre



Axis Steel Centre



Bukit Raja Distribution Centre

**Central Region -
Cyberjaya**



21

Axis Eureka

**Central Region -
Nilai**



22

Emerson Industrial Facility Nilai

Northern Region



23

Bayan Lepas
Distribution Centre



24

Giant Hypermarket



25

Seberang Prai
Logistic Warehouse 1



26

Seberang Prai Logistic
Warehouse 2



27

Seberang Prai Logistic Warehouse 3

Southern Region



28

Axis Steel Centre @ SiLC



29

BMW Centre PTP



30

D8 Logistics Warehouse



31

Delfi Warehouse



32

FCI Senai



33

Niro Warehouse



34

Tesco Bukit Indah

Portfolio Details

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-15 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1 Menara Axis	03/08/2005	71,400	82,410	120,000	183,745
2 Crystal Plaza	03/08/2005	56,400	65,076	109,400	204,867
3 Axis Business Park	03/08/2005	84,600	98,657	119,000	331,949
4 Infinite Centre	03/08/2005	25,450	35,237	42,000	143,471
5 Wisma Kemajuan	16/12/2005	29,000	36,899	62,000	199,008
6 Axis Business Campus	30/06/2006	32,500	58,731	73,538	151,630
7 Axis Shah Alam DC1	01/08/2007	18,500	20,148	27,500	110,406
8 Giant Hypermarket	07/09/2007	38,000	38,973	41,000	138,000
9 FCI Senai	15/11/2007	12,300	12,693	17,000	136,619
10 Fonterra HQ	16/11/2007	7,200	11,127	15,000	36,310
11 Quattro West	30/11/2007	39,800	50,702	55,800	104,196
12 Strateq Data Centre	25/01/2008	37,000	42,729	53,200	104,903
13 BMW Centre PTP	30/04/2008	27,000	28,160	30,300	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	33,748	56,000	118,017

Address	Gross Revenue for the period ended 31-12-15 (RM'000)	Occupancy Rate as at 31-12-15	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,275	93.74%	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.	9,316	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.	8,653	63.99%	Fuji Xerox Asia Pacific Pte Ltd Hitachi eBworx Sdn Bhd Honeywell Engineering Sdn Bhd Eltek Power (Malaysia) Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,480	71.53%	Procurri Malaysia Sdn Bhd Konica Minolta Business Solutions (M) Sdn Bhd C Melchers GmbH & Co
No. 2, Jalan 19/1B, Section 19, 46300 Petaling Jaya, Selangor.	6,639	95.35%	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.	362	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.	1,921	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.	1,726	100%	FCI Connectors Malaysia Sdn Bhd
No. 23, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	1,229	84.96%	Fonterra Brands (M) Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	5,031	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.	5,084	100%	Strateq Data Centre Sdn Bhd
Lot D21, Jalan Tanjung A/3, Distripark A, Port of Tanjung Pelepas, 81560 Johor.	3,685	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,751	100%	Niro Ceramic (M) Sdn Bhd
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,767	100%	Barry Callebaut Manufacturing Malaysia Sdn Bhd
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	3,313	100%	Convergent Strategies Sdn Bhd Mitsubishi Electric Sales Malaysia Sdn Bhd Extrovest Communications Sdn Bhd

Portfolio Details

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-15 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
17 Axis Steel Centre	20/10/2009	65,000	66,288	70,016	366,839
18 Bukit Raja Distribution Centre	14/12/2009	71,750	75,492	97,000	456,435
19 Seberang Prai Logistic Warehouse 1	05/03/2010	17,390	17,821	20,200	106,092
20 Seberang Prai Logistic Warehouse 2	05/03/2010	6,860	7,384	8,000	41,893
21 Tesco Bukit Indah	01/10/2010	75,600	76,924	92,000	233,579
22 Axis PDI Centre	15/10/2010	85,000	86,521	85,000	58,009
23 Axis Technology Centre	15/11/2010	49,000	50,240	53,200	170,730
24 D8 Logistics Warehouse	01/03/2011	30,000	30,689	32,500	171,000
25 Axis Eureka	18/04/2011	51,250	53,236	54,000	117,618
26 Bayan Lepas Distribution Centre	17/01/2012	48,500	50,067	51,500	205,151
27 Seberang Prai Logistic Warehouse 3	15/02/2012	59,000	61,771	63,500	395,225
28 Emerson Industrial Facility Nilai	30/08/2012	26,500	27,316	30,009	291,642
29 Wisma Academy Parcel	01/10/2012	73,000	74,863	79,905	234,326
30 The Annex	01/10/2012	12,000	13,239	18,868	45,400
31 Axis Shah Alam DC 3	18/12/2014	183,000	185,677	183,390	685,082
32 Axis MRO Hub	18/12/2014	52,500	53,375	53,000	161,280
33 Axis Steel Centre @ SiLC	30/12/2014	153,500	155,949	155,500	688,011
34 Axis Shah Alam DC 2	31/3/2015	45,000	45,781	46,000	164,400

Address	Gross Revenue for the period ended 31-12-15 (RM'000)	Occupancy Rate as at 31-12-15	Major Tenants
Lot 19, Lebuhraya Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang.	5,857	100%	Konsortium Logistik Bhd
No. 43 & 44, Lengkong Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor.	6,606	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.	6,499	0%	
No 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor.	3,788	81.01%	Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd NZ New Image Sdn Bhd
Lot D8, Jalan Tanjung A/4 Port of Tanjung Pelepas Gelang Patah, 81560 Johor.	3,724	100%	Nippon Express (M) Sdn Bhd
3539, Jalan Teknokrat 7 63000 Cyberjaya Selangor.	3,864	59.08%	Scicom (MSC) Berhad Multimedia Development Corporation Sdn Bhd
88A, Lintang Bayan 9, Lintang Bayan Lepas Industrial Park, Phase IV 11900 Bayan Lepas, Penang.	4,829	100%	DHL Properties (M) Sdn Bhd
No. 74, Lorong Perusahaan Utama 4, Bukit Tengah Industrial Park 14000 Bukit Mertajam, Penang.	6,728	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.	7,743	86.39%	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.	827	100%	Sports Garage Sdn Bhd
Lot No. 22202 Jalan Gambus 33/4, Off Jalan Bukit Kemuning, Batu 8.5 40400 Shah Alam, Selangor.	14,876	100%	Konsortium Logistik Berhad LF Logistics Services (M) Sdn Bhd
No. 3, Jalan Keluli 15/16 Section 15 40200 Shah Alam Selangor.	4,198	100%	SR Technics Malaysia Sdn Bhd
No. 27, Jalan SiLC 1/5, Kawasan Perindustrian SiLC 79200 Nusajaya, Johor.	11,632	100%	Yongnam Engineering Sdn Bhd
Lot No, 22202 (17562) Jalan Gambus 33/4 Section 33, Selangor	2,655	100%	Able Heights 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.

The Engineering Team had a very productive 2015 and has grown in strength to provide a more comprehensive in-house skill set. As firm believers of continuous education, our engineers are sent for regular training programmes to keep abreast with latest technologies and best practices. In 2015, two of our team members respectively qualified as Chartered Planning Engineer® and Certified Energy Manager®.

Sustainability has now become a standard practice in all our projects and we are now incorporating more energy-efficient fittings and equipment than ever before. Passive energy reduction techniques are the main considerations in all re-development projects to reduce overall property lifecycle management cost.

Asset Enhancements Undertaken in 2015

Axis Business Park Block C

We began the year by completing the enhancement of Axis Business Park Block C which is a five-storey office / warehouse facility. The project commenced in July 2014 and was completed on schedule in February 2015. The Manager spent approximately RM9.5mil for this enhancement which breathed new life into the 15-year old building which was purpose-built for Fuji Xerox. A space for F&B, which is now occupied by Seeds & Wheats Café, was also carved out to serve the tenants of the business park.



Axis Business Park Block B

Axis Business Park Block B is a five-storey office / warehouse which houses six tenants. With the two existing passenger lifts coming to 12 years in operation, the Manager decided it was time to upgrade the lifts in line with its new technology and sustainability policy. A competitive tender was carried out and the upgrading exercise began in January 2015. The lifts are being upgraded one at a time as the building is fully tenanted and to-date one lift has been completed while the other is due for completion by February 2016.

Asset Enhancement Initiatives

Menara Axis

With the lower occupancy at Menara Axis in 2015 due to tenant relocation, the Manager took the opportunity to initiate a refurbishment programme for our flagship property which was approaching 11 years of age. We began by upgrading the seven passenger lifts which serve the 17-storey building. This exercise was executed one lift at a time to minimise any disruption to tenants' comfort and operations. To-date, two lifts have been completed and are now more energy-efficient, equipped to handle more passengers and are configured in a way that minimises waiting time irrespective of which floor you are on.

The Manager also embarked on refurbishing all the common toilets in the building. All sanitary and electrical fittings were replaced with energy and water efficient fittings thereby reducing utility bills. Where possible, the toilets were expanded to cater to increased tenant population on each floor. The toilets are now refurbished with a modern look and feel. Other areas included in this refurbishment are the ground floor lobby area, main drop-off area, handicapped and loading ramp, surau and painting of various areas within the building.



New lift interior



New vanity top, basins with sensor taps



New toilet cubicles



New LED lights with motion sensor



Refurbished handicap-friendly and loading ramp



Refurbished ground floor lobby



Refurbished surau



Repainted basement car park

With the air-conditioning system of the building reaching the end of its life cycle, the Manager also upgraded the air-conditioning system. Holding steadfast to its sustainability policy introduced in 2014, the Manager opted for the energy-efficient and environmentally-friendly Variable Refrigerant Volume (VRV) air-conditioning system albeit at a higher cost. The upgrading exercise was preceded by an in-depth energy audit conducted by our own in-house certified Energy Manager.

This audit established the basis for our technical specification for the new air-conditioning system. A pilot programme involving three floors was initiated before full-scale upgrading of the system where its performance was monitored over several months. Actual comparison of electricity bills pre-upgrading and post-upgrading revealed energy savings of between 27% and 34%, which confirmed our audit results. This new air-conditioning system is benefitting the tenants significantly not only in terms of comfort but also reducing their utility bills. As with other enhancements in Menara Axis, this is being implemented on a staggered basis to minimise any disruption to tenants. To-date, the total cost of this on-going refurbishment is RM2.5mil. This exercise will continue well into 2016.



New VRV air-conditioning system

Asset Enhancement Initiatives

Wisma Academy

Wisma Academy is an office cum warehouse facility that was acquired in 2012. Although the acquisition is quite recent, the building is about 20 years old. With a larger percentage of tenants at Wisma Academy who are warehouse occupiers, there has been increasing demand to improve the functionality and efficiency of the lifts. As such, the Manager decided to embark on an enhancement exercise.

A competitive tender was carried out in late 2014 and the vendor was appointed in 2015. Work is currently under way and expected to be completed in December 2016. The passenger lifts will be equipped with the latest technology in energy-efficient and smart programming to enhance passenger traffic movement. The cargo lifts will be replaced entirely and expanded to cater for heavier loads. They will also be more durable and energy-efficient. It is anticipated that the new lifts will boost productivity and efficiency of tenants' operations.



New lift motor



New lift control panel



New lift controller

Axis Business Campus Block B Rooftop Car Park Roof Structure

Axis Business Campus refurbishment was completed in 2014. In view of the many requests from potential tenants for the rooftop car park to be covered, the Manager embarked on this project entirely to meet client satisfaction.



New roof structure for Block B car park



Completed roof structure with fire fighting system

Technical Due Diligence on New Acquisitions

As part of our scope of work, we closely support the Investments Department in the acquisition of new properties. In 2015, we performed technical due diligence for the potential acquisitions out of which one is the recently concluded Beyonics iPark Campus Block A, B, C and D in Johor. This covers regulatory compliance, property condition assessment study, audit of equipment maintenance, potential repairs or problems and documentation audit.

Enhancements for 2016

Continuing our asset enhancement initiatives into 2016, the Manager has planned more upgrading and refurbishment works within our portfolio. This includes adding a new passenger lift to service the under-utilised rooftop car park at Axis Technology Centre. The lift will provide easier access to over 180 parking bays for tenants. This will be an added facility for tenants at Axis Technology Centre and potentially Axis Business Campus located directly next door as car parks are scarce resources in most buildings today.

Wisma Academy Pacer will benefit from a new energy-efficient lighting system for the car park. This exercise will brighten the basement car park and provide a more secure feel for tenants. A comprehensive refurbishment of this property is also on the cards.

Additionally, the Manager will continue to embark on air-conditioning upgrades at Menara Axis and Axis Business Park in accordance with new environmentally-friendly systems.



The
Property
Management
Team



Property Manager's Report



Selina Khor
Property Manager
Axis Property Services

Siva Shankar
General Manager
Axis Facilities Management Sdn Bhd

The Property Manager is glad to report an Efficiency Ratio of 14.56% in 2015, which is the best performance achieved in the last five years.

The Manager has appointed Axis Property Services as the Property Manager for the Fund. The Property Manager, together with the service provider Axis Facilities Management Sdn. Bhd. (collectively referred to as Property Manager), is entrusted with the day-to-day management of the portfolio. Together with a team of valuers, facility managers, engineers, chargemen and technicians, they ensure that the properties are well-maintained, costs are well-controlled, ensure the tenants are satisfied with the building management services and achieve high tenant retention and occupancy.

The key roles of the Property Manager are as follows:

Valuation

Coordinates the valuation undertaken by independent registered valuers engaged by the Trustees for new and existing properties to ensure they reflect fair market value.

The Fund has to abide by and comply with Clause 11.02 (1) (a) of the Securities Commission Guidelines on REIT's which all investment properties must undertake a full and comprehensive valuation at least once in three years. To ensure that no more than two consecutive valuations of any investment property may be carried out by the same approved registered valuer.

In addition, the Fund has to ensure that a revaluation of all investment properties is made in the form of "update" reports so as to reflect the changes in the market values in the books of the Fund as at 31 December of every year in compliance with FRS 140 (approved accounting standards).

The Property Manager will liaise with approved registered valuers and land surveyors on matters regarding indicative valuation on proposed acquisition of investment properties, land surveys, title amalgamation and other land-related matters.

Expense Management

The Property Manager ensures the expense management policies as set in the Manager's operations manual are strictly complied with and reviewed periodically together with the Manager and auditors on the effectiveness and accountability of the Fund. Should there be any need for improvement, or if changes in REIT Guidelines are required, then the Property Manager will prepare the necessary proposal and recommendation to the Manager for implementation.

The Property Manager adopts prudent operational strategy in line with the Manager's objective to maximise returns to the Fund without compromising service standards and agreed deliverables to tenants.

The key metrics used to measure Expense Management is the Efficiency Ratio (ER), which plots property operating expenses for the portfolio over gross revenue. The Property Manager is glad to report an ER of 14.56% in 2015, which is the best ER achieved in the last five years;

Year	2011	2012	2013	2014	2015
Efficiency Ratio (ER)	15.19%	15.17%	14.73%	15.66%	14.56%

Facilities Management Services

The Property Manager through facilities management services ensures the functionality of the built environment by integrating people, places, processes and technology. The Property Manager ensures the facility management team is equipped with the skill sets, knowledge and abilities required to effectively perform its work armed with the following core competencies;

- Communication
- Emergency Preparedness and Business Continuity
- Environmental Stewardship and Sustainability
- Leadership and Human Resources Management
- Operations and Maintenance
- Project Management
- Car Park Management
- Tactical Planning and Technology
- Strategic Asset Planning and Life Cycle Analysis
- Governance and Accountability

The facilities management team is strategically stationed on site based on the geographical location of the 34 properties under the portfolio of the Fund as follows:

Facilities Management Team



SIVA SHANKAR
General Manager of
Facilities Management



LOH YEN FERN
Senior Project Manager



LOH WAI YAN
Senior Property Executive



KATHERINE LIM
Administrative Assistant

PETALING JAYA



LIEW LEE TACK
Facility Manager
• Wisma Academy Parcel
• The Annex



CHANDRA SEHARAN
Facility Manager
• Menara Axis
• Crystal Plaza



V. KAMALAHASAN
Facility Manager
• Wisma Kemajuan
• Quattro West



SIVAKUMAR
Facility Manager
• Infinite Centre
• Axis Business Park
• Straeq Data Centre



ISHAK ABU BAKAR
Facility Manager
• Axis Technology Centre
• Axis Business Campus
• Axis Vista

SHAH ALAM / KLANG



ARMEE ZABIDI
Facility Manager
• Fonterra HQ
• Axis Shah Alam DC 1
• Axis Shah Alam DC 2
• Axis Shah Alam DC 3
• Axis MRO Hub



LOH YEN FERN
Senior Project Manager
• Axis Steel Centre
• Bukit Raja Distribution
Centre
• Axis PDI Centre

CYBERJAYA / NILAI



BOO VOON CHOY
Facility Manager
• Axis Eureka
• Emerson Industrial
Facility Nilai

JOHOR



MOHD AZMI YAACOB
Facility Manager
• BMW Centre PTP
• D8 Logistic Warehouse
• Niro Warehouse
• FCI Senai
• Tesco Bukit Indah
Hypermarket
• Delfi Warehouse
• Axis Steel Centre
@ SiLC

PENANG & KEDAH



SUHAIMI MAT ISA
Facility Manager
• Giant Hypermarket
• Seberang Prai Logistic
Warehouse 1
• Seberang Prai Logistic
Warehouse 2
• Seberang Prai Logistic
Warehouse 3
• Bayan Lepas Distribution
Centre

Code Compliance

To ensure all properties under the portfolio of the Fund comply with all requirements from the relevant authorities, such as Fire Department (BOMBA), Department of Occupational Health and Safety (DOSH), Energy Commission, Local Councils and General Insurance Association of Malaysia (GIAM).

Stringent code compliance has resulted in a positive impact to the Fund, tenants and staff as well as improved relationships with the local authorities. The code compliance includes rules and regulations that take into consideration the safety and well-being of members of the community, with reference to fire codes, building codes and general property standards.

Car Park Management

In the best interest of the tenants and better expense management, the Manager has taken a stand to manage all car parks in the multi-tenanted buildings under the Fund's portfolio. The Property Manager, through the facilities management team, is currently managing approximately 3,000 bays in 12 buildings.

Among the major initiatives undertaken in 2015, was the atomisation and standardisation of car park systems for effective and efficient management, real time monitoring and auditing as well as better service and car park rates to the tenants. These initiatives have resulted in positive income to the Fund and excellent service to tenants and visitors to the buildings.

Knight Frank

Market Overview 2015

Market Indications

Amid domestic and external headwinds, the Malaysian economy continued to moderate in the third quarter of 2015 (3Q), recording a growth of 4.7% compared with 4.9% in 2Q 2015. Private investment expanded 5.5% in 3Q 2015 against 3.9% in 2Q 2015 attributed to increased capital spending in the manufacturing and services sectors while private consumption, grew at a slower pace of 4.1% (6.4% in 2Q 2015). For the whole year of 2015, the country's gross domestic product (GDP) is expected to range between 4.5% and 5.5% (5.1% for the first three quarters of 2015).

Bank Negara Malaysia has continued to maintain the Overnight Policy Rate (OPR) at an accommodative rate of 3.25% since the last hike in July 2014.

Malaysia's Industrial Production Index (IPI) expanded 5.0% for the period from January to October 2015 compared to 4.9% in the corresponding period in 2014, supported by increases in all indices of manufacturing (4.9%), mining (5.7%) and electricity (2.1%).

Malaysia's total trade from January to October 2015 was valued at RM1.212 trillion, a marginal increase of 0.47% from the preceding year. Year-on-year (YOY), exports grew by 1.5% to RM644.02 billion while imports contracted marginally by 0.68% to RM567.96 billion. Trade surplus rose 21.5% to RM76.07 billion compared with RM62.59 billion in the corresponding period in 2014.

Industrial Sector Overview

The manufacturing sector continued to maintain its position as the second key engine (after the services sector) to the country's growth. The sector's contribution to the country's total GDP has been fairly consistent on an annual basis, ranging from about 23.0% to 23.5%. For the first nine months of 2015, the sector's contribution of RM180,461 million represents 23.0% of the GDP.

Manufacturing Sector - Percentage Contribution to Total GDP in Malaysia (2010 to 1Q-3Q 2015)

	2010	2011	2012	2013	2014	1Q2015	2Q2015	3Q2015
Manufacturing (RM Million)	192,486	202,946	211,921	219,216	232,868	57,967	61,272	61,222
GDP (RM Million)	821,434	864,920	912,261	955,260	1,012,506	254,386	261,079	269,401
Percent of Total	23.43%	23.46%	23.23%	22.95%	23.00%	22.79%	23.47%	22.73%

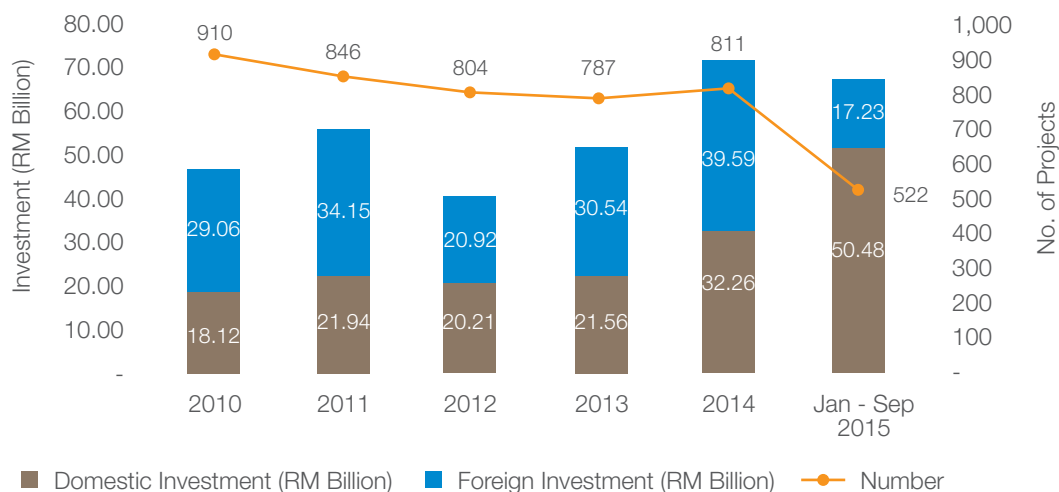
Source: Department of Statistics, Malaysia

The manufacturing sector recorded higher capital investment during the first nine months of 2015 compared to the corresponding period in 2014 despite a lower number of approved projects. There were 522 projects approved with a total investment of RM67.71 billion (circa 44.2% of the country's total investments of RM153.22 billion). These projects are expected to generate 50,179 employment opportunities.

Domestic investments formed the bulk of total investments with about 74.6% share (or RM50.48 billion), whilst foreign investments contributed RM17.23 billion or 25.6%. About 61.2% of the foreign investments in the manufacturing sector were from Asian countries such as Hong Kong, Japan, Singapore, China and Republic of Korea whilst investments from the United States and Germany collectively made up 19.5%.

Knight Frank Market Overview 2015

Manufacturing Sector: Investment Overview (2010 to Jan-Sept 2015)



Source: Malaysian Investment Development Authority (MIDA)

Five industries accounted for about 76.0% of the total approved investments, with petroleum products topping the list with total investments of RM25.37 billion, followed by liquefied natural gas (RM10.41 billion), electrical and electronic products (RM6.38 billion), transport equipment (RM5.88 billion) and non-metallic mineral (RM3.55 billion).

By state, Johor topped the list with RM30.0 billion or 44.3% of the total investments in the manufacturing sector, followed by Sarawak with RM11.76 billion (17.4%), Melaka RM6.79 billion (10.0%), Selangor RM5.91 billion (8.7%) and Penang RM5.40 billion (8.0%).

E-Commerce Sector Overview

Electronic commerce or e-commerce in short is the trading or facilitation of trading in products or services using computer networks. Typical e-commerce businesses draw on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange, inventory management systems and automated data collection systems (*source: Wikipedia*).

Malaysia has one of the most complete e-commerce environments in ASEAN with secure electronic transactions and regulations relating to privacy, cyber-crime and consumer protection (*source: UNCTAD; A.T. Kearney, analysis*).

