

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

- (I) PROPOSED ACQUISITIONS BY OSK TRUSTEES BERHAD, ON BEHALF OF AXIS-REIT, OF 2 PROPERTIES LOCATED IN PETALING JAYA, SELANGOR DARUL EHSAN FOR A TOTAL CASH CONSIDERATION OF RM85,000,000;
  - (II) PROPOSED AUTHORITY TO ALLOT AND ISSUE UP TO 90,762,819 NEW UNITS IN AXIS-REIT (“UNITS”), REPRESENTING UP TO 20% OF THE EXISTING ISSUED FUND SIZE OF AXIS-REIT OF 453,814,096 UNITS;
  - (III) PROPOSED AUTHORITY TO ALLOT AND ISSUE UP TO 2,000,000 NEW UNITS FOR THE PURPOSE OF THE PAYMENT OF MANAGEMENT FEE TO AXIS REIT MANAGERS BERHAD IN THE FORM OF NEW UNITS; AND
  - (IV) PROPOSED RENEWAL OF AUTHORITY TO ALLOT AND ISSUE UP TO 87,483,344 NEW UNITS FOR THE PURPOSE OF THE INCOME DISTRIBUTION REINVESTMENT PLAN THAT PROVIDES THE UNITHOLDERS OF AXIS-REIT THE OPTION TO REINVEST THEIR INCOME DISTRIBUTION IN NEW UNITS
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### 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 OSK Trustees Berhad, the trustee for Axis-REIT (“**Trustee**”), on behalf of Axis-REIT, entered into the following conditional agreements:

- (i) sale and purchase agreement with Academy Resources Sdn Bhd (“**ARSB**”) for the acquisition of a strata parcel in Wisma Academy held under PN3945/M1/B2/1 in Lot 29 Seksyen 36, Town of Petaling Jaya, District of Petaling, State of Selangor together with accessory parcels, representing 91.02% of the share unit in “Wisma Academy” (“**Wisma Academy Parcel**”), a building which comprise a stratified 6-storey office/warehouse building with a 2-storey basement car park erected thereon excluding all those areas held under PN3945/M1/6/2 together with accessory parcels known as A4, for a cash consideration of RM73,000,000 (“**Wisma Academy Parcel Agreement**”) (“**Proposed Wisma Academy Parcel Acquisition**”); and
- (ii) sale and purchase agreement with ARSB for the acquisition of a parcel of leasehold land held under PN 3946, Lot No. 30, Seksyen 36, Town of Petaling Jaya, District of Petaling, State of Selangor together with the buildings erected thereon (“**Annex**”), for a cash consideration of RM12,000,000 (“**Annex Agreement**”) (“**Proposed Annex Acquisition**”).

(The Proposed Wisma Academy Parcel Acquisition and Proposed Annex Acquisition are collectively referred to as “**Proposed Acquisitions**”)

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

- (i) allot and issue up to 90,762,819 new Units, representing up to 20% of the existing issued fund size of Axis-REIT of 453,814,096 Units (“**Proposed Authority 1**”) pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“**SC**”) (“**REIT Guidelines**”), to facilitate Axis-REIT in raising funds via a placement exercise (“**Proposed Placement**”).

In order to accommodate the issuance of up to 90,762,819 new Units pursuant to the Proposed Authority 1 to facilitate the Proposed Placement, the Manager proposes to increase the existing issued fund size of Axis-REIT from 453,814,096 Units to a maximum of 544,576,915 Units ("**Proposed Increase In Fund Size 1**");

- (ii) allot and issue up to 2,000,000 new Units for the purpose of the payment of management fee to the Manager in the form of new Units ("**Proposed Authority 2**"), whereby the approval of the unitholders of Axis-REIT ("**Unitholders**") in relation to the Amendment to Management Fee Clause (as defined herein) was obtained on 26 July 2011.

In order to accommodate the issuance of up to 2,000,000 new Units pursuant to the Proposed Authority 2, the Manager proposes to increase the approved fund size of Axis-REIT as enlarged by the implementation of the Proposed Authority 1 and the corresponding Proposed Increase In Fund Size 1, or the existing issued fund size of Axis-REIT if the Proposed Authority 1 and the corresponding Proposed Increase In Fund Size 1 are not implemented (as the case may be) by a maximum of 2,000,000 Units ("**Proposed Increase In Fund Size 2**"); and

- (iii) renewal of the authority to allot and issue up to 87,483,344 new Units for the purpose of the Fund's income distribution reinvestment plan that provides the Unitholders the option to elect to reinvest their income distribution in new Units ("**IDRP**") ("**Proposed IDRP Authority**").

(The Proposed Acquisitions, Proposed Authority 1, Proposed Increase In Fund Size 1, Proposed Placement, Proposed Authority 2, Proposed Increase In Fund Size 2 and Proposed IDRP Authority are collectively referred to as "**Proposals**")

## 2. PROPOSED ACQUISITIONS

### 2.1 Proposed Wisma Academy Parcel Acquisition

2.1.1 The Proposed Wisma Academy Parcel Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Wisma Academy Parcel from ARSB for a cash consideration of RM73,000,000 ("**Purchase Price of Wisma Academy Parcel**").

2.1.2 The Purchase Price of Wisma Academy Parcel was arrived at, on a willing-buyer willing-seller basis at the market value of Wisma Academy Parcel of RM73,000,000 as appraised by PA International Property Consultants 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 2 May 2012, assessed the market value of Wisma Academy Parcel at RM73,000,000 using the investment method and comparison method.

2.1.3 Axis-REIT will satisfy the Purchase Price of Wisma Academy Parcel in cash, which will be paid in the following manner:

- (i) a sum of RM1,460,000 being the refundable earnest deposit, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Wisma Academy Parcel Agreement;
- (ii) a sum of RM5,840,000 shall be paid by the Trustee to ARSB directly on the date on which the last condition precedent to the Wisma Academy Parcel Agreement is fulfilled or complied with in accordance with the Wisma Academy Parcel Agreement ("**Unconditional Date of Wisma Academy Parcel Agreement**"); and

(The total sum in Sections 2.1.3(i) and (ii) above of RM7,300,000 shall form part payment of the Purchase Price of Wisma Academy Parcel)

- (iii) the balance of the Purchase Price of Wisma Academy Parcel amounting to RM65,700,000 ("**Balance Purchase Price of Wisma Academy Parcel**") shall be paid to ARSB's solicitors as stakeholders within 1 month from the Unconditional Date of Wisma Academy Parcel Agreement ("**Completion Period of Wisma Academy Parcel Agreement**") or with a further extension of 30 days from the expiry of the Completion Period of Wisma Academy Parcel Agreement subject to interest at a rate of 8% per annum on the sum remaining unpaid.

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

Axis-REIT intends to fund the Purchase Price of Wisma Academy Parcel entirely through financing.

