

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

PROPOSED ACQUISITIONS BY RHB TRUSTEES BERHAD, ON BEHALF OF AXIS-REIT, OF THREE (3) PROPERTIES SITUATED IN SHAH ALAM, SELANGOR DARUL EHSAN FOR A TOTAL CASH CONSIDERATION OF RM280,500,000

1. INTRODUCTION

On behalf of the Board of Directors of Axis REIT Managers Berhad, the management company of Axis-REIT (“**Manager**”) (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that RHB Trustees Berhad, the trustee for Axis-REIT (“**Trustee**”), on behalf of Axis-REIT, had on 4 August 2014 entered into the following conditional agreements:

- (i) sale and purchase agreement with Great Avenue (M) Sdn Bhd (“**GASB**”) for the acquisition of a piece of freehold land held under H.S.(D) 43148, Lot No. PT 17562, Mukim and District of Klang, State of Selangor Darul Ehsan together with a single-storey detached warehouse with double-storey office annex (“**DC3 Building A**”) together with another single-storey detached warehouse (“**DC3 Building B**”) and a single-storey detached warehouse incorporating a first floor office (“**DC3 Building C**”) as well as miscellaneous structures erected thereon (“**Axis Shah Alam DC3**”), for a cash consideration of RM183,000,000 (“**Axis Shah Alam DC3 Agreement**”) (“**Proposed Axis Shah Alam DC3 Acquisition**”);
- (ii) sale and purchase agreement with Exceptional Landmark Sdn Bhd (“**ELSB**”) for the acquisition of a piece of leasehold land held under H.S.(D) 22390, Lot No. PT 61, Section 15, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with a three (3)-storey office cum warehouse building erected thereon (“**Axis MRO Hub**”), for a cash consideration of RM52,500,000 (“**Axis MRO Hub Agreement**”) (“**Proposed Axis MRO Hub Acquisition**”); and
- (iii) sale and purchase agreement with Able Heights (M) Sdn Bhd (“**AHSB**”) for the acquisition of a piece of leasehold land held under H.S.(D) 293642, Lot No. PT 2233, Section 16, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with a single-storey warehouse cum single-storey and double-storey office building installed with rooftop-mounted solar electric generating system (solar panels) erected thereon (“**Axis Shah Alam DC2**”), for a cash consideration of RM45,000,000 (“**Axis Shah Alam DC2 Agreement**”) (“**Proposed Axis Shah Alam DC2 Acquisition**”).

The Proposed Axis Shah Alam DC2 Acquisition also involves a leaseback arrangement whereby AHSB will be leasing Axis Shah Alam DC2 from the Trustee for a period of three (3) years from the Completion Date of Proposed Axis Shah Alam DC2 Acquisition (as defined in Section 2.3.3 below) (“**Lease Term**”) at the agreed rental.

(The Proposed Axis Shah Alam DC3 Acquisition, Proposed Axis MRO Hub Acquisition and Proposed Axis Shah Alam DC2 Acquisition are collectively referred to as “**Proposed Acquisitions**”)

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Proposed Axis Shah Alam DC3 Acquisition

- 2.1.1 The Proposed Axis Shah Alam DC3 Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Axis Shah Alam DC3 from GASB for a cash consideration of RM183,000,000 (“**Purchase Price of Axis Shah Alam DC3**”).

2.1.2 The Purchase Price of Axis Shah Alam DC3 was arrived at on a willing-buyer willing-seller basis at a discount of approximately 0.13% to the market value of Axis Shah Alam DC3 of RM183,245,000 as appraised by KGV International Property Consultants (M) Sdn Bhd ("**KGV International**"), being the independent registered valuer appointed by the Manager, on behalf of the Fund. KGV International has, in its valuation report dated 3 July 2014, assessed the market value of Axis Shah Alam DC3 at RM183,245,000 using the investment method and comparison method.

2.1.3 Axis-REIT will satisfy the Purchase Price of Axis Shah Alam DC3 in cash, which will be paid in the following manner:

- (i) a sum of RM3,660,000 being the earnest deposit, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Axis Shah Alam DC3 Agreement;
- (ii) a sum of RM14,640,000 being the balance deposit, has been paid to the Trustee's solicitors as stakeholders upon the execution of the Axis Shah Alam DC3 Agreement; and

(The total sum in Sections 2.1.3(i) and (ii) above of RM18,300,000 shall form part payment of the Purchase Price of Axis Shah Alam DC3)

(iii) the balance of the Purchase Price of Axis Shah Alam DC3 amounting to RM164,700,000 ("**Balance Purchase Price of Axis Shah Alam DC3**") shall be paid by the Trustee to GASB's solicitors as stakeholders:

(a) within 30 days from the date on which the last of all the conditions precedent to the Axis Shah Alam DC3 Agreement is fulfilled or complied with in accordance with the Axis Shah Alam DC3 Agreement ("**Unconditional Date of Axis Shah Alam DC3 Agreement**") or such extended period that may be mutually agreed upon in writing between the Trustee and GASB, as the case may be ("**Completion Period of Axis Shah Alam DC3 Agreement**"), in accordance with the Axis Shah Alam DC3 Agreement; or

(b) notwithstanding Section 2.1.3(iii)(a) above:

(aa) in the event the proposed placement of up to 83,579,942 of new units in Axis-REIT ("**Units**") ("**Proposed Placement**") has not been successfully carried out prior to the Completion Period of Axis Shah Alam DC3 Agreement (where the cash proceeds from the Proposed Placement is intended to repay Axis-REIT's existing borrowings, whether wholly or partly, to ensure sufficient bank financing can be obtained to finance the acquisition of Axis Shah Alam DC3); or

(bb) in the event the Trustee requires additional time to raise financing via bank loan to settle the Balance Purchase Price of Axis Shah Alam DC3,

then the Trustee shall at least seven (7) days prior to the expiry of the Completion Period of Axis Shah Alam DC3 Agreement notify GASB's solicitors in writing that it requires additional time to securitise Axis Shah Alam DC3 for the said bank loan, whereupon the Completion Period of Axis Shah Alam DC3 Agreement shall automatically be extended to a further three (3) months.

