

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.06.2006 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2005 RM'000
<u>INVESTMENTS</u>		
Investment Properties	399,900	332,200
Deposits placed with licensed banks	450	4,350
	400,350	336,550
<u>DEFERRED TAX ASSETS</u>		
	26	-
<u>OTHER ASSETS</u>		
Trade and other receivables	1,839	2,799
Cash and cash equivalents	50	222
Tax Recoverable	-	61
	1,889	3,082
TOTAL ASSETS	402,265	339,632
<u>LIABILITIES</u>		
Trade and other payables	15,285	12,104
Borrowings	87,644	40,000
Provision for Income Distribution	12,766	9,677
Taxation	40	-
	115,735	61,781
NET ASSET VALUE	286,530	277,851
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	234,892	234,892
Undistributed income	51,638	42,959
	286,530	277,851
NUMBER OF UNITS IN CIRCULATION	205,901,000	205,901,000
NET ASSET VALUE PER UNIT (RM)	1.392	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 30.06.2006 RM'000	Preceding Year Corresponding Quarter 30.06.2005 RM'000	Current Year To date 30.06.2006 RM'000	Preceding Year To date 30.06.2005 RM'000
TOTAL TRUST REVENUE	9,640	N/A	19,074	N/A
Gross rental income	9,632	N/A	19,040	N/A
Less : Assessment	(261)	N/A	(509)	N/A
Quit Rent	(31)	N/A	(63)	N/A
Other Property operating expenditure	(1,820)	N/A	(3,166)	N/A
Net rental income	7,520	N/A	15,302	N/A
Interest income	8	N/A	34	N/A
TOTAL TRUST INCOME	7,528	N/A	15,336	N/A
<u>EXPENDITURE</u>				
Management fee	491	N/A	978	N/A
Trustee's fee	35	N/A	70	N/A
Auditors' remuneration	8	N/A	19	N/A
Tax agent's fee	3	N/A	5	N/A
Provision for doubtful debts	83	N/A	94	N/A
Administrative Expense	50	N/A	122	N/A
Interest expenses	476	N/A	911	N/A
TOTAL TRUST EXPENDITURE	1,146	N/A	2,199	N/A
NET TRUST INCOME	6,382	N/A	13,137	N/A
Net appreciation on fair values of investment properties - #	8,422	N/A	8,422	N/A
INCOME BEFORE TAXATION	14,804	N/A	21,559	N/A
TAXATION	(14)	N/A	(114)	N/A
INCOME AFTER TAXATION	14,790	N/A	21,445	N/A
PROVISION FOR INCOME DISTRIBUTION	(6,349)	N/A	(12,766)	N/A
RETAINED EARNINGS	8,441	N/A	8,679	N/A
EARNINGS PER UNIT (sen)	7.18	N/A	10.42	N/A
DISTRIBUTION PER UNIT (sen)	3.08	N/A	6.20	N/A
INCOME BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	6,382	N/A	13,137	N/A
Unrealised - #	8,422	N/A	8,422	N/A
	14,804	N/A	21,559	N/A

(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. 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 1 JANUARY 2006 TO 30 JUNE 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 30 June 2006				
Net income for the period	-	-	21,445	21,445
<i>Increase in net assets resulting from Operations</i>	-	-	21,445	21,445
Unitholders' transactions				
Distribution to Unitholders – Provision	-	-	(12,766)	(12,766)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	-	(12,766)	(12,766)
Net assets as at 30 June 2006	234,892	-	51,638	286,530

* No comparative figures are available for the preceding six months period ended 30 June 2005 as AXIS REAL ESTATE INVESTMENT TRUST was only listed on 3 August 2005.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006 (UNAUDITED)

	Current Year To Date 30.06.2006 RM'000	Preceding Year To Date 30.06.2005 RM'000
Operating activities		
Income before taxation	21,559	N/A
Adjustment for :-		
Interest expense	911	N/A
Interest income	(34)	N/A
Net appreciation on fair values of investment properties	(8,422)	
Operating income before working capital charges	<u>14,014</u>	N/A
(Increase)/Decrease in working capital		
Trade and other receivables	960	N/A
Trade and other payables	<u>3,181</u>	N/A
Cash generated by operating activities	<u>18,155</u>	N/A
Tax paid	<u>(39)</u>	N/A
Net cash generated from operating activities	<u>18,116</u>	N/A
Investing activities		
Interest received	34	N/A
Purchase of investment property	<u>(59,278)</u>	N/A
Cash used in investing activities	<u>(59,244)</u>	N/A
Financing activities		
Interest paid	(911)	N/A
Distribution paid to unitholders	<u>(9,677)</u>	N/A
Cash used in financing activities	<u>(10,588)</u>	N/A
Net decrease in cash and cash equivalents	(51,716)	N/A
Cash and cash equivalents at beginning of year	<u>4,122</u>	N/A
Cash and cash equivalents at end of year	<u>(47,594)</u>	N/A
Cash and cash equivalents		
Cash and bank balances	50	N/A
Bank Overdraft	<u>(47,644)</u>	N/A
	<u>(47,594)</u>	N/A

