

## **AXIS REAL ESTATE INVESTMENT TRUST**

### **GENERAL ANNOUNCEMENT:**

**PROPOSED ACQUISITION BY AXIS REAL ESTATE INVESTMENT TRUST (“Axis-REIT” OR THE “FUND”) OF TWO (2) PARCELS OF CONTIGUOUS INDUSTRIAL LAND IDENTIFIED AS PN 3845 FOR LOT 5641 MEASURING APPROXIMATELY 54,775 SQ. METRES WITH LAND TENURE OF 60 YEARS LEASEHOLD EXPIRING ON 22 OCTOBER 2052 (“FIRST LAND”) AND HSD 55931 FOR PT4118 MEASURING APPROXIMATELY 0.0823 HECTARE WITH LAND TENURE OF 60 YEARS LEASEHOLD EXPIRING ON 19 MAY 2068 (“SECOND LAND”) BOTH IN THE MUKIM 11 DISTRICT OF SEBERANG PERAI TENGAH, STATE OF PULAU PINANG BUILT UPON WITH INDUSTRIAL BUILDINGS AND ANCILLARY BUILDINGS (“THE PROPERTY”), FROM APEX PROPERTIES SDN. BHD. (CO. NO. 360467-T) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM59.0 MILLION (“PROPOSED ACQUISITION OF THE PROPERTY”)**

### **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 of the Property on behalf of Axis-REIT:

#### **1.1 Proposed Acquisition of the Property**

Axis-REIT proposes to acquire the Property for a total lump sum cash consideration of RM59.0 million from Apex Properties Sdn. Bhd. (“Apex”).

The 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 Apex on 27 September 2011 (“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 Property vide their letter dated 1 July 2011.

#### **1.2 Information on the Property**

The Property is strategically located within the Bukit Tengah Industrial Park which lies off the eastern side of the North-South Expressway (“NSE”) at a radial distance of approximately 1.5 kilometres due east of the Juru Auto City and 3.5 kilometres due south-west of the Bukit Mertajam town centre. It enjoys direct frontage/ access from Lorong Perusahaan Utama 4 and is located at the corner position of Lorong Perusahaan Utama 4 and Jalan Bukit Tengah. By virtue of its view frontage to Jalan Bukit Tengah, it has excellent exposure to heavy vehicular traffic.

Apex had pursuant to the tenancy agreement dated 17 April 2001, deed of novation dated 1 December 2007, and addendums to the foregoing agreements dated 22 June 2011 and 1 July 2011 respectively (collectively the “Principal Tenancy Agreements”), rented to Schenker Logistics (Malaysia) Sdn. Bhd. (Co. No. 147186-D) (the “Tenant”) the entire Property in phases for the periods, commencing 1 July 2011 and ending 30 June 2014 (the “Tenancy Term for Phase 1 and 2”) and commencing on 1 August 2011 and ending 31 July 2014 (the “Tenancy Term for Phase 3”) respectively, at an aggregate monthly rentals of RM573,076.00 only with an option to renew for a period of two (2) years upon the

foregoing expiry dates, upon the terms and conditions contained in the Principal Tenancy Agreements ( the “Existing Tenancy”).

Further details on the Property are set out below:

**Land Title Details and Particulars of the First and Second Land:** (1) PN 3845 for Lot 5641 in the Mukim 11 District of Seberang Perai Tengah, State of Pulau Pinang with land tenure of 60 years leasehold expiring on 22 October 2052 (“First Land”); and

(2) HSD 55931 for PT 4118 in the Mukim 11 District of Seberang Perai Tengah, State of Pulau Pinang with land tenure of 60 years leasehold expiring on 19 May 2068 (“Second Land”) .

**Land Area:**

First Land	approximately 54,775 square metres (589,593 square feet)
Second Land	approximately 0.0823 hectare (8,859 square feet)

**Category of Land use:** “Perusahaan/Perindustrian”

**Description of building: built upon First and Second Land:**

- (a) Phase 1 – Single storey warehouse with mezzanine floor with a gross floor area of 179,000 sq. ft.
- (b) Phase 2 – Single storey warehouse with mezzanine cum 2 units of 3 storey office building with gross floor areas of 131,200 sq. ft (warehouse) and 27,900 sq. ft. (office);
- (c) Phase 3 – Single storey warehouse cum 3 storey office building with gross floor areas of 41,700 sq. ft. (warehouse) and 26,300 sq. ft. (office);
- (d) Ancillary Buildings – Canteen, Guard Houses and Pump House

**Gross built up area:** Approximately 408,250 sq. ft.

**Postal Address:** For the First Land and the said Building – Plot 74, Lorong Perusahaan Utama 4, Taman Perindustrian Bukit Tengah, 14100 Seberang Perai Tengah, Pulau Pinang;

For the Second Land – Plot 74(a), Lorong Perusahaan Utama 4, Taman Perindustrian Bukit Tengah, 14100 Seberang Perai Tengah, Pulau Pinang; and

collectively bearing postal address No 1467, Lorong Perusahaan Utama 4, Bukit Tengah Industrial Park, 14000 Seberang Perai Tengah, Pulau Pinang.

