

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

**PROPOSED ACQUISITION BY AXIS-REIT OF:**

- 1) A PIECE OF LEASEHOLD LAND HELD UNDER H.S.(D) 37766, PT 14572, MUKIM OF SUNGAI KARANG, DISTRICT OF KUANTAN, STATE OF PAHANG MEASURING APPROXIMATELY 350,208 SQ. METRES (APPROXIMATELY 86.54 ACRES) (“LAND 1”); AND
- 2) A PORTION OF LEASEHOLD LAND MEASURING APPROXIMATELY 40.01 ACRES IN AREA FORMING PART OF LAND HELD UNDER PAJAKAN NEGERI 21278, LOT 106048, MUKIM OF SUNGAI KARANG, DISTRICT OF KUANTAN, STATE OF PAHANG (“LAND 2”),

**BOTH BEARING POSTAL ADDRESS KNOWN AS SUB LOT 2, KAWASAN PERINDUSTRIAN MIEL, GEBENG, KM 25, JALAN KUANTAN-KEMAMAN, P.O. BOX 240, 25720 KUANTAN, PAHANG DARUL MAKMUR, TOGETHER WITH BUILDINGS AND STRUCTURES ERECTED THEREON (COLLECTIVELY REFERRED TO AS “THE PROPERTY”) FROM WASCO RESOURCES SDN. BHD., WASCO COATINGS SERVICES SDN. BHD., WASCO COATINGS INSULATION SDN. BHD., WASCO LINDUNG SDN. BHD. AND WASCO COATINGS MALAYSIA SDN. BHD. (COLLECTIVELY REFERRED TO AS “THE VENDORS”) FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM155.0 MILLION, AND LEASEBACK TO WASCO COATINGS MALAYSIA SDN. BHD. (“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, for and on behalf of Axis-REIT, details of which are as follows:

**1.1 Proposed Acquisition of the Property**

RHB, for and on behalf of Axis-REIT, proposes to acquire the Property for a total lump sum cash consideration of RM155.0 million from the Vendors (details as set out in Section 3 below). Upon completion of the acquisition, the Property shall be leased back to Wasco Coatings Malaysia Sdn. Bhd.

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 the Vendors on 24 July 2017 (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Property, vide their letter dated 8 February 2017 in accordance with the provisions of the Third Principal Deed dated 28 November 2013 entered into between RHB and ARMB constituting Axis-REIT.

**1.2 Information of the Property**

The Property is situated within the Kawasan Perindustrian MIEL Gebeng, Kuantan, Pahang, which is 4 kilometre distance from the Kuantan Port. Kuantan Port, an all-weather port operating all year round is a multi-cargo deep seaport facing the South China Sea. Strategically located on the eastern seaboard of Peninsular Malaysia and in the heartland of petrochemical industries, Kuantan Port has developed into a major container terminal for the east coast region. Supported with excellent port facilities and services, a vast market outreach and a strong network of global shipping connections, Kuantan Port will be a catalyst for the rapid expansion of the industrial and manufacturing activities in the East Coast Industrial Corridor. Upon completion of the New Deep Water Terminal (NDWT), Kuantan Port is envisaged to be the main gateway to China and the Far East and shall act as a transshipment hub for minor ports in the region.

The Property comprises two (2) contiguous parcels of Land 1 and Land 2 of whom Wasco Resources Sdn. Bhd. ("WRSB") is the owner. The building owners, Wasco Coatings Services Sdn. Bhd., Wasco Coatings Insulation Sdn. Bhd., Wasco Lindung Sdn. Bhd. and Wasco Coatings Malaysia Sdn. Bhd. had erected on the Land 1 and Land 2 buildings which are used as pipe coating related factory premises.

