

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

PROPOSED ACQUISITION BY AXIS-REIT OF A PARCEL OF INDUSTRIAL LAND ERECTED WITH A SINGLE STOREY WAREHOUSE BUILDING AND OTHER ANCILLARY BUILDINGS WITHIN KAWASAN PERINDUSTRIAN PASIR GUDANG, PASIR GUDANG HELD UNDER LEASEHOLD TITLE NO. HSD 520180 FOR PTD 216340 IN MUKIM PLENTONG, DAERAH JOHOR BAHRU, NEGERI JOHOR DARUL TAKZIM (“THE PROPERTY”) FROM ORIENTANT INT. SDN. BHD. (CO. NO. 883729-T) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM33.0 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 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, details of which are as follows:

1.1 Proposed Acquisition of the Property

Axis-REIT proposes to acquire the Property for a total lump sum cash consideration of RM33.0 million from Orientant Int. Sdn. Bhd. (“OISB” or “Vendor”).

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 OISB on 23 May 2016 (“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 11 January 2016.

1.2 Information on the Property

The Property is a parcel of industrial land erected with a single storey warehouse building and other ancillary buildings located along Jalan Nikel 2 in Zone 12C of Kawasan Perindustrian Pasir Gudang, Pasir Gudang, Johor. It is located approximately 23 kilometres to the east of Johor Bahru City centre.

The Property is located in the Pasir Gudang Township. The aforesaid township, developed by Johor Corporation since the 1980’s, is a comprehensive integrated centre encompassing 1,356.49 hectares of industrial area styled as Kawasan Perindustrian Pasir Gudang, 868 hectares of residential area and a town centre which also accommodates a business class hotel, a sports centre, a motor racing track and other supporting facilities.

The Property is tenanted to Kerry Ingredients (M) Sdn Bhd (“Tenant”), vide the existing tenancy agreement dated 13 March 2014 (“Existing Tenancy Agreement”). A summary of the tenancy details are as below:

Term of Tenancy : 15th January 2014 to 14th January 2019

Renewal Option Exercised : 15th January 2019 to 14th January 2021

Monthly Rental : RM228,200.00

Other pertinent information of the Property is as follows:

Property Address	: PLO 731, Jalan Nikel 2, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim
Tenure	: 60-year leasehold expiring 20 March 2073
Total Land Area	: 2.512 hectares (approx. 270,389 square feet)
Gross Floor Area	: Approximately 168,428 square feet
Net Lettable Area	: 163,000 square feet
Category of Land Use	: Perusahaan / Perindustrian
Existing Property Use	: Warehousing
Approximate Age of Building	: 2 ½ years
Occupancy Rate	: 100% as at 23 May 2016
Express Conditions	: <ul style="list-style-type: none"> i) Tanah ini hendaklah digunakan sebagai kawasan Industri Sederhana untuk tujuan perusahaan 'Warehouse' 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 Berkenaan. iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa hendaklah dipatuhi.
Tenant	: Kerry Ingredients (M) Sdn Bhd
Encumbrances	: Charged to Bank of China (Malaysia) Berhad vide Presentation No. 52277/2014 dated 24 June 2014.
Restrictions-in-interest	: Tanah yang dikurniakan ini tidak boleh dijual, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/menjual tanah ini tanpa kebenaran Penguasa Negeri.
Net Yield before Islamic financing cost	: 7.5% per annum
Net Book Value	: RM12.96 million

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 purchase price for the Proposed Acquisition of the Property of RM33.0 million ("Purchase Price") has been and/or shall be paid as follows:-

(i) the sum of Ringgit Malaysia Six Hundred and Sixty Thousand (RM660,000.00) only ("Earnest Deposit") has already been paid by RHB to RHB's solicitors as stakeholders prior to the execution of the SPA;

(ii) the sum of Ringgit Malaysia Two Million Six Hundred and Forty Thousand (RM2,640,000.00) only ("Balance Deposit") shall be paid by RHB to the RHB's solicitors as stakeholders upon the execution of the SPA;

(iii) the sum of Ringgit Malaysia Twenty Nine Million and Seven Hundred Thousand (RM29,700,000.00) only ("Balance Purchase Price") shall be paid by RHB to OISB's solicitors to be held as stakeholders on or before the expiry of One (1) month from the Unconditional Date [as defined in the SPA] ("Completion Period");

(iv) the sum of Ringgit Malaysia One Hundred and Ninety Eight Thousand (RM198,000.00) only being the Goods and Services Tax ("GST") of 6% on the total deposit shall be paid by RHB to OISB fourteen (14) days after the Unconditional Date, provided that RHB shall have received a Tax Invoice for the same prior thereof (which such Tax Invoice shall only be issued by OISB within seven (7) days after the Unconditional Date);

