

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

PROPOSED PLACEMENT OF UP TO 294,571,596 NEW UNITS IN AXIS-REIT (“UNITS”), REPRESENTING UP TO 20% OF THE EXISTING APPROVED FUND SIZE OF AXIS-REIT OF 1,472,857,980 UNITS (“PROPOSED PLACEMENT”)

1. INTRODUCTION

On behalf of the Board of Directors of Axis REIT Managers Berhad (“**Board**”), being the management company of Axis-REIT (“**Manager**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that the Manager proposes to undertake the placement of up to 294,571,596 new Units, representing up to 20% of the existing approved fund size of Axis-REIT of 1,472,857,980 Units.

2. DETAILS OF THE PROPOSED PLACEMENT

On 26 April 2017, the unitholders of Axis-REIT (“**Unitholders**”) had at the 5th Annual General Meeting (“**AGM**”) of Axis-REIT approved, among others, the authority to allot and issue new Units of up to 20% of the approved fund size of Axis-REIT of 1,472,857,980 Units pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia (“**SC**”) (“**REIT Guidelines**”), to facilitate Axis-REIT in raising funds via a placement exercise (“**Authority**”). The Authority empowers the Board with the flexibility to allot and issue new Units at any time to such persons and for such purposes as the Board may deem fit, provided that, among others, the aggregate number of Units to be issued pursuant to the Authority does not exceed 20% of the approved fund size of Axis-REIT.

The Authority shall be in force from the date of the Unitholders’ approval and shall continue to be in force until:

- (i) the conclusion of the 6th AGM of Axis-REIT to be held in year 2018 or a meeting of the Unitholders following the 6th AGM of Axis-REIT (whichever is later) provided that such authority does not exceed 1 year from the 5th AGM of Axis-REIT, at which time it will lapse, unless by a resolution passed by the Unitholders at such meeting the authority is renewed; or
- (ii) the Authority is revoked or varied by a resolution passed by the Unitholders at a meeting of the Unitholders,

whichever is the earliest.

2.1 Placement size

The Proposed Placement involves an issuance of up to 294,571,596 new Units, representing up to 20% of the existing approved fund size of Axis-REIT of 1,472,857,980 Units. The Proposed Placement may be implemented in a single tranche or in multiple tranches depending on the Manager’s anticipation of when the total bank financing of Axis-REIT would exceed 35% of the total assets of the Fund (an internal benchmark as part of prudent capital management).

The actual number of new Units to be issued under the Proposed Placement (“**Placement Units**”) will be determined at a later stage by the Manager, in consultation with the placement agent to be appointed for the Proposed Placement (“**Placement Agent**”), at a price-fixing date to be determined after the relevant approvals have been obtained. In any event, the number of Placement Units to be issued will not exceed 294,571,596 new Units. The Placement Units will be placed to places to be identified at a later stage.

2.2 Basis of determining the issue price of the Placement Units

The issue price of the Placement Units will be determined by the Manager, in consultation with the Placement Agent, based on the 5-day volume weighted average market price (“**VWAMP**”) of the Units at a discount which will not be more than 10% after taking into consideration, among others, the prevailing market conditions and market price of the Units immediately prior to the price-fixing date to be determined later.

2.3 Use of proceeds

The exact amount of proceeds to be raised from the Proposed Placement is dependent upon the issue price of the Placement Units. For illustrative purposes, assuming the maximum number of Placement Units are issued at an issue price of RM1.58 per Unit, this would represent an estimated discount of 4% to the 5-day VWAMP of the Units up to and including 22 May 2017, being the last trading day immediately prior to this announcement (“**Last Trading Day**”), of RM1.65 per Unit. This discount is used for illustration purposes and is based on the discount for the issuance of 83,579,942 Units for the previous placement exercise which was announced on 26 November 2014 and completed on 12 December 2014. Unitholders should not assume that this discount will be the actual discount for the Proposed Placement as it will only be determined on the price-fixing date to be determined later. Therefore, the Proposed Placement is expected to raise gross proceeds of approximately RM465.42 million to be used by Axis-REIT in the following manner:

<u>Purpose</u>	<u>Estimated timeframe for use of proceeds from the date of listing of the Placement Units</u>	<u>Amount RM'million</u>
Repayment of bank financing	Within 12 months	(1) 458.44
Defray estimated expenses relating to the Proposed Placement	Within 1 month	(2) 6.98
Total		<u>465.42</u>

Notes:

(1) *The total bank financing of the Fund as at 31 March 2017 stood at approximately RM751.24 million. The Manager expects to use the entire proceeds, after deducting the estimated expenses for the Proposed Placement (“**Net Proceeds**”) to repay Axis-REIT’s existing bank financing (including finance cost payable), which were taken up to finance the acquisitions of properties that were completed more than one 1 year ago.*

Such repayments are expected to result in a financing cost savings of approximately RM19.30 million per annum based on the effective profit rate of 4.21% per annum.

Notes (cont'd):

⁽²⁾ The estimated expenses for the Proposed Placement comprise the following:

	<u>RM'million</u>
Professional fees	6.88
Fees payable to relevant authorities	0.09
Other expenses such as printing and advertising expenses in connection with the Proposed Placement	0.01
Total	<u>6.98</u>

Any unutilised amount will be used for the repayment of bank financing and any shortfall will be funded out of the proceeds allocated for the repayment of bank financing.

Pending the utilisation of the proceeds raised from the Proposed Placement, such proceeds allocated will be held in Shariah-compliant bank deposits and/or money market instruments.

2.4 Ranking of the Placement Units

The Placement Units shall, upon allotment and issue, rank equally in all respects with the existing Units except that the Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared, made or paid before the date of allotment of the Placement Units.

2.5 Listing of and quotation for the Placement Units

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation of the Placement Units on the Main Market of Bursa Securities.

2.6 Allocation to places

The Placement Units will be placed out to third party investors to be identified where such investors shall be persons who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Clause 14.03(e) of the REIT Guidelines, the Placement Units will not be placed out to the following parties:

- (i) interested persons of the Manager, whether in their own names or through nominees;
- (ii) persons connected to the interested persons mentioned in item (i) above; or
- (iii) nominee companies, unless the names of the ultimate beneficiaries are disclosed.

3. RATIONALE FOR THE PROPOSED PLACEMENT

After due consideration of the various funding options available, the Board is of the view that the Proposed Placement is currently the most appropriate avenue of fund raising for the following reasons:

- (i) the Proposed Placement will enable Axis-REIT to raise funds to be used to repay its existing bank financing (including finance cost payable), which were taken up to finance the acquisitions of properties that were completed more than one 1 year ago. This is in line with the Board's decision to implement the Proposed Placement in anticipation of the total bank financing of Axis-REIT exceeding 35% of the total assets of the Fund (an internal benchmark as part of prudent capital management). This will provide Axis-REIT with sufficient headroom to make future cash acquisitions of new properties which is in line with its capital management and growth strategy; and
- (ii) the Proposed Placement will involve the issuance of new Units, which will increase the number of Units in circulation and will improve the trading liquidity of the Units.

4. EFFECTS OF THE PROPOSED PLACEMENT

4.1 Unitholders' capital

The proforma effects of the Proposed Placement based on the maximum number of new Units which may be issued by Axis-REIT, on the Unitholders' capital of Axis-REIT are as follows:

	<u>No. of Units</u>
As at 28 April 2017, being the latest practicable date prior to this announcement ("LPD")	1,105,173,591
Issuance of the Placement Units	294,571,596
Enlarged Unitholders' capital	<u>1,399,745,187</u>

Based on the above, the existing Units in circulation would have increased by approximately 26.65% from 1,105,173,591 Units to a maximum of 1,399,745,187 Units.

4.2 Distributable income

The Manager has declared and paid an income distribution of 8.25 sen per Unit for the financial year ended 31 December 2016 (approximately 99.94% of Axis-REIT's income available for distribution).