AXIS REAL ESTATE INVESTMENT TRUST

Quarterly Unaudited Financial Results for the 2nd Quarter ended 30 June 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-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 cost 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>	<u>234,892</u>	<u>-</u>	<u>42,959</u>	<u>277,851</u>

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

No income distribution was paid during the quarter under review but a provision has been made to distribute 97.2% of the income before tax (realised) for the half year ended 30 June 2006 amounting to RM 12,765,862.

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 valuer.

A11. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report.

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 30 June 2006, the Trust registered a total revenue of RM9,640,795 including interest income of RM 8,595. Total expenditure for the quarter under review was RM 3,258,442, of which RM 2,112,240 were attributable to property expenses and RM 1,146,202 to non property expenses. For the quarter under review, income before taxation (realised) and available for distribution amounted to RM 6,382,354.

Half Year Results

For the first six months ended 30 June, 2006, the Trust recorded a total revenue of RM19,074,502 including interest income of RM 34,520. After deducting total operating expenditure of RM 5,937,028 (consisting of property expenses of RM3,738,430 and non-property expenses of RM 2,198,598), the income before taxation (realised) and available for distribution amounted to RM 13,137,474.

Pursuant to the Distribution Policy as disclosed in the Trust's Prospectus dated 30 June 2005, an amount of RM 12,765,862 [equivalent to 97.2% of the income before tax (realised)] will be distributed to Unitholders as an interim income distribution for the 1st half of 2006. This translates into a distribution per unit of 6.20 sen. This leaves an undistributed income before taxation (realised) of RM 371,612. After setting aside a tax provision of RM 113,897 the retained earnings after tax (realised) amounted to RM257,715

**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

Since 1 January 2006, the Trust has added another three (3) properties to its portfolio, from six (6) properties held at 31 December 2005. All the properties are expected to continue to enjoy a high level of occupancy and rising rentals upon renewal due to the strength of the location and tightening supply of office and office / industrial spaces in these locations.

The Manager expects to maintain excellent performance from its existing real estate portfolio for the 2nd half of 2006.

B4. VARIANCES

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

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	40	140
Deferred tax relating to originating and reversal of temporary differences	(26)	(26)
Taxation expense for the period	14	114

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	14,804	21,559
Taxation at Malaysia statutory tax rate of 28%	4,145	6,037
Effect of income not subject to tax	(4,138)	(5,942)
Effect of expenses not deductible for tax purposes	9	19
Other items	(2)	-
Tax expense for the period	14	114

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	-	-
Total proceeds from disposal of quoted Securities	-	-
Total profit from disposal of quoted securities	-	-

(b)

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

B8. STATUS OF CORPORATE PROPOSAL

- (a) There were no corporate proposals announced but not completed at the latest practicable date from the date of the issuance of this report.
- (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 June 2006 <u>RM' 000</u>	Preceding Quarter 31 December 2005 <u>RM' 000</u>
Short term borrowings		
- Secured	87,644	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 PER UNIT

In line with the new tax transparency regime introduced by the Government through the Finance Act 2004, income distributed to the unitholders by the trust is exempted from tax at the trust level. However, unitholders will be taxed at their respective tax rates on the income distributed. Income distributed to non-resident unitholders will be subject to withholding tax of 28%.

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

	Quarter Ended 30.06.2006 RM' 000	Six Months Ended 30.06.2006 RM' 000	Year to-date Ended 31.12.2005 RM' 000
Number of units in issue ('000 units)	205,901	205,901	205,901
Net income (RM'000)	14,790	21,445	10,018
Net income distribution to unitholders (RM'000) *	6,349	12,766	9,677
Basic earnings per unit (sen)	7.18	10.42	4.87
Diluted earnings per unit (sen)	N/A	N/A	N/A
Distribution per unit (DPU) (sen)	3.08*	6.20*	4.70*

* Provision for income distribution

B13. INCOME DISTRIBUTION

No income distribution was paid during the quarter under review.

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

1 August 2006