

## AXIS REAL ESTATE INVESTMENT TRUST (“AXIS-REIT” OR “FUND”)

- (i) Proposed acquisitions by OSK Trustees Berhad (“Trustee”), on behalf of Axis-REIT of the following:
  - (a) a parcel of leasehold land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM85,000,000; and
  - (b) a parcel of leasehold land held under H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM49,000,000;
- (ii) Proposed placement of up to 68,819,800 new units in Axis-REIT, representing about 22.4% of the existing units in Axis-REIT (“Units”) in circulation, at a price to be determined later; and
- (iii) Proposed increase in the existing approved fund size of Axis-REIT from 307,081,200 Units up to a maximum of 375,901,000 Units

### 1. INTRODUCTION

On behalf of the Board of Directors of Axis REIT Managers Berhad (“**Board**”), the management company of Axis-REIT (“**Manager**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that on 3 June 2010, the Trustee, on behalf of Axis-REIT, entered into the following conditional agreements:

- (i) sale and purchase agreement with Corporate Landmarks Sdn Bhd (“**CLSB**”) for the acquisition of a parcel of leasehold land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon (“**Axis PDI Centre**”) for a cash consideration of RM85,000,000 (“**Axis PDI Centre Agreement**”) (“**Proposed Axis PDI Centre Acquisition**”); and
- (ii) sale and purchase agreement with Dazzling Township Sdn Bhd (“**DTSB**”) for the acquisition of a parcel of leasehold land held under H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon (“**Axis Technology Centre**”) for a cash consideration of RM49,000,000 (“**Axis Technology Centre Agreement**”) (“**Proposed Axis Technology Centre Acquisition**”).

(The Proposed Axis PDI Centre Acquisition and Proposed Axis Technology Centre Acquisition are collectively referred to as “**Proposed Acquisitions**”).

In addition, Maybank IB wishes to announce that the Fund also proposes to undertake the following:

- (i) proposed placement of up to 68,819,800 new Units (“**Final Tranche Placement Units**”), representing about 22.4% of the existing Units in circulation, at a price to be determined later (“**Final Tranche Proposed Placement**”); and
- (ii) proposed increase in the existing approved fund size of Axis-REIT from 307,081,200 Units up to a maximum of 375,901,000 Units (“**Proposed Increase In Fund Size**”).

(The Proposed Acquisitions, Final Tranche Proposed Placement and Proposed Increase In Fund Size are collectively referred to as “**Proposals**”).

## 2. DETAILS OF THE PROPOSED ACQUISITIONS

### 2.1 Proposed Axis PDI Centre Acquisition

- 2.1.1 The Proposed Axis PDI Centre Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Axis PDI Centre from CLSB for a cash consideration of RM85,000,000 ("**Purchase Price of Axis PDI Centre**").
- 2.1.2 The Purchase Price of Axis PDI Centre was arrived at on a willing-buyer willing-seller basis at a discount of 7.61% to the market value of the Axis PDI Centre of RM92,000,000 as appraised by PA International Property Consultants (KL) Sdn Bhd ("**PA International**") (being the independent registered valuer appointed by the Manager, on behalf of the Fund). PA International has, in its valuation report dated 3 May 2010, assessed the market value of Axis PDI Centre at RM92,000,000 using the investment method and cost method.
- 2.1.3 Axis-REIT will satisfy the Purchase Price of Axis PDI Centre in cash, which will be paid in the following manner:
- (i) a sum of RM1,700,000 being the refundable earnest deposit and towards part payment of the Purchase Price of Axis PDI Centre, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Axis PDI Centre Agreement;
  - (ii) a sum of RM6,800,000 shall be paid by the Trustee to CLSB on the date on which the last condition precedent to the Axis PDI Centre Agreement is fulfilled or complied with in accordance with the terms of the Axis PDI Centre Agreement ("**Unconditional Date of Axis PDI Centre Agreement**") and
  - (iii) the balance of the Purchase Price of Axis PDI Centre amounting to RM76,500,000 ("**Balance Purchase Price of Axis PDI Centre**") shall be paid to CLSB's solicitors as stakeholders within 3 months from the Unconditional Date of Axis PDI Centre Agreement ("**Completion Period of Axis PDI Centre Agreement**") with a further extension of 30 days from the expiry of the Completion Period of Axis PDI Centre Agreement subject to interest at the rate of 8% per annum on the sum remaining unpaid.

The date on which the Balance Purchase Price of Axis PDI Centre (together with interest, if any) is paid to CLSB's solicitors shall be deemed to be the date the Balance Purchase Price of Axis PDI Centre is duly received by CLSB ("**Completion Date of Proposed Axis PDI Centre Acquisition**").

Axis-REIT intends to fund the purchase consideration entirely through borrowings.

- 2.1.4 The other salient terms of the Axis PDI Centre Agreement are as follows:
- (i) The completion of the Proposed Axis PDI Centre Acquisition is subject to the following conditions:
    - (a) the Axis PDI Centre is free from all encumbrances;
    - (b) that the category of land use shall on the Completion Date of Proposed Axis PDI Centre Acquisition remain as "Perusahaan";

