

# AXIS REAL ESTATE INVESTMENT TRUST

## CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.09.2007 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2006 RM'000
<b><u>ASSETS</u></b>		
Investment Properties	498,423	408,250
Receivables, deposits and prepayments	11,844	3,318
Cash and cash equivalents	69	62
Tax Recoverable	154	151
<b>TOTAL ASSETS</b>	<b>510,490</b>	<b>411,781</b>
<b><u>LIABILITIES</u></b>		
Payables and accruals	19,471	15,685
Revolving credit	125,000	40,000
Bank overdraft	34,440	48,089
Provision for Income Distribution (note 1)	7,441	13,898
	<b>186,352</b>	<b>117,672</b>
<b>NET ASSET VALUE</b>	<b>324,138</b>	<b>294,109</b>
<b><u>FINANCED BY:</u></b>		
<b><u>UNITHOLDERS' FUND</u></b>		
Unitholders' capital	234,892	234,892
Undistributed income	89,246	59,217
	<b>324,138</b>	<b>294,109</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>205,901,000</b>	<b>205,901,000</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<b>1.574</b>	<b>1.428</b>

(The Condensed Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2006 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being provision for income distribution for the quarter ended 30 September 2007.

# AXIS REAL ESTATE INVESTMENT TRUST

## CONDENSED INCOME STATEMENT (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2007 RM'000	Preceding Year Corresponding Quarter 30.09.2006 RM'000	Current Year To date 30.09.2007 RM'000	Preceding Year To date 30.09.2006 RM'000
<b>TOTAL TRUST REVENUE</b>	11,934	11,081	33,814	30,156
Gross rental income	11,934	11,079	33,806	30,119
Less : Assessment	(333)	(319)	(947)	(828)
Quit Rent	(63)	(60)	(169)	(123)
Other Property operating expenditure	(1,772)	(1,779)	(5,445)	(4,946)
Net rental income	9,766	8,921	27,245	24,222
Interest income	-	2	8	37
<b>TOTAL TRUST INCOME</b>	<b>9,766</b>	<b>8,923</b>	<b>27,253</b>	<b>24,259</b>
<b><u>EXPENDITURE</u></b>				
Manager's fees	786	718	2,256	1,696
Trustee's fees	42	36	116	106
Auditors' fees	15	12	46	31
Tax agent's fee	2	1	8	6
Allowance for doubtful debts	55	129	55	223
Administrative Expense	74	81	660	203
Borrowing cost	-	-	508	-
Interest expenses	1,331	1,128	3,502	2,039
<b>TOTAL TRUST EXPENDITURE</b>	<b>2,305</b>	<b>2,105</b>	<b>7,151</b>	<b>4,304</b>
<b>NET TRUST INCOME</b>	<b>7,461</b>	<b>6,818</b>	<b>20,102</b>	<b>19,955</b>
Change in fair value of investment Properties - #	29,925		29,925	8,422
<b>INCOME BEFORE TAXATION</b>	<b>37,386</b>	<b>6,818</b>	<b>50,027</b>	<b>28,377</b>
TAXATION	-	(143)	3	(257)
<b>INCOME AFTER TAXATION</b>	<b>37,386</b>	<b>6,675</b>	<b>50,030</b>	<b>28,120</b>
PROVISION FOR INCOME DISTRIBUTION	(7,441)	(6,477)	(20,001)	(19,243)
<b>RETAINED EARNINGS</b>	<b>29,945</b>	<b>198</b>	<b>30,029</b>	<b>8,877</b>
EARNINGS PER UNIT (sen)	18.15	3.24	24.29	13.66
DISTRIBUTION PER UNIT (sen)	3.61	3.15	9.71	9.35
<b>INCOME BEFORE TAXATION IS MADE UP AS FOLLOWS:</b>				
Realised	7,461	6,818	20,102	19,955
Unrealised - #	29,925	-	29,925	8,422
	<b>37,386</b>	<b>6,818</b>	<b>50,027</b>	<b>28,377</b>

(The Condensed Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2006 and the accompanying explanatory notes attached to the financial statements)

# The change in fair values of investment properties is the surplus of the appraised values of the original 5 IPO properties, namely, Menara Axis, Axis Plaza, Axis Business Park, Infinite Centre and Crystal Plaza, approved by Securities Commission Malaysia on 22 October 2007 over their respective book values (which is latest valuation plus enhancement) as at 30 June 2007 which was taken up in the reporting period at end August 2007. This is an unrealised gain and is not available for income distribution.

