

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 BUILT UPON WITH INDUSTRIAL BUILDINGS AND ANCILLARY BUILDINGS, HELD UNDER H.S. (D) NO 103224 FOR LOT PT 13111 MEASURING APPROXIMATELY 13,460.3 SQ. METRES (“FIRST LAND”) AND H.S. (D) 103225 FOR LOT PT 13112 MEASURING APPROXIMATELY 15,976.3 SQ. METRES (“SECOND LAND”), BOTH WITH LAND TENURE OF 99 YEARS LEASEHOLD EXPIRING ON 30 SEPTEMBER 2095 AND IN THE MUKIM OF LABU, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN (COLLECTIVELY “THE PROPERTY”), FROM LRS PROPERTY SDN. BHD. (CO. NO. 388111-X) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM26.5 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 RM26.5 million from LRS Property Sdn. Bhd. (“LRS”).

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 LRS on 12th April 2012 (“SPA”).

Pursuant to the Deed dated 3 April 2009 and Supplemental Deed dated 15 December 2011 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 15 December 2011.

1.2 Information on the Property

The Property is strategically located in Kawasan Perindustrian Nilai 1, Nilai, Negeri Sembilan. Kawasan Perindustrian Nilai 1 together with its neighbouring Kawasan Perindustrian Nilai III, Nilai Inland Port, Nilai Utama and Arab-Malaysia Industrial Park, form part of the massive 3,500 acres of the Nilai Industrial Area.

The Property is sited along Jalan TS Utama, a common entrance road of Kawasan Perindustrian Nilai 1 and Taman Semarak, and is located approximately 5.8 kilometres due north of the Nilai town and approximately 18.7 kilometres due north-west of Seremban. It is accessible from the Kuala Lumpur-Seremban Highway via the Nilai Interchange and also from the newly completed Lebuhraya Kajang-Seremban (LEKAS Highway) via the Pajam Interchange.

LRS had pursuant to the tenancy agreements dated 31 May 2010 and 1 July 2010 respectively (collectively the “Emerson Tenancy Agreements”) rented to Emerson Process Management Manufacturing (M) Sdn Bhd (“Emerson”) the entire buildings built on the First Land and part of the buildings built on the Second Land for a term of 3 years expiring in stages on 31 May 2013 and 30 June 2013, with an option to renew for another period of three (3) years (“Option

for Renewal”) upon the foregoing expiry dates, subject to the terms and conditions contained in the Emerson Tenancy Agreements. Emerson had on 10 February 2012 exercised the Option for Renewal.

The remaining space in part of the buildings built on the Second Land is rented to K-Plastics Industries Sdn Bhd (“K-Plastics Tenancy Agreement”) for a term of two (2) years expiring on 14 July 2012, with an option to renew for a period of one (1) year upon the foregoing expiry dates, subject to the terms and conditions contained in the tenancy agreement dated 9 July 2010.

Collectively, the Emerson Tenancy Agreements and K-Plastics Tenancy Agreement are referred to herein as the “Existing Tenancy Agreements”, the aggregate monthly rental for the Property is RM220,987.50 only.

Further details on the Property are set out below:

- Land Title Details and Particulars of the First and Second Land:**
- (1) HSD 103224 for Lot PT 13111 in the Mukim of Labu, District of Seremban, State of Negeri Sembilan with land tenure of 99 years leasehold expiring on 30 September 2095 (“First Land”); and
 - (2) HSD 103225 for Lot PT 13112 in the Mukim of Labu, District of Seremban, State of Negeri Sembilan with land tenure of 99 years leasehold expiring on 30 September 2095 (“Second Land”).

Land Area:

First Land	approximately 13,460.3 square metres (144,890.2 square feet)
Second Land	approximately 15,976.3 square metres (171,973.1 square feet)

Category of Land use: “Perusahaan/Perindustrian”

- Description of building built upon First and Second Land:**
- On the First Land
- (a) Single storey detached factory with a gross floor area of 60,185 sq. ft.
 - (b) Annexed three storey office building with a gross floor area of 15,000 sq. ft.
 - (c) Double storey canteen/storage building annex with a gross floor area of 5,184 sq. ft.
 - (d) Two (2) guard houses with a gross floor area of 160 sq. ft.
 - (e) Pump house with a gross floor area of 289 sq. ft.
 - (f) Two (2) TNB substations with a gross floor area of 775 sq. ft.

- On the Second Land
- (a) Single storey warehouse with a gross floor area of 96,417 sq. ft.
 - (b) Annexed three storey office building with a gross floor area of 14,667 sq. ft.
 - (c) Ancillary Buildings - guardhouse and motorcycle parking shed.

