

## **GENERAL ANNOUNCEMENT:**

**PROPOSED DISPOSAL BY AXIS REAL ESTATE INVESTMENT TRUST (“Axis-REIT” OR THE “FUND”) TO EXCEPTIONAL LANDMARK SDN BHD OF AN INDUSTRIAL PROPERTY BUILT ON LEASEHOLD LAND HELD UNDER H.S.(D) 22390 FOR PT 61, SEKSYEN 15, BANDAR SHAH ALAM, DAERAH PETALING, NEGERI SELANGOR (“KAYANGAN DEPOT”) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM23.6 MILLION (“PROPOSED DISPOSAL OF KAYANGAN DEPOT”)**

### **1. INTRODUCTION**

Reference is made to the announcement dated 14 May 2012 on the Proposed Disposal of Kayangan Depot to be implemented via public tender (“Tender”).

The Board of Directors (“Board”) of Axis REIT Managers Berhad (“ARMB” or “the Manager”), the management company of Axis-REIT, wishes to announce that the Tender has closed and the successful bidder identified was Exceptional Landmark Sdn Bhd (Co. No. 988122-P) (the “Purchaser”).

A sale and purchase agreement (“SPA”) for the Proposed Disposal of Kayangan Depot has been executed today between and OSK Trustees Berhad (“OSK”), the trustee for Axis-REIT (“Trustee”) and the Purchaser and the details of the Proposed Disposal of Kayangan Depot are as follows:

#### **1.1 Proposed Disposal of Kayangan Depot**

Axis-REIT proposes to dispose of Kayangan Depot to the Purchaser for a total lump sum cash consideration of RM23.6 million, which was offered by the Purchaser under the Tender.

The Proposed Disposal of Kayangan Depot had been approved by the Trustee vide their letter dated 9 April 2012.

#### **1.2 Information on Kayangan Depot**

Kayangan Depot is a three (3) storey office cum warehouse complex, two guard houses and some ancillary buildings with one hundred and thirteen (113) open car park bays situated at No. 3, Jalan Keluli 15/16, Section 15, 40200 Shah Alam, Selangor Darul Ehsan and sited on a leasehold land held under H.S.(D) 22390 for PT 61, Section 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor with a land area of 132,697 sq. ft.. The tenure of the lease is ninety-nine (99) years expiring on 12 January 2086. Kayangan Depot is approximately twenty (20) years old. It has a gross floor area of 173,582 sq. ft. and net lettable area of 158,778 sq. ft.. The category of land use is industrial. As at 30 June 2012, Kayangan Depot has an occupancy rate of 65%.

The site bears direct frontage onto Jalan Keluli 15/16 within Section 15, Shah Alam, Selangor Darul Ehsan. Kayangan Depot is located approximately 20 kilometres to the south-west of Petaling Jaya town centre and about 3 kilometres to the south-east of Shah Alam town centre.

Access to Kayangan Depot is easily available from Federal Highway via a slip road leading to Persiaran Sultan, Bulatan Selangor, Persiaran Selangor and thence onto Jalan Keluli 15/16, the metalled frontage road. Alternative access is from Shah Alam Expressway (KESAS Highway) via Persiaran Kuala Selangor

The surrounding of Kayangan Depot is predominantly detached factories cum office buildings of individual design, purpose built factories as well as shop/offices and shop/houses with the nature of business generally education, trading, car sales and service centre and manufacturing.

Further details are set out below:

Description of building:	A three (3) storey office cum warehouse complex, two guard houses and some ancillary buildings
Category of land use:	Perusahaan
Provisional land area:	12,328 square metres
Gross floor area:	Approximately 173,582 square feet (16,126 square metres)
Tenure:	Leasehold 99 years expiring on 12 January 2086
Postal address:	Kayangan Depot No. 3, Jalan Keluli 15/16, Section 15 40200 Shah Alam Selangor Darul Ehsan
Approximate age of building:	20 years old
Occupancy rate as at 30 June 2012 :	65%

## **2.0 DETAILS OF THE PROPOSED DISPOSAL OF KAYANGAN DEPOT**

### **2.1 Salient terms and conditions of the Proposed Disposal of Kayangan Depot**

- (i) The disposal of Kayangan Depot is subject to the existing tenancies of the office and warehouse space upon the terms and conditions contained in the tenancy agreements;
- (ii) The total lump sum cash consideration for Kayangan Depot of RM23.6 million ("Disposal Consideration") is payable in the following manner:-
  - (a) A sum of RM472,000 being the earnest deposit has been paid to OSK's solicitors as stakeholders prior to the execution of the SPA;
  - (b) A sum of RM1,888,000 being the balance deposit ("Balance Deposit") shall be paid to OSK directly upon the execution of the SPA; and
  - (c) The RM21,240,000 being the balance of the Disposal Consideration shall be paid to OSK's solicitors as stakeholders within three (3) months from the date of the SPA or within two (2) months of the Unconditional Date (as defined in the SPA), whichever date is the later ("the Completion Period").
- (iii) Upon the execution of the SPA, OSK shall execute a valid and registrable Memorandum of Transfer for the purpose of effecting the transfer of Kayangan Depot in favour of the Purchaser free from all encumbrances subject to all conditions of title and restrictions in interest whether expressed or implied and the existing category of land use affecting the title to Kayangan Depot and deposit the same with the Purchaser's solicitors as stakeholders, with authorisation to deal with the Memorandum of Transfer on the terms and conditions as set out therein.

