

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.6.2010 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2009 RM'000
ASSETS		
Non-Current Assets		
Investment Properties	927,999	884,962
Current Assets		
Shariah-based deposits placed with licensed banks	4,453	8,994
Receivables, deposits and prepayments	11,099	6,822
Cash and cash equivalents	8,873	6,813
Tax Recoverable	154	154
TOTAL ASSETS	952,578	907,745
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	19,023	18,383
Term Financing / Loan	218,259	163,932
Current Liabilities		
Payables and accruals	12,852	14,780
Revolving credit	125,000	145,000
Provision for Income Distribution (note 1)	12,283	15,293
TOTAL LIABILITIES	387,417	357,388
NET ASSET VALUE	565,161	550,357
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	406,854	406,854
Undistributed distributable income	363	179
Non-Distributable reserve	157,944	143,324
	565,161	550,357
NUMBER OF UNITS IN CIRCULATION	307,081,200	307,081,200
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8804	1.8420
- After income distribution	1.8404	1.7922

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being provision for income distribution for the period from 1 April 2010 to 30 June 2010.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2010 RM'000	Preceding Year Corresponding Quarter 30.6.2009 RM'000	Current Year To date 30.6.2010 RM'000	Preceding Year To date 30.6.2009 RM'000
TOTAL TRUST REVENUE	21,021	17,362	40,869	34,691
Gross rental income	20,978	17,362	40,775	34,691
Less : Assessment	(480)	(448)	(961)	(896)
Quit rent	(122)	(99)	(244)	(198)
Other property operating expenditure	(2623)	(2,181)	(5,095)	(4,339)
Net rental income	17,753	14,634	34,475	29,258
Profit income	43	-	94	-
Change in fair value of investment properties - #	9,120	1,957	10,879	1,957
Net gain on financial liabilities measured at amortised cost	643	-	1,439	-
TOTAL TRUST INCOME	27,559	16,591	46,887	31,215
<u>EXPENDITURE</u>				
Manager's fees	1,395	1,120	2,778	2,255
Trustee's fees	69	57	138	114
Auditors' fees	25	28	51	48
Tax agent's fee	4	3	7	6
Reversal of doubtful / bad debts	(2)	(302)	(118)	(61)
Administrative expense	206	243	421	470
Financing / borrowing cost	-	305	-	305
Conventional interest expenses *	-	371	-	738
Islamic financing cost **	3,983	2,229	7,463	4,379
TOTAL TRUST EXPENDITURE	5,680	4,054	10,740	8,254
NET TRUST INCOME	21,879	12,537	36,147	22,961
PROFIT BEFORE TAXATION	21,879	12,537	36,147	22,961
TAXATION	-	-	-	-
PROFIT FOR THE PERIOD	21,879	12,537	36,147	22,961
OTHER COMPREHENSIVE INCOME NET OF TAX				
Cash flow hedge	(763)	-	(738)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21,116	12,537	35,409	22,961
PROVISION FOR INCOME DISTRIBUTION	(12,283)	(10,492)	(23,645)	(20,472)

RETAINED EARNINGS	8,833	2,045	11,764	2,489
EARNINGS PER UNIT (sen)	7.12	4.90	11.77	8.97
DISTRIBUTION PER UNIT (sen)	4.00	4.10	7.70	8.00
PROFIT BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	12,116	10,580	23,829	21,004
Unrealised - change in fair value of investment properties #	9,120	1,957	10,879	1,957
Unrealised – Net gain on financial liabilities measured at amortised cost	643	-	1,439	-
	21,879	12,537	36,147	22,961

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements)

* Conventional interest expenses refer to interest on conventional loan obtained prior to the reclassification of Axis-REIT to an Islamic REIT effective from 11 December 2008. After the settlement of conventional revolving credit facility of RM32.0 million on 15 July 2009, all financing activities of Axis-REIT comply with Shariah requirements.

