

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

PROPOSED ACQUISITION BY AXIS-REIT OF:

1) A PIECE OF FREEHOLD LAND HELD UNDER H.S.(D) 281156, NO. PT 674, PEKAN HICOM, DAERAH PETALING, NEGERI SELANGOR (“LAND 1); AND

2) A PIECE OF FREEHOLD LAND HELD UNDER H.S.(D) 29664, NO. PT 5042, MUKIM DAMANSARA, DAERAH PETALING, NEGERI SELANGOR (“LAND 2”),

BOTH BEARING POSTAL ADDRESS KNOWN AS LOT PT 5038-5041, JALAN TELUK DATUK 28/40, OFF PERSIARAN SEPANG, SEKSYEN 28, 40400 SHAH ALAM, SELANGOR, TOGETHER WITH THE BUILDINGS ERECTED THEREON (“THE PROPERTY”) FROM TERAJU SINAR SDN. BHD. FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM87.0 MILLION (“PROPOSED ACQUISITION OF THE PROPERTY”)

1. INTRODUCTION

The Board of Directors (“Board”) of Axis REIT Managers Berhad (“ARMB” or “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 RM87.0 million from Teraju Sinar Sdn. Bhd. (“TSSB” or “Vendor”). Upon completion of the acquisition, the Property shall be leased back to TSSB.

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 TSSB on 23 April 2018 (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Property, vide their letter dated 2 January 2018 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 locality of Section 28, Shah Alam, Selangor Darul Ehsan. The locality is mainly developed with light terrace factories to heavy industry, residential houses and terrace shop-offices. It is also located approximately 8 kilometres and 30 kilometres to the south-eastern and south-western sides of the Shah Alam and Kuala Lumpur city centres respectively.

The Property comprises 2 adjoining parcels of industrial land erected upon with 4 warehouse blocks, a double storey detached office building, a double storey canteen building and 2 guardhouses.

Further pertinent information of the Property is as follows:

	Land 1	Land 2
Identification of the Property and the titles	A piece of freehold land held under title H.S.(D) 281156, No. PT 674	A piece of freehold land held under title H.S.(D) 29664, No. PT 5042
Description of the Property	4 warehouse blocks, a double storey detached office building, a double storey canteen building and 2 guardhouses	Car park
Tenure	Freehold	Freehold
Land Area	Approximately 417,769 sq. ft.	Approximately 22,499 sq. ft.
Gross Floor Area	258,553 sq. ft.	Not applicable
Net Lettable Area	254,233 sq. ft.	Not applicable
Category of Land Use	Perusahaan	Perusahaan
Existing Property Use	Warehousing and assembly of electrical goods	The site is utilised as a car park
Approximate Age of Buildings	6 - 27 years	Not applicable
Express Conditions	Tanah ini hendaklah digunakan untuk Tapak Industri sahaja	Tanah ini hendaklah digunakan untuk Tapak Industri Sederhana sahaja
Restrictions-in-interest	Not Stated	Not Stated
Encumbrances	Charged thrice to Bank of China (Malaysia) Berhad vide: i. Presentation No. 351/2012 dated 6 January 2012. ii. Presentation No. 44376/2014 dated 24 April 2014. iii. Presentation No. 39779/2015 dated 22 April 2015.	i. Private caveat lodged by Bank of China (Malaysia) Berhad vide Presentation No. 27514/2016 dated 27 May 2016. ii. Charged to Bank of China (Malaysia) Berhad vide Presentation No. 17027/2018 dated 28 February 2018.
Net Book Value	RM92,000,000	
Occupancy Rate	100% as at 23 April 2018	

A summary of the leaseback details is as below:

Lessee	Teraju Sinar Sdn. Bhd. ("Lessee")
Term of Lease	Fixed period of 6 years from the Completion Date (as defined herein)
Rental	Years 1 to 3 : RM528,422.35 per month Years 4 to 6 : RM581,264.59 per month Upon commencement of lease, the Lessee shall pay the first advance rental for the 1 st to 3 rd year of the lease.

	<p>At the end of year 1, the Lessee shall pay the second advance rental for the 4th year of the lease.</p> <p>At the end of year 2, the Lessee shall pay the third advance rental for the 5th year of the lease.</p> <p>At the end of year 3, the Lessee shall pay the fourth advance rental for the 6th year of the lease.</p>
Starting Net Yield before Islamic financing cost	7.0% 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 RM87.0 million ("Purchase Price") is payable in the following manner:

Payment	Amount
Purchase Price	RM87,000,000
Earnest Deposit (2%)	RM1,740,000
Balance Deposit (8%)	RM6,960,000
Balance Purchase Price	RM78,300,000

- (i) the Earnest Deposit of RM1,740,000 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 RM6,960,000 only shall be paid by RHB to RHB's solicitors as stakeholders upon the execution of the SPA;
- (iii) the payment of the Balance Purchase Price will be paid by RHB within 2 months from the Unconditional Date (as defined herein), subject to the terms and conditions stipulated in the SPA. The date the Vendor's solicitors is in receipt of the full payment of the Balance Purchase Price in the manner as provided under the SPA, shall be the completion date of the Proposed Acquisition of the Property ("Completion Date"); 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 GST 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:

- (i) the Property is free from all or any encumbrances;
- (ii) there is no change to the existing category of land use affecting the Property and shall remain as "Perusahaan" on Completion Date;
- (iii) all the Express Conditions and Restrictions in Interest stipulated in the titles have been complied in full by TSSB and TSSB's continued compliance with the same up to the completion and registration of RHB as the registered proprietor of the Property;

- (iv) 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;
- (v) TSSB continues to maintain and keep in good repair and condition the Property up to the Completion Date, fair wear and tear excepted;
- (vi) TSSB to effect and complete the repairs and rectification works stipulated in the SPA and in the manner provided in the SPA;
- (vii) reliance by RHB on each and all of TSSB's representations, warranties and undertakings stipulated in the SPA in respect of the Property and TSSB, 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.