Further pertinent information of the Property is as follows:

|   | Land 1   | Land 2  |
|---|--|---|
| Identification of the Property and the titles | A piece of leasehold land held under title HS(D) 37766, PT 14572   | A portion of leasehold land forming part of land held under Pajakan Negeri 21278, Lot No. 106048 (Master Title) which has been approved for subdivision |
| Description of the Property                   | The site is generally regular in shape, flat in terrain. Erected thereon are pipe coating related factory premises and stock yard  | The site is generally regular in shape, flat in terrain and lies at the same level with the neighbouring lots. The site is utilised as a stock yard     |
| Tenure  | 99-year leasehold interest expiring on 8 November 2109   | 99-year leasehold interest expiring on 6 August 2113  |
| Land Area                                     | Approximately 350,208 sq. metres (approximately 86.54 acres)   | Approximately 40.01 acres   |
| Gross Floor Area                              | 506,753 sq. ft.  | Not applicable  |
| Net Lettable Area                             | Building: 506,753 sq. ft.<br>Yard: 603,137 sq. ft.   | Yard: 1,254,528 sq. ft.   |
| Category of Land Use                          | Perusahaan/Perindustrian   | Perusahaan/Perindustrian  |
| Existing Property Use                         | Pipe coating / Pipe storage  | Pipe storage  |
| Approximate Age of buildings                  | 3 - 15 years   | Not applicable  |
| Express Conditions                            | Tanah ini hendaklah digunakan untuk Tapak Industri sahaja  | Tanah ini hendaklah digunakan untuk Tapak Industri sahaja   |
| Restrictions-in-interest                      | Tanah ini tidak boleh dipindahmilik, dipajak, digadai melainkan setelah mendapat kebenaran bertulis daripada Pihak Berkuasa Negeri | Tanah ini tidak boleh dipindahmilik, dipajak, digadai melainkan setelah mendapat kebenaran bertulis daripada Pihak Berkuasa Negeri                      |
| Encumbrances                                  | Nil  | Nil   |
| Net Book Value                                | RM20,270,980.00 (Land)<br>RM25,361,498.00 (Buildings)  | RM8,600,638.00 (Land)   |

Occupancy Rate : 100% as at 24 July 2017

Lessee : Wasco Coatings Malaysia Sdn. Bhd.

A summary of the leaseback details are as below:

Term of Lease : Fixed period of fifteen (15) years from the Completion Date (as defined herein) with an option to renew for a further term of five (5) years ("Extended Lease Term")

Monthly Rental : Agreed rental for the fixed period shall be as follows:

Years 1 to 3 : RM971,958.64 per month  
Years 4 to 6 : RM1,069,154.50 per month  
Years 7 to 9 : RM1,176,069.95 per month  
Years 10 to 12 : RM1,293,676.94 per month  
Years 13 to 15 : RM1,423,044.64 per month

Agreed rental for the Extended Lease Term shall be as follows:

Years 1 to 3 : RM1,565,349.10 per month  
Years 4 to 5 : RM1,721,884.01 per month

Starting Net Yield before Islamic financing cost : 7% per annum

## 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 RM155.0 million ("Purchase Price") to be attributed to Land 1 and Land 2, is payable in the following manner:

| Payment                | Land 1           | Land 2          | Total            |
|------------------------|------------------|-----------------|------------------|
| Purchase Price         | RM120,000,000.00 | RM35,000,000.00 | RM155,000,000.00 |
| Earnest Deposit (2%)   | RM2,400,000.00   | RM700,000.00    | RM3,100,000.00   |
| Balance Deposit (8%)   | RM9,600,000.00   | RM2,800,000.00  | RM12,400,000.00  |
| Balance Purchase Price | RM108,000,000.00 | RM31,500,000.00 | RM139,500,000.00 |

- (i) the Earnest Deposit of RM3,100,000.00 only has already been paid by RHB to RHB's solicitors as stakeholders prior to the execution of the SPA;
- (ii) the Balance Deposit of RM12,400,000.00 only shall be paid by RHB to 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 payment of the Balance Purchase Price will be paid by RHB within 30 days from the Unconditional Date (as defined herein) for Land 1 and/or within 60 days from the Unconditional Date for Land 2, as the case may be, subject to the terms and conditions stipulated in the SPA; and
- (iv) the Purchase Price is exclusive of Goods and Services Tax ("GST") chargeable under the GST Act, 2014 and RHB shall make payment of the GST payable in the manner as prescribed in the SPA and in compliance with the provisions of the GST Act, 2014.