In the event that the Trustee is unable to pay the Balance Purchase Price of Axis Shah Alam DC3 within the Completion Period of Axis Shah Alam DC3 Agreement (or any extension thereof) for any reason whatsoever (not caused by the default of GASB), GASB shall automatically grant to the Trustee an extension of 30 days from the expiry of the Completion Period of Axis Shah Alam DC3 Agreement (or any extension thereof) to pay the Balance Purchase Price of Axis Shah Alam DC3 subject to interest at a rate of 8% per annum on the sum remaining unpaid to be calculated on a daily rest.

The date on which the Balance Purchase Price of Axis Shah Alam DC3 (together with interest, if any) is paid to GASB's solicitors shall be deemed to be the date the Balance Purchase Price of Axis Shah Alam DC3 is duly received by GASB ("**Completion Date of Proposed Axis Shah Alam DC3 Acquisition**").

Axis-REIT intends to fund the Purchase Price of Axis Shah Alam DC3 entirely through financing.

2.1.4 The other salient terms of the Axis Shah Alam DC3 Agreement are as follows:

- (i) The Proposed Axis Shah Alam DC3 Acquisition is subject to the following conditions:
 - (a) Axis Shah Alam DC3 is free from all encumbrances;
 - (b) the successful novation and/or assignment of all the existing tenancy/lease agreements and such novation and/or assignments to commence on the Completion Date of Proposed Axis Shah Alam DC3 Acquisition;
 - (c) there is no change to the existing category of land use affecting Axis Shah Alam DC3;
 - (d) that the certificate of fitness for occupation and certificates of completion and compliance for all the buildings and structures within Axis Shah Alam DC3 have been duly issued;
 - (e) the monthly rental for part of Axis Shah Alam DC3 leased to LF Logistics Services (M) Sdn Bhd ("**LF Logistics**") for the period between the Completion Date of Proposed Axis Shah Alam DC3 Acquisition up to 30 September 2014 shall not be less than the agreed rental ⁽¹⁾; and

- (f) reliance by the Trustee on each and all of GASB's representations, warranties and undertakings stipulated in the Axis Shah Alam DC3 Agreement in respect of Axis Shah Alam DC3 and existing tenancies/leases and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Axis Shah Alam DC3 Acquisition and deemed repeated on the Completion Date of Proposed Axis Shah Alam DC3 Acquisition.
- (ii) GASB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of Axis Shah Alam DC3 unless and until all the following conditions precedent have been satisfied within three (3) months from the date of the Axis Shah Alam DC3 Agreement:
 - (a) the approval of the shareholders in general meeting of GASB for the sale of Axis Shah Alam DC3 to the Trustee;
 - (b) the approval of GASB's board of directors for the sale of Axis Shah Alam DC3 to the Trustee upon the terms and conditions of the Axis Shah Alam DC3 Agreement;
 - (c) the approval of the unitholders of Axis-REIT ("**Unitholders**");
 - (d) a stamped/unstamped copy of the existing tenancy/lease agreements with the novation and/or assignment of the existing tenancy/lease agreements duly executed by GASB and the tenants; and
 - (e) the approval, consent or authorisation of any other relevant authority and/or parties (if required).

Note:

⁽¹⁾ *Currently, LF Logistics is granted a rent free period of 29% of the net lettable area of Axis Shah Alam DC3 up to 30 September 2014 after which the rent free period will expire and LF Logistics will be paying for the full rent for the said space that they occupy effective 1 October 2014. In the event the Proposed Axis Shah Alam DC3 Acquisition is completed on or before 30 September 2014, GASB will reimburse the shortfall in the rental based on the agreed rental and the total number of days occupied by LF Logistics on or before 30 September 2014.*

- 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 Axis Shah Alam DC3 Acquisition.
- 2.1.6 The Fund does not need to incur any additional financial commitment to put Axis Shah Alam DC3 on-stream.
- 2.1.7 Axis Shah Alam DC3 consists of a piece of land held under H.S.(D) 43148, Lot No. PT 17562, Mukim and District of Klang, State of Selangor Darul Ehsan together DC3 Building A, DC3 Building B and DC3 Building C as well as miscellaneous structures erected thereon.

