

## AXIS REAL ESTATE INVESTMENT TRUST

### CONDENSED BALANCE SHEET (UNAUDITED)

|  | (UNAUDITED)<br>AS AT END<br>OF CURRENT<br>QUARTER<br>30.06.2008<br>RM'000 | (AUDITED)<br>AS AT PRECEDING<br>FINANCIAL<br>YEAR ENDED<br>31.12.2007<br>RM'000 |
|--|---|---|
| <b><u>ASSETS</u></b>                       |   |   |
| Investment Properties                      | 651,386   | 570,400   |
| Deposits placed with licensed banks        | 300   | 570   |
| Receivables, deposits and prepayments      | 6,311   | 10,647  |
| Cash and cash equivalents                  | 69  | 86  |
| Tax Recoverable                            | 154   | 154   |
| <b>TOTAL ASSETS</b>                        | <b>658,220</b>  | <b>581,857</b>  |
| <b><u>LIABILITIES</u></b>                  |   |   |
| Payables and accruals                      | 26,644  | 21,885  |
| Revolving credit                           | 155,000   | 175,000   |
| Bank overdraft                             | 36,403  | 34,816  |
| Provision for Income Distribution (note 1) | 17,017  | 15,504  |
|  | <b>235,064</b>  | <b>247,205</b>  |
| <b>NET ASSET VALUE</b>                     | <b>423,156</b>  | <b>334,652</b>  |
| <b><u>FINANCED BY:</u></b>                 |   |   |
| <b><u>UNITHOLDERS' FUND</u></b>            |   |   |
| Unitholders' capital                       | 323,338   | 234,892   |
| Undistributed income                       | 99,818  | 99,760  |
|  | <b>423,156</b>  | <b>334,652</b>  |
| <b>NUMBER OF UNITS IN CIRCULATION</b>      | <b>255,901,000</b>  | <b>205,901,000</b>  |
| <b>NET ASSET VALUE PER UNIT (RM)</b>       | <b>1.654</b>  | <b>1.625</b>  |

(The Condensed Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being provision for income distribution for the period 19 January 2008 to 30 June 2008.

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED INCOME STATEMENT (UNAUDITED)**