- (c) the execution of the deed of revocation of the existing lease agreement and the new lease with the lessee, Konsortium Logistik Berhad ("**KLB**"), within the Conditions Precedent Period of Axis PDI Centre Agreement (as defined in Section 2.1.4(ii) below) or within the extended period of 3 months from the expiry date of the Conditions Precedent Period of Axis PDI Centre Agreement or such further period as may be mutually agreed upon in writing between the Trustee and CLSB, to be effective on the Completion Date of Proposed Axis PDI Centre Acquisition;
  - (d) there is no change to the existing category of land use affecting the Axis PDI Centre;
  - (e) the Axis PDI Centre is sold on "as is where is" basis, in its condition and state of repair, as at the date of the Axis PDI Centre Agreement, subject to the said repairs and rectification works stipulated in the Axis PDI Centre Agreement ("**Repairs of Axis PDI Centre**") being effected and completed by CLSB within the Conditions Precedent Period of Axis PDI Centre Agreement and there being no material changes to the state, condition and appearance of the Axis PDI Centre as at the Completion Date of Proposed Axis PDI Centre Acquisition (fair wear and tear excepted);
  - (f) that the certificate of completion and compliance ("**CCC**") has been duly issued for the Axis PDI Centre and all renovations, extensions or modifications effected thereon have been carried out in accordance with specifications of the approved building plans and the relevant building by-laws; and
  - (g) reliance by the Trustee on each and all of CLSB's representations, warranties and undertakings stipulated in the Axis PDI Centre Agreement in respect of the Axis PDI Centre and existing lease and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Axis PDI Centre Acquisition and deemed repeated on and after the Completion Date of Proposed Axis PDI Centre Acquisition for as long as may be necessary to give effect thereto; and
- (ii) CLSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of the Axis PDI Centre unless and until all the following conditions precedent have been satisfied on or before 31 December 2010 ("**Conditions Precedent Period of Axis PDI Centre Agreement**"):
- (a) the consent for the transfer of the Axis PDI Centre from CLSB in favour of the Trustee to be obtained from Pihak Berkuasa Negeri Selangor by CLSB, at its own cost and expense, for the transfer of the Axis PDI Centre in favour of the Trustee;
  - (b) the CCC having been duly issued for the Axis PDI Centre in accordance with the approved building plans;
  - (c) CLSB shall cause KLB to execute a deed of revocation upon terms mutually agreed between CLSB and KLB, effectively revoking the existing lease agreement and the new lease agreement being deposited with the Trustee's solicitors as stakeholders;

- (d) the consent of the chargee for the sale of the Axis PDI Centre by CLSB to the Trustee;
- (e) the approval of the unitholders of Axis-REIT ("**Unitholders**") by way of an ordinary resolution at a Unitholders' meeting to be convened for the Proposed Axis PDI Centre Acquisition;
- (f) the Trustee obtaining the approvals for the Final Tranche Proposed Placement from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Unitholders, and upon the successful placement of the Final Tranche Placement Units and the proceeds from the Final Tranche Proposed Placement being duly received by the Trustee by 31 December 2010;
- (g) the approval of the shareholders in general meeting of CLSB for the sale of the Axis PDI Centre to the Trustee upon the terms and conditions of the Axis PDI Centre Agreement (if required) or CLSB's company secretary's confirmation that the members' approval is not required for the sale of the Axis PDI Centre;
- (h) CLSB's board of directors' resolution approving the sale of the Axis PDI Centre to the Trustee upon the terms and conditions of the Axis PDI Centre Agreement;
- (i) the Repairs of Axis PDI Centre being completed by CLSB to the reasonable satisfaction of the Trustee; and
- (j) the approval, consent or authorisation of any other relevant authority and/or parties not specifically mentioned above (if required) as may be advised by the Trustee's solicitors to CLSB's solicitors within 3 months from the date of Axis PDI Centre Agreement, failing which it shall be deemed that no such additional approvals or consents from authorities are required for the sale and purchase of the Axis PDI Centre.

2.1.5 Other than as disclosed in Sections 2.1.3 and 2.1.4 above, Axis-REIT will not be assuming any liability (including contingent liabilities and guarantees) under the Proposed Axis PDI Centre Acquisition.

2.1.6 The Fund does not need to incur any additional financial commitment to put Axis PDI Centre on-stream.

2.1.7 Axis PDI Centre consists of a parcel of improved industrial land erected with a single-storey pre-delivery and inspection building with an integral double-storey office, a single-storey car repair building, car storage areas and other ancillary buildings with gross floor area of about 5,389 square metres (equivalent to 58,009 square feet).

Other pertinent information on Axis PDI Centre is as follows:

Postal address : Lot No. 7316, off Jalan Klang/Banting  
within Locality of Sijangkang  
42500 Telok Panglima Garang  
Selangor Darul Ehsan

Land title details : H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok  
Panglima Garang, District of Kuala Langat, State of  
Selangor Darul Ehsan

Tenure	: Leasehold for 99 years, expiring on 10 August 2091 (i.e. an unexpired term of 81 years remaining)
Title land area	: About 202,343 square metres <sup>(1)</sup>
Surveyed land area	: 195,412 square metres <sup>(1)</sup>
Registered owner	: CLSB
Approximate age of building	: Newly completed: less than a year
Gross floor area/Net lettable area	: About 5,389 square metres (equivalent to 58,009 square feet)
Category of land use	: Industrial
Property use	: Pre-delivery and inspection centre
Cost of investment/Net book value	: RM35 million (including enhancements and expansion) based on the unaudited financial statements of CLSB for the financial year ended 31 December 2009. However, as at 31 December 2009, the construction has just begun and the total cost of investment upon the completion of the said construction is estimated to be about RM60 million
Encumbrances	: Charged to Affin Islamic Bank Berhad vide Presentation No. 27756/2010, which was registered on 25 March 2010
Restriction in interest	: The land cannot be transferred, leased or charged unless with the consent from the state authority <sup>(2)</sup>
Average occupancy rate	: 100% for the period ended 31 May 2010
Tenancy description	: Fully leased to KLB for a lease period of 5 years commencing on 1 April 2010 at a monthly rental of RM715,000 per month and with an option to renew for an additional period of 5 years. Rental rate for the option period will be based on the prevailing market rate to be negotiated and mutually agreed upon by the parties.
Net yield before Islamic financing cost	: 9.5% per annum

**Notes:**

<sup>(1)</sup> The Axis PDI Centre contains a surveyed land area of 195,412 square metres as per the Certified Plan No. 70823. Hence, PA International had adopted the said surveyed land area in its valuation.