** Islamic financing cost is the profit charged by the financier on the Islamic financing facilities taken by Axis-REIT.

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. It also includes RM45,000 adjustment which represented on over accrual of acquisition expenses for the Seberang Prai Logistic Warehouses 1 & 2 which gain in the valuation surplus has been adjusted in the last quarter i.e. upon the completion of the acquisition.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2009 TO 30 JUNE 2009 (UNAUDITED)

	Unitholders' Capital RM'000	<i>Distributable</i> ← <i>Undistributed Income</i> →		Total RM'000
		Realised RM'000	Unrealised RM'000	
Net assets as at 1 January 2009	323,338	282	124,226	447,846
Operation for the period ended 30 June 2009				
Net income for the period	-	21,004	1,957	22,961
<i>Increase in net assets resulting from operations</i>	-	21,004	1,957	22,961
Unitholders' transactions				
Distribution to Unitholders – Provision	-	(20,472)	-	(20,472)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(20,472)	-	(20,472)
Net assets as at 30 June 2009	323,338	814	126,183	450,335

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2010 TO 30 JUNE 2010 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		Total RM'000
	Unitholders' Capital RM'000	Undistributed Realised Income RM'000	Other Unrealised Income RM'000	Hedging Reserve RM'000	
As at 1 January 2010					
- as previously stated	406,854	179	143,324	-	550,357
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
As at 1 January 2010, restated	406,854	179	147,090	(726)	553,397
 Total comprehensive income for the period	-	23,829	12,318	(738)	35,409
 <i>Increase in net assets resulting from operations</i>	-	23,829	12,318	(738)	35,409
 Unitholders' transactions					
Distribution to Unitholders—Provision #	-	(23,645)	-	-	(23,645)
 <i>Increase / (Decrease) in net assets resulting from Unitholders' transactions</i>	-	(23,645)	-	-	(23,645)
 Net assets as at 30 June 2010	406,854	363	159,408	(1,464)	565,161

Includes the payment of the first interim income distribution of 3.70 sen per unit on 27 May 2010 totaling RM11,362,004.40 in respect of the period ended 1 January 2010 to 31 March 2010.

(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 2009 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2010 (UNAUDITED)

	Current Year To Date 30.6.2010 RM'000	Preceding Year To Date 30.6.2009 RM'000
Operating activities		
Profit before taxation	36,147	22,961
Adjustment for :-		
Conventional interest expense	-	738
Islamic financing cost	7,463	4,379
Profit income	(94)	-
Change in fair value of investment properties	(10,879)	(1,957)
Net gain on financial liabilities measured at amortised cost	(1,439)	-
Operating income before working capital changes	31,198	26,121
(Increase)/Decrease in working capital		
Receivables, deposits and prepayments	(4,277)	(1,552)
Payables and accruals	381	1,611
Tenants' deposit	2,072	-
Net cash generated from operating activities	29,374	26,180
Investing activities		
Profit income received	94	-
Payment for enhancement of investment properties	(7,482)	(3,052)
Purchase of investment property	(24,676)	-
Cash used in investing activities	(32,064)	(3,052)
Financing activities		
Conventional interest expense paid	-	(738)
Islamic financing cost paid	(7,463)	(4,379)
Proceeds from financing	34,327	20,000
Distribution paid to unitholders	(26,655)	(30,119)
Cash generated from/(used in) financing activities	209	(15,236)
Net (decrease)/increase in cash and cash equivalents	(2,481)	7,892
Cash and cash equivalents at beginning of period	15,507	(30,391)
Cash and cash equivalents at end of period	13,026	(22,499)

Cash and cash equivalents

Cash and bank balances	8,873	45
Bank Overdraft	-	(22,544)
Shariah-based deposits placed with licensed banks	4,453	300
	<hr/>	<hr/>
	13,326	(22,199)
Shariah-based deposits placed with licensed banks - pledged	(300)	(300)
	<hr/>	<hr/>
	13,026	(22,499)
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(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 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 2010

NOTES TO THE QUARTERLY REPORT

A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARD (“FRS”)134

A1. BASIS OF PREPARATION

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market 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” or “Trust”) for year ended 31 December 2009.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2009

