

GENERAL ANNOUNCEMENT

PROPOSED ACQUISITION BY AXIS REAL ESTATE INVESTMENT TRUST (“Axis-REIT” OR THE “FUND”) OF A PIECE OF FREEHOLD LAND HELD UNDER GERAN 207772, LOT 23570 IN THE MUKIM OF DENGKIL, DISTRICT OF SEPANG AND STATE OF SELANGOR MEASURING APPROXIMATELY 89,760 SQUARE FEET (8,339 SQUARE METERS) BUILT UPON WITH A FOUR (4)-STOREY OFFICE BUILDING WITH A LOWER ROOF FLOOR TOGETHER WITH A LOWER GROUND FLOOR AND A BASEMENT CAR PARK (“THE CYBERJAYA PROPERTY”) FROM FSBM HOLDINGS BERHAD (COMPANY NO 115609-U) FOR A LUMP SUM CASH CONSIDERATION OF RM51.25MILLION (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors (“Board”) of Axis REIT Managers Berhad (“ARMB” or “the Manager”), the management company of Axis-REIT, wishes to announce that OSK Trustees Berhad (“OSK”), the trustee for Axis-REIT, has entered into the following agreement in relation to the Proposed Acquisition on behalf of Axis-REIT:

1.1 Proposed Acquisition

Axis-REIT proposed to acquire the Cyberjaya Property for a total lump sum cash consideration of RM51.25 million from FSBM Holdings Berhad (“FSBM”).

The Cyberjaya Property is to be acquired free from encumbrances but subject to the terms and conditions stipulated in the sale and purchase agreement for such acquisition entered into between OSK and FSBM on 30 December 2010 (“SPA”).

Pursuant to the Deed dated 3 April 2009 constituting Axis-REIT, entered into between OSK and ARMB, OSK, as the trustee for Axis-REIT, has approved the Proposed Acquisition of the Cyberjaya Property, vide their letter dated 24 November 2010.

1.2 Information on the Cyberjaya Property

The subject property is a purpose built four (4)-storey office building with a lower roof floor together with a lower ground floor and a basement car park bearing the postal address as FSBM Plaza, No. 3539, Jalan Technokrat 7, 63000 Cyberjaya, Selangor. Its lower roof level occupies an auditorium and badminton court.

Title No.	:	GRN 207772
Lot No.	:	Lot 23570, Mukim Dengkil, District of Sepang, Selangor
Registered Owner	:	FSBM Holdings Berhad
Tenure	:	Freehold
Land Area	:	8,339 square meters (89,760 square feet)

Gross Floor Area	:	20,314.42 square meters (218,662 square feet)
Net Lettable Area	:	10,812.81 square meters (116,388 square feet)
Category of Land Use	:	Building
Average occupancy	:	Approximately 71.6% for the period ended 30 November 2010. Upon completion of Proposed Acquisition, the property will be fully occupied ⁽¹⁾
Tenancy description	:	The tenancy mix in the property is a diverse mix of established tenants of which major tenants include SCICOM (MSC) Berhad, Wolter Kluwer Enterprise Service Partners Sdn Bhd, Multimedia Development Corporation Sdn Bhd, Telebiz BPO Sdn Bhd, Media Monitor Sdn Bhd and FSBM Holdings Berhad.

The average monthly gross rental per square feet in the Cyberjaya Property is approximately RM3.90 for the period ended 30 November 2010.

Note :

⁽¹⁾ Based on condition as set out in Section 2.1 (3) below.

2.0 DETAILS OF THE PROPOSED ACQUISITION OF THE CYBERJAYA PROPERTY

2.1 Salient terms and conditions of the Proposed Acquisition

1. The total lump sum cash consideration for the Cyberjaya Property of RM51.25 million ("Purchase Price") is payable in the following manner:-
 - (a) the sum of RM1,025,000 being the earnest deposit already paid to OSK's Solicitors as stakeholders prior to the execution of the SPA; and;
 - (b) a sum of RM4,100,000 being the balance deposit to be paid by OSK to OSK's Solicitors as stakeholders on the execution of the SPA; and
 - (c) the balance of the Purchase Price amounting to RM46,125,000 shall be paid to FSBM's Solicitors as stakeholders within thirty (30) days after the Unconditional Date (as defined in the SPA) in the following manner and to be dealt with by FSBM's Solicitors in accordance with the provisions herein:
 - i. a cashier order or banker's cheque made out in favour of the Chargee, for the Redemption Sum (as defined in the SPA) Provided Always the Chargee has prior thereof delivered the Chargee's Undertaking (as defined in the SPA) to OSK's Solicitors together with

