

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

PROPOSED DISPOSAL BY AXIS-REIT OF A 4-STOREY PURPOSE-BUILT OFFICE BUILDING BUILT ON FREEHOLD LAND HELD UNDER GRN 207772/LOT 23570, MUKIM OF DENGKIL, DISTRICT OF SEPANG, SELANGOR DARUL EHSAN (“AXIS EUREKA”) TO MALAYSIAN QUALIFICATIONS AGENCY FOR A TOTAL CASH CONSIDERATION OF RM56,132,075.00 (“PROPOSED DISPOSAL”)

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 on 24 October 2016 (“SPA”) with Malaysian Qualifications Agency (“the Purchaser”) for the Proposed Disposal of Axis Eureka.

1.1 Proposed Disposal of Axis Eureka

Axis-REIT proposes to dispose of Axis Eureka for a total lump sum cash consideration of RM56,132,075.00 to the Purchaser.

The Proposed Disposal of Axis Eureka had been approved by RHB, as the Trustee for Axis-REIT, vide their letter dated 18 October 2016 in accordance with the provisions under the Third Principal Deed dated 28 November 2013 entered into between RHB and ARMB constituting Axis-REIT.

1.2 Information on Axis Eureka

Axis Eureka is a four (4) storey purpose-built office building together with lower ground and roof floors and a basement car park level in Cyberjaya, Selangor and erected on a freehold land held under GRN 2027772 for Lot 23570, situated in the Mukim of Dengkil, District of Sepang, State of Selangor.

Axis Eureka is sited on Jalan Teknokrat 7 and enjoys dual frontage from Jalan Teknokrat 7 and Persiaran Apec. The property is located within the township of Cyberjaya at approximately 50 kilometres south-west of the Kuala Lumpur City Centre (KLCC) and 30 kilometres north-west of the Kuala Lumpur International Airport (KLIA). Cyberjaya is located adjoining to the administrative capital of Putrajaya.

Further details of Axis Eureka are set out below:

Description of Building	: Four (4) storey purpose-built office building together with lower ground and roof floors and a basement car park level
Postal Address	: Cyberjaya Lot 12120, 63000 Selangor Darul Ehsan
Date of Acquisition	: 18 April 2011
Original Cost of Investment	: RM51,250,000
Encumbrances	: Charged to Maybank Islamic Berhad vide charge presentation number 45139/2011 registered on 12 May 2011
Category of Land Use	: Bangunan
Existing Property Use	: Commercial office

Restriction-in-interest	: Tanah yang diberi ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri
Land Area	: Approximately 89,760 square feet
Net Lettable Area	: Approximately 116,903 square feet
Tenure	: Freehold
Approximate Age of Building	: 15 years
Carrying Value	: RM54.0 million as at 30 September 2016
Market Value	: RM55.0 million as at 12 October 2016
Occupancy Rate	: 59.5% as at 17 October 2016 (as at practicable date)

2. DETAILS OF THE PROPOSED DISPOSAL OF AXIS EUREKA

2.1 Salient terms and conditions of the Proposed Disposal of Axis Eureka

2.1.1 The total lump sum cash consideration for the Proposed Disposal of Axis Eureka of RM56,132,075.00 ("Disposal Price"), excluding Goods & Services Tax ("GST"), is payable in the following manner:

a) Initial Deposit

The initial deposit of ten per cent (10%) of the Disposal Price shall be paid to RHB upon the execution of the SPA as follows:-

- i) the sum of RM1,683,962.25 equivalent of 3% of the Disposal Price (hereinafter referred to as "RPGT Retention Sum") shall be paid by the Purchaser to the Purchaser's Solicitors to be paid to the Inland Revenue Board in accordance with clause 8 of the SPA;
- ii) the balance deposit after deduction of RPGT Retention Sum amounting to RM3,929,245.25 equivalent of 7% of the Disposal Price shall be paid by the Purchaser to RHB directly.

b) Balance Disposal Price

The balance of the Disposal Price amounting to RM47,712,263.75 equivalent of 85% of the Disposal Price (the "Second Payment") shall be paid by the Purchaser to RHB's Solicitors as stakeholders within three (3) months from the Unconditional Date as prescribed in the SPA (the "Completion Period") or Extended Completion Period as prescribed in the SPA to enable RHB's Solicitors to present the Memorandum of Transfer together with the original copy of the document of title for registration at the relevant land office. RHB's solicitors shall release the Second Payment to RHB upon expiry of seven (7) business days from the date of presentation of the Memorandum of Transfer at the Land Office for registration subject to non-rejection by the land office within that period.

In the event that Purchaser is unable to pay the Second Payment upon the expiry of the Completion Period, RHB shall grant to Purchaser an extension of thirty (30) days from the expiry of the Completion Period ("the Extended Completion Period") to pay the Second Payment provided always that the Purchaser shall pay to RHB interest at the rate of 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 Second Payment to RHB's

solicitors and such interest shall be paid by the Purchaser simultaneously with the payment of the Second Payment to RHB's solicitors.

c) Final Disposal Price

The Final Disposal Price amounting to RM2,806,603.75 equivalent of 5% of the Disposal Price (the "Third Payment") together with interest (if any) shall be paid by the Purchaser (via banker's cheque/cashier order made out in favour of RHB) to RHB's Solicitors within fourteen (14) days upon RHB's Solicitors receipt of the original title duly registered with the name of the Purchaser from the land office. RHB's Solicitors shall deliver the original title being registered under the name of the Purchaser in exchange for the bank draft of the Third Payment or full Purchase Price.

