

ANNOUNCEMENT:

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

PROPOSED ACQUISITION BY AXIS-REIT OF:

1) A PIECE OF FREEHOLD LAND HELD UNDER GERAN H.S.(D) 69702, PTD 110365, MUKIM KULAI, DAERAH KULAI, JOHOR TOGETHER WITH ANCILLARY BUILDINGS ERECTED THEREON BEARING POSTAL ADDRESS NO. 93, JALAN I-PARK 1/10, KAWASAN PERINDUSTRIAN I-PARK, BANDAR INDAH PURA, 81000 KULAI, JOHOR (“PROPERTY 1”); AND

2) A PIECE OF FREEHOLD LAND HELD UNDER GERAN H.S.(D) 64282, PTD 107782, MUKIM KULAI, DAERAH KULAI, JOHOR TOGETHER WITH ANCILLARY BUILDINGS ERECTED THEREON BEARING POSTAL ADDRESS NO. 69, JALAN I-PARK 1/7, KAWASAN PERINDUSTRIAN I-PARK, BANDAR INDAH PURA, 81000 KULAI, JOHOR (“PROPERTY 2”),

(Property 1 and Property 2 are collectively referred to as “Properties”)

FROM AXIS AME IP SDN. BHD. FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM38.7 MILLION (“PROPOSED ACQUISITION OF THE PROPERTIES”)

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 Properties, for and on behalf of Axis-REIT, details of which are as follows:

1.1 Proposed Acquisition of the Properties

RHB, for and on behalf of Axis-REIT, proposes to acquire the Properties for a total lump sum cash consideration of RM38.7 million from Axis AME IP Sdn. Bhd. (“AAIP” or “Vendor”).

The Properties are 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 AAIP on 7 June 2018 (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Properties, vide their letter dated 5 December 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 Properties

Property 1 is located along Jalan i-Park 1/10 and Property 2, along Jalan i-Park 1/7, both within Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor. Kawasan Perindustrian i-Park is a gated and guarded industrial scheme sited about 5 kilometres from Kulai town and 35 kilometres due north-west of the Johor Bahru city centre. Adjacent to Property 1 are Axis-REIT’s existing properties i.e. Beyonics i-Park Campus Blocks A, B, C and D, altogether forming a cluster of industrial assets on Jalan i-Park 1/10, Kawasan Perindustrian i-Park. The Properties are strategically located within one of the main development corridors under Iskandar Malaysia.

Each of the Properties comprises of a single-storey detached factory with mezzanine office and other ancillary buildings.

Further pertinent information of each of the Properties is as follows:

	Property 1	Property 2
Purchase Price	RM31,500,000	RM7,200,000
Identification of the Property and the title	A piece of freehold land held under title H.S.(D) 69702 No. PTD 110365	A piece of freehold land held under title H.S.(D) 64282, No. PTD 107782
Description of the Property	A single-storey detached factory with mezzanine office, a bin centre, a guard house, a TNB sub-station and a switch gear room.	A single-storey detached factory with mezzanine office, a bin centre and a TNB sub-station.
Tenure	Freehold	Freehold
Land Area	Approximately 1.8344 hectares	Approximately 0.494 hectares
Gross Floor Area	Approximately 133,741 sq. ft.	Approximately 33,347 sq. ft.
Lettable Area	132,706 sq. ft.	33,448.23 sq. ft.
Category of Land Use	Perusahaan/Perindustrian	Perusahaan/Perindustrian
Existing Property Use	Manufacturing and warehouse for electronics manufacturing services and precision engineering services.	Manufacturing and warehousing of physical vapour deposition coating service and its related activities.
Approximate Age of Buildings	1 year	2 years
Express Conditions	<p>i) Tanah yang terkandung di dalam hakmilik ini hendaklah digunakan untuk kilang bagi Perusahaan Sederhana Sesebuah dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.</p> <p>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan atau dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Tempatan yang berkenaan.</p> <p>iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasa dari semasa ke semasa oleh Pihak Berkuasa hendaklah dipatuhi.</p>	<p>i) Tanah yang terkandung di dalam hakmilik ini hendaklah digunakan untuk kilang bagi Perusahaan Sederhana Sesebuah dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.</p> <p>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan atau dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Tempatan yang berkenaan.</p> <p>iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasa dari semasa ke semasa oleh Pihak Berkuasa hendaklah dipatuhi.</p>

Restrictions-in-interest	Tanah yang diperuntukkan untuk Bumiputera ini apabila sahaja bertukar miliknya kepada seorang Bumiputera / Syarikat Bumiputera, maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindahmilik dengan apa cara sekali pun kepada orang yang bukan Bumiputera / bukan Syarikat Bumiputera tanpa kebenaran Pihak Berkuasa Negeri.	Tanah ini tidak dibenarkan dipindahmilik dengan apa cara sekalipun melainkan infrastruktur untuk kemudahan awam di kawasan kilang telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.
Encumbrances	Charged to AmBank (M) Berhad ("Chargee") registered on 19 June 2017 Vide Presentation No. 40960/2017	None
Original cost of investment	RM18.03 million	RM4.76 million
Date of investment	3 April 2017	30 May 2016
Net Book Value	RM18.03 million	RM4.76 million
Occupancy Rate	100% as at 7 June 2018	100% as at 7 June 2018

