

**GENERAL ANNOUNCEMENT:  
AXIS REAL ESTATE INVESTMENT TRUST (“AXIS-REIT” OR “FUND”)**

**PROPOSED ACQUISITION BY AXIS-REIT OF FOUR (4) SINGLE STOREY DETACHED FACTORIES, ANNEXED WITH TWO-STOREY OFFICE BUILDING WITHIN KAWASAN PERINDUSTRIAN I-PARK, KULAI, HELD UNDER FREEHOLD TITLES H.S.(D) 64396 FOR NO PTD 107901, H.S.(D) 64395 FOR NO PTD 107900, H.S.(D) 64394 FOR NO PTD 107899, H.S.(D) 64393 FOR NO PTD 107898 ALL IN MUKIM KULAI, DAERAH KULAIJAYA, NEGERI JOHOR DARUL TAKZIM (COLLECTIVELY REFERRED TO AS “THE PROPERTY”) FROM AXIS AME IP SDN. BHD. (CO. NO. 1024700-M) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM61.0 MILLION (“PROPOSED ACQUISITION OF THE PROPERTY”)**

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**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 RHB Trustees Berhad (“RHB” or “Trustee”), the trustee for Axis-REIT, has entered into a sale and purchase 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 RM61.0 million from Axis AME IP Sdn Bhd (“AAIP” or “Vendor”), a company which is a related party to certain Directors of ARMB who are also unitholders of Axis-REIT.

The terms of the Proposed Acquisition of the Property had been reviewed by the Audit Committee of ARMB and the Audit Committee is satisfied that the Proposed Acquisition of the Property is in the best interest of the Fund, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority unitholders of Axis-REIT.

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 RHB and AAIP on 11 November 2015 (“SPA”).

Pursuant to the Third Principal Deed dated 28 November 2013 entered into between RHB and ARMB constituting Axis-REIT, RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Property, vide their letter dated 15 October 2015. The Trustee has also given its written confirmation dated 11 November 2015 confirming that the Proposed Acquisition of the Property is based on normal commercial terms, at arm’s length and not prejudicial to the unitholders’ interest in accordance with Clause 9.05(b) of the Guidelines on the Real Estate Investment Trusts issued by the Securities Commission Malaysia (“SC”), issued on 21 August 2008 and updated on 28 December 2012 (“REIT Guidelines”).

**1.2 Information on the Property**

The Property is located within Kawasan Perindustrian i-Park, Indahpura at approximately 5 kilometres to the south of Kulai town centre and 35 kilometres northwest of Johor Bahru city centre. It occupies a corner position along northern side of Jalan i-Park 1/10.

i-Park is a 230 acres gated and guarded industrial scheme in Indahpura. Phase 1 & 2 covers a total area of about 105 acres featuring clean and green concept, detached and semi-detached factories while Phase 3 has a total land area of about 125 acres offering large sites ranging from 1 to 40 acres. i-Park is located in Flagship Zone E of Iskandar Malaysia, connected and accessible by all major road networks connecting the key development zones in Iskandar Malaysia.

The Property consists of four (4) adjacent buildings/structures:

	Title Particulars	Area	Plot	Buildings/Structures
1.	H.S.(D) 64396 for No PTD 107901 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	1.3771 hectare	126	Single storey detached factory, annexed 2-storey office building and other supporting structures
2	H.S.(D) 64395 for No PTD 107900 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	0.8256 hectare	127	Single storey detached factory, annexed 2-storey office building and bin centre
3	H.S.(D) 64394 for No PTD 107899 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	0.8303 hectare	128	Single storey detached factory, annexed 2-storey office building and bin centre
4	H.S.(D) 64393 for No PTD 107898 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	0.9172 hectare	129	Single storey detached factory, annexed 2-storey office building and other supporting structures

Other pertinent information of the Property are as follows:

Property Address : Plots 126 – 129, Jalan i-Park 1/10, Kawasan Perindustrian i-Park, Bandar Indahpura, 81000 Kulai, Johor Darul Takzim

Tenure : Freehold

Total Land Area : 3.9502 hectares (approx. 425,196 square feet)

Gross Floor Area : Approximately 289,900 square feet

Net Lettable Area : Plot 126: 104,606 square feet  
Plot 127: 55,476 square feet  
Plot 128: 60,967 square feet  
Plot 129: 67,260 square feet

Category of Land Use : Perusahaan / Perindustrian

Existing Property Use : Manufacturing of plastic precision components, mould and electronic manufacturing services.