Gross built up area:	Approximately 192,677 sq. ft.
Postal Address:	For the First Land – Lot No PT 13111, Kawasan Perindustrian Nilai 1, 71800 Nilai, Negeri Sembilan; For the Second Land – Lot No PT 13112, Kawasan Perindustrian Nilai 1, 71800 Nilai, Negeri Sembilan.
Approximate age of buildings:	Lot PT 13111: Approximately 14 years Lot PT 13112: Approximately 5 years
Occupancy rate as at 12th April 2012:	100%
Projected net yield before Islamic financing cost	9% per annum

2. 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 RM26.5 million (“Purchase Price”) is payable in the following manner:-
- (i) A total sum of RM530,000 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 RM2,120,000 being the equivalent of 8% of the Purchase Price (hereinafter called the “Balance Deposit”) shall be paid by OSK to OSK’s Solicitors as stakeholders upon the execution of the SPA;
 - (iii) A total sum of RM23,850,000 being the balance of the purchase price (hereinafter called the “Balance Purchase Price”) shall be paid by OSK to LRS’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 Completion Period subject to interest at the rate of 8% per annum on the sum remaining unpaid at the date of expiry of the Completion Period calculated on a daily basis (as defined in the SPA).
- (b) Upon the execution of the SPA, LRS 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 basis for completion of the Proposed Acquisition of the Property is as follows:-

- (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, directives and guidelines, as the case may be and where applicable;
- (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 LRS and LRS's continued compliance with the same up to the Completion Date and the registration of OSK as the registered proprietor of the said Property;
- (e) the novation and assignment of the Existing Tenancy Agreements ("Novation Agreements") to Axis-REIT on the Completion Date;
- (f) LRS continues to maintain and keep in good repair and condition the Property up to the Completion Date, fair wear and tear excepted; ;
- (g) the purchase of the Property is on an "as is where is" basis in its existing condition as at the date of the SPA and includes some temporary structures erected thereon which has yet to be approved by the relevant authorities; and
- (h) reliance by OSK on each and all of LRS's representations, warranties and undertakings stipulated herein in respect of the Property and the Existing Tenancy Agreements, and the same remain true, accurate and binding in all material respects up to the Completion Date and expiring upon the registration of OSK as the registered proprietor of the said Property;

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) the consent for the transfer of the First Land's Title and the Second Land's Title from LRS in favour of OSK to be obtained from the Pihak Berkuasa Negeri ("Consent to Transfer") by LRS, 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 LRS's Solicitors as stakeholders;
- (b) 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;
- (c) LRS procuring the stamped copies of the original or duplicate Existing Tenancy Agreements together with the Novation Agreements 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 tenants; and

- (d) written confirmation from LRS, 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 tenants for the early termination of its Existing Tenancy Agreements.

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 RM27.805 million as appraised by KGV International Property Consultants (M) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 9 January 2012. 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 existing bank borrowings of Axis-REIT.

3. INFORMATION ON THE VENDOR

LRS Property Sdn. Bhd. ("LRS") is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 22 May 1996. LRS's principal activities are property investment and property management. Its authorised share capital is RM1,000,000 divided into 1,000,000 Ordinary Shares of RM1.00 each and the issued share capital is RM1,000,000.

4. INFORMATION ON THE TENANTS

Emerson Process Management Manufacturing (M) Sdn. Bhd. ("Emerson") is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 30 August 1996. The principal activities of Emerson are manufacturers, producers, supplier, distributor, seller and exporters of control valves for electronics, pneumatic and electro pneumatic equipment, devices and apparatus. Its authorized share capital is RM50,000,000 divided into 50,000,000 Ordinary Shares of RM1.00 each and the issued share capital is RM39,340,000.

K-Plastics Industries Sdn. Bhd. ("K-Plastics") is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 22 August 1996. The principal activities of K-Plastics are manufacturers and sale of plastic and packaging products. 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 RM1,500,000.

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 KGV International Property Consultants (M) Sdn Bhd. 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 RM26.5 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 25.50% of audited total assets as at 31 December 2011, 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 neither 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 in the second half of 2012 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 6th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur during normal office hours from Monday to Friday (except on public holidays) for a period of three (3) months from the date of this announcement:-

- (i) The SPA on the Proposed Acquisition of the Property; and
- (ii) Valuation report on the Property prepared by KGV International Property Consultants (M) Sdn Bhd dated 9 January 2012.

This announcement is dated 12th April 2012.