

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

PROPOSED ACQUISITION BY AXIS-REIT OF PROPERTIES LOCATED WITHIN TAMAN TEKNOLOGI NUSAJAYA, 79200 ISKANDAR PUTERI, JOHOR FROM NUSAJAYA TECH PARK SDN. BHD. (“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 sale and purchase agreements in relation to the proposed acquisition of the following properties, for and on behalf of Axis-REIT, from Nusajaya Tech Park Sdn. Bhd.:

(i) Freehold land together with all buildings erected thereon bearing postal address No. 1, 3 & 5, Jalan Teknologi Perintis 1, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor (“Property 1”); and

(ii) Freehold land together with all buildings erected thereon bearing postal address No. 14, Jalan Teknologi Perintis 1/3, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor (“Property 2”),

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

The details of the Proposed Acquisition of the Properties 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 RM55.8 million from Nusajaya Tech Park Sdn. Bhd. (“NTP” or “Vendor”).

The Properties are to be acquired free from encumbrances but subject to the terms and conditions stipulated in the sale and purchase agreements for such acquisition entered into between RHB and NTP on 13 August 2019 respectively (“SPA”).

RHB, as the Trustee for Axis-REIT, has approved the Proposed Acquisition of the Properties, vide their letter dated 8 April 2019 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

The subject Properties are located along Jalan Teknologi Perintis 1 and Jalan Teknologi Perintis 1/3 within Taman Teknologi Nusajaya, Iskandar Puteri, Johor. This is an integrated industrial development strategically located within Iskandar Puteri (Flagship B) of the Iskandar Malaysia development region, sited approximately 25 kilometres due west of Johor Bahru city centre and approximately 14 kilometres from Singapore via the Malaysia-Singapore Second Link.

Further pertinent information of the Properties is as follows:

	Property 1	Property 2
Purchase Price	RM42,000,000	RM13,800,000
Identification of the Property and the title	Freehold land held under titles H.S.(D) 548711 No PTD 4487, H.S.(D) 548710 No PTD 4486, H.S.(D) 548709, No PTD 4485, all in Mukim Tanjung Kupang, Daerah Johor Bahru, Johor	Freehold land held under title H.S.(D) 548702, No. PTD 4475, Mukim Tanjung Kupang, Daerah Johor Bahru, Johor

Description of the Property	3 detached factories, each factory comes with one guard house and one bin centre	One detached factory, one guard house and one bin centre.
Tenure	Freehold	Freehold
Land Area	Approximately 1.4674 hectares	Approximately 0.6585 hectares
Gross Floor Area	Approximately 105,303 sq. ft.	Approximately 42,539 sq. ft.
Net Lettable Area	104,694.20 sq. ft.	42,067.95 sq. ft.
Category of Land Use	Perusahaan/Perindustrian	Perusahaan/Perindustrian
Existing Property Use	Aerospace-related manufacture and services and ancillary activities	Manufacturing, processing and storage of food ingredients
Approximate Age of Buildings	2 years	3 years
Encumbrances	Currently charged to Public Bank Berhad	Currently charged to Public Bank Berhad
Net Book Value	Information is not provided by the Vendor due to commercial reasons	Information is not provided by the Vendor due to commercial reasons
Occupancy Rate	100% as at 13 August 2019	100% as at 13 August 2019

A summary of the lease details is as below:

	Property 1
Lessee	GKN Engine Systems Component Repair Sdn. Bhd. ("GKN")
Lessee's Nature of Business	Repair and maintenance of transport equipment except motorcycles and bicycles.
Term of Lease	Fixed period of 6 years from the commencement date of 16 July 2018 expiring on 15 July 2024 ("Lease Term") with an option to renew for another 6 years.
Rental	<p>RM261,735.50 per month for a period of 3 years from the commencement date of 16 July 2018. The rental rate will be at the rate of RM2.80 per sq. ft. on the net lettable area of Property 1 from Year 4 to 6 of the Lease Term.</p> <p>The rental for the renewed period, if such option is exercised by GKN via a written notice 6 months prior to the expiry of the Lease Term, shall be revised in accordance with pre-determined rental rates.</p>
Lessee's Key Covenants	<p>i. To pay promptly all water, electricity, sewerage, telecommunications and where applicable, gas, air conditioning and chilled water and any goods and services tax, imposition, duty and levy which may be imposed at any time by the relevant authorities; and</p> <p>ii. To be responsible for the maintenance and management of Property 1 at GKN's costs and expenses.</p>