## AXIS REAL ESTATE INVESTMENT TRUST

### CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2006 TO 30 SEPTEMBER 2006 (UNAUDITED)

	Unitholders ' Capital RM'000	<i>Non- distributable</i>	<i>Distributable Undistributed Income</i>		Total RM'000
		Revaluation Reserve RM'000	Realised RM'000	Unrealised RM'000	
<b>Net assets as at 1 January 2006</b>	234,892	42,618	341	-	277,851
Effect of adopting FRS 140	-	(42,618)	-	42,618	-
<i>Restated balance</i>	234,892	-	341	42,618	277,851
<b>Operation for the period ended 30 September 2006</b>					
Net income for the period	-	-	19,698	8,422	28,120
<i>Increase in net assets resulting from Operations</i>	-	-	19,698	8,422	28,120
<b>Unitholders' transactions</b>					
Distribution to Unitholders – Provision #	-	-	(19,243)	-	(19,243)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	-	(19,243)	-	(19,243)
				-	
<b>Net assets as at 30 September 2006</b>	<b>234,892</b>	<b>-</b>	<b>796</b>	<b>51,040</b>	<b>286,728</b>

# Includes the payment of the interim income distribution of 6.2 sen per unit on 30 August 2006, totaling RM 12,765,862 in respect of the six-months period ended 30 June 2006.

## AXIS REAL ESTATE INVESTMENT TRUST

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

FROM 1 JANUARY 2007 TO 30 SEPTEMBER 2007 (UNAUDITED)

	<i>Distributable Undistributed Income</i>			<b>Total RM'000</b>
	<b>Unitholders' Capital RM'000</b>	<b>Realised RM'000</b>	<b>Unrealised RM'000</b>	
<b>Net assets as at 1 January 2007</b>	234,892	82	59,135	294,109
<b>Operation for the period ended 30 September 2007</b>				
Net income for the period	-	20,105	29,925	50,030
<i>Increase in net assets resulting from operations</i>	-	20,105	29,925	50,030
<b>Unitholders' transactions</b>				
Distribution to Unitholders – Provision #	-	(20,001)	-	(20,001)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(20,001)	-	(20,001)
<b>Net assets as at 30 September 2007</b>	<b>234,892</b>	<b>186</b>	<b>89,060</b>	<b>324,138</b>

(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 2006 and the accompanying explanatory notes attached to the financial statements.)

# Includes the payment of the interim income distribution of 6.1 sen per unit on 30 August 2007 totalling RM 12,559,961 in respect of the six-months period ended 30 June 2007