<sup>(2)</sup> For the purpose of the valuation, PA International has assumed that such consent will not be unreasonably withheld by the state authority.

## 2.2 Proposed Axis Technology Centre Acquisition

- 2.2.1 The Proposed Axis Technology Centre Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Axis Technology Centre from DTSB for a cash consideration of RM49,000,000 ("**Purchase Price of Axis Technology Centre**").
- 2.2.2 The Purchase Price of Axis Technology Centre was arrived at on a willing-buyer willing-seller basis at a discount of 5.77% to the market value of the Axis Technology Centre of RM52,000,000 as appraised by PA International (being the independent registered valuer appointed by the Manager, on behalf of the Fund). PA International has, in its valuation report dated 4 May 2010, assessed the market value of Axis Technology Centre at RM52,000,000 using the investment method and comparison method.
- 2.2.3 Axis-REIT will satisfy the Purchase Price of Axis Technology Centre in cash, which will be paid in the following manner:
- (i) a sum of RM980,000 being the refundable earnest deposit and towards part payment of the Purchase Price of Axis Technology Centre, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Axis Technology Centre Agreement;
  - (ii) a sum of RM3,920,000 shall be paid by the Trustee to DTSB on the date on which the last condition precedent to the Axis Technology Centre Agreement is fulfilled or complied with in accordance with the terms of the Axis Technology Centre Agreement ("**Unconditional Date of Axis Technology Centre Agreement**"); and
  - (iii) the balance of the Purchase Price of Axis Technology Centre amounting to RM44,100,000 ("**Balance Purchase Price of Axis Technology Centre**") shall be paid to DTSB's solicitors as stakeholders within 3 months from the Unconditional Date of Axis Technology Centre Agreement ("**Completion Period of Axis Technology Centre Agreement**") with a further extension of 30 days from the expiry of the Completion Period of Axis Technology Centre Agreement subject to interest at the rate of 8% per annum on the sum remaining unpaid.

The date on which the Balance Purchase Price of Axis Technology Centre (together with interest, if any) is paid to DTSB's solicitors shall be deemed to be the date the Balance Purchase Price of Axis Technology Centre is duly received by DTSB ("**Completion Date of Proposed Axis Technology Centre Acquisition**").

Axis-REIT intends to fund the purchase consideration entirely through borrowings.

- 2.2.4 The other salient terms of the Axis Technology Centre Agreement are as follows:
- (i) The completion of the Proposed Axis Technology Centre Acquisition is subject to the following conditions:
    - (a) the Axis Technology Centre is free from all encumbrances;
    - (b) the successful novation of all the existing lease agreements and existing tenancy agreements and the novation agreements to commence on the Completion Date of Proposed Axis Technology Centre Acquisition;

- (c) the execution of the tenancy agreement with DTSB in respect of the vacant office, warehouse and car parks, in escrow upon the execution of the Axis Technology Centre Agreement to be effective on the Completion Date of Proposed Axis Technology Centre Acquisition which shall then be deposited with the Trustee's solicitors as stakeholders subject to the terms and conditions of the Axis Technology Centre Agreement;
  - (d) there is no change to the existing category of land use affecting the Axis Technology Centre;
  - (e) the Axis Technology Centre is sold on "as is where is" basis, in its condition and state of repair, as at the date of the Axis Technology Centre Agreement, subject to the said repairs and rectification works stipulated in the Axis Technology Centre Agreement ("**Repairs of Axis Technology Centre**") being effected and completed by DTSB within the Conditions Precedent Period of Axis Technology Centre Agreement (as defined in Section 2.2.4(ii) below) and there being no material changes to the state, condition and appearance of the Axis Technology Centre as at the Completion Date of Proposed Axis Technology Centre Acquisition (fair wear and tear excepted);
  - (f) that the certificate of fitness for occupation has been duly issued for the Axis Technology Centre and all renovations, extensions or modifications effected thereon have been carried out in accordance with specifications of the approved building plans and the relevant building by-laws; and
  - (g) reliance by the Trustee on each and all of the DTSB's representations, warranties and undertakings stipulated in the Axis Technology Centre Agreement in respect of the Axis Technology Centre, existing tenancies and existing leases and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Axis Technology Centre Acquisition and deemed repeated on and after the Completion Date of Proposed Axis Technology Centre Acquisition for as long as may be necessary to give effect thereto; and
- (ii) DTSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of the Axis Technology Centre unless and until all the following conditions precedent have been satisfied on or before 31 December 2010 ("**Conditions Precedent Period of Axis Technology Centre Agreement**"):
- (a) the approval of the Unitholders by way of an ordinary resolution at a Unitholders' meeting to be convened for the Proposed Axis Technology Centre Acquisition;
  - (b) the consent of the chargee for the sale of the Axis Technology Centre by DTSB to the Trustee;
  - (c) the Trustee obtaining the approvals for the Final Tranche Proposed Placement from Bursa Securities and the Unitholders, and upon the successful placement of the Final Tranche Placement Units and the proceeds from the Final Tranche Proposed Placement being duly received by the Trustee by 31 December 2010;