2.1.4 The other salient terms of the Wisma Academy Parcel Agreement are as follows:

- (i) The completion of the Proposed Wisma Academy Parcel Acquisition is subject to the following conditions:
  - (a) Wisma Academy Parcel is free from all encumbrances;
  - (b) the successful novation and/or assignment of all the existing tenancy agreements and such novation and/or assignments to commence on the Completion Date of Proposed Wisma Academy Parcel Acquisition;
  - (c) there is no change to the existing category of land use affecting Wisma Academy Parcel;
  - (d) Wisma Academy Parcel is sold subject to the repairs and rectification works stipulated in the Wisma Academy Parcel Agreement being effected and completed by ARSB in respect of the defects in Wisma Academy Parcel at ARSB's own costs and expenses within 6 months from the Completion Date of Proposed Wisma Academy Parcel Acquisition and there being no material changes to the state, condition and appearance of Wisma Academy Parcel as at the Completion Date of Proposed Wisma Academy Parcel Acquisition (fair wear and tear excepted);
  - (e) that the approved building and/or renovation plans and the relevant certificate of fitness for Wisma Academy have been duly issued for Wisma Academy 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 the necessary permits/approvals for such renovations, extensions or modifications have been issued by the said authorities;

- (f) that the original fire certificate and stamped and approved fire protection certification drawings (architectural and mechanical plans) in respect of the fire fighting and safety compliance for Wisma Academy, duly issued by the Department of Fire and Rescue Department within 24 months from the date of the Wisma Academy Parcel Agreement; and
  - (g) reliance by the Trustee on each and all of ARSB's representations, warranties and undertakings stipulated in the Wisma Academy Parcel Agreement in respect of Wisma Academy Parcel and existing tenancies and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Wisma Academy Parcel Acquisition and deemed repeated on the Completion Date of Proposed Wisma Academy Parcel Acquisition;
- (ii) ARSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of Wisma Academy Parcel unless and until all the following conditions precedent have been satisfied within 3 months from the date of the Wisma Academy Parcel Agreement ("**Conditions Precedent Period for Wisma Academy Parcel Agreement**"):
- (a) the approval of the Unitholders by way of a general meeting for the Proposed Wisma Academy Parcel Acquisition;
  - (b) the approval of the shareholders in general meeting of ARSB for the sale of Wisma Academy Parcel to the Trustee upon the terms and conditions of the Wisma Academy Parcel Agreement (if required) or ARSB's company secretary's confirmation that the members' approval is not required for the sale of Wisma Academy Parcel, whichever case may be applicable, being obtained by ARSB;
  - (c) ARSB's board of directors' resolution approving the sale of Wisma Academy Parcel to the Trustee upon the terms and conditions of the Wisma Academy Parcel Agreement, being obtained by ARSB;
  - (d) a stamped copy of the existing tenancy agreements with the novation and/or assignment of the existing tenancy agreements in the format as set out in the Wisma Academy Parcel Agreement duly executed by ARSB being deposited by ARSB with the Trustee's solicitors as stakeholders;
  - (e) receipt by the Trustee of the chargee's undertaking with a validity period of 6 months; and
  - (f) 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 ARSB's solicitors within 1 month from the date of the Wisma Academy Parcel Agreement, failing which it shall be deemed that no such additional approvals or consents from authorities are required for the sale and purchase of Wisma Academy Parcel;

- (iii) ARSB shall execute the tenancy agreement in respect of the remaining vacant spaces of Wisma Academy Parcel measuring 78,243 square feet for a period of 3 years (“**Wisma Academy Parcel Tenancy Agreement**”) effective from the Completion Date of Proposed Wisma Academy Parcel Acquisition, held in escrow upon the execution of the Wisma Academy Parcel Agreement. The said tenancy agreement was executed in accordance with the terms of the Wisma Academy Parcel Agreement; and
  - (iv) the Trustee shall have the option to purchase the remaining 8.98% share unit in Wisma Academy (“**Remaining Wisma Academy Parcel**”) at a purchase price to be calculated at RM310 per square feet within 5 years from the Completion Date of Proposed Wisma Academy Parcel Acquisition. If at any time before or after the Completion Date of Proposed Wisma Academy Parcel Acquisition, ARSB is desirous to dispose of the Remaining Wisma Academy Parcel to any person other than the Trustee, ARSB shall provide the Trustee with the first right of refusal upon the same terms and conditions as ARSB intends to dispose of the same to such other person and subject to the terms and conditions of the Wisma Academy Parcel Agreement.
- 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 Wisma Academy Parcel Acquisition.
- 2.1.6 The Fund does not need to incur any additional financial commitment to put Wisma Academy Parcel on-stream.
- 2.1.7 Wisma Academy Parcel represents 91.02% of the share unit in Wisma Academy, a stratified 6-storey office/warehouse building with a 2-storey basement car park erected thereon excluding all those areas held under PN3945/M1/6/2 together with accessory parcels known as A4. Wisma Academy Parcel has a gross floor area of 34,751 square metres (about 374,056 square feet).

Other pertinent information on Wisma Academy Parcel are as follows:

Postal address	: No. 4A, Jalan 19/1 46300 Petaling Jaya Selangor Darul Ehsan
Strata title details	: PN3945/M1/B2/1 in Lot 29 Seksyen 36, Town of Petaling Jaya, District of Petaling, State of Selangor together with accessory parcels, representing 91.02% of the share unit in Wisma Academy
Tenure	: Leasehold for 99 years, expiring on 30 September 2062 (i.e. an unexpired term of 50 years remaining)
Title land area	: 7,998 square metres (about 86,087 square feet)
Registered owner	: ARSB
Approximate age of building	: About 16 years old
Gross floor area	: 34,751 square metres (about 374,056 square feet)
Net lettable area	: 21,770 square metres (about 234,326 square feet)
Category of land use	: Industrial

Property use	:	Office/warehouse
Encumbrances	:	Charged to Alliance Islamic Bank Berhad since 31 March 2010
Restriction in interest	:	None
Occupancy rate	:	77.17% as at 27 April 2012. With the execution of the Wisma Academy Parcel Tenancy Agreement, the occupancy rate will be 100% effective from the Completion Date of Proposed Wisma Academy Parcel Acquisition
Tenancy description	:	<p>Wisma Academy Parcel maintains a diversified mix of well established tenants. As at 27 April 2012, there are 36 tenants in Wisma Academy Parcel. Its main tenants comprise Dataprep Holdings Sdn Bhd, Ban Leong Technologies Sdn Bhd and Tenaga Nasional Berhad ("<b>TNB</b>") with tenancies agreed for 3-year term each. TNB's tenancy provides for an option to renew for another 2 years and a further 1-year term. In addition, the Manager is also a tenant of Wisma Academy.</p> <p>The average monthly gross rental per square foot in Wisma Academy Parcel is RM2.63 for office and RM1.81 for warehouse respectively, as at 27 April 2012.</p>
Net yield before Islamic financing cost	:	8.49% per annum