The GST payable will be subject to the terms in the SPA.

2.1.2 Upon the execution of the SPA, RHB shall execute a valid Memorandum of Transfer for the purpose of effecting the transfer of the Property in favour of the Purchaser free from all encumbrances and deposit the same with the Purchaser'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.

2.1.3 The Proposed Disposal of Axis Eureka is subject to the following conditions:

- (a) that the Purchaser's Solicitors shall within thirty (30) days after the Unconditional Date deliver to RHB's Solicitors the Transfer form, stamp duty notice and stamp certificate, withdrawal of private caveat form duly executed by the Purchaser and prescribe registration fees to RHB's Solicitors to be presented at the relevant land office subject to RHB's Solicitors receipt of the Second Payment together with interest (if any) from the Purchaser;
- (b) that RHB's Solicitors shall within fourteen (14) days after receipt of the Second Payment present the Transfer at the relevant land office for registration;
- (c) RHB shall settle all outstanding for the quit rent and/or assessment before registration of the Transfer;
- (d) RHB to ensure that RHB's Solicitors surrender the original title to the property duly registered under the name of the Purchaser to the Purchaser's Solicitors;
- (e) the disposal of Axis Eureka is subject to existing tenancies and leases on the property. The Existing Tenancies will be assigned and/or novated to the Purchaser upon the Legal Possession Date as prescribed in the SPA;
- (f) delivery of vacant possession of the untenanted space shall be delivered to the Purchaser within five (5) days from the payment of the Purchase Price, interest and other payments mentioned in clause 9 of the SPA by the Purchaser failing which interest of 5% shall be imposed on RHB based on formula stated in clause 11.8 of the SPA;
- (g) RHB'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.

2.2 Conditions Precedent

2.2.1 The Proposed Disposal of Axis Eureka shall be conditional upon the following being obtained or fulfilled within three (3) months from the date of the SPA (“Conditional Period”) or within one (1) month from the expiry of the Conditional Period or such other extended period agreed by both parties, as the case may be (“Extended Conditional Period”):

- (a) RHB at its own cost obtain the consent to transfer of the property from the State Authority in favour of the Purchaser (“State Consent to Transfer”); and
- (b) RHB at its own cost has redeemed the property from the existing chargee and registered the Discharge of Charge form duly executed by the chargee together with the original title at the relevant land office so that the Transfer can be registered free from any encumbrances.

2.3 Basis of Arriving at the Disposal Price for Axis Eureka

The Disposal Price for Axis Eureka is derived on a willing buyer-willing seller basis after taking into account the total market value of Axis Eureka of RM55.0 million as appraised by Savills (Malaysia) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 18 October 2016. The valuation is derived using a combination of investment method and comparison approach of valuation and is below the Disposal Price of Axis Eureka.

2.4 Liabilities to be Assumed by the Purchaser

The Purchaser will not assume any liabilities pursuant to the Proposed Disposal of Axis Eureka.

3. INFORMATION ON THE PURCHASER

Malaysian Qualifications Agency (Agensi Kelayakan Malaysia) is a statutory body in Malaysia established on 1 November 2007 with the coming in force of the Malaysian Qualifications Agency Act 2007.

4. RATIONALE FOR THE PROPOSED DISPOSAL OF AXIS EUREKA

The Proposed Disposal of Axis Eureka is in line with the objectives of Axis-REIT. The Manager believes that in the 5 years of owning Axis Eureka, it has maximised the income-generating potential of this asset. The Manager feels that there is limited upside for future rental growth and given the favourable market price for this asset sale, it is an opportune time for the disposal of Axis Eureka and to redeploy the capital gain towards potential yield-accretive properties.

5. EFFECTS OF THE PROPOSED DISPOSAL OF AXIS EUREKA

5.1 Unitholders’ Capital and Substantial Unitholders’ Unitholding

The Proposed Disposal of Axis Eureka will not have any effect on the total units of Axis-REIT in issue and substantial unitholders’ unitholding of Axis-REIT as the Disposal Price will be paid to Axis-REIT entirely in cash.

5.2 Net Asset Value (“NAV”)

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

5.3 Earnings

The Directors of ARMB expect the net gain on disposal of approximately RM1.2 million arising from the Proposed Disposal of Axis Eureka to contribute positively to the earnings of the Fund upon completion.

5.4 Utilisation of Disposal Price and Gearing

ARMB intends to fully distribute the approximately RM1.2 million net gain on disposal which will translate into additional income distribution of 0.11 sen per unit to unitholders after completion as tax exempt income distribution. The balance of the proceeds will be used to reduce gearing to provide Axis-REIT with headroom for future acquisitions or development, as allowed by the authorities.

The Proposed Disposal of Axis Eureka will reduce Axis-REIT's gearing ratio to 32% 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.

6. APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL OF AXIS EUREKA

Save for the Trustee's approval which had been obtained on 18 October 2016, the Proposed Disposal of Axis Eureka is not subject to approval from the Unitholders of Axis-REIT.

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

None of the Directors or 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 Disposal of Axis Eureka.

8. DIRECTORS' STATEMENT

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal of Axis Eureka is expected to be completed by end of December 2016 or early 2017.

10. 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 Disposal of Axis Eureka; and
- (ii) Valuation report on Axis Eureka prepared by Savills (Malaysia) Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 18 October 2016.

This announcement is dated 24 October 2016.