

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

PROPOSED ACQUISITION AND LEASEBACK BY AXIS-REIT OF A PARCEL OF INDUSTRIAL LAND TOGETHER WITH ALL THOSE INDUSTRIAL BUILDINGS AND STRUCTURES ERECTED THEREON WITHIN PT 20449 (LOT 795 & 796) JALAN MONORAIL, KAWASAN INDUSTRI SG. CHOH, SG. CHOH, 48000 SELANGOR HELD UNDER FREEHOLD TITLE NO. H.S. (D) 51916 PT NO 20449 IN MUKIM OF SERENDAH, DISTRICT OF ULU SELANGOR, NEGERI SELANGOR DARUL EHSAN (“THE PROPERTY”) FROM SCOMI COACH SDN. BHD. (CO. NO. 205858-U) AND LEASEBACK TO SCOMI ENGINEERING BERHAD, FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM42.0 MILLION (“PROPOSED ACQUISITION AND LEASEBACK 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 and Leaseback of the Property on behalf of Axis-REIT, details of which are as follows:

1.1 Proposed Acquisition and Leaseback of the Property

Axis-REIT proposes to acquire the Property for a total lump sum cash consideration of RM42.0 million from Scomi Coach. Sdn. Bhd. (“SCSB” 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 SCSB on 1 August 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 and Leaseback of the Property, vide their letter dated 14 April 2016.

1.2 Information on the Property

The Property is a parcel of industrial land erected with an industrial complex comprising two (2) single-storey factory buildings with a 3 and 4-storey office annexe, a single-storey Pre-Delivery Inspection (PDI) factory, a single-storey fibre glass factory and other ancillary buildings.

The Property bears direct frontage onto Jalan Monorail (also known as Jalan Monorel) within Kawasan Industri Sg. Choh, Rawang. The latter is located approximately 5 kilometres to the north-east of Rawang town and about 35 kilometres to the north-west of Kuala Lumpur city centre. Access to the Property is from Rawang town via Jalan Kuala Lumpur – Ipoh (Federal Route 1), about 4.5 kilometres heading towards Sg. Choh – Serendah area.

A summary of the leaseback details are as below:

Term of Lease	: Initial fixed period of fifteen (15) years from the Completion Date, (as defined in the SPA) with an option to renew for another five (5) years.
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Monthly Rental : Agreed rental for the initial fixed period shall be as follows:

- (a) 1st year to 3rd year: RM 281,647.08 per month;
- (b) 4th year to 6th year: RM 309,811.79 per month;
- (c) 7th year to 9th year: RM 340,792.97 per month;
- (d) 10th year to 12th year: RM 374,872.26 per month; and
- (e) 13th year to 15th year: RM 412,359.49 per month.

Other pertinent information of the Property is as follows:

Property Address : PT 20449 (Lot 795 & Lot 796), Jalan Monorail
Kawasan Industri Sg. Choh, Sg. Choh
48000 Rawang
Selangor Darul Ehsan

Tenure : Freehold

Land Area : 61,669 square metres (approx. 663,800 square feet)

Gross Floor Area : Approximately 302,621 square feet

Net Lettable Area : 290,990 square feet

Category of Land Use : Perusahaan

Existing Property Use : The industrial complex is a manufacturing facility that manufactures, repairs and assembles various “rolling stock” and parts for the rail industry, production of monorail and other types of rail vehicles as well as fabricating the chassis of buses. It also serves as a testing centre for prototypes and finished products for monorail. The testing centre includes a one (1) kilometer monorail test track circling along the boundary of the industrial complex.

Approximate Age of Building : Block 1: Single-storey factory building with a 3-storey office annexe - about 15 years old
Block 2: Single-storey factory building with a 4-storey office annexe - about 6 years old

Occupancy Rate : 100% as at 1 August 2016

Express Conditions : Industri Sederhana

Tenant : Scomi Engineering Bhd (“SEB” or “Lessee”)