## 2.2 Proposed Annex Acquisition

- 2.2.1 The Proposed Annex Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Annex from ARSB for a cash consideration of RM12,000,000 ("**Purchase Price of Annex**").
- 2.2.2 The Purchase Price of Annex was arrived at, on a willing-buyer willing-seller basis at a discount of 20% to the market value of Annex of RM15,000,000 as appraised by PA International. PA International has, in its valuation report dated 2 May 2012, assessed the market value of Annex at RM15,000,000 using the cost method and investment method.
- 2.2.3 Axis-REIT will satisfy the Purchase Price of Annex in cash, which will be paid in the following manner:
- (i) a sum of RM240,000 being the refundable earnest deposit, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Annex Agreement;
  - (ii) a sum of RM960,000 shall be paid by the Trustee to ARSB directly on the date on which the last condition precedent to the Annex Agreement is fulfilled or complied with in accordance with the Annex Agreement ("**Unconditional Date of Annex Agreement**"); and

(The total sum in Sections 2.2.3(i) and (ii) above of RM1,200,000 shall form part payment of the Purchase Price of Annex)

- (iii) the balance of the Purchase Price of Annex amounting to RM10,800,000 (“**Balance Purchase Price of Annex**”) shall be paid to ARSB’s solicitors as stakeholders within 1 month from the Unconditional Date of Annex Agreement (“**Completion Period of Annex Agreement**”) or with a further extension of 30 days from the expiry of the Completion Period of Annex Agreement subject to interest at a rate of 8% per annum on the sum remaining unpaid.

The date on which the Balance Purchase Price of Annex (together with interest, if any) is paid to ARSB’s solicitors shall be deemed to be the date the Balance Purchase Price of Annex is duly received by ARSB (“**Completion Date of Proposed Annex Acquisition**”).

Axis-REIT intends to fund the Purchase Price of Annex entirely through financing.

2.2.4 The other salient terms of the Annex Agreement are as follows:

- (i) The completion of the Proposed Annex Acquisition is subject to the following conditions:
  - (a) Annex is free from all encumbrances;
  - (b) the successful novation and/or assignment of all the existing tenancy agreements and such novation and/or assignments to commence on the Completion Date of Proposed Annex Acquisition;
  - (c) there is no change to the existing category of land use affecting Annex;
  - (d) Annex is sold subject to the repairs and rectification works stipulated in the Annex Agreement being effected and completed by ARSB in respect of the defects in Annex at ARSB’s own costs and expenses within 6 months from the Completion Date of Proposed Annex Acquisition and there being no material changes to the state, condition and appearance of Annex as at the Completion Date of Proposed Annex Acquisition (fair wear and tear excepted);
  - (e) that the approved plans and certificate of completion and compliance for Annex being duly issued for Annex and all renovations, extensions or modifications effected thereon within 24 months from the date of execution of the Annex Agreement;
  - (f) that the original fire certificate and stamped and approved fire protection certification drawings (architectural and mechanical plans) in respect of the fire fighting and safety compliance for Annex, duly issued by the Department of Fire and Rescue Department within 24 months from the date of the Annex Agreement; and
  - (g) reliance by the Trustee on each and all of ARSB’s representations, warranties and undertakings stipulated in the Annex Agreement in respect of Annex and existing tenancies and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Annex Acquisition and deemed repeated on the Completion Date of Proposed Annex Acquisition; and

- (ii) ARSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of Annex unless and until all the following conditions precedent have been satisfied within 3 months from the date of the Annex Agreement (“**Conditions Precedent Period for Annex Agreement**”):
- (a) the approval of the Unitholders by way of a general meeting for the Proposed Annex Acquisition;
  - (b) the approval of the shareholders in general meeting of ARSB for the sale of Annex to the Trustee upon the terms and conditions of the Annex Agreement (if required) or ARSB’s company secretary’s confirmation that the members’ approval is not required for the sale of Annex, whichever case may be applicable, being obtained by ARSB;
  - (c) ARSB’s board of directors’ resolution approving the sale of Annex to the Trustee upon the terms and conditions of the Annex Agreement, being obtained by ARSB;
  - (d) a stamped copy of the existing tenancy agreements with the novation and/or assignment of the existing tenancy agreements in the format as set out in the Annex Agreement duly executed by ARSB being deposited by ARSB with the Trustee’s solicitors as stakeholders;
  - (e) receipt by the Trustee of the chargee’s undertaking with a validity period of 6 months; and
  - (f) 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 ARSB’s solicitors within 1 month from the date of the Annex Agreement, failing which it shall be deemed that no such additional approvals or consents from authorities are required for the sale and purchase of Annex.

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 Annex Acquisition.

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

2.2.7 Annex consists of a parcel of land improved with a double-storey showroom annexed with a single-storey warehouse with a gross floor area of about 3,456 square metres (about 37,200 square feet).

Other pertinent information on Annex are as follows:

Postal address : No. 4, Jalan 19/1  
46300 Petaling Jaya  
Selangor Darul Ehsan

Land title details : PN 3946, Lot No. 30, Seksyen 36, Town of Petaling Jaya,  
District of Petaling, State of Selangor



Tenure	:	Leasehold for 99 years, expiring on 3 November 2062 (i.e. an unexpired term of 50 years remaining)
Title land area	:	6,148.3078 square metres (about 66,182 square feet)
Registered owner	:	ARSB
Approximate age of building	:	More than 30 years old
Gross floor area	:	About 3,456 square metres (about 37,200 square feet)
Net lettable area	:	About 3,456 square metres (about 37,200 square feet)
Category of land use	:	None <sup>(1)</sup>
Property use	:	Showroom and warehouse
Encumbrances	:	Charged to Alliance Islamic Bank Berhad since 22 April 2010
Restriction in interest	:	None
Average occupancy rate	:	100% as at 27 April 2012
Tenancy description	:	Annex is tenanted to 2 individual tenants and Allrounder Indoor Soccer Sdn Bhd. The tenancies have been agreed for 2-year term, 2 year and 7 months term and 3-year term.  The average monthly gross rental per square foot in Annex is RM1.65 as at 27 April 2012.
Net yield before Islamic financing cost	:	6.74% per annum

**Note:**

<sup>(1)</sup> *Express condition: Industrial.*

The combined net book value of Wisma Academy and Annex was approximately RM41.3 million based on the audited financial statement of ARSB for the financial year ended 31 December 2010.