With a growing young population and a high mobile penetration rate, more users are embracing e-commerce. The country has the third highest percentage of Internet users (67%) after Singapore and Brunei (*Source: Southeast Asia Digital 2015 Report*) and this indicates good potential for e-commerce market growth. E-commerce contributed RM48.60 billion (5.2%) to Malaysia's GDP in 2012 and RM53.50 billion (5.4%) in 2014, reflecting 10.1% growth. Its market share is expected to expand further in 2015 and 2016 to about RM72 billion and RM88 billion respectively.

The rapid rise of online retail shopping from business-to-customer (B2C) and customer-to consumers (C2C) has driven the courier delivery industry and this augurs well for the logistics sector. Besides broadening their networks nationwide, logistics companies are also investing in new storage systems and management software to ensure timely delivery of products whilst offering other value-added services like labeling and repackaging.

Malaysia ranked 25 out of 160 countries in the World Bank Logistics Performance Index (LPI) Report 2014. The country's high-quality logistics infrastructure ensures that online retail purchases can be delivered in a timely manner.

One of the aims of the Eleventh Malaysia Plan (2016 – 2020) is to position the country as a 'Preferred Logistics Gateway to Asia' and this is supported by the timely establishment of the ASEAN Economic Community (AEC) in 2015, a major milestone in regional economic integration. Collectively, with AEC as the third largest economy in Asia and the seventh largest in the world, this huge market provides stimulus for the logistics sector to grow further.

With warehousing being an integral part of the logistics network, notable players in the market appear to be on an expansion mode and they include the following:

Century Logistics is building a multi-storey warehouse which is also set to be the company's headquarters in the Eastern Gateway Industrial Hub in Klang. The new facility with additional space of 300,000 sq. ft. to 450,000 sq. ft. is slated for completion by mid-2017.

DHL Supply Chain (M) Sdn Bhd, a subsidiary of Germany's Deutsche Post DHL, is opening a new mega warehouse in Shah Alam as part of its RM100 million expansion. The Malaysia Integrated Logistics Centre (ILC) will add 1.5 million sq. ft. of warehouse space.

City-Link, meanwhile, has expanded its third-party warehousing at its integrated hub in Bandar Saujana Putra, to diversify its income base and boost its revenue.

Industrial Market

1.0 Selangor

1.1 Industrial Sector

Selangor recorded a total of 171 approved manufacturing projects for the January to September 2015 period, a slight reduction from the preceding period of 2014 (182 projects(1)) with total capital investment of RM5.91 billion.

Selangor - Approved Manufacturing Projects (2010 to Jan-Sept 2015)

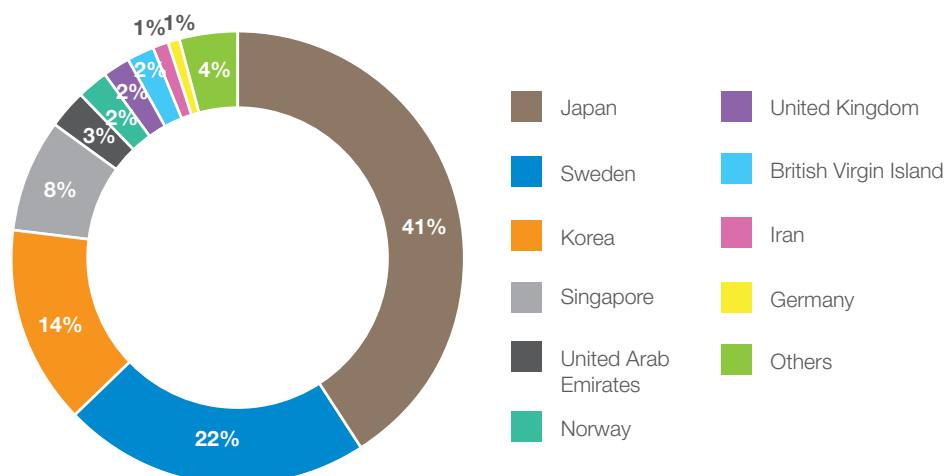
	2010	2011	2012	2013	2014	Jan-Sept 2015
Number of Approved Projects	325	263	252	228	329	171
Total Capital Investment (RM Billion)	10,642	8,741	11,735	9,833	7,042	5,913

Source: Malaysia Investment Development Authority (MIDA), Dec 2015

Note: (1) Jan – Sept 2014

According to data from the Selangor State Investment Centre (SSIC), foreign direct investments (FDI) accounted for about 48.0% of the total approved capital investment with the biggest investors coming from Japan (41.0%), followed by Sweden (22.0%) and Korea (14.0%).

Selangor - Foreign Direct Investment in Manufacturing Projects by Country (Jan-Sept 2015)

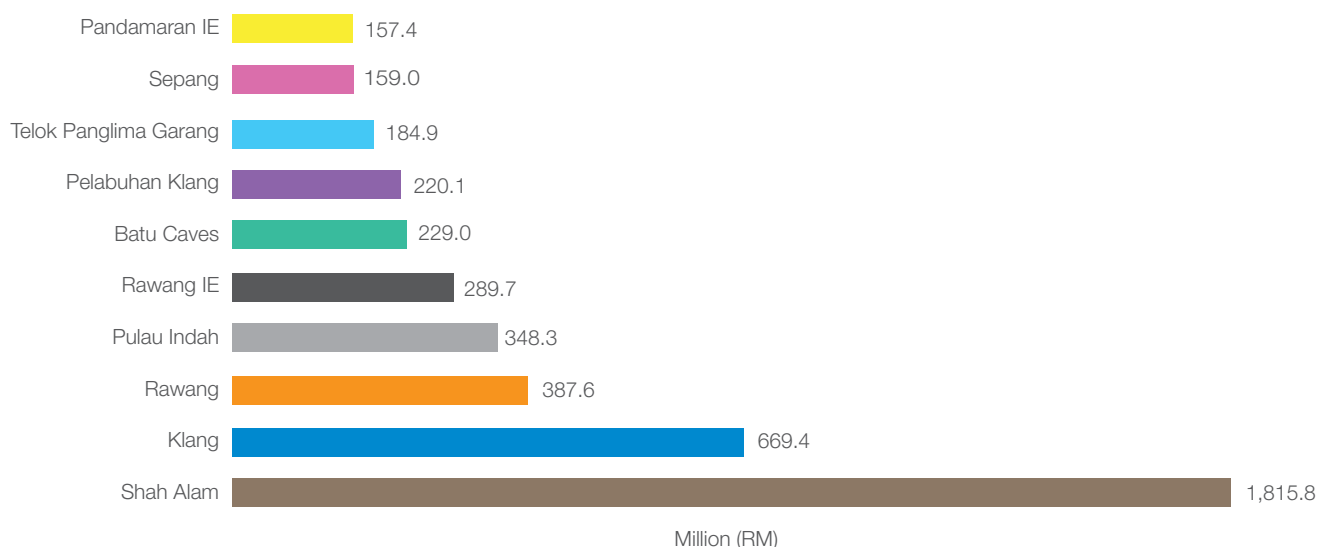


Source: Selangor State Investment Centre (SSIC), Dec 2015

Location-wise, Shah Alam registered the highest investments at RM1,815.0 million, followed by Klang (RM669.4 million), Rawang (RM387.6 million), Pulau Indah (RM348.3 million), Rawang Timur (RM289.7 million), Batu Caves (RM229.0 million) and Pelabuhan Klang (RM220.1 million).

Knight Frank Market Overview 2015

Selangor - Top 10 Locations Approved Investments in Manufacturing Projects (Jan-Sept 2015)



Source: Selangor State Investment Centre (SSIC), Dec 2015

1.2 Industrial Property Market

1.2.1 Overview

For the first nine months of 2015 (January to September), Selangor recorded a total of 1,490 industrial property transactions, significantly lower by 23.6% when compared to the 1,950 transactions recorded in the corresponding period of 2014. Total value of transactions at RM4.49 billion was 18.8% lower than the preceding period.

Selangor – Industrial Property Volume and Value of Transactions (2013 to 1Q-3Q2015)

Industrial Property Type	2013		2014		1Q-3Q 2014		1Q-3Q 2015	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
Terraced	1,381	882.14	1,171	873.80	917	666.58	724	586.20
Semi-detached	416	1,327.79	652	2,067.42	505	1,610.55	300	1,140.43
Detached	250	1,962.09	253	2,134.98	168	1,491.43	154	1,851.03
Others ⁽¹⁾	634	1,779.31	469	2,561.67	360	1,756.45	312	909.47
Total	2,681	5,951.33	2,545	7,637.87	1,950	5,525.01	1,490	4,487.13

Source: National Property Information Centre (NAPIC)

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

The terraced factory category remained as the most actively transacted, accounting for 48.6% of the total volume of transactions recorded in the first nine months of 2015 with a corresponding transacted value of RM586.20 million (13.1%).

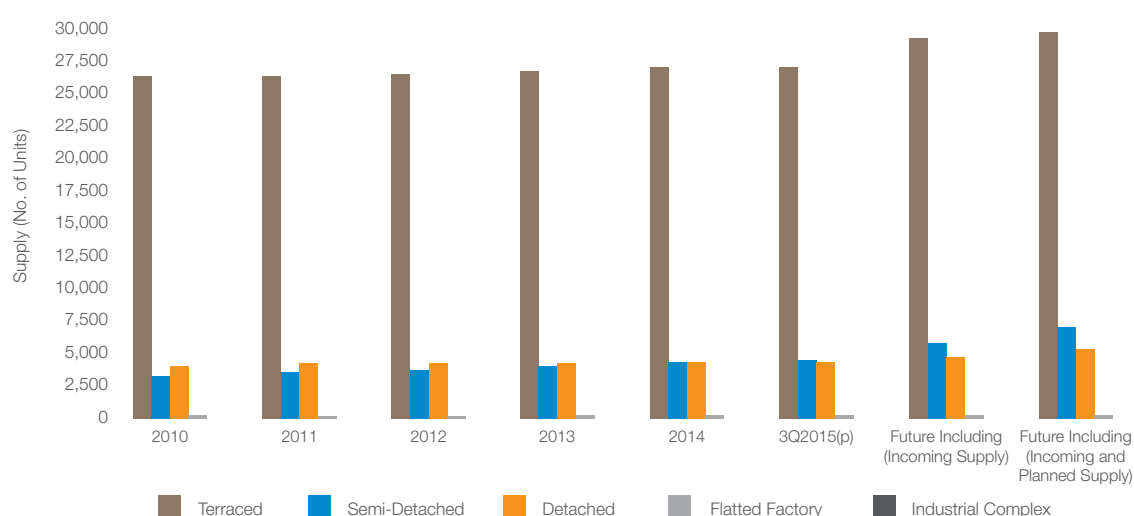
During the review period, each of the semi-detached and detached factory categories, recorded 300 (20.1%) and 154 (10.3%) transactions, with corresponding transacted values of RM1.14 billion (25.4%) and RM1.85 billion (41.3%) respectively. The average value per detached factory transaction is analysed to about RM12.02 million, reflecting a 35.4% increase from the preceding period in 2014.

1.2.2 Supply – Existing & Future

The cumulative existing supply of industrial properties in Selangor stood at 36,292 units as of 3Q 2015. There was an increase of 199 units from 2014, made up of 165 semi-detached and 34 detached units respectively. Despite no new completions in 2014, the terraced factory category continues to dominate existing supply with about 74.2% share, followed by the detached and semi-detached categories at 12.6% and 12.2% respectively.

The existing stock is mainly located within Petaling District (37.9%), Klang District (18.5%) and Hulu Langat District (16.7%).

Selangor - Supply of Industrial Properties by Type (2010 to 3Q2015)



Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary

In terms of incoming supply, the terraced and semi-detached categories dominate with 2,276 units (59.6%) and 1,268 units (33.2%) respectively with the bulk of new supply, 2015 units (52.8%) coming from Klang District.

Selangor - Supply of Industrial Properties by District (2010 to 3Q2015)

District	Existing Supply (No. of Units)						Future Supply (No. of Units)	
	2010	2011	2012	2013	2014	3Q2015(p)	Incoming	Planned
Petaling	14,089	14,161	14,362	14,478	13,740	13,740	635	177
Klang	6,510	6,522	6,546	6,638	6,703	6,714	2,015	1,486
Kuala Langat	295	295	295	298	298	324	70	216
Kuala Selangor	161	166	166	170	170	170	61	60
Sabak Bernam	21	21	21	35	35	35	26	1
Gombak	3,514	3,561	3,573	3,612	4,294	4,294	221	0
Hulu Selangor	3,771	3,721	3,721	3,721	4,088	4,088	283	0
Hulu Langat	5,172	5,247	5,356	5,686	5,882	6,044	465	345
Sepang	796	821	826	884	883	883	40	46
Total	34,329	34,515	34,866	35,522	36,093	36,292	3,816	2,331

Note: (p) = Preliminary

Source: National Property Information Centre (NAPIC)

A total of 2,331 industrial units are under planning, with some 49.8% comprising semi-detached units, followed by those in the detached category (29.7%). The majority of planned supply will come from Districts of Klang, Hulu Langat and Kuala Langat.

Knight Frank

Market Overview 2015

The industrial property development in Selangor saw new players venturing into the market in 2015 and they include Amalgamated Industrial Steel Bhd., Employees Provident Fund (EPF) and a new private equity firm, AREA Management Sdn. Bhd.

Steel maker Amalgamated Industrial Steel Bhd. (AISB) is planning an industrial property development project on an 11.5-acre land in Jalan Pelaya, Shah Alam. The project, which was opened for registration in June, will feature 12 units of semi-detached factories, two units of warehouses and six units of single-storey buildings. It is slated for completion by 2017.

In February, the Employees Provident Fund (EPF) entered into a joint-venture agreement with Australia-based Goodman Group, a global integrated commercial and industrial property group, to develop logistics assets in Malaysia with a total development value of approximately RM1.4 billion. The joint-venture is targeting to purchase lands in Klang Valley and Iskandar Malaysia region for developing international standard logistics facilities.

EPF has acquired a 40% stake in the RM600 million AREA Industrial Development Fund which was launched in November with other notable investors such as Canada Pension Plan Investment Board (CPPIB) and Denmark's Sparinvest Property Investors.

AIDF-1 is in the process of developing its maiden project dubbed Inner City Logistics Centre which will be sited on a 17-acre piece of land located in Ampang, Selangor. Slated for completion in 2017, the project will consist of a large high-end warehousing facility with 1.6 million sq. ft. of net lettable space.

1.2.3 Capital Value

In Selangor, there were several notable transactions of detached factories / warehouses in 2015. The transacted prices of the industrial premises, located within Subang Jaya, Shah Alam and Klang depend on location / scheme, land size, built-up area / accommodation and other value factors.

Selangor - Selected Industrial Property Transactions (2015)

No	Location	Property Details	Land Area (sq. ft.)	Tenure	Date of Transaction	Consideration (RM)
1.	Lot A5 and Lot A6, Tiong Nam Industrial Park 2 @ Shah Alam on land held under H.S.(D) 267852, PT 846, Section 15, Shah Alam	2 units of 3-storey semi-detached corporate factories	28,163	Leasehold	Jan 2015	14,847,690
2.	GRN 204616, Lot 78650 Mukim Damansara District of Petaling (Bukit Jelutong Industrial Park)	A single storey warehouse with 3-storey office building and ancillary buildings	56,585	Freehold	March 2015	17,600,000
3.	H.S.(D) 22385, PT 49 Section 15, Bandar Shah Alam, District of Petaling	A single storey warehouse with 2-storey office building	126,605	Leasehold	June 2015	23,320,000
4.	GM 1108, Lot 5009 Tempat 5 Mile Sungai Binjai Road, Mukim Kapar, District of Klang	A single storey detached factory and 3-storey office building and ancillary buildings	132,041	Freehold	June 2015	17,875,000
5.	PT4229, Lingkaran Sultan Hishamuddin, Selat Klang Utara, Kaw 20, Pelabuhan Klang	Industrial land and buildings erected thereon	304,618	Leasehold	July 2015	17,000,000

No	Location	Property Details	Land Area (sq. ft.)	Tenure	Date of Transaction	Consideration (RM)
6.	H.S.(D) 241036, PT 9925 Pekan Baru Sungei Buloh District of Petaling (Selangor Science Park 1)	Industrial land with a factory	N/A	N/A	August 2015	54,905,200
7.	H.S.(D) 86574, PT 277 Mukim Damansara District of Petaling (Sime UEP Industrial Park)	Land together with a unit of industrial property erected thereon	51,186	Freehold	September 2015	9,000,000
8.	GM 10245, Lot 23552 Mukim of Kapar District of Klang	A single storey factory with an annexed double storey office building and ancillary buildings	117,229	Freehold	September 2015	9,878,660
9.	H.S.(M) 10254, PT 14389 Mukim of Damansara District of Petaling	A 3-storey office building, 3 blocks of single-storey warehouse buildings and other ancillary buildings	218,235	N/A	October 2015	19,950,000
10.	H.S.(M) 43458, Lot 71510 Mukim of Kapar District of Klang	Industrial land with a factory	229,099	Freehold	December 2015	26,000,000

Source: Bursa Malaysia / Knight Frank Research, Dec 2015

Note: N/A = Not Available

1.2.4 Rental Value

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

Detached factory / warehouse properties in Temasya Glenmarie and Hicom Glenmarie Industrial Park command monthly rental rates in the region of RM1.70 per sq. ft. and RM2.20 per sq. ft. per month respectively while asking rents in the established industrial areas of Shah Alam, such as Sections 15, 21, 26 (Hicom Industrial Estate), range from RM1.20 per sq. ft. to RM2.00 per sq. ft. per month.

Asking rents in Subang Hi-Tech Industrial Park are observed to be between RM1.50 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 RM1.80 per sq. ft. per month. In Bukit Raja Industrial Park, rentals range from RM1.20 per sq. ft. to RM1.60 per sq. ft. per month.

In the traditional industrial areas of Klang (including Port Klang, Telok Panglima Garang, Pandamaran and Meru), asking rents remain between RM0.70 per sq. ft. and RM1.60 per sq. ft. per month.

Knight Frank

Market Overview 2015

2.0 Johor

2.1 Industrial Sector

Iskandar Malaysia secured investments totalling RM29.83 billion for the period from January to November 2015, bringing its cumulative committed investment since 2006 to RM187.96 billion (59.5% local: 40.5% foreign). Manufacturing formed the largest cumulative committed investments at RM52.10 billion (27.7%). To-date, about 50% or RM93.39 billion in investments have been realised.

For the first nine months of 2015, statistics from MIDA revealed that Johor recorded a total of 104 approved manufacturing projects with a corresponding capital investment of RM30.01 billion. Although the number of approved projects declined by 29.3% compared to the corresponding period in 2014, the amount of capital investment surged by 49.1%.

Johor – Approved Manufacturing Projects (2010 to Jan-Sept 2015)

	2010	2011	2012	2013	2014	Jan-Sept 2015
Number of Approved Projects	172	188	184	197	179	104
Total Capital Investment (RM Billion)	7,464.9	6,584.6	5,534.3	14,444.6	21,176.4	30,008.4

Source: Malaysia Investment Development Authority (MIDA), Dec 2015

Several new manufacturing plants and expansion plans were unveiled in the state during the year.

SDP Global Co. Ltd., a Japanese manufacturer of super-absorbent polymers, will establish a manufacturing plant on a 6.8-hectare land at the Tanjung Langsat Industrial complex in Johor. The plant is slated to begin operation in the second quarter of 2018.

German-based chemical company, BASF (M) Sdn. Bhd., has opened its first polymer dispersions production plant in Pasir Gudang, Johor - its third polymer dispersions plant in the ASEAN region.

In March, the world's largest independent storage company, Vopak opened its first commercial crude oil tank farm in South East Asia, located at Pengerang in Johor. The crude oil storage facilities will have a capacity of 420,000 cubic metres crude oil and about 1.3 million cubic metres to store oil products. It also offers blending and distribution services.

In August, Lotte Ube Synthetic Rubber Sdn. Bhd. opened its manufacturing plant at Tanjung Langsat Industrial Park, the first polybutadiene rubber (BR) facility in Malaysia. The plant is capable of producing 50,000 tonnes of BR per year.

Xin Hwa Holdings Bhd. expanded its warehouse capacity with the opening of a new warehouse (about 222,000 sq. ft.) in Pasir Gudang, Johor during the year.

2.2 Industrial Property Market

2.2.1 Overview

There were 923 transactions of industrial properties with a corresponding value of RM1,804 million for the January to September 2015 period in Johor state. The volume of transactions was marginally higher by 0.4% in comparison to the preceding period last year although the total transacted value was much lower by 10.2%.

Johor – Industrial Property Volume and Value Transactions (2013 to 1Q-3Q2015)

Industrial Property Type	2013		2014		1Q-3Q 2014		1Q-3Q 2015	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
Terraced	379	194.38	355	199.98	281	150.58	220	124.46
Semi-detached	249	344.81	260	435.07	194	327.69	156	292.08
Detached	181	678.89	241	1,230.90	186	798.81	169	776.79
Others ⁽¹⁾	406	1,031.99	399	981.50	258	730.72	378	610.50
Total	1,215	2,250.07	1,255	2,847.45	919	2,007.80	923	1,803.83

Source: National Property Information Centre (NAPIC)

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

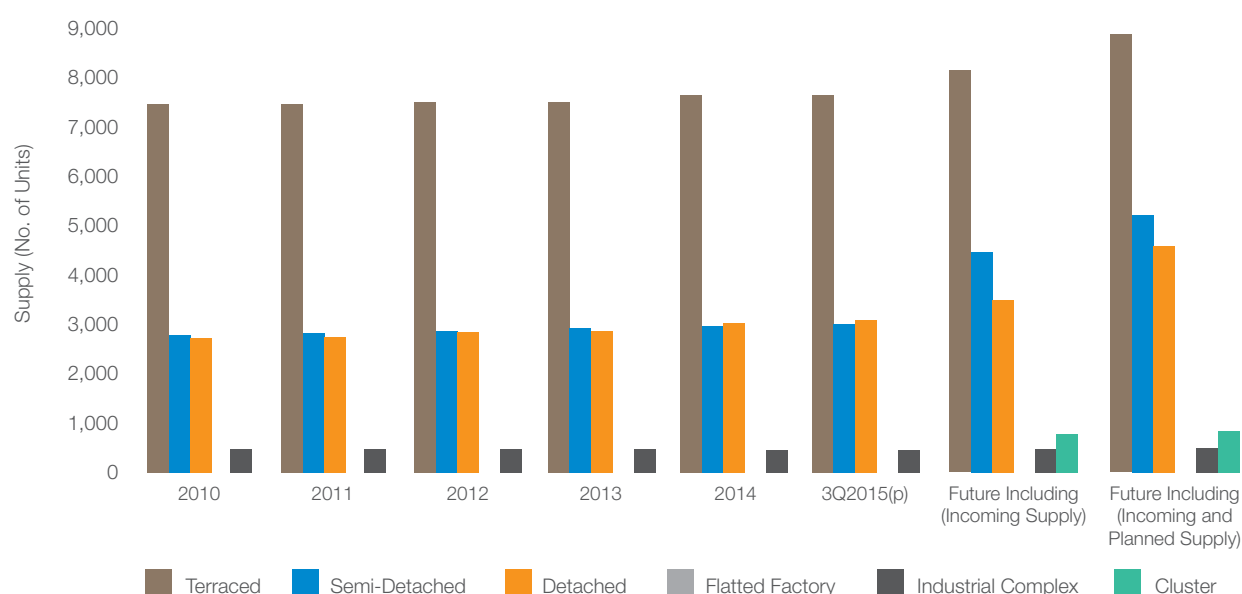
The detached factory category, which recorded 169 transactions (18.3% of total industrial transactions) during the period, accounted for about 43.1% of the total value transacted. The average value per detached factory transaction is analysed to circa RM4.60 million, reflecting a 7.0% increase from the preceding period.

The terraced and semi-detached factory categories recorded 220 and 156 transactions each, with corresponding transacted values of RM124.46 million and RM292.08 million respectively. Collectively, these categories account for 40.7% and 23.1% of the total volume and value of industrial property transactions in the state.

The other category, which includes industrial vacant plot, industrial complex and other types of industrial properties, accounts for the second highest transacted value with RM610.50 million (33.8% of total), after the detached factory category.