The Proposed Placement is not expected to have any material effect on Axis-REIT's distributable income 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.

4.3 Substantial Unitholders' unitholdings

Any issuance of new Units under the Proposed Placement to the Unitholders other than the substantial Unitholders, will dilute the percentage of unitholdings of the substantial Unitholders. Any issuance of new Units under the Proposed Placement to the substantial Unitholders will increase the number of Units held by them accordingly.

Based on the Record of Depositors of Axis-REIT as at the LPD, the proforma effects of the Proposed Placement based on the maximum number of new Units which may be issued by Axis-REIT, on the substantial Unitholders' direct unitholdings in Axis-REIT are as follows:

Name	As at the LPD		After the Proposed Placement ⁽¹⁾	
	No. of Units held	%	No. of Units held	%
Employees Provident Fund Board	131,588,164	11.91	131,588,164	9.40
AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	100,000,000	9.05	100,000,000	7.14
Kumpulan Wang Persaraan (Diperbadankan)	66,695,196	6.03	66,695,196	4.76
Lembaga Tabung Haji	65,999,606	5.97	65,999,606	4.72
Tew Peng Hwee @ Teoh Peng Hwee	55,683,993	5.04	55,683,993	3.98
Alex Lee Lao ⁽²⁾	53,719,383	4.86	53,719,383	3.84

Notes:

⁽¹⁾ Assuming none of the substantial Unitholders subscribe for the new Units to be issued under the Proposed Placement.

⁽²⁾ Deemed as a substantial Unitholder pursuant to his collective direct and indirect interests of 53,719,383 Units (4.86%) and 3,111,932 Units (0.28%) held by his brothers respectively, as at the LPD.

4.4 Earnings per Unit

Any issuance of new Units under the Proposed Placement will dilute the earnings per Unit, the quantum of which would depend on the number of new Units to be issued.

Moving forward, the effect of the Proposed Placement on the earnings of the Fund will depend on the contribution from the Fund's existing real estate properties, properties to be acquired in the future and the finance cost savings arising from the repayment of Axis-REIT's existing bank financing using the Net Proceeds.

4.5 Net asset value (“NAV”) per Unit and gearing

For illustrative purposes only, based on the audited statement of financial position of Axis-REIT as at 31 December 2016 and on the assumption that the Proposed Placement had been effected on that date, the proforma effects of the Proposed Placement on the NAV per Unit and gearing of the Fund are as follows:

	Audited as at 31 December 2016	Announced and completed	Announced but not yet completed		
		(I)	(II)	(III)	
		After the disposal of Axis Eureka ⁽¹⁾	After (I) and the proposed acquisition of a property ⁽⁶⁾	After (II) and the Proposed Placement	After (III) and the proposed development ⁽¹²⁾
	RM'000	RM'000	RM'000	RM'000	RM'000
Unitholders' capital	1,060,320	1,060,320	1,060,320	⁽⁹⁾ 1,518,762	1,518,762
Undistributed distributable income	19,368	^{(2), (3)} 20,719	20,719	20,719	20,719
Non-distributable reserve	313,283	⁽³⁾ 311,519	⁽⁸⁾ 311,665	311,665	311,665
NAV	1,392,971	1,392,558	1,392,704	1,851,146	1,851,146
Number of Units in circulation ('000)	1,105,174	1,105,174	1,105,174	⁽¹⁰⁾ 1,399,745	1,399,745
NAV per Unit (RM)	1.26	1.26	1.26	1.32	1.32
Total financing	780,665	⁽⁴⁾ 726,078	⁽⁷⁾ 759,932	⁽¹¹⁾ 301,490	⁽¹³⁾ 508,825
Total assets	2,244,274	⁽⁵⁾ 2,189,274	⁽⁸⁾ 2,223,274	2,223,274	⁽¹⁴⁾ 2,430,609
Gearing (%) ⁽¹⁵⁾	34.78	33.17	34.18	13.56	20.93

Notes:

- (1) On 8 March 2017, RHB Trustees Berhad, being the trustee for Axis-REIT ("**Trustee**"), on behalf of Axis-REIT, completed the disposal of Axis Eureka to Malaysian Qualifications Agency for a disposal consideration of RM56,132,075 ("**Disposal of Axis Eureka**").
- (2) After taking into account the loss on Disposal of Axis Eureka of RM0.413 million, which was calculated based on the disposal consideration of RM56,132,075 less book value Axis Eureka as at 28 February 2017 of RM55.0 million and transaction costs of about RM1.545 million.
- (3) After taking into account the realisation of previously recognised unrealised fair value gain arising from the Disposal of Axis Eureka of RM1.764 million.
- (4) After taking into account the use of the net proceeds of RM54.587 million from the Disposal of Axis Eureka for the repayment of part of Axis-REIT's bank financing.
- (5) Incorporates the impact on total assets in relation to the carrying amount of Axis Eureka of RM55.0 million.
- (6) On 23 May 2016, the Trustee, on behalf of Axis-REIT, entered into a sale and purchase agreement for the proposed acquisition 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 from Orientant Int. Sdn Bhd, for a purchase consideration of RM33.0 million ("**Purchase Consideration**") ("**Proposed Acquisition**").
- (7) After incorporating the impact on financing for the Purchase Consideration and total estimated transaction costs of about RM0.854 million ("**Estimated Transaction Costs**").
- (8) After taking into account the net fair value gain arising from the Proposed Acquisition of RM0.146 million, which was calculated based on the market value of the property of RM34.0 million less Purchase Consideration and Estimated Transaction Costs.
- (9) Assuming a maximum of 294,571,596 new Units, representing 20% of the existing approved fund size of Axis-REIT, are issued at an issue price of RM1.58 per Unit (representing a discount of 4% to the 5-day VWAMP of the Units up to and including the Last Trading Day of RM1.65 per Unit) and after netting-off estimated expenses for Proposed Placement of about RM6.981 million.
- (10) After taking into account the maximum of 294,571,596 new Units, which may be issued pursuant to the Proposed Placement.
- (11) Assuming the entire Net Proceeds are used for the repayment of Axis-REIT's existing bank financing (including finance cost payable), which were taken up to finance acquisitions of properties that were completed more than 1 year ago.
- (12) On 19 August 2016, it was announced that Axis-REIT proposes to construct a warehouse on a parcel of land measuring approximately 24.78 acres forming part of a parcel of leasehold industrial land for 99 years (expiring on 10 August 2091) held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan ("**Proposed Development**").
- (13) After incorporating the impact on financing for the remaining estimated total cost for the Proposed Development of about RM207.335 million ("**Remaining Estimated Cost**").
- (14) After taking into account the Remaining Estimated Cost.
- (15) Gearing is calculated based on total financing divided by total assets multiplied by 100%.

5. APPROVALS REQUIRED

The Proposed Placement is subject to the following approvals being obtained:

- (i) the Trustee, which was obtained on 17 April 2017;
- (ii) the SC for the issuance and listing of and quotation for up to 294,571,596 new Units to be issued under the Proposed Placement on the Main Market of Bursa Securities;
- (iii) Bursa Securities for the listing and quotation of up to 294,571,596 new Units to be issued under the Proposed Placement on the Main Market of Bursa Securities; and
- (iv) any other relevant authorities and/or parties (if required).

Barring any unforeseen circumstances, the applications to the relevant authorities in relation to the Proposed Placement is expected to be made within 2 months from the date of this announcement.

The Proposed Placement is not conditional upon any other corporate exercise/scheme of Axis-REIT.

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

None of the directors and major shareholder of the Manager, major Unitholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Placement.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Placement and after careful deliberation, is of the opinion that the Proposed Placement is in the best interest of the Fund.

8. ADVISER

The Manager has appointed Maybank IB as Principal Adviser for the Proposed Placement.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Placement is expected to be completed in the second quarter of 2018.

This announcement is dated 23 May 2017.