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2009 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 SHARIAH-COMPLIANT EQUITY SECURITIES

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

A7. INCOME DISTRIBUTION

During the quarter under review, Axis-REIT paid the 1st interim 2010 income distribution of 3.70 sen per unit, totaling RM11,362,004 in respect of the period from 1 January 2010 to 31 March 2010 on 27 May 2010. A provision was made to distribute approximately 97.1% of current quarter and the balance of the undistributed 1st quarter 2010 realised income before tax (unaudited) amounting to RM 12,283,248 for the 2nd quarter ended 30 June 2010. This translates into 4.00 sen per unit and includes a non taxable portion of approximately 0.05 sen per unit derived from utilization of capital allowance.

A8. SEGMENTAL REPORTING

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

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The investment properties are valued based on valuations performed by independent registered valuers.

A10. MATERIAL EVENTS

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

- a) Proposed acquisition of a portion of land identified as Plot D8, Distripark A, Pelepas Free Zone, forming part of the land held under H.S.(D) 303868 for Lot PTD No. 2423, Mukim of Tanjung Kupang, Daerah Johor Bahru built upon with a single storey warehouse and two (2) storey office building for a cash consideration of RM30,000,000;
- b) proposed acquisition of a parcel of leasehold land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM85,000,000 which is subject to the approval from unitholders of Axis-REIT at a unitholders' meeting of Axis-REIT to be convened at a date to be determined later ("Unitholders' Meeting");
- c) proposed acquisition of a parcel of leasehold land held under H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM49,000,000 which is subject to the approval from unitholders of Axis-REIT at a Unitholders' Meeting of Axis-REIT;
- d) proposed placement of up to 68,819,800 new units in Axis-REIT which is pending approvals from relevant authorities; and
- e) a letter of offer has been duly accepted to purchase the Tesco Hypermarket located in Johor Bahru for a cash consideration of RM75,600,000 which comes with 30 years fixed lease with Tesco Stores (Malaysia) Sdn Bhd.

A11. EFFECT OF CHANGES IN THE FUND SIZE OF AXIS-REIT

There were no change in the composition of the fund size of Axis-REIT for the current quarter and the fund size stands at 307,081,200 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

Axis-REIT Managers Berhad, the management company of Axis-REIT ("Manager") is pleased to report to unitholders the results of 2nd quarter ended 30 June 2010.

Quarter Results

For the quarter ended 30 June 2010, Axis-REIT registered a total revenue of RM21,021,279. Total expenditure for the quarter under review was RM8,904,747 of which RM3,225,393 were attributable to property expenses and RM5,679,354 to non property expenses. For the quarter under review, realized income before taxation and available for distribution amounted to RM12,116,532.

Half Year Results

For the six months period ended 30 June 2010, Axis-REIT recorded a total revenue of RM40,869,505. Total expenditure for the period under review was RM17,039,858, of which RM6,300,612 were attributable to property expenses and RM10,739,246 to non-property expenses. For the period under review, realized income before taxation and available for distribution amounted to RM23,829,647.

A total of RM11,362,004 was paid out for the first three months ended 31 March 2010 as the 1st interim income distribution which translates to 3.70 sen per unit. Axis-REIT has further made a provision of RM12,283,248 (approximately to 97.1% of the realized income before tax in respect of the period from 1 April 2010 to 30 June 2010 and the brought forward undistributed 1st quarter 2010 realised income before tax) for income distribution for the 2nd quarter interim distribution which translates to 4.00 sen per unit to be paid on 30 August 2010. This leaves an undistributed realised income before taxation of RM363,329.

Maintenance costs & major capital expenditure

A total of RM7,482,000 has been incurred for enhancement for properties during the six months period to date; with most of the expenses being spent for the refurbishment of Quattro West.

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

Further to the last quarterly report announcement, the Manager is pleased to report that as of to date, 100% of the total lettable space of Quattro West has been successfully leased out.