Other pertinent information on Axis Shah Alam DC3 are as follows:

Postal address	: Lot No. 22202 (17562) Jalan Gambus 33/4 Section 33 40400 Shah Alam Selangor Darul Ehsan
Title details	: H.S.(D) 43148, Lot No. PT 17562, Mukim and District of Klang, State of Selangor Darul Ehsan
Tenure	: Freehold
Net land area	: Approximately 94,022 square metres (about 1,012,074 square feet)
Registered owner	: GASB
Approximate age of building	: DC3 Building A: About six (6) years old DC3 Building B: About three (3) years old DC3 Building C: About two (2) months old
Gross floor area	: DC3 Building A: Approximately 20,280 square metres (about 218,299 square feet) DC3 Building B: Approximately 13,387 square metres (144,099 square feet) DC3 Building C: Approximately 30,747 square metres (330,972 square feet)
Net lettable area	: DC3 Building A: Approximately 20,268 square metres (218,167 square feet) DC3 Building B: Approximately 13,378 square metres (144,000 square feet) DC3 Building C: Approximately 30,000 square metres (322,915 square feet)
Category of land use	: Industry
Property use	: Office/warehouse
Encumbrances	: 1) Caveated by Public Bank Berhad on 12 February 2009 vide Presentation No. 5175/2009 2) Charged to Public Bank Berhad on 18 March 2009 vide Presentation No. 21102/2009
Restrictions-in-interest	: Not stated
Occupancy rate	: 100% as at 2 July 2014
Tenancy description	: As at 2 July 2014, DC3 Building A and DC3 Building B are tenanted by Konsortium Logistik Berhad with their tenancy expiring in 2016 and an option to renew for another five (5) years at a rental to be renegotiated and agreed upon.

Tenancy description (cont'd) : As at 2 July 2014, DC3 Building C is tenanted by LF Logistics with the tenancy expiring in 2020 and an option to renew for another six (6) years at a rental to be renegotiated and agreed upon at least six (6) months prior to the expiry of the lease period.

In addition, as at 2 July 2014, 297,320 square feet of rooftop area from Axis Shah Alam DC3 are tenanted by five (5) tenants for the purposes of mounting a solar electric generating system for a 21-year period with the tenancies expiring in 2033 and 2034.

The total monthly rental for Axis Shah Alam DC3 is approximately RM1.2 million.

Net yield before Islamic financing cost : 7% per annum

Net book value : RM70.7 million based on audited financial statement of GASB as at 31 December 2013.

GASB acquired Axis Shah Alam DC3 in year 2000.

2.2 Proposed Axis MRO Hub Acquisition

2.2.1 The Proposed Axis MRO Hub Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Axis MRO Hub from ELSB for a cash consideration of RM52,500,000 ("**Purchase Price of Axis MRO Hub**").

2.2.2 The Purchase Price of Axis MRO Hub was arrived at on a willing-buyer willing-seller basis at a discount of approximately 0.94% to the market value of Axis MRO Hub of RM53,000,000 as appraised by VPC Alliance (KL) Sdn Bhd, being the independent registered valuer appointed by the Manager, on behalf of the Fund. VPC Alliance (KL) Sdn Bhd has, in its valuation report dated 7 July 2014, assessed the market value of Axis MRO Hub at RM53,000,000 using the investment method and cost method.

2.2.3 Axis-REIT will satisfy the Purchase Price of Axis MRO Hub in cash, which will be paid in the following manner:

- (i) a sum of RM1,050,000 being the earnest deposit, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Axis MRO Hub Agreement;
- (ii) a sum of RM4,200,000 being the balance deposit, has been paid to the Trustee's solicitors as stakeholders upon the execution of the Axis MRO Hub Agreement; and

(The total sum in Sections 2.2.3(i) and (ii) above of RM5,250,000 shall form part payment of the Purchase Price of Axis MRO Hub)

- (iii) the balance of the Purchase Price of Axis MRO Hub amounting to RM47,250,000 (“**Balance Purchase Price of Axis MRO Hub**”) shall be paid by the Trustee to ELSB’s solicitors as stakeholders:
 - (a) within 30 days from the date on which the last of all the conditions precedent to the Axis MRO Hub Agreement is fulfilled or complied with in accordance with the Axis MRO Hub Agreement (“**Unconditional Date of Axis MRO Hub Agreement**”) or such extended period that may be mutually agreed upon in writing between the Trustee and ELSB, as the case may be (“**Completion Period of Axis MRO Hub Agreement**”), in accordance with the Axis MRO Hub Agreement; or
 - (b) notwithstanding Section 2.2.3(iii)(a) above:
 - (aa) in the event the Proposed Placement has not been successfully carried out prior to the Completion Period of Axis MRO Hub Agreement (where the cash proceeds from the Proposed Placement is intended to repay Axis-REIT’s existing borrowings, whether wholly or partly, to ensure sufficient bank financing can be obtained to finance the acquisition of Axis MRO Hub); or
 - (bb) in the event the Trustee requires additional time to raise financing via bank loan to settle the Balance Purchase Price of Axis MRO Hub,

then the Trustee shall at least seven (7) days prior to the expiry of the Completion Period of Axis MRO Hub Agreement notify ELSB’s solicitors in writing that it requires additional time to securitise Axis MRO Hub for the said bank loan, whereupon the Completion Period of Axis MRO Hub Agreement shall automatically be extended to a further three (3) months.

In the event that the Trustee is unable to pay the Balance Purchase Price of Axis MRO Hub within the Completion Period of Axis MRO Hub Agreement (or any extension thereof) for any reason whatsoever (not caused by the default of ELSB), ELSB shall automatically grant to the Trustee an extension of 30 days from the expiry of the Completion Period of Axis MRO Hub Agreement (or any extension thereof) to pay the Balance Purchase Price of Axis MRO Hub subject to interest at a rate of 8% per annum on the sum remaining unpaid to be calculated on a daily rest.

