

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.12.2006 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2005 RM'000
<u>INVESTMENTS</u>		
Investment Properties	408,250	332,200
Deposits placed with licensed banks	-	4,350
	408,250	336,550
<u>OTHER ASSETS</u>		
Trade and other receivables	3,318	2,799
Cash and cash equivalents	62	222
Tax Recoverable	151	61
	3,531	3,082
TOTAL ASSETS	411,781	339,632
<u>LIABILITIES</u>		
Trade and other payables	15,685	12,104
Revolving credit	40,000	40,000
Bank overdraft	48,089	-
Provision for Income Distribution	13,898	9,677
Taxation	-	-
	117,672	61,781
NET ASSET VALUE	294,109	277,851
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	234,892	234,892
Undistributed income	59,217	42,959
	294,109	277,851
NUMBER OF UNITS IN CIRCULATION	205,901,000	205,901,000
NET ASSET VALUE PER UNIT (RM)	1.428	1.349

(The Condensed Balance Sheet should be read in conjunction with the Audited Financial Report for period ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED INCOME STATEMENT (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2006	Preceding Year Corresponding Quarter 31.12.2005	Current Year To date 31.12.2006	Preceding Year To date 31.12.2005
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	10,813	8,783	40,968	14,089
Gross rental income	10,813	8,649	40,931	13,761
Less : Assessment	(319)	(202)	(1,147)	(333)
Quit Rent	(49)	(24)	(172)	(39)
Other Property operating expenditure	(1,537)	(1,148)	(6,483)	(1,928)
Net rental income	8,908	7,275	33,129	11,461
Interest income	-	134	37	328
TOTAL TRUST INCOME	8,908	7,409	33,166	11,789
<u>EXPENDITURE</u>				
Management fee	724	478	2,420	794
Trustee's fee	36	34	142	57
Auditors' remuneration	23	24	54	40
Tax agent's fee	6	6	12	10
Bad debts written off	119	-	119	-
Provision for doubtful debts	(56)	-	167	-
Administrative Expense	247	40	450	98
Interest expenses	1,099	407	3,137	738
TOTAL TRUST EXPENDITURE	2,198	989	6,501	1,737
NET TRUST INCOME	6,710	6,420	26,665	10,052
Net appreciation on fair values of investment properties - #	8,095	-	16,517	-
INCOME BEFORE TAXATION	14,805	6,420	43,182	10,052
TAXATION	(3)	(26)	(260)	(34)
INCOME AFTER TAXATION	14,802	6,394	42,922	10,018
PROVISION FOR INCOME DISTRIBUTION	(7,421)	(6,226)	(26,664)	(9,677)
RETAINED EARNINGS	7,381	168	16,258	341
EARNINGS PER UNIT (sen)	7.19	3.12	20.85	4.87
DISTRIBUTION PER UNIT (sen)	3.60	3.02	12.95	4.70
INCOME BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	6,710	6,420	26,665	10,052
Unrealised - #	8,095	-	16,517	-
	14,805	6,420	43,182	10,052

(The Condensed Income Statement should be read in conjunction with the Audited Financial Report for the period ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements)

- # The net appreciation on fair values of investment properties is the surplus of appraised values over acquisition costs arising from acquisitions completed in the reporting period/ the last valuation value. This is an unrealized gain and is not available for income distribution (refer to Note A2).

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

FROM 3 AUGUST 2005 TO 31 DECEMBER 2005 (UNAUDITED)

	Unitholders' Capital RM'000	<i>Non- distributable</i> Revaluation Reserve RM'000	<i>Distributable</i> Undistributed Income RM'000	Total RM'000
Net assets as at 3 August 2005	-	-	-	
Operation for the period ended 31 December 2005				
Net income for the period	-	-	10,018	10,018
Changes in revaluation reserves	-	42,618	-	42,618
<i>Increase in net assets resulting from operations</i>	-	42,618	10,018	52,636
Unitholders' transactions				
Creation of units	241,083	-	-	241,083
Distribution to Unitholders – Provision	-	-	(9,677)	(9,677)
Listing expenses	(6,191)	-	-	(6,191)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	234,892	-	(9,677)	225,215
Net assets as at 31 December 2005	234,892	42,618	341	277,851

AXIS REAL ESTATE INVESTMENT TRUST

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

FROM 1 JANUARY 2006 TO 31 DECEMBER 2006 (UNAUDITED)