### **3. DETAILS OF THE PROPOSED AUTHORITY 1, PROPOSED INCREASE IN FUND SIZE 1 AND PROPOSED PLACEMENT**

3.1 The Manager proposes to allot and issue up to 90,762,819 new Units, representing up to 20% of the existing issued fund size of Axis-REIT of 453,814,096 Units pursuant to Clause 14.03 of the REIT Guidelines. The Proposed Authority 1 will empower the Board with the flexibility to allot and issue new Units at any time to such persons and for such purposes as the Board may deem fit, provided that, among others, the aggregate number of Units to be issued pursuant to the Proposed Authority 1 does not exceed 20% of the existing issued fund size of Axis-REIT. Based on Axis-REIT's existing issued fund size of 453,814,096 Units, the Proposed Authority 1 will enable the Manager to issue up to 90,762,819 Units via the Proposed Placement at its absolute discretion.

- 3.2 Such authority shall be in force from the date of the Unitholders' approval and shall only continue to be in force until:
- (i) the conclusion of the next Unitholders' meeting following the forthcoming Unitholders' meeting at which the Proposed Authority 1 is approved, at which time it will lapse, unless by a resolution passed at such Unitholders' meeting the authority is renewed; or
  - (ii) the Proposed Authority 1 is revoked or varied by a resolution passed by the Unitholders in a Unitholders' meeting,

whichever is the earliest.

- 3.3 The Proposed Authority 1 will facilitate Axis-REIT in raising funds via the Proposed Placement upon obtaining the relevant approvals. The Proposed Placement may be implemented in a single tranche or in multiple tranches whenever the Manager anticipates that the bank financing of Axis-REIT will exceed 35% of the total assets of the Fund as a result of future acquisitions of new properties.

- 3.4 The actual number of the new Units to be issued pursuant to the Proposed Placement ("**Placement Units**") will be determined later by the Manager, in consultation with the placement agent to be appointed for the Proposed Placement, at a price-fixing date to be determined later after the relevant approvals have been obtained. In any event, the number of Placement Units to be issued will not exceed 90,762,819 new Units. The Placement Units will be placed out to places to be identified later.

- 3.5 The issue price of the 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 (which will not be more than 10% after taking into consideration, among others, the prevailing market conditions and market price of the Units), immediately prior to the price-fixing date.

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

- 3.6 The Placement Units shall, upon allotment and issue, rank equally in all respects with the existing Units except that the Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issue of such new Units.

- 3.7 The exact amount of proceeds to be raised from the Proposed Placement is dependent upon the issue price of the Placement Units. For illustrative purpose, assuming the Placement Units are issued at an issue price of RM2.64 per Unit (representing a discount of 5% to the 5-day VWAMP of the Units up to and including 13 June 2012, being the last trading day immediately prior to this announcement), the Proposed Placement will raise gross proceeds of RM239.6 million. The proceeds after deducting the estimated expenses in relation to the Proposed Placement ("**Net Proceeds**") will be used to fully repay Axis-REIT's existing bank financing (including finance cost payable) which was taken up to finance the acquisitions of Bayan Lepas Property and Seberang Perai Property (as defined herein), which were completed on 17 January 2012 and 15 February 2012 respectively. The details of the said properties are set out in **Table 1**.

- 3.8 In order to accommodate the issuance of up to 90,762,819 new Units pursuant to the Proposed Authority 1 to facilitate Axis-REIT in raising funds via the Proposed Placement, the Manager proposes to increase the existing issued fund size of Axis-REIT from 453,814,096 Units to a maximum of 544,576,915 Units.

#### 4. DETAILS OF THE PROPOSED AUTHORITY 2 AND PROPOSED INCREASE IN FUND SIZE 2

- 4.1 On 26 July 2011, the Unitholders approved, among others, the amendments to the relevant clauses in the deed dated 3 April 2009 constituting Axis-REIT (as supplemented by a supplemental deed dated 15 December 2011) executed between the Manager and Trustee ("**Deed**"), for the payment of management fee to the Manager in the form of new Units ("**Amendment to Management Fee Clause**").
- 4.2 The Manager proposes to allot and issue up to 2,000,000 new Units for the payment of management fee to the Manager in the form of new Units. The Proposed Authority 2 will empower the Board with the flexibility to allot and issue new Units at any time to the Manager for the payment of management fee, provided that, among others, the aggregate number of Units to be issued pursuant to the Proposed Authority 2 does not exceed 2,000,000 new Units.
- 4.3 Such authority shall be in force from the date of the Unitholders' approval until all the new Units have been fully issued pursuant to the Proposed Authority 2 for the purpose of the payment of the management fee to the Manager in the form of new Units. Thereafter, Axis-REIT would have to seek for subsequent approval from the Unitholders for future allotments and issuances of Units for the purpose of the payment of the management fee to the Manager in the form of new Units.
- 4.4 The new Units to be issued pursuant to the Proposed Authority 2 shall, upon allotment and issue, rank equally in all respects with the existing Units except that the new Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issue of such new Units.
- 4.5 The issue price of the new Units to be issued pursuant to the Proposed Authority 2 will be determined in accordance to Clause 19.1(d) of the Deed. The Manager will make the relevant announcements to Bursa Malaysia Securities Berhad ("**Bursa Securities**") disclosing the number of new Units issued and the issue price of the new Units as and when such new Units are issued as payment of management fee to the Manager.
- 4.6 In order to accommodate the issuance of up to 2,000,000 Units pursuant to the Proposed Authority 2, the Manager proposes to increase the approved fund size of Axis-REIT as enlarged by the implementation of the Proposed Authority 1 and the corresponding Proposed Increase In Fund Size 1, or the existing issued fund size of Axis-REIT if the Proposed Authority 1 and the corresponding Proposed Increase In Fund Size 1 are not implemented (as the case may be) by a maximum of 2,000,000 Units.

#### 5. DETAILS OF THE PROPOSED IDRP AUTHORITY

- 5.1 On 26 July 2011, the Unitholders approved, among others, the IDRP, the authority to allot and issue new Units for the purpose of the IDRP and the corresponding increase in fund size of Axis-REIT to accommodate the issuance of such new Units pursuant to the aforesaid authority. Such authority shall continue to be in force until:
- (i) the conclusion of the forthcoming Unitholders' meeting, at which time it will lapse, unless by a resolution passed at such Unitholders' meeting the authority is renewed; or
  - (ii) the said authority is revoked or varied by a resolution passed by the Unitholders' in a Unitholders' meeting,

whichever is the earliest.

- 5.2 On 7 December 2011, on behalf of the Board, Maybank IB announced that the placement of 75,180,200 new Units has been completed and that the enlarged issued fund size of Axis-REIT was 451,081,200 Units. Therefore, the number of new Units which Axis-REIT can issue under the aforesaid authority is 90,216,240 Units. On 12 December 2011, on behalf of the Board, Maybank IB announced that 2,732,896 new Units have been issued and allotted on 9 December 2011 pursuant to the IDRPs which was applied to the third interim income distribution in respect of the period from 1 July 2011 to 30 September 2011 (“**Third Interim Income Distribution IDRPs**”). Hence, the remaining number of new Units that may be allotted and issued pursuant to the next IDRPs will be up to 87,483,344 new Units, subject to the Unitholders’ approval being obtained at the forthcoming Unitholders’ meeting for the Proposed IDRPs Authority.