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

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

2.2.4 The other salient terms of the Axis MRO Hub Agreement are as follows:

- (i) The Proposed Axis MRO Hub Acquisition is subject to the following conditions:
 - (a) Axis MRO Hub is free from all encumbrances;

- (b) the successful novation and/or assignment of all the existing tenancy/lease agreements and such novation and/or assignments to commence on the Completion Date of Proposed Axis MRO Hub Acquisition;
 - (c) there is no change to the existing category of land use affecting Axis MRO Hub;
 - (d) that the certificate of completion and compliance for all the buildings and structures within Axis MRO Hub have been duly issued;
 - (e) the monthly rental for Axis MRO Hub for the period between the Completion Date of Proposed Axis MRO Hub Acquisition up to 30 June 2015 shall not be less than the agreed rental; and
 - (f) reliance by the Trustee on each and all of ELSB's representations, warranties and undertakings stipulated in the Axis MRO Hub Agreement in respect of Axis MRO Hub and existing tenancies/leases and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Axis MRO Hub Acquisition and deemed repeated on the Completion Date of Proposed Axis MRO Hub Acquisition.
- (ii) ELSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of Axis MRO Hub unless and until all the following conditions precedent have been satisfied within six (6) months from the date of the Axis MRO Hub Agreement:
- (a) the consent for the transfer of Axis MRO Hub from ELSB in favour of the Trustee to be obtained from the State Authority by ELSB, at its own cost and expense, to facilitate the transfer of Axis MRO Hub in favour of the Trustee;
 - (b) the approval of the shareholders in general meeting of ELSB for the sale of Axis MRO Hub to the Trustee;
 - (c) the approval of ELSB's board of directors for the sale of Axis MRO Hub to the Trustee upon the terms and conditions of the Axis MRO Hub Agreement;
 - (d) the approval of the Unitholders;
 - (e) a stamped copy of the existing lease agreements with the novation and/or assignment of the existing lease agreements duly executed by ELSB and the tenant; and
 - (f) the approval, consent or authorisation of any other relevant authority and/or parties (if required).

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 Axis MRO Hub Acquisition.

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

2.2.7 Axis MRO Hub consists of a piece of land held under H.S.(D) 22390, Lot No. PT 61, Section 15, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with a three (3)-storey office cum warehouse building erected thereon.

Other pertinent information on Axis MRO Hub are as follows:

Postal address	: No. 3, Jalan Keluli 15/16 Section 15 40200 Shah Alam Selangor Darul Ehsan
Title details	: H.S.(D) 22390, Lot No. PT 61, Section 15, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Tenure	: Leasehold for 99 years, expiring on 12 January 2086 (i.e. an unexpired term of about 71 years remaining)
Title land area	: 12,328 square metres (132,697 square feet)
Registered owner	: ELSB
Approximate age of building	: About 22 years old
Gross floor area	: Approximately 15,997 square metres (172,189 square feet)
Net lettable area	: Approximately 14,983 square metres (161,280 square feet)
Category of land use	: Industry ⁽¹⁾
Property use	: Office/warehouse
Encumbrances	: Charged to CIMB Bank Berhad vide Presentation No. 139715/2012 dated 26 December 2012
Restrictions-in-interest	: The land cannot be transferred, leased or charged unless with the consent from the State Authority
Occupancy rate	: 100% as at 30 June 2014
Tenancy description	: As at 30 June 2014, Axis MRO Hub is tenanted by SR Technics Malaysia Sdn Bhd for 8.5 years from 1 July 2013 with the tenancy expiring on 31 December 2021.

The total monthly rental for Axis MRO Hub is approximately RM308,000. The rental for Axis MRO Hub will increase by approximately 10% commencing from 1 July 2015.

Net yield before Islamic financing cost : 7% per annum

Net book value : RM43.0 million based on the audited financial statement of ELSB as at 31 December 2013

Note:

⁽¹⁾ Express condition: Heavy industry.

2.3 Proposed Axis Shah Alam DC2 Acquisition

2.3.1 The Proposed Axis Shah Alam DC2 Acquisition involves the acquisition by the Trustee, on behalf of the Fund, of Axis Shah Alam DC2 from AHSB for a cash consideration of RM45,000,000 ("**Purchase Price of Axis Shah Alam DC2**").

2.3.2 The Purchase Price of Axis Shah Alam DC2 was arrived at on a willing-buyer willing-seller basis at a discount of approximately 2.17% to the market value of Axis Shah Alam DC2 of RM46,000,000 as appraised by First Pacific Valuers Property Consultants Sdn Bhd, being the independent registered valuer appointed by the Manager, on behalf of the Fund. First Pacific Valuers Property Consultants Sdn Bhd has, in its valuation report dated 8 July 2014, assessed the market value of Axis Shah Alam DC2 at RM46,000,000 using the investment method and cost method.

2.3.3 Axis-REIT will satisfy the Purchase Price of Axis Shah Alam DC2 in cash, which will be paid in the following manner:

- (i) a sum of RM900,000 being the earnest deposit, has been paid to the Trustee's solicitors as stakeholders prior to the date of the Axis Shah Alam DC2 Agreement;
- (ii) a sum of RM3,600,000 being the balance deposit, has been paid to the Trustee's solicitors as stakeholders upon the execution of the Axis Shah Alam DC2 Agreement; and

(The total sum in Sections 2.3.3(i) and (ii) above of RM4,500,000 shall form part payment of the Purchase Price of Axis Shah Alam DC2)