|  | INDIVIDUAL QUARTER                              |  | CUMULATIVE QUARTER                                 |  |
|--|---|--|--|--|
|  | Current Year<br>Quarter<br>30.06.2008<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.06.2007<br>RM'000 | Current<br>Year<br>To date<br>30.06.2008<br>RM'000 | Preceding<br>Year<br>To date<br>30.06.2007<br>RM'000 |
|  | <b>TOTAL TRUST REVENUE</b>                      | 15,674   | 11,069   | 30,137   |
| Gross rental income                                      | 15,673  | 11,061   | 30,102   | 21,872   |
| Less : Assessment  | (408)   | (288)  | (806)  | (614)  |
| Quit Rent  | (86)  | (49)   | (175)  | (106)  |
| Other Property operating<br>expenditure                  | (1,950)   | (2,031)  | (3,698)  | (3,673)  |
| Net rental income  | 13,229  | 8,693  | 25,423   | 17,479   |
| Interest income  | 1   | 8  | 35   | 8  |
| <b>TOTAL TRUST INCOME</b>                                | <b>13,230</b>                                   | <b>8,701</b>   | <b>25,458</b>                                      | <b>17,487</b>  |
| <b><u>EXPENDITURE</u></b>                                |   |  |  |  |
| Manager's fees   | 1,058   | 735  | 2,116  | 1,470  |
| Trustee's fees   | 53  | 37   | 106  | 74   |
| Auditors' fees   | 30  | 15   | 44   | 31   |
| Tax agent's fee  | 2   | 3  | 5  | 6  |
| (Reversal of)/ Allowance for doubtful debts              | 99  | (13)   | 105  | -  |
| Administrative Expense                                   | 200   | 173  | 425  | 586  |
| Borrowing cost   | 226   | 264  | 226  | 508  |
| Interest expenses  | 1,975   | 1,093  | 3,811  | 2,171  |
| <b>TOTAL TRUST EXPENDITURE</b>                           | <b>3,643</b>                                    | <b>2,307</b>   | <b>6,838</b>                                       | <b>4,846</b>   |
| <b>NET TRUST INCOME</b>                                  | <b>9,587</b>                                    | <b>6,394</b>   | <b>18,620</b>                                      | <b>12,641</b>  |
| Change in fair value of investment<br>properties - #     | -   | -  | -  | -  |
| <b>INCOME BEFORE TAXATION</b>                            | <b>9,587</b>                                    | <b>6,394</b>   | <b>18,620</b>                                      | <b>12,641</b>  |
| TAXATION   | -   | 3  | -  | 3  |
| <b>INCOME AFTER TAXATION</b>                             | <b>9,587</b>                                    | <b>6,397</b>   | <b>18,620</b>                                      | <b>12,644</b>  |
| PROVISION FOR INCOME<br>DISTRIBUTION                     | (9,620)   | (6,375)  | (18,562)   | (12,560)   |
| <b>RETAINED EARNINGS</b>                                 | <b>(33)</b>                                     | <b>22</b>  | <b>58</b>  | <b>84</b>  |
| EARNINGS PER UNIT (sen) ##                               | 3.75  | 3.11   | 7.51   | 6.14   |
| DISTRIBUTION PER UNIT (sen)                              | 3.76  | 3.10   | 7.40   | 6.10   |
| <b>INCOME BEFORE TAXATION IS<br/>MADE UP AS FOLLOWS:</b> |   |  |  |  |
| Realised   | 9,587   | 6,394  | 18,620   | 12,641   |
| Unrealised - #   | -   | -  | -  | -  |
|  | 9,587   | 6,394  | 18,620   | 12,641   |

(The Condensed Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements)

# The net appreciation on fair values of investment properties is the surplus of the appraised values over acquisition costs arising from acquisitions completed in the reporting period/ the last valuation value. This is an unrealised gain and is not available for income distribution.

## Based on the weighted average number of units in issued (Refer to Note B12).

## **AXIS REAL ESTATE INVESTMENT TRUST**

### **CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

FROM 1 JANUARY 2007 TO 30 JUNE 2007 (UNAUDITED)

|  | <i>Distributable/ Undistributed<br/>Income</i> |                            |                              | <b>Total<br/>RM'000</b> |
|--|--|----------------------------|------------------------------|-------------------------|
|  | <b>Unitholders'<br/>Capital<br/>RM'000</b>     | <b>Realised<br/>RM'000</b> | <b>Unrealised<br/>RM'000</b> |                         |
| <b>Net assets as at 1 January 2007</b>                                     | 234,892  | 82                         | 59,135                       | 294,109                 |
| <hr/>  |  |                            |                              |                         |
| <b>Operation for the period ended<br/>30 June 2007</b>                     |  |                            |                              |                         |
| Net income for the period  | -  | 12,644                     | -                            | 12,644                  |
| <hr/>  |  |                            |                              |                         |
| <i>Increase in net assets resulting from operations</i>                    | -  | 12,644                     | -                            | 12,644                  |
| <hr/>  |  |                            |                              |                         |
| <b>Unitholders' transactions</b>   |  |                            |                              |                         |
| Distribution to Unitholders – Provision                                    | -  | (12,560)                   | -                            | (12,560)                |
| <hr/>  |  |                            |                              |                         |
| <i>Decrease in net assets resulting from<br/>Unitholders' transactions</i> | -  | (12,560)                   | -                            | (12,560)                |
| <hr/>  |  |                            |                              |                         |
| <b>Net assets as at 30 June 2007</b>                                       | <b>234,892</b>                                 | <b>166</b>                 | <b>59,135</b>                | <b>294,193</b>          |

