

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.09.2008 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2007 RM'000
<u>ASSETS</u>		
Investment Properties	665,765	570,400
Deposits placed with licensed banks	300	570
Receivables, deposits and prepayments	10,220	10,647
Cash and cash equivalents	59	86
Tax Recoverable	154	154
TOTAL ASSETS	676,498	581,857
<u>LIABILITIES</u>		
Payables and accruals	28,494	21,885
Revolving credit	200,000	175,000
Bank overdraft	14,992	34,816
Provision for Income Distribution (note 1)	9,757	15,504
	253,243	247,205
NET ASSET VALUE	423,255	334,652
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	323,338	234,892
Undistributed income	99,917	99,760
	423,255	334,652
NUMBER OF UNITS IN CIRCULATION	255,901,000	205,901,000
NET ASSET VALUE PER UNIT (RM)	1.654	1.625

(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 1 July 2008 to 30 September 2008.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED INCOME STATEMENT (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2008 RM'000	Preceding Year Corresponding Quarter 30.09.2007 RM'000	Current Year To date 30.09.2008 RM'000	Preceding Year To date 30.09.2007 RM'000
	TOTAL TRUST REVENUE	16,367	11,934	46,504
Gross rental income	16,367	11,934	46,469	33,806
Less : Assessment	(424)	(333)	(1,230)	(947)
Quit Rent	(89)	(63)	(264)	(169)
Other Property operating expenditure	(2,046)	(1,772)	(5,744)	(5,445)
Net rental income	13,808	9,766	39,231	27,245
Interest income	-	-	35	8
TOTAL TRUST INCOME	13,808	9,766	39,266	27,253
<u>EXPENDITURE</u>				
Manager's fees	1,058	786	3,174	2,256
Trustee's fees	53	42	159	116
Auditors' fees	20	15	64	46
Tax agent's fee	3	2	8	8
Allowance for doubtful debts	338	55	443	55
Administrative Expense	298	74	723	660
Borrowing cost	1	-	227	508
Interest expenses	2,181	1,331	5,992	3,502
TOTAL TRUST EXPENDITURE	3,952	2,305	10,790	7,151
NET TRUST INCOME	9,856	7,461	28,476	20,102
Change in fair value of investment properties - #	-	29,925	-	29,925
INCOME BEFORE TAXATION	9,856	37,386	28,476	50,027
TAXATION	-	-	-	3
INCOME AFTER TAXATION	9,856	37,386	28,476	50,030
PROVISION FOR INCOME DISTRIBUTION	(9,757)	(7,441)	(28,319)	(20,001)
RETAINED EARNINGS	99	29,945	157	30,029
EARNINGS PER UNIT (sen) ##	3.85	18.15	11.36	24.29
DISTRIBUTION PER UNIT (sen)	3.81	3.61	11.21	9.71
INCOME BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	9,856	7,461	28,476	20,102
Unrealised - #	-	29,925	-	29,925
	9,856	37,386	28,476	50,027

(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 issue(Refer to Note B12).

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2008 TO 30 SEPTEMBER 2008 (UNAUDITED)

	Unitholders' Capital RM'000	Distributable ← Undistributed Income →		Total RM'000
		Realised RM'000	Unrealised RM'000	
Net assets as at 1 January 2008	234,892	12	99,748	334,652
Operation for the period ended 30 September 2008				
Net income for the period	-	28,476	-	28,476
<i>Increase in net assets resulting from operations</i>	-	28,476	-	28,476
Unitholders' transactions				
Placement of units	90,000	-	-	90,000
Distribution to Unitholders – Provision #	-	(28,319)	-	(28,319)
Listing expenses	(1,554)	-	-	(1,554)
<i>Increase/ (Decrease) in net assets resulting from Unitholders' transactions</i>	88,446	(28,319)	-	60,127
Net assets as at 30 September 2008	323,338	169	99,748	423,255

Includes the payments of the interim income distribution of 7.4 sen per unit on 20 February 2008 and 30 August 2008 totaling to RM18,561,674 in respect of the six-month period ended 30 June 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 STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D.)

FROM 1 JANUARY 2007 TO 30 SEPTEMBER 2007 (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 2007	234,892	82	59,135	294,109
<hr/>				
Operation for the period ended 30 September 2007				
Net income for the period	-	20,105	29,925	50,030
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<i>Increase in net assets resulting from operations</i>	-	20,105	29,925	50,030
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Unitholders' transactions				
Distribution to Unitholders – Provision	-	(20,001)	-	(20,001)
<hr/>				
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(20,001)	-	(20,001)
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Net assets as at 30 September 2007	234,892	186	89,060	324,138