## **2.2 Conditions Precedent**

The Proposed Disposal of Kayangan Depot shall be conditional upon the consent for the transfer of Kayangan Depot in favour of the Purchaser from the unitholders of Axis-REIT and the Pihak Berkuasa Negeri by OSK, being fulfilled within six (6) months from the date of the SPA.

## **2.3 Basis of the Disposal Consideration for Kayangan Depot**

The Disposal Consideration for Kayangan Depot is derived from public tender after taking into account the total market value of Kayangan Depot of RM22.0 million as appraised by PA International Property Consultants (KL) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 9 May 2012. The valuation is derived using investment method of valuation and cross-checking with cost methods of valuation and is below the Disposal Consideration of Kayangan Depot.

The Proposed Disposal of Kayangan Depot complies with Clause 9.04(b) of the SC's Guidelines on Real Estate Investment Trusts ("REIT Guidelines").

## **2.4 Liabilities to be assumed by the Purchaser**

The Purchaser will not assume any liabilities pursuant to the Proposed Disposal of Kayangan Depot.

## **3. INFORMATION ON THE PURCHASER**

The Purchaser is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 24 April 2012 whose principal activities is investment holding.

As at to-date, the Purchaser's authorised capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each and its issued and paid-up capital is RM2.00 only. The registered office of the Purchaser is situated at Suite #8-13-6, Mutiara Bangsar, 8, Jalan Liku, 59100 Kuala Lumpur.

## **4. RATIONALE FOR THE PROPOSED DISPOSAL OF KAYANGAN DEPOT**

The Proposed Disposal of Kayangan Depot is in line with the objective of Axis-REIT. The Manager believes that more than 6 years of ownership of the property by Axis-REIT, it has optimized the potential of Kayangan Depot. The Manager also feels that there are limited upside to future rental growth therefore it is an opportune time to dispose and re-deploy the capital for more yield accretive property.

The net gain on the Proposed Disposal of Kayangan Depot is estimated to be RM6.0 million. The net gain will be distributed to unitholders at one lump sum in financial year 2012 which translates to distribution of 1.30 sen per unit.

## **5. EFFECTS OF THE PROPOSED ACQUISITION OF KAYANGAN DEPOT**

### **5.1 Unit Capital and Substantial Unitholders' Unitholding**

The Proposed Disposal of Kayangan Depot will not have any effect on the total units of Axis-REIT in issue and substantial unitholders' unitholding of Axis-REIT.

### **5.2 NAV**

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

### **5.3 Earnings**

The Directors of ARMB expect the gain from the disposal of RM6.0 million from Proposed Disposal of Kayangan Depot to contribute positively to the earnings of the Fund for the financial year ending 31 December 2012.

### **5.4 Utilisation of Disposal Consideration and Gearing**

ARMB intends to distribute the net gain on the disposal of approximately 1.30 sen to unitholders in 2012 by way of tax exempt income distribution. The balance will be used to reduce gearing to provide Axis-REIT with headroom for future acquisition.

The Proposed Disposal of Kayangan Depot will reduce Axis-REIT's gearing ratio to 23% of audited total assets as at 31 December 2011, which is below the gearing limit of 50% prescribed by the REIT Guidelines.

## **6. APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL OF KAYANGAN DEPOT**

The Proposed Disposal of Kayangan Depot is subject to the following approvals being obtained:

- (i) the Trustee, which was obtained on 9 April 2012;
- (ii) Unitholders at a Unitholders' meeting to be convened; and
- (iii) any other relevant authorities and/or parties (if required).

## **7. INTERESTS OF DIRECTORS OF ARMB AND SUBSTANTIAL UNITHOLDERS OF AXIS-REIT**

The Purchaser is a company in which Dato' Abas Carl Gunnar Bin Abdullah and Mr Tew Peng Hwee @ Teoh Peng Hwee are Directors and Substantial Shareholders, hence, the Proposed Disposal of Kayangan Depot is a related party transaction ("RPT") subject to Chapter 9 of the REIT Guidelines.

The Proposed Disposal of Kayangan Depot will be included in the corporate exercises currently undertaken by Axis-REIT (as announced on 14 June 2012) in view that the same shall be aggregated with the proposed acquisitions by Axis-REIT of Wisma Academy and the Annex from Academy Resources Sdn Bhd ("Proposed Acquisitions") which are also RPTs pursuant to the Guidance Note under Clause 9.05 of the REIT Guidelines.

An agency fee arising from the Proposed Disposal of Kayangan Depot will be payable to Hectares & Stratas, a real estate agency which is a firm owned by Mr Tew Peng Hwee @ Teoh Peng Hwee.

## **8. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Disposal of Kayangan Depot is expected to be completed on or before 31 December 2012.

## **9. 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 Disposal of Kayangan Depot; and

- (ii) Valuation report on Kayangan Depot prepared by PA International Property Consultants (KL) Sdn Bhd dated 9 May 2012

This announcement is dated 23<sup>rd</sup> July 2012