- (iii) the balance of the Purchase Price of Axis Shah Alam DC2 amounting to RM40,500,000 ("**Balance Purchase Price of Axis Shah Alam DC2**") shall be paid by the Trustee to AHSB's solicitors as stakeholders:
 - (a) within 30 days from the date on which the last of all the conditions precedent to the Axis Shah Alam DC2 Agreement is fulfilled or complied with in accordance with the Axis Shah Alam DC2 Agreement ("**Unconditional Date of Axis Shah Alam DC2 Agreement**") or such extended period that may be mutually agreed upon in writing between the Trustee and AHSB, as the case may be ("**Completion Period of Axis Shah Alam DC2 Agreement**"), in accordance with the Axis Shah Alam DC2 Agreement; or

- (b) notwithstanding Section 2.3.3(iii)(a) above:
 - (aa) in the event the Proposed Placement has not been successfully carried out prior to the Completion Period of Axis Shah Alam DC2 Agreement (where the cash proceeds from the Proposed Placement is intended to repay Axis-REIT's existing borrowings, whether wholly or partly, to ensure sufficient bank financing can be obtained to finance the acquisition of Axis Shah Alam DC2); or
 - (bb) in the event the Trustee requires additional time to raise financing via bank loan to settle the Balance Purchase Price of Axis Shah Alam DC2,

then the Trustee shall at least seven (7) days prior to the expiry of the Completion Period of Axis Shah Alam DC2 Agreement notify AHSB's solicitors in writing that it requires additional time to securitise Axis Shah Alam DC2 for the said bank loan, whereupon the Completion Period of Axis Shah Alam DC2 Agreement shall automatically be extended to a further three (3) months.

In the event that the Trustee is unable to pay the Balance Purchase Price of Axis Shah Alam DC2 within the Completion Period of Axis Shah Alam DC2 Agreement (or any extension thereof) for any reason whatsoever (not caused by the default of AHSB), AHSB shall automatically grant to the Trustee an extension of 30 days from the expiry of the Completion Period of Axis Shah Alam DC2 Agreement (or any extension thereof) to pay the Balance Purchase Price of Axis Shah Alam DC2 subject to interest at a rate of 8% per annum on the sum remaining unpaid to be calculated on a daily rest.

The date on which the Balance Purchase Price of Axis Shah Alam DC2 (together with interest, if any) is paid to AHSB's solicitors shall be deemed to be the date the Balance Purchase Price of Axis Shah Alam DC2 is duly received by AHSB ("**Completion Date of Proposed Axis Shah Alam DC2 Acquisition**").

Axis-REIT intends to fund the Purchase Price of Axis Shah Alam DC2 entirely through financing.

2.3.4 The other salient terms of the Axis Shah Alam DC2 Agreement are as follows:

- (i) The Proposed Axis Shah Alam DC2 Acquisition is subject to the following conditions:
 - (a) Axis Shah Alam DC2 is free from all encumbrances;
 - (b) the successful novation and/or assignment of all the existing tenancy/lease agreements in respect of the solar panels and such novation and/or assignments to commence on the Completion Date of Proposed Axis Shah Alam DC2 Acquisition;
 - (c) there is no change to the existing category of land use affecting Axis Shah Alam DC2;

- (d) that the certificate of completion and compliance for all the buildings and structures within Axis Shah Alam DC2 ("**CCC for Axis Shah Alam DC2**") has been duly issued; and
 - (e) reliance by the Trustee on each and all of AHSB's representations, warranties and undertakings stipulated in the Axis Shah Alam DC2 Agreement in respect of Axis Shah Alam DC2 and existing tenancies/leases and the same remain true, accurate and binding in all material respects up to the Completion Date of Proposed Axis Shah Alam DC2 Acquisition and deemed repeated on the Completion Date of Proposed Axis Shah Alam DC2 Acquisition.
- (ii) AHSB shall not be obliged to complete the sale of, and the Trustee shall not be obliged to complete the purchase of Axis Shah Alam DC2 unless and until all the following conditions precedent have been satisfied within three (3) months from the date of the Axis Shah Alam DC2 Agreement:
- (a) the issuance of the CCC for Axis Shah Alam DC2 by the relevant authorities and/or person(s), to be obtained by AHSB;
 - (b) the approval of the shareholders in general meeting of AHSB for the sale of Axis Shah Alam DC2 to the Trustee;
 - (c) the approval of AHSB's board of directors for the sale of Axis Shah Alam DC2 to the Trustee upon the terms and conditions of the Axis Shah Alam DC2 Agreement;
 - (d) the approval of the Unitholders;
 - (e) a stamped copy of the existing tenancy/lease agreements with the novation and/or assignment of the existing tenancy/lease agreements in respect of the solar panels duly executed by AHSB and the tenants; and
 - (f) the approval, consent or authorisation of any other relevant authority and/or parties (if required).
- (iii) AHSB shall execute the tenancy agreement for an area measuring approximately 164,400 square feet for the Lease Term based on a total rental of RM263,040 per month ("**Agreed Rental**") ("**Axis Shah Alam DC2 Tenancy Agreement**"), where upon execution it shall be deposited with the Trustee's solicitors as stakeholders.