2.2.2 Supply – Existing and Future

The cumulative existing supply of industrial property in Johor was recorded at 14,246 units as at 3Q 2015. There was an increase of 87 units from 2014. The terraced factory category constitutes the bulk of existing supply with 7,647 units (53.7%), followed by the detached and semi-detached categories with 3,086 units (21.7%) and 3,017 units (21.2%) respectively. The existing stock is mainly located within District Johor Bahru (64.8%) and District Kulaijaya (10.5%).



Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary

Knight Frank

Market Overview 2015

There is a significant incoming supply of semi-detached factories, numbering some 1,450 units (or 47.2% of total incoming supply). A total of 2,646 factory units are currently under planning, made up of 1,097 units of detached factories and a fairly equal number of semi-detached (735 units) and terraced (728 units) factories.

Location-wise, District Johor Bahru accounts for 2,028 units or about 66.1% of the incoming supply whilst the bulk of planned supply will come from District Batu Pahat with 1,046 units (39.5%).

Johor - Supply of Industrial Properties by District (2010 – 3Q2015)

District	Existing Supply (No. of Units)						Future Supply (No. of Units)	
	2010	2011	2012	2013	2014	3Q2015 ^(p)	Incoming	Planned
Johor Bahru	8,814	8,858	8,967	9,048	9,166	9,229	2,028	710
Kota Tinggi	389	389	389	389	389	389	0	16
Pontian	247	247	248	250	250	250	153	153
Kluang	909	909	909	909	911	925	99	25
Mersing	28	28	28	39	40	40	33	21
Muar	268	274	274	276	173	173	0	21
Batu Pahat	1,122	1,130	1,139	1,143	1,159	1,159	136	1,046
Segamat	265	265	280	282	376	376	103	373
Kulaijaya	1,318	1,324	1,340	1,342	1,459	1,497	518	281
Ledang	92	92	115	115	236	208	0	0
Total	13,452	13,516	13,689	13,793	14,159	14,246	3,070	2,646

Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary

Industrial market activities in the state have been fairly active with Johor topping the list with RM30.01 billion or 44.3% of the country's total investments in the manufacturing sector.

EcoWorld has launched Eco Business Park III. Located next to Eco Tropics in Kota Masai, Pasir Gudang, the project offers 120 units of cluster factories and 86 units of semi-detached factories with built-up areas from 4,000 sq. ft. to 6,000 sq. ft. respectively.

In January, Tenu Teguh Sdn. Bhd. (a subsidiary of United Malayan Land Bhd.) awarded a contract to Kimlun Corporation Bhd. to undertake the construction work for 89 units of factories at Dover Business Park (Zone 1), which is the industrial property development component of a township dubbed Seri Albion in Pasir Gudang, Johor Bahru. The 89 units of factories comprise a mix of two-storey terraced factory units, two-storey cluster factories and two-storey link-detached factories with built-up areas ranging from 3,276 sq. ft. to 14,532 sq. ft. The construction work is scheduled to be completed by December 2016.

I-Park Development Sdn. Bhd. has acquired a plot of freehold land measuring 188.7 acres in Senai to extend its i-Park brand. i-Park@Senai Airport City, which is expected to be launched in 2Q 2016, will be developed in three phases. The entire project is expected to take at least seven years to complete.

UMLand is partnering Johor Biotechnology and Biodiversity Corp (J-Biotech) to develop a halal biotech park, called Johor Biotech Park, in Felda Cahaya Baru, Pasir Gudang. The park will be developed over the next seven years with the first phase consisting of 89 units of double-storey factories and other property development components.

Tokyo-based Mitsui and Co. Ltd. has entered into a joint-venture (JV) agreement with Nusajaya Tech Park Sdn. Bhd. to undertake a 10.7-hectare development, comprising built-to-suit (BTS) properties for lease.

Shanghai-based Greenland Holdings Group Ltd. is reportedly planning to acquire about 1,200 to 1,400 acres of industrial land near the Tanjung Langsat Industrial Complex for industrial development purposes.

2.2.3 Capital Value

There were several notable transactions of industrial premises reported in 2015.

Johor - Selected Industrial Property Transactions (2015)

No	Location	Type	Land Area (sq. ft.)	Tenure	Date	Consideration (RM)
1.	HS(D) 64393, 64394, 64395 & 64396 PTD 107898, 107899, 107900 & 107901, Mukim Kulai, Daerah Kulajaya	4 units of single-storey detached factory each with annexed 2-storey office building, bin centre / other supporting structures	425,196	Freehold	Nov 2015	61,000,000
2.	Land 1 HSD 5, Lot 1863; HSD 4, Lot 2491; HSD 3, Lot MLO 2244 HSD 25, Lot MLO 2256, Mukim Api-Api, District of Pontian, Johor Land 2 GM 1240, Lot 1368; GM 1239, Lot 1369 GM 1671, Lot 2515, Mukim Api-Api, District of Pontian, Johor	Industrial premises occupied by Karex Industries Sdn. Bhd. ⁽¹⁾	Land 1 311,372 Land 2 176,173	Land 1 Leasehold except for Lot MLO 2256 (commercial / industry status) Land 2 Freehold (agricultural status)	Mar 2015	Land 1 13,039,000 Land 2 1,761,000
3.	H.S.(D) 212194, PT 111292 Mukim of Plentong District of Johor Bahru	A piece of land together with a factory erected thereon	41,979	Freehold	Mar 2015	8,388,000

Source: Bursa Malaysia / Knight Frank Research

Note: (1) Karex has been occupying the premises since February 2004 with the current tenancy expiring 31 October 2015. The annual rental is approximately RM376,800.

2.2.4 Rental Value

In Johor, the average asking rentals for industrial premises in selected established industrial areas remain stable compared to the preceding year.

In the localities of Pasir Gudang, Port of Tanjung Pelepas and Senai, asking rentals 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 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.

Knight Frank

Market Overview 2015

3.0 Penang

3.1 Industrial Sector

For the January to September 2015 period, Penang recorded 87 approved manufacturing projects with corresponding capital investment of RM5.40 billion. The number of approved projects and investments were 28.1% and 10.0% lower when compared to the corresponding period in 2014.

Foreign investments accounted for RM3.50 billion or 64.9% of total investments, marginally higher than the preceding period whilst domestic investment which constituted the remaining RM1.90 billion contracted sharply by 28.6% from the previous high of RM2.66 billion.

Penang – Approved Manufacturing Projects (2010 to Jan-Sept 2015)

	2010	2011	2012	2013	2014	Jan-Sept 2014	Jan-Sept 2015
Number of Approved Projects	128	109	115	119	169	121	87
Total Capital Investment (RM Billion)	12,238.0	9,106.0	2,471.5	3,912.3	8,162.4	5,999.5	5,400.8

Source: MIDA

During the year, there were several announcements on expansion and closure of manufacturing plants in the state, mainly from the semiconductor sector.

New operations / expansions include Avago Technologies (Malaysia) in Bayan Lepas, Pentamaster Corporation Bhd. in Batu Kawan, Vitrox Corporation Bhd. in Batu Kawan and Paramit Corporation (a US-based medical device manufacturer) in Bukit Minyak. The majority of these upcoming facilities are expected to be operational by 2016 or 2017.

Meanwhile, HGST plans to close its Bayan Lepas plant by March 2016 whilst Amphenol Corp. is relocating its manufacturing facilities from Penang to China.

3.2 Industrial Property Market

3.2.1 Overview

For the first nine months of the year, Penang recorded a total of 518 industrial property transactions valued at RM602.35 million. The volume of transactions surged by 49.3% compared to the preceding period while there was a 15.2% increase in the value of transactions.

Penang – Industrial Property Volume and Value Transactions (2013 to 3Q2015)

Industrial Property Type	2013		2014		1Q-3Q 2014		1Q-3Q 2015	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
Terraced	257	168.75	247	146.01	187	111.74	147	109.06
Semi-detached	96	131.46	81	122.41	54	81.70	90	129.83
Detached	55	325.66	47	302.17	37	244.40	43	215.16
Others ⁽¹⁾	141	178.25	129	129.06	69	84.95	238	148.30
Total	549	804.12	504	699.65	347	522.79	518	602.35

Source: National Property Information Centre (NAPIC)

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

The volume of transactions for the semi-detached and detached factory categories increased to 90 units (66.7%) and 43 units (16.2%) with corresponding values of RM129.83 million and RM215.16 million respectively. Despite the higher volume of transactions in the detached factory category, there was a 12.0% decline in the transacted value. The average value per transaction for the semi-detached and detached factory categories were 4.6% and 24.2% lower respectively when compared to the preceding period.

The terraced factory category recorded 147 transactions valued at RM109.06 million, 21.4% and 2.4% lower than the preceding period in 2014.

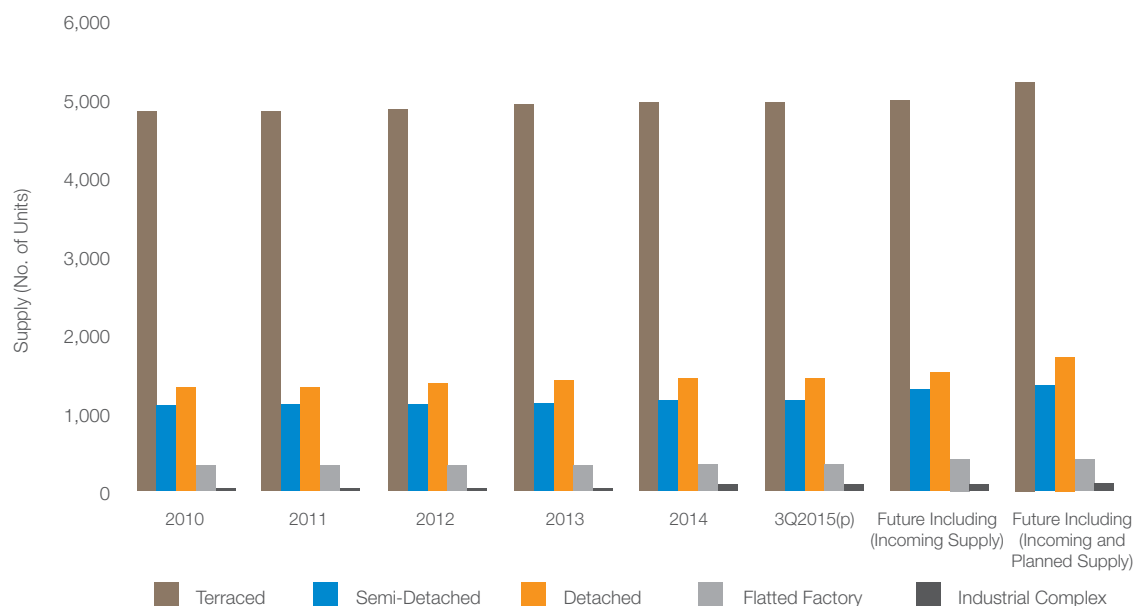
The other category which includes industrial vacant plot, industrial complex units and other types of industrial properties recorded 238 transactions with a corresponding value of RM148.30 million for the January to September 2015 period, a spike of 244.9% in volume and 74.6% increase in value of transactions respectively.

3.2.2 Supply – Existing & Future

The cumulative existing supply of industrial properties in Penang increased slightly to 8,016 units as at 3Q2015 (3Q2014: 8,006 units). The terraced factory category constitutes the bulk of existing supply at circa 62.0% (4,969 units), followed by the detached and semi-detached categories at 17.9% (1,439 units) and 14.5% (1,164 units) respectively.

The existing stock is mainly located within District Seberang Prai Tengah (56.7%), District Seberang Prai Utara (15.9%) and District Barat Daya (10.6%).

Penang - Supply of Industrial Properties by Type (2010 to 3Q2015)



Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary

The semi-detached and detached factory categories dominate the incoming supply with 136 units (46.3%) and 83 units (28.2%) respectively. In terms of location, the bulk of incoming supply will come from District Seberang Prai Selatan with 111 units, followed by District Timur Laut (67 units) and District Seberang Perai Tengah (58 units).

Knight Frank

Market Overview 2015

Penang - Supply of Industrial Properties by District (2010 to 3Q2015)

District	Existing Supply (No. of Units)						Future Supply (No. of Units)	
	2010	2011	2012	2013	2014	3Q2015 ^(p)	Incoming	Planned
Timur Laut	631	631	631	635	635	635	67	3
Barat Daya	718	718	730	743	848	848	44	30
Seberang Perai Utara	1,266	1,267	1,267	1,268	1,268	1,278	14	37
Seberang Perai Tengah	4,380	4,381	4,410	4,474	4,544	4,544	58	338
Seberang Perai Selatan	684	685	708	711	711	711	111	87
Total	7,679	7,682	7,746	7,831	8,006	8,016	294	495

Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary

A total 495 industrial units are under planning, with some 49.3% comprising terraced units, followed by those in the detached factory category (39.0%). The balance units under planning comprise semi-detached factories (50 units or 10.1%) and eight units (1.6%) of flatted factories. The majority of planned supply will be located within District Seberang Prai Tengah.

There were several notable industrial development related announcements in the state during 2015.

In February 2015, PKT Logistics Group appointed Eversendai Corporation Bhd. to undertake a turnkey project for the group's One Auto Hub project in Batu Kawan, Penang. The turnkey project, to be known as The 12 Waves and is the first of three phases at the One Auto Hub project, will comprise 12 modular warehouses in the shape of waves, a Rest and Relax area for truckers and an office suite. The project is slated for completion by April 2016.

Located at Bandar Cassia in Batu Kawan, Penang, One Auto Hub will offer two million sq. ft. of space consisting of The 12 Waves (warehouse), The Ship Campus (university), The Lighthouse Lodge (Premium B&B), The Automotive Boulevard and Part Centre. It is expected to emerge as the largest automotive logistics provider in Malaysia to cater to the needs of the automotive industry.

In June, Sime Darby (Utara) Sdn. Bhd. and Penang Development Corporation (PDC) formulated a masterplan to develop agricultural lands located in Byram and Changkat at Nibong Tebal in southern Seberang Prai. Under the master plan, Sime Darby will develop a 926.8-acre land into a SME (small medium enterprise) high-tech industrial park, while PDC will undertake a development project to accommodate light to heavy industries, small and medium industries and a mixed development on a 4,017.4-acre tract.

In September, GUH Realty Sdn. Bhd. acquired a 4.88-hectare land in Ladang Valdor, Seberang Perai Selatan which it plans to develop into a light industrial park.

As part of the Penang state government's land swap deal with SRS Consortium for the Penang Transport Master Plan (PTMP), some 1,000 acres (404.69 hectares) of land on two isles (measuring 1,300 acres and 2,100 acres) to the south of Penang Island that will be reclaimed are being planned for industrial development to cater for the electronic and electrical sector, as well as light industries. The SRS Consortium is formed by Gamuda Bhd., Ideal Property Development Sdn. Bhd. and Loh Phoy Yen Holdings Sdn. Bhd.

3.2.4 Capital Value

There was one significant transaction during 2015 and located within District of Seberang Perai Tengah.

Penang - Selected Industrial Property Transactions (2015)

No	Location	Type	Land Area (sq. ft.)	Tenure	Date	Consideration (RM)
1.	PN 7074, Lot 5999 Mukim 11, District of Seberang Perai Tengah, Pulau Pinang	A double-storey office and a single-storey factory building cum warehouse	43,637	Leasehold	June 2015	7,650,000

Source: Bursa Malaysia / Knight Frank Research

3.2.5 Rental Value

The detached factory and warehouse categories located within Bayan Lepas Industrial Park, a premier industrial area command high asking rents ranging from RM1.50 per sq. ft. to RM2.50 per sq. ft. per month

Asking rentals in Bukit Tengah Industrial Park and Prai Industrial Estate are between RM1.00 per sq. ft. and RM1.70 per sq. ft. per month.

Rental rates in Bukit Minyak Industrial Park and Penang Science Park range between RM1.20 per sq. ft. and RM1.60 per sq. ft. per month.

Office Market

4.0 Greater KL / Klang Valley

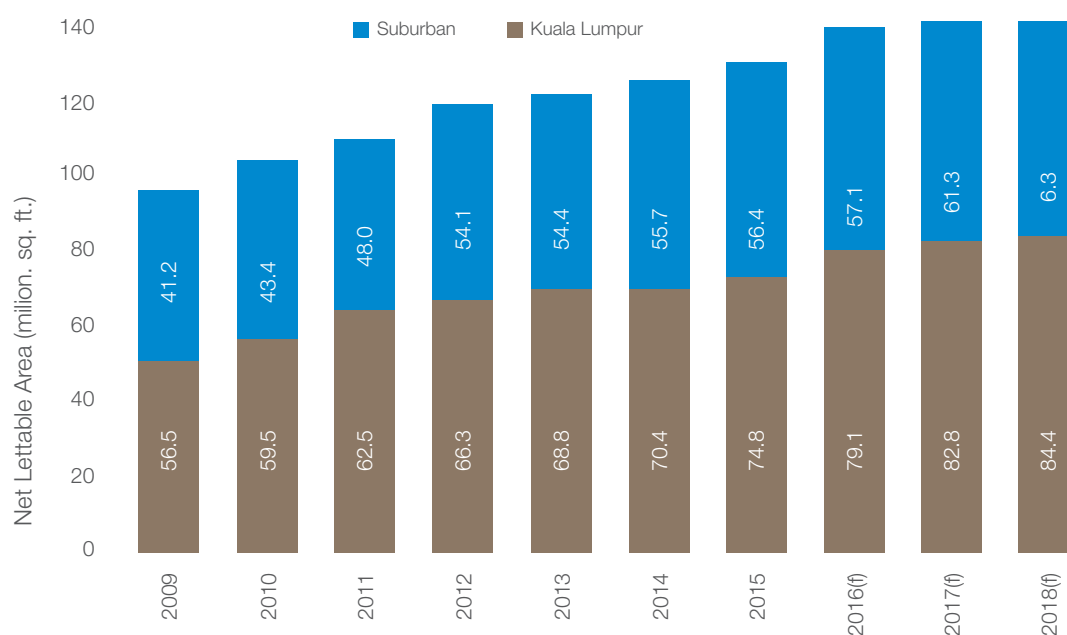
4.1 Supply - Existing & Future

The cumulative existing supply of office space in Greater KL / Klang Valley increased by about 5.1 million sq. ft. to about 131.2 million sq. ft. as at end of 2015, depicting a 4.0% growth from 2014.

Notable office completions in 2015 include Naza Tower (506,000 sq. ft. NLA), ILHAM Tower (394,000 sq. ft. NLA), KL Trillion Office Tower (305,000 sq. ft. NLA) and Menara Bangkok Bank (475,000 sq. ft. NLA) in KL City; Q Sentral (1,004,000 sq. ft. NLA), Menara MBMR (240,000 sq. ft. NLA), The Vertical I & II (830,000 sq. ft. NLA) and Menara Guocoland (247,000 sq. ft. NLA) in KL Fringe; The Ascent @ Paradigm (520,000 sq. ft.) and Top Glove Tower (269,000 sq. ft. NLA) in the suburbs (includes Cyberjaya and Putrajaya).

Knight Frank Market Overview 2015

Greater KL / Klang Valley - Cumulative Supply of Purpose-Built Office Space (2009 to 2018(f))



Source: National Property Information Centre (NAPIC) / 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% annually on average.

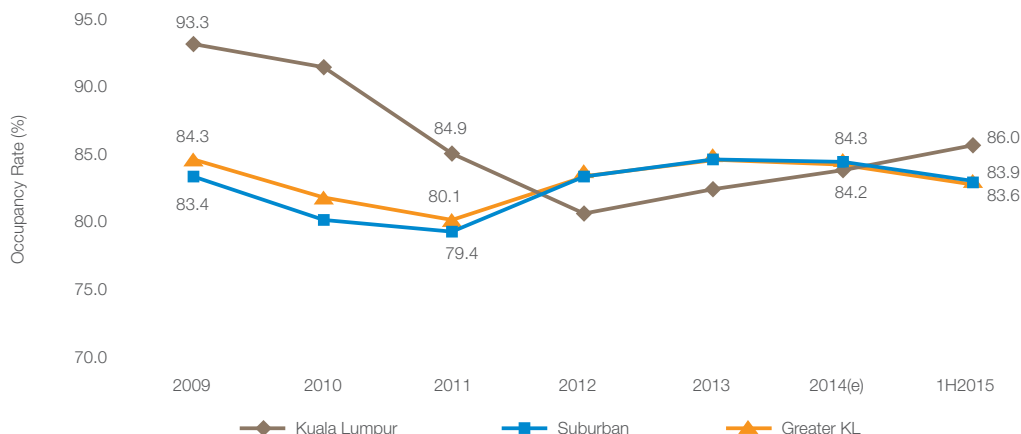
There is a high impending supply currently under construction and in the planning pipeline with an estimated 19.5 million sq. ft. of space expected to enter the market between 2016 and 2018. Some 9.6 million sq. ft. of new office space will come from Kuala Lumpur with KL City and KL Fringe accounting for approximately 2.7 million sq. ft. and 6.9 million sq. ft. respectively. The remaining new stock is located in Suburban KL.

Several notable office buildings slated for completion in 2016 include Public Mutual Tower and JKG Tower in KL City; Menara Ken @ TTDI, Menara Hong Leong @ Damansara City, Signature Office and Boutique Offices @ KL Eco City, KL Gateway and Vertical 38 in KL Fringe; Mercu Mustapha Kamal and Signature Tower and Iconic Tower @ Empire City in Suburban KL.

4.2 Occupancy Rates

Despite the high impending supply, the average occupancy rate in Kuala Lumpur continues to improve from 84.2% in 2014 to 86.0% in 1H2015.

Greater KL / Klang Valley – Occupancy Trend (2009 to 1H2015)



Source: National Property Information Centre (NAPIC) / Knight Frank Research

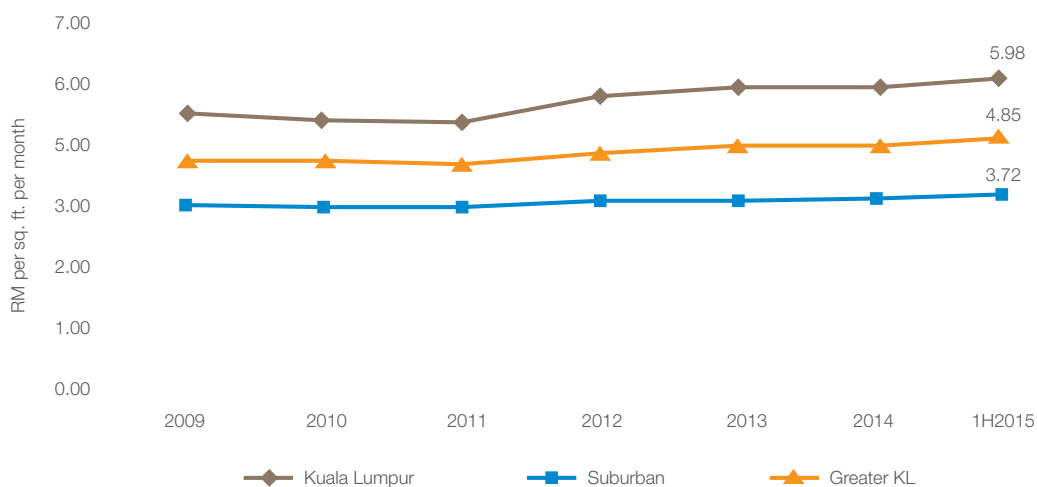
The average occupancy rate in the suburbs has remained fairly stable in recent years, hovering above the 80% mark since 2012 due to improved occupancies in selected locations such as Petaling Jaya and Subang Jaya.

4.3 Rental Rates

Despite growing pressures on the Kuala Lumpur office market, asking gross rents continue to hold, recording at about RM5.98 per sq. ft. per month in 1H2015. Prime A and Prime A+ grade offices, in both KL City and KL Fringe, command higher asking rents ranging between RM6.50 per sq. ft. and RM12.50 per sq. ft. per month.

In the suburbs, gross rentals have remained stable since 2009 averaging at RM3.64 per sq. ft. per month. In Putrajaya, average asking rentals are in the region of RM6.05 per sq. ft.; RM4.42 per sq. ft. in Cyberjaya; RM3.81 per sq. ft. in Subang Jaya; and about RM3.67 per sq. ft. in Petaling Jaya.