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

	Current Year To Date 30.09.2008 RM'000	Preceding Year To Date 30.09.2007 RM'000
Operating activities		
Income before taxation	28,476	50,027
Adjustment for :-		
Interest expense	5,992	3,502
Interest income	(35)	(8)
Change in fair value of investment properties	-	(29,925)
Operating income before working capital charges	<u>34,433</u>	<u>23,596</u>
(Increase)/Decrease in working capital		
Receivables, deposits and prepayments	427	(8,526)
Payables and accruals	6,609	3,786
Net cash generated from operating activities	<u>41,469</u>	<u>18,856</u>
Investing activities		
Interest received	35	8
Payment for enhancement of investment properties	(2,884)	(2,786)
Purchase of investment property	(92,481)	(57,462)
Cash used in investing activities	<u>(95,330)</u>	<u>(60,240)</u>
Financing activities		
Interest paid	(5,992)	(3,502)
(Repayment of)/ Proceeds from borrowings	25,000	85,000
Distribution paid to unitholders	(34,066)	(26,458)
Uplift of deposit with licensed bank	270	-
Proceeds from issue of Units	90,000	-
Listing expenses	(1,554)	-
Cash generated from/ (used in) financing activities	<u>73,658</u>	<u>(6,569)</u>
Net (decrease)/ increase in cash and cash equivalents	19,797	13,656
Cash and cash equivalents at beginning of year	<u>(34,730)</u>	<u>(48,027)</u>
Cash and cash equivalents at end of year	<u>(14,933)</u>	<u>(34,371)</u>
Cash and cash equivalents		
Cash and bank balances	59	69
Bank Overdraft	(14,992)	(34,440)
	<u>(14,933)</u>	<u>(34,371)</u>

(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 3rd Quarter ended 30 September 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

During the 3rd quarter under review, the 2nd interim 2008 income distribution of 6.65 sen per unit, totaling RM 17,017,417 in respect of the period from 19 January 2008 to 30 June 2008 was paid on 30 August 2008. A provision was made to distribute approximately 99% of the income before tax (unaudited) amounting to RM9,757,143 for the quarter ended 30 September 2008.

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 an addition of RM1,636,669 capital expenditures incurred for the enhancement of certain 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) 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 single storey detached warehouse annexed with a double storey office/showroom erected on land held under H.S.(D) 159847 for PT 11 in the Mukim of Petaling Jaya, Daerah Petaling, state of Selangor for a total lump sum consideration of RM32.0 million;
- c) approval from unitholders of the proposed reclassification of Axis-REIT from a conventional real estate investment trust ("REIT") to an Islamic REIT and the proposed amendments to the deed dated 15 June 2005 and supplemental deed dated 8 December 2006 constituting Axis-REIT ("Deed");
- d) approval from unitholders of the proposed authority to issue and allot of up to 51,180,200 new Axis-REIT units to be exercised by 31st December 2008 and the proposed increase in fund size from 255,901,000 units up to the maximum of 307,081,200 units;
- e) termination of 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 due to the non-fulfillment of conditions precedent; and

- f) termination of 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 due to the non-fulfillment of conditions precedent.

A11. EFFECT OF CHANGES IN THE FUND SIZE 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 September 2008, Axis-REIT recorded a total revenue of RM16,366,983. Total expenditure for the quarter under review was RM6,511,283 of which RM2,558,460 were attributable to property expenses and RM3,952,823 to non property expenses. For the quarter under review, realised income before taxation and available for distribution amounted to RM9,855,700.

Nine Months Results

For the nine months period ended 30 September 2008, Axis-REIT recorded a total revenue of RM46,504,334 including interest income of RM35,127. Total expenditure for the period under review was RM18,029,364, of which RM7,237,284 were attributable to property expenses and RM10,792,080 to non-property expenses. For the period under review, realised income before taxation and available for distribution amounted to RM28,474,970.

A total of RM18,561,674 was paid out for the first six months ended 30 June 2008 as the 1st & 2nd interim income distribution. Axis-REIT has further made a provision of RM9,757,143 [approximate to 99% of the realised income before tax] for the 3rd quarter 2008 bringing the total provision for income distribution for the nine months year-to-date to RM28,318,817.

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 99% 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 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

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) on 4 August 2008, Axis-REIT announced the following proposals:

- (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").

Approvals for the Proposals were obtained from Securities Commission on 2 September 2008. Further thereto on 24 September 2008, Axis-REIT obtained a general mandate from unitholders to issue up to 51,180,200 new units being part of the Proposed Placement by 31 December 2008 which also entails the proposed increase in fund size of Axis-REIT from 255,901,000 up to a maximum of 307,081,200 units. The Proposals are currently pending implementation;

(b) on 4 August 2008, Axis-REIT also announced the proposed reclassification of Axis-REIT from a conventional REIT to an Islamic REIT (Proposed Reclassification") and proposed amendments to the Deed of Axis-REIT. Approval from the unitholders was obtained on 24 September 2008. The Proposed Reclassification is currently pending the registration of the second supplemental deed with Securities Commission. The Proposed Reclassification is expected to be completed by January 2009;

(c) 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 30 Sept 2008 (RM' 000)	Preceding Financial Year End 31 Dec. 2007 (RM' 000)
Short term borrowings		
- Secured	214,992	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 30.09.2008 RM' 000	Year To Date Ended 30.09.2008 RM' 000
Number of units in issue ('000 units)	255,901	255,901
Net income (RM'000)	9,856	28,476
Net income distribution to unitholders (RM'000)	9,757	28,319
Basic earnings per unit (sen)	3.85	11.36#
Diluted earnings per unit (sen)	N/A	N/A
Distribution per unit (DPU) (sen)	3.81	11.21*

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 1st interim income distribution of 0.75 sen per unit paid on 20 February 2008 and 2nd interim income distribution of 6.65 sen per unit paid on 30 August 2008 for the first six-month ended 30 June 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
10th November 2008