# **AXIS REAL ESTATE INVESTMENT TRUST**

## **CONDENSED CASH FLOW STATEMENT** **FOR THE YEAR ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

	<b>Current Year To Date 30.09.2007 RM'000</b>	<b>Preceding Year To Date 30.09.2006 RM'000</b>
<b>Operating activities</b>		
Income before taxation	50,027	28,377
Adjustment for :-		
Interest expense	3,502	2,039
Interest income	(8)	(37)
Change in fair value of investment properties	(29,925)	(8,422)
Operating income before working capital charges	23,596	21,957
<b>(Increase)/Decrease in working capital</b>		
Receivables, deposits and prepayments	(8,526)	(985)
Payables and accruals	3,786	2,727
<b>Cash generated by operating activities</b>	18,856	23,699
Tax paid	-	(196)
<b>Net cash generated from operating activities</b>	18,856	23,503
<b>Investing activities</b>		
Interest received	8	37
Payment for enhancement of investment properties	(2,786)	(84)
Purchase of investment property	(57,462)	(59,278)
<b>Uplift/(Placement) of pledged deposits with licensed bank</b>	-	450
<b>Cash used in investing activities</b>	(60,240)	(58,875)
<b>Financing activities</b>		
Interest paid	(3,502)	(2,039)
Proceeds from borrowings	85,000	-
Distribution paid to unitholders	(26,458)	(22,443)
<b>Cash used in financing activities</b>	55,040	(24,482)
Net increase/ (decrease) in cash and cash equivalents	13,656	(59,854)
Cash and cash equivalents at beginning of year	(48,027)	4,122
Cash and cash equivalents at end of year	(34,371)	(55,732)
<b>Cash and cash equivalents</b>		
Cash and bank balances	69	51
Bank Overdraft	(34,440)	(55,783)
	(34,371)	(55,732)

(The Condensed Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2006 and the accompanying explanatory notes attached to the financial statements.)

## **AXIS REAL ESTATE INVESTMENT TRUST**

Quarterly Unaudited Financial Results for the 3rd Quarter ended 30 September 2007

### 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 2006.

##### **A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2006**

The audit report of the financial statements for the preceding year, for the year ended 31 December 2006 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

During the quarter under review, Axis-REIT paid an interim income distribution in respect to the six-months period ended 30 June 2007 of 6.1 sen per unit on 30 August 2007, totaling RM 12,559,961. A provision was made to distribute 99.7% of the realized income before tax (unaudited) for the 3rd quarter ended 30 September 2007 amounting to RM 7,440,395.

#### 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 was an amount of RM 29,924,783 arising from surplus of the appraised values of the original 5 IPO properties over their respective book values as at 30 June 2007. This is in addition to the RM 336,421 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 following:

- a) proposed placement of up to 50.0 million new Axis-REIT units which is pending approvals from relevant authorities except for the approval from Securities Commission which was obtained on 31 January 2007; and
- b) on 31 July 2007, Axis-REIT announced the completion of its proposed acquisition of a single storey factory/warehouse with a double storey office annexed and other ancillary buildings erected on lot nos. 2-22, 2-24, 2-26 and 2-28, Jalan SU6A, Taman Perindustrian Subang (Lion Industrial Park) Section 22, 40300 Shah Alam, Selangor; and
- c) proposed acquisition of a general purpose single storey warehouse and other supporting structures erected on a parcel of commercial land held under H.S. (M) 21211 PT 92180, locality of Kampong Padang, Bandar Sungei Petani, Daerah Kuala Luda, Negeri Kedah for a total lump sum cash consideration of RM 38,000,000. This proposed acquisition, known as Giant Hypermarket' was completed on 7 September 2007; and
- d) proposed acquisition of a single storey factory and two-storey office erected on a parcel of industrial land, held under H.S. (D) 444242 for PTD 87606, Mukim of Senai-Kulai, District of Johor Bahru for a total lump sum cash consideration of RM 12,300,000; and

- e) proposed acquisition of a single storey warehouse and annexed two (2) storey office erected upon a portion of land held under H.S. (D) 303868 for PTD 2423, Mukim Tj. Kupang, Daerah Johor Bahru, Negeri Johor for a total lump sum cash consideration of RM 27,000,000; and
- f) proposed acquisition of a six (6) storey office building complete with a basement car park accommodating a total of 113 car parks erected on a parcel of commercial land held under H.S. (D) 59450 for PT 4 Seksyen 26 in the Town of Petaling Jaya, District of Petaling, State of Selangor for a total lump sum cash consideration of RM 39,800,000; and
- g) proposed acquisition of a 2-storey office building, an annexed single storey warehouse and other supporting structures erected on a parcel of industrial land held under GRN 86529/Lot 38554, Pekan Country Height, Mukim of Damansara, District of Petaling, State of Selangor for a total lump sum cash consideration of RM 7,200,000.
- h) proposed acquisition of a five (5) storey office cum flatted factory, with mezzanine floor and a two (2) level basement car park erected on land under a 99 years leasehold title No. P.N. 29932 for Lot 84, Seksyen 13 (formerly known as H.S. (D) 97253, P.T. 3) Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor for a total lump sum consideration of RM 37,000,000.