Approximate Age of Building : Less than 1 year

Occupancy Rate : 100% as at 11 November 2015

Express Conditions : i) Tanah yang terkandung di dalam hakmilik ini hendaklah digunakan untuk kilang bagi Perusahaan Sederhana Sesebuah dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.

ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan atau dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Tempatan yang berkenaan.

iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasa dari semasa ke semasa oleh Pihak Berkuasa hendaklah dipatuhi.

Lessee	: Beyonics Technology (Senai) Sdn Bhd
Lease Term	: 1 August 2015 – 31 July 2025
Encumbrances	: Charged to Malayan Banking Berhad vide charges registration no 62020/2015, 62021/2015, 62022/2015, 62023/2015, 62024/2015 and 62025/2015 (on Plot 126, 127, 128 and 129 respectively) and 62029/2015 (on Plot 126) and 62028/2015 (on Plot 127) and 62027/2015 (on Plot 128) and 62026/2015 (on Plot 129).
Restrictions-in-interest	: Tanah in tidak dibenarkan dipindahmilik dengan apa cara sekalipun melainkan infrastruktur untuk kemudahan awam di kawasan kilang telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.
Net Yield before Islamic financing cost	: 7.1% per annum
Net Book Value of total development of i-Park	: RM98.3 million based on the audited financial statement of AAIP as at 31 March 2015.

## 2. DETAILS OF THE PROPOSED ACQUISITION OF THE PROPERTY

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

2.1.1 The total lump sum cash consideration for the Property of RM61.0 million ("Purchase Price") is apportioned as set out in the table below:-

	Title Particulars	Area	Plot	Purchase Price
1.	H.S.(D) 64396 for No PTD 107901 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	1.3771 hectare	126	Ringgit Malaysia Twenty Two Million One Hundred Thirty-three Thousand Only (RM22,133,000)
2	H.S.(D) 64395 for No PTD 107900 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	0.8256 hectare	127	Ringgit Malaysia Eleven Million Seven Hundred Thirty-seven Thousand Only (RM11,737,000)
3	H.S.(D) 64394 for No PTD 107899 in Mukim Kulai, Daerah Kulaijaya, Negeri Johor.	0.8303 hectare	128	Ringgit Malaysia Twelve Million Eight Hundred Ninety-nine Thousand Only (RM12,899,000)
4	H.S.(D) 64393 for No PTD 107898 in Mukim Kulai, Daerah Kulaijaya, Negeri	0.9172 hectare	129	Ringgit Malaysia Fourteen Million Two Hundred Thirty-one

	Johor.			Thousand Only (RM14,231,000)
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2.1.2 The total lump sum cash consideration for the Property is payable in the following manner:

(i) the sum of RM6,100,000.00, (which shall include the sum of RM1,220,000.00 equivalent of 2% of the Purchase Price currently held by RHB's solicitors as stakeholders), shall be paid by RHB to RHB's solicitors as stakeholders upon execution of the SPA ("Deposit");

(ii) pursuant to the SPA, the balance of the Purchase Price amounting to RM54,900,000.00 (the "Balance Purchase Price") shall be paid to RHB's solicitors as stakeholders within three (3) months from the Unconditional Date (as defined in the SPA) or such extended period that may be mutually agreed between the parties in writing, as the case may be ("Completion Period");

(iii) the sum of RM366,000.00, being the Goods and Services Tax ("GST") of 6% on the Deposit shall be paid by RHB to AAIP within seven (7) working days of the receipt of a tax invoice from AAIP (such tax invoice shall only be issued by AAIP upon the Unconditional Date) for AAIP's onward remittance of the GST to the Taxation Authority; and

(iv) the sum of RM3,294,000.00 being the GST of 6% on the Balance Purchase Price shall be paid by RHB to AAIP simultaneously with the payment of the Balance Purchase Price, provided that RHB shall have received a tax invoice for the same prior thereof (such tax invoice shall only be issued by AAIP within seven (7) days after receipt of the RHB's confirmation that it is ready to settle the Balance Purchase Price).

In the event that RHB is unable to pay the Balance Purchase Price plus 6% GST within the Completion Period for any reason whatsoever (not caused by the default of AAIP), AAIP shall automatically grant RHB an extension of thirty (30) days from the expiry of the Completion Period to pay the Balance Purchase Price provided always that RHB shall pay to AAIP interest at the rate of eight per cent (8%) per annum on the sum remaining unpaid calculated from the expiry of the Completion Period on a day to day basis until the date of payment of the Balance Purchase Price to RHB's solicitors and such interest shall be paid by RHB simultaneously with the payment of the Balance Purchase Price to RHB's solicitors.