# **AXIS REAL ESTATE INVESTMENT TRUST**

## **CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D.)**

FROM 1 JANUARY 2008 TO 30 JUNE 2008 (UNAUDITED)

|  | <i>Distributable/ Undistributed<br/>Income</i> |                            |                              | <b>Total<br/>RM'000</b> |
|--|--|----------------------------|------------------------------|-------------------------|
|  | <b>Unitholders'<br/>Capital<br/>RM'000</b>     | <b>Realised<br/>RM'000</b> | <b>Unrealised<br/>RM'000</b> |                         |
| <b>Net assets as at 1 January 2008</b>   | 234,892  | 12                         | 99,748                       | 334,652                 |
| <b>Operation for the period ended<br/>30 June 2008</b>                                 |  |                            |                              |                         |
| Net income for the period  | -  | 18,620                     | -                            | 18,620                  |
| <i>Increase in net assets resulting from operations</i>                                | -  | 18,620                     | -                            | 18,620                  |
| <b>Unitholders' transactions</b>   |  |                            |                              |                         |
| Placement of units   | 90,000   | -                          | -                            | 90,000                  |
| Distribution to Unitholders – Provision #  | -  | (18,562)                   | -                            | (18,562)                |
| Listing expenses   | (1,554)  | -                          | -                            | (1,554)                 |
| <i>Increase/ (Decrease) in net assets resulting from<br/>Unitholders' transactions</i> | 88,446   | (18,562)                   | -                            | 69,884                  |
| <b>Net assets as at 30 June 2008</b>   | <b>323,338</b>                                 | <b>70</b>                  | <b>99,748</b>                | <b>423,156</b>          |

# Includes the payment of the first interim income distribution of 0.75 sen per unit on 20 February 2008 totaling RM1,544,258 in respect of the period ended 1 January 2008 to 18 January 2008.

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements.)

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CASH FLOW STATEMENT**  
**FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2008 (UNAUDITED)**

|  | <b>Current Year<br/>To Date<br/>30.06.2008<br/>RM'000</b> | <b>Preceding Year<br/>To Date<br/>30.06.2007<br/>RM'000</b> |
|--|---|---|
| <b>Operating activities</b>                                |   |   |
| Income before taxation                                     | 18,620  | 12,641  |
| Adjustment for :-  |   |   |
| Interest expense   | 3,811   | 2,171   |
| Interest income  | (35)  | (8)   |
| Operating income before working capital charges            | 22,396  | 14,804  |
| <b>(Increase)/Decrease in working capital</b>              |   |   |
| Receivables, deposits and prepayments                      | 4,335   | (2,523)   |
| Payables and accruals                                      | 4,759   | 1,006   |
| <b>Net cash generated from operating activities</b>        | 31,490  | 13,287  |
| <b>Investing activities</b>                                |   |   |
| Interest received  | 35  | 8   |
| Payment for enhancement of investment properties           | (1,247)   | (2,450)   |
| Purchase of investment property                            | (79,739)  | -   |
| <b>Cash used in investing activities</b>                   | (80,951)  | (2,442)   |
| <b>Financing activities</b>                                |   |   |
| Interest paid  | (3,811)   | (2,171)   |
| (Repayment of)/ Proceeds from borrowings                   | (20,000)  | 9,500   |
| Distribution paid to unitholders                           | (17,048)  | (13,898)  |
| Uplift of deposit with licensed bank                       | 270   | -   |
| Proceeds from issue of Units                               | 90,000  | -   |
| Listing expenses   | (1,554)   | -   |
| <b>Cash generated from/ (used in) financing activities</b> | 47,857  | (6,569)   |
| Net (decrease)/ increase in cash and cash equivalents      | (1,604)   | 4,276   |
| Cash and cash equivalents at beginning of year             | (34,730)  | (48,027)  |
| Cash and cash equivalents at end of year                   | (36,334)  | (43,751)  |
| <b>Cash and cash equivalents</b>                           |   |   |
| Cash and bank balances                                     | 69  | 57  |
| Bank Overdraft   | (36,403)  | (43,808)  |
|  | (36,334)  | (43,751)  |

(The Condensed Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements.)