	Unitholders' Capital RM'000	<i>Non- distributable</i> Revaluation Reserve RM'000	<i>Distributable</i> Undistributed Income RM'000	Total RM'000
Net assets as at 1 January 2006	234,892	42,618	341	277,851
Prior period adjustment				
- FRS 140	-	(42,618)	42,618	-
<i>Restated balance</i>	234,892	-	42,959	277,851
Operation for the period ended 31 December 2006				
Net income for the period	-	-	42,922	42,922
<i>Increase in net assets resulting from operations</i>	-	-	42,922	42,922
Unitholders' transactions				
Distribution to Unitholders – Provision #	-	-	(26,664)	(26,664)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	-	(26,664)	(26,664)
Net assets as at 31 December 2006	234,892	-	59,217	294,109

Includes the payment of the interim income distribution of 6.2 sen per unit on 30 August 2006, totaling RM12,765,862 in respect of the six-months period ended 30 June 2006.

AXIS REAL ESTATE INVESTMENT TRUST

**CONDENSED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)**

	Current Year To Date 31.12.2006 RM'000	Preceding Year To Date 31.12.2005 RM'000
Operating activities		
Income before taxation	43,182	10,052
Adjustment for :-		
Interest expense	3,137	738
Interest income	(37)	(328)
Net appreciation on fair values of investment properties	(16,517)	-
Operating income before working capital charges	29,765	10,462
(Increase)/Decrease in working capital		
Trade and other receivables	(519)	(2,799)
Trade and other payables	3,581	12,104
Cash generated by operating activities	32,827	19,767
Tax paid	(350)	(95)
Net cash generated from operating activities	32,477	19,672
Investing activities		
Interest received	37	328
Purchase of investment property	(59,278)	(182,082)
Payment for enhancement of investment properties	(255)	-
Uplift/ (Placement) of pledged deposits with licensed bank	450	(450)
Cash used in investing activities	(59,046)	(182,204)
Financing activities		
Interest paid	(3,137)	(738)
Listing expenses	-	(6,191)
Proceeds from issue of units	-	133,583
Proceeds from borrowings	-	40,000
Distribution paid to unitholders	(22,443)	-
Cash (used in)/ generated from financing activities	(25,580)	166,654
Net (decrease)/ increase in cash and cash equivalents	(52,149)	4,122
Cash and cash equivalents at beginning of year	4,122	-
Cash and cash equivalents at end of year	(48,027)	4,122
Cash and cash equivalents		
Cash and bank balances	62	222
Deposits with licensed bank (excluding deposits pledged)	-	3,900
Bank Overdraft	(48,089)	-
	(48,027)	4,122

AXIS REAL ESTATE INVESTMENT TRUST

Quarterly Unaudited Financial Results for the 4th Quarter ended 31 December 2006

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 period ended 31 December 2005 except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 December 2006. Details of these changes in accounting policies are set out in Note A2.

A2. CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB’s Issues Committee’s Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued another two revised FRSs (i.e. FRS 117, *Leases* and FRS 124, *Related Party Disclosures*). These two FRSs are effective for annual periods beginning on or after 1 October 2006.

The FRSs that will be effective in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the MASB subsequent to the date of issuance of this quarterly report. Therefore the policies that will be applied in the Axis-REIT’s financial statements for the period cannot be determined with certainty at the date of issuance of this quarterly financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this quarterly financial report.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Investment properties (FRS 140, Investment Properties)

In prior year, investment properties are stated at valuation and no depreciation is provided on investment properties. It is Axis-REIT's practice to appraise the investment properties at least once every year, by independent professional valuers based on open market value, and to maintain these properties in such condition that the residual value is high so that any depreciation, if applicable, would be insignificant. Any surplus arising there from will be incorporated in the financial statements.

With effect from 1 January 2006, in accordance with FRS 140, investment properties are stated at fair value. Gain or loss arising from a change in the fair values of investment properties is recognised in income statement for the period in which it arises.

In accordance with the transitional provisions under FRS 140, an adjustment to the opening balance of retained profit for fair values of investment properties is made.