Encumbrances	: 1. Charged to Standard Chartered Saadiq Berhad vide: (a) charge presentation number 1770G/2009 registered on the 8 th October 2009; 2. Charged to Standard Chartered Bank Malaysia Berhad vide : (b) charge presentation number 1771G/2009 registered on the 8 th October 2009. The abovementioned banks are hereinafter referred to as "Chargees" and the Charge no. (a) and (b) are collectively referred to as "Charges".
Restrictions-in-interest	: Tanah ini boleh dipindahmilik, dipajak atau digadai setelah mendapat kebenaran Pihak Berkuasa Negeri
Net Yield before Islamic financing cost	: 7.3% per annum
Net Book Value	: Approx. RM39.0 million (as at 31 March 2016)

2. DETAILS OF THE PROPOSED ACQUISITION AND LEASEBACK OF THE PROPERTY

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

2.1.1 The total lump sum cash consideration for the Property of RM42.0 million ("Purchase Price") is payable in the following manner:-

- (i) the sum of Ringgit Malaysia Eight Hundred and Forty Thousand (RM840,000.00) 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 Three Million Three Hundred and Sixty Thousand (RM3,360,000.00) only ("**Balance Deposit**") shall be paid by RHB to the RHB's solicitors as stakeholders upon the execution of the SPA (the Earnest Deposit and Balance Deposit shall hereinafter be collectively called "the Deposit");
- (iii) the sum of Ringgit Malaysia Thirty Seven Million and Eight Hundred Thousand (RM37,800,000.00) only ("**Balance Purchase Price**") shall be paid by RHB to the Chargees to redeem the Property as contemplated in the terms of the SPA and thereafter the remaining of the Balance Purchase Price shall be paid to SCSB or SCSB's solicitors to be held as stakeholders, within two (2) months from the Unconditional Date (as defined in the SPA) ("Completion Period") or within 1 month from the expiry of the Completion Period ("Extended Completion Period");
- (iv) the sum of Ringgit Malaysia Two Hundred and Fifty Two Thousand (RM252,000.00) only being the Goods and Services Tax ("GST") of 6% on the Deposit shall be paid by RHB to SCSB within 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 SCSB within ten (10) days after the Unconditional Date);

(v) the sum of Ringgit Malaysia Two Million Two Hundred Sixty Eight Thousand (RM2,268,000.00) only being the GST of 6% on the Balance Purchase Price shall be paid by RHB to SCSB 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 SCSB, at least fourteen (14) days prior to the expiry of the Completion Period); and

(vi) upon the execution of the SPA, SCSB 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 and Leaseback of the Property is subject to the following conditions:
 - (a) the Property is free from all or any encumbrances;
 - (b) that on the Completion Date [as defined in the SPA] there is no change to the existing category of land use affecting the Property and shall remain as "Perusahaan";
 - (c) that all the Express Conditions and Restrictions in Interest stipulated in the title has been complied in full by SCSB and SCSB to continue compliance with the same up to the Completion Date;
 - (d) the execution of the lease agreement by SEB with RHB in escrow upon the execution of the SPA to be effective on the Completion Date;
 - (e) SCSB continues to maintain and keep in good repair and condition the Property up to the Completion Date, fair wear and tear excepted;
 - (f) SCSB to effect and complete the repairs and rectification works stipulated in the SPA ("Repairs") in the manner provided in the SPA;
 - (g) SCSB and SEB's fulfilment and compliance of the Conditions Precedent (as specified in Section 2.2 below) within the Conditional Period (as defined in Section 2.2 below) in the manner provided in the SPA;
 - (h) reliance by RHB on each and all of SCSB's representations, warranties and undertakings in respect of the Property and the Vendor and the same remain true, accurate and binding in all material respects up to the Completion Date and deemed repeated on the Completion Date and, as applicable, deemed repeated on and after the Completion Date for as long as may be necessary to give effect thereto, after the Completion Date.