- (d) the approval of the shareholders in general meeting of DTSB for the sale of the Axis Technology Centre to the Trustee upon the terms and conditions of Axis Technology Centre Agreement (if required) or DTSB's company secretary's confirmation that the members' approval is not required for the sale of the Axis Technology Centre;
- (e) DTSB's board of directors' resolution approving the sale of the Axis Technology Centre to the Trustee upon the terms and conditions of Axis Technology Centre Agreement;
- (f) stamped copy of the existing lease agreements and existing tenancy agreements with the novation agreements duly executed by the existing tenants or existing lessees and DTSB, being deposited with the Trustee's solicitors as stakeholders;
- (g) the Repairs of Axis Technology Centre being completed by DTSB to the reasonable satisfaction of the Trustee;
- (h) written confirmation from DTSB, as at the date the last condition precedent of the Axis Technology Centre Agreement having been fulfilled, that it has not received any notification from the existing tenants and existing lessees for the early termination of the existing tenancy agreements and existing lease agreements;
- (i) a letter of confirmation from the Trustee issued to Meteorix Sports Sdn Bhd ("**Meteorix**") and the acceptance by Meteorix to renew the tenancy for a 3 year period commencing from 1 June 2010 ("**Extended Tenancy**") based on the similar terms and conditions of the tenancy agreement dated 19 April 2007 together with the due execution in escrow of the novation agreement of the Extended Tenancy by Meteorix and DTSB consenting to the novation of all rights, benefits and interest of the Extended Tenancy from DTSB to the Trustee, and to be delivered and held by the Trustee's solicitors as stakeholder in accordance to the provisions of the Axis Technology Centre Agreement; and
- (j) the approval, consent or authorisation of any other relevant authority and/or parties not specifically mentioned above (if required) as may be advised by the Trustee's solicitors to DTSB's solicitors within 3 months from the date of Axis Technology Centre Agreement, failing which it shall be deemed that no such additional approvals or consents from authorities are required for the sale and purchase of Axis Technology Centre.

2.2.5 Other than as disclosed in Sections 2.2.3 and 2.2.4 above, Axis-REIT will not be assuming any liability (including contingent liabilities and guarantees) under the Proposed Axis Technology Centre Acquisition.

2.2.6 The Fund does not need to incur any additional financial commitment to put Axis Technology Centre on-stream.

2.2.7 Axis Technology Centre consists of a parcel of leasehold land erected with an industrial complex comprising a 6-storey office building with a basement car park, a single-storey warehouse, a double-storey warehouse with rooftop car park and other ancillary buildings with a gross floor area of about 20,055 square metres (equivalent to 215,868 square feet).



Other pertinent information on Axis Technology Centre is as follows:

Postal address	: No. 13, Jalan 225 Section 51A, 46100 Petaling Jaya Selangor Darul Ehsan
Land title details	: H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan
Tenure	: Leasehold for 99 years, expiring on 23 January 2067 (i.e. an unexpired term of 57 years remaining)
Title land area	: About 16,713 square metres
Registered owner	: DTSB
Approximate age of building	: (i) 6-storey office building with basement car park: newly completed (less than a year);  (ii) Double-storey warehouse: newly completed (less than a year); and  (iii) Single-storey warehouse: over 20 years old (in good condition)
Gross floor area	: About 20,055 square metres (equivalent to 215,868 square feet)
Net lettable area	About 15,861 square metres (equivalent to 170,730 square feet)
Category of land use	: Industrial
Property use	: Office and warehouse
Cost of investment/Net book value	: RM35.8 million based on the unaudited financial statements of DTSB for the financial year ended 31 December 2009. The total cost of investment after taking into account the total construction cost of the newly completed buildings which was incurred subsequent to the financial year ended 31 December 2009 is estimated to be about RM36.8 million.
Encumbrances	: Charged to Ambank (M) Berhad vide Presentation Nos. 94510/2006 and 66949/2008, which were registered on 17 October 2006 and 21 July 2008 respectively
Restriction in interest	: Nil
Average occupancy rate	: 89% for the period ended 31 May 2010. Upon completion of the Proposed Axis Technology Centre Acquisition, Axis Technology Centre will be fully occupied <sup>(1)</sup>

Tenancy description : The industrial complex maintains a diversified mix of well established tenants. Fresenius Medical Care Malaysia Sdn Bhd, Meteorix, Sigma Elevator (M) Sdn Bhd, Fresenius Kabi Malaysia Sdn Bhd, Telnetintl Sdn Bhd and Packet One Networks (Malaysia) Sdn Bhd are the tenants of the Axis Technology Centre.

The average monthly gross rental per square feet in Axis Technology Centre for the office and warehouse is RM2.95 and RM1.60 respectively, for the period ended 31 May 2010.

Net yield before Islamic financing cost : 8.1% per annum

**Note:**

<sup>(1)</sup> Based on the condition as set out in Section 2.2.4(i)(c) above.

### 3. INFORMATION ON CLSB AND DTSB

#### 3.1 CLSB

CLSB was incorporated in Malaysia under the Companies Act, 1965 (“**Act**”) on 8 January 1993 as a private limited company under its present name. As at 14 May 2010, its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM999,996 comprising 999,996 ordinary shares of RM1.00 each.

The principal activities of CLSB are investment holding and letting of properties.

CLSB is a company in which the following Directors and ultimate major shareholders of the Manager, who are also the major Unitholders, have interest by virtue of their shareholdings and directorships in CLSB:

Interested parties	Nature of interest
(i) Dato’ Abas Carl Gunnar bin Abdullah	Director and major shareholder of CLSB
(ii) Tew Peng Hwee @ Teoh Peng Hwee	Director and major shareholder of CLSB

#### 3.2 DTSB

DTSB was incorporated in Malaysia under the Act on 25 January 2006 as a private limited company under its present name. As at 14 May 2010, its authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

The principal activity of DTSB is property investment.