Greater KL / Klang Valley - Average Gross Rentals (2009 to 1H2015)



Source: National Property Information Centre (NAPIC) / Knight Frank Research

4.4 Capital Values

The investment market was active during 2015 recording nine notable transactions with a combined value of circa RM2.95 billion.

Knight Frank Market Overview 2015

Greater KL / Klang Valley - Notable Office Transactions (2015)

Date of Transaction	Building Name	Locality Kuala Lumpur (KL City + KL Fringe)	Tenure	Estimated NLA (sq. ft.)	Consideration (RM)	Analysis (RM per sq. ft.)
March 2015	Plaza Pekeliling ⁽¹⁾	Jalan Tun Razak	Freehold	144,376	28,280,000	196
April 2015	Integra Tower ⁽²⁾	Jalan Tun Razak	Freehold	760,715	1,065,000,000	1,400
April 2015	Menara Raja Laut ⁽³⁾	Jalan Raja Laut	Freehold	397,939	220,000,000	553
June 2015	Wisma AmanahRaya ⁽⁴⁾	Jalan Ampang	Leasehold	153,908	78,000,000	507
July 2015	Menara Hong Leong (Office Tower A) ⁽⁵⁾	Damansara Heights	Freehold	506,069	189,333,000	1,150
December 2015	Menara Shell ⁽⁶⁾	KL Sentral	Freehold	556,468	640,000,000	1,150
December 2015	AmBank Group Leadership Centre ⁽⁷⁾	Jalan P. Ramlee	Freehold	57,801	36,000,000	623
Suburban						
January 2015	Tropicana City Mall & Tropicana City Office Tower ⁽⁶⁾	Petaling Jaya	Freehold	448,248 (mall) 101,246 (office)	540,000,000	NA
May 2015	Twenty two (22) storeys of stratified parcels within Iconic Office (Block N), Empire City ⁽⁹⁾	Petaling Jaya	Leasehold	238,932	155,346,600	650

Source: Knight Frank Research

Notes:

- (1) Fitters Building Services Sdn. Bhd., a subsidiary of Fitters Diversified Bhd., has signed a sale and purchase agreement with GCP Tower Sdn. Bhd. to purchase the freehold property, which comes with 70 parcels of office lots and 363 units of car park bays. It intends to redevelop the site into a small office home office (SoHo) concept building.
- (2) Hong Leong Bank Berhad (HLB) has disposed Menara Raja Laut, a 27-storey office building in Jalan Raja Laut, Kuala Lumpur, to Hong Leong Assurance Berhad. As at 18 March 2015, the building has an occupancy rate of 41% (36% of which are being occupied by HLB and its subsidiaries).
- (3) Integra Tower, a 39-storey grade A office building with LEED Platinum certification, forms part of The Intermark development that also comprises Vista Tower, Double Tree by Hilton and the Intermark Mall. The office tower which comes with 850 car park bays is being acquired by Retirement Fund Incorporated (KWAP).
- (4) AmanahRaya Reit has disposed Wisma AmanahRaya, a 15-storey purpose-built office building with two basement levels constructed on two pieces of leasehold land in Jalan Ampang, to Annex Sentral Sdn. Bhd., a wholly-owned subsidiary of AmanahRaya Development Sdn. Bhd. (a wholly-owned subsidiary of Amanah Raya Berhad). As at 27 May 2015, the 48-year-old office building is being fully tenanted by Amanah Raya Berhad and the tenancy agreement will expire in August 2016.
- (5) Menara Hong Leong (Office Tower A) is a 33-storey purpose-built stratified office building (71% completed as at May 2015) within the on-going integrated commercial development of Damansara City Kuala Lumpur. The indicative cash consideration for the entire issued and paid-up share capital of DC Tower Sdn. Bhd. is RM189,333,000. The value of Office Tower A is calculated based on RM1,150 per sq. ft.
- (6) Malaysian Resources Corp Bhd. (MRCB) has proposed to sell Menara Shell together with a five-storey podium and a four-storey basement car park in the locality of Kuala Lumpur Sentral to MRCB-Quill REIT (MQ REIT) for RM640 million.
- (7) AmFIRST Real Estate Investment Trust (REIT) is disposing of a 13-storey office building known as AmBank Group Leadership Centre at Jalan P. Ramlee for RM36 million. The freehold building comprises a 10-storey office block, a penthouse and a three-level car park.

Notes:

- (8) The purchase consideration of RM540 million includes the retail component, namely Tropicana City Mall, which has a NLA of 448,248 sq. ft. and is about 89.2% occupied while the office tower is fully occupied. The apportionment of the two different components, however, is not available.
- (9) Block N, known as the Iconic Office, at Empire City Damansara is a 45-storey corporate office tower which is physically completed (as at December 2015). The Certificate of Completion and Compliance (CCC) of the office building is expected in early 2016.

Going forward, the office market in Greater KL / Klang Valley is expected to face further downward pressure. The contraction in the Oil & Gas (O&G) sector following the plunge in crude oil prices, one of the main lifelines of the office segment, has negatively impacted market demand.

Rental rates may dip over a period of time due to heightened competition in a tenant favoured market amid a challenging business environment. Many businesses are cutting capital expenditure, freezing recruitment and consolidating their positions as they ride through the economic slowdown.

Developers and landlords of newly completed buildings with no or limited pre-letting commitment are expected to offer more incentives to attract tenants in this highly competitive market. Tenants continue to be spoilt for choice with attractive rentals, incentives and tenancy terms.

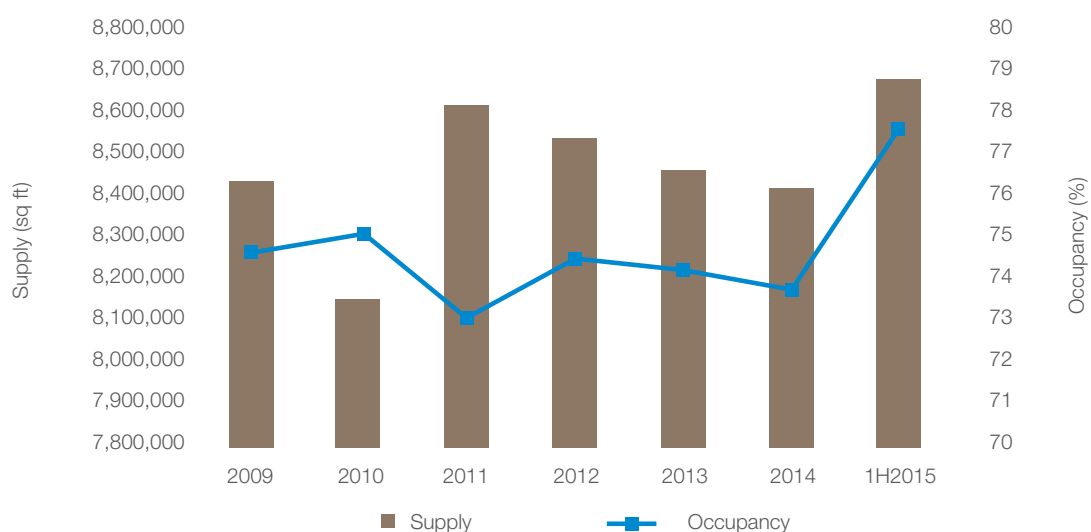
The impending completions of the LRT extension and MRT Line 1 by 2016 / 2017 will further support the popularity of KL Fringe / Suburban as an alternative office location. With improved accessibility and connectivity to various parts of Klang Valley, demand for office space in decentralised locations, particularly along these infrastructure corridors, is anticipated to grow at a faster pace.

5.0 Johor

5.1 Supply & Occupancy

As at the first half 2015, the total Net Lettable Area (NLA) of purpose-built office space which includes private buildings and government buildings in Johor Bahru stands at approximately 8.68 million sq. ft. with an overall average occupancy rate of about 77.6%. Private buildings currently account for approximately 70.9% (6.15 million sq. ft.) of total purpose-built office space in Johor Bahru.

Johor Bahru – Supply and Occupancy Trend (2009 to 1H2015)



Source: National Property Information Centre (NAPIC)

The incoming supply of purpose-built office buildings is expected to be from Medini Iskandar Malaysia Sdn. Bhd.'s development at Medini, Nusajaya. Currently, the development of Medini 9, a 21-storey building with NLA of about 380,000 sq. ft., is expected to be completed in 1Q 2018.

Knight Frank

Market Overview 2015

5.2 Rental Rates

Rentals for prime and non-prime Central Business District (CBD) office space remained stable with asking gross rental for prime space ranging from RM2.50 per sq. ft. to RM3.50 per sq. ft. per month while non-prime office space commands gross rental of between RM1.80 per sq. ft. and RM2.50 per sq. ft. per month. These rates are generally inclusive of the provision of shared services comprising centralised air conditioning, security and cleaning services for the common areas.

Johor – Rental Range and 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 Bukit Meldrum	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: Knight Frank Research

The completed office developments at Medini 6 and Medini 7 (Zone B) are reportedly fully occupied and command higher average rental rate in the region of RM4.50 per sq. ft. per month.

6.0 Penang

6.1 Supply & Occupancy

The cumulative supply of purpose-built office space in Penang stood at about 11.90 million sq. ft. as at 1H 2015.

Penang Island constitutes about 9.15 million sq. ft. or 77% of the total office supply while Mainland Penang made up the remaining 2.75 million sq. ft. or 23%.

The overall occupancy rate of office space in Penang declined marginally to record 79.4% in 1H 2015 (2H 2014: 79.8%) (source: JPPH).

Straits Quay Commercial Suites, a 16-storey office block with retail space on the ground floor and multi-storey car parking on the 1st to the 4th floors and currently under construction, will contribute about 115,000 sq. ft. NLA when completed as scheduled in 2016.

The occupancy rates for the three prime office buildings in Georgetown remains at 1H 2015's level, ranging from 85% to 100%.

6.2 Rental Rates

Current asking rentals for the older buildings generally range from RM2.80 per sq. ft. to RM3.00 per sq. ft. per month. The latest rents secured at the newer Hunza Tower over Gurney Paragon are about RM3.50 per sq. ft. per month.

Average occupancy rate at Suntech and Menara IJM Land, both newer office buildings located outside the city, currently stands at 94%. Asking rents at these two buildings range from RM2.60 per sq. ft. to RM3.30 per sq. ft. per month.



Investments
Team

Investments Report



Siva Shanker
Head of Investments



Chan Tze Wee
Manager, Business Development
& Investor Relations

Acquisitions

In 2015, Axis-REIT completed the acquisition of Shah Alam Distribution Centre 2 on 31 March 2015 for RM45 million. This acquisition increased the portfolio's area under management by approximately 164,000 sq. ft. and added gross rental revenue of RM2.66 million to the portfolio in 2015.

The Manager has also signed a Sale and Purchase Agreement to acquire four properties in Kulajaya valued at RM61 million in November 2015 which are expected to be completed in the first quarter of 2016. These four properties, namely Beyonics iPark Campus Block A, Block B, Block C & Block D will contribute an additional RM4.84 million in annual rental revenue to the Fund. The tenants, Beyonics Technology (Senai) Sdn. Bhd. and Beyonics Precision Machining Sdn. Bhd., manufactures precision-engineered components for the medical and automotive sectors as well as a broad range of industrial products. The company headquarters is in Singapore with operations in Singapore, Malaysia and China. These properties come with a 10-year lease term.

Salient details of the above acquisitions are as follows:



Property Name	: Axis Shah Alam DC2
Net Lettable Area	: 164,000 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



Property Name	: Beyonics iPark Campus Block, A, B, C, D
Net Lettable Area	: 288,300 sq. ft.
Land Tenure	: Freehold
Occupancy	: 100%
Purchase Price	: RM61,000,000
Valuation	: RM62,700,000
Projected Initial Net Yield	: 7.12%
Overall WALE	: 10 years
Transaction Status	: Anticipated completion by first quarter of 2016

Moving Forward

Moving into 2016, the Manager continues 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 meeting the Manager's required yield expectations. The key performance indicator for the Manager's acquisition objectives is the buying of assets that leads to maximum returns to our unitholders. 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; and
- Offices, business parks and industrial properties with potential for future enhancement.

The Manager will continue its aggressive approach with asset acquisition in 2016 as there are opportunities to acquire good bargain assets in the current soft economic environment. At the time of writing, the Manager is evaluating a portfolio of properties with an estimated value of RM369 million as future acquisition targets.

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; and
- Future redevelopment potential.

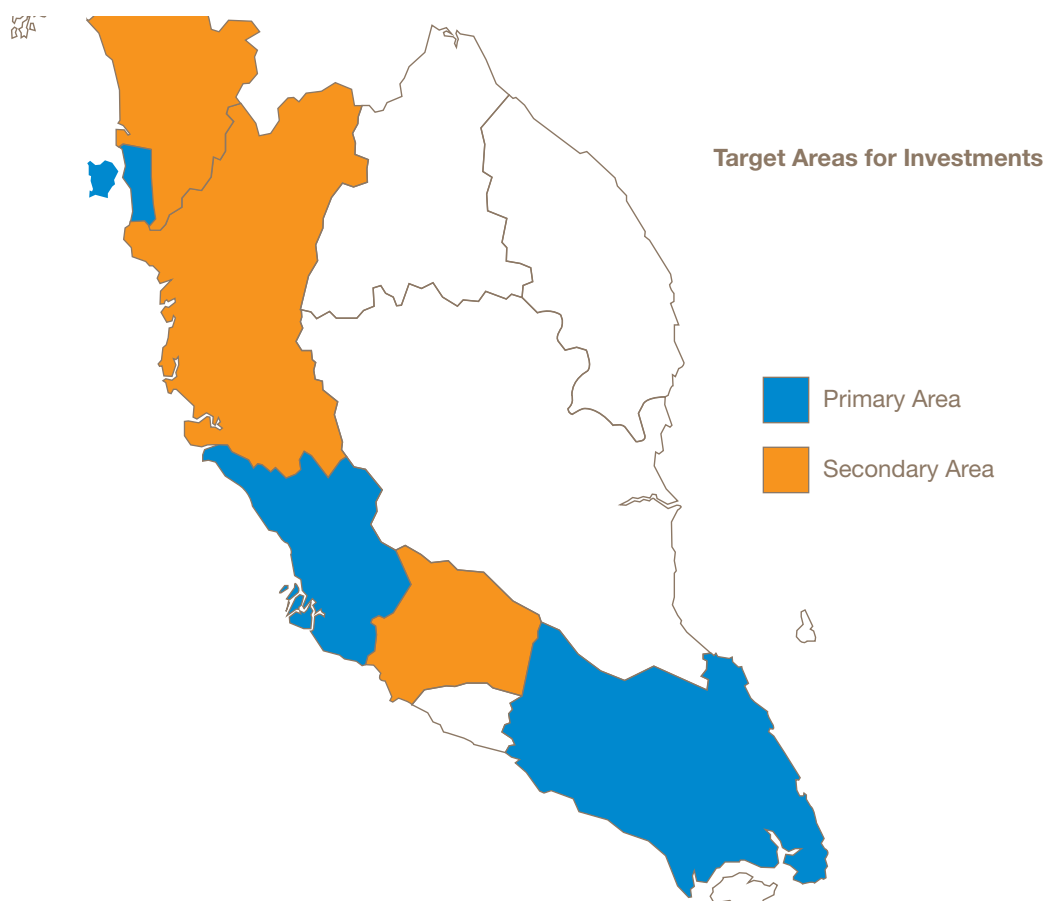
Business Intelligence

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.

Through market monitoring, all indications are that the property market in 2016 will continue to soften and consolidate. We are confident that the third and fourth quarter of 2016 will present various opportunities for acquisition of good assets within the industrial asset class. As prices continue to stabilise and vendors adopt a more realistic view, yields are expected to improve.

We are poised to take full advantage of this situation to acquire suitable properties to enhance our income projections.





Investor Relations Report

Investor Relations Report



Leong Kit May
Chief Executive Officer



Chan Tze Wee
Manager, Business Development
& Investor Relations

Stakeholder Engagement

Stakeholder engagement is one of the key pillars within our sustainability agenda. Axis-REIT supports governance practices that are designed to promote effective engagement and to provide balanced, timely and understandable information about the business and financial performance of the Fund to retail and institutional Unitholders, stakeholders and the general public.

It has been our tradition to meet, every half and full year, with analysts and fund managers as well as members of the media for a comprehensive results briefing. These sessions are led by the Chief Executive Officer as the primary spokesperson and supported by members of the Management Team. A presentation and Q&A session on Axis-REIT's financial and operational performance as well as business outlook is provided to allow attendees to keep abreast of Axis-REIT's latest developments.

Attendance by our Board members and senior management is highly encouraged in order to enable attendees to interact with key representatives from the Manager and to clarify any queries they may have on the Fund and its ongoing operations.

Investors' meetings and briefings (including non-deal roadshows), teleconferences, publications, annual reports and Axis-REIT's website serve as conventional channels of communications for interaction with stakeholders. The Manager also maintains an open line of communication through its general phone line and e-mail to allow better access to potential stakeholders or investors.

Key Stakeholder Meetings

Annual General Meeting 2015

The Annual General Meeting (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 team.

The Manager held its Third Annual General Meeting on 30 April 2015 at Hilton Petaling Jaya, during which Unitholders approved the Audited Financial Statements for FY2014.



Unitholders sign in for the Third AGM at Hilton Petaling Jaya.



The Management team interacts with Unitholders on Q&As after the Third AGM's financial highlights.

Investor Relations Report

Unitholders' Meeting 2015

A Unitholders' Meeting was held on 21 August 2015 to seek their approval for corporate exercises of Axis-REIT as per below:

- Ordinary Resolution 1: Proposed Unit Split involving the subdivision of one (1) existing Unit into two (2) Units in Axis-REIT;
- Ordinary Resolution 2: Proposed increase in the existing issued fund size of Axis-REIT from 547,758,040 existing Units to 1,095,516,080 subdivided Units to facilitate the proposed Unit Split;
- Ordinary Resolution 3: Proposed authority to allot and issue up to 20% of the issued fund size of Axis-REIT after the proposed Unit Split or up to 20% of the existing issued fund size of Axis-REIT (as the case may be), to facilitate a placement exercise;
- Ordinary Resolution 4: Proposed renewal of authority to allot and issue up to 155,194,684 new subdivided Units or up to 77,597,342 new existing Units (as the case may be), for the purpose of the Income Distribution Reinvestment Plan that provides Unitholders with the option to elect to reinvest their income distribution in new Units in Axis-REIT; and
- Ordinary Resolution 5: Proposed increase in the (i) Issued fund size of Axis-REIT after the proposed Unit Split from 1,095,516,080 subdivided Units to a maximum of 1,472,857,980 subdivided Units; or (ii) Existing issued fund size of Axis-REIT from 547,758,040 existing Units to a maximum of 736,428,990 existing Units (as the case may be), to accommodate the issuance of the new Units in Axis-REIT pursuant to the proposed authority, proposed renewal of IDRPs authority and payment of management fee authority.

The resolutions were passed by the Unitholders.

In line with best practices since 2010, the Manager has adopted the use of poll-voting at Unitholders' Meetings for greater transparency.

All Unitholders are given the opportunity to raise questions and seek clarification with the Board of Directors and senior management team 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.

Axis-REIT's Corporate Disclosure Policy is published on the website for the benefit of the stakeholders.



Positive turnout and a successful voting exercise at this year's Unitholders' Meeting.



Unitholders casting their votes for the five Ordinary Resolutions that were proposed during Unitholders' Meeting 2015.

Research Coverage in 2015

In 2015, Axis-REIT was covered by seven investment banks. Below is a snapshot of the research reports published in the second half of 2015.

Coverage	Rating	Target Price (RM)	Coverage Period
CIMB	Buy	1.90	4Q2015
KAF	Buy	2.00	4Q2015
Alliance DBS	Hold	1.70	4Q2015
HLIB	Hold	1.63	4Q2015
MIDF	Hold	1.75	4Q2015
Maybank	Hold	1.60	4Q2015
AffinHwang	Buy	1.69	4Q2015
CIMB Bank	Buy	3.85 (equivalent to 1.93 post-Unit Split)	3Q2015
RHB	Hold	3.55 (equivalent to 1.78 post-Unit Split)	3Q2015
Maybank	Hold	3.37 (equivalent to 1.69 post-Unit Split)	3Q2015
Alliance DBS	Hold	3.60 (equivalent to 1.80 post-Unit Split)	3Q2015
MIDF	Hold	3.50 (equivalent to 1.75 post-Unit Split)	3Q2015
Hong Leong	Hold	3.57 (equivalent to 1.79 post-Unit Split)	3Q2015



Analyst & Press Briefings

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

- 20 January 2015 - announcement of fourth quarter 2014 results; and
- 4 August 2015 - announcement of second quarter 2015 results.



Sharing of quarterly results with analysts and investors.



Lunch with attendees after the first 2015 Analyst Briefing.

Investor Relations Report

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 2015, with media values tracked independently by a media monitoring agency. Below are the media engagement events in 2015:

- Press briefing and Q&A sessions organised in conjunction with the analyst briefings on 20 January 2015 and 4 August 2015;
- Media appreciation night held on 1 December 2015 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 January	Property Outlook Conference 2015 - "Industrial Properties: Outlook and Lookouts for 2015"
4 February	8th Malaysian Property Summit 2015 - "Property Market Outlook for 2015"
4 February	Cityscape Malaysia - "Malaysia's Zones for Investment: How does Malaysia compare to the region?"
6 February	Cityscape Malaysia - "Why has the Islamic REIT become one of investment's popular drivers"
10 February	2014-2015 Brand Laureate Awards
22 April	GRI Asia: Panelist on "REITS - Which markets provide the brightest spots for total return potential?"
23 April	Invest Malaysia
19 May	EPF & JP Morgan: International Social Security Conference on "Sustainable Social Security Ecosystem within an Ageing Society"
4 June	Malaysia Investor Relations Award
16 June	Real Estate Investment World Asia: Panel Participant
21 August	ASLI Conference: Panelist on "Green & Eco-development: The Wave of the Future"
8 September	RHB Asian Shariah Investor Conference
8 October	Bursa Malaysia Sustainability Symposium
6 November	Focus Malaysia's Inaugural Best Under Billion Awards 2015
24 November	APREA Property Leaders' Summit
26 November	National Annual Corporate Report Awards (NACRA) 2015

Awards & Recognition

In 2015, Axis-REIT is proud to be the recipient of the following accolades:

- 2014-2015 Brand Laureate Awards for the category of Corporate Branding, Best Brand in Financial Services – REIT
- Malaysia Investor Relations Award shortlist for Best Company for IR, Best CEO for IR, Best CFO for IR
- National Annual Corporate Report Awards (NACRA) 2015 – Merit Award



Receiving the 2014-2015 Brand Laureate Awards for Corporate Branding



Axis-REIT also uses social media for stakeholder engagement with frequent updates to the business community through its LinkedIn page.

Price & Volume Metrics

An Overview

- A Unit Split took effect on 4 September 2015 at the unit price of RM1.61;
- Opening price on 2 January 2015 was recorded at RM1.805 (originally RM3.61 before Unit Split) with the closing price on 31 December 2015 at RM1.64;
- 2015 price movement recorded the highest closing price at RM1.845 in February and lowest closing price at RM1.55 in December;
- Number of unitholders increased year-on-year by 13.7% from 3,176 unitholders recorded at 31 December 2014;
- Number of unitholdings increased to 1,099,793,068 after the various corporate exercises involving Unit Split, IDRP exercise and issuance of Manager units; and
- Liquidity improved over 2015 with a cumulative volume increase year-on-year by 46,303,600 units.