## **AXIS REAL ESTATE INVESTMENT TRUST**

Quarterly Unaudited Financial Results for the 2nd Quarter ended 30 June 2008

### NOTES TO THE QUARTERLY REPORT

#### **A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARDS (“FRS) 134 (FORMERLY KNOWN AS MALAYSIAN ACCOUNTING STANDARDS BOARD (“MASB”) 26)**

##### **A1. BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of Axis Real Estate Investment Trust (“Axis-REIT”) for year ended 31 December 2007.

##### **A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2007**

The audit report of the financial statements for the preceding year, for the year ended 31 December 2007 was not qualified.

##### **A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations of Axis-REIT are not affected by material seasonal or cyclical factors.

##### **A4. UNUSUAL ITEMS**

There were no unusual items to be disclosed for the quarter under review.

##### **A5. CHANGES IN ESTIMATES**

This is not applicable as no estimates were previously reported.

##### **A6. DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and year-to-date.

A7. INCOME DISTRIBUTION

A provision was made to distribute approximately 100% of the income before tax (unaudited) for the quarter ended 30 June 2008 amounting to RM9,619,429.

A8. SEGMENTAL REPORTING

No segment information is prepared as Axis-REIT's activities are predominantly in one industry segment and occur predominantly in Malaysia.

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

For the quarter under review, there were no changes in the fair value of the investment properties held other than the RM1,247,428 capital expenditures incurred for the enhancement of investment properties.

A10. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report except for the followings:

- a) completion of the acquisition of a leasehold industrial property comprising a single storey detached factory, with ancillary buildings erected on land held under H.S.(D) 437877 for PTD 190745 in the Mukim of Plentong, Daerah of Johor Bahru, State of Johor for a total lump sum consideration of RM12.5 million;
- b) proposed acquisition of a freehold industrial factory with ancillary buildings erected on part of Lot no. 211 Mukim of Senai-Kulai, District of Johor Bahru for a total lump sum consideration of RM14.0 million; and
- c) proposed acquisition of a freehold industrial factory with ancillary buildings erected on Lot no. 205 Mukim of Senai-Kulai, District of Johor Bahru for a total lump sum consideration of RM13.0 million.

A11. EFFECT OF CHANGES IN THE COMPOSITION OF AXIS-REIT

Axis-REIT's fund size had increased from 205,901,000 units to 255,901,000 units with the successful issuance and listing of the 50.0 million units on 30 January 2008.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.



**B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.22 OF  
BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B1. REVIEW OF PERFORMANCE**

Quarter Results

For the quarter ended 30 June 2008, Axis-REIT registered a total revenue of RM15,674,697. Total expenditure for the quarter under review was RM6,087,998 of which RM2,444,175 were attributable to property expenses and RM3,643,823 to non property expenses. For the quarter under review, realised income before taxation and available for distribution amounted to RM9,586,699.

Half Year Results

For the first six months ended 30 June 2008, Axis-REIT recorded a total revenue of RM30,137,351. Total expenditure for the period under review was RM11,518,081, of which RM4,678,823 were attributable to property expenses and RM6,839,258 to non-property expenses. For the period under review, realised income before taxation and available for distribution amounted to RM18,619,270.

Axis-REIT has made provision of RM18,561,674 [approximate to 100% of the realised income before tax] for income distribution for the first six months ended 30 June 2008. Included in this amount is the 1<sup>st</sup> interim income distribution paid on 20 February 2008 of 0.75 sen per unit prior to the placement of the 50.0 new units amounting to RM1,544,258. The balance RM17,017,416 or 6.65 sen per unit will be distributed by the end of August 2008 as 2<sup>nd</sup> interim income distribution for year 2008.

**B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE  
QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING  
QUARTER**

There were no material changes in the income before taxation for the quarter under review.