- ii. a cashier order or banker's cheque made out in favour of FSBM's Solicitors as stakeholders the remaining Balance Purchase Price after deducting the Redemption Sum.
 - 2. Upon the execution of the SPA, FSBM shall execute a set of valid Memorandum of Transfer and stamping proforma for the purpose of effecting the transfer of the Cyberjaya Property in favour of OSK free from all encumbrances and deposit the same with OSK's solicitors as stakeholders, with authorisation to deal with the Memorandum of Transfer on the terms and conditions as set out therein.
 - 3. FSBM's Leases
 - (a) Simultaneous with the execution of the SPA, FSBM shall execute and deposit with OSK's Solicitors as stakeholders, two (2) lease agreements in escrow in respect of the areas in the Building described in the Sixth Schedule thereto (hereinafter called "FSBM's Premises" in respect of the area occupied by FSBM and "Vacant Premises" in respect of the area which is not tenanted as at the date of the SPA) for a period of six (6) years commencing on the Completion Date (hereinafter called "the Lease Term") at the yearly rental of RM48,031.80 for FSBM's Premises and RM1,484,972.40 for the Vacant Premises for the first three years of the Lease Term (hereinafter called the "Initial Agreed Rental") and a revised rental of an additional 10% to the Initial Agreed Rental for the remaining three years (hereinafter called the "Revised Agreed Rental").
 - (b) In the following event:-
 - (i) the Parties shall at any time up to the expiry of the Lease Term source any tenant to take or let or lease the Vacant Premises or any part thereof and provided that such tenant is acceptable to OSK and a formal tenancy/lease agreement being duly executed between such tenant and OSK;
 - (ii) there shall be any increase in the aggregate yearly rentals of the Existing Tenants from the date of the SPA up to the Completion Date, which for avoidance of doubt, such increase must be effective on or before the Completion Date;
- then and in such or both events, the Initial Agreed Rental or the Revised Agreed Rental, as the case may be for the Vacant Premises shall be reduced or adjusted accordingly by the rental payable by such subsequent tenants for the Vacant Premises or any part thereof and/or

by the amount of any increase in the aggregate yearly rentals of the Existing Tenants effective on or before the expiry of the Completion Date and likewise the rental and utility deposits of the Vacant Premises payable by FSBM at the material date of such adjustments shall be reduced or adjusted accordingly Provided Always that for the avoidance of doubt, the adjustment event provided under sub-clause (ii) above shall only be relevant and applicable up to the Completion Date and not at anytime thereafter;

- (c) The lease agreement for the Vacant Premises (to be varied and amended according to the circumstances of the event or events in sub clause (b) above) and the lease agreement for FSBM's Premises shall both be dated the same date as the Completion Date by OSK's Solicitors and be stamped accordingly at the costs and expense of the FSBM;
- (d) OSK shall be entitled to deduct the appropriate advance rental together with the rental and utility deposits and stamp duties payable by FSBM under the two (2) lease agreements from the remaining Balance Purchase Price and the same shall be deemed paid by the Vendor to the Purchaser under the two (2) lease agreements;
- (e) FSBM further agrees that in the event following exercise or exercises provided in Clause 5A.1 (b)(i) in the SPA, it shall reached a stage when FSBM is fully relieved of payment of the Initial Agreed Rental or the Revised Agreed Rental, as the case may be, attributable to the Vacant Premises, then FSBM shall forthwith upon notice or demand by OSK execute a deed of revocation of the lease agreement for the Vacant Premises and surrender any portion of the Vacant Premises which is not otherwise rented/leased out as provided in Clause 5A.1(b)(i) in the SPA.

2.2 Conditions Precedent

The SPA shall be conditional upon the following being fulfilled within six (6) months from the date of execution of the SPA :

1. the approval of the shareholders in general meeting of FSBM for the sale of the property to OSK upon the terms and conditions of the SPA;
2. the approval of FSBM's board of directors' by resolution approving the sale of the property to OSK upon the terms and conditions of the SPA;

3. FSBM procuring the stamped copies of the Existing Tenancy Agreements with the Novation Agreements and/or Novation cum Assignment (as defined in the SPA) duly executed by the Existing Tenants and the Vendor being deposited with the OSK's Solicitors as stakeholders provided always in the event any of the Existing Tenants shall refuse or fail to execute the Novation Agreement pertaining to its Existing Tenancy (hereinafter referred to the "Relevant Tenant") then FSBM shall execute and deliver to OSK's Solicitors as stakeholders, the novation cum assignment in the format annexed hereto under the Fourth Schedule (hereinafter referred to as the "Novation cum Assignment") together with FSBM's undated notice of such assignment addressed to the Relevant Tenant to give notice to the Relevant Tenant that the Property has been sold and its tenancy has been assigned absolutely to OSK effective from the Completion Date (hereinafter referred to as the "Notice of Assignment");
4. the consent for the transfer of the property from FSBM in favour of the OSK being obtained by FSBM from the Pihak Berkuasa Negeri Selangor, at FSBM's own cost and expense;
5. FSBM shall have resubmitted an application for the extension of the validity of the Conversion Approval to the Majlis Perbandaran Sepang based on the approved building plans referred to under the Conversion Approval and FSBM delivering a complete set of all the resubmission documents duly acknowledged by the Majlis Perbandaran Sepang together with the relevant approved buildings plans to OSK's Solicitors as evidence of such submission; and
6. written confirmation from FSBM, as at the date the last of all the above conditions precedent having been fulfilled, that it has not received any notification from any of the Existing Tenants for the early termination of its Existing Tenancy Agreement.