DTSB is a company in which the following Directors and ultimate major shareholders of the Manager, who are also the major Unitholders, have interest by virtue of their shareholdings and/or directorships in DTSB:

Interested parties	Nature of interest
(i) Dato' Abas Carl Gunnar bin Abdullah	Director and ultimate major shareholder of DTSB
(ii) Tew Peng Hwee @ Teoh Peng Hwee	Director and ultimate major shareholder of DTSB
(iii) Alex Lee Lao	Ultimate major shareholder of DTSB

Lao, Yin Yong Lee, who is the brother of Alex Lee Lao, is a person connected to Alex Lee Lao. As such, he is deemed interested in the Proposed Axis Technology Centre Acquisition.

#### 4. DETAILS OF THE FINAL TRANCHE PROPOSED PLACEMENT

##### 4.1 Background of the Final Tranche Proposed Placement

On 4 August 2008, on behalf of the Board, Maybank IB announced, among others, that the Fund proposes to undertake a proposed placement of up to 120,000,000 new Units ("**Placement Units**") ("**Proposed Placement**") and proposed increase in the existing approved fund size of Axis-REIT of 255,901,000 Units up to a maximum of 375,901,000 Units.

In the same announcement, it was stated that 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. Subsequently, the Board had proposed to lower the internal gearing limit of Axis-REIT from 40% to 35% as a prudent measure given that the global financial crisis and deteriorating global economic outlook has created uncertainty in the domestic capital market, which was announced on 20 July 2009. A circular to the Unitholders dated 5 August 2009 was subsequently issued for a Unitholders' meeting to be convened on 20 August 2009 for the purpose of seeking a general mandate from the Unitholders to issue 51,180,200 new Units, being the first tranche of the Placement Units ("**1<sup>st</sup> Tranche Placement Units**").

The 1<sup>st</sup> Tranche Placement Units were issued at an issue price of RM1.66 per Unit on 9 September 2009.

Based on the latest unaudited quarterly results of Axis-REIT for the financial period ended 31 March 2010, Axis-REIT's gearing level stood at 35.43% and taking into the consideration the proposed acquisition by the Trustee, on behalf of Axis-REIT, of a portion of land identified as Plot D8, Distripark A, Pelepas Free Zone, Johor together with a single storey industrial warehouse and two (2) storey office buildings erected thereon ("**Proposed Warehouse Acquisition**") which was announced on 20 April 2010, the gearing level is expected to increase to about 37%. In view of this, the Board is of the opinion that it is timely to implement the final tranche of the Proposed Placement in order to pare down part of Axis-REIT's bank borrowings and to provide headroom for the Proposed Acquisitions. As a result the Fund now proposes to undertake the Final Tranche Proposed Placement and Proposed Increase In Fund Size.

On 12 March 2010, the Manager, on behalf of Axis-REIT, obtained the approval from the Securities Commission ("**SC**") for an exemption from complying with Clause 14.04(a)(i) to (iii) of the Guidelines on Real Estate Investment Trusts issued by the SC ("**REITs Guidelines**").

Clause 14.04(a)(i) to (iii) of the REITs Guidelines states that where an issue of units departs from any of the applicable requirements stipulated in Clause 14.03 of the REITs Guidelines, the management company must obtain unitholders' approval by way of an ordinary resolution for the precise terms and conditions of the issue, in particular on the following:

- (i) the persons to whom the units will be issued/placed;
- (ii) the amount of units to be placed to each of them; and
- (iii) issue price of the units or, in a situation where such prices are to be determined after the date of the unitholders' approval, the basis or formula of determining such prices.

The condition imposed by the SC for the abovementioned exemption is as follows:

Condition imposed	Status of compliance
The placement to each public institution must be limited to 25% of the Final Tranche Placement Units	To be complied

#### 4.2 Number of Final Tranche Placement Units

The Final Tranche Proposed Placement entails the issuance of up to 68,819,800 new Units to placees to be identified later. This represents an increase of about 22.4% over the existing fund size of Axis-REIT of 307,081,200 Units.

The actual number of the Final Tranche Placement Units to be issued pursuant to the Final Tranche Proposed Placement will be determined later by the Manager, in consultation with the placement agent to be appointed for the Final Tranche Proposed Placement, at a price-fixing date to be determined later after the approval from the Unitholders have been obtained. In any event, the number of new Units to be issued under the Final Tranche Proposed Placement will not exceed 68,819,800 new Units. The Final Tranche Proposed Placement will be placed out to placees to be identified later.

#### 4.3 Issue price of the Final Tranche Placement Units

The issue price of the Final Tranche Placement Units will be determined based on the 5-day volume weighted average market price ("VWAMP") of the Units at a discount to be determined later, immediately prior to the price-fixing date.

The issue price of the Final Tranche Placement Units will be determined by the Manager, in consultation with the placement agent to be appointed for the Final Tranche Proposed Placement, at a price-fixing date to be determined later.

#### 4.4 Status and ranking of the Final Tranche Placement Units

The Final Tranche Placement Units shall, upon allotment and issue rank equally in all respects with the existing Units except that the Final Tranche Placement Units will not be entitled to any distributable income, right, allotment and/or any other distributions that may be declared prior to the date of allotment of the Final Tranche Placement Units.

An application will be made to Bursa Securities for the listing of and quotation for the Final Tranche Placement Units on the Main Market of Bursa Securities.

#### **4.5 Utilisation of proceeds**

For illustrative purpose, assuming the Final Tranche Placement Units are issued at an issue price of RM1.89 per Unit (representing a discount of 5% to the 5-day VWAMP of the Units up to 2 June 2010, being the last trading day immediately prior to the announcement of the Final Tranche Proposed Placement), the Final Tranche Proposed Placement will raise gross proceeds of about RM130.07 million.