The proceeds raised from the Third Interim Income Distribution IDRPs after deducting the estimated expenses in relation to the same amounted to RM5,971,480. The said amount was utilised to refurbish and/or renovate the properties held by the Trustee.

- 5.3 In this regard, the Manager proposes to renew the authority to allot and issue up to 87,483,344 new Units, for the purpose of the IDRPs. The Proposed IDRPs Authority will empower the Board with the flexibility to allot and issue new Units at any time under the IDRPs, provided that, among others, the aggregate number of Units to be issued pursuant to the Proposed IDRPs Authority does not exceed 87,483,344 new Units.
- 5.4 Such authority, once renewed, shall be in force from the date of the Unitholders’ approval and is subject to annual renewal. In this respect, such authority shall only continue to be in force until:
- (i) the conclusion of the next Unitholders’ meeting following the forthcoming Unitholders’ meeting at which the Proposed IDRPs Authority is approved, at which time it will lapse, unless by a resolution passed at such Unitholders’ meeting the authority is renewed; or
  - (ii) the Proposed IDRPs Authority is revoked or varied by a resolution passed by the Unitholders in a Unitholders’ meeting,

whichever is the earliest.

## 6. INFORMATION ON ARSB

ARSB was incorporated in Malaysia under the Companies Act, 1965 (“**Act**”) on 24 May 1993 as a private limited company under its present name. As at 31 May 2012, its authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00, of which RM2,000,006 comprising 2,000,006 ordinary shares of RM1.00 each have been issued and paid-up.

ARSB is principally involved in investment holding.

ARSB is a company in which the following Director and ultimate major shareholder of the Manager, who is also a major Unitholder, has interest by virtue of his direct shareholding in ARSB:

<u>Interested party</u>	<u>Nature of interest</u>	<u>Shareholding in ARSB</u> %
(i) Tew Peng Hwee @ Teoh Peng Hwee	Shareholder	25.00

Haw Beng Wah, Lim Kian Thiam, Ong Ah Choon @ Ong Kai Choon hold the remaining 32.15%, 25.00% and 17.85% equity interest in ARSB respectively.

## 7. **CONDITIONALITY**

The Proposed Wisma Academy Parcel Acquisition and the Proposed Annex Acquisition are inter-conditional.

The Proposed Placement is conditional upon the Proposed Authority 1 and Proposed Increase In Fund Size 1, and vice versa. The Proposed Authority 1 and Proposed Increase In Fund Size 1 are inter-conditional whilst the Proposed Authority 2 and Proposed Increase In Fund Size 2 are also inter-conditional.

The Proposed Acquisitions and the Proposed IDRP Authority are not conditional upon the Proposed Authority 1, Proposed Increase In Fund Size 1, Proposed Placement, Proposed Authority 2 and Proposed Increase In Fund Size 2, and vice versa. The Proposed Acquisitions are not conditional upon the Proposed IDRP Authority, and vice versa.

## 8. **RATIONALE FOR THE PROPOSALS**

### 8.1 **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.

### 8.2 **Proposed Authority 1, Proposed Increase In Fund Size 1 and Proposed Placement**

The Proposed Authority 1 is to facilitate Axis-REIT in raising funds via the Proposed Placement.

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

- (i) the Proposed Placement will enable Axis-REIT to raise funds to fully repay its existing bank financing (including finance cost payable) which was taken up to finance the acquisitions of Bayan Lepas Property and Seberang Perai Property, which were completed on 17 January 2012 and 15 February 2012 respectively. This is in line with the Board's measure to ensure Axis-REIT's bank financing does not exceed 35% of the total assets of the Fund. This will provide Axis-REIT with sufficient headroom to make future cash acquisitions which is in line with its capital management and growth strategy; and
- (ii) the 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 the Units.

The purpose of the Proposed Increase In Fund Size 1 is to accommodate the issuance of up to 90,762,819 new Units to be implemented via the Proposed Placement pursuant to the Proposed Authority 1.

### **8.3 Proposed Authority 2 and Proposed Increase In Fund Size 2**

The Proposed Authority 2 will enable Axis-REIT to allot and issue new Units to the Manager for the purpose of the payment of the management fee in the form of new Units, which aims 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.

The purpose of the Proposed Increase In Fund Size 2 is to accommodate the issuance of up to 2,000,000 new Units pursuant to the Proposed Authority 2.

### **8.4 Proposed IDRP Authority**

The Proposed IDRP Authority is required for the allotment and issuance of new Units under the IDRP, and provides the Board with the flexibility to allot and issue new Units at any time under the IDRP.

## **9. PROSPECTS**

The Board believes that the combination of high demand for office/industrial properties in these locations together with the scarcity of available sites would suggest that Wisma Academy Parcel and Annex should continue to attract demand. Hence, the Board believes that the Proposed Acquisitions will contribute positively to the future performance of the Fund.

## **10. RISK FACTORS**

The completion of the Proposed Acquisitions are conditional upon certain conditions precedent set out in the Wisma Academy Parcel Agreement and Annex Agreement being satisfied and/or waived as the case may be, which include, among others, the approvals from the relevant authorities and Unitholders. There can be no assurance that the Proposed Acquisitions will not be exposed to risks such as the inability to obtain the approvals from the relevant authorities and Unitholders.

In addition, 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 Wisma Academy Parcel and Annex may be affected by a number of factors as follows:
  - (a) vacancies following expiry or termination of leases that lead to a decrease in the occupancy rates and gross rental income of Axis-REIT;
  - (b) the ability to collect rent from tenant on a timely basis;
  - (c) tenant seeking protection under the bankruptcy laws could result in delays of rental payments or inability to pay rental at all or termination of leases prior to expiry;
  - (d) tenant that breaches the terms and conditions of the leases that result in termination of leases or non-payment of rental;
  - (e) the rental rates and the terms of the renewed leases being less favourable than the current leases; and

- (f) changes in statutory laws, regulations or government policies, which may affect the value of Wisma Academy Parcel and Annex;
- (ii) losses of Wisma Academy Parcel and Annex may be uninsured or under-insured;
- (iii) compulsory acquisition by the Malaysian Government;
- (iv) the sale price for Wisma Academy Parcel and Annex in the future may be less than the current valuation or the purchase price paid by Axis-REIT currently; and
- (v) losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

## 11. EFFECTS OF THE PROPOSALS

### 11.1 Unitholders' capital

The Proposed Acquisitions will not have any effect on the Unitholders' capital, as Axis-REIT will satisfy the Purchase Price of Wisma Academy Parcel and Purchase Price of Annex in cash.

