

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.6.2011 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2010 RM'000
ASSETS		
Non-Current Assets		
Investment properties	1,250,042	1,164,382
Current Assets		
Investment property classified as held for sale	-	14,300
Shariah-based deposits placed with licensed banks	7,298	12,285
Receivables, deposits and prepayments	7,620	13,633
Cash and cash equivalents	2,094	4,143
Tax Recoverable	154	154
TOTAL ASSETS	1,267,208	1,208,897
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	24,644	19,773
Term Financing	218,974	218,609
Current Liabilities		
Payables and accruals	14,583	17,233
Revolving credit	256,500	198,000
Deferred Tax Liabilities	-	52
TOTAL LIABILITIES	514,701	453,667
NET ASSET VALUE	752,507	755,230
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	540,281	540,281
Undistributed distributable income	17,076	19,766
Non-Distributable reserve	195,150	195,183
	752,507	755,230
NUMBER OF UNITS IN CIRCULATION	375,901,000	375,901,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	2.0019	2.0091
- After income distribution (note 1)	1.9569	1.9566

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2010 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being Net Asset Value after reflecting realised income to be distributed as 2nd interim 2011 income distribution of 4.50 sen per unit and is payable on 26 August 2011.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2011 RM'000	Preceding Year Corresponding Quarter 30.6.2010 RM'000	Current Year To date 30.6.2011 RM'000	Preceding Year To date 30.6.2010 RM'000
TOTAL TRUST REVENUE	28,436	21,021	55,684	40,869
Gross rental income	28,362	20,978	55,610	40,775
Less : Assessment	(679)	(480)	(1,341)	(961)
Quit rent	(181)	(122)	(371)	(244)
Other property operating expenditure	(3,564)	(2623)	(6,446)	(5,095)
Net rental income	23,938	17,753	47,452	34,475
Profit income	74	43	74	94
Net loss on disposal of investment properties *	(258)	-	(258)	-
Change in fair value of investment properties	-	9,120	-	10,879
Net gain on financial liabilities measured at amortised cost	199	643	481	1,439
TOTAL TRUST INCOME	23,953	27,559	47,749	46,887
<u>EXPENDITURE</u>				
Manager's fees	1,882	1,395	3,795	2,778
Trustee's fees	94	69	188	138
Auditors' fees	26	25	52	51
Tax agent's fee	3	4	7	7
Allowance/(Reversal of) for doubtful/bad debts	30	(2)	(77)	(118)
Administrative expense	293	206	555	421
Islamic financing cost **	5,842	3,983	10,959	7,463
TOTAL TRUST EXPENDITURE	8,170	5,680	15,479	10,740
NET TRUST INCOME	15,783	21,879	32,270	36,147
PROFIT BEFORE TAXATION	15,783	21,879	32,270	36,147
TAXATION ***	52	-	52	-
PROFIT FOR THE PERIOD	15,835	21,879	32,322	36,147
OTHER COMPREHENSIVE INCOME NET OF TAX				
Cash flow hedge	(92)	(763)	477	(738)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,743	21,116	32,799	35,409
EARNINGS PER UNIT (sen)	4.21	7.12	8.60	11.77

PROFIT BEFORE TAXATION IS MADE UP AS FOLLOWS:

Realised #
 Unrealised - change in fair value of investment properties
 Unrealised – Net gain on financial liabilities measured at amortised cost
 Unrealised – reversal of deferred tax liabilities

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2011 RM'000	Preceding Year Corresponding Quarter 30.6.2010 RM'000	Current Year To date 30.6.2011 RM'000	Preceding Year To date 30.6.2010 RM'000
	15,584	12,116	31,789	23,829
	-	9,120	-	10,879
	199	643	481	1,439
	52	-	52	-
	15,835	21,879	32,322	36,147

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2010 and the accompanying explanatory notes attached to the financial statements)

* The disposal of Axis Northport LC1 is in a loss of RM258,488 before the realization of revaluation of the fair value gain of RM1,043,301. With the realization of unrealized income of RM1,043,301, the disposal has resulted in a net increase of realised income of RM784,813 which is available to be distributed to the unitholders. This will translate to a distribution per unit of approximately 0.2 sen per unit.

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

*** Being reversal of provision for deferred tax liability on the disposal of Axis Northport LC 1

The 2nd interim income distribution of 4.50 sen per unit is payable on 26 August 2011 out of the realised profit before taxation for the 2nd quarter 2011 and the undistributed retained earnings brought forward from 1st quarter 2011.