The proceeds after deducting estimated expenses in relation to the Final Tranche Proposed Placement will be utilised for repayment of part of Axis-REIT's bank borrowings.

### **5. DETAILS OF THE PROPOSED INCREASE IN FUND SIZE**

In order to accommodate the issuance of the Final Tranche Placement Units, the Manager is proposing to increase the existing fund size of Axis-REIT of 307,081,200 Units up to a maximum of 375,901,000 Units.

### **6. CONDITIONALITY**

The Proposed Axis PDI Centre Acquisition and Proposed Axis Technology Centre Acquisition are not conditional upon each other. However, the Proposed Acquisitions are conditional upon the Final Tranche Proposed Placement and Proposed Increase in Fund Size.

The Final Tranche Proposed Placement and the Proposed Increase In Fund Size are inter-conditional. Upon implementation of the Final Tranche Proposed Placement and the Proposed Increase In Fund Size, the Proposed Placement will be completed.

### **7. RATIONALE FOR THE PROPOSALS**

#### **7.1 Proposed Acquisitions**

The Proposed Acquisitions are in line with the Manager's investment objectives and the growth strategy of Axis-REIT to provide the Unitholders with stable income distribution and to achieve growth in the net asset value ("**NAV**") per Unit, by acquiring high quality, earnings accretive properties with strong recurring rental income. The Proposed Acquisitions will be accretive to Axis-REIT's distributable income.

Furthermore, the Proposed Acquisitions would enable Axis-REIT to diversify and enlarge its portfolio of properties and is expected to benefit the Fund in the long-term as a result of economies of scale.

#### **7.2 Final Tranche Proposed Placement**

After due consideration of the various funding options available, the Board is of the view that the Final Tranche Proposed Placement is currently the most appropriate avenue of fund raising for the following reasons:

- (i) the Final Tranche Proposed Placement will enable Axis-REIT to raise funds to pare down its borrowings which will exceed 35% of the total assets of Axis-REIT as a result of acquisitions of new properties. This will provide Axis-REIT with sufficient headroom for the Proposed Acquisitions and also to make future cash acquisitions, which is in line with the growth strategy of Axis-REIT; and

- (ii) the Final Tranche Proposed Placement will involve the issuance of new Units which will increase the number of Units in circulation and will improve the trading liquidity of Axis-REIT.

### **7.3 Proposed Increase In Fund Size**

The Proposed Increase In Fund Size is to accommodate the issuance of the Final Tranche Placement Units under the Final Tranche Proposed Placement.

## **8. PROSPECTS AND RISK FACTORS**

### **8.1 Prospects**

The Board believes that the combination of high demand for industrial properties in these locations together with the scarcity of available sites would suggest that Axis PDI Centre and Axis Technology Centre should continue to attract demand. Hence, the Board believes that the Proposed Acquisitions will contribute positively to the future performance of the Fund.

### **8.2 Risks factors**

Some of the risk factors (which may not be exhaustive) pertaining to the Proposed Acquisitions are as follows:

- (i) gross rental income and the value of the Axis PDI Centre and Axis Technology Centre may be affected by a number of factors;
- (ii) the Axis PDI Centre and Axis Technology Centre may be uninsured or under-insured losses;
- (iii) compulsory acquisition by the Malaysian Government;
- (iv) single customer tenanted property for Axis PDI Centre;
- (v) the sale price for the Axis PDI Centre and Axis Technology Centre may be less than the current valuation or the purchase price paid by Axis-REIT; and
- (vi) losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

## **9. EFFECTS OF THE PROPOSALS**

### **9.1 Unitholders' capital**

The proforma effects of the Proposals on the unitholders' capital of Axis-REIT are set out in **Table 1**.

### **9.2 Distributable income**

The Manager has declared and paid an income distribution of 15.8 sen per Unit for the financial year ended 31 December 2009 (equivalent to 99% of Axis-REIT's earnings before tax). Barring unforeseen circumstances, the Manager intends to distribute at least 99% of the distributable income of Axis-REIT for the financial year ending 31 December 2010.

The Proposals are not expected to have any material effect on Axis-REIT's distributable policy as determined by the Board. 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.

### **9.3 Substantial Unitholders' unitholdings**

The proforma effects of the Proposals on the substantial Unitholders' unitholdings are set out in **Table 2**.

### **9.4 Earnings per Unit**

The Manager expects to complete the Final Tranche Proposed Placement by the fourth quarter of 2010. As such the Final Tranche Proposed Placement is not expected to have a material effect on Axis-REIT's earnings for the financial year ending 31 December 2010. Nevertheless, any dilution as a result of the increase in the number of Units in issue pursuant to the Final Tranche Proposed Placement is expected to be offset by improved earnings of the Fund attributable to the Proposed Acquisitions.

Moving forward, the effect of the Proposals on the earnings of the Fund will depend on the contribution from the Fund's existing real estate properties and the finance cost savings arising from the repayment of bank borrowings using the proceeds from the Final Tranche Proposed Placement.

### **9.5 NAV per Unit and gearing**

The proforma effects of the Proposals on the NAV per Unit and gearing of Axis-REIT based on the audited financial statements of Axis-REIT as at 31 December 2009 are set out in **Table 3**.

## **10. APPROVALS REQUIRED**

In addition to the approvals/consents as set out in Sections 2.1.4(ii) and 2.2.4(ii) above, the Proposals are also subject to the following approvals being obtained:

### **10.1 Proposed Acquisitions**

- (i) OSK Trustees Berhad, being the Trustee of the Fund, which was obtained on 27 May 2010;
- (ii) Islamic Banking And Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 25 May 2010; and
- (iii) any other relevant regulatory authorities or parties, if required.