The proforma effects of the Proposed Authority 1 (which will lead to the Proposed Increase In Fund Size 1), Proposed Placement, Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2) and Proposed IDRPs based on the maximum number of new Units which may be issued by Axis-REIT, on the Unitholders' capital are set out in **Table 2**.

The quantum of the increase in Unitholders' capital as a result of new Units to be issued pursuant to the Proposed Authority 2 will depend on quantum of management fee which will be satisfied in the form of new Units and the issue price which will be determined in accordance with the Deed.

The actual number of new Units to be issued pursuant to the Proposed IDRPs will depend on the Board's decision on the size of the electable portion of the income distribution in which the Board, in its absolute discretion, determines that the Proposed IDRPs apply ("**Electable Portion**"), the total number of Units held by the Unitholders who elect to reinvest the entire Electable Portion (or part thereof) in new Units and the issue price which will be determined by the Board on the price-fixing date.

Based on the above and as illustrated in **Table 2**, the existing approved fund size of Axis-REIT would have increased by approximately 39.7% from 453,814,096 Units to a maximum of 634,060,259 Units.

### 11.2 Distributable income

The Manager paid an income distribution of RM59,392,358 (approximately 100% of the realised income available for distribution which was paid out up to 25 November 2011 together with the net income arising from the sale of Axis Northport LC 1 and the brought forward undistributed distributable income) and RM6,353,397 (approximately 99% of the undistributed realised income before tax for the period between 26 November 2011 to 31 December 2011) to the Unitholders. 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 2012.

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.

### **11.3 Substantial Unitholders' unitholdings**

The Proposed Acquisitions will not have any effect on Axis-REIT's substantial Unitholders' direct unitholdings in Axis-REIT.

Any issuance of new Units pursuant to the Proposed Authority 1 (which will lead to the Proposed Increase In Fund Size 1) to be implemented via the Proposed Placement to the Unitholders other than the substantial Unitholders, will dilute the percentage of unitholdings of the substantial Unitholders. Any issuance of new Units by Axis-REIT pursuant to the Proposed Authority 1 which is to be implemented via the Proposed Placement to the substantial Unitholders will increase their unitholdings in Axis-REIT accordingly.

Any issuance of new Units pursuant to the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2) for the purposes of the payment of management fee to the Manager in terms of new Units will dilute the percentage of the unitholdings of the substantial Unitholders in Axis-REIT accordingly.

Based on the Record of Depositors of Axis-REIT as at 31 May 2012, the proforma effects of the Proposed Authority 1, Proposed Placement and Proposed Authority 2 based on the maximum number of new Units which may be issued by Axis-REIT, on Axis-REIT's substantial Unitholders' direct unitholdings in Axis-REIT are set out in **Table 3**.

Any issuance of new Units pursuant to the Proposed IDR Authority will increase the Units held by the substantial Unitholders if the substantial Unitholders elect to reinvest the entire Electable Portion (or part thereof) in new Units. The quantum of such increase will depend on the size of the Electable Portion, the total number of Units held by the substantial Unitholders who elect to reinvest the entire Electable Portion (or part thereof) in new Units and the issue price which will be determined by the Board on the price-fixing date.

### **11.4 Earnings per Unit**

Moving forward, the Proposed Acquisitions are expected to contribute positively to the earnings of the Fund.

Any issuance of new Units pursuant to the Proposed Authority 1 (which will lead to the Proposed Increase In Fund Size 1) to be implemented via the Proposed Placement and the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2) will dilute the earnings per Unit, the quantum of which would depend on the number of new Units to be issued.

Any issuance of new Units pursuant to the Proposed IDR Authority will result in the earnings per Unit being diluted depending on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the entire Electable Portion (or part thereof) in new Units and the issue price which will be determined by the Board on the price-fixing date. However, such reinvested amount will be retained to fund the refurbishment and/or renovation of the properties held by the Trustee, and/or for any other purpose that the Manager and the Trustee deem fit and in the best interest of the Unitholders. The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.



## **11.5 NAV per Unit and gearing**

The proforma effects of the Proposed Acquisitions, Proposed Authority 1 (which will lead to the Proposed Increase In Fund Size 1) and Proposed Placement on the NAV per Unit and gearing of the Fund based on the audited financial statements of Axis-REIT as at 31 December 2011 are set out in **Table 4**.

Any issuance of new Units pursuant to the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2) is expected to improve the NAV per Unit, the extent of which would depend on the total number of new Units to be issued and the issue price which will be determined on the price-fixing date. Any issuance of new Units pursuant to the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2) will result in a decrease in the gearing, the extent of which would depend on the total financing of the Fund.

The IDRPs (which will lead to the Proposed IDRPs Authority) is expected to improve the NAV per Unit and gearing of the Fund. The quantum of the increase will depend on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the entire Electable Portion (or part thereof) in new Units and the issue price which will be determined by the Board on the price-fixing date.

## **12. APPROVALS REQUIRED**

The Proposals are subject to the following approvals being obtained:

### **12.1 Proposed Acquisitions**

- (i) the Trustee, which was obtained on 18 April 2012;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 28 December 2011;
- (iii) Unitholders at a Unitholders' meeting to be convened; and
- (iv) any other relevant authorities and/or parties (if required).

### **12.2 Proposed Authority 1, Proposed Increase In Fund Size 1 and Proposed Placement**

- (i) the Trustee, which was obtained on 14 June 2012;
- (ii) SC for the following:
  - (a) the issuance and listing of up to 90,762,819 new Units to be issued pursuant to the Proposed Authority 1;
  - (b) the Proposed Increase In Fund Size 1; and
  - (c) the proposed value of Bayan Lepas Property and Seberang Perai Property given that Axis-REIT intends to use the Net Proceeds to fully repay Axis-REIT's existing bank financing (including finance cost payable) which was taken up to finance the acquisitions of Bayan Lepas Property and Seberang Perai Property, which were completed on 17 January 2012 and 15 February 2012 respectively;

- (iii) Bursa Securities for the listing of and quotation for up to 90,762,819 new Units to be issued pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement on the Main Market of Bursa Securities;
- (iv) Unitholders at a Unitholders' meeting to be convened; and
- (v) any other relevant authorities and/or parties (if required).

### **12.3 Proposed Authority 2 and Proposed Increase In Fund Size 2**

- (i) the Trustee, which was obtained on 14 June 2012;
- (ii) SC for the following:
  - (a) the issuance and listing of up to 2,000,000 new Units to be issued pursuant to the Proposed Authority 2; and
  - (b) the Proposed Increase In Fund Size 2;
- (iii) Bursa Securities for the listing of and quotation for up to 2,000,000 Units to be issued under the Proposed Authority 2 on the Main Market of Bursa Securities;
- (iv) Unitholders at a Unitholders' meeting to be convened; and
- (v) any other relevant authorities and/or parties (if required).

### **12.4 Proposed IDRП Authority**

- (i) Unitholders at a Unitholders' meeting to be convened; and
- (ii) any other relevant authorities and/or parties (if required).

