

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

PROPOSED ACQUISITION BY AXIS-REIT OF:

A PIECE OF FREEHOLD LAND HELD UNDER GERAN 114864, LOT 32553, PEKAN SENAWANG, DAERAH SEREMBAN, NEGERI SEMBILAN ERECTED WITH 3 STOREY OFFICE, 1.5-STOREY WAREHOUSE FACTORY AND ANCILLARY BUILDINGS BEARING POSTAL ADDRESS LOT 73 & 74, PERSIARAN BUNGA TANJUNG 1, SENAWANG INDUSTRIAL PARK, 70400 SEREMBAN, NEGERI SEMBILAN (“PROPERTY”) FROM GANDOUR (MALAYSIA) SDN. BHD. FOR A TOTAL LUMP SUM CASH CONSIDERATION OF RM18.5 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 RM18.5 million from Gandour (Malaysia) Sdn. Bhd. (“GMSB” or “Vendor”).

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 GMSB on 8 August 2018 (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Property, vide their letter dated 25 October 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 located within an industrial development area known as Senawang Industrial Park, Senawang, Negeri Sembilan which lies off the eastern side of the Lebuhraya Utara-Selatan, an expressway linking Kuala Lumpur City Centre to the southern part of Peninsular Malaysia, the state of Johor.

Further pertinent information of the Property is as follows:

Identification of the Property and the title	A piece of freehold land held under Geran 114864, Lot 32553, Pekan Senawang, Daerah Seremban, Negeri Sembilan bearing postal address of Lot 73 & 74, Persiaran Bunga Tanjung 1, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan
Description of the Property	A 3-storey office annexed with a 1.5-storey warehouse factory and other ancillary buildings
Tenure	Freehold
Land Area	Approximately 183,342 sq. ft.
Gross Floor Area	160,981 sq. ft.
Net Lettable Area	147,990 sq. ft.

Category of Land Use	Perusahaan/Perindustrian
Existing Property Use	Factory and warehouse only
Approximate Age of Buildings	19 years
Express Conditions	Tanah in hendaklah digunakan untuk perusahaan sahaja
Restrictions-in-interest	Tiada
Encumbrances	A registered lease in favour of Nippon Wiper Blade (M) Sdn. Bhd. vide lease registration No. 24443/2016 registered on 29 September 2016, for a fixed term of 10 years commenced from 1 July 2016 and expiring on 30 June 2026 ("Registered Lease")
Net Book Value	RM16.77 million
Occupancy Rate	100% as at 8 August 2018

A summary of the lease details is as below:

Lessee	Nippon Wiper Blade (M) Sdn. Bhd.
Term of Lease	Fixed period of 10 years commenced from 1 July 2016 and expiring on 30 June 2026
Rental	(a) RM130,000 per month for a period of 5 years from 1 July 2016 to 30 June 2021 (b) RM149,500 per month for a period of 5 years from 1 July 2021 to 30 June 2026
Starting Net Yield before Islamic financing cost	7.7% 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 (i) The total lump sum cash consideration for the Property of RM18.5 million ("Purchase Price") is payable in the following manner:

Payment	Amount
Purchase Price	RM18,500,000
Earnest Deposit (2%)	RM370,000
Balance Deposit (8%)	RM1,480,000
Balance Purchase Price	RM16,650,000

- (ii) the Earnest Deposit of RM370,000 only has already been paid by RHB to RHB's solicitors as stakeholders prior to the execution of the SPA;
- (iii) the Balance Deposit of RM1,480,000 only shall be paid by RHB to RHB's solicitors as stakeholders upon the execution of the SPA;
- (iv) the payment of the Balance Purchase Price shall be paid by RHB to Vendor's solicitors to be held as stakeholders within 60 days from the Unconditional Date (as defined herein), subject to the terms and conditions stipulated in the SPA.

- (v) 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
- (vi) the 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 or any other applicable taxation laws that may be passed in substitution of the GST Act, 2014 (where applicable).