The date of the Balance Purchase Price (together with interest, if any and GST of 6%) is paid to RHB's solicitors, by the delivery of a banker's cheque/cashier order made out in favour of RHB's solicitors or by way of telegraphic transfer to the account of RHB's solicitors in cleared funds, as the case may be applicable, duly received by RHB's solicitors shall be called the "Completion Date".

The parties further agreed that notwithstanding the Completion Date, the remaining Balance Purchase Price received by RHB's solicitors shall not be deemed payment to AAIP until the sums have been duly released to and received by AAIP in such time and manner provided in the SPA.

2.1.3 Other salient terms are as follows:

- (i) The Proposed Acquisition is subject to the following conditions:
  - (a) the Property is free from all or any encumbrances;

- (b) the successful novation and/or assignment of the Lease Agreement and such novation and/or assignments to commence on the Completion Date;
- (c) there is no change to the existing category of land use affecting the said Property;
- (d) that the Certificate of Completion and Compliance has been duly issued for all the buildings and structures within the said Property, which were constructed and completed in accordance with specifications and conditions of building plans approved by the relevant municipal authorities;
- (e) reliance by RHB on each and all of AAIP's representations, warranties and undertakings in respect of the Property and the existing lease and the same remain true, accurate and binding in all material respects up to the Completion Date and deemed repeated on the Completion Date.

## 2.2 Conditions Precedent

The sale and purchase of the Property shall be conditional upon the following being fulfilled within three (3) months from the date the SPA or such other extended period that may be mutually agreed between the parties in writing ("Conditional Period):

- (a) a stamped copy of the Lease Agreement with the novation and assignment of the Lease Agreement approved by all parties and duly executed by AAIP, RHB and the Lessee being deposited with RHB's solicitors as stakeholders.
- (b) AAIP procuring the Corporate Guarantor (as defined in the Lease Agreement) to issue an undated Corporate Guarantee in favour of RHB (to be dated only on the Completion Date) and deposit the same with RHB's solicitors as stakeholders together with the original stamped Corporate Guarantee dated 24th October 2014 issued by the Corporate Guarantor in favour of AAIP (to be cancelled only on the Completion Date).
- (c) The execution of the novation agreement by AAIP and the principal terms of the Lease are as follows:
  - (i) A fixed term of ten (10) years with the following agreed monthly rental:

Plot No.	Monthly Rental
Plot 126	Term 1 (1 <sup>st</sup> to 3 <sup>rd</sup> year): RM146,448.40 Term 2 (4 <sup>th</sup> to 6 <sup>th</sup> year): RM167,369.60 Term 3 (7 <sup>th</sup> to 10 <sup>th</sup> year): RM188,290.80
Plot 127	Term 1 (1 <sup>st</sup> to 3 <sup>rd</sup> year): RM77,666.40 Term 2 (4 <sup>th</sup> to 6 <sup>th</sup> year): RM88,761.60 Term 3 (7 <sup>th</sup> to 10 <sup>th</sup> year): RM99,856.80
Plot 128	Term 1 (1 <sup>st</sup> to 3 <sup>rd</sup> year): RM85,353.80 Term 2 (4 <sup>th</sup> to 6 <sup>th</sup> year): RM97,547.20 Term 3 (7 <sup>th</sup> to 10 <sup>th</sup> year): RM109,740.60

Plot 129	Term 1 (1 <sup>st</sup> to 3 <sup>rd</sup> year): RM94,164.00 Term 2 (4 <sup>th</sup> to 6 <sup>th</sup> year): RM107,616.00 Term 3 (7 <sup>th</sup> to 10 <sup>th</sup> year): RM121,068.00
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(ii) upon the expiry of the Lease Term, the Trustee grants an option to the Lessee to renew the Lease Term for a term of three (3) years with a further option to extend for another two (2) years upon the expiry of the first Renewed 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 upon the same terms and conditions of the Lease Agreement ("Option to Renew"). The Lessee shall exercise the Option to Renew at least six (6) months prior to the expiry of the Lease Term;

(iii) a security deposit equivalent to six (6) months of the agreed monthly rental is required to be maintained at all times and in the event of any increase of variation of the agreed monthly rental at any time during the Lease Term or the Renewed Lease Term, the security deposit shall be adjusted to reflect the equivalent of six (6) months of the increased or varied agreed monthly rental.