Our top five institutional Unitholders as at 31 December 2015 were:

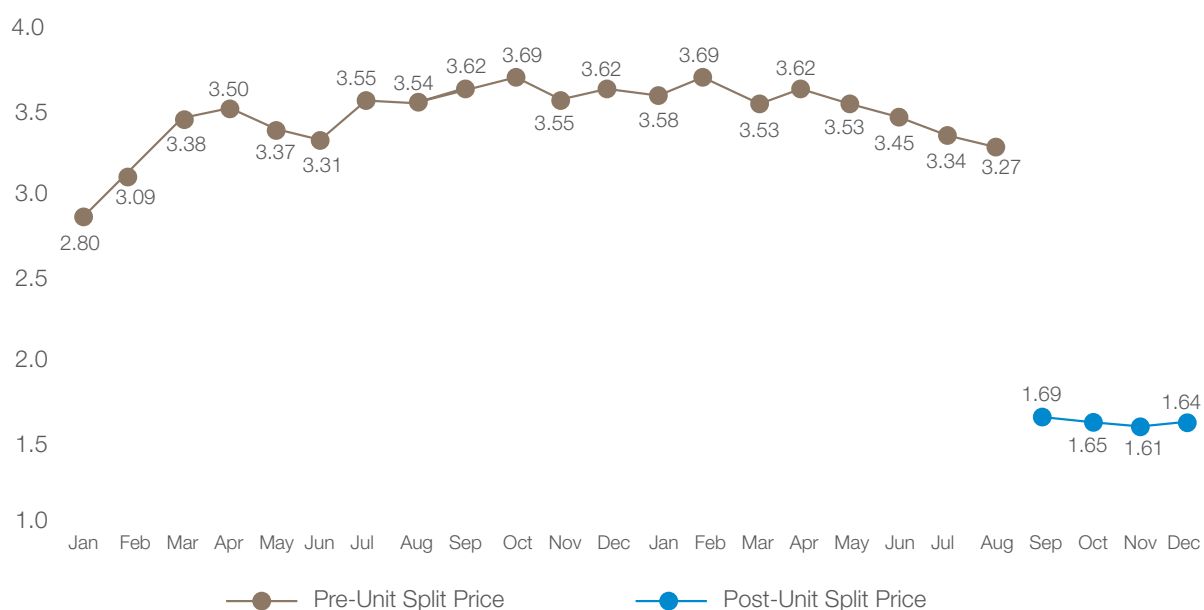
- Skim Amanah Saham Bumiputera
- Employees Provident Fund
- Kumpulan Wang Persaraan (Diperbadankan)
- Permodalan Nasional Berhad
- Lembaga Tabung Haji

5-Year Unit Price Performance Highlights

	2011	2012	2013	2014	2015*
Closing Unit Price as at 31 December (2011-2015)	2.62	3.13	2.93	3.62	1.64
High	2.63	3.22	4.02	3.70	1.85
Low	2.30	2.62	2.93	2.80	1.55
NAV	2.08	2.17	2.23	2.42	1.2298
Market Capitalisation (RM million)	1,189	1,429	1,351	1,982	1,803

* Unit prices adjusted to reflect effect of 2-for-1 Unit Split in Sept 2015

Axis-REIT Unit Price (January 2015 – December 2015)



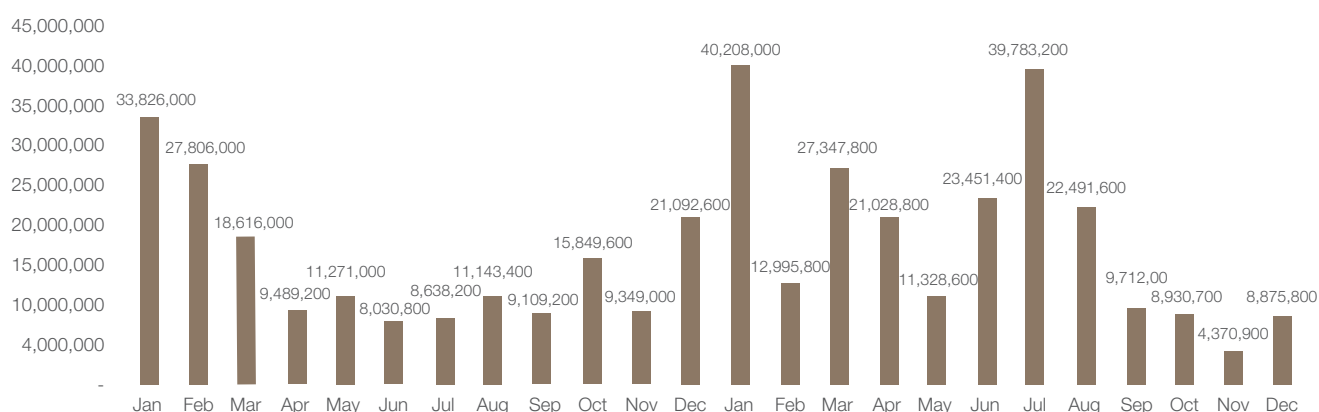
Investor Relations Report

Transaction Volume Highlights

At 31 December 2015, Axis-REIT had shown a good momentum of trading volume at 230,524,600 units for 2015.

- Average Monthly Volume: 19,210,383 (1 January 2015 - 31 December 2015)
- Highest Monthly Volume: 40,208,000 (January 2015)
- Lowest Monthly Volume: 4,370,900 (November 2015).

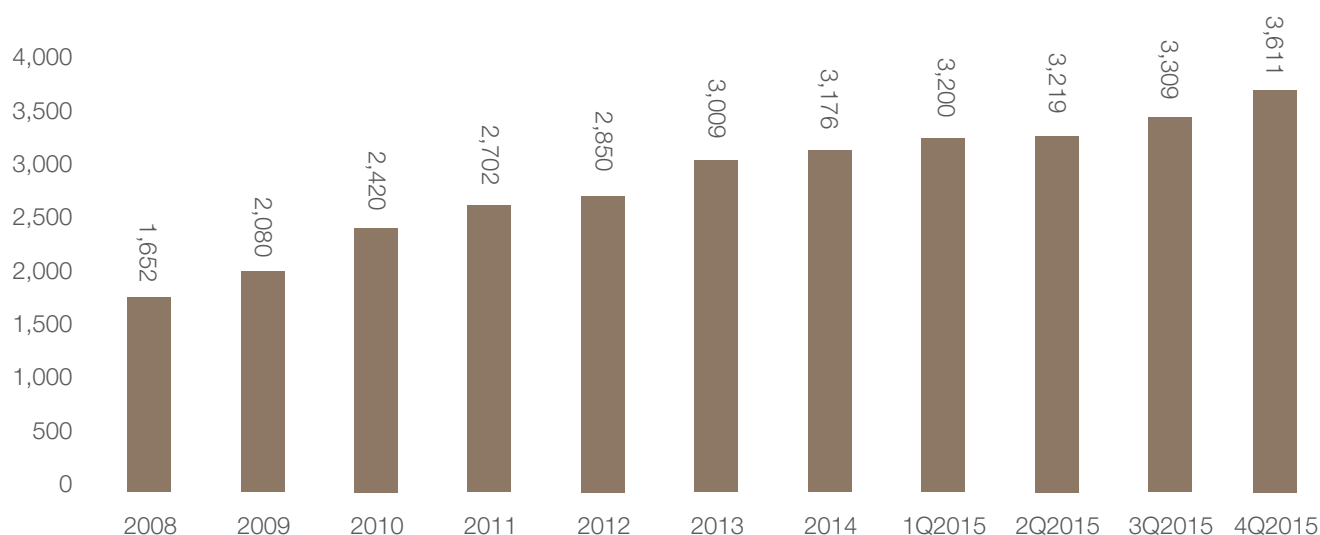
Volume Traded (January 2015 – December 2015)



CDS Accounts Highlights

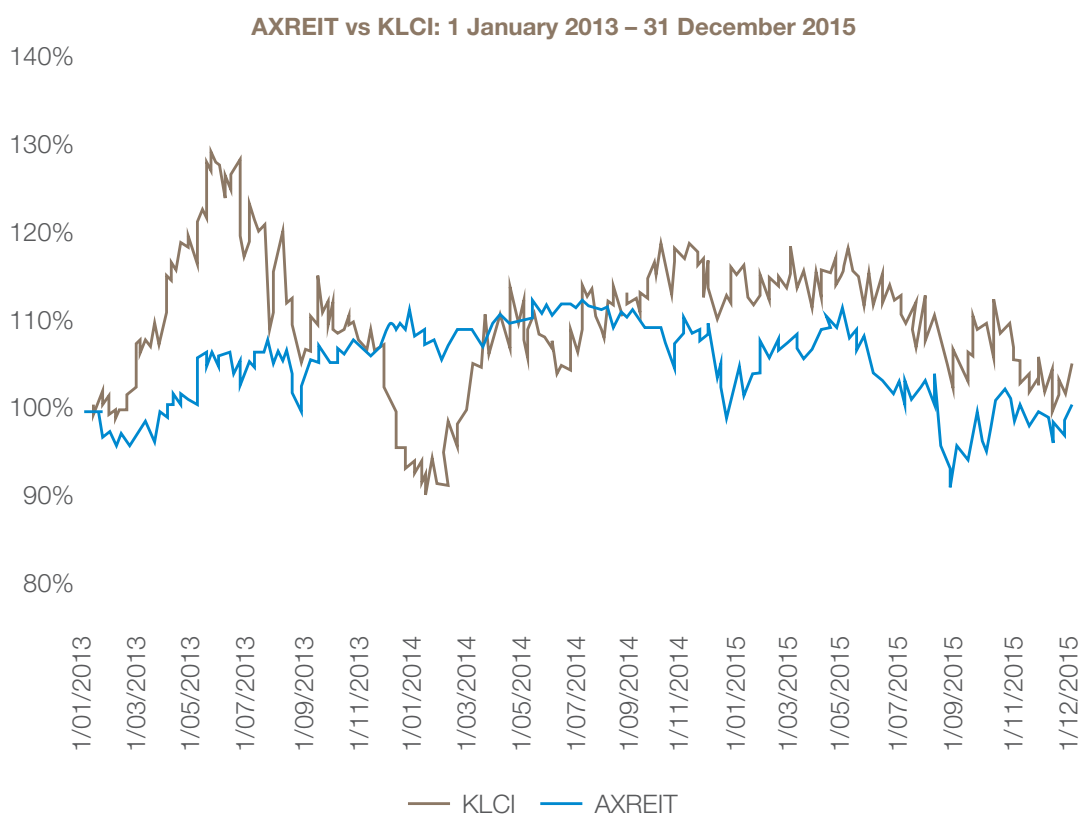
The number of Central Depository System (CDS) accounts traded on Axis-REIT increased from 3,176 for the year ended 2014 to 3,611 for the year ended 2015.

Number of CDS Accounts



Price Performance Highlights

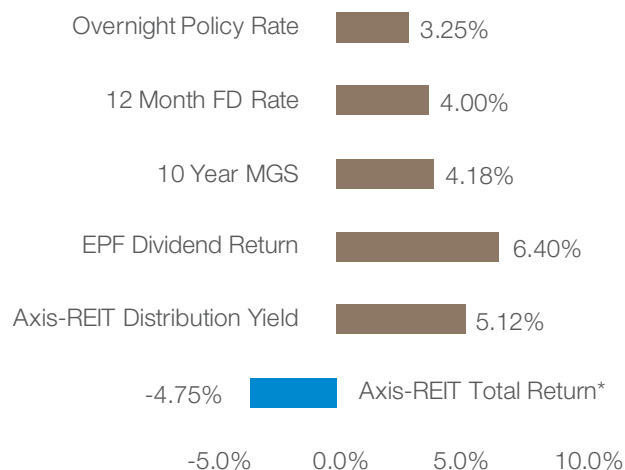
Indexed against the FTSE Bursa Malaysia-Kuala Lumpur Composite Index (FBM-KLCI) performance, Axis-REIT's share price has steadily outperformed the market throughout 2015.



Source: Kenanga Online

Annual Returns Highlights

Axis-REIT's total return in 2015 fell in tandem with the general performance of the FBM KLCI index as it dipped into negative territory at -4.75%.



* Based on movement in Unit price and DPU yield.

Other Statutory Information

Directors' Benefits

For the year ended 31 December 2015, 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 24 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 RM13,758,239 representing 1.0% per annum of the NAV of Axis-REIT for the period 1 January 2015 to 31 December 2015. 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 was one acquisition completed, which resulted in a fee of RM450,000 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 for 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.

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 2015 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

Leong Kit May

Chief Executive Officer / Finance Director

Kuala Lumpur

Date: 15 February 2016

Sustainability Report

Sustainability Initiatives

As announced by Bursa Malaysia, all public-listed companies will have to report their sustainability initiatives in their 2016 annual report. As such, in the third quarter of 2015, the Manager of Axis-REIT started to internally evaluate the key areas that we would focus in our assessment which was done in collaboration between the Manager and the Property Manager. The process to identify and prioritise issues was carried out according to their significance in ensuring longevity of the business and the environment around us. We adopted the GRI Guideline, which is in line with Bursa's Guideline for sustainable reporting. For 2015 we started by zooming in on the five areas of focus and will continue to expand on these areas.



1. Stakeholder Engagement

Stakeholder	Purpose & Goal	Means of Engagement	Frequency of Engagement
Tenants	To forge strong relationships to ensure we are the first they engage with for any matters relating to space requirement	One-on-one meetings Axis Link newsletter	Ongoing Quarterly
Unitholders	Proactively engage with Unitholders and provide them with up-to-date and transparent information	Annual General Meeting Unitholders Meeting Timely announcements on Bursa Malaysia's website	Annually As and when required Ongoing
Investment Community	Proactively engage the investment community through multiple channels of communication to ensure timely and transparent disclosure	One on one meetings Local and overseas conferences Briefing for analysts	Throughout the year Throughout the year Bi-annually
Employees	To provide an equal opportunity work environment that recognises the talents of individuals and helps them grow	Team building Team activities Staff appraisal	Annually Quarterly Annually
Local Communities	To fulfil the role of a good corporate citizen	CSR activities themed around children and communities	Two events per year

2. Governance & Accountability

The Manager has taken the lead from the Securities Commission 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 where companies are encouraged to make public their commitment to respecting Unitholder rights.

Our steps to strengthen and comply with the above are addressed in the section on Corporate Governance (pages 127 – 134).

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.

Sustainability Initiatives

3. Health, Safety & Security

The Manager is committed to minimising risks, securing the safety, and protecting the health of all those impacted by Axis-REIT's operations. This includes employees as well as tenants and visitors.

Our internal health and safety policy ensures strict compliance to the Occupational Safety And Health Act 1994 (Act 514) with the following objectives:

- To secure the safety, health and welfare of employees against risk to safety or health arising from employees' activities;
- To protect tenants and visitors against risk to safety or health arising from employees' activities; and
- To promote an occupational environment for employees which is adapted to their physiological and psychological needs;

With the above objectives / guidelines, the Manager is pleased to announce zero workplace incidents in 2015.

4. Environment

In annual report 2014, the Manager endeavoured to become more committed to environmentally sustainable practices in its day-to-day business. As a result, greener and more environmentally-friendly practices are always considered in our asset enhancement initiatives.

- Energy audits were conducted for our two flagship commercial properties, Menara Axis and Crystal Plaza. This formed the basis of our technical and commercial decision to upgrade Menara Axis' air-conditioning system to VRV system, resulting in energy savings of 27-34%.
- VRV systems and R410A cooling gas are now standard selection for all air-cooled air-conditioning systems. We have found these to be more sustainable in the long-run and additionally comply with the ASHRAE standard and also in compliance with the Montreal Protocol on Substance that Deplete the Ozone Layer 2007.
- Axis building car parks are gradually being upgraded with T5 lighting systems which are more energy efficient and provide better illumination and hence security for tenants.
- Toilets refurbished in FY2015, namely in Menara Axis and Axis Business Park, incorporate energy-saving features such as sensor flush, sensor taps and LED lighting and motion sensor with auto-dimming function.
- In 2015, two of our Engineering staff respectively qualified as Chartered Planning Engineer® and Certified Energy Manager®.

5. Tenants, People & Community

i. Tenant Satisfaction

The Manager has not undertaken a tenant satisfaction survey in 2015. However, based on one-on-one meetings, below are excerpts of some comments received:

- Muhammad Ali Jaleel
Managing Director
Philips Malaysia Sdn. Bhd.

"We have been here since 2004 and have been occupying the same facility. As a multinational, what we really look for in an office are of course the facilities, the maintenance of the building, the convenience of its location and its security aspects. As far as the relationship with Axis is concerned, we find them to be extremely professional. They are always there to help us out whenever we need something. Whenever there is an issue, we can reach them 24/7. The overwhelming response from everyone within the office is that they love being here. In a nutshell, we are very happy being here, we could not have asked for a better landlord."

- Ross Mackay
Head of Global Finance Services Asia Pacific
DHL Asia Pacific Shared Services Centre

"DHL moved to Menara Axis in 2004. That's over 11 years now. We are now over 600 people in Menara Axis and we have grown with Axis. We have won lots of awards from this building. We support 150 countries across many time zones. But it won't be possible without the support from Axis. also, to Dato' Stewart and his team, congratulations on your 10th anniversary and thank you for being there when we need you."

- Candice Liu
CEO Assistant
OPPO Electronics Sdn. Bhd.

"Menara Axis really suits us. I mean the location, the size and the facilities and everything is just perfect for us. I really cannot say more about this facility as the management and people are just perfect, number one and good."

ii. Supply Chain Responsibility

The Manager aims to improve economic, social and environmental performance throughout the supply chain in order to conserve resources, save costs, increase productivity and promote long-term sustainable business values. The initial effort in this area focuses mainly on procurement practices by setting higher expectations for suppliers and vendors. Some of the key initiatives implemented thus far are:

- **Baseline vendors performance**

Once a target vendor is identified, the Manager evaluates the vendor from the financial, operations and capability perspective. Site visits, history of completed projects, assets inventory and personnel interviews are some of the tools employed to meet this objective.

- **Vendor registration database**

The Manager has established a vendor database consisting of registered vendors who are financially sound and technically capable. All quotations and work are awarded to this pool of vendors to meet our criteria of qualifications.

- **Tender exercises**

All major work is awarded strictly via open tender to registered vendors. Strict adherence to technical and legal deliverables is observed and any variations are scrutinised by external consultants and internal technical personnel. If required, the EXCO and Board deliberate further before a project closing.

- **Due diligence**

As standard practice, the Manager has begun conducting comprehensive legal and technical due diligence on acquisition of new properties. An external consultant is appointed to conduct this exercise on building condition assessment, authority compliance, financial viability, tenant risk level, property risk level, etc.

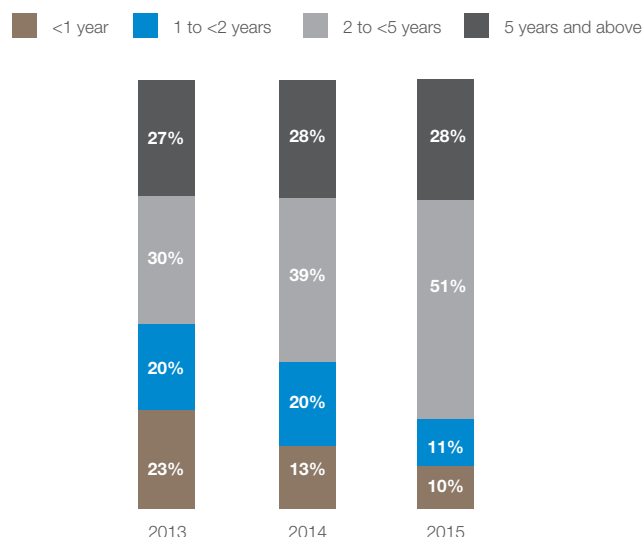
iii. Human Capital

Axis-REIT's growth is dependent on the quality of the Manager's workforce. To attract and retain its talent pool, the Manager continuously invests in skills and competencies development of its people.

iv. Profile of the workforce

As of 31 December 2015, the Manager's total number of full-time employees has increased to 71 employees compared to 69 in 2014. Recognising that attracting and retaining a diverse group of qualified employees is critical to the growth and sustainability of the Fund, the Manager is working to ensure that measures are being taken to improve its employee engagement and talent retention. The Manager is continuously looking into improving employees' engagement to instil positive attitudes and behaviour, commitment and loyalty among employees. The company is committed to set clear goals, trust and empower, receive regular and constructive feedback, supportive in developing new skills and recognising achievement from employees.

Percent Length of Services



Sustainability Initiatives

People are always our greatest asset. As a symbol of our appreciation during the 10th anniversary celebration, those employees who had completed 10 years of service were entitled to receive a long-service award in recognition of their dedication, commitment and loyalty.



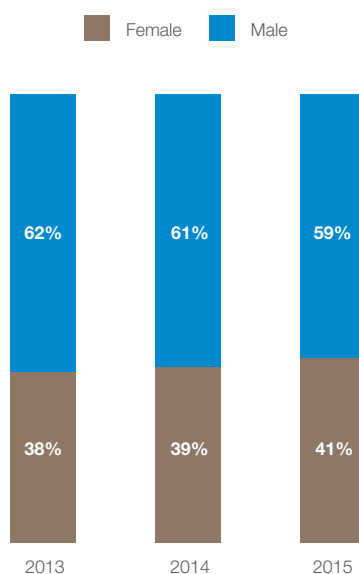
As of today the Manager has managed to achieve the national target set by the Prime Minister of at least 30% women's representation in the corporate sector. The Board of Directors is adequately supported by 40% female representation comprising the following:

- Leong Kit May (CEO)
- Jancis Anne Que Lao (Alternate Director)
- Jackie Law Chong Lian (Head of Real Estate)
- Nikki Ng (Financial Controller)
- Chan Tze Wee (Manager, Business Development & Investor Relations)
- Rebecca Leong (Company Secretary)

The involvement of the aforementioned female representatives in all Board meetings brings to the Board's deliberation and decision-making balanced perspectives and views. It also allows the Board to tap into their skills, competencies and experiences.

At the management level, the CEO is further assisted by the Financial Controller, Nikki Ng and Finance Manager, Ong Chiou Yann who lead an established team of finance staff. The Property Manager, Selina Khor, also plays an important role in assisting the Head of Real Estate to manage properties and enhancement projects and also assists in Axis-REIT's valuation matters.

Percent by Gender



v. Training and Development for Employees

Training and development is a key driver with the highest potential for positive impact on employee engagement. Therefore, in addition to on-the-job training, the Manager had invested in formal training and development activities to improve the competency and efficiency of our employees. In 2015, a total of RM156,273 had been invested in employees to attend trainings / seminars and conferences to keep them abreast of the latest development and to gain necessary knowledge and skills required. As a measure to assist employees achieve their academic qualifications for personal development, we encourage our employees to pursue professional certification by granting sponsorships. The company also employs interns to help develop and build young talent.

Many key managers have successfully completed the Certificate of Real Estate Investment Finance (CREIF) training conducted by Oxford Brooks 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 respective areas of responsibility. Below is a list of courses organised in-house for our staff:

Date	Training Subject
10 March 2015	Personal Data Protection Act
19 March 2015	GST Talk on Property Transactions & Management
27 March 2015	Type of Insurance and Claims Procedures
28 & 29 March 2015	Energy Efficiency, Conservation and Optimisation for Buildings
20 June 2015	Media Training
23 May 2015	Fire Certificate / Safety and Compliance Based On The Fire Services Act 1988
8 Dec 2015	Emergency Response Plan

vi. Compensation & Benefits

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.

In 2015, the Manager organised various activities to foster employees' bonding through Corporate Social Responsibility programmes, a company trip as well as festive gatherings.



Sustainability Initiatives

vii. Corporate Social Responsibility Programme

January	Red Crescent Malaysia	RM 10,000
May	Kiwanis-Axis Youth Camp	RM 16,000
August	EPIC Homes	RM 75,415
		RM101,415

The World Business Council for Sustainable Development's definition of CSR is the continuing commitment by businesses to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

In 2015, Axis-REIT's community efforts included social projects with staff involvement and donated towards the efforts of the Red Crescent Society for the East Coast flood relief.

1. Construction of a home for Orang Asli family in Gopeng

More than 12,000 orang asli families are in need of housing aid in Peninsular Malaysia. According to Jabatan Kemajuan Orang Asli (JKOA), of the 82% orang asli in need of housing aid, 35% are classified as hardcore poor and 77% as poor.

This year, the management and staff decided to work with EPIC Homes, a Malaysian-based social enterprise set up to build homes for the orang asli community. Their business model is simple. They conduct village visits to determine the needs and priority for housing or repairs within a community with the help of the village elders. They then engage with corporates and the public to fund the projects and engage volunteers to build.