Lessor's Key Covenants	<ul style="list-style-type: none"> i. To pay all quit rent, assessment and other outgoings levied on Property 1 by the relevant authorities; ii. To keep the Property 1 insured against loss or damage including but not limited to fire, flood and storm and such other risks as the landlord decides necessary (excluding GKN's fixtures and fittings); and iii. To maintain and keep the main structure in good repair and condition.
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Property 2	
Lessee	Sternmaid Asia Pacific Sdn. Bhd. ("SAP")
Lessee's Nature of Business	Manufacturing and product development of ingredients and additives for food and nutritional supplements industry.
Term of Lease	Fixed period of 5 years from the commencement date of 15 August 2017 expiring on 14 August 2022 with an option to renew for another 5 years.
Rental	<p>RM92,549.50 per month for the fixed period of 5 years from commencement date of 15 August 2017.</p> <p>The rental for the renewed period, if such option is exercised by SAP, by SAP giving a written notice to the Lessor at least 6 months prior to the expiration date, shall be mutually agreed upon by the parties.</p>
Lessee's Key Covenants	<ul style="list-style-type: none"> i. To pay promptly all water, electricity, sewerage, telecommunications and where applicable, gas, air conditioning and chilled water and any goods and services tax, imposition, duty and levy which may be imposed at any time by the relevant authorities; and ii. To be responsible for the maintenance and management of Property 2 at SAP's costs and expenses.
Lessor's Key Covenants	<ul style="list-style-type: none"> i. To pay all quit rent and assessment levied on Property 2 by the relevant authorities; ii. To keep Property 2 insured against loss or damage by fire and such other risks as the landlord decides necessary (excluding SAP's fixtures and fittings); and iii. To maintain and keep the main structure in good repair and condition.

2. DETAILS OF THE PROPOSED ACQUISITION OF THE PROPERTIES

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

The total lump sum cash consideration for the Properties of RM55.8 million ("Total Purchase Price") is payable in the following manner:

Payment	Property 1	Property 2
Purchase Price	RM42,000,000	RM13,800,000
Earnest Deposit (2%)	RM840,000	RM276,000
Balance Deposit (8%)	RM3,360,000	RM1,104,000
Balance Purchase Price	RM37,800,000	RM12,420,000

- (i) The total Earnest Deposit of RM1,116,000 only has already been paid by RHB to RHB's solicitors as stakeholders prior to the execution of the SPAs;

- (ii) The total Balance Deposit of RM4,464,000 only shall be paid by RHB to RHB's solicitors as stakeholders upon the execution of the SPAs;

The total Earnest Deposit and the total Balance Deposit shall be held by RHB's solicitors as stakeholders and shall be released to the Vendor upon the Unconditional Date (as defined herein);

- (iii) The payment of the total Balance Purchase Price will be paid by RHB within 3 months from the Unconditional Date, subject to the fulfillment of the terms and conditions (including the successful redemption of the Properties from the charge) stipulated in the SPAs ("Completion Period").
- (iv) 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 SPAs, shall be the completion date of the Proposed Acquisition of the Properties ("Completion Date").

2.2 Conditions Precedent (applicable to both Properties)

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 mutually agreed by the parties:

- (i) Original stamped copies of the existing lease agreements, with the duly executed novation agreements being deposited by the Vendor with RHB's solicitors as stakeholders; and
- (ii) Confirmation in writing from the Vendor that GKN and SAP are not in default of their rental payments and/or other material obligations under the existing lease agreements, to be issued within 7 days of the condition above being fulfilled.