2.2 Conditions Precedent

- 2.2 (a) The Proposed Acquisition and Leaseback of the Property shall be conditional upon the following being obtained or fulfilled within four (4) months from the date of the SPA or such other extended period that may be granted by RHB in writing, as the case may be ("Conditional Period"):
- (a) SCSB obtaining the written consent from the Chargees for the sale of the Property to RHB upon the SPA terms and redemption statement addressed to RHB or RHB's financier, as the case may be, confirming the total amount of the redemption sum payable for the discharge of the Property shall not exceed RM5,500,000.00 ("Redemption Sum"), to be valid for the period up to the expiry of the Completion Period and/or the extended Completion Period, as the case may be, together with the Chargees' undertaking that upon the receipt of the Redemption Sum, the Chargees:-
 - (i) execute and deliver a valid and registrable memorandum of discharge of the Charges to RHB's solicitors; and
 - (ii) in the event the memorandum of discharge of the Charges cannot be registered for any reason attributable to the Chargees, the Chargees shall refund to RHB the Redemption Sum free of interest.
 - (b) SCSB obtaining the approval from the relevant state authority for the consent to transfer of the Property in favour of RHB ("Consent to Transfer");
 - (c) after the Consent to Transfer having been obtained, RHB obtaining the approval from the relevant state authority for the consent to charge the Property in favour of RHB's financier ("Consent to Charge") provided that SCSB shall have provided RHB with the necessary letter of no objection/consent issued by the Chargees to the relevant land office to facilitate RHB's submission of the application for the Consent to Charge;
 - (d) the completion of the Repairs as may be mutually agreed and confirmed by a joint inspection by the parties of the Repairs carried out by SCSB;
 - (e) SCSB shall not be in breach of any representations, warranties and covenants stipulated in the SPA, to be decided by RHB upon all the foregoing conditions precedent having been fulfilled; and
 - f) SCSB and SEB's status, standing and/or position, whether financial or otherwise, shall not be materially adversely different from that as advised, detailed and disclosed to RHB in the course of the conduct of its due diligence audit on SCSB and SEB, to be decided by RHB upon all the foregoing conditions precedent having been fulfilled.

- 2.2(b) Notwithstanding any other provisions of the SPA, RHB shall be entitled, to the extent permissible under the law, to waive the requirement of the Conditions Precedent or any one of them within the Conditional Period and proceed to complete the Proposed Acquisition and Leaseback of the Property in accordance with the terms therein.

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 RM43.0 million as appraised by PA International Property Consultants (KL) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 1 July 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 and Leaseback of the Property.

2.5 Source of Funding

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

3. INFORMATION ON THE VENDOR

Scomi Coach Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 9 October 1990. SCSB's principal activities are manufacturing, fabrication and assembly of commercial coaches, truck vehicles bodies and other related activities. Its authorised share capital is RM100,000,000.00 divided into 30,000,000 ordinary shares of RM1.00 each and 70,000,000 preference shares of RM1.00 each. The issued and paid-up share capital is RM57,000,000.00 divided into 20,000,000 ordinary shares of RM1.00 each and 37,000,000 preference shares of RM1.00 each.

SCSB is a wholly-owned subsidiary of Scomi Transportation Systems Sdn Bhd, which is in turn a wholly-owned subsidiary of SEB, details of which are set out in Section 4 below.

4. INFORMATION ON THE TENANT

Scomi Engineering Bhd is a public limited company incorporated in Malaysia under the Companies Act, 1965 on 15 December 1983 and listed on the Main Market of Bursa Malaysia Securities Berhad. SEB's principal activities are investment holding, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services. Its authorised share capital is RM400,000,000.00 divided into 400,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM342,079,503.00 divided into 342,079,503 ordinary shares of RM1.00 each.

5. RATIONALE FOR THE PROPOSED ACQUISITION AND LEASEBACK OF THE PROPERTY & PROSPECTS OF THE PROPERTY

The Proposed Acquisition and Leaseback 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 and Leaseback of the Property will be accretive to Axis-REIT's distributable income.

Furthermore, the Proposed Acquisition and Leaseback 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.

6. EFFECTS OF THE PROPOSED ACQUISITION AND LEASEBACK OF THE PROPERTY

6.1 Unitholders' Capital and Substantial Unitholders' Unitholding

The Proposed Acquisition and Leaseback 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 and Leaseback 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 and Leaseback 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 RM42.0 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 35.44% 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 AND LEASEBACK OF THE PROPERTY

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

- (i) the Trustee, which was obtained on 14 April 2016;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 1 July 2016;
- (iii) any other relevant authorities and/or parties (if required).

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

9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition and Leaseback of the Property and after careful deliberation, is of the opinion that the Proposed Acquisition and Leaseback 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 and Leaseback of the Property is expected to be completed in the fourth 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 and Leaseback of the Property; and
- (ii) Valuation report on the Property prepared by PA International Property Consultants (KL) Sdn Bhd, dated 1 July 2016.

This announcement is dated 1 August 2016.