The approval of Bursa Securities for the implementation of the IDRП was obtained on 31 May 2011.

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

## **13. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED TO THEM**

### **13.1 Proposed Acquisitions**

#### **13.1.1 Directors and major shareholder of the Manager, and major Unitholders**

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) 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 5.95% in the Fund as at 31 May 2012. He is also a major shareholder of ARSB, the vendor to the Wisma Academy Parcel Agreement and Annex Agreement.

Accordingly, Tew Peng Hwee @ Teoh Peng Hwee has abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Acquisitions at the relevant Board meetings. He will abstain and has also undertaken to ensure that persons connected to him will abstain from voting at the forthcoming Unitholders' meeting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Proposed Acquisitions.

### **13.1.2 Persons connected to the directors and major shareholder of the Manager, and major Unitholders**

Save for the following and as disclosed to the Manager by the interested Directors, none of the persons connected to the directors and major shareholder of the Manager, and major Unitholders have any interest, direct or indirect, in the Proposed Acquisitions:

- (i) Tan Siew Geok, who is the spouse of Tew Peng Hwee @ Teoh Peng Hwee has a direct interest of 0.07% in the Fund as at 31 May 2012; and
- (ii) Baiduri Kemas Sdn Bhd ("**BKSB**"), Crystal Properties Sdn Bhd ("**CPSB**") and Prestigious Landmarks Sdn Bhd ("**PLSB**") (all under members' voluntary winding-up) are private companies in which Tew Peng Hwee @ Teoh Peng Hwee has deemed interests pursuant to Section 6A(4) of the Act. BKSB, CPSB, PLSB each has a direct interest of 0.06% in the Fund as at 31 May 2012.

## **13.2 Proposed Authority 1, Proposed Increase In Fund Size 1 and Proposed Placement**

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 Authority 1 (which will lead to the Proposed Increase In Fund Size 1) and Proposed Placement.

## **13.3 Proposed Authority 2 and Proposed Increase In Fund Size 2**

### **13.3.1 Directors and major shareholder of the Manager, and major Unitholders**

Other than as disclosed below, none of the directors and major shareholder of the Manager, and major Unitholders have any interest, direct or indirect, in the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2):

- (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 3.63% in the Fund as at 31 May 2012;
- (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 5.95% in the Fund as at 31 May 2012;
- (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 5.29% in the Fund as at 31 May 2012; and

- (iv) Alvin Dim Lao, the Non-Independent Non-Executive Director of the Manager represents the interest of the Lao family (including that of Alex Lee Lao's) on the Board. He does not have any interest, direct or indirect, in the Manager and the Fund as at 31 May 2012.

Given that the Manager may be receiving the management fee in the form of new Units to be issued pursuant to the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2), if it so decides, Dato' Abas Carl Gunnar bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee, Alex Lee Lao and Alvin Dim Lao are deemed interested in the Proposed Authority 2 and Proposed Increase In Fund Size 2.

Accordingly, they have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Authority 2 and Proposed Increase In Fund Size 2 at the relevant Board meetings. They will abstain and have also undertaken to ensure that persons connected to them will abstain from voting at the forthcoming Unitholders' meeting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Proposed Authority 2 and Proposed Increase In Fund Size 2.

### **13.3.2 Persons connected to the directors and major shareholder of the Manager, and major Unitholders**

Save for the following and as disclosed to the Manager by the interested Directors, none of the persons connected to the directors and major shareholder of the Manager, and major Unitholders have any interest, direct or indirect, in the Proposed Authority 2 (which will lead to the Proposed Increase In Fund Size 2).

- (i) Datin Ka Ya-Shih (also known as Datin Kuyas Emiloglu), who is the spouse of Dato' Abas Carl Gunnar bin Abdullah has a direct interest of 1.07% in the Fund as at 31 May 2012;
- (ii) Tan Siew Geok, who is the spouse of Tew Peng Hwee @ Teoh Peng Hwee has a direct interest of 0.07% in the Fund as at 31 May 2012;
- (iii) Lao, Yin Yong Lee, who is a 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 0.09% in the Fund as at 31 May 2012;
- (iv) Leon Lee Lao, who is a 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 0.22% in the Fund as at 31 May 2012; and
- (iii) BKSB, CPSB and PLSB (all under members' voluntary winding-up) are private companies in which Dato' Abas Carl Gunnar bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee and Alex Lee Lao have deemed interests pursuant to Section 6A(4) of the Act. BKSB, CPSB, PLSB each has a direct interest of 0.06% in the Fund as at 31 May 2012.

### **13.4 Proposed IDR Authority**

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 IDR Authority beyond their respective entitlements as Unitholders, for which all Unitholders are entitled under the IDR, subject to the eligibility criteria set out in the IDR statement, which sets out the terms and conditions of the IDR.

**14. TOTAL AMOUNT TRANSACTED BETWEEN AXIS-REIT AND ARSB FOR THE PRECEDING 12 MONTHS**

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

**15. RELATED PARTY TRANSACTIONS**

With reference to Section 13.1 above, the Proposed Acquisitions are deemed to be related party transactions under Chapter 9 of the REIT Guidelines.

**16. DIRECTORS' STATEMENT**

The Board (other than the interested persons as disclosed in Section 13 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.

**17. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee 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 Price of Wisma Academy Parcel and Purchase Price of Annex, 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 interests of the Unitholders.

**18. ADVISER**

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

**19. 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 the calendar year 2012.

**20. DOCUMENT AVAILABLE FOR INSPECTION**

The Wisma Academy Parcel Agreement, Annex Agreement and valuation reports dated 2 May 2012 in respect of Wisma Academy Parcel and Annex 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 14 June 2012.**

**Table 1: Details of the properties**

Details of properties	Vendor	Purchase consideration	Market value	Status
		RM	RM	
(i) 3-storey office block and a logistics warehouse complex on a parcel of industrial land identified as Pajakan Negeri 4021 Lot 12173 in Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang measuring approximately 3.083 hectares (" <b>Bayan Lepas Property</b> ")	DHL Properties (Malaysia) Sdn Bhd	48,500,000	48,500,000	Completed on 17 January 2012
(ii) 2 parcels of contiguous industrial land identified as PN 3845 for Lot 5641 measuring approximately 54,775 square metres, and HSD 55931 for PT 4118 measuring approximately 0.0823 hectare, both in Mukim 11 District of Seberang Perai Tengah, State of Pulau Pinang built upon with industrial buildings and ancillary buildings (" <b>Seberang Perai Property</b> ")	Apex Properties Sdn Bhd	59,000,000	62,000,000	Completed on 15 February 2012

**Table 2: Unitholders' capital**

	<b>No. of Units</b>
Existing as at 31 May 2012	453,814,096
Issuance of new Units pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement <sup>(1)</sup>	90,762,819
Issuance of new Units pursuant to the Proposed Authority 2 <sup>(2)</sup>	2,000,000
Issuance of new Units pursuant to the Proposed IDRP Authority <sup>(3)</sup>	87,483,344
<b>Enlarged Unitholders' capital</b>	<b>634,060,259</b>

**Notes:**

<sup>(1)</sup> Assuming the maximum number of new Units are issued pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement.