2.1.2 The Proposed Acquisition of the Property is also subject to the following conditions:

- (a) the Property is free from all or any encumbrances;
- (b) there is no change to the existing category of land use affecting the Property and shall remain as "Perusahaan/Perindustrian" on Completion Date;
- (c) the certificate of completion and compliance shall have been issued for all buildings and structures within the Property in accordance with the terms stipulated in the SPA;
- (d) all the Express Conditions and Restrictions in Interest stipulated in the titles have been complied in full by WRSB and WRSB's continued compliance with the same up to the completion and registration of RHB as the registered proprietor of the Property;
- (e) the execution of the lease agreement by the Lessee with RHB in escrow upon the execution of the SPA to be effective on the Completion Date, with its ultimate holding company, Wah Seong Corporation Berhad, as the corporate guarantor providing the necessary corporate guarantee as security for the Lessee's discharge and performance of all its obligations under the lease agreement, in escrow upon the execution of the SPA to be effective on the Completion Date;
- (f) WRSB continues to maintain and keep in good repair and condition the Property up to the Completion Date, fair wear and tear excepted;
- (g) WRSB to effect and complete the repairs and rectification works stipulated in the SPA in the manner provided in the SPA;
- (h) WRSB'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) and in the manner provided in the SPA; and
- (i) reliance by RHB on each and all of WRSB's representations, warranties and undertakings stipulated in the SPA in respect of the Property, WRSB and the Lessee and the same remain true, accurate and binding in all material respects up to the Completion Date and, as applicable, deemed repeated on and after the Completion Date.

2.1.3 The termination and default clauses as contained in the SPA are summarized below:

- (i) In the event of default by RHB as prescribed in the SPA, WRSB shall be entitled to terminate the SPA and the Deposit is not refundable. All other sums paid by RHB towards the account of the Balance Purchase Price shall be refunded to RHB without interest within 10 working days, failing which an interest of 8% per annum on any sum outstanding shall be chargeable by RHB calculated on a daily basis.
- (ii) In the event of WRSB's default as prescribed in the SPA, RHB shall be entitled to give notice in writing to WRSB specifying the default or breach and requiring WRSB to remedy the said default or breach within 30 working days of receipt of such notice, failing which, RHB shall be entitled to sue for specific performance of the SPA and all reliefs flowing therefrom. Alternatively, RHB may elect to terminate the SPA and WRSB shall refund all monies paid by RHB towards the account of the Purchase Price without interest. In addition, WRSB shall also pay to RHB a sum equivalent to the Deposit as agreed liquidated damages within 10 working days, failing which an interest of 8% per annum on any sum outstanding shall be chargeable by RHB calculated on a daily basis.

## **2.2 Conditions Precedent**

2.2.1 The Proposed Acquisition of the Property shall be conditional upon the following being obtained or fulfilled within six (6) months from the date of the SPA or such other extended period that may be mutually agreed by the parties in writing ("Conditional Period"):

- (i) WRSB procuring and obtaining the written approval from Pasdec Corporation Sdn. Bhd. for the sale and direct transfer of Land 2 from WRSB to RHB upon such terms acceptable to RHB; and
- (ii) WRSB obtaining the approval from the relevant state authority for the consent to transfer of Land 1 in favour of RHB.

2.2.2 The date of the last of the Conditions Precedent has been fulfilled shall be the date that the SPA becomes unconditional ("Unconditional Date").