**Approximate age of building:** Phase 1: Approximately 8 years  
Phase 2: Approximately 8 years  
Phase 3: Approximately 6 years

**Occupancy rate as at 27 September 2011:** 100%

## **2.0 DETAILS OF THE PROPOSED ACQUISITION OF THE PROPERTY**

### **2.1 Salient terms and conditions of the Proposed Acquisition of the Property**

- (a) The total lump sum cash consideration for the Property of RM59.0 million ("Purchase Price") is payable in the following manner:-
- (i) A total sum of RM1,180,000 being the equivalent of 2% of the Purchase Price being the refundable earnest deposit has already been paid by OSK to OSK's Solicitors as stakeholders prior to the execution of the SPA;
  - (ii) A total sum of RM4,720,000 being the equivalent of 8% of the Purchase Price (hereinafter called the "Balance Deposit") shall be paid by OSK to Apex directly within five (5) days of all the Conditions Precedent being fulfilled or complied with in accordance with the terms in the SPA and the original Consent to Transfer duly delivered to OSK's Solicitors (hereinafter called "the Unconditional Date") ;
  - (iii) A total sum of RM53,100,000 being the balance of the purchase price (hereinafter called the "Balance Purchase Price") shall be paid by OSK to Apex's Solicitors to be held as stakeholders on or before the expiry of three (3) months from the Unconditional Date (hereinafter called the "Completion Period") with a further extension of one (1) month from the expiry of the Completion Period subject to interest at the rate of 8% per annum on the sum remaining unpaid calculated on daily basis.
- (b) Upon the execution of the SPA, Apex shall execute a valid memorandum of transfer and stamping pro-forma for the purpose of effecting the transfer of the Property in favour of OSK free from all Encumbrances (hereinafter called the "Memorandum of Transfer") and deposit the same with OSK's Solicitors as stakeholders.

### **2.2 The other salient terms of the SPA**

The completion of the Proposed Acquisition of the Property:-

- (a) the Property is free from all or any encumbrances;
- (b) that the category of land use shall on the Completion Date (as defined in the SPA) remain as "Perusahaan/Perindustrian";
- (c) that the certificate of fitness for occupation have been duly issued for all the buildings and structures within the Property and all renovations, extensions or modifications effected thereon have been carried out in accordance with specifications of the approved building plans and in conformity with the Express Conditions contained in the First Land's Title and Second Land's Title, the relevant building bye-laws and where applicable, additional certificates of fitness for occupation have been issued in respect thereof by the relevant authorities;

- (d) that all the Express Conditions and Restrictions in Interest stipulated in the First Land's Title and Second Land's Title have been complied in full by Apex and/or its predecessors and Apex's continued compliance with the same up to the Completion Date (as defined in the SPA) and the registration of the OSK as the registered proprietor of the said Property;
- (e) the novation and assignment of the Principal Tenancy Agreements and the Existing Tenancy to Axis-REIT on the Completion Date;
- (f) Apex continues to maintain and keep in good repair and condition the said Property up to the Completion Date, fair wear and tear excepted subject to the Repairs (as defined in the SPA) being effected in the manner provided in the SPA;
- (g) reliance by OSK on each and all of the Apex's representations, warranties and undertakings stipulated herein in respect of the Property and the Existing Tenancy, and the same remain true, accurate and binding in all material respects up to the Completion Date subject always that such representations, covenants and warranties stipulated herein which survive the completion hereof shall continue to subsist for as long as may be necessary to give effect thereto.

### **2.3 Conditions Precedent**

The sale and purchase of the Property shall be conditional upon the following being fulfilled within six (6) months from the date of the SPA or such other extended period that may be mutually agreed between the parties in writing ("the Conditional Period"):

- (a) Apex procuring the presentation and registration of the memorandum of transfer for the Second Land in favour of themselves and the extraction of the Second Land's Title from the relevant land office with the name of Apex registered thereon as proprietor and certified true copy of the same being delivered to OSK's Solicitors and the original copy of the Second Land Title being deposited with the Apex's Solicitors as stakeholders;
- (b) the consent for the transfer of the First Land's Title and the Second Land's Title from Apex in favour of OSK to be obtained from the Pihak Berkuasa Negeri and Perbadanan Pembangunan Pulau Pinang (if applicable) ("Consent to Transfer") by Apex, at its own cost and expense, to facilitate the transfer of the Property in favour of OSK and certified true copy of the same being delivered to OSK's Solicitors and the original copy of the Consent to Transfer being deposited with Apex's Solicitors as stakeholders;
- (c) Apex, at its own costs and expenses, causing and procuring that Dell Asia Pacific Sdn ("Dell"); who has a registered lease on the First Land shall agree to surrender the lease for the unexpired lease period up to 31 October 2018 on the First Land and execute and deliver to the OSK's Solicitors the duly executed Form 15C (Surrender of lease) subject to Dell and OSK entering into mutual tenancy agreement for the current arrangement on the usage of the leased lands;
- (d) the approval of the Securities Commission ("SC") for the placement of approximately 75,180,200 Axis REIT units and the successful placement and proceeds from the foregoing proposed placement being received by OSK on or before the 31 December 2011 or such extended

time that the parties may mutually agree;

