

Unless stated otherwise, all abbreviations and defined terms contained in this Rights Issue Prospectus are defined in the "Definitions" section of this Rights Issue Prospectus.

THIS RIGHTS ISSUE PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Units, you should hand this Rights Issue Prospectus, together with the NPA and RSF at once to the agent/broker through whom you effected the sale/transfer for onward transmission to the purchaser(s) and/or transferee(s). All enquiries concerning the Rights Issue should be addressed to the Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Documents are only despatched to Unitholders whose names appear in the Record of Depositors of Hektar REIT at 5.00 p.m. on 31 July 2017 and who have a registered address in Malaysia or who have provided the Registrar with a registered address in Malaysia in writing on or before 5.00 p.m. on 31 July 2017. The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights Issue or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Entitled Unitholders and/or their renounee(s) and/or transferee(s) (if applicable) who are resident in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights Units, application for Excess Rights Units or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Units would result in the contravention of any laws of such countries or jurisdictions. The Manager, the Trustee and Maybank IB shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) by any Entitled Unitholders and/or their renounee(s) and/or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Unitholders and/or their renounee(s) and/or transferee(s) (if applicable) are residents.

The Unitholders have approved, among others, the Rights Issue at the Meeting held on 13 June 2017. Approval has also been obtained from Bursa Securities on 18 May 2017 for the listing and quotation of the Rights Units on the Main Market of Bursa Securities. The approval for the listing and quotation of the Rights Units on the Main Market of Bursa Securities is not an indication that Bursa Securities recommends the Rights Issue. The listing and quotation of the Rights Units is in no way reflective of the merits of the Rights Issue. The listing and quotation of the Rights Units will commence after, among others, receipt of confirmation from Bursa Depository that the CDS Accounts of the successful Entitled Unitholders and/or their renounee(s) and/or transferee(s) (if applicable) have been duly credited with the Rights Units allotted to them and notices of allotment have been despatched to them.

A copy of this Rights Issue Prospectus has been registered with the SC. The registration of this Rights Issue Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Rights Issue Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the SC who takes no responsibility for the contents.

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, the Rights Issue Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS ABRIDGED PROSPECTUS.



HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the trust deed dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) entered into between Hektar Asset Management Sdn Bhd and MTrustee Berhad (formerly known as AmTrustee Berhad))

RENOUNCEABLE RIGHTS ISSUE OF 60,966,061 NEW UNITS IN HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") ("RIGHTS UNITS") AT AN ISSUE PRICE OF RM1.11 PER RIGHTS UNIT ON THE BASIS OF 7 RIGHTS UNITS FOR EVERY 46 EXISTING UNITS HELD AT 5.00 P.M. ON 31 JULY 2017

Manager



Hektar Asset Management Sdn Bhd (732261-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016 ("Act"))

Principal Adviser, Managing Underwriter and Joint Underwriter



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Trustee

MTrustee Berhad (163032-V)

(formerly known as AmTrustee Berhad)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act)

Joint Underwriter

kenanga

Kenanga Investment Bank Berhad
Company No. 15678-H

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	:	Monday, 31 July 2017 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Units	:	Monday, 7 August 2017 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Units	:	Thursday, 10 August 2017 at 4.00 p.m.
Last date and time for the acceptance of and payment for the Provisional Rights Units	:	Tuesday, 15 August 2017 at 5.00 p.m.
Last date and time for the application and payment for the Excess Rights Units	:	Tuesday, 15 August 2017 at 5.00 p.m.

This Rights Issue Prospectus is dated 31 July 2017

UNLESS STATED OTHERWISE, ALL ABBREVIATIONS AND DEFINED TERMS CONTAINED IN THIS RIGHTS ISSUE PROSPECTUS ARE DEFINED IN THE "DEFINITIONS" SECTION OF THIS RIGHTS ISSUE PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE MANAGER AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS RIGHTS ISSUE PROSPECTUS. THE SC MAKES NO REPRESENTATION ON THE ACCURACY OR COMPLETENESS OF THIS RIGHTS ISSUE PROSPECTUS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THIS RIGHTS ISSUE PROSPECTUS.

INVESTORS/UNITHOLDERS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS/UNITHOLDERS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS IMMEDIATELY.

THE VALUATION UTILISED FOR THE PURPOSE OF THE PROPOSED ACQUISITION SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE 1SEGAMAT PROPERTY.