(v) the sum of Ringgit Malaysia One Million Seven Hundred and Eighty Two Thousand (RM1,782,000.00) only being the GST of 6% on the Balance Purchase Price shall be paid by RHB to OISB simultaneously with the payment of the Balance Purchase Price, provided that RHB shall have received a Tax Invoice for the same prior thereof (which such Tax Invoice shall be issued by the OISB, at least fourteen (14) days prior to the expiry of the Completion Period); and

(vi) upon the execution of the SPA, OISB shall execute a valid Memorandum of Transfer for the purpose of effecting the transfer of the Property in favour of RHB free from all encumbrances and deposit the same with RHB's solicitors as stakeholders, who shall submit the Memorandum of Transfer for assessment of stamp duty and hold the same as stakeholders to deal with a Memorandum of Transfer on the terms and conditions as set out therein.

2.1.2 Other salient terms are as follows:

- (i) The Proposed Acquisition of the Property 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 Existing Tenancy Agreement to RHB on the Completion Date;
 - (c) that the category of land use shall on Completion Date remain as "Perusahaan/Perindustrian";
 - (d) that the Certificate of Completion and Compliance has been duly issued for all the buildings and structures within the Property, which were constructed and completed in

accordance with specifications and conditions of building plans approved by the relevant municipal authorities;

- (e) that all the Express Conditions and Restrictions in Interest stipulated in the title has been complied in full by OISB and OISB to continue compliance with the same up to the Completion Date ;
- (f) reliance by RHB on each and all of OISB's representations, warranties and undertakings in respect of the Property and the Existing Tenancy Agreement 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 obtained or fulfilled within six (6) months from the date the SPA or such other extended period that may be mutually agreed between the parties in writing ("Conditional Period):

- (a) the consent for the transfer of the Property ("Consent to Transfer") from OISB in favour of RHB to be obtained from the Penguasa Negeri by OISB, at its own cost and expense, to facilitate the transfer of the Property in favour of RHB and certified true copy of the same being delivered to RHB's solicitors and the original copy of the Consent to Transfer being deposited with OISB's solicitors as stakeholders;
- (b) OISB procuring the stamped copies of the original Existing Tenancy Agreement together with the novation agreement (as prescribed in the SPA) duly executed by the Tenant and OISB being deposited with the RHB'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 Property evidencing up to date payment of such outgoings by the Tenant.

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 RM34.0 million as appraised by PA International Property Consultants Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 20 February 2016. 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

Orientant Int. Sdn. Bhd. (“OISB”) is a private limited company incorporated in Malaysia under the Companies Act 1965 on 24 December 2009. OISB’s principal activity is the letting of properties. Its authorised share capital is RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and the issued share capital is RM33,750.00

4. INFORMATION ON THE TENANT

Kerry Ingredients (M) Sdn. Bhd. (“Kerry”) is a private limited company incorporated in Malaysia under the Companies Act 1965 on 13 January 1992. Kerry’s principal activities are the manufacturing of speciality lipid powders, cheese and dairy powders, snack seasonings, batters and coatings in the food ingredient industry. Its authorised share capital is RM50,000,000.00 divided into 47,000,000 ordinary shares of RM1.00 each and 6,000,000 other shares of RM0.50 each and the issued share capital is RM29,300,000.00.

5. RATIONALE FOR THE PROPOSED ACQUISITION OF THE PROPERTY & PROSPECTS 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 is expected to benefit the Fund in the long-term as a result of economies of scale.

Location-wise, the Property falls within Flagship D (Eastern Development Corridor) of Iskandar Malaysia, which is the industrial and manufacturing hub in the southern Malaysian region. The Property is situated in Kawasan Perindustrian Pasir Gudang encompassing 1,357 hectares of industrial-zoned land with developed infrastructure. Flagship D houses key logistics and port facilities complementary to the operations of the industries based here. Flagship D covers Pasir Gudang Port, Pasir Gudang Industrial Park, Tanjung Langsat Port and Tanjung Langsat Industrial Complex. Current key economic activities in Flagship D are focused on heavy industries, logistics, electrical & electronics (E&E), chemical, oleochemical, food and engineering-based industries.

6. EFFECTS OF THE PROPOSED ACQUISITION OF THE PROPERTY

6.1 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.

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 2016.

6.4 Gearing

ARMB intends to utilise debt facility of approximately RM33.0 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 35.17% of audited total assets as at 31 December 2015, which is below the gearing limit of 50% prescribed by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia ("SC") on 21 August 2008 and updated on 28 December 2012 ("REIT Guidelines").

7. 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 11 January 2016 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 14 January 2016;
- (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.

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

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

9. DIRECTORS' STATEMENT

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

10. 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 Tenant;
- (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.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition of the Property is expected to be completed in the third quarter of 2016.

12. 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; and
- (ii) Valuation report on the Property prepared by PA International Property Consultants Sdn Bhd, dated 20 February 2016.

This announcement is dated 23 May 2016.