2.2.3 There is a possibility that the Unconditional Date for Land 1 will be earlier than Land 2.

## **2.3 Completion Date and commencement of lease term**

2.3.1 The "Completion Date" shall mean the date of receipt by WRSB's solicitors of the Purchase Price for Land 1 which may take place earlier than the completion for Land 2.

2.3.3 In the event the purchase of Land 1 is completed earlier than Land 2, the lease term will commence upon the Completion Date of Land 1 and the Lessee shall pay the agreed monthly rentals in the following manner:

- (a) To RHB – 78% of the agreed rental; and
- (b) To WRSB – 22% of the agreed rental.

## **2.4 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 RM155.0 million as appraised by Rahim & Co International Sdn. Bhd, an independent firm of registered valuers, in its valuation report dated 14 June 2017. The valuation is derived using a combination of comparison method/cost approach and investment methods.

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

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

## **2.6 Source of Funding**

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

### **3. INFORMATION OF THE VENDORS**

The Vendors to the Proposed Acquisition of the Property are WRSB, WCS, WCI, WL and WCM and their respective details are as follows:

- 3.1 Wasco Resources Sdn. Bhd. (“WRSB”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 3 July 2001. WRSB’s principal activity is property investment holding. Its issued and paid-up share capital is RM2.00 comprising 2 ordinary shares.
- 3.2 Wasco Coatings Services Sdn. Bhd. (“WCS”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 15 June 2011. WCS is principally engaged in the provision of pipe coating and related services to the oil and gas industry. Its issued and paid-up share capital is RM250,000.00 comprising 250,000 ordinary shares.
- 3.3 Wasco Coatings Insulation Sdn. Bhd. (“WCI”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 9 November 2007. WCI is principally engaged in the coating of pipes for the oil and gas industry. Its issued and paid-up share capital is RM2.00 comprising 2 ordinary shares.
- 3.4 Wasco Lindung Sdn. Bhd. (“WL”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 23 June 1997. WL is principally engaged in the manufacture, supply and installation of sacrificial anodes, provision of cathodic protection services and equipment, corrosion protection services, passive fire protection services, special paint coating services and provision of technical training services. Its issued and paid-up share capital is RM1,227,000.00 comprising 1,185,000 ordinary shares and 42,000 non-convertible cumulative redeemable preference shares.
- 3.5 Wasco Coatings Malaysia Sdn. Bhd. (“WCM”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 28 February 1985. WCM is principally engaged in the coating of pipes for the oil and gas industry. Its issued and paid-up share capital is RM40,500,003.00 comprising 40,500,003 ordinary shares.

The Vendors’ ultimate holding company is Wah Seong Corporation Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

#### **4. INFORMATION OF THE LESSEE**

WCM is the Lessee and its details are stated in Section 3.5 above.

#### **5. RATIONALE FOR THE PROPOSED ACQUISITION OF THE PROPERTY AND 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.

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. Given the location of the Property and the long tenure of the lease, the Proposed Acquisition of the Property will be accretive to Axis-REIT's distributable income.

#### **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 Completion Date.

##### **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 2017, with the leaseback of the Property to the Lessee which will commence on Completion Date.

##### **6.4 Gearing**

ARMB intends to utilise debt facility of approximately RM155.0 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 39% of audited total assets as at 31 December 2016, 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 8 February 2017;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 9 March 2017;
- (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 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 and 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 terms and conditions stipulated in the SPA;
- (b) Non-registration of the transfer of the Property;
- (c) Compulsory acquisition by the Government;
- (d) Non-renewal of the lease after expiry due to change in circumstances of the Lessee;
- (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; and
- (k) Acts of God, uninsurable losses and other factors.

**11. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed Acquisition of the Property is expected to be completed by the end of 2017. The leaseback of the Property to the Lessee will commence on Completion Date.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the registered office of the Manager at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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 Rahim & Co International Sdn. Bhd., dated 14 June 2017.

**This announcement is dated 24 July 2017.**