### **10.2 Final Tranche Proposed Placement and Proposed Increase In Fund Size**

- (i) OSK Trustees Berhad, being the Trustee of the Fund, which was obtained on 27 May 2010;
- (ii) SC for the following:
  - (a) the issuance of the new Units pursuant to the Final Tranche Proposed Placement;

- (b) the listing of and quotation for the Final Tranche Placement Units on the Main Market of Bursa Securities; and
- (c) the increase in the existing approved fund size of Axis-REIT from 307,081,200 Units up to a maximum of 375,901,000 Units;

The approval of the SC was obtained on 2 September 2008, 23 February 2009 and 21 August 2009;

- (iii) Bursa Securities for the listing of and quotation for the Final Tranche Placement Units on the Main Market of Bursa Securities; and
- (iv) Unitholders at a Unitholders' meeting to be convened.

The applications to the relevant authorities are expected to be submitted within 2 months from the date of this announcement.

## **11. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, AND MAJOR UNITHOLDERS**

### **11.1 Proposed Acquisitions**

Other than as disclosed below, none of the Directors and major shareholder of the Manager, major Unitholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisitions.

- (i) Dato' Abas Carl Gunnar bin Abdullah, the Executive Deputy Chairman of the Manager is also one of the ultimate major shareholders of the Manager and a major Unitholder, having an indirect interest of 17.5% in the Manager and direct interest of 5.45% in the Fund as at 31 May 2010. He is also a Director and major shareholder of CLSB; and a Director and ultimate major shareholder of DTSB, the respective vendors to the Axis PDI Centre Agreement and Axis Technology Centre Agreement;
- (ii) Tew Peng Hwee @ Teoh Peng Hwee, the Non-Independent Non-Executive Director of the Manager is also one of the ultimate major shareholders of the Manager and a major Unitholder, having an indirect interest of 20.0% in the Manager and direct interest of 9.00% in the Fund as at 31 May 2010. He is also a Director and major shareholder of CLSB; and a Director and ultimate major shareholder of DTSB, the respective vendors to the Axis PDI Centre Agreement and Axis Technology Centre Agreement.
- (iii) Alex Lee Lao, an alternate director to Dato' Abas Carl Gunnar bin Abdullah is also one of the ultimate major shareholders of the Manager and a major Unitholder, having an indirect interest of 17.5% in the Manager and direct interest of 7.76% in the Fund as at 31 May 2010. He is also an ultimate major shareholder of DTSB, the vendor to the Axis Technology Centre Agreement.
- (iv) Lao, Yin Yong Lee, the Non-Independent Non-Executive Director and a member of the Audit Committee of the Manager, who is the brother of Alex Lee Lao is deemed interested in the direct and indirect interests of Alex Lee Lao in the Fund. He has a direct interest of 0.13% in the Fund as at 31 May 2010.



Dato' Abas Carl Gunnar bin Abdullah and Tew Peng Hwee @ Teoh Peng Hwee are deemed interested in the Proposed Axis PDI Centre Acquisition. They have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Axis PDI Centre Acquisition at the relevant Board meetings. They will abstain and have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Proposed Axis PDI Centre Acquisition.

Dato' Abas Carl Gunnar bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee, Alex Lee Lao and Lao, Yin Yong Lee are deemed interested in the Proposed Axis Technology Centre Acquisition. They have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Axis Technology Centre Acquisition at the relevant Board meetings. They will abstain and have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Proposed Axis Technology Centre Acquisition.

#### **11.2 Final Tranche Proposed Placement and Proposed Increase In Fund Size**

Given that the Proposed Acquisitions are conditional upon the Final Tranche Proposed Placement and Proposed Increase in Fund Size, Dato' Abas Carl Gunnar bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee, Alex Lee Lao and Lao, Yin Yong Lee are deemed interested in the Final Tranche Proposed Placement and Proposed Increase In Fund Size.

Accordingly, they have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Final Tranche Proposed Placement and Proposed Increase In Fund Size at the relevant Board meetings. They will abstain and have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Final Tranche Proposed Placement and Proposed Increase In Fund Size.

#### **12. TOTAL AMOUNT TRANSACTED BETWEEN AXIS-REIT, CLSB AND DTSB FOR THE PRECEDING 12 MONTHS**

Other than transactions under the ordinary course of business, Axis-REIT had no transactions with CTSB and DTSB in the 12 months preceding the date of this announcement.

#### **13. RELATED PARTY TRANSACTIONS**

With reference to Section 11 above, the Proposed Acquisitions are deemed to be related party transactions under Chapter 9 of the REITs Guidelines.

#### **14. DIRECTORS' STATEMENT**

The Board (other than the interested persons as disclosed in Section 11 above (where applicable)), having considered all aspects of the Proposals and after careful deliberation, is of the opinion that the Proposals are in the best interest of the Fund.

**15. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of the Manager (save for Lao, Yin Yong Lee who is deemed interested in the Proposed Axis Technology Centre Acquisition), after taking into account the Manager's investment objectives and the growth strategy of Axis-REIT, and having considered all aspects of the Proposed Acquisitions, including the purchase consideration, is of the opinion that the Proposed Acquisitions are:

- (i) in the best interest of the Fund;
- (ii) fair and reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the Unitholders.

**16. ADVISER**

The Manager has appointed Maybank IB as the adviser for the Proposals.