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

- (i) the Property is free from all Encumbrances save and except for the Registered Lease;
- (ii) there is no change to the existing category of land use affecting the Property on Completion Date;
- (iii) the certificate of fitness for occupation had been duly issued for all buildings and structures within the Property, which were constructed and completed in accordance with specifications and conditions of building plans approved by the relevant municipal authorities;
- (iv) that all the Express Conditions and Restrictions in Interest stipulated in the title have been complied in full by GMSB and GMSB to continue compliance with the same up to the Completion Date and the registration of RHB as the registered proprietor of the Property;
- (v) the novation and assignment of the existing lease agreement ("Existing Lease Agreement") in accordance with the terms of the Novation Agreement (as defined herein) to RHB on the Completion Date;
- (vi) GMSB continues to maintain and keep in good repair and condition the Property up to the Completion Date, fair wear and tear excepted; and
- (vii) reliance by RHB on each and all of GMSB's representations, warranties and undertakings stipulated in the SPA in respect of the Property and the existing lease remains 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) the Vendor procuring the stamped copies of the duplicate Existing Lease Agreement together with the novation agreement duly executed by the Lessee, RHB and the Vendor ("Novation Agreement") to be deposited with RHB's solicitors as stakeholders;
- (ii) the Vendor procuring and delivering a certified true copy of the duplicate stamped copy of the Form 15A (Registered Lease) duly registered and endorsed by the relevant land office to RHB's solicitors;
- (iii) the Vendor procuring and delivering the written consent of the Lessee addressed to the relevant land office and/or all other documents that may be necessary or required by the relevant land office, to facilitate the registration of the Memorandum of Transfer in favour of RHB subject to the Registered Lease; and

- (iv) the Vendor procuring the Lessee to deliver the original stamped copy of the Existing Lease Agreement and/or all other documents that may be necessary or required by the relevant stamp office, to facilitate the stamping of the Novation Agreement to RHB's solicitors.

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 Property

The market value of the Property is RM21.0 million as appraised by First Pacific Valuers Property Consultants Sdn. Bhd, an independent firm of registered valuers, in its valuation report dated 8 June 2018. The valuation is derived using income approach, with the cost 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 Property.

2.5 Source of Funding

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

3. INFORMATION OF THE VENDOR

Gandour (Malaysia) Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 26 June 1995. GMSB is a dormant company.

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

DIRECTORS OF GMSB	
(a)	Dato' Syed Mohd Tahir Bin Syed Azman
(b)	Ziad Ghandour
(c)	Mohiuddin Hashmi

SHAREHOLDER(S) OF GMSB		
(a)	G F G Limited	25,000,000 ordinary shares (100%)

4. INFORMATION OF THE LESSEE

Nippon Wiper Blade (M) Sdn. Bhd. ("NWB") is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 20 February 1995. NWB's nature of business is manufacturing and sale of wiper blades, mould and die.

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

DIRECTORS OF NWB	
(a)	Hitoshi Ono
(b)	Hideharu Dai
(c)	Yoshikazu Takahashi
(d)	Kazuhito Yokoo
(e)	Yukihiro Kuwabara
(f)	Tomoya Nakamura
(g)	Naohiro Yoshida

SHAREHOLDER(S) OF NWB		
(a)	Mitsuba Corporation	2,000,000 ordinary shares (6.7%)
(b)	Nippon Wiper Blade Co Ltd	25,500,000 ordinary shares (85.0%)
(c)	Asmo Co Ltd	1,500,000 ordinary shares (5.0%)
(d)	Denso Corporation	1,000,000 ordinary shares (3.3%)

5. 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.

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 on the 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 2018, with the lease of the Property which will commence on the Completion Date.

6.4 Gearing

ARMB intends to utilise financing facility of approximately RM18.5 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 33.5% 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.

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 25 October 2017;
- (ii) Islamic Banking and Finance Institute Malaysia Sdn Bhd, as the Shariah Adviser for Axis-REIT, which was obtained on 25 October 2017;
- (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.

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) 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.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition of the Property is expected to be completed by end of 2018.

12. 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 0.73%.

13. 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 First Pacific Valuers Property Consultants Sdn. Bhd, dated 8 June 2018.

This announcement is dated 8 August 2018.