Salient terms of the Axis Shah Alam DC2 Tenancy Agreement

- (a) The Trustee agrees to lease and AHSB agrees to rent Axis Shah Alam DC2 for the Lease Term based on the Agreed Rental subject to the terms and conditions of the Tenancy Agreement;
- (b) The Agreed Rental shall be payable monthly in advance on or before the 7th day of every calendar month during the Lease Term;

- (c) The Trustee irrevocably grants to AHSB an option to renew the tenancy of Axis Shah Alam DC2 upon the expiry of the Lease Term, for a further term of three (3) years from the expiry of the Lease Term at the revised monthly rental to be mutually agreed based on prevailing market rate but subject always that such revised rental shall not being lower than the last prevailing rental for Axis Shah Alam DC2 upon the same terms and conditions of the Axis Shah Alam DC2 Axis Shah Alam DC2 Tenancy Agreement (“**Option to Renew**”). In this regard, AHSB shall exercise the Option to Renew at least three (3) months prior to the expiry of the Lease Term;
- (d) AHSB shall, upon execution of the Axis Shah Alam DC2 Tenancy Agreement, pay the Trustee RM789,120 as security deposit for the due observance and performance by AHSB of all its duties and obligations under the Axis Shah Alam DC2 Tenancy Agreement (“**Security Deposit**”). The Security Deposit shall be maintained at the said amount during the Lease Term;
- (e) AHSB agrees to pay for all charges for electricity, telephone, sewerage, gas, and all other charges for utilities, amenities and services (if any) from time to time payable in respect of the same being supplied to Axis Shah Alam DC2 and pay the necessary deposits that may be payable to facilitate the supply thereof; and
- (f) AHSB shall maintain Axis Shah Alam DC2 (including all fixtures and fittings annexed, attached or erected thereon in good tenable and repair condition and conform to all laws, orders and regulations of all governmental, local or state authorities applicable to AHSB’s use of Axis Shah Alam DC2 (including being responsible and liable to repair all damages caused to Axis Shah Alam DC2.

2.3.5 Other than as disclosed in Sections 2.3.3 and 2.3.4 above, Axis-REIT will not be assuming any liability (including contingent liabilities and guarantees) under the Proposed Axis Shah Alam DC2 Acquisition.

2.3.6 The Fund does not need to incur any additional financial commitment to put Axis Shah Alam DC2 on-stream.

2.3.7 Axis Shah Alam DC2 consists of a piece of land held under H.S.(D) 293642, Lot No. PT 2233, Section 16, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with a single-storey warehouse cum single-storey and double-storey office building installed with rooftop-mounted solar electric generating system erected thereon.

Other pertinent information on Axis Shah Alam DC2 are as follows:

Postal address : Lot Nos. 10 and 12, Jalan Pahat 16/8A
 Lot Nos. 11 and 13, Jalan Gudang 16/9
 Section 16
 40200 Shah Alam
 Selangor Darul Ehsan

Title details : H.S.(D) 293642, Lot No. PT 2233, Section 16,
 Town of Shah Alam, District of Petaling, State of
 Selangor Darul Ehsan

Tenure	: Leasehold for 99 years, expiring on 8 August 2066 (i.e. an unexpired term of about 52 years remaining)
Title land area	: 23,923 square metres (257,507 square feet)
Registered owner	: AHSB
Approximate age of building	: Warehouse: About 30 years old Office: About four (4) years old
Gross floor area/Net lettable area	: Warehouse: Approximately 14,522 square metres (about 156,320 square feet) Office: Approximately 1,424 square metres (about 15,330 square feet)
Category of land use	: Industry
Property use	: Warehouse/office
Encumbrances	: 1) Charged to Hong Leong Bank Berhad vide Presentation No. 50779/2002 registered on 13 August 2002 2) Presentation No. 70575/2013 vesting order by the Court of the charged Presentation No. 50779/2002 from EON Bank Berhad to Hong Leong Bank Berhad registered on 26 November 2013
Restrictions-in-interest	: Not stated
Occupancy rate	: 100% as at 4 July 2014
Tenancy description	: As at 4 July 2014, 145,312 square feet of rooftop area from Axis Shah Alam DC2 are tenanted by two (2) tenants for the purposes of mounting a solar electric generating system for a 21-year period with the tenancies expiring in 2033. Pursuant to the Axis Shah Alam DC2 Tenancy Agreement, AHSB will be leasing the entire warehouse and office area based on a total monthly rental of RM263,040 for a period of three (3) years from the Completion Date of Proposed Axis Shah Alam DC2 Acquisition.
Net yield before Islamic financing cost	: 7% per annum
Net book value	: RM9.3 million based on the audited financial statement of AHSB as at 31 December 2013. AHSB acquired Axis Shah Alam DC2 in year 2002.

3. INFORMATION ON GASB, ELSB AND AHSB

3.1 Information on GASB

GASB was incorporated in Malaysia under the Companies Act, 1965 (“Act”) on 23 April 1991 as a private limited company under its present name. As at 17 June 2014, its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

GASB is an investment holding company and is principally involved in letting of properties.

GASB is a company in which the following director and one of the ultimate major shareholders of the Manager, who is also a substantial Unitholder, has interest by virtue of his directorship and direct shareholding in GASB:

<u>Interested party</u>	<u>Nature of interest</u>	<u>Shareholding in GASB</u>
		%
Tew Peng Hwee @ Teoh Peng Hwee (“ Tew Peng Hwee ”)	Director and substantial shareholder	50

Noorizan binti Ismail and Chieng Ing Huong hold the remaining 50% equity interest in GASB, with each of them holding 25% equity interest in GASB.

3.2 Information on ELSB

ELSB was incorporated in Malaysia under the Act on 24 April 2012 as a private limited company under its present name. As at 17 June 2014, its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

ELSB is a property investment holding company.

