

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

PROPOSED AMENDMENTS TO THE DEED DATED 3 APRIL 2009 CONSTITUTING AXIS-REIT

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 the Manager proposes to undertake the following amendments to the deed dated 3 April 2009 constituting Axis-REIT (“**Deed**”):

- (a) proposed amendments to the relevant clauses in the Deed relating to the management fee to allow the Manager to be paid the management fee in the form of new units in Axis-REIT (“**Units**”) (“**Proposed Amendments to Management Fee Clauses**”); and
- (b) proposed amendments to certain clauses in the Deed which are administrative and/or technical in nature (“**Proposed Amendments to Other Clauses**”),

(collectively referred to as “**Proposed Amendments**”).

2. DETAILS OF THE PROPOSED AMENDMENTS

On 3 April 2009, the Manager and OSK Trustees Berhad, the trustee for Axis-REIT (“**Trustee**”), entered into the Deed. The Manager proposes to amend the Deed by way of a supplemental deed to incorporate, among others, the following:

2.1 Proposed Amendments to Management Fee Clauses

The definitions used in the Deed shall be applied throughout the supplemental deed and Section 2 of this announcement.

Clause	Existing clause	Proposed amendments
5.5 – Issuance of new Units as management fee	None.	To include a new Clause 5.5 – Issuance of new Units as management fee as follows: “For the avoidance of doubt, the issue of new Units to the Management Company as management fee pursuant to Clause 19.1 shall not require the prior approvals of the Unitholders and SC unless required otherwise and provided always subject to Applicable Laws and Requirements.”

Clause	Existing clause	Proposed amendments
19.1 – Management fee	None.	<p>To include a new Clause 19.1(d) to allow the Manager to be paid the management fee in the form of new Units.</p> <p>“The Management Company shall be paid the management fee which may be made in the forms of cash, new Units or a combination thereof. Subject to Applicable Laws and Requirements, the Management Company may from time to time in its absolute discretion vary such manner of payment by giving to the Trustee prior notice of its intention to do so specifying (1) the proposed new manner of payment and (2) the intended Distribution Period for which the variation is to take effect from; provided always that no such variation shall be made in respect of a Distribution Period for which the Book Closing Date has elapsed. The Management Company shall furnish to the Trustee such information as the Trustee may reasonably request in respect of such intended variation.</p>

Clause	Existing clause	Proposed amendments
19.1 – Management fee (<i>Cont'd</i>)	None.	<p>When paid in the form of new Units, the Management Company shall be entitled to receive such number of new Units as may be purchased with the relevant amount of the management fee attributable to such period at an issue price equal to the Market Price. For this purpose, “Market Price” means the volume weighted average traded price for a Unit for all trades on Bursa Securities in the ordinary course of trading on Bursa Securities for the last 10 Business Days of the relevant period in which the management fee accrues or, if the Management Company believes that the foregoing calculation does not provide a fair reflection of the Market Price of a Unit, means an amount as determined by the Management Company (after consultation with a stockbroker approved by the Trustee), and as approved by the Trustee, as being the fair Market Price. The Management Company shall be entitled to all the rights attached to any new Units issued to it under this clause as any other holder of Units, subject to the provisions of the Deed, and the REIT Guidelines and Applicable Laws and Requirements.”</p>

2.2 Proposed Amendments to Other Clauses

Clause	Existing clause	Proposed amendments
1.1 – Definitions – Distributable Income	<p>The definition of “Distributable Income” is currently defined as follows:</p> <p>“the amount determined in accordance with Clause 17.1(a).”</p>	<p>To amend the definition of “Distributable Income” as follows:</p> <p>“the amount determined in accordance with Clause 17.1.”</p>
1.1 – Definitions	None.	<p>To include the definition of “Net Income” in the Deed to accommodate the proposed amendment of Clause 17.1(b) as follows:</p> <p>“interim or final annual unaudited net income, after taxation of the REIT as determined by the Management Company in accordance with generally accepted accounting practices in Malaysia.”</p>
17.1(b) – Distributable Income	<p>The existing clause 17.1(b) is as follows:</p> <p>“The Distributable Income of the REIT for each Distribution Period shall be calculated by deducting or allocating (as the case may require) from the Gross Income of the REIT for the corresponding period:</p> <p>(i) all costs, disbursements, commissions, fees, management charges (including the Management Company’s and Trustee’s remuneration, reimbursement and indemnification, if any) and other proper outgoing or retentions in respect of the Assets of the REIT and the expenses of managing and administering the REIT as set out in Clause 18.1, save and except where the same are:</p>	<p>To amend Clause 17.1(b) as follows:</p> <p>“The Distributable Income of the REIT for each Distribution Period shall be the Net Income for the Distributable Period adjusted (in whole or in part) as deemed necessary by the Management Company in the interest of the REIT and the Unitholders for the following effects:</p> <p>(i) the portion of the Management Company’s management fees paid or payable in Units;</p> <p>(ii) amortisation and other non-cash expenses or gains;</p> <p>(iii) non-tax deductible expenses;</p> <p>(iv) valuation gains or losses on investment properties and financial instruments;</p> <p>(v) depreciation or impairment of an asset of the REIT;</p>

Clause	Existing clause	Proposed amendments
17.1(b) – Distributable Income (<i>Cont'd</i>)	<p>aa) payable out of capital excepting any Liabilities of the REIT relating to any amount of capital in the Gross Income; or</p> <p>bb) payable by the Management Company or the Trustee and the Management Company or the Trustee is not entitled to reimbursement or indemnification pursuant to this Deed;</p> <p>(ii) depreciation of Assets of the REIT (if any) during the Distribution Period and any amount which the Management Company determines should in respect of the Distribution Period be paid to a reserve account of the REIT on account of the costs of realisation of the Assets of the REIT upon the termination of the REIT;</p> <p>(iii) any amounts transferred to the REIT's reserves and provisions or otherwise retained in accordance with the provisions of this Deed; and</p> <p>(iv) any other entries, provisions, write-offs or adjustments required by the approved accounting standards."</p>	<p>(vi) any other entries, provisions, write-offs or adjustments required under generally accepted accounting practices in Malaysia;</p> <p>(vii) expenses and/or losses charged to the income statement of the REIT relating to the issuance of new Units or expenses that are capital in nature."</p>

Clause	Existing clause	Proposed amendments
17.1(c) – Distributable Income	<p>The existing clause 17.1(c) is as follows:</p> <p>“For purposes of determining the Distributable Income, the Gross Income of the REIT for each Distribution Period shall include:</p> <p>(i) all moneys, rights and other property which constitutes Income of the REIT during the Distribution Period on an accrual basis and as determined by generally accepted accounting principles in Malaysia; and</p> <p>(ii) such amount being the whole or part of any amount standing in the accounts of the REIT to the credit of the REIT’s reserves and provisions which the Management Company determines to treat as Income of the REIT during the Distribution Period.”</p>	<p>To amend Clause 17.1(c) as follows:</p> <p>Notwithstanding Clause 17.1(b), the amount of Distributable Income of the REIT which the Management Company may distribute in respect of any Distribution Period is subject to:</p> <p>(i) the total returns for the Distribution Period;</p> <p>(ii) the income for the Distribution Period;</p> <p>(iii) the cash flow for distribution;</p> <p>(iv) the stability and sustainability of the distribution of income; and</p> <p>(v) the investment objective and distribution policy of the REIT.”</p>
26.1 – Duration	<p>The existing clause 26.1 is as follows:</p> <p>“The REIT shall commence on the Commencement Date and shall terminate on the earlier of:</p> <p>(a) the occurrence of any events listed in Clause 26.2; or</p> <p>(b) the date 80 years after the Commencement Date.”</p>	<p>To amend Clause 26.1 to extend the duration of the REIT from 80 years to 999 years as follows:</p> <p>“The REIT shall commence on the Commencement Date and shall terminate on the earlier of:</p> <p>(a) the occurrence of any of events listed in Clause 26.2; or</p> <p>(b) the date 999 years after the Commencement Date.”</p>

3. RATIONALE FOR THE PROPOSED AMENDMENTS

3.1 Proposed Amendments to Management Fee Clauses

The Proposed Amendments to Management Fee Clauses aim to provide more flexibility to Axis-REIT in the form of payment of the annual management fee (i.e. cash, new Units or a combination thereof), as well as to strengthen the alignment of the Manager's interest in the Fund.

3.2 Proposed Amendments to Other Clauses

The Proposed Amendments to Other Clauses are administrative and/or technical in nature to provide better clarity to certain provisions in the Deed to enable the Manager and Trustee to perform their duties and responsibilities effectively under the Fund.

4. EFFECTS OF THE PROPOSED AMENDMENTS

The Proposed Amendments will not have any effect on the Unitholders' capital, distributable income policy of the Fund, substantial Unitholders' unitholdings in Axis-REIT, earnings per Unit, net asset value per Unit and gearing of the Fund.

5. APPROVALS REQUIRED

The Proposed Amendments are subject to the following approvals being obtained:

- (i) the Trustee, which was obtained on 11 April 2011;
- (ii) Islamic Banking And Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 26 April 2011;
- (iii) Unitholders at a Unitholders' meeting to be convened; and
- (iv) any other relevant authorities and/or parties (if required).

6. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED

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 Amendments.

- (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 Unitholder, having an indirect interest of 100% in the Manager and direct interest of 4.45% in the Fund as at 31 March 2011.
- (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 100% in the Manager and direct interest of 7.33% in the Fund as at 31 March 2011.

- (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 100% in the Manager and direct interest of 6.34% in the Fund as at 31 March 2011.
- (iv) Lao, Yin Yong Lee, the Non-Independent Non-Executive Director who is also the brother of Alex Lee Lao has deemed interest in the direct and indirect interests of Alex Lee Lao in the Fund. He has a direct interest of 0.11% in the Fund as at 31 March 2011.

Given that the Proposed Amendments to Management Fee Clauses will affect the form of payment of the annual management fee to the Manager, 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 Amendments. Accordingly, they have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Amendments 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 Amendments.

7. DIRECTORS' STATEMENT

The Board (other than the interested persons as disclosed in Section 6 above), having considered all aspects of the Proposed Amendments and after careful deliberation, is of the opinion that the Proposed Amendments are in the best interest of the Fund.

8. ADVISER

The Manager has appointed Maybank IB as the adviser for the Proposed Amendments.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Amendments are expected to be completed by the first half of the calendar year 2011.

This announcement is dated 28 April 2011.