2.3 Basis of Purchase Price of the Proposed Acquisition

The Purchase Price for the Cyberjaya Property is derived on a willing-buyer willing-seller basis after taking into account the total market value of the Cyberjaya Property of RM52.2million as appraised by CH Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, in its valuation report dated 23 December 2010. The valuation is derived using a combination of comparison and investment methods of valuation and is above the Purchase Price of the Cyberjaya Property.

2.4 Liabilities Assumed by Axis-REIT

Axis-REIT will not assume any liabilities pursuant to the Proposed Acquisition.

2.5 Source of Funding

The Proposed Acquisition will be funded by existing bank borrowings of Axis-REIT.

3.0 INFORMATION ON THE VENDOR

FSBM Holdings Berhad was incorporated in 1984 as Talasco Computers Sdn Bhd and later changed its name to Fujitsu Systems Business (Malaysia) Sdn Bhd in 1991. The company was listed on the Second Board of Bursa Malaysia Securities Berhad in 1994 as Fujitsu, and assumed its present name in 2001 as its business activities extended outside Malaysia and diversified into non-Fujitsu products and services. The FSBM Group's business activities are focused on four divisions namely systems and solutions, communication and multimedia, education and healthcare.

4.0 RATIONALE FOR THE PROPOSED ACQUISITION

ARMB, aims to provide Unitholders with stable distribution and to achieve growth in net asset value ("NAV") per unit of the Fund through, inter alia, selectively acquiring properties that meet the Manager's investment criteria. The Purchase Price for the Cyberjaya Property is fully supported by the independent valuation conducted on the same by CH Williams Talhar & Wong Sdn Bhd. The Proposed Acquisition is consistent with the investment objective and the strategy of Axis-REIT and it will be accretive to Axis-REIT's distributable income. The Proposed Acquisition will at the same time diversify and enlarge Axis-REIT's portfolio of properties and is expected to benefit the Fund over the medium to long term.

5.0 EFFECTS OF THE PROPOSED ACQUISITION

5.1 Unit Capital and Substantial Unitholders' Unitholding

The Proposed Acquisition will not have any effect on the total units of Axis-REIT in issue and substantial unitholders' unitholding of Axis-REIT as the Purchase Price will be paid entirely in cash.

5.2 NAV

The Proposed Acquisition will have no impact or changes to the unaudited NAV of Axis-REIT at the time of completion.

5.3 Earnings

The Directors of ARMB expect the Proposed Acquisition to contribute positively to the earnings of the Fund for the financial year ending 31 December 2011.

5.4 Gearing

ARMB intends to utilize a debt facility of approximately RM51.25million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 37.6% of the audited assets as at 31 December 2009, which is below the gearing limit of 50% prescribed by the REIT Guidelines.

6.0 APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION

Pursuant to the REIT Guidelines, the valuation set out in the Proposed Acquisition is neither subject to approval by the SC nor the prior approval of the unitholders of Axis-REIT.

7.0 INTEREST OF DIRECTORS OF ARMB AND SUBSTANTIAL UNITHOLDERS OF AXIS REIT

None of the Directors of ARMB and substantial unitholders of Axis-REIT or persons connected to them, has interest, direct or indirect, in the Proposed Acquisition of the Cyberjaya Property.

8.0 RISK FACTORS

Some of the risk factors pertaining to the Proposed Acquisition are as follows:

- (a) Non registration of the transfer of the subject Property;
- (b) Compulsory acquisition by the Government;
- (c) Non-renewal of tenancy after expiry due to change in circumstances of the tenants;
- (d) Adverse changes in national or economic conditions;
- (e) Adverse local market conditions;
- (f) The financial conditions of tenants, buyers and sellers of properties;
- (g) Changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- (h) Changes in relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;
- (i) Competition among property owners for tenants;
- (j) Acts of God, uninsurable losses and other factors.

9.0 ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition is expected to be completed on or before 31 March 2011.

10.0 DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of ARMB at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur or the place of business of OSK at 6th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur during normal office hours from Monday to Friday (except on public holidays) for a period of three (3) months from the date of this announcement :-

- i) The SPA on the Proposed Acquisition; and
- ii) Valuation report on the Cyberjaya Property prepared by CH Williams Talhar & Wong Sdn Bhd, dated 23 December 2010.

This announcement is dated 30 December 2010