INVESTORS/UNITHOLDERS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER THE CMSA FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THIS RIGHTS ISSUE PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS RIGHTS ISSUE PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO HEKTAR REIT.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. THE MANAGER AND THE ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE MANAGER AND THE ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF THE RIGHTS ISSUE BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE RIGHTS UNITS IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. THE MANAGER AND THE ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. THE MANAGER AND THE ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

The following definitions shall apply throughout this Rights Issue Prospectus unless the context requires otherwise:

1Segamat Property	: A land measuring approximately 169,284 sqf/15,727 sqm on which the Building is erected thereon which forms part of two (2) pieces of leasehold land held under the Subdivided Titles
Acquisition Fee	: Acquisition fee of 1% of the Purchase Consideration which amounts to RM1.04 million
Act	: Companies Act, 2016
Authority	: Authority to allot and issue the Management Fee Units as part payment of the management fee to the Manager
Board	: Board of Directors of the Manager
Building	: A three (3)-storey retail mall building and one (1) basement car park together with a total of 398 car park bays (located at the basement, roof top and outdoor parking areas) known as "1Segamat Shopping Centre" (including all on-site fittings, machinery, equipment, fixtures and moveable chattels of any kind which are material to TDSB's current ownership, maintenance, use, leasing, service or operation of the 1Segamat Shopping Centre)
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
Car Park Lease Area	: Such part of land held under Lot 236, in Bandar and Daerah Segamat, Negeri Johor measuring approximately 65,340.00 sqf/6,070.28 sqm
Car Park Rights	: The rights to operate and maintain a car park operation on the following lease areas: <ul style="list-style-type: none">(i) the Car Park Lease Area pursuant to the lease agreement dated 6 January 2016 between TDSB and Kelab Sukan Kebajikan Majlis Daerah Segamat in relation to the lease of the Car Park Lease Area for a tenure of ten (10) years commencing from 1 March 2014 with an option to renew of one (1) term of five (5) years; and(ii) the External Road Reserve pursuant to the lease agreement to be entered into between TDSB and Majlis Daerah Segamat in relation to the lease of the External Road Reserve
CDS	: Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account	: A securities account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor

DEFINITIONS *(Cont'd)*

Central Square	: One hundred and twenty (120) strata parcels (out of a total two hundred and fifty three (253) strata parcels) within a six (6)-storey mall building comprising a shopping mall known as Central Square Shopping Centre together with all the accessory parcels thereto, which includes approximately 477 car park bays erected on freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah
CIS Prospectus Guidelines	: Prospectus Guidelines for Collective Investment Schemes issued by the SC
Closing Date	: 15 August 2017 at 5.00 p.m., being the last date and time for the acceptance, application and payment for the Provisional Rights Units and the Excess Rights Units
CMSA	: Capital Markets and Services Act, 2007
Corporate Exercises	: Collectively, the Rights Issue, the Issuance to the Manager, the Authority and the Increase in Fund Size
Deed	: The trust deed constituting Hektar REIT dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) between the Manager and MTrustee
Director(s)	: Any person occupying the position of a director of the Manager as defined in the Act
DJAH	: The personal representative of Dato' Jaafar bin Abdul Hamid (deceased), pursuant to the demise of Dato' Jaafar bin Abdul Hamid on 24 January 2017
Documents	: The Rights Issue Prospectus together with the NPA and the RSF issued for the purpose of the Rights Issue
DPU	: Distribution per Unit
Entitled Unitholders	: Unitholders of Hektar REIT whose names appear in the Record of Depositors of Hektar REIT on the Entitlement Date in order to be entitled to the Rights Issue
Entitlement Date	: 31 July 2017 at 5.00 p.m., being the date and time on which the names of Unitholders must appear in the Record of Depositors of Hektar REIT in order to be entitled to the Rights Issue
EPU	: Earnings per Unit
Excess Rights Units	: Rights Units which are not taken up or not validly taken up by the Entitled Unitholders and/or their renounee(s) (if applicable) prior to excess application
Excess Rights Units Application	: Application for additional Rights Units in excess of the Provisional Rights Units, the procedures of which are set out in Section 12.6 of this Rights Issue Prospectus
External Road Reserve	: Such part of the land comprising in the Master Titles having a total of 86 car park bays which was surrendered to Majlis Daerah Segamat pursuant to the subdivision of the Master Titles into the Subdivided Titles

DEFINITIONS *(Cont'd)*

FCAM	: Frasers Centrepoint Asset Management Limited, being the manager of FCT
FCL	: Frasers Centrepoint Limited
FCT	: Frasers Centrepoint Trust
Foreign Addressed Unitholders	: Entitled Unitholders who have not provided an address in Malaysia for the service of the Documents
FPE	: Financial period ended/ending, as the case may be
FYE	: Financial year ended/ending, as the case may be
HAMSB or Manager	: Hektar Asset Management Sdn Bhd, being the manager of Hektar REIT
HBSB	: Hektar Black Sdn Bhd
Hektar REIT	: Hektar Real Estate Investment Trust
Hektar REIT Properties	: Collectively, Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Landmark Central, which form the property portfolio of Hektar REIT as at the date of this Rights Issue Prospectus, and " Hektar REIT Property " means either one of them
Henry Butcher	: Henry Butcher Malaysia (Kluang) Sdn Bhd, the independent valuer appointed by the Manager to undertake the valuation of the 1Segamat Property
Increase in Fund Size	: Increase in the existing approved fund size of Hektar REIT of 400,634,117 Units to up to 475,494,117 Units pursuant to the Rights Issue, Issuance to Manager and Authority
Issuance to Manager	: Issuance of the Manager's Units at