Effect on opening balances of net asset value at 1 January 2006:

	Unitholders' Capital RM'000	<i>Non- distributable</i> Revaluation Reserve RM'000	<i>Distributable</i> Undistributed Income RM'000	Total RM'000
Net assets as at 1 January 2006				
<i>As previously stated</i>	234,892	42,618	341	277,851
Prior period adjustment				
- FRS 140	-	(42,618)	42,618	-
<i>Restated balance</i>	234,892	-	42,959	277,851

A3. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2005

The audit report of the financial statements for the preceding year, for the period ended 31 December 2005 was not qualified.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Trust are not affected by material seasonal or cyclical factors.

A5. UNUSUAL ITEMS

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

A6. CHANGES IN ESTIMATES

This is not applicable as no estimates were previously reported.

A7. 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.

A8. INCOME DISTRIBUTION

A provision was made to distribute RM7,421,444 as income distribution for the 4th quarter ended 31 December 2006. Out of this amount is a sum of RM309,341 being tax exempt income out of the retained earnings carried forward from financial year 2005.

A9. SEGMENTAL REPORTING

No segment information is prepared as the Trust's activities are predominantly in one industry segment and occur predominantly in Malaysia.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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

A11. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report except for the proposed placement of up to 50.0million new Axis REIT units as disclosed in Item B8(a) Status of Corporate Proposal which is pending approvals from relevant authorities.

A12. EFFECT OF CHANGES IN THE COMPOSITION OF THE TRUST

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

A13. 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 31 December 2006, the Trust registered a total revenue of RM10,813,587. Total expenditure for the quarter under review was RM4,102,621, of which RM1,904,914 were attributable to property expenses and RM2,197,707 to non property expenses. For the quarter under review, income before taxation (realised) and available for distribution amounted to RM6,710,966.

2006 Results

For the year ended 31 December 2006, the Trust registered a total revenue of RM40,968,852 including interest income of RM37,413. After deducting total operating expenditure of RM14,302,649 (consisting of property expenses of RM7,801,631 and non-property expenses of RM6,501,018), the income before taxation (realised) and available for distribution amounted to RM26,666,203

Pursuant to the Distribution Policy as disclosed in the Trust's Prospectus dated 30 June 2005, an amount of RM26,664,180 [equivalent to 98.8% of the income before tax (realised) for year 2006 plus balance of undistributed year 2005 tax exempt income of RM309,341] will be distributed to Unitholders. This translate into a distribution per unit of 12.95 sen for 2006.

**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 its existing investment portfolio and its growth strategy to actively pursue quality acquisitions it will be able to maintain a strong performance for the coming quarter and next year.

B4. VARIANCES

In the Prospectus dated June 30, 2005, the Trust projected an amount of RM22.9 million of Earnings After Tax (realised) for the year ending 31 December 2006 whereas the unaudited results were RM26.4 million resulting in a positive variance of RM3.5 million between the forecast and unaudited results.

B5. TAXATION

The breakdown of the tax components is as follows:-

	Current Quarter RM'000	Year-to-date RM'000
Taxation on current period's profit	(3)	249
Underprovision of prior year taxation expense	-	11
Deferred tax relating to originating and reversal of temporary differences	-	-
Taxation expense for the period	(3)	260

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Trust is as follows:-

	Current Quarter RM'000	Year-to-date RM'000
Income before taxation	14,805	43,182
Taxation at Malaysia statutory tax rate of 28%	4,145	12,091
Non-taxable items	(2,267)	(4,624)
Effect of income distribution exempted from tax	(1,992)	(7,380)
Effect of expenses not deductible for tax purposes	80	174
Other items	31	(1)
Tax expense for the period	(3)	260

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

There was no disposal of investment in unquoted securities 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, the Trust has announced the proposed placement of 50.0 million new Axis-REIT units which is pending approvals from relevant authorities.
- (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 31 Dec. 2006 (RM' 000)	Preceding Financial Year End 31 Dec. 2005 (RM' 000)
Short term borrowings		
- Secured	88,089	40,000

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Trust 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 the Trust.

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 Trust'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%

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

	Quarter Ended 31.12.2006 RM' 000	Year To Date Ended 31.12.2006 RM' 000
Number of units in issue ('000 units)	205,901	205,901
Net income (RM'000)	14,802	42,922
Net income distribution to unitholders (RM'000) *	7,421	26,664
Basic earnings per unit (sen)	7.19	20.85
Diluted earnings per unit (sen)	N/A	N/A
Distribution per unit (DPU) (sen)	3.60*	12.95*

* Provision for income distribution

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
29 January 2007