**17. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2010.

**18. DOCUMENTS AVAILABLE FOR INSPECTION**

The Axis PDI Centre Agreement, Axis Technology Centre Agreement and valuation reports dated 3 May 2010 and 4 May 2010 in respect of Axis PDI Centre and Axis Technology Centre respectively, are available for inspection at the registered office of the Manager at Suite 11.1A Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur during normal business hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 3 June 2010.**

**Table 1: Units**

	<b>No. of Units</b>
Existing as at 31 May 2010	307,081,200
To be issued under the Final Tranche Proposed Placement <sup>(1)</sup>	68,819,800
<b>Enlarged Unitholders' capital</b>	<b>375,901,000</b>

**Note:**

<sup>(1)</sup> Assuming the maximum number of Final Tranche Placement Units are issued.

The Proposed Acquisitions will not have any effect on the Unitholders' capital as Axis-REIT will satisfy the Purchase Price of Axis PDI Centre and Purchase Price of Axis Technology Centre in cash.

**Table 2: Substantial Unitholders' unitholdings**

Based on the Record of Depositors of Axis-REIT as at 31 May 2010, the proforma effects of the Proposals on Axis-REIT's substantial Unitholders' direct unitholdings in Axis-REIT are as follows:

<b>Substantial Unitholders</b>	<b>As at 31 May 2010</b>		<b>After the Final Tranche Proposed Placement <sup>(1)</sup></b>		<b>After the Proposed Acquisitions</b>	
	<b>No. of Units held</b>	<b>%</b>	<b>No. of Units held</b>	<b>%</b>	<b>No. of Units held</b>	<b>%</b>
Employees Provident Fund Board	33,621,400	10.95	33,621,400	10.95	33,621,400	8.94
Tew Peng Hwee @ Teoh Peng Hwee	27,650,000	9.00	27,650,000	9.00	27,650,000	7.36
Dato' Abas Carl Gunnar bin Abdullah	16,735,400	5.45	16,735,400	5.45	16,735,400	4.45
Alex Lee Lao	23,819,100	7.76	23,819,100	7.76	23,819,100	6.34

**Note:**

<sup>(1)</sup> Assuming none of the substantial Unitholders subscribe for the Final Tranche Placement Units.

**Table 3: NAV and gearing**

	Audited as at 31 December 2009 RM'000	Significant events previously announced After the completed acquisition <sup>(1)</sup> RM'000	After the Proposed Warehouse Acquisition RM'000	After the Final Tranche Proposed Placement RM'000	Proposals After the Proposed Axis PDI Centre Acquisition RM'000	After the Proposed Axis Technology Centre Acquisition RM'000
Unitholders' capital	406,854	406,854	406,854	<sup>(4)</sup> 534,573	534,573	534,573
Undistributed distributed income	179	179	179	179	179	179
Non-distributable reserve	143,324	<sup>(2)</sup> 145,124	<sup>(3)</sup> 145,624	145,624	<sup>(7)</sup> 151,524	<sup>(8)</sup> 153,824
<b>NAV</b>	<b>550,357</b>	<b>552,157</b>	<b>552,657</b>	<b>680,376</b>	<b>686,276</b>	<b>688,576</b>
Number of Units in circulation ('000)	307,081	307,081	307,081	<sup>(5)</sup> 375,901	375,901	375,901
NAV per Unit (RM)	1.7922	1.7981	1.7997	1.8100	1.8257	1.8318
Total borrowings	308,932	<sup>(2)</sup> 333,632	<sup>(3)</sup> 364,132	<sup>(6)</sup> 236,413	<sup>(7)</sup> 322,513	<sup>(8)</sup> 372,213
Total assets	907,745	<sup>(2)</sup> 934,245	<sup>(3)</sup> 965,245	965,245	<sup>(7)</sup> 1,057,245	<sup>(8)</sup> 1,109,245
Gearing <sup>(9)</sup>	34.03	35.71	37.72	24.49	30.51	33.56

**Notes:**

**Significant events previously announced**

- <sup>(1)</sup> After taking into account the acquisition of the 2 Seberang Perai Logistic Warehouses (from IDS Logistics Services (M) Sdn Bhd), which was completed on 5 March 2010.
- <sup>(2)</sup> Incorporates the impact on borrowings and total assets in relation to the total purchase consideration of RM24.7 million (inclusive of estimated expenses about RM0.45 mil) and fair value adjustment of RM1.8 million on the completed acquisition of the 2 Seberang Perai Logistic Warehouses.
- <sup>(3)</sup> Incorporates the impact on borrowings and total assets in relation to the total purchase consideration of RM30.5 million (inclusive of estimated expenses about RM0.5 million for the Proposed Warehouse Acquisition) and fair value adjustment of RM0.5 million on the Proposed Warehouse Acquisition.

### **Proposals**

- (4) *Assuming up to a maximum of 68,819,800 Final Tranche Placement Units are issued at an issue price of RM1.89 per Unit (representing a discount of 5% to the 5-day VWAMP of the Units up to 2 June 2010, being the last trading day immediately prior to the announcement of the Final Tranche Proposed Placement) and after netting-off estimated expenses for the Proposals of RM2.35 million.*
- (5) *After taking into account the maximum of 68,819,800 Final Tranche Placement Units.*
- (6) *Assuming the entire net proceeds from the Final Tranche Proposed Placement will be utilised for the repayment of part of Axis-REIT's bank borrowings.*
- (7) *Incorporates the impact on borrowings and total assets in relation to the total purchase consideration of RM86.1 million (inclusive of estimated expenses of about RM1.1 million for the Proposed Axis PDI Centre Acquisition) and fair value adjustment of RM5.9 million on the Proposed Axis PDI Centre Acquisition.*
- (8) *Incorporates the impact on borrowings and total assets in relation to the total purchase consideration of RM49.7 million (inclusive estimated expenses of about RM0.7 million for the Proposed Axis Technology Centre Acquisition) and fair value adjustment of RM2.3 million on the Proposed Axis Technology Centre Acquisition.*
- (9) *Total borrowings divided by total assets.*