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 Condition Subsequent (applicable to Property 2)

- (i) Notwithstanding the Unconditional Date being achieved in respect of Property 2, the completion of the acquisition of Property 2 by RHB shall be conditional upon the completion of the acquisition of Property 1.
- (ii) In the event the expiry of the Completion Period of Property 1 is later than the Completion Period of Property 2, then notwithstanding any provisions to the contrary, the Completion Period of Property 2 shall be deemed extended automatically, without any interest or compensation, to coincide and coterminous with the Completion Period of Property 1.

Pursuant to the above, the acquisition of Property 2 is conditional upon the acquisition of Property 1.

2.4 Basis of the Total Purchase Price for the Properties

The market values of Property 1 is RM42.0 million and Property 2 is RM15.5 million, both as appraised by C H Williams Talhar & Wong Sdn. Bhd., an independent firm of registered valuers, in its valuation reports dated 31 May 2019 respectively. The valuation for both the Properties is derived using income approach, with the comparison approach as a check.

2.5 Liabilities to be Assumed by Axis-REIT

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

2.6 Source of Funding

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

3. INFORMATION OF THE VENDOR

Nusajaya Tech Park Sdn. Bhd. is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 28 September 2012. NTP is in the business of property development.

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

DIRECTORS OF NTP ³	
(a)	Khiatani Manohar Ramesh
(b)	Mohamed bin Rastam Shahrom
(c)	Anwar Syahrin bin Abdul Ajib
(d)	Ho Swee Wan
(e)	Tan Yew Chin
(f)	Aw Tui Heng (alternate director)
(g)	Azmy bin Mahbot (alternate director)

SHAREHOLDERS OF NTP		
(a)	Ascendas Land (Malaysia) Sdn. Bhd ^{1,3}	31,950,000 shares (60%)
(b)	UEM Land Berhad ^{2,3}	21,300,000 shares (40%)

Notes: ¹Ascendas Land (Malaysia) Sdn. Bhd. is indirectly held by CapitaLand Limited which is listed on the Singapore Exchange.

²UEM Land Berhad is a wholly-owned subsidiary of UEM Sunrise Berhad which is listed on Bursa Malaysia Securities Berhad ("Bursa Securities").

³Information on directors and shareholders of NTP are extracted from searches with Suruhanjaya Syarikat Malaysia (SSM), Accounting and Corporate Regulatory Authority (ACRA), Singapore as well as information made publicly available on Bursa Securities' website.

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 properties 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.

Nusajaya Tech Park where the Properties are located, forms part of the larger development corridor named Gerbang Nusajaya. This is an ongoing industrial development sprawled over 519-acres of land with current prominent industry users within the scheme including a data centre for Telekom Malaysia Bhd and a built-to-suit manufacturing facility for Dai-ichi Seiko Group. This is a planned regional growth centre adjacent to Singapore and is highly supported by the Iskandar Regional Development Authority (IRDA). The area is well equipped with world-class infrastructure and facilities.

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 Total Purchase Price will be paid entirely in cash.

5.2 NAV

The Proposed Acquisition of the Properties 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 Properties is expected to contribute positively to the earnings of the Fund for the financial year ending 31 December 2019 upon its Completion Date which is targeted to be by end of year 2019.

5.4 Gearing

ARMB intends to utilise financing facility of approximately RM55.8 million from Axis-REIT's existing credit lines. The proposed debt financing will increase Axis-REIT's gearing ratio to 38.5% 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 PROPERTIES

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

- (i) the Trustee, which was obtained on 8 April 2019;
- (ii) IBFIM, who was the previous Shariah Adviser for Axis-REIT, which was obtained on 2 May 2019;
- (iii) any other relevant authorities and/or parties (if required).

Pursuant to the Listing Requirements of Bursa Securities, 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

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.

8. DIRECTORS' STATEMENT

The Board, 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. 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 SPAs;
- (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 Properties is expected to be completed by end of year 2019.

11. 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 1.96%.

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 SPAs 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 31 May 2019.

This announcement is dated 13 August 2019.