2.2 Conditions Precedent

2.2.1 The Proposed Acquisition of the Property shall be conditional upon the following being obtained or fulfilled within 3 months from the date of the SPA or such other extended period that may be granted by RHB in writing ("Conditional Period"):

- (i) TSSB procuring and obtaining the issuance of a valid fire certificate for the Property to be issued by Bomba Malaysia;
- (ii) TSSB procuring the approved building plans and certificate of fitness for occupation/certificate of completion and compliance for warehouse 1, the office building and the canteen building ("Additional CFO/CCC").

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

2.2.3 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 purchase of the Property in accordance with the terms of the SPA:

- (i) if such waiver is pertaining to the delivery of the fire certificate, RHB shall be irrevocably authorised to retain RM1,000,000 only from the Balance Purchase Price which shall be held by RHB's solicitors as stakeholders, until the ultimate issuance of the fire certificate in due course, whether before or after the Completion Date, and/or;
- (ii) if such waiver is pertaining to the delivery of the Additional CFO/CCC, RHB shall be irrevocably authorised to withhold the payment of RM4,000,000 only from the Balance Purchase Price and such amount shall be paid subsequently by RHB to TSSB within 14 days of the following:
 - (a) RM3,700,000 only upon the delivery of the Additional CFO/CCC for warehouse 1; and
 - (b) RM300,000 only upon delivery of the Additional CFO/CCC for the office building and canteen building.

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 following scenarios:

- i) The market value of RM83.0 million for the Property on the basis that the Conditions Precedent of 2.2.1(ii) above is not fulfilled, which matches the deferred payment term stated in 2.2.3(ii) above in the event of a waiver; and
- ii) The market value of RM87.0 million for the Property on the basis that all buildings and structures thereon have been approved by the relevant municipal authority (including the issuance of the Additional CFO/CCC in due course).

The market values stated in 2.3 above are as appraised by PPC International Sdn. Bhd, an independent firm of registered valuers, in its valuation report dated 12 April 2018. The valuation is derived using a combination of comparison approach and cost approach.

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 OF THE VENDOR AND LESSEE

Teraju Sinar Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 8 November 1991. TSSB's principal activities is trading of air-conditioners, assemble and trading of audio-video products and renting of properties.

Details of the directors and shareholders of TSSB are as follows:

	Directors & Shareholders	Shareholdings	%
(a)	Kua Ah Chook	6,200,000 ordinary shares	50%
(b)	Kua Chor Hoon	6,200,000 ordinary shares	50%

4. RATIONALE FOR THE PROPOSED ACQUISITION OF THE PROPERTY & PROSPECTS OF THE PROPERTY

The Proposed Acquisition of the Property is in line with the Fund's investment objectives and its growth strategy 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 strengthen its portfolio of industrial properties and is expected to benefit the Fund in the long-term as a result of economies of scale.

5. EFFECTS OF THE PROPOSED ACQUISITION OF THE PROPERTY

5.1 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.

5.2 NAV

The Proposed Acquisition of the Property will have no impact or changes to the unaudited NAV of Axis-REIT on Completion Date.

5.3 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 2018, with the leaseback of the Property to the Lessee which will commence on Completion Date.

5.4 Gearing

ARMB intends to utilise debt facility of approximately RM87.0 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 35.26% of audited total assets as at 31 December 2017 which is below the gearing limit of 50% prescribed by the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia on 15 March 2018 which took effect on 9 April 2018.

6. 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 2 January 2018;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 8 January 2018;
- (iii) any other relevant authorities and/or parties (if required).

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Acquisition of the Property is not subject to the approval of 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 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.

8. 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.

9. 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) Compulsory acquisition by the Government;
- (c) Non-renewal of lease after expiry due to change in circumstances of the Lessee;
- (d) Adverse changes in national or economic conditions;
- (e) Adverse local market conditions;
- (f) The financial conditions of tenants, buyers and sellers in the property market;
- (g) Changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- (h) 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;
- (i) Competition among property owners for tenants; and
- (j) Acts of God, uninsurable losses and other factors.

10. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition of the Property is expected to be completed in the second half of 2018. The leaseback of the Property to the Lessee will commence on Completion Date.

11. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION OF THE PROPERTY

The percentage ratio applicable to the Proposed Acquisition of the Property pursuant to Paragraph 10.02(g)(vi) of the Listing Requirements is 3.41%.

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 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 PPC International Sdn. Bhd, dated 12 April 2018.

This announcement is dated 23 April 2018.