Project Description

Axis-REIT built a new home for an orang asli family in Kg. Ulu Geruntum, Gopeng. 30 members of our staff volunteered their time to attend a half-day builder basic workshop prior to the construction. At the workshop, conducted at EPIC Homes Facility in Bandar Sunway, the team was taught techniques of using various tools such as power drills, electric saws and the necessary equipment to ensure site safety.

From 7-9 August, our team set out to Gopeng with the task of building a four-module steel structure wooden home over a three-day period. We were divided into teams, each tasked with a section of the home such as structure, roof, floor and walls. The home owner, En. Saidi and his friends, assisted with the construction as part of the 'pay it forward' programme by EPIC Homes. The effort was a success as we delivered the home to En. Saidi and his family on time.



Existing condition of En. Saidi's home





The completed home with En. Saidi, the team from Axis-REIT and facilitators from Epic Homes

2. Cash contribution to Red Crescent Malaysia

In December 2014, the east coast of Peninsular Malaysia was badly affected by floods. Many people were displaced and were adversely affected by the effects of the floods. Axis-REIT made a RM10,000 cash contribution to the East Coast Flood Relief Fund by Red Crescent Malaysia. The Management felt that contributing towards medical aid should be a priority in such situations and supporting an established organisation like the Red Crescent would be ideal.

3. Sponsored Axis-REIT-Kiwanis Youth Leadership Camp

For the second year running, Axis-REIT sponsored RM15,000 towards the Kiwanis-Axis Youth Camp for 62 young adults. The three-day, two-night leadership camp brought together youth aged 13–17 years from key clubs in the Klang Valley and Ipoh. The camp was held at the Lost World of Tambun. Staff from Axis-REIT Managers Berhad volunteered as camp facilitators.



Details of the Income Distribution Reinvestment Plan

Axis-REIT has a recurrent and optional income distribution reinvestment plan (IDRP) that allows Axis-REIT Unitholders to reinvest their income distribution in new Units. Following the completion of the Unit Split in Axis-REIT and the renewal of the authority to allot and issue new Units for the purpose of the IDRP obtained at the Unitholders' Meeting held on 21 August 2015, Axis-REIT may allot and issue up to 155,194,684 new Units pursuant to the IDRP.

In 2015, Axis-REIT had applied the IDRP to the third interim income distribution, for the period from 1 July 2015 to 30 September 2015, that was declared on 19 October 2015, in which the gross electable portion of 1.00 sen per unit (which is taxable in the hands of Unitholders) out of the third interim income distribution of 2.20 sen per unit ("electable portion") could be elected to be reinvested in new Units and the remaining portion 1.20 sen per Unit (of which 1.10 sen per Unit is taxable and 0.10 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 RM1.59 per Unit as determined on 19 October 2015 ("price-fixing date"). The issue price of RM1.59 per Unit was based on the five-day volume weighted average market price ("VWAMP") of the Units up to and including 16 October 2015, being the last trading day immediately prior to the price-fixing date of RM1.6875 per unit, after adjusting for a discount of RM0.0975 per Unit, which is approximately 5.8% discount to the five-day VWAMP of RM1.6875 per Unit.

Pursuant to the IDRP, Axis-REIT allotted 4,276,988 new Units on 9 December 2015 and these Units were listed on the Main Market of Bursa Securities on 10 December 2015. The 4,276,988 new Units represented a successful take-up rate of approximately 67% of the 6,378,145 total number of new Units that would have been issued pursuant to the IDRP, had all entitled Axis-REIT Unitholders elected to reinvest their respective electable portion in new Units.

Axis-REIT's fund size has increased from 1,095,516,080 Units to 1,099,793,068 Units as a result of the issuance and listing of the 4,276,988 new Units under the IDRP.

The net proceeds from the IDRP of RM6,756,679 (after deducting expenses for the IDRP) were utilised to refurbish and / or renovate Axis-REIT's properties. The refurbishment and / or 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 its attractiveness, the IDRP has provided an exemption of RM10 stamp revenue (setem hasil) payable upon execution of each notice of election of the IDRP for securities account holders that who hold less than 16,000 Units in Axis-REIT (after the Unit Split).

Here are some of the frequently asked questions pertaining to 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 five-day volume weighted average market price (VWAMP) of the units immediately before the price-fixing date.

4. When will I get my units?

An announcement on the book closure date will be made after the price-fixing date. Subsequently, copies of the notice of election in relation to the 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 eight market days from the 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 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
Deadline 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. What is 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 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. Does the Board have the 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 a 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 one Unit.

Details of the Income Distribution Reinvestment Plan

10. Can the IDRP be terminated?

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

11. What are other issues relating to the proposed IDRP?

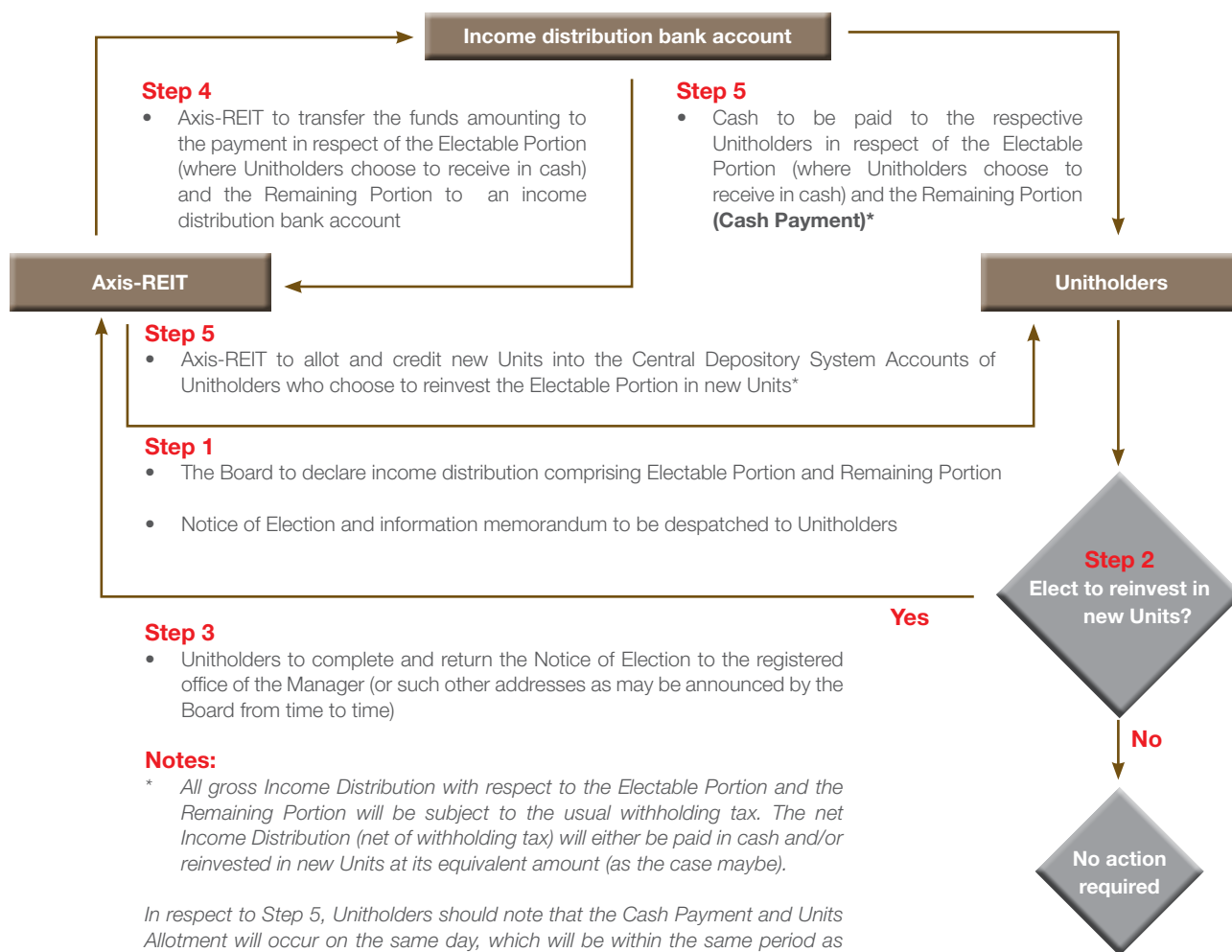
It should be noted that the grant of the right to participate in the IDRP, that is to elect to reinvest the electable portion in new Units, is made to all Unitholders, including the directors and major shareholder of the Manager, major Unitholders and persons connected to them who hold Units.

The net proceeds from the IDRP (after deducting estimated expenses for the IDRP) 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 IDRP 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 IDRP is set out below:



Corporate Governance

The Manager recognises that an effective corporate governance culture is critical to its performance and consequently the success of Axis Real Estate Investment Trust ("Axis-REIT" or "Fund").

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:

The Manager of Axis-REIT

Axis REIT Managers Berhad is the appointed Manager of Axis-REIT in accordance with the terms of the trust deed constituting Axis-REIT ("Deed"). The Deed outlines the functions and duties of the Manager as well as the circumstances under which the Manager can be retired. The Deed was last updated and restated on 28 November 2013.

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 2015, the Board comprises eight (8) members, where the Executive Deputy Chairman and the Non-Independent Non-Executive Director each have an alternate director and three (3) members of the Board are independent directors. The total number of Directors of the Manager, including the alternate directors, is ten (10). 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 Charter was reviewed and updated to be in line with regulatory requirements in the first quarter of 2015 and the latest version is available on the Manager's corporate website. The Board Charter has also set out the expectation on time commitment from 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.

Chairman and Chief Executive Officer ("CEO")

The positions of Chairman and CEO 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 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.

Corporate Governance

Board Meetings and Procedures

The Board met every quarter in the financial year ended 2015 ("FYE2015") to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, 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. The key management officers of the Manager were also present at the Board meetings to facilitate the review and deliberation of issues and matters tabled and presented at such meetings.

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 at Board meetings as well as through enquiries made via established channels. The Manager has also 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.

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 FYE2015. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements, where applicable.

Board Remuneration

The remuneration of the directors is paid by the Manager and not by the Fund. Details of the Remuneration Committee, which is responsible for the determination of the remuneration policy framework of the Manager's directors, are 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. This is in line with the remuneration policy adopted by the Board.

The remuneration of Executive and Non-Executive Directors for FYE2015 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	2,388,370	264,000	23,000	60,000	24,425	2,759,795
Non-Executive Directors	-	450,000	60,000	60,000	-	570,000

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	5
RM200,001 - RM400,000	-	-
RM400,001 - RM600,000	-	-
RM600,001 and above	2	-

Board Committees and their Roles

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

- Executive Committee;
- Audit Committee;
- Remuneration Committee; and
- 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.

There has been no significant change in the duties and functions of the Executive Committee as discharged in FYE2015.

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 details of the internal audit function and activities carried out during the FYE2015, 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 of this Annual Report.

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 FYE2015 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 FYE2015. The Audit Committee also met independently twice in 2015 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 of the remuneration of the Executive and Non-Executive Directors of the Board, key management officers (if any) and reviewing the framework 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 Executive Directors based on the proposals presented by the Executive Committee and made recommendations to the Board accordingly. Directors' Fees were also reviewed taking into consideration market factors.

Corporate Governance

Nomination Committee

The key function of the Nomination Committee is to ensure that the Manager recruits, retains and develops the best available executive and non-executive directors including effectively managing succession at Board level.

The Nomination Committee had, during the FYE2015, carried out the following activities:

- Reviewed the performance evaluation of the Board, directors and Board Committees and the results of the evaluation have been properly documented by the Company Secretary of the Manager.
- Considered and made no recommendation for revision to the existing recruitment criteria of the Manager and the criteria for annual assessment of Directors (including assessment of independence and assessment of a director whose tenure exceeds nine (9) years).
- Evaluated all three (3) Independent Directors of the Manager according to the evaluation applicable to the tenure of independent directorship exceeding nine (9) years and the Manager has adopted the best practice as recommended under the Malaysia Code on Corporate Governance to subject the affected Independent Directors to assessment by the Board for recommendation to the sole shareholder of the Manager at the Manager's 2016 annual general meeting for retention as Independent Directors. The Board had satisfactorily made the recommendation.
- Reviewed the proposed promotion of Leong Kit May from Chief Operating Officer / Finance Director to Chief Executive Officer / Finance Director (upon the retirement of Dato' George Stewart LaBrooy on 31 December 2015) which is in line with the approved succession plans of the Manager.
- Reviewed the composition of the Board and the Manager as a whole and was satisfied that the female representation both at Board and senior management levels had achieved the 30% target as set.

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 their independence in writing to the Board.

Board of Directors and Meeting Attendance

Details of attendance of the Directors at the meetings of Board of Directors and Board Committees in respect of FYE2015 are presented below:

Directors	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	3/4	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 #	Non-Independent Non-Executive Director	4/4	Retired as CEO on 31 December 2015 and resigned as Non-Independent and Non-Executive Director on 18 January 2016
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*	Chief Executive Officer / Finance Director	4/4	Promoted to CEO on 1 January 2016
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	4/4	No Change

Retired as CEO on 31 December 2015 and resigned as Non-Independent and Non-Executive Director on 18 January 2016.

* Promoted to CEO / Finance Director on 1 January 2016 succeeding Dato' George Stewart LaBrooy.

Executive Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 5)	Remarks
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	4/5	No Change
Dato' George Stewart LaBrooy	Member	5/5	Ceased as member on 31 December 2015 following retirement
Stephen Tew Peng Hwee	Member	5/5	No Change
Leong Kit May	Member	5/5	No Change

Audit Committee and Meeting Attendance

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

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 : 3)	Remarks
Mohd Sharif bin Hj Yusof	Chairman	3/3	No Change
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	2/3	No Change
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	3/3	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 programmes available for selection. Details of training attended by directors were also reported to the meetings and recorded accordingly. In-house training was also organised for all the directors on 'Risk Awareness' in October 2015.

Corporate Governance

All the directors of the Manager have attended training during FYE2015 in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("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	Date	Events
Dato' George Stewart LaBrooy	10 & 11 January 2015	Wealth Mastery Academy – Property Outlook Conference 2015
	4 February 2015	8th Malaysian Property Summit 2015 – Property Market Outlook for 2015
	4 February 2015	Citiscape – Malaysia's Zones for Investment : How does Malaysia compare to the region
	6 February 2015	Citiscape – Why has the Islamic REIT become one of investment's popular drivers
	12 February 2015	Maybank CEO Conference
	21 April 2015	Maybank – The Business of Innovation 2015
	23 April 2015	Securities Commission Malaysia – Building Talent through the Graduate representative programme
	23 & 24 April 2015	Invest Malaysia 2015
	8 May 2015	PEMANDU – Lead the change : Getting Women on Boards
	11 May 2015	Securities Commission Malaysia – Corporate Governance : Balancing Rules & Practices
	19 & 20 May 2015	EPF & JP Morgan – International Social Security Conference on "Sustainable Social Security Eco-System within an ageing society"
	3 July 2015	Monetary Policy and Economic Analysis – How the Central Bank provides interest rate and forex direction
	9 July 2015	Capital Financing – Valuation, Cost of Capital, Price Multiple Effect
	21 August 2015	ASLI – Green and Eco-development : The wave of the future
	19-21 October 2015	Securing funding for your mixed use development for project viability and financial success
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin		Unlocking the value of mixed use developments to deliver high quality projects for enhanced profitability
	19 October 2015	Risk Awareness
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	19 August 2015	The interplay between CG, NFI and Investment Decision – what Boards of Listed Companies need to know
	24-26 November 2015	APREA AsiaPac Property Leaders Summit 2015
Stephen Tew Peng Hwee @ Teoh Peng Hwee	28 January 2015	Malaysian Institute of Estate Agents, Kota Kinabalu – REITS - How to make money from it
	6-7 March 2015	Malaysian Annual Real Estate Convention 2015 – Achieving Success in Trying Times, Going Beyond Your Best
	7 March 2015	Malaysian Institute of Estate Agents, Kuala Lumpur – REITS - How to make money from it
	2 October 2015	Malaysian Institute of Estate Agents, Johor – REITS - How to make money from it
Leong Kit May	12 February 2015	Maybank Kim Eng's Cap 10 Asean CEO Summit – Pathways to your Asean prosperity
	13-14 May 2015	2nd Annual Corporate Sukuk
	16 June 2015	Financial Market – Price Outlook Conference 2015
	5 August 2015	Advocacy sessions on management discussion and analysis for CEO and CFO
	19 October 2015	Risk Awareness
	12 November 2015	SIDC conference for leaders in partnership with INSEAD
	24-26 November 2015	APREA AsiaPac Property Leaders Summit 2015

Directors	Date	Events
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	15 January 2015	Maybank Kim Eng's Property Conference – The Impact of GST on Property
	12 February 2015	Maybank Kim Eng's Cap 10 Asean CEO Summit – Pathways to your Asean prosperity
	23 April 2015	ASLI National Affordable Housing Projects Summit 2015 – Spearheading the affordable housing supply in Malaysia
	13 May 2015	DBKL Seminar – 2015 Kuala Lumpur City Development
	9 October 2015	Managing Perceptions, Past, Present & Future
	24 November 2015	Maybank Investment Property Conference – The Challenges & Opportunities In Times Of Uncertainty
Dato' Abas Carl Gunnar bin Abdullah	19 October 2015	Risk Awareness
Alvin Dim Lao	3 February 2015	JP Morgan Conference, Manila
	4-5 March 2015	UBS Philippine CEO Forum, Manila
	11-15 March 2015	CLSA ASEAN Forum, Bangkok
	21-24 April 2015	JP Morgan Asia Rising Dragons, Hong Kong, Singapore
	23 June 2015	Finance Asia Philippines Capital Markets Forum, Hong Kong
	4 August 2015	Annual Corporate Treasury & CFO Summit – Philippines
	24-25 August 2015	Macquarie ASEAN Conference, Singapore
	8-9 September 2015	Deutsche Philippine Conference, London
	8-9 October 2015	Deutsche Manila Conference, Manila
	13-14 October 2015	Forbes Global CEO Conference, Manila
	19 October 2015	Risk Awareness
	26 October 2015	Corporate Governance
	24-28 November 2015	JP Morgan Asia Rising Dragons, Kuala Lumpur, Singapore, Hong Kong, Tokyo
Alex Lee Lao	26 October 2015	Corporate Governance
Mohd Sharif bin Hj Yusof	19 October 2015	Risk Awareness
Jancis Anne Que Lao	19 October 2015	Risk Awareness

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 in order 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.

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

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

Corporate Governance

Annual General Meeting (AGM) and Unitholders' Meeting

The Manager had in FYE2015 convened and held its third AGM in compliance with the requirements under the Guidelines on Real Estate Investment Trusts issued by the Securities Commission. At the AGM, the Manager updated all Unitholders present with the performance, activities, progress and prospects of Axis-REIT.

During FYE2015, another Unitholders' Meeting was held on 21 August 2015 to seek Unitholders' approval for corporate exercises of Axis-REIT, among others, the proposed Unit Split of Axis-REIT involving the subdivision of one (1) existing unit in Axis-REIT into two (2) units. Voting on the resolutions tabled at this Unitholders' Meeting was carried out via polling as the Manager deemed the resolutions to be substantive in nature, in line with best practice principles.

The Board recognises the importance of Unitholders' participation at both the meetings and encourages such participation. At both the AGM and the Unitholders' Meeting, the Board provides opportunities to unitholders to raise questions pertaining to the business activities of Axis-REIT.

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 organisation.

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

Recognising that an audit committee plays a crucial role in the corporate governance process of an organisation, 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 three (3) Non-Executive members, two of whom (including the Chairman) are Independent Non-Executive Directors of the Board. One (1) of the Audit Committee members has an alternate director.

The composition of the Committee as at 31 December 2015 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
(Alternate Director: Ms Jancis Anne Que Lao)

2. Terms of Reference

The Audit Committee has a set of Terms of Reference that guides it in the discharge of its roles and responsibilities. The details of the Terms of Reference are available on the corporate website of Axis-REIT at www.axis-reit.com.my. There was no revision made to the Terms of Reference of the Audit Committee during the year under review.

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, 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 for public release to ensure adherence to legal and regulatory reporting requirements before recommending to the Board of Directors for approval;
- (ii) reviewed the audited financial statements of Axis-REIT for the financial year ended 2014 issued in year 2015 and discussed with the External Auditors the results of the final audit conducted on Axis-REIT. There were no significant audit issues raised by the External Auditors;
- (iii) 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 are contained in the Statement on Risk Management and Internal Control of this Annual Report;
- (iv) reviewed the Risk Register on a quarterly basis and the details of the findings / observations are contained in the Statement on Risk Management and Internal Control of this Annual Report;
- (v) reviewed the Operations Manual to ensure that the Manager's day-to-day operations reflect the necessary features of Goods and Services Tax which came into effect on 1 April 2015, pre-qualification of contractors to be engaged for property enhancement projects and other improvements to the processes and procedures as identified and recommended by the Internal Auditors;
- (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 2015 for onward recommendation to the Trustee of Axis-REIT. Evaluation criteria included, among others, the adequacy and experience of the firm, its resources and experience of the professional staff assigned to the audit of Axis-REIT;
- (vii) ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board of the Securities Commission Malaysia;

Audit Committee Report

3. Summary of Activities Carried Out by the Committee during the Financial Year (cont'd)

- (viii) reviewed and recommended for the Board's approval the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion into the 2014 Annual Report of Axis-REIT issued in year 2015;
- (ix) reviewed the implementation of the income distribution reinvestment plan in conjunction with the 2015 Third Interim Income Distribution of Axis-REIT;
- (x) reviewed with External Auditors, their audit plan for the financial year ended 31 December 2015, audit approach and reporting requirements prior to the commencement of audit works for the year under review being kept abreast and informed of new accounting standards, particularly the new Auditors' Report and the Audit Committee had discussed and considered the impact of such new reporting development to the audit process and the audited financial statements moving forward;
- (xi) reviewed on a quarterly basis, the list of related party transactions ("RPT") involving interests of related parties who are Directors of the Manager, substantial Unitholders of Axis-REIT and ultimate major shareholders of the Manager or persons connected to them and during the financial year under review, the Audit Committee had reviewed and considered the proposed RPT acquisition of four (4) properties situated at Kulaijaya, Johor Darul Takzim; and
- (xii) evaluated the outsourced Internal Auditors and recommended to the Board their re-engagement as the Internal Auditors of Axis-REIT in respect of the year 2015/2016.

4. 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. The Audit Committee had during the year 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. Results of those engagements were satisfactory.

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 ("the Manager") of Axis Real Estate Investment Trust ("Axis-REIT" or "the 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, even though 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. 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.

The Manager had during the financial year ended 31 December 2015 ("FYE2015") updated the Operations Manual. The updates were made to cater for the Goods and Services Tax ("GST") features on day-to-day operations, criteria for pre-qualification of contractors, procedures for disposal of real estates and other improvement to the processes and procedures as recommended by the outsourced Internal Auditors.

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. This annual budgeting and target-setting process had been carried out and applied in FYE2015 where the budgets were prepared and presented to the Board for review and approval. The Manager had during the financial year being 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 in respect of FYE2015 had been recommended by the Executive Committee and approved by the Board of Directors of the Manager prior to implementation.

Management meetings are conducted regularly to review financial performance, business development, strategic business planning, including the relevant strengths, weaknesses, opportunities and threats and deliberate on management issues. There were regular meetings held between the Executive Committee with Management to discuss and resolve key operational, financial and other key management issues during the FYE2015. Significant issues would be 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, financial reporting, advanced budgeting & finance and job costing, is regularly 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. During the year, the Manager has successfully enhanced the accounting system to be GST-compliant. The GST-compliant system ensures that accurate accounting information is captured, processed and produced for tax reporting purposes.

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 in 2012 and 2013 via Axis-REIT's wholly-owned subsidiary, Axis REIT Sukuk Berhad. The Sukuk had provided Axis-REIT a blended annual financing rate of 4.13% (5 & 7 years) to 4.61% (10 years) per annum and reduced Axis-REIT's exposure to short-term financing.