ELSB is a company in which the following directors and ultimate major shareholders of the Manager, who are also Unitholders, have interest by virtue of their directorships and direct shareholdings in ELSB:

<u>Interested party</u>	<u>Nature of interest</u>	<u>Shareholding in ELSB</u>
		%
Tew Peng Hwee	Director and substantial shareholder	50
Dato’ Abas Carl Gunnar bin Abdullah (“ Dato’ Abas Carl ”)	Director and substantial shareholder	50

3.3 Information on AHSB

AHSB was incorporated in Malaysia under the Act on 18 November 1991 as a private limited company under its present name. As at 17 June 2014, its authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM500,000 comprising 500,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

AHSB is an investment holding company.

AHSB is a company in which the following director and one of the ultimate major shareholders of the Manager, who is also a substantial Unitholder, has interest by virtue of his directorship and direct shareholding in AHSB:

<u>Interested party</u>	<u>Nature of interest</u>	<u>Shareholding in AHSB</u> %
Tew Peng Hwee	Director and substantial shareholder	75

Tan Kim Chuan holds the remaining 25% equity interest in AHSB.

4. **CONDITIONALITY**

The Proposed Axis Shah Alam DC3 Acquisition, Proposed Axis MRO Hub Acquisition and Proposed Axis Shah Alam DC2 Acquisition are not inter-conditional.

5. **RATIONALE FOR THE 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 are expected to benefit the Fund in the long-term as a result of economies of scale.

6. **PROSPECTS**

The Board believes that the high demand for industrial properties in these locations would suggest that Axis Shah Alam DC3, Axis MRO Hub and Axis Shah Alam DC2 should continue to attract demand. Hence, the Board believes that the Proposed Acquisitions will contribute positively to the future performance of the Fund.

7. **RISK FACTORS**

The completion of the Proposed Acquisitions is conditional upon certain conditions precedent set out in the Axis Shah Alam DC3 Agreement, Axis MRO Hub Agreement and Axis Shah Alam DC2 Agreement being fulfilled, complied and/or waived, as the case may be, which include, among others, the approvals from the relevant authorities and/or parties 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/or parties and Unitholders.

In addition, some of the risk factors (which may not be exhaustive) pertaining to the Proposed Acquisitions are as follows:

- (i) non-completion risk of the Proposed Acquisitions;
- (ii) the gross rental income and the value of Axis Shah Alam DC3, Axis MRO Hub and Axis Shah Alam DC2 may be affected by a number of factors including but not limited to:
 - (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 Axis Shah Alam DC3, Axis MRO Hub and Axis Shah Alam DC2;
- (iii) compulsory acquisition by the Malaysian Government;
 - (iv) the sale price for Axis Shah Alam DC3, Axis MRO Hub and Axis Shah Alam DC2 in the future may be less than the current valuation or the purchase price paid by Axis-REIT; and
 - (v) losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

8. EFFECTS OF THE PROPOSALS

8.1 Unitholders' capital

The Proposed Acquisitions will not have any effect on the Unitholders' capital, as Axis-REIT will satisfy the Purchase Price of Axis Shah Alam DC3, Purchase Price of Axis MRO Hub and Purchase Price of Axis Shah Alam DC2 in cash.

8.2 Distributable income

The Manager has paid an income distribution of 18.50 sen per Unit for the financial year ended 31 December 2013 (approximately 99.9% of Axis-REIT's income available for distribution).

The Proposed Acquisitions are not expected to have any material effect on Axis-REIT's distribution 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.

8.3 Substantial Unitholders' unitholdings

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

8.4 Earnings per Unit

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

8.5 NAV per Unit and gearing

The proforma effects of the Proposed Acquisitions on the NAV per Unit and gearing of the Fund based on the audited financial statement of Axis-REIT as at 31 December 2013 are set out in **Table 1**.

9. APPROVALS REQUIRED

The Proposed Acquisitions are subject to the following approvals and consents being obtained:

- (i) the Trustee, which was obtained on 18 June 2014 and 4 July 2014 in respect of the Proposed Acquisitions;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 16 July 2014;
- (iii) Unitholders at a meeting of the Unitholders ("**Unitholders' Meeting**") to be convened;
- (iv) the State Authority's consent for the transfer of Axis MRO Hub from ELSB in favour of the Trustee; and
- (v) any other relevant authorities and/or parties (if required).

The application to the State Authority is expected to be submitted within three (3) months from the date of this announcement.

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

10.1 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) Dato' Abas Carl, the Non-Independent 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 3.03% in the Fund as at 15 July 2014. He is also a director and substantial shareholder of ELSB, the vendor to the Axis MRO Hub Agreement; and
- (ii) Tew Peng Hwee, the Non-Independent Non-Executive Director of the Manager is also one of the ultimate major shareholders of the Manager and a substantial Unitholder, having an indirect interest of 100% in the Manager and direct interest of 5.88% in the Fund as at 15 July 2014. He is also a director and substantial shareholder of GASB, ELSB and AHSB, the vendors to the Axis Shah Alam DC3 Agreement, Axis MRO Hub Agreement and Axis Shah Alam DC2 Agreement respectively.

Accordingly, Dato' Abas Carl has abstained and will continue to abstain from deliberating and voting on the resolution pertaining to the Proposed Axis MRO Hub Acquisition at the relevant Board meetings. He will abstain and have 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 resolution pertaining to the Proposed Axis MRO Hub Acquisition.

Tew 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 have 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.

10.2 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) Datin Ka Ya-Shih (*also known as Datin Kuyas Emiloglu*), who is the spouse of Dato' Abas Carl, has a direct interest of 1.08% in the Fund as at 15 July 2014, is deemed interested in the Proposed Axis MRO Hub Acquisition;
- (ii) Amanda Tan Myhre, who is the daughter of Dato' Abas Carl, has a direct interest of 0.01% in the Fund as at 15 July 2014, is deemed interested in the Proposed Axis MRO Hub Acquisition; and
- (iii) Tan Siew Geok, who is the spouse of Tew Peng Hwee, has a direct interest of 0.07% in the Fund as at 15 July 2014, is deemed interested in the Proposed Acquisitions.