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 110	-	15,293	-	-	15,293
	406,854	15,472	143,324	-	565,650
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
As at 1 January 2010, restated	406,854	15,472	147,090	(726)	568,690
Total comprehensive income for the period	-	23,829	12,318	(738)	35,409
<i>Increase / (Decrease) in net assets resulting from operations</i>	-	23,829	12,318	(738)	35,409
Unitholders' transactions					
Distribution to Unitholders	-	(26,655)	-	-	(26,655)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(26,655)	-	-	(26,655)
Net assets as at 30 June 2010	406,854	12,646	159,408	(1,464)	577,444

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

FROM 1 JANUARY 2011 TO 30 JUNE 2011 (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 2011	540,281	19,766	195,841	(658)	755,230
Total comprehensive income for the period	-	31,789	533	477	32,799
Realisation of unrealised income	-	1,043	(1,043)	-	-
<i>Increase / (Decrease) in net assets resulting from operations</i>	-	32,832	(510)	477	32,799
Unitholders' transactions					
Distribution to Unitholders #	-	(35,522)	-	-	(35,522)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(35,522)	-	-	(35,522)
Net assets as at 30 June 2011	540,281	17,076	195,331	(181)	752,507

Includes the payment of the final income distribution for financial year 2010 of 5.25 sen per unit and the 1st interim 2011 income distribution for financial year 2011 of 4.20 sen per unit which were paid on 28 February 2011 and 31 May 2011 respectively.

(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 2010 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (UNAUDITED)

	Current Year To Date 30.6.2011 RM'000	Preceding Year To Date 30.6.2010 RM'000
Operating activities		
Profit before taxation	32,270	36,147
Adjustment for :-		
Islamic financing cost	10,959	7,463
Profit income	(74)	(94)
Change in fair value of investment properties	-	(10,879)
Net loss on disposal of investment properties	258	-
Net gain on financial liabilities measured at amortised cost	(481)	(1,439)
Operating income before working capital changes	<u>42,932</u>	<u>31,198</u>
Receivables, deposits and prepayments	6,013	(4,277)
Payables and accruals	(71)	381
Tenants' deposit	3,250	2,072
Net cash generated from operating activities	<u>52,124</u>	<u>29,374</u>
Investing activities		
Profit income received	74	94
Payment for enhancement of investment properties	(3,089)	(7,482)
Purchase of investment property	(82,571)	(24,676)
Proceeds from disposal of investment property	14,500	-
Disposal expenses	(458)	-
Cash used in investing activities	<u>(71,544)</u>	<u>(32,064)</u>
Financing activities		
Islamic financing cost paid	(10,959)	(7,463)
Proceeds from financing	58,865	34,327
Distribution paid to unitholders	(35,522)	(26,655)
Cash generated from financing activities	<u>12,384</u>	<u>209</u>
Net decrease in cash and cash equivalents	(7,036)	(2,481)
Cash and cash equivalents at beginning of period	<u>16,128</u>	<u>15,507</u>
Cash and cash equivalents at end of period	<u>9,092</u>	<u>13,026</u>

Cash and cash equivalents

Cash and bank balances	7,298	8,873
Shariah-based deposits placed with licensed banks	2,094	4,453
	<hr/>	<hr/>
	9,392	13,326
Shariah-based deposits placed with licensed banks - pledged	(300)	(300)
	<hr/>	<hr/>
	9,092	13,026
	<hr/>	<hr/>

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Report for the year ended 31 December 2010 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 2011

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 2010.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2010

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2010 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 payment 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 2011 income distribution of 4.20 sen per unit, totaling RM15,787,842 in respect of the period from 1 January 2011 to 31 March 2011 on 31 May 2011. Axis-REIT has further set aside RM16,915,545 to be distributed as 2nd interim income distribution. This translates into 4.50 sen per unit for the quarter under review and includes a non taxable portion of approximately 0.25 sen per unit derived from utilization of capital allowances and distribution on net gain on disposal of Axis North Port LC 1 which is not subject to tax.

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) the completion of the acquisition of four (4) storey office building with a lower roof floor together with a lower ground floor and a basement car park on 19 April 2011, built on a piece of freehold land held under Geran 207772, Lot 23570, Mukim of Dengkil, District of Sepang, State of Selangor for a total lump sum consideration of RM51,250,000;
- b) the completion of the disposal of Axis North Port LC 1 to Freight Management (M) Sdn Bhd on 18 April 2011, described as a parcel of leasehold land held under H.S.(D) 116367, PT 183, Bandar Sultan Sulaiman, District Klang, State of Selangor Darul Ehsan for a cash consideration of RM14,500,000.

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

There was no change in the composition of the fund size of Axis-REIT for the current quarter under review and the fund size stands at 375,901,000 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 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 and half year ended 30 June 2011.

Quarter Results

For the quarter ended 30 June 2011, Axis-REIT registered a total revenue of RM29,221,926. Total expenditure for the quarter under review was RM12,594,958 of which RM4,424,821 were attributable to property expenses and RM8,170,137 to non property expenses. For the quarter under review, realized income before taxation and available for distribution amounted to RM16,626,968.

Half Year Results

For the six months period ended 30 June 2011, Axis-REIT recorded a total revenue of RM56,469,877. Total expenditure for the period under review was RM23,637,574, of which RM8,158,385 were attributable to property expenses and RM15,479,189 to non-property expenses. For the period under review, realized income before taxation and available for distribution amounted to RM32,832,303.

A total of RM15,787,842 was paid out for the first three months ended 31 March 2011 as the 1st interim income distribution which translates to 4.20 sen per unit. Axis-REIT has further set aside RM16,915,545 (approximately to 99.1% of the realized income before tax in respect of the period from 1 April 2011 to 30 June 2011 and the brought forward undistributed 1st quarter 2011 realised income before tax) for income distribution for the 2nd quarter interim distribution which translates to 4.50 sen per unit to be paid on 26 August 2011. This leaves an undistributed realised income before taxation of RM160,239.

Maintenance costs & major capital expenditure

A total of RM3,088,363 has been incurred for enhancement of the properties of Axis-REIT during the six months period to date; with most of the expenses being spent for the refurbishment of Menara Axis and Crystal Plaza.

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 2011.

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 2010 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT had acquired a new property i.e. Axis Eureka (Cyberjaya property) and had also disposed of one property i.e. Axis North Port LC 1. With the completion of both these exercises, there was no change to the total number of properties (27 properties) held by Axis-REIT as at the date of this report.

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

This is not applicable as there was no issuance of new units by Axis-REIT 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 six months period to date of 99.1% 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 as at the latest practicable date from the issuance of this report save for the following:-

- (a) Axis-REIT had on 9 February 2011 and 28 April 2011 announced the following:
- (i) the proposed authority to allot and issue up to 75,180,200 new Axis-REIT Units;

- (ii) the proposed recurrent and optional income distribution reinvestment plan that allows Unitholders of Axis-REIT to reinvest their income distribution in new Units;
- (iii) the proposed amendments to the relevant clauses in the deed of Axis-REIT dated 3 April 2009 constituting Axis-REIT (“Deed”) relating to the management fee to allow the Manager to be paid the management fee in the form of new Axis-REIT Units; and
- (iv) the proposed amendments to certain clauses in the Deed which are administrative and/or technical in nature,

(Collectively referred to as the “Proposals”)

The Proposals will be tabled to the Unitholders of Axis-REIT for approval at a Unitholders’ meeting to be convened and held on 26 July 2011.

B10. FINANCING

	Current Quarter 30 June 2011 <u>(RM’ 000)</u>	Preceding Financial Year End 31 Dec 2010 <u>(RM’ 000)</u>
Short term financing		
- Secured revolving credit	256,500	198,000
Long term financing		
- Secured term financing	218,974	218,609

B11. DERIVATIVES

As at 30 June 2011, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its 3 and 5 years term financing:

	Fair Value 30 June 2011 <u>(RM’ 000)</u>	<u>Maturity</u>
- 3 years IPRS	85,550	1 year to 3 years
- 5 years IPRS	49,470	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 30.6.2011 RM' 000	Immediate Preceding Quarter Ended 31.3.2011 RM' 000
Number of units in issue (units)	375,901,000	375,901,000
Earnings per unit (EPU) (realized)(sen)	4.15	4.31
EPU (include unrealized income)(sen)	4.21	4.39
Net income available for distribution to unitholders (RM'000)	15,584	16,205
Distribution per unit (DPU) (sen)	4.50	4.20
Net Asset Value (NAV) (RM'000)	752,507	752,552
NAV Per Unit (RM)	2.0019	2.0020
Market Value Per Unit (RM)	2.45	2.34

B15. 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 2011 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 25 July 2011.

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
 25 July 2011