<sup>(2)</sup> Assuming the maximum number of new Units are issued pursuant to the Proposed Authority 2.

<sup>(3)</sup> Assuming the maximum number of new Units are issued pursuant to the Proposed IDRP Authority.

**Table 3: Substantial Unitholders' unitholdings**

Substantial Unitholders	As at 31 May 2012		(I) After the Proposed Authority 1 <sup>(1)</sup>		After (I) and the Proposed Authority 2	
	No. of Units held	%	No. of Units held	%	No. of Units held	%
Employees Provident Fund Board	56,620,805	12.48	56,620,805	10.40	56,620,805	10.36
Kumpulan Wang Persaraan (Diperbadankan)	28,646,795	6.31	28,646,795	5.26	28,646,795	5.24
Tew Peng Hwee @ Teoh Peng Hwee	27,000,008	5.95	27,000,008	4.96	27,000,008	4.94
AmanahRaya Trustee Berhad (Skim Amanah Saham Bumiputera)	24,743,961	5.45	24,743,961	4.54	24,743,961	4.53
Alex Lee Lao	24,015,866	5.29	24,015,866	4.41	24,015,866	4.39

**Note:**

<sup>(1)</sup> Assuming none of the substantial Unitholders subscribe for the new Units to be issued pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement.

**Table 4: NAV per Unit and gearing**

	Audited as at 31 December 2011 RM'000	(I) Significant events previously announced		(II)	After (I), (II) and the Proposed Authority 1 RM'000
		Completed <sup>(1)</sup> RM'000	Yet to be completed <sup>(5)</sup> RM'000	After (I) and the Proposed Acquisitions	
				RM'000	
Unitholders' capital	728,217	728,217	728,217	728,217	<sup>(12)</sup> 965,883
Undistributed distributable income	6,515	6,515	6,515	6,515	6,515
Non-distributable reserve	209,365	<sup>(2)</sup> 210,255	<sup>(6)</sup> 211,083	<sup>(9)</sup> 212,935	212,935
<b>NAV</b>	<b>944,097</b>	<b>944,987</b>	<b>945,815</b>	<b>947,667</b>	<b>1,185,333</b>
Number of Units in circulation ('000)	453,814	453,814	453,814	453,814	<sup>(13)</sup> 544,577
NAV per Unit (RM)	2.0804	2.0823	2.0841	2.0882	2.1766
Total financing	311,338	<sup>(3)</sup> 420,948	<sup>(7)</sup> 447,925	<sup>(10)</sup> 534,073	<sup>(14)</sup> 296,407
Total assets	1,298,431	<sup>(4)</sup> 1,408,931	<sup>(8)</sup> 1,436,736	<sup>(11)</sup> 1,524,736	1,524,736
Gearing (%) <sup>(15)</sup>	23.98	29.88	31.18	35.03	19.44

**Notes:**

**Significant events previously announced**

**Completed**

<sup>(1)</sup> After taking into account the acquisition by the Trustee, on behalf of Axis-REIT, of Bayan Lepas Property from DHL Properties (Malaysia) Sdn Bhd ("**Bayan Lepas Property Acquisition**") and the acquisition by Trustee, on behalf of Axis-REIT, of Seberang Perai Property from Apex Properties Sdn Bhd ("**Seberang Perai Property Acquisition**") for a total cash consideration of RM107.50 million.

<sup>(2)</sup> After taking into account the net fair value gain arising from the Bayan Lepas Property Acquisition and Seberang Perai Property Acquisition of RM0.89 million.

<sup>(3)</sup> Incorporates the impact on financing in relation to the total purchase consideration for the Bayan Lepas Property Acquisition and Seberang Perai Property Acquisition of RM107.50 million and total transaction costs of RM2.11 million.

<sup>(4)</sup> Incorporates the impact on total assets in relation to the fair value adjustment of Bayan Lepas Property and Seberang Perai Property of RM110.50 million.



### **Yet to be completed**

- <sup>(5)</sup> After taking into account the acquisition by the Trustee, on behalf of Axis-REIT, of 2 parcels of contiguous industrial land built upon with industrial buildings and ancillary buildings, held under H.S. (D) No. 103224 for Lot PT 13111 in Mukim of Labu, District of Seremban, State of Negeri Sembilan ("**Nilai Property**") from LRS Property Sdn Bhd for a cash consideration of RM26.5 million ("**Proposed Nilai Property Acquisition**").
- <sup>(6)</sup> After taking into account the fair value gain arising from the Proposed Nilai Property Acquisition of RM0.83 million.
- <sup>(7)</sup> Incorporates the impact on financing for the purchase consideration for the Proposed Nilai Property Acquisition of RM26.5 million and estimated transaction costs of about RM0.48 million.
- <sup>(8)</sup> Incorporates the impact on total assets in relation to the fair value adjustment of Nilai Property of about RM27.8 million.

### **Proposed Acquisitions**

- <sup>(9)</sup> After taking into account the net fair value gain arising from the Proposed Acquisitions of RM1.85 million and the total estimated expenses in relation to the Proposed Acquisitions of about RM1.15 million.
- <sup>(10)</sup> Incorporates the impact on financing for the total purchase consideration for the Proposed Acquisitions of RM85.0 million and total estimated transaction costs of about RM1.15 million.
- <sup>(11)</sup> Incorporates the impact on total assets in relation to the total fair value adjustment of Wisma Academy Parcel and Annex of RM85.0 million.

### **Proposed Authority 1 and Proposed Placement**

- <sup>(12)</sup> Assuming a maximum of 90,762,819 new Units, representing 20% of the existing issued fund size of Axis-REIT, are issued at an issue price of RM2.64 per Unit (representing a discount of 5% to the 5-day VWAMP of the Units up to and including 13 June 2012, being the last trading day immediately prior to this announcement) and after netting-off estimated expenses for issuance of the new Units pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement of about RM2.86 million.
- <sup>(13)</sup> After taking into account the maximum of 90,762,819 new Units which may be issued pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement.
- <sup>(14)</sup> Assuming the entire net proceeds from the issuance of new Units pursuant to the Proposed Authority 1 to be implemented via the Proposed Placement are utilised for the repayment of Axis-REIT's existing bank financing (including finance cost payable) which were taken up to finance the acquisitions of Bayan Lepas Property and Seberang Perai Property which were completed on 17 January 2012 and 15 February 2012 respectively.
- <sup>(15)</sup> Gearing (%) is calculated based on total financing divided by total assets.