11. TOTAL AMOUNT TRANSACTED BETWEEN AXIS-REIT AND GASB, ELSB OR AHSB FOR THE PRECEDING 12 MONTHS

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

12. RELATED PARTY TRANSACTIONS

With reference to Section 10 above, the Proposed Acquisitions are deemed to be related party transactions under Chapter 9 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia.

13. DIRECTORS' STATEMENT

The Board (other than the interested persons as disclosed in Section 10.1 above (where applicable)), having considered all aspects of the Proposed Acquisitions and after careful deliberation, is of the opinion that the Proposed Acquisitions are in the best interest of the Fund.

14. 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 Axis Shah Alam DC3, Purchase Price of Axis MRO Hub and Purchase Price of Axis Shah Alam DC2, 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.

15. ADVISER

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

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisitions are expected to be completed by the fourth quarter of the calendar year 2014.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents 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 three (3) months from the date of this announcement:

- (i) Axis Shah Alam DC3 Agreement;
- (ii) Axis MRO Hub Agreement;
- (iii) Axis Shah Alam DC2 Agreement; and
- (iv) valuation reports dated 3 July 2014, 7 July 2014 and 8 July 2014 in respect of Axis Shah Alam DC3, Axis MRO Hub and Axis Shah Alam DC2 respectively.

This announcement is dated 4 August 2014.

Table 1: NAV per Unit and gearing

	Audited as at 31 December 2013	(I)		After (I) and the Proposed Acquisitions ⁽⁷⁾
		Significant events previously announced		
	RM'000	Disposal of Axis Plaza and distribution of net gain ⁽¹⁾	Issuance of new Units pursuant to the income distribution reinvestment plan	RM'000
	RM'000	RM'000	RM'000	RM'000
Unitholders' capital	750,966	750,966	⁽⁵⁾ 758,810	758,810
Undistributed distributable income	21,355	⁽²⁾ 21,355	21,355	21,355
Non-distributable reserve	256,319	⁽³⁾ 246,981	246,981	⁽⁸⁾ 244,692
NAV	1,028,640	1,019,302	1,027,146	1,024,857
Number of Units in circulation (‘000)	461,239	461,239	⁽⁶⁾ 463,700	463,700
NAV per Unit (RM)	2.23	2.21	2.21	2.21
Total financing	528,004	⁽⁴⁾ 505,308	505,308	⁽⁹⁾ 789,842
Total assets	1,616,523	1,584,489	⁽⁵⁾ 1,592,333	^{(7), (8)} 1,874,578
Gearing (%) ⁽¹⁰⁾	32.66	31.89	31.73	42.13

Notes:

Significant events previously announced

⁽¹⁾ After taking into account:

(i) the disposal by the Trustee, on behalf of Axis-REIT, of a five (5)-storey office/warehouse property built on freehold land held under GRN 131735 for Lot 52746, situated in the town of Glenmarie, District of Petaling, State of Selangor (“**Axis Plaza**”) to Collective Developers Sdn Bhd for a total cash consideration of RM34.0 million (“**Disposal of Axis Plaza**”) less transaction costs of RM0.352 million. The Disposal of Axis Plaza was completed on 25 March 2014; and

(ii) the distribution of net gain on the Disposal of Axis Plaza of RM10.952 million to the Unitholders.

⁽²⁾ After taking into account:

(i) the net gain on disposal of RM1.614 million which was calculated based on the disposal price of RM34.0 million less book value Axis Plaza as at 28 February 2014 of RM32.034 million and transaction costs of RM0.352 million;

(ii) the realisation of previously recognised fair value gain arising from the Disposal of Axis Plaza of RM9.338 million; and

(iii) the distribution of net gain on the Disposal of Axis Plaza of RM10.952 million to the Unitholders.

⁽³⁾ After taking into account the realisation of previously recognised fair value gain arising from the Disposal of Axis Plaza of RM9.338 million from non-distributable reserve to undistributed distributable income.

⁽⁴⁾ After taking into account the utilisation of part of the net proceeds of RM33.648 million from the Disposal of Axis Plaza for the repayment of part of Axis-REIT’s bank financing of RM22.696 million.

⁽⁵⁾ 2,461,009 new Units were issued and allotted on 13 June 2014 at an issue price of RM3.20 per Unit and after netting-off expenses for the said issuance of about RM31,000.

⁽⁶⁾ After taking into account 2,461,009 new Units which were issued pursuant to the income distribution reinvestment plan which was applied to the first interim income distribution in respect of the period from 1 January 2014 to 31 March 2014.

Notes (cont'd):

Proposed Acquisitions

- ⁽⁷⁾ After taking into account the Proposed Acquisitions for a total cash consideration of RM280.5 million and the total estimated expenses in relation to the Proposed Acquisitions of about RM4.034 million.
- ⁽⁸⁾ After taking into account the net fair value loss arising from the Proposed Acquisitions of RM2.289 million.
- ⁽⁹⁾ After incorporating the impact on financing for the total purchase consideration for the Proposed Acquisitions of RM280.5 million and total estimated transaction costs of about RM4.034 million.
- ⁽¹⁰⁾ Gearing is calculated based on total financing divided by total assets multiplied by 100%.