

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

PROPOSED ACQUISITION BY AXIS-REIT OF:

A PIECE OF LEASEHOLD LAND SITUATED IN BAYAN LEPAS FREE INDUSTRIAL ZONE PHASE 4, 11900 BAYAN LEPAS, PULAU PINANG ERECTED WITH A PURPOSE-BUILT DOUBLE-STOREY FACTORY-CUM-OFFICE BUILDING (“PROPERTY”) FROM ZOOMIC TECHNOLOGY (M) SDN. BHD. (“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 RM20.5 million from Zoomic Technology (M) Sdn. Bhd. (“ZTSB” 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 ZTSB on 17 July 2019 (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Property, vide their letter dated 21 September 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 located within an industrial development area known as Bayan Lepas Free Industrial Zone Phase IV, Bayan Lepas, Pulau Pinang which is an industrial park situated at the south-eastern part of Penang Island developed by Penang Development Corporation (“PDC”). It is connected to the northern portion of Penang Island via Lebuhraya Tun Dr Lim Chong Eu and to the mainland by both the Penang First Bridge and Penang Second Bridge.

Further pertinent information of the Property is as follows:

Identification of the Property and the title	A piece of leasehold land held under Lot 12370 (PN 5891) & Lot 12371 (PN 5867), all in Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang bearing the postal address of Plot No. 12 & 13, Hilir Sungai Keluang 3, Bayan Lepas Free Industrial Zone Phase 4, 11900 Bayan Lepas, Pulau Pinang
Description of the Property	A purpose-built double-storey factory-cum-office building
Tenure	A 60-year leasehold interest expiring on 9 September 2051 with an unexpired term of about 32 years
Land Area	Approximately 90,040 sq. ft.
Gross Floor Area/ Net Lettable Area	78,024 sq. ft.

Category of Land Use	Perusahaan/Perindustrian
Existing Property Use	Factory and warehouse only
Approximate Age of Buildings	9 years
Encumbrances	Currently charged to CIMB Bank Berhad
Net Book Value	RM22.6 million
Occupancy Rate	100% as at 17 July 2019

A summary of the tenancy details is as below:

Tenant	Pentax Medical (Penang) Sdn Bhd ("PMSB" or "Tenant")
Tenant's nature of business	Manufacturer of medical diagnostic preparation.
Term of Tenancy	Fixed period of 3 years commenced from 1 February 2018 and expiring on 31 January 2021 with an option to renew for another 3 years.
Rental	RM137,322.24 per month for a period of 2 years from commencement date of 1 February 2018. The rental rate will be subject to review after the said 2 years.
Tenant's Key Covenants	<ul style="list-style-type: none"> i. To pay promptly all water, electricity, sewerage conservancy and other utility charges and government taxes; and ii. To keep and maintain the interior of the Property and all additions thereto.
Landlord's Key Covenants	<ul style="list-style-type: none"> i. To pay all quit rent, assessment and other rates and taxes imposed on and payable in respect of the Property other than those expressly covenants to be paid by the Tenant; ii. To keep the Property insured against loss or damage by fire (excluding consequential loss or damage to or destruction of any furniture, fittings, fixtures, stock-in-trade or other goods of the Tenant); and iii. To maintain and keep the main structure in good repair and condition.

2. DETAILS OF THE PROPOSED ACQUISITION OF THE PROPERTY

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

- (i) The total lump sum cash consideration for the Property of RM20.5 million ("Purchase Price") is payable in the following manner:

Payment	Amount
Purchase Price	RM20,500,000
Earnest Deposit (2%)	RM410,000
Partial Deposit	RM1,140,000
Balance Deposit	RM500,000
Balance Purchase Price	RM18,450,000

- (ii) the Earnest Deposit of RM410,000 only has already been paid by RHB to RHB's solicitors as stakeholders prior to the execution of the SPA;
- (iii) the Partial Deposit of RM1,140,000 only shall be paid by RHB to RHB's solicitors as stakeholders upon the execution of the SPA;
- (iv) the Balance Deposit of RM500,000 only shall be paid by RHB to the Vendor's solicitors as stakeholders upon the execution of the SPA;
- (v) the payment of the Balance Purchase Price shall be paid by RHB to Vendor's solicitors to be held as stakeholders on or before the expiry of 2 months from the Unconditional Date (as defined herein), subject to the terms and conditions stipulated in the SPA;
- (vi) Upon receipt of the Balance Deposit from RHB, the Vendor's solicitors shall only be authorized to release the same to the Vendor, after the Vendor shall have caused Ire-Tex Corporation Berhad (the Vendor's holding company) to provide a corporate guarantee in favour of RHB undertaking and guaranteeing the refund of the Balance Deposit by the Vendor in the event of lawful termination of the SPA; and
- (vii) The date the Vendor's solicitors is in receipt of the full payment of the Balance Purchase Price from RHB in the manner as provided under the SPA, shall be the completion date of the Proposed Acquisition of the Property ("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 6 months from the date of the SPA with an automatic extension period of 6 months and any other subsequent extended period that may be mutually agreed upon by the parties ("Conditional Period"):

- (i) the Vendor procuring the consent of the shareholders of the Vendor's holding company to dispose of the Property in accordance to the SPA;
- (ii) the Vendor procuring the consent for the transfer of the Property from the state authority of Penang and PDC in favour of RHB;
- (iii) the Vendor procuring the novation agreement to be duly executed by the Tenant, RHB and the Vendor ("Novation Agreement") to be deposited with the Vendor's solicitors as stakeholders together with a duplicate stamped copy of the existing tenancy agreement.

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 RM20.9 million as appraised by Rahim & Co International Sdn. Bhd, an independent firm of registered valuers, in its valuation report dated 8 March 2019. 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

Zoomic Technology (M) Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 24 February 1992.

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

DIRECTORS OF ZTSB	
(a)	Dato' Ong Chek Chai
(b)	Norman bin Zainuddin

SHAREHOLDER(S) OF ZTSB	
(a)	Ire-Tex Corporation Berhad* 12,300,000 ordinary shares (100%)

**Note: Ire-Tex Corporation Berhad is a public company listed on the Main Market of Bursa Malaysia Securities Berhad*

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.

In terms of location, Bayan Lepas is Penang's prime industrial area that is much sought after by local and multi-national operators and investors. Preferred industries that are encouraged to set up new operations or business expansion into Bayan Lepas Industrial Park include Electrical & Electronics sector, Electronics Manufacturing Services sector and the Medical Devices sector which the current tenant falls within. Penang also continues to attract strong demand from both local and foreign manufacturers due to its high-quality supply chain for the electronics industry, logistics, sustainable manufacturing infrastructure, access to talent and strong government support.

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 material impact or changes to the unaudited NAV of Axis-REIT on the Completion Date.

5.3 Earnings

The Proposed Acquisition of the Property will not have immediate effect on the earnings of the Fund for the financial year ending 31 December 2019 given that its Completion Date is expected to be by end of year 2019. Upon completion, it will contribute positively to the earnings of Axis-REIT.

5.4 Gearing

ARMB intends to utilise financing facility of approximately RM20.5 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 37.74% of audited total assets as at 31 December 2018 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 (updated on 18 June 2019).

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 21 September 2018;
- (ii) IBFIM, who was the previous Shariah Adviser for Axis-REIT, which was obtained on 27 September 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 tenancy after expiry due to change in circumstances of the Tenant;
- (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 by end of year 2019.

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 0.72%.

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 Rahim & Co International Sdn. Bhd, dated 8 March 2019.

This announcement is dated 17 July 2019.