**B3. PROSPECTS**

The Manager is optimistic that in view of the satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions it will be able to maintain a strong performance for the remaining period for the financial year ending 2008.

**B4. VARIANCES**

This is not applicable as no profit forecast or profit guarantee was issued for this financial quarter.

B5. TAXATION

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

Thus, based on the provision of income distribution for the current quarter of approximately 100% of the realized income before tax, Axis-REIT should not incur any tax expense for the financial year.

B6. PROFITS ON SALE OF INVESTMENT IN UNQUOTED SECURITIES/ PROPERTIES

There was no disposal of investment in unquoted securities/ properties during the current quarter and financial period to-date.

B7. PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

(a)

|   | Current Quarter<br>RM'000 | Year-to-date<br>RM'000 |
|---|---------------------------|------------------------|
| Total purchase of quoted securities               | N/A                       | N/A                    |
| Total proceeds from disposal of quoted Securities | N/A                       | N/A                    |
| Total profit from disposal of quoted securities   | N/A                       | N/A                    |

(b)

|  | RM'000 |
|--|--------|
| Total investments at cost/carrying value                     | N/A    |
| Total investments at book value                              | N/A    |
| Total investments at market value at end of reporting period | N/A    |

B8. STATUS OF CORPORATE PROPOSAL

(a) There were no corporate proposals announced but not completed at the latest practicable date from the issuance of this report.

(b) The RM90.0 million raised as gross proceeds from the earlier placement of 50.0 million Axis-REIT units in January 2008 was used to pare down the borrowings of Axis-REIT for the financial year to-date.

B9. BORROWINGS AND DEBT SECURITIES

|                       | Current Quarter<br>30 June 2008<br>(RM' 000) | Preceding Financial<br>Year End 31 Dec.<br>2007 (RM' 000) |
|-----------------------|--|---|
| Short term borrowings |  |   |
| - Secured             | 191,403                                      | 209,816   |

## B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Axis-REIT has no financial instrument with off balance sheet risks as at the latest practicable date from the date of the issuance of this report that might materially affect the position or business of Axis-REIT.

## B11. MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

## B12. INCOME DISTRIBUTION AND EARNINGS PER UNIT

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, the following withholding tax rates would be applicable on distribution of income which is tax exempt at Axis-REIT's level:

### Resident unitholder:

- a) Resident company: Tax flow through; thus no withholding tax
- b) Unitholder other than a resident company: Withholding tax at 15%

### Non-resident unitholder

- a) Non-resident company: Withholding tax at 26%
- a) Non-resident institutional investor: Withholding tax at 20%
- a) Non-resident other than company and institutional investors: Withholding tax at 15%

A provisional income distribution for the quarter have been provided in this quarter results.

|   | Quarter Ended<br>30.06.2008<br>RM' 000 | Year To Date<br>Ended<br>30.06.2008<br>RM' 000 |
|---|--|--|
| Number of units in issue ('000 units)           | 255,901                                | 255,901  |
| Net income (RM'000)                             | 9,587                                  | 18,620   |
| Net income distribution to unitholders (RM'000) | 9,620                                  | 18,562   |
| Basic earnings per unit (sen) #                 | 3.75                                   | 7.51#  |
| Diluted earnings per unit (sen)                 | N/A                                    | N/A  |
| Distribution per unit (DPU) (sen)               | 3.76                                   | 7.40*  |

# Based on weighted average of the number of units in issue. The total number of units issued had increased from 205,901,000 to 255,901,000 arising from the issuance of 50,000,000 additional new units on 30 January 2008.

\* Includes the 1<sup>st</sup> interim income distribution of 0.75 sen per unit paid on 20 February 2008.

BY ORDER OF THE BOARD

YEOH CHONG KEAT  
REBECCA LEONG SIEW KWAN  
Company Secretaries  
AXIS REIT MANAGERS BERHAD (649450-W)  
(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur  
4 August 2008