### **2.3 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 combined market value of the Property of RM62.7 million as appraised by Savills (Johor) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 1 October 2015. The valuation is derived using a combination of comparison method/cost approach and investment methods of valuation.

### **2.4 Liabilities to be Assumed by Axis-REIT**

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

### **2.5 Source of Funding**

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

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

### **3.1 Information on AAIP**

AAIP was incorporated in Malaysia under the Act on 16 November 2012 as a private limited company under its present name. As at 1 October 2015, 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.

AAIP's principal activities are property development and investment.

AAIP is a company in which the following Directors of the Manager, who are also unitholders, have interest by virtue of their directorships and/or indirect interest in AAIP via Axis IE Sdn Bhd, a company holding 50% of the equity interest of AAIP:

Interested party	Nature of interest	Indirect Interest in AAIP via Axis IE Sdn Bhd %
Dato' George Stewart LaBrooy	Director and ultimate shareholder	20
Tew Peng Hwee @ Teoh Peng Hwee	Director and ultimate shareholder	20
Dato' Abas Carl Gunnar bin Abdullah	Ultimate shareholder	40

(collectively, "the Interested Directors")

#### 4. RATIONALE FOR THE PROPOSED ACQUISITION OF THE PROPERTY

The Proposed Acquisition of the Property is 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 of Axis-REIT, by acquiring high quality, earnings accretive property with strong recurring rental income. The Proposed Acquisition of the Property will be accretive to Axis-REIT's distributable income.

Furthermore, the Proposed Acquisition of the Property 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.

#### 5. EFFECTS OF THE PROPOSED ACQUISITION OF THE PROPERTY

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

The Proposed Acquisition of the Property will not have any effect on the total units in issue and substantial unitholders' unitholding of Axis-REIT as the Purchase Price will be paid entirely in cash.

##### 5.2 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.

##### 5.3 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 2015, if completion may be effected on or before 31 December 2015.

##### 5.4 Gearing

ARMB intends to utilise debt facility of approximately RM61.0 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 34.69% of audited total assets as at 31 December 2014, which is below the gearing limit of 50% prescribed by the REIT Guidelines.

#### 6. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION OF THE PROPERTY

The Proposed Acquisition of the Property is subject to the following approvals and consents being obtained:

- (i) the Trustee, which was obtained on 15 October 2015 in respect of the Proposed Acquisition of the Property;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 24 August 2015;
- (iii) any other relevant authorities and/or parties (if required).

Pursuant to the REIT Guidelines, the Proposed Acquisition of the Property is not subject to the approval of the unitholders of Axis-REIT and the valuation for the Proposed Acquisition of the Property is not subject to SC's approval.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS OF AXIS-REIT AND/OR PERSONS CONNECTED TO THEM**

Save for the Interested Directors, none of the Directors of ARMB, major shareholder of the Manager, major unitholders of Axis-REIT and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition of the Property.

The Interested Directors have abstained and will continue to abstain from Board deliberation and voting on resolution(s) pertaining to the Proposed Acquisition of the Property.

## **8. DIRECTORS' STATEMENT**

The Board, save for the Interested Directors, having considered all aspects of the Proposed Acquisition of the Property and after careful deliberation, is of the opinion that the Proposed Acquisition is in the best interest of Axis-REIT.

## **9. RISK FACTORS**

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

- (a) Non-fulfilment of the conditions precedent stipulated in the SPA;
- (b) Non-registration of the transfer of the subject Property;
- (c) Compulsory acquisition by the Government;
- (d) Non-renewal of tenancy after expiry due to change in circumstances of the Tenants;
- (e) Adverse changes in national or economic conditions;
- (f) Adverse local market conditions;
- (g) The financial conditions of tenants, buyers and sellers of property;
- (h) Changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- (i) 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;
- (j) Competition among property owners for tenants;
- (k) Illiquidity of real estate investments; and
- (l) Acts of God, uninsurable losses and other factors.

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

The Proposed Acquisition of the Property is expected to be completed by the end of fourth quarter of 2015.

## **11. 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) The SPA on the Proposed Acquisition of the Property;
- (ii) Valuation report on the Property prepared by Savills (Johor) Sdn Bhd dated 1 October 2015; and
- (iii) Trustee's Approval Letter dated 15 October 2015; and
- (iv) Trustee's Letter of Confirmation dated 11 November 2015.

**This announcement is dated 11 November 2015.**