A summary of the lease details is as below:

	Property 1
Lessee	Beyonics Precision Malaysia Sdn. Bhd.
Term of Lease	Fixed period of 10 years ("Lease Term") expiring on 30 June 2027 ("Expiration Date"), with an option to renew for further term of 3 years from the Expiration Date ("1 st Renewed Period") and 2 years from expiry of the 1 st Renewed Period ("2 nd Renewed Period").
Rental	(a) Year 1 to 3 of Lease Term at the rate of RM1.40 per sq. ft. on the Lettable Area; (b) Year 4 to 6 of Lease Term at the rate of RM1.60 per sq. ft. on the Lettable Area; and (c) Year 7 to 10 of Lease Term at the rate of RM1.80 per sq. ft. on the Lettable Area. The rental for the 1 st Renewed Period and the 2 nd Renewed Period shall be renegotiated and mutually agreed upon by the parties at least 6 months prior to the Expiration Date or the expiry of the 1 st Renewed Period, as the case may be.
Starting Net Yield before Islamic financing cost	6.8% per annum

	Property 2
Lessee	Oerlikon Balzers Coating Malaysia Sdn. Bhd.
Term of Lease	Fixed period of 7 years expiring on 30 April 2024 (“Expiration Date”), with option to renew for further fixed term of 7 years (“Renewed Period”).
Rental	RM43,483.00 per month (at the rate of RM1.30 per sq. ft. on the Lettable Area) The rental for the Renewed Period shall be mutually agreed upon by the parties at least 6 months prior to the Expiration Date, which increment shall not be more than 25% of the prevailing agreed rental.
Starting Net Yield before Islamic financing cost	6.9% per annum

2. DETAILS OF THE PROPOSED ACQUISITION OF THE PROPERTIES

2.1 Salient terms and conditions of the Proposed Acquisition of the Properties

2.1.1 The total lump sum cash consideration for the Properties of RM38.7 million (“Total Purchase Price”) is payable in the following manner:

Payment	Amount
Total Purchase Price	RM38,700,000
Total Earnest Deposit (2%)	RM774,000
Total Balance Deposit (8%)	RM3,096,000
Total Balance Purchase Price	RM34,830,000

- (i) the Total Earnest Deposit of RM774,000 only has already been paid by RHB to RHB’s solicitors as stakeholders prior to the execution of the SPA;
- (ii) the Total Balance Deposit of RM3,096,000 only shall be paid by RHB to the Vendor within 7 working days from the Unconditional Date (as defined herein);
- (iii) the payment of the Total Balance Purchase Price will be paid by RHB within 90 days from the Unconditional Date (as defined herein), subject to the fulfillment of the terms and conditions stipulated in the SPA (including the successful redemption of the Property 1 from the Chargee). The date the Vendor’s solicitors is in receipt of the full payment of the Total Balance Purchase Price in the manner as provided under the SPA, shall be the completion date of the Proposed Acquisition of the Properties (“Completion Date”); and
- (iv) the Total Purchase Price is exclusive of Goods and Services Tax (“GST”) chargeable under the GST Act, 2014 and RHB shall make payment in the manner as prescribed in the SPA and in compliance with the provisions of the GST Act, 2014 (where applicable).

- 2.1.2 The Proposed Acquisition of the Properties is also subject to the following conditions:
- (i) the Properties are purchased on the basis that the agreed repairs will be undertaken by the Vendor on the Properties, and free from all encumbrances, other than those as stipulated in the SPA;
 - (ii) the successful novation and/or assignment of the existing lease agreements (“Existing Lease Agreements”) and such novation and/or assignments to commence on the Completion Date;
 - (iii) there is no change to the existing category of land use affecting the Properties;
 - (iv) the issuance of Certificate of Completion and Compliance for all buildings and structures within the Properties, which were constructed and completed in accordance with specifications and conditions of building plans approved by the relevant municipal authorities;
 - (v) reliance by RHB on each and all of the Vendor’s representations, warranties and undertakings stipulated in the SPA in respect of the Properties and the Existing Lease Agreements, and the same remain true, accurate and binding in all material respects up to the Completion Date and deemed repeated on Completion Date.
 - (vi) the due diligence audit has been conducted and concluded to RHB’s reasonable satisfaction based on documents and information provided and/or disclosed by the Vendor.