In January 2015, the Manager had obtained approval from the Securities Commission Malaysia for upsizing the Sukuk Programme from RM300 million to RM3 billion and the tenure of the Sukuk Programme has been extended from a fifteen year programme to a perpetual programme. There is no new issuance under the Sukuk Programme as at the date of this Annual Report. The Manager periodically reviews the market condition and Axis-REIT's financing needs in determining its capital management strategy.

Statement On Risk Management & Internal Control

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

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 that assists Management in risk management processes.

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 FYE2015, the Risk Register had captured management action plans which were formulated in line with the strategy plans of the Manager for Axis-REIT, updates pertaining to GST and Personal Data Protection Act, 2010 and Yardi advanced budgeting and budget tracking processes. New risks concerning building compliance with various local authorities were identified during the year and the Manager had ensured that action plans were put in place to address such new risks.

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 the financial year ended 2015:

1. Internal audit review on Yardi System on GST Readiness to ensure compliance with GST features and requirements;
2. Internal audit review on Yardi System (Phase 2) to assess timeliness, adequacy and completeness of information captured in the system and review reporting features in the Yardi System (advanced budgeting & finance and job costing) to ensure reports generated facilitate efficient review by Management;
3. Internal audit review on the Asset Acquisition and Disposal Processes covering the assessment of the adequacy and sufficiency of the research conducted on potential properties, cost / return analysis, determination of acquisition and disposal prices and the Board's review and approval processes;
4. Internal audit review on Facilities Management covering scheduled and unscheduled maintenance monitoring, safety and security compliance, order processing and its periodic monitoring and maintenance;
5. Internal audit review on Financial Controls covering payment processing, timeliness and completeness of account payable captured in the Yardi system; and
6. Internal audit review on Compliances with Corporate Governance Principles.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of the FYE2015 amounted to RM63,000.

No control deficiencies were noted during the financial year under review which had any 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 is in place during the financial year under review. The Board has received assurance from the Chief Executive Officer / Finance Director and Financial Controller 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 2015.

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**

HAJI RAZLI RAMLI

Head
Shariah Business Advisory

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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 2015, 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 2015 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.

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Statement Of Financial Position

As at 31 December 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Non-current assets			
Investment properties	4	2,048,626	1,982,587
Equipment	5	3,602	2,821
		2,052,228	1,985,408
Current assets			
Receivables, deposits and prepayments	6	59,230	10,359
Cash and cash equivalents	7	30,035	90,116
		89,265	100,475
Total current assets		89,265	100,475
Total assets		2,141,493	2,085,883
Financed by:			
Unitholders' funds			
Unitholders' capital		1,052,272	1,044,664
Reserves		300,213	281,705
Total unitholders' funds	8	1,352,485	1,326,369
Non-current liabilities			
Tenants' deposits	9	30,199	35,984
Financing	10	330,982	264,434
		361,181	300,418
Current liabilities			
Payables and accruals	9	26,995	39,761
Financing	10	400,832	419,335
Total current liabilities		427,827	459,096
Total liabilities		789,008	759,514
Total unitholders' funds and liabilities		2,141,493	2,085,883
Net asset value ("NAV")		1,352,485	1,326,369
Number of units in circulation ('000 units)		1,099,793	547,522
NAV per unit (RM)			
- Before income distribution		1.2298	2.4225
- After income distribution		1.2098 [#]	2.4080

NAV after reflecting realised income to be distributed as final 2015 income distribution of 2.00 sen per unit payable on 29 February 2016.

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Gross revenue			
- realised		163,077	137,625
- unrealised (in relation to unbilled lease income receivable)		2,598	2,424
	11	165,675	140,049
Property operating expenses	12	(23,746)	(21,553)
Net property income		141,929	118,496
Profit income		744	1,210
Net gain on disposal of investment property		-	1,614
Change in fair value of investment properties			
- as per valuation	4	5,791	25,970
- unbilled lease income receivable	4	(2,598)	(2,424)
Fair value change on derivatives		(81)	455
Net (loss)/gain on financial liabilities measured at amortised cost		(683)	2,744
Net property and investment income		145,102	148,065
Manager's fees	1(b)	13,759	10,400
Trustee's fees	1(c)	712	564
Auditor's fees			
- audit		113	103
- other services		5	11
Tax agent's fees		27	18
Net impairment losses on trade receivables being recognised		188	37
Depreciation	5	393	298
Administrative expenses		2,619	1,769
Islamic financing cost		29,935	23,848
Valuation fees		714	562
Non-property expenses		48,465	37,610
Net income before tax		96,637	110,455
Income tax expense	13	(73)	-
Net income for the year attributable to unitholders		96,564	110,455
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year attributable to unitholders		96,564	110,455
Net income for the year is made up as follows:			
Realised		91,537	81,286
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		2,598	2,424
- Change in fair value of investment properties			
- as per valuation	4	5,791	25,970
- unbilled lease income receivable	4	(2,598)	(2,424)
- Net (loss)/gain on financial liabilities measured at amortised cost		(683)	2,744
Fair value change on derivatives		(81)	455
		5,027	29,169
		96,564	110,455

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Earnings per unit (sen)#	14	8.81	11.82
Number of units in circulation ('000 units)		1,099,793	547,522
Earnings per unit (before Manager's fees)#			
- Gross (sen)		10.07	12.94
- Net (sen)		10.07	12.94
Net income distribution			
First, Second and Third interim income distributions of 10.60 sen per unit paid on 29 May 2015, 11 September 2015 and 9 December 2015 (2014: 15.60 sen per unit paid on 13 June 2014, 5 September 2014 and 28 November 2014)		70,118	72,220
Fourth interim income distribution of Nil (2014: 2.70 sen per unit paid on 8 January 2015)		-	12,526
Final income distribution of 2.00 sen per unit payable on 29 February 2016 (2014: 1.45 sen per unit paid on 27 February 2015)		21,996	7,938
	15	92,114	92,684

The earnings per unit for the comparative has been restated and presented as after the Unit Split as disclosed in Note 8.1, Note 14 and Note 26 to the financial statements.

		2015	2014 (restated)
Distribution per unit#			
- Gross (sen)	- interim	6.40	9.15
	- final	2.00	0.73
		8.40	9.88
	15		
- Net (sen) *	- interim	6.40	9.15
	- final	2.00	0.73
		8.40	9.88
	15		

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

	Withholding tax rate	
	2015	2014
Resident corporate	N/A^	N/A^
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 distribution per unit for the comparative has been restated and presented as after the Unit Split as disclosed in Note 8.1 and Note 26 to the financial statements.

Statement Of Changes In Net Asset Value

For the year ended 31 December 2015

	<i>Distributable</i>		<i>Non-distributable</i>	
	Total unitholders' capital RM'000	Realised income RM'000	Unrealised income RM'000	Total unitholders' funds RM'000
At 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)
Distributions to unitholders	-	(106,424)	-	(106,424)
Total transactions with unitholders	293,698	(106,424)	-	187,274
At 31 December 2014/1 January 2015	1,044,664	5,555	276,150	1,326,369
Net income for the year	-	91,537	5,027	96,564
Total comprehensive income for the year	-	91,537	5,027	96,564
<i>Contributions by and distributions to unitholders</i>				
Issuance and placement of units	7,652	-	-	7,652
Issuing expenses	(44)	-	-	(44)
Distributions to unitholders	-	(78,056)	-	(78,056)
Total transactions with unitholders	7,608	(78,056)	-	(70,448)
At 31 December 2015	1,052,272	19,036	281,177	1,352,485

Note 8

Statement Of Cash Flows

For the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Cash flows from operating activities			
Net income before tax		96,637	110,455
<i>Adjustments for:</i>			
Islamic financing cost		29,935	23,848
Profit income		(744)	(1,210)
Change in fair value of investment properties (net of unbilled lease income receivable)	4	(5,791)	(25,970)
Depreciation of equipment	5	393	298
Net loss/(gain) on financial liabilities measured at amortised cost		683	(2,744)
Net gain on disposal of investment property		-	(1,614)
Net impairment loss on trade receivables being recognised		188	37
Fair value change on derivatives		81	(455)
Operating income before changes in working capital		121,382	102,645
Changes in working capital:			
Receivables, deposits and prepayments		(49,059)	(6,216)
Payables and accruals		(7,034)	3,283
Tenants' deposits		(12,281)	6,521
Cash generated from operations		53,008	106,233
Tax paid		(73)	-
Net cash from operating activities		52,935	106,233
Cash flows from investing activities			
Profit income received		744	1,210
Acquisition of investment properties	4	(45,781)	(395,039)
Acquisition of equipment	5	(1,174)	(712)
Enhancement of investment properties	4	(14,467)	(18,330)
Pledged deposits		(377)	(366)
Net proceeds from disposal of investment property		-	30,214
Net cash used in investing activities		(61,055)	(383,023)
Cash flows from financing activities			
Islamic financing cost paid		(29,935)	(23,848)
Proceeds from financing		47,952	155,197
Proceeds from finance lease liabilities		93	568
Income distribution paid to unitholders		(78,056)	(93,898)
Proceeds from issue of units		7,652	297,097
Issuing expenses	8	(44)	(3,399)
Net cash (used in)/from financing activities		(52,338)	331,717
Net (decrease)/increase in cash and cash equivalents		(60,458)	54,927
Cash and cash equivalents at 1 January		77,620	22,693
Cash and cash equivalents at 31 December	(i)	17,162	77,620

(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	2015 RM'000	2014 RM'000
Cash and bank balances	7	9,063	9,822
Islamic deposits placed with licensed banks	7	20,972	80,294
		30,035	90,116
Less: Islamic deposits placed with licensed banks - pledged	7	(12,873)	(12,496)
		17,162	77,620

The notes on pages 147 to 180 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 2015 comprise the financial statements of Axis-REIT and its special purpose company, 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% (2014: 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 2015 of RM13,758,239 (2014: RM10,399,901) is 1% (2014: 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% (2014: 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 2015 is RM450,000 (2014: RM3,890,000) 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 2015 is RM nil (2014: RM170,000) which 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% (2014: 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 2015 is RM712,228 (2014: RM564,421).

These financial statements were approved by the Board of Directors of the Manager on 15 February 2016.

Notes To The Financial Statements

2. Basis of preparation

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the provisions of the 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 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- 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*, 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*
- Amendments to 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 - 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- 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*

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

- 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 14, amendments to MFRS 11, MFRS 116 and 141, and MFRS 119 which are not applicable to Axis-REIT.
- 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.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impacts 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 judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 4 – valuation of investment properties.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Axis-REIT has established a special purpose company, Axis REIT Sukuk Berhad, for the purpose of raising financing on behalf of Axis-REIT. Axis REIT Sukuk Berhad is consolidated as if it is a subsidiary of Axis-REIT.

Subsidiaries are entities, including structured entities, controlled by Axis-REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Axis-REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Axis-REIT also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(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 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 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 profit method.

Axis-REIT does not 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(g)(i)).

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) Derecognition

A financial asset or a 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.

(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, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(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.

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 and 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 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 as follows:

- Office equipment, furniture and fittings 10 years
- Car park machines 10 years
- Software 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

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 property and measured using fair value model.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and Islamic deposits placed 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, if any.

(g) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. 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 profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value) 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.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets (continued)

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.

(h) 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.

(i) 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.

(j) 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 profit method in profit or loss.

3. Significant accounting policies (continued)

(k) 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, as stipulated in Note 1(a).

(ii) Manager's fees

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

(iii) Trustee's fees

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

(iv) Islamic financing cost

Islamic financing cost incurred in connection with financing are expensed using the effective profit method, in the period in which they are incurred.

(l) 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.

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.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(m) 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

Land and buildings at fair value:

At 1 January
Acquisitions
Enhancements
Change in fair value
At 31 December

2015 RM'000	2014 RM'000
1,982,587	1,543,248
45,781	395,039
14,467	18,330
5,791	25,970
2,048,626	1,982,587

4. Investment properties (continued)

2015

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2015 %	Fair value as at 31.12.2015 RM'000	Initial acquisition cost as at 31.12.2015 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2015 %
Menara Axis * ###	Leasehold	99	50	Petaling Jaya	Commercial office	93.7	120,000	71,440	8.9
Crystal Plaza ^ ###	Leasehold	99	44	Petaling Jaya	Commercial office	81.3	109,400	56,400	8.1
Axis Business Park ^ ###	Leasehold	99	45	Petaling Jaya	Office/Industrial	64.0	119,000	84,600	8.8
Infinite Centre ^^ #	Leasehold	99	50	Petaling Jaya	Office/Industrial	71.5	42,000	25,450	3.1
Wisma Kemajuan ^ #	Leasehold	99	50	Petaling Jaya	Office/Industrial	95.4	62,000	29,192	4.6
Axis Business Campus ^^^^ ^ #	Leasehold	99	52/56	Petaling Jaya	Office/Industrial	-	73,538	32,681	5.4
Axis Shah Alam DC 1 *	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	27,500	18,783	2.0
Giant Hypermarket ^^ #	Freehold	-	-	Sungai Petani	Hypermarket	100.0	41,000	38,678	3.0
FCI Senai ^^ #	Leasehold	60	52	Senai, Johor	Manufacturing facilities	100.0	17,000	12,538	1.3
Fonterra HQ *	Freehold	-	-	Shah Alam	Office/Industrial	85.0	15,000	7,352	1.1
Quattro West ^^ ##	Leasehold	99	57	Petaling Jaya	Commercial office	84.2	55,800	40,376	4.1
Strateq Data Centre ^^^ #	Leasehold	99	53	Petaling Jaya	Office/Industrial	100.0	53,200	37,549	3.9
BMW Centre PTP ^^^ #	Leasehold	60	40	Tanjung Pelepas	Warehouse/Logistics	100.0	30,300	27,470	2.2
Niro Warehouse **	Leasehold	60	36	Pasir Gudang	Warehouse/Logistics	100.0	17,700	14,811	1.3
Delfi Warehouse **	Leasehold	60	52	Pasir Gudang	Warehouse/Logistics	100.0	15,600	12,743	1.2
Axis Vista ^^ ##	Leasehold	99	51	Petaling Jaya	Office/Industrial	100.0	56,000	32,481	4.1
Axis Steel Centre ^^^ #	Leasehold	99	87	Klang	Warehouse/Logistics	100.0	70,016	65,882	5.2
Bukit Raja Distribution Centre ^^^ #	Freehold	-	-	Klang	Warehouse/Logistics	100.0	97,000	72,636	7.2
Seberang Prai Logistic Warehouse 1 *** #	Leasehold	60	38	Seberang Prai	Warehouse/Logistics	100.0	20,200	17,695	1.5
Seberang Prai Logistic Warehouse 2 *** #	Leasehold	60	38	Seberang Prai	Warehouse/Logistics	100.0	8,000	6,981	0.6
Tesco Bukit Indah ^^^ #	Freehold	-	-	Johor Bahru	Hypermarket	100.0	92,000	76,750	6.8
Axis PDI Centre ^^^^	Leasehold	99	76	Kuala Langat	Warehouse/Logistics	-	85,000	86,146	6.3
Axis Technology Centre *	Leasehold	99	52	Petaling Jaya	Office/Industrial	81.0	53,200	49,697	3.9
D8 Logistics Warehouse ** #	Leasehold	60	40	Johor Bahru	Warehouse/Logistics	100.0	32,500	30,521	2.4
Axis Eureka ^^^^ #	Freehold	-	-	Cyberjaya	Commercial office	59.1	54,000	52,050	4.0
Bayan Lepas Distribution Centre ^^ #	Leasehold	60	47	Bayan Lepas	Warehouse/Logistics	100.0	51,500	49,471	3.8
Seberang Prai Logistic Warehouse 3 *****	Leasehold	60	37/53	Seberang Prai	Warehouse/Logistics	100.0	63,500	60,139	4.7
Emerson Industrial Facility Nilai ***** #	Leasehold	99	80	Nilai	Manufacturing facilities	100.0	30,009	27,011	2.2
Wisma Academy Parcel ^ #	Leasehold	99	47	Petaling Jaya	Office/Industrial	86.4	79,905	74,242	5.9
The Annex ^ #	Leasehold	99	47	Petaling Jaya	Office/Industrial	100.0	18,868	12,289	1.4
Axis MRO Hub ^^^^	Leasehold	99	70	Shah Alam	Manufacturing facilities	100.0	53,000	53,357	3.9
Axis Shah Alam DC 3 ****	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	183,390	185,661	13.6
Axis Steel Centre @ SILC * #	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0	155,500	156,020	11.5
Axis Shah Alam DC 2 ^^^	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	46,000	45,781	3.4
Total							2,048,626	1,664,873	

Notes To The Financial Statements

4. Investment properties (continued)

- * Menara Axis, Axis Shah Alam DC 1, Fonterra HQ, Axis Technology Centre and Axis Steel Centre @ SiLC were valued on 27 November 2015, 13 November 2015, 13 November 2015, 16 November 2015 and 17 November 2015 respectively, by Savills (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 16 November 2015, 16 November 2015 and 13 November 2015 respectively, by Savills (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 17 November 2015 by Savills (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.
- **** Axis Shah Alam DC 3 was valued on 20 May 2015 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 investment methods of valuation.
- ***** Seberang Prai Logistic Warehouse 3 was valued on 24 November 2015 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.
- ***** Emerson Industrial Facility Nilai was valued on 8 January 2015 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.
- ^ Crystal Plaza, Axis Business Park, Wisma Kemajuan, Wisma Academy Parcel and The Annex were valued on 18 November 2015, 18 November 2015, 17 November 2015, 24 April 2015 and 23 April 2015 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 and Bayan Lepas Distribution Centre were valued on 17 November 2015, 23 November 2015, 23 November 2015, 17 November 2015 and 25 November 2015 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, cost and comparison methods of valuation.
- ^^^ FCI Senai, BMW Centre PTP, Axis Steel Centre, Bukit Raja Distribution Centre and Tesco Bukit Indah were valued on 19 November 2015, 19 November 2015, 30 March 2015, 17 November 2015 and 20 November 2015 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.
- ^^^^ Stratseq Data Centre, Axis PDI Centre, Axis Eureka and Axis Shah Alam DC 2 were valued on 27 November 2015, 25 November 2015, 30 November 2015 and 20 May 2015 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 21 May 2015, 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.
- ^^^^^^ Axis Business Campus was valued on 27 April 2015, by W.M. Malik & Kamaruzaman, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison method of valuation.
- # These properties are charged to financial institutions for revolving credit and term financing facilities granted to Axis-REIT (Note 10).
- ## These properties are charged to the Sukukholders for Islamic Medium Term Notes ("Sukuk") of RM110.0 million in nominal value (Note 10).
- ### These properties are charged to the Sukukholders for Sukuk of RM155.0 million in nominal value (Note 10).

Included in the acquisition cost of investment properties is RM450,000 (2014: RM3,890,000) which relates to acquisition fees paid to the Manager (Note 1(b)).

4. Investment properties (continued)

The following are recognised in profit or loss in respect of investment properties:

	Note	2015 RM'000	2014 RM'000
Gross revenue			
- realised		163,077	137,625
- unrealised (in relation to unbilled lease income receivable)		2,598	2,424
	11	165,675	140,049
Property operating expenses	12	(23,746)	(21,553)
Net property income		141,929	118,496

4.1 Fair value information

As at 31 December 2015, fair value of investment properties amounting to RM2,048,626,000 (2014: RM1,982,587,000) is 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:

	2015 RM'000	2014 RM'000
At 1 January	1,982,587	1,543,248
Additions	60,248	413,369
	2,042,835	1,956,617
Gains and losses recognised in profit or loss		
Change in fair value - unrealised	5,791	25,970
At 31 December	2,048,626	1,982,587

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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 to 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% (2014: 6.50% - 8.50%). • Risk-adjusted discount rate of 6.70% - 8.50% (2014: 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 RM200.00 per sq. ft. - RM370.00 per sq. ft. (2014: RM372.00 per sq. ft. - RM378.00 per sq. ft.). • Weighted average value: RM372.00 per sq. ft. (2014: RM370.00 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 RM85.00 per sq. ft. (2014: not applicable) to RM217.00 per sq. ft. (2014: RM220.00 per sq. ft.). • Main floor area cost ranging from RM130.00 per sq. ft. (2014: RM110.00 per sq. ft.), to RM150.00 per sq. ft. (2014: RM90.00 per sq. ft.). • Depreciation rates ranging from 22% (2014: 0%), to 40% (2014: 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 investment 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 investment properties.

4. Investment properties (continued)

2014

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
Strateq 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
Delfi 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
Total							1,982,587	1,619,092	

Notes To The Financial Statements

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 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 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 10).
- ## These properties are charged to the Sukukholders for Islamic Medium Term Notes ("Sukuk") of RM110.0 million in nominal value (Note 10).
- ### These properties are charged to the Sukukholders for Sukuk of RM155.0 million in nominal value (Note 10).

5. Equipment

	Office equipment, furniture and fittings RM'000	Car park machines RM'000	Software RM'000	Work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2014	15	2,105	494	-	2,614
Additions	-	498	214	-	712
At 31 December 2014/1 January 2015	15	2,603	708	-	3,326
Additions	15	766	87	306	1,174
At 31 December 2015	30	3,369	795	306	4,500
Accumulated depreciation					
At 1 January 2014	2	171	34	-	207
Depreciation for the year	1	230	67	-	298
At 31 December 2014/1 January 2015	3	401	101	-	505
Depreciation for the year	6	310	77	-	393
At 31 December 2015	9	711	178	-	898
Carrying amounts					
At 31 December 2015	21	2,658	617	306	3,602
At 31 December 2014	12	2,202	607	-	2,821

Leased equipment

At 31 December 2015, the net carrying amount of leased equipment was RM2,658,000 (2014: RM2,202,000).

6. Receivables, deposits and prepayments

	2015 RM'000	2014 RM'000
Trade		
Trade receivables	4,016	574
Non-trade		
Other receivables	952	6,996
Prepayments	824	1,847
Deposits	53,370	807
Shariah-compliant derivative asset	68	135
	55,214	9,785
	59,230	10,359

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7. Cash and cash equivalents

	2015 RM'000	2014 RM'000
Cash and bank balances	9,063	9,822
Islamic deposits placed with licensed banks	20,972	80,294
	30,035	90,116

Included in Islamic deposits placed with licensed banks is an amount of RM300,000 (2014: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 10) and RM12,573,000 (2014: RM12,196,000) which is maintained in a Finance Service Reserve Account with a licensed bank to cover a minimum of 3 months' financing cost for Sukuk issued by Axis-REIT (Note 10).

8. Total unitholders' funds

8.1 Unitholders' capital

	2015 Number of units '000	2014 Number of units '000
Authorised:		
At 1 January	547,522	461,239
Increase during the year	552,271	86,283
At 31 December	1,099,793	547,522
Issued and fully paid up:		
At 1 January	547,522	461,239
Issued for cash	236	83,822
Unit Split	547,758	-
Issued under Income Distribution Reinvestment Plan ("IDRP")	4,277	2,461
At 31 December	1,099,793	547,522
	RM'000	RM'000
At 1 January	1,044,664	750,966
Issue of new units:		
236,000 units @ RM3.61 per unit, 4,276,988 units @ RM1.59 per unit, (2014: 2,461,009 units @ RM3.20 per unit, 242,000 units @ RM3.60 per unit, 83,579,942 units @ RM3.45 per unit)	7,652	297,097
Issuing expenses (Note 16)	(44)	(3,399)
At 31 December	1,052,272	1,044,664

On 9 September 2015, Axis-REIT implemented a unit split involving the subdivision of every one existing unit into two units ("Unit Split"). The number of units in issue of Axis-REIT increased from 547,758,040 units to 1,095,516,080 units arising from the Unit Split.