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

There were no change in the composition of Axis-REIT for the current quarter and the Fund size stands at 205,901,000 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

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

**B1. REVIEW OF PERFORMANCE**

Quarter Results

For the quarter ended 30 September 2007, Axis-REIT registered total revenue of RM 11,934,604. Total expenditure for the quarter under review was RM 4,418,995, of which RM 2,168,642 were attributable to property expenses and RM 2,250,353 to non property expenses. For the quarter under review, Axis-REIT recorded changes in fair value of its investment properties amounting to RM 29,924,784. This brings the total income before taxation to RM 37,385,471 of which the realized income before taxation and available for distribution amounts to RM 7,515,609.

Nine Months Results

For the first nine months ended 30 September 2007, Axis-REIT recorded total revenue of RM 33,814,570 including interest income of RM 8,173. Total expenditure for the period under review was RM 13,712,829, of which RM6,561,768 were attributable to property expenses and RM 7,151,060 to non property expenses. For the period under review, Axis-REIT recorded changes in fair value of its investment properties amounting to RM 29,924,784. This brings the total income before taxation to RM 50,026,525 of which the realized income before taxation and available for distribution amounts to RM 20,101,741.

Axis-REIT declared and paid on 30 August 2007 RM 12,559,961 [equivalent to 99.3% of the realized income before tax] as income distribution for the first six months ended 30 June 2007 and has made a provision of RM 7,440,395 (equivalent to 99.7% of the realized income before tax) for the quarter ended 30 September 2007. This leaves an undistributed realized income before taxation of RM 101,385.

**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 of the financial year ending 2007.

The Manager is of the opinion that these factors will help Axis-REIT to perform better than its forecast profit for the financial year ending 2007 as disclosed in the Prospectus dated 30 June 2005.

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 exempt from tax.

Thus, based on the provision of income distribution for the current quarter and the first nine months ended 30 September 2007 of 99.7% and 99.2% respectively, Axis-REIT should not incur any tax expense for the period.

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 RM'000	Year-to-date 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) On 30 October 2006, Axis-REIT has announced the proposed placement of 50.0 million new Axis-REIT units which is pending approvals from relevant authorities except for the approval from Securities Commission which was obtained on 31 January 2007; and
- (b) There were no proceeds raised from any corporate proposal during the current quarter and financial period to-date.

B9. BORROWINGS AND DEBT SECURITIES

	Current Quarter 30 Sept 2007 (RM' 000)	Preceding Financial Year End 31 Dec. 2006 (RM' 000)
Short term borrowings		
- Secured	159,440	88,089

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 27%
- a) Non-resident institutional investor: Withholding tax at 20%
- a) Non-resident other than company and institutional investors: Withholding tax at 15%

B12. INCOME DISTRIBUTION AND EARNINGS PER UNIT (CONT.D')

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

	Quarter Ended 30.09.2007 RM' 000	Year To Date Ended 30.09.2007 RM' 000
Number of units in issue ('000 units)	205,901	205,901
Net income (RM'000) - realized	7,461	20,102
Net income distribution to unitholders (RM'000) *	7,441	20,001
Basic earnings per unit (sen)	3.62	9.76
Diluted earnings per unit (sen)	N/A	N/A
Distribution per unit (DPU) (sen)	3.61*	9.71**

\* Provision for income distribution

\*\* Included 6.1 sen declared and paid on 30 August 2007

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  
31 October 2007