2.2 Conditions Precedent

2.2.1 The Proposed Acquisition of the Properties 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) a stamped copy of the Existing Lease Agreements, with the novation and assignment of the Existing Lease Agreements being deposited by the Vendor with RHB’s solicitors as stakeholders.
- (ii) an undated Corporate Guarantee (to be issued by the holding company of the Lessee for Property 1) in favour of RHB to be deposited with RHB’s solicitors as stakeholders in the manner as stipulated in the SPA.

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”).

2.3 Basis of the Purchase Price for the Properties

The market value of Property 1 is RM32.0 million and Property 2 is RM8.0 million, both as appraised by C H Williams Talhar & Wong Sdn. Bhd., an independent firm of registered valuers, in its valuation reports both dated 1 June 2018. The valuation for both the Properties is derived using income approach, with the comparison approach as a check.

2.4 Liabilities to be Assumed by Axis-REIT

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

2.5 Source of Funding

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

3. INFORMATION OF THE VENDOR

Axis AME IP Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 16 November 2012. AAIP's principal activities are property development and investment.

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

DIRECTORS OF AAIP	
(a)	Tew Peng Hwee @ Teoh Peng Hwee ("Mr Stephen Tew")
(b)	Lee Chai
(c)	Lee Sai Boon
(d)	George Stewart Labrooy

SHAREHOLDERS OF AAIP		
(a)	Axis IE Sdn. Bhd.	500,000 ordinary shares (50%)
(b)	AME Industrial Park Sdn. Bhd.	500,000 ordinary shares (50%)

The Proposed Acquisition of the Properties is a related party transaction by virtue of the Manager's Directors' interests as described below.

Mr Stephen Tew, who is a Non-Independent Non-Executive Director of the Manager, is also a director of AAIP and he has indirect shareholdings in AAIP vide Axis IE Sdn. Bhd.. Dato' Abas Carl Gunnar Bin Abdullah ("Dato' Abas Carl Gunnar"), the Executive Deputy Chairman of the Manager, also has indirect shareholdings in AAIP vide Axis IE Sdn. Bhd.. The details of their interests are as follows:

SHAREHOLDINGS OF INTERESTED DIRECTORS IN AXIS IE SDN. BHD.		
(a)	Dato' Abas Carl Gunnar	2 ordinary shares (40%)
(b)	Mr Stephen Tew	1 ordinary share (20%)

Dato' Abas Carl Gunnar and Mr Stephen Tew are collectively referred to as "Interested Directors").

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

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

Furthermore, the Proposed Acquisition of the Properties 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 PROPERTIES

5.1 Unitholders' Capital and Substantial Unitholders' Unitholding

The Proposed Acquisition of the Properties 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 Properties 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 Properties to contribute positively to the earnings of the Fund for the financial year ending 31 December 2018, with the tenancies of the Properties which will commence on Completion Date.

5.4 Gearing

ARMB intends to utilise debt facility of approximately RM38.7 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 34.05% 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 PROPERTIES

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

- (i) in respect of the restrictions-in-interest of Property 1 with regards to the Bumiputera gazetted land, the Bumiputera Release Approval Letter issued by Pejabat Setiausaha Kerajaan Johor (Bahagian Perumahan) dated 2 January 2017 had approved the release of the land to public purchaser.
- (ii) the Trustee, which was obtained on 5 December 2017. The Trustee, vide its approval letter also confirmed that the Proposed Acquisition of the Properties are carried out at arm's length.
- (iii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 14 December 2017.
- (iv) any other relevant authorities and/or parties (if required).

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Acquisition of the Properties 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

Save for the Interested Directors, 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 Properties. The Interested Directors have

abstained and will continue to abstain from Board deliberation and voting on resolution(s) pertaining to the Proposed Acquisition of the Properties.

8. DIRECTORS' STATEMENT

The Board, save for the Interested Directors, having considered all aspects of the Proposed Acquisition of the Properties and after careful deliberation, is of the opinion that the Proposed Acquisition of the Properties is in the best interest of Axis-REIT.

9. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of the Manager, having considered all aspects of the Proposed Acquisition of the Properties and after careful deliberation, is of the view that the terms of the Proposed Acquisition of the Properties are in the best interest of Axis-REIT, fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority unitholders of Axis-REIT.

10. RISK FACTORS

The Properties 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 Lessees;
- (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.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition of the Properties is expected to be completed in the third quarter of 2018.

12. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION OF THE PROPERTIES

The percentage ratio applicable to the Proposed Acquisition of the Properties pursuant to Paragraph 10.02(g)(vi) of the Listing Requirements is 1.52%.

13. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

In view that the Chapter 10 of the Listing Requirements became applicable to Axis-REIT with effect from 9 April 2018, there was no similar related party transaction involving AAIP since 9 April 2018 up to the date of this announcement.

14. 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 Properties; and
- (ii) Valuation reports on the Properties prepared by C H Williams Talhar & Wong Sdn. Bhd., each dated 1 June 2018.

This announcement is dated 7 June 2018.