8. Total unitholders' funds (continued)

8.2 Unitholdings of substantial unitholders, Directors and their related parties

As at 31 December 2015, the Manager held 962,012 units in Axis-REIT (2014: 242,000). The Directors of the Manager and their related parties also held units in Axis-REIT, details of which are as follows:

	2015		2014	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Direct unitholdings of the Manager:				
Axis REIT Managers Berhad ^	962	1,578	242	876
Axis-REIT's substantial unitholder's direct unitholdings in Axis-REIT:				
Tew Peng Hwee @ Teoh Peng Hwee	54,985	90,175	27,338	98,963
The Manager's Directors' direct unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar Bin Abdullah	28,667	47,014	14,253	51,596
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	20	33	10	36
Tew Peng Hwee @ Teoh Peng Hwee	54,985	90,175	27,338	98,963
Dato' George Stewart LaBrooy	446	731	222	804
Alex Lee Lao #	50,433	82,710	25,076	90,775
Leong Kit May	42	69	21	76
Jancis Anne Que Lao ##	835	1,369	415	1,502
The Manager's Directors' indirect unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar Bin Abdullah *	11,071	18,156	5,268	19,070
Tew Peng Hwee @ Teoh Peng Hwee **	962	1,578	242	876
Alex Lee Lao ***	4,056	6,652	1,781	6,447
Direct unitholdings of close family members of the Manager's Directors:				
Datin Kuyas Emiloglu (also known as Ka Ya-Shih)	10,038	16,462	4,991	18,067
Leon Lee Lao	2,264	3,713	1,125	4,072
Yin-Yong Lee Lao	830	1,361	414	1,499
Tan Siew Geok	714	1,171	346	1,253
Jeanette Ivy Robertson Lomax	515	845	407	1,473
Amanda Tan Myhre	71	116	35	128
John Lee Lao	612	1,004	306	1,108
Dean Lee Lao	1,214	1,991	607	2,197
Datin Janet Mary Kay	40	66	20	72

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 2015 of RM1.64 (2014: RM3.62).

Notes To The Financial Statements

8. Total unitholders' funds (continued)

8.3 Breakdown of realised and unrealised net income

The breakdown of the undistributed income of Axis-REIT as at 31 December 2015, into realised and unrealised net income, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2015 RM'000	2014 RM'000
Total undistributed income of Axis-REIT		
- realised	19,036	5,555
- unrealised	281,177	276,150
Total undistributed income	300,213	281,705

The determination of realised and unrealised net income 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 net 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.

9. Payables and accruals

Non-Current Non-trade

Tenants' deposits - payable after 12 months

Current Trade

Trade payables

Non-trade

Tenants' deposits - payable within 12 months

Other payables and accrued expenses

Shariah-compliant derivative liability

	2015 RM'000	2014 RM'000
Tenants' deposits - payable after 12 months	30,199	35,984
Trade payables	3,167	4,746
Tenants' deposits - payable within 12 months	14,405	8,590
Other payables and accrued expenses	9,363	26,379
Shariah-compliant derivative liability	60	46
	26,995	39,761
	57,194	75,745

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM1,214,000 (2014: RM1,086,000) and RM515,000 (2014: RM483,000) respectively, which are unsecured, interest-free and payable monthly in arrears.

10. Financing

Non-current

Islamic Medium Term Notes ("Sukuk")

Finance lease liabilities

Term financing

Transaction costs

- Sukuk

- Term financing

Current

Secured revolving credit

Finance lease liabilities

Note	2015 RM'000	2014 RM'000
10.1	265,000	265,000
10.2	892	821
10.3	66,500	-
10.1	(1,127)	(1,387)
10.3	(283)	-
	330,982	264,434
10.4	400,500	419,025
10.2	332	310
	400,832	419,335
	731,814	683,769

10.1 Islamic Medium Term Notes ("Sukuk")

First Sukuk

On 13 July 2012, Axis-REIT, via its special purpose company, Axis REIT Sukuk Berhad, issued RM110.0 million Sukuk in nominal value pursuant to an Islamic Medium Term Notes Programme ("Sukuk Programme").

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 comprises 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.

- 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 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.

Second Sukuk

On 15 August 2014, Axis-REIT, via its special purpose company, Axis REIT Sukuk Berhad, issued RM155.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

Notes To The Financial Statements

10. Financing (continued)

10.1 Islamic Medium Term Notes ("Sukuk") (continued)

Second Sukuk (continued)

The Second Sukuk of RM155.0 million was issued to re-finance Axis-REIT's existing financing facilities. The Second Sukuk, which comprises 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 date 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 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.

Upsizing

On 19 January 2015, the Securities Commission approved the proposed upsizing of Axis REIT Sukuk Berhad's Sukuk Programme from RM300.0 million in nominal value to RM3.0 billion in nominal value. Subsequently, with the execution of the relevant supplemental documents in connection with the proposed upsizing on 10 April 2015, the size of Axis REIT Sukuk Berhad's Sukuk Programme was successfully increased from RM300.0 million in nominal value to RM3.0 billion in nominal value and the tenure of the Sukuk Programme has been extended from a fifteen year programme to a perpetual programme effective 10 April 2015.

10.2 Finance Lease Liabilities

Finance lease liabilities are subject to financing costs at 3.5% (2014: 3.5%) per annum.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015 RM'000	Finance costs 2015 RM'000	Present value of minimum lease payments 2015 RM'000	Future minimum lease payments 2014 RM'000	Finance costs 2014 RM'000	Present value of minimum lease payments 2014 RM'000
Less than one year	390	58	332	364	54	310
Between one and five years	1,002	149	853	965	144	821
More than five years	47	8	39	-	-	-
	1,439	215	1,224	1,329	198	1,131

10. Financing (continued)

10.3 Term financing

The term financing is secured over investment properties as indicated in Note 4 to the financial statements and is repayable on 28 January 2025. The transaction costs related to the term financing amounted to RM314,000 is amortised and charged to profit and loss over the expected tenure of 10 years.

10.4 Secured revolving credit

The secured revolving credit is secured over the investment properties as indicated in Note 4 to the financial statements.

11. Gross revenue

Rental income from investment properties	
- realised	
- unrealised (in relation to unbilled lease income receivable)	
Car park income	
Other income	

2015 RM'000	2014 RM'000
153,861	127,969
2,598	2,424
5,800	6,283
3,416	3,373
165,675	140,049

12. Property operating expenses

Assessment	
Service contracts and maintenance	
Property management fees	
Property management reimbursements	
Utilities	
Others	

2015 RM'000	2014 RM'000
3,705	3,149
5,427	5,462
3,328	2,928
2,734	2,587
3,666	3,601
4,886	3,826
23,746	21,553

13. Income tax expense

Recognised in profit or loss

Current tax expense

Malaysian - current year	
- under provision in prior year	

Deferred tax expense

Origination and reversal of temporary differences

Total income tax expense

Reconciliation of income tax expense

Net income before tax	
Income tax using Malaysian tax rate of 25% (2014: 25%)	
Non-deductible expenses	
Effect of fair value change on investment properties which is not subject to tax	
Effect of income exempted from tax	
Under provision in prior year	

2015 RM'000	2014 RM'000
-	-
73	-
73	-
-	-
73	-
96,637	110,455
24,159	27,614
1,129	462
(1,448)	(6,493)
(23,840)	(21,583)
73	-
73	-

Notes To The Financial Statements

13. Income tax expense (continued)

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% (2014: 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.

14. Earnings per unit

The calculation of earnings per unit is based on the net income for the year of RM96,564,000 (2014: RM110,455,000) and on the weighted average number of units in circulation during the year of 1,095,750,674 (2014: 467,203,663).

The earnings per unit for the comparative has been presented as though the Unit Split, as disclosed in Note 8.1 to the financial statements, had taken place as of that date. Hence the actual weighted average number of units in circulation during the financial year ended 31 December 2014 of 476,203,663 has been adjusted to 934,407,326 for the purpose of calculating the restated earnings per unit.

15. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2015 RM'000	2014 RM'000
Net realised rental income		
- current year	139,331	116,072
- prior year (already subject to tax)	36	41
Realisation of unrealised income	-	9,338
Net gain on disposal of investment property	-	1,614
Profit income	744	1,210
	140,111	128,275
Less : Non-property expenses	(48,465)	(37,610)
Income tax expense	(73)	-
	91,573	90,665
Adjustments to earnings available for distribution:		
- management fees in units	-	1,720
- depreciation	393	298
- impairment losses on trade receivables	188	37
	92,154	92,720
Less: Undistributed income	(40)	(36)
	92,114	92,684
Gross distribution per unit (sen) #	8.40	9.88
Net distribution per unit (sen) #	8.40	9.88

For illustration and comparison purposes, the distribution per unit (sen) of 12.60 (2014: 19.75) had been restated to 8.40 (2014: 9.88) to reflect the Unit Split.

16. Issuing expenses

	Note	2015 RM'000	2014 RM'000
Professional fees		-	3,260
Miscellaneous expenses		44	139
Total	8.1	44	3,399

17. Portfolio Turnover Ratio

	2015	2014
Portfolio Turnover Ratio ("PTR") (times)	0.03	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.

18. Management Expense Ratio

	2015	2014
Management Expense Ratio ("MER") (%)	1.36	1.29

The calculation of MER is based on the total fees incurred by Axis-REIT, 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.

19. Financial instruments

19.1 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			
2015			
Receivables and deposits	58,406	58,338	68
Cash and cash equivalents	30,035	30,035	-
	88,441	88,373	68
2014			
Receivables and deposits	8,512	8,377	135
Cash and cash equivalents	90,116	90,116	-
	98,628	98,493	135

* Axis-REIT does not have or provide any loans

Notes To The Financial Statements

19. Financial instruments (continued)

19.1 Categories of financial instruments (continued)

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

	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			
2015			
Payables and accruals	12,590	12,530	60
Tenants' deposits	44,604	44,604	-
Financing	730,590	730,590	-
Finance lease liabilities	1,224	1,224	-
	789,008	788,948	60
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

19.2 Net gains and (losses) arising from financial instruments

	2015 RM'000	2014 RM'000
Net (losses)/gains on:		
Fair value through profit or loss – held for trading	(81)	455
Loans and receivables*	556	1,173
Financial liabilities measured at amortised cost	(30,618)	(21,104)
Total	(30,143)	(19,476)

* Axis-REIT does not have or provide any loans

19.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

19. Financial instruments (continued)

19.4 Credit risk

Credit risk is the risk of a financial loss to Axis-REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. 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 RM4,016,000 (2014: RM574,000) which are secured by tenants' deposits.

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
2015			
Past due 1-30 days	1,600	-	1,600
Past due 31-60 days	1,488	-	1,488
Past due 61-90 days	155	-	155
Past due more than 90 days	1,447	(674)	773
	4,690	(674)	4,016
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

Notes To The Financial Statements

19. Financial instruments (continued)

19.4 Credit risk (continued)

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

	2015 RM'000	2014 RM'000
At 1 January	486	651
Impairment loss recognised	224	37
Impairment loss reversed	(36)	-
Impairment loss written off	-	(202)
At 31 December	674	486

Trade receivables that are individually determined to be impaired relate 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.

19.5 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 payables and accruals, tenants' deposits and 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.

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 amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities 2015							
Payables and accruals	12,590	-	12,590	12,590	-	-	-
Tenants' deposits	*44,604	-	53,109	14,405	9,494	8,871	20,339
Revolving credit	400,500	3.61 – 4.40	401,862	401,862	-	-	-
Term financing	66,217	4.04 – 4.19	90,737	2,693	2,693	8,079	77,272
Finance lease liabilities	1,224	3.50	1,439	390	365	637	47
Sukuk	263,873	4.13 – 4.61	323,946	11,460	11,460	179,258	121,768
	789,008		883,683	443,400	24,012	196,845	219,426

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 4.26% per annum.

19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis (continued)

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 (continued):

	Carrying amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
2014							
Payables and accruals	31,171	-	31,171	31,171	-	-	-
Tenants' deposits	*44,574	-	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
	<u>759,514</u>		<u>841,860</u>	<u>472,106</u>	<u>23,418</u>	<u>123,989</u>	<u>222,347</u>

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 4.14% per annum.

19.6 Market risk

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

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, term financing, revolving credit and finance lease liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which the profit income and financing cost could be affected by adverse movements in interest rates.

Risk management objectives, policies and processes for managing the risk

Axis-REIT entered into two profit rate swaps with a notional contract amount of RM50,000,000 each (2014: one profit rate swap with a notional contract amount of RM50,000,000) in order to achieve an approximate mix of fixed and floating rates exposure that is deemed acceptable for Axis-REIT.

Notes To The Financial Statements

19. Financial instruments (continued)

19.6 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:

	2015 RM'000	2014 RM'000
Financial assets		
<i>Floating rate instrument</i>		
Islamic deposits placed with licensed banks	20,972	80,294
Financial liabilities		
<i>Fixed rate instruments</i>		
Finance lease liabilities	1,224	1,131
Sukuk	263,873	263,613
	265,097	264,744
<i>Floating rate instruments</i>		
Term financing	66,217	-
Revolving credit	400,500	419,025
	466,717	419,025

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 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
2015				
Floating rate instruments	-	-	(3,343)	3,343
Profit rate swaps	-	-	(750)	750
2014				
Floating rate instruments	-	-	(2,540)	2,540
Profit rate swap	-	-	(750)	750

19.7 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.

19. Financial instruments (continued)

19.7 Fair value information (continued)

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		
2015										
Financial asset										
Shariah-compliant derivative asset	-	68	-	68	-	-	-	-	68	68
	-	68	-	68	-	-	-	-	68	68
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(44,604)	(44,604)	(44,604)	(44,604)
Financing	-	-	-	-	-	(261,340)	(447,741)	(709,081)	(730,590)	(730,590)
Finance lease liabilities	-	-	-	-	-	-	(1,349)	(1,349)	(1,349)	(1,224)
Shariah-compliant derivative liability	-	(60)	-	(60)	-	-	-	-	(60)	(60)
	-	(60)	-	(60)	-	(261,340)	(493,694)	(755,034)	(755,094)	(776,478)
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	-	-	-	-	-	-	(1,254)	(1,254)	(1,254)	(1,131)
Shariah-compliant derivative liability	-	(46)	-	(46)	-	-	-	-	(46)	(46)
	-	(46)	-	(46)	-	(258,233)	(449,642)	(707,875)	(707,921)	(728,389)

Notes To The Financial Statements

19. Financial instruments (continued)

19.7 Fair value information (continued)

Level 2 fair value

Shariah-compliant derivatives

The fair value of profit rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market profit 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 profit cash flows, discounted at the market profit rate at the end of the reporting period.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2014: no transfer in either directions).

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.

20. Capital management

Axis-REIT's objectives when managing capital is to maintain a strong capital base and safeguard Axis-REIT's ability to continue as a going concern, so as to maintain unitholders, creditors 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 2015, Axis-REIT's strategy, which was unchanged from 2014, 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 2015 and at 31 December 2014 were as follows:

	Note	2015 RM'000	2014 RM'000
Total financing	10	731,814	683,769
Total assets		2,141,493	2,085,883
Gearing ratio (%)		34.17	32.78

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

21. Operating leases

Leases as lessor

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

	2015 RM'000	2014 RM'000
Less than one year	136,159	140,303
Between one and five years	255,308	389,709
More than five years	365,113	414,959
	756,580	944,971

22. 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 as already presented in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

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.

23. Capital commitments

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

- Within one year

	2015 RM'000	2014 RM'000
	54,481	47,003

Notes To The Financial Statements

24. 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.

	2015 RM'000	2014 RM'000
Acquisition cost of investment properties payable to related parties of the Directors of the Manager	106,000	235,500

25. Subsequent event

On 28 January 2016, Axis-REIT has completed the proposed acquisition of four (4) single-storey detached factories, annexed with a two-storey office building within Kawasan Perindustrian i-Park, Kulai, in the State of Johor, held under freehold titles from Axis AME IP Sdn. Bhd. for a total cash consideration of RM61,000,000.

26. Comparative figures

The comparatives for earnings per unit and distribution per unit in the statement of profit or loss and other comprehensive income have been restated and presented as after the Unit Split for comparison purposes. The effects of the restatement are as disclosed below:

	2014 As restated	2014 As previously stated
Distribution per unit		
- Gross (sen) - interim	9.15	18.30
- final	0.73	1.45
	9.88	19.75
- Net (sen) - interim	9.15	18.30
- final	0.73	1.45
	9.88	19.75
Earnings per unit	11.82	23.64

Statement By The Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 142 to 180 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 2015 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 8.3 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

Leong Kit May

Kuala Lumpur,

Date: 15 February 2016

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 142 to 180, 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 15 February 2016.

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 2015. 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 2015 are in line with and are reflective of the objectives of Axis-REIT. Four distributions have been declared for the financial year ended 31 December 2015 as follows:

- 1) 1st interim income distribution of 4.10 sen per unit paid on 29 May 2015;
- 2) 2nd interim income distribution of 4.30 sen per unit paid on 11 September 2015;
- 3) 3rd interim income distribution of 2.20 sen per unit paid on 9 December 2015; and
- 4) Final income distribution of 2.00 sen per unit payable on 29 February 2016.

For and on behalf of the Trustee,
RHB Trustees Berhad
(Company No.: 573019-U)

Tony Chieng Siong Ung
Director

Kuala Lumpur,

Date: 15 February 2016

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 2015, 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 142 to 180.

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 2015 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 net income included in the statement of changes in net asset value and Note 8.3 to the financial statements has been compiled by Axis-REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not a required part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the Unitholders of Axis-REIT, in accordance with the Third Principal Deed dated 28 November 2013 between Axis REIT Managers Berhad and RHB Trustees Berhad 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: 15 February 2016

Lam Shuh Siang

Chartered Accountant
Approval Number: 3045/02/17(J)

Unitholders' Statistics

ANALYSIS OF UNITHOLDINGS AS AT 31 DECEMBER 2015

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	404	11.19	6,316	0.00
100 - 1,000	508	14.07	217,995	0.02
1,001 - 10,000	1,520	42.09	7,135,563	0.65
10,001 - 100,000	875	24.23	26,377,508	2.40
100,001 - 54,989,652 (*)	302	8.36	826,930,870	75.19
54,989,653 and above (**)	2	0.06	239,124,816	21.74
Total	3,611	100.00	1,099,793,068	100.00

* less than 5% of total issued holdings

** 5% and above of issued holdings

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2015 AS LISTED IN THE RECORD OF DEPOSITORS

No	Unitholders	@ 31 Dec 2015	% of Total Issued Units
1	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA	128,704,528	11.70
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	110,420,288	10.04
3	TEW PENG HWEE @ TEOH PENG HWEE	54,984,945	5.00
4	LEMBAGA TABUNG HAJI	53,994,400	4.91
5	ALEX LEE LAO	49,728,181	4.52
6	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	43,174,141	3.93
7	PERMODALAN NASIONAL BERHAD	40,958,053	3.72
8	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM MALAYSIA	27,242,128	2.48
9	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	26,748,651	2.43
10	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM DIDIK	26,273,999	2.39
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	25,247,888	2.30
12	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	24,567,177	2.23
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	21,467,061	1.95
14	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM WAWASAN 2020	20,367,265	1.85
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND	20,000,000	1.82

Unitholders' Statistics

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2015 AS LISTED IN THE RECORD OF DEPOSITORS (CONTINUED)

No	Unitholders	@ 31 Dec 2015	% of Total Issued Units
16	ABAS CARL GUNNAR BIN ABDULLAH	18,935,736	1.72
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	12,033,598	1.09
18	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM NASIONAL 3 IMBANG	11,971,342	1.09
19	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA 2	11,062,264	1.01
20	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	10,931,252	0.99
21	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM GEMILANG FOR AMANA SAHAM PENDIDIKAN	10,731,600	0.98
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (FAMILY PRF EQ)	10,629,800	0.97
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	10,229,050	0.93
24	KA, YA-SHIH ALSO KNOWN AS MYHRE, KUYAS	10,037,548	0.91
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	9,978,738	0.91
26	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM NASIONAL 2	9,931,470	0.90
27	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ABAS CARL GUNNAR BIN ABDULLAH	9,192,023	0.84
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	9,019,922	0.82
29	HSBC NOMINEES (ASING) SDN BHD SIX SIS FOR B&I PAN-ASIAN TOTAL RETURN REAL ESTATE SECURITIES FUND	7,967,194	0.72
30	AMANA RAYA BERHAD KUMPULAN WANG BERSAMA SYARIAH	7,743,733	0.70

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 one-month from the book closure date. In the event of IDR in conjunction with income distribution, the income distribution will be paid not later than five market days after one-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 realised 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		
	2016	2015	2014
Resident corporate	N/A [^]	N/A [^]	N/A [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	24%	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 2015, the total distribution was 8.40 sen per unit of which 0.35 sen was derived from utilisation of capital allowances and tax exempt profit income, 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*	840.00	840.00
Resident individual/institutional	840.00	759.50
Foreign corporate	840.00	638.75
Foreign institution	840.00	759.50
Foreign individual	840.00	759.50

* 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 2015?

For the financial year ended 31 December 2015, the total distribution was 8.40 sen per unit.

Type of Unitholder	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM1.64 on 31 December 2015
Resident corporate	6.72%	5.12%
Resident individual/institutional	6.08%	4.63%
Foreign corporate	5.11%	3.89%
Foreign institution	6.08%	4.63%
Foreign individual	6.08%	4.63%

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.

Frequently Asked Questions (FAQs)

8. What is the total number of Axis-REIT Units currently in issue?

A total of 1,099,793,068 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 their 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 four 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 1/10th 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.

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) operate(s) 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) operate(s) 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 operate(s) 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%).

Frequently Asked Questions (FAQs)

- 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 ijihad 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 REITs essentially provide Shariah guidance on the investment and business activities of Islamic REITs and complement the SC's Guidelines on Real Estate Investment Trusts.

Glossary

AUM	: Assets 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 licence 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
Unit Split	: Subdivision of every one existing Unit into two Units that was completed on 9 September 2015

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

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

**Stephen Tew Peng Hwee @
Teoh Peng Hwee**
Non-Independent Non-Executive Director

Mohd Sharif Bin Haji Yusof
Senior Independent Non-Executive Director

Leong Kit May
Chief Executive 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)
Stephen Tew Peng Hwee @
Teoh 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 @
Teoh 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
3rd Floor Plaza OSK, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2333 8333
Fax : 03-2175 3288
Email : rhbtrustees@rhbggroup.com
Website : www.rhbggroup.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 12, North Tower
Bangunan HSBC
2, Leboh Ampang
50100 Kuala Lumpur

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

AUDITOR :

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

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
Governance Sdn Bhd
Baker Tilly MH Tower, Level 10, Tower 1
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
Level 6, Symphony House
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:

Leong Kit May

Chief Executive Officer / Finance Director

Or

Chan Tze Wee

Manager, Business Development and Investor Relations
Penthouse, Menara Axis
No. 2, Jalan 51A/223,
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Email : info@axis-reit.com.my
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Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Pusat Dagangan Dana 1, Jalan PJU 1A/46
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Email : ask_us@symphony.com.my
Website : www.symphony.com.my

Bursa Malaysia Securities Berhad

Email : customerservice@bursamalaysia.com
Tel : +603 2034 7000 Fax : +603 2732 5258

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Calendar 2016

JANUARY

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FEBRUARY

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OCTOBER

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NOVEMBER

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DECEMBER

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PROPOSED CALENDAR OF FINANCIAL EVENTS 2016

January 2016

- Announcement of the Unaudited Results for FY15
- Announcement of the 4Q15 Final Income Distribution

February 2016

- Book Closure date to determine the entitlement to 4Q15 Final Income Distribution
- Payment of the 4Q15 Final Income Distribution
- Release of the 2015 Annual Report

April 2016

- Announcement of Unaudited Results for 1Q16
- Announcement of the 1Q16 Interim Income Distribution
- Annual General Meeting

May 2016

- Book closure date to determine the entitlement to 1Q16 Interim Income Distribution

June 2016

- Payment of 1Q16 Interim Income Distribution

July 2016

- Announcement of the Unaudited Results for 2Q16
- Announcement of the 2Q16 Interim Income Distribution

August 2016

- Book Closure date to determine the entitlement to 2Q16 Interim Income Distribution
- Payment of 2Q16 Interim Income Distribution

October 2016

- Announcement of the Unaudited Results for 3Q16
- Announcement of the 3Q16 Interim Income Distribution

November 2016

- Book Closure date to determine the entitlement to 3Q16 Interim Income Distribution

December 2016

- Payment of 3Q16 Interim Income Distribution

January 2017

- Announcement of the Unaudited Results for FY16
- Announcement of the 4Q16 Final Income Distribution

AXIS REIT MANAGERS BERHAD

(Company Number 649450-W)

(Incorporated in Malaysia under the Companies Act, 1965)

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