B4. INVESTMENT OBJECTIVES

The Manager is pleased to report that since the listing of Axis-REIT, the Trust has been successful in achieving the investment objectives where the Trust has set out to provide the unitholders with

a stable income distribution and to achieve growth in net asset value per unit of the Trust by acquiring high quality accretive properties with strong recurring rental income. There was no change in the investment objectives of Axis-REIT as at the date of this report.

B5. STRATEGIES AND POLICIES

There was no change in the strategies and policies employed since the last 2009 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

There was no change to the total number of properties held by Axis-REIT (23 properties) since the last reporting period.

B7. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

This is not applicable as there were no proceeds raised from any issuance of new units during the current financial quarter.

B8. TAXATION

Trust Level

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 income distribution for the current year to date of 97.1% of the realized income before tax, Axis-REIT should not incur any tax expense for the financial year.

Unitholders' Level

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:

Resident unitholder:

- | | |
|--|---|
| a) Resident company: | Tax flow through; thus no withholding tax |
| b) Unitholder other than a resident company: | Withholding tax at 10% |

Non-resident unitholder

- | | |
|---|------------------------|
| a) Non-resident company: | Withholding tax at 25% |
| a) Non-resident institutional investor: | Withholding tax at 10% |
| a) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B9. STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed at the latest practicable date from the issuance of this report save for the following:-

- (a) Corporate proposal announced on 4 August 2008:

- (i) the proposed placement of up to 120.0 million new Axis-REIT units (“Proposed Placement”); and
 - (ii) the proposed increase in fund size of Axis-REIT from 255,901,000 up to a maximum of 375,901,000 units.
- (collectively referred to as “Proposals”)

Securities Commission (“SC”) had vide its letter dated 21 August 2009 approved an extension of time till 31 December 2010 to implement the Proposals for the issuance up to 120,000,000 new units of Axis-REIT and the listing for the new units of Axis-REIT on the Main Market of Bursa Malaysia Securities Berhad.

With the General Mandate being procured from the unitholders of Axis-REIT to issue and allot new units of Axis-REIT in 2009, Axis-REIT has completed the issuance and successful listing of 51,180,200 new units on 10 September 2009 (representing up to 20% of the then existing fund size of 255,901,000) being the first tranche of the Proposed Placement.

On 3 June 2010, the Manager has announced the intention to place out the remaining units of the Proposed Placement by 31 December 2010 which is subject to the approval from unitholders of Axis-REIT at a Unitholders’ Meeting of Axis-REIT to be convened at a date to be determined later.

B10. FINANCING / BORROWINGS

	Current Quarter 30 June 2010 (RM’ 000)	Preceding Financial Year End 31 Dec. 2009 (RM’ 000)
Short term financing / borrowings		
- Secured revolving credit / overdraft	125,000	145,000
Long term financing / borrowings		
- Secured term financing / loan	218,259	163,932

B11. DERIVATIVES

As at 30 June 2010, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement profit rate on its 3 and 5 years term financing.

	Fair Value 31 March 2010 (RM’ 000)	<u>Maturity</u>
- 3 years IPRS	33,679	1 year to 3 years
- 5 years IPRS	50,057	More than 3 years

B12. MATERIAL LITIGATION

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

B13. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager or its delegates during the quarter under review.

B14. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Quarter Ended 30.6.2010 RM' 000	Immediate Preceding Quater Ended 31.3.2010 RM' 000
Number of units in issue (units)	307,081,200	307,081,200
Earnings per unit (EPU) (realized)(sen)	3.95	3.81
EPU (include unrealized income)(sen)	7.12	4.65
Net income distribution to unitholders (RM'000)	12,283	11,362
Distribution per unit (DPU) (sen)	4.00	3.70
Net Asset Value (NAV) (RM'000)	565,161	556,328
NAV Per Unit (RM)	1.8404	1.8117
Market Value Per Unit (RM)	2.02	2.00

B14. RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Axis-REIT as at 30 June 2010 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorized for release by the Board of the Manager on 19 July 2010.

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

19 July 2010