- (e) the approval of the unit-holders of Axis-REIT (if applicable) and/or the approval of any other appropriate authorities having jurisdiction over the Property and/or dealings in respect thereof;
- (f) Apex procuring the original stamped copies of the Principal Tenancy Agreements with the Novation Agreement (herein defined) duly executed by the Existing Tenant and Apex being deposited with OSK's Solicitors as stakeholders together with copies of the latest water, electricity and sewerage bills and receipts in respect of the buildings comprised within the said Property evidencing up to date payment of such outgoings by the Tenant; and
- (g) written confirmation from Apex, 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 Tenant for the early termination of its Existing Tenancy.

Approvals from the SC and Unitholders stated under (d) and (e) above have been duly obtained by Axis-REIT.

#### **2.4 Basis of the Purchase Price for the Property**

The Purchase Price for the Property is derived on a willing-buyer willing-seller basis after taking into account the total market value of the Property of RM62.0 million as appraised by CB Richard Ellis, an independent firm of registered valuers, in its valuation report dated 9 July 2011. The valuation is derived using a combination of comparison and investment methods of valuation and is above the Purchase Price of the Property.

The Proposed Acquisition of Property complies with Clause 8.18 of the SC's Guidelines on Real Estate Investment Trusts ("REIT Guidelines").

#### **2.5 Liabilities Assumed by Axis-REIT**

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

#### **2.6 Source of Funding**

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

### **3. INFORMATION ON THE VENDOR**

Apex is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 21 September 1995. Apex's principal activity is investment holding. Its authorized share capital is RM5,000,000 divided into 5,000,000 Ordinary Shares of RM1.00 each and the issued share capital is RM3,000,000.

#### **4. INFORMATION ON THE TENANT**

Schenker Logistics (Malaysia) Sdn. Bhd. (“Schenker”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 8 November 1985. The principal activities of Schenker’s are transport and freight forwarding. Its authorized share capital is RM1,000,000 divided into 1,000,000 Ordinary Shares of RM1.00 each and the issued share capital is RM855,883.

#### **5. RATIONALE FOR THE PROPOSED ACQUISITION OF THE PROPERTY**

ARMB, the management company of Axis-REIT, 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 Property is fully supported by the independent valuation conducted on the same by CB Richard Ellis. The Proposed Acquisition of the Property is consistent with the investment objective and strategy of Axis-REIT and it will be accretive to Axis-REIT’s distributable income. The Proposed Acquisition of the Property will at the same time diversify and enlarge Axis-REIT’s portfolio of properties and is expected to benefit the Fund in the long term from economies of scale.

#### **6. EFFECTS OF THE PROPOSED ACQUISITION OF THE PROPERTY**

##### **6.1 Unit Capital and Substantial Unitholders’ Unitholding**

The Proposed Acquisition of the Property 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.

##### **6.2 NAV**

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

##### **6.3 Earnings**

The Directors of ARMB expect the Proposed Acquisition of the Property to contribute positively to the earnings of the Fund for the financial year ending 31 December 2012, if completion may be effected prior thereof.

##### **6.4 Gearing**

ARMB intends to utilise a debt facility of approximately RM 59.0 million from Axis-REIT’s existing credit lines. The proposed debt financing will increase Axis-REIT’s gearing ratio to 39% of audited total assets as at 31 December 2010, which is below the gearing limit of 50% prescribed by the REIT Guidelines.

#### **7. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION OF THE PROPERTY**

Pursuant to the REIT Guidelines, the valuation set out in the Proposed Acquisition of the Property is not subject to approval by the SC nor the prior approval of the unitholders of Axis-REIT.

## **8. INTERESTS 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 Property.

## **9. RISK FACTORS**

The Property may be subject to certain risks inherent in the property market industry. These include but not limited to the following:-

- (a) Non registration of the transfer of the Property;
- (b) Compulsory acquisition by the Government;
- (c) Non-renewal of tenancy after expiry due to change in circumstances of the tenant;
- (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) Illiquidity of real estate investments; and
- (k) Acts of God, uninsurable losses and other factors.

## **10. ESTIMATED TIMEFRAME FOR COMPLETION**

Parties will endeavour to complete the Proposed Acquisition of the Property on or before 31 December 2011 subject to the Conditions Precedent stipulated in the SPA being fulfilled.

## **11. 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 6<sup>th</sup> 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 of the Property; and
- (ii) Valuation report on the Property prepared by CB Richard Ellis dated 9 July 2011.

This announcement is dated 28 September 2011.