

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.09.2006 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2005 RM'000
<u>INVESTMENTS</u>		
Investment Properties	399,984	332,200
Deposits placed with licensed banks	-	4,350
	399,984	336,550
<u>DEFERRED TAX ASSETS</u>		
	62	-
<u>OTHER ASSETS</u>		
Trade and other receivables	3,784	2,799
Cash and cash equivalents	51	222
Tax Recoverable	-	61
	3,835	3,082
TOTAL ASSETS	403,881	339,632
<u>LIABILITIES</u>		
Trade and other payables	14,831	12,104
Revolving credit	40,000	40,000
Bank overdraft	55,783	-
Provision for Income Distribution	6,477	9,677
Taxation	62	-
	117,153	61,781
NET ASSET VALUE	286,728	277,851
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	234,892	234,892
Undistributed income	51,836	42,959
	286,728	277,851
NUMBER OF UNITS IN CIRCULATION	205,901,000	205,901,000
NET ASSET VALUE PER UNIT (RM)	1.393	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 30.09.2006 RM'000	Preceding Year Corresponding Quarter 30.09.2005 RM'000	Current Year To date 30.09.2006 RM'000	Preceding Year To date 30.09.2005 RM'000
TOTAL TRUST REVENUE	11,081	5,306	30,156	5,306
Gross rental income	11,079	5,112	30,119	5,112
Less : Assessment	(319)	(131)	(828)	(131)
Quit Rent	(60)	(15)	(123)	(15)
Other Property operating expenditure	(1,779)	(780)	(4,946)	(780)
Net rental income	8,921	4,186	24,222	4,186
Interest income	2	194	37	194
TOTAL TRUST INCOME	8,923	4,380	24,259	4,380
EXPENDITURE				
Management fee	718	316	1,696	316
Trustee's fee	36	23	106	23
Auditors' remuneration	12	16	31	16
Tax agent's fee	1	4	6	4
Provision for doubtful debts	129	-	223	-
Administrative Expense	81	331	203	331
Interest expenses	1,128	58	2,039	58
TOTAL TRUST EXPENDITURE	2,105	748	4,304	748
NET TRUST INCOME	6,818	3,632	19,955	3,632
Net appreciation on fair values of investment properties - #	-	-	8,422	-
INCOME BEFORE TAXATION	6,818	3,632	28,377	3,632
TAXATION	(143)	(8)	(257)	(8)
INCOME AFTER TAXATION	6,675	3,624	28,120	3,624
PROVISION FOR INCOME DISTRIBUTION	(6,477)	(3,451)	(19,243)	(3,451)
RETAINED EARNINGS	198	173	8,877	173
EARNINGS PER UNIT (sen)	3.24	1.76	13.66	1.76
DISTRIBUTION PER UNIT (sen)	3.15	1.68	9.35	1.68
INCOME BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	6,818	3,632	19,955	3,632
Unrealised - #	-	-	8,422	-
	6,818	3,632	28,377	3,632

(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 3 AUGUST 2005 TO 30 SEPTEMBER 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 30 September 2005				
Net income for the period	-	-	3,624	3,624
Changes in revaluation reserves	-	35,610	-	35,610
<i>Increase in net assets resulting from operations</i>	-	35,610	3,624	39,234
Unitholders' transactions				
Creation of units	241,083	-	-	241,083
Distribution to Unitholders – Provision	-	-	(3,451)	(3,451)
Listing expenses	(6,191)	-	-	(6,191)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	234,892	-	(3,451)	231,441
Net assets as at 30 September 2005	234,892	35,610	173	270,675

AXIS REAL ESTATE INVESTMENT TRUST

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

FROM 1 JANUARY 2006 TO 30 SEPTEMBER 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 September 2006				
Net income for the period	-	-	28,120	28,120
<i>Increase in net assets resulting from operations</i>	-	-	28,120	28,120
Unitholders' transactions				
Distribution to Unitholders – Provision #		-	(19,243)	(19,243)
<i>Decrease in net assets resulting from Unitholders' transactions</i>		-	(19,243)	(19,243)
Net assets as at 30 September 2006	234,892	-	51,836	286,728

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 PERIOD ENDED 30 SEPTEMBER 2006 (UNAUDITED)**

	Current Year To Date 30.09.2006 RM'000	Preceding Year To Date 30.09.2005 RM'000
Operating activities		
Income before taxation	28,377	3,632
Adjustment for :-		
Interest expense	2,039	331
Interest income	(37)	(194)
Net appreciation on fair values of investment properties	(8,422)	-
Operating income before working capital charges	21,957	3,769
(Increase)/Decrease in working capital		
Trade and other receivables	(985)	(1,049)
Trade and other payables	2,727	12,442
Cash generated by operating activities	23,699	15,162
Tax paid	(196)	-
Net cash generated from operating activities	23,503	15,162
Investing activities		
Interest received	37	194
Purchase of investment property	(59,278)	(152,890)
Payment for enhancement of investment properties	(84)	-
Uplift/ (Placement) of pledged deposits with licensed bank	450	(450)
Cash used in investing activities	(58,875)	(153,146)
Financing activities		
Interest paid	(2,039)	(331)
Listing expenses	-	(6,191)
Proceeds from issue of units	-	133,583
Proceeds from borrowings	-	34,848
Distribution paid to unitholders	(22,443)	-
Cash (used in)/ generated from financing activities	(24,482)	161,909
Net (decrease)/ increase in cash and cash equivalents	(59,854)	23,925
Cash and cash equivalents at beginning of year	4,122	-
Cash and cash equivalents at end of year	(55,732)	23,925
Cash and cash equivalents		
Cash and bank balances	51	2,202
Bank Overdraft	(55,783)	21,723
	(55,732)	23,925

AXIS REAL ESTATE INVESTMENT TRUST

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

During the quarter under review, Axis-REIT paid an interim income distribution on 30 August 2006 of 6.2 sen per unit, totaling RM12,765,862 in respect of the six-months period ended 30 June 2006. A provision was made to distribute 95% of the income before tax (unaudited) for the quarter ended 30 September 2006 amounting to RM6,476,875.

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

For the quarter under review, there were no changes in the value of the investment properties held other than the RM83,835 capital expenditures incurred for the enhancement of investment properties.

A11. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report except for the proposed amendments to the Deed of Axis-REIT and the proposed placement of up to 50.0million new units as disclosed in Item B8(a) Status of Corporate Proposal.

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

The Manager is pleased to report to Unitholders the results for the 3rd quarter ended 30 September 2006.

For the Quarter ended 30 September 2006, the Trust registered a total revenue of RM11,080,763 including interest income of RM2,144. Total expenditure for the quarter under review was RM4,263,000, of which RM2,158,287 were attributable to property expenses and RM2,104,713 to non property expenses. For the quarter under review, income before taxation (realised) and available for distribution amounted to RM 6,817,763.

Pursuant to the Distribution Policy as disclosed in the Trust's Prospectus dated 30 June 2005, an amount of RM6,476,875 [equivalent to 95.0% of the income before tax (realised)] will be set aside as provision for income distribution. This leaves an undistributed income before taxation (realised) of RM 340,888. After setting aside a tax provision of RM142,892 the retained earnings after tax (realised) amounted to RM197,996.

**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

We will incur additional cost associated in complying with FRS 140 and the cost on the recent debt raising and corporate exercises to be reflected in the 4th quarter results of the Trust.

Notwithstanding, we expect the portfolio of 9 properties to perform satisfactorily and will continue to enjoy good occupancy and improvement in rental rates for the last quarter of the year.

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	168	308
Underprovision of prior year taxation expense	11	11
Deferred tax relating to originating and reversal of temporary differences	(36)	(62)
Taxation expense for the period	143	257

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	6,818	28,377
Taxation at Malaysia statutory tax rate of 28%	1,909	7,946
Effect of income not subject to tax	(1,814)	(7,757)
Effect of expenses not deductible for tax purposes	46	94
Other items	2	(26)
Tax expense for the period	143	257

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) (i) Further to the Unitholders' Meeting held on 3rd November 2006, the Supplemental Deed on the proposed amendments to the Deed of Axis-REIT has been submitted to Securities Commission pending approval and registration.
- (ii) On 30 October 2006, the Trust has announced the proposed placement of 50.0 million new units. The date and actual number of units issued will be determined later as and when the need arises for the Trust to raise funds to pare down its borrowings should the borrowings exceed 40% of the total assets of the Trust as a result of future acquisition.
- (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. 2006 (RM' 000)	Preceding Financial Year End 31 Dec. 2005 (RM' 000)
Short term borrowings		
- Secured	95,783	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

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 30.09.2006 RM' 000	Year To Date Ended 30.09.2006 RM' 000
Number of units in issue ('000 units)	205,901	205,901
Net income (RM'000)	6,675	28,120
Net income distribution to unitholders (RM'000) *	6,477	19,243
Basic earnings per unit (sen)	3.24	13.66
Diluted earnings per unit (sen)	N/A	N/A
Distribution per unit (DPU) (sen)	3.15*	9.35*

* 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

20 November 2006