

AXIS REAL ESTATE INVESTMENT TRUST ("AXIS-REIT" OR "THE FUND")

- **PROPOSED RECLASSIFICATION;**
- **PROPOSED AMENDMENTS;**
- **PROPOSED PLACEMENT; AND**
- **PROPOSED INCREASE IN FUND SIZE**

("COLLECTIVELY REFERRED AS "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Axis REIT Managers Berhad, the manager of Axis-REIT ("the Manager"), Aseambankers Malaysia Berhad ("Aseambankers") is pleased to announce that the Fund proposes to undertake the following: -

- (i) proposed reclassification of Axis-REIT from a conventional non Islamic real estate investment trust ("REIT") to an Islamic/ Syariah compliant REIT ("Proposed Reclassification");
- (ii) proposed amendments to the Deed dated 15 June 2005 and the Supplemental Deed dated 8 December 2006 (collectively referred to as "Deed") constituting Axis-REIT ("Proposed Amendments");
- (iii) proposed placement of up to 120,000,000 new units ("Placement Units"), representing approximately 46.9% of the existing units in Axis-REIT in circulation at a price to be determined later ("Proposed Placement"); and
- (iv) proposed increase in the existing approved fund size of Axis-REIT of 255,901,000 units to a maximum of 375,901,000 units ("Proposed Increase In Fund Size").

The Proposed Reclassification, Proposed Amendments, Proposed Placement and Proposed Increase In Fund Size are collectively known as "Proposals".

The details of the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSALS

2.1 PROPOSED RECLASSIFICATION

The Manager proposes to undertake the Proposed Reclassification with the investment objective of owning and investing in Syariah-compliant real estate as permitted under the Securities Commission's Guidelines for Islamic Real Estate Investment Trusts dated 21 November 2005 ("Guidelines") to generate investment income based on Syariah principles.

In compliance with the Guidelines, the Manager, on behalf of the Fund will appoint Islamic Banking And Finance Institute Malaysia Sdn. Bhd. as the Syariah Adviser ("IBFIM") which will be responsible to oversee the operation of Axis-REIT so that it complies with every aspect of the Syariah principles as stated in the Guidelines.

In line with the above, an application will be made to the SC for the appointment of IBFIM.

2.2 PROPOSED AMENDMENTS

The Proposed Amendments would enable the Fund to align its existing Deed with the Syariah principles as stated in the Guidelines and also update the Deed for further clarity and reflective of the current practices (if required).

2.3 PROPOSED PLACEMENT

2.3.1 Number of Placement Units

The Proposed Placement will entail the issuance of up to 120,000,000 new units in Axis-REIT to places to be identified later. This represents approximately a 46.9% increase over the existing fund size of 255,901,000 units.

The actual number of the Placement Units to be issued pursuant to the Proposed Placement will be determined later by the Manager but it will not exceed 46.9% of the existing units in Axis-REIT. The Proposed Placement may be implemented in multiple tranches whenever the Manager anticipates that the bank borrowings of the Fund will exceed 40% of the total assets of the Fund as a result of future acquisitions.

2.3.2 Issue Price Of The Placement Units

The issue price of the Placement Units will be determined by the Manager, in consultation with the placement agent to be appointed for the Proposed Placement, at a price-fixing date to be determined later after obtaining the approval of the Securities Commission ("SC").

The issue price of the Placement Units shall be based on the five (5) days volume weighted average market price ("VWAMP") of Axis-REIT units at a discount to be determined at a later stage, immediately prior to the price-fixing date.

2.3.3 Status And Ranking Of The Placement Units

The Placement Units to be issued pursuant to the Proposed Placement shall, upon issue and allotment, rank pari passu with the existing Axis-REIT units except that they will not be entitled to participate in any distributable income, rights, allotments and/or any other distributions that may be declared prior to the date of allotment of such Placement Units.

An application will be made to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Units.

2.3.4 Utilisation

Assuming an illustrative issue price of RM1.61 per Placement Unit based on the five (5) days VWAMP of Axis-REIT units up to 1 August 2008 (assuming no discount has been granted), the Proposed Placement will raise gross proceeds of RM193.2 million.

The proceeds after deducting estimated expenses in relation to the Proposed Placement will be utilised for repayment of bank borrowings and/or future potential acquisitions.

2.4 PROPOSED INCREASE IN FUND SIZE

The Manager proposes to increase the size of Axis-REIT from the existing approved fund size of 255,901,000 units to the proposed fund size of up to 375,901,000 units to accommodate the increase in units pursuant to the Proposed Placement.

3. RATIONALE OF THE PROPOSALS

The Proposed Reclassification will provide new investment opportunities for those who wish to invest in real estate through Syariah-compliant capital market instruments and to allow Axis-REIT to diversify its investors' base to include Syariah-compliant funds.

The Proposed Amendments are to facilitate the Proposed Reclassification.

The Proposed Placement is to enable Axis-REIT to:

- (a) raise funds to pare down its bank borrowings in the event that the Manager anticipates that the bank borrowings of the Fund will exceed 40% of the total assets of Axis-REIT as a result of future acquisitions as well as to provide Axis-REIT with sufficient headroom to make future cash acquisitions. This is in line with the growth strategy of Axis-REIT; and
- (b) increase the number of units in circulation to improve the trading liquidity of Axis-REIT.

The Proposed Increase In Fund Size is to accommodate the increase in units pursuant to the Proposed Placement.

4. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposed Reclassification and Proposed Amendments will not have any effect on unitholders' capital, net asset value ("NAV"), earnings, substantial unitholders' unitholdings and distributable income.

The Proposed Placement (which will lead to the Proposed Increase In Fund Size) is expected to have the following financial effects:

4.1 Unitholders' Capital

The proforma effects of the Proposed Placement on the unitholders' capital of Axis-REIT are shown in Table 1.

4.2 NAV and Gearing

The proforma effects of the Proposed Placement based on the audited financial statements of Axis-REIT as at 31 December 2007 are set out in Table 2.

4.3 Earnings

The Manager proposes to issue the first tranche of the placement units by the fourth quarter of 2008. Subsequently, the remaining placement units are proposed to be issued in the financial year ending 31 December 2009. As such, the Proposed Placement is not expected to have any material effect on the earnings of the Fund for the financial year ending 31 December 2008.

However, earnings per unit are expected to be correspondingly diluted as a result of the increase in the number of Axis-REIT units in issue pursuant to the Proposed Placement.

4.4 Substantial Unitholders' Unitholdings

The proforma effects of the Proposed Placement on the substantial unitholding structure of Axis-REIT are set out in Table 3.

4.5 Distributable Income

The Proposed Placement is not expected to have any material effect on the distributable income of Axis-REIT for the financial year ending 31 December 2008. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of Axis-REIT, and prevailing economic conditions.

5. CONDITIONS OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained:

- (i) the Trustee, which was obtained on 4 August 2008;
- (ii) the SC for:
 - (a) the issuance of the new units pursuant to the Proposed Placement;
 - (b) the listing of and quotation for the Placement Units on the Main Board of Bursa Securities;
 - (c) increase in fund size of Axis-REIT from existing approved fund size of 255,901,000 units to proposed fund size of up to 375,901,000 units; and
 - (d) the appointment of IBFIM as the Syariah Adviser of the Fund.

- (iii) Bursa Securities for the approval-in-principle for the listing of and quotation for the Placement Units; and
- (iv) the unitholders of Axis-REIT at a general meeting of unitholders to be convened.

The Proposed Placement is conditional upon Proposed Increase in Fund Size. The Proposed Placement is not conditional upon the Proposed Reclassification and Proposed Amendments. The Proposed Reclassification and Proposed Amendments are inter-conditional upon one another.

6. INTERESTS OF DIRECTORS OF THE MANAGER AND SUBSTANTIAL UNITHOLDERS

None of the Directors of the Manager, substantial unitholders or persons connected to the said Directors and/or substantial unitholders have any interest, direct and/or indirect in the Proposals.

7. MANAGER'S RECOMMENDATION

The Manager, having considered the rationale of the Proposals, is of the opinion that the Proposals are in the best interest of the Fund.

8. APPLICATION TO THE AUTHORITIES

The applications to the relevant authorities for the Proposals are expected to be submitted within one (1) month from the date of this announcement.

This announcement is dated 4 August 2008.

TABLE 1: UNITS

	No. of Axis-REIT units
Existing as at 30 July 2008	255,901,000
To be issued pursuant to the Proposed Placement*	120,000,000
Enlarged Unitholders' Capital	<u>375,901,000</u>

Note:

* Assuming up to a maximum of 46.9% of the existing units of Axis-REIT.

TABLE 2: NAV and Gearing

	Audited as at 31 December 2007 RM'000	Unaudited as at 30 June 2008 RM'000	After Proposed Placement RM'000
Unitholders' Capital	234,892	323,338	^(b) 513,238
Undistributed Income	99,760	99,818	99,818
NAV	<u>334,652</u>	<u>423,156</u>	<u>613,056</u>
Number of units in circulation ('000)	205,901	^(a) 255,901	^(c) 375,901
NAV per Placement Unit (RM)	1.625	1.654	1.631
Total Borrowing ('000)	209,816	191,403	^(e) 191,403
Total Assets ('000)	581,857	658,220	^(e) 848,120
Gearing ^(d) (%)	36.06	29.08	22.57

Notes:

- (a) After taking into account of 50 million Axis-REIT units pursuant to the placement, which was completed on 30 January 2008
- (b) Assuming up to a maximum of 120,000,000 Placement Units or approximately 46.9% of the existing units of Axis-REIT at an issue price of RM1.61 and after netting off estimated expenses for the Proposals of RM3.3 million
- (c) After taking into account of the maximum of 120,000,000 Placement Units
- (d) Total borrowing divided by total assets
- (e) It is assumed that Axis-REIT make future acquisitions financed by new bank borrowings prior to the Proposed Placement. There will be no change in the total existing borrowing as the net proceeds from the Proposed Placement will be fully utilised for repayment of the new bank borrowing and/or future acquisitions

TABLE 3 : SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

The substantial unitholders (5% or more unitholdings) of Axis-REIT based on the Records of Depositors as at 30 July 2008 and their unitholdings are as follows:-

Substantial Unitholders	Direct Unitholdings in Axis-REIT as at 30 July 2008		After Proposed Placement*	
	Direct	%	Direct	%
Baiduri Kemas Sdn Bhd (“Baiduri Kemas”)	33,790,000	13.20	33,790,000	8.99
Employees Provident Fund	20,918,000	8.17	20,918,000	5.56
Tew Peng Hwee @ Teoh Peng Hwee	16,242,800	6.35	16,242,800	4.32
Alex Lee Lao	14,693,600	5.74	14,693,600	3.91

Note:

* *Assuming none of the substantial unitholders subscribe for the Placement Units*

The ultimate shareholders of Baiduri Kemas are Dato' Abas Carl Gunnar bin Abdullah and Tew Peng Hwee @ Teoh Peng Hwee who are also Directors of the Manager and Alex Lee Lao, the Alternate Director to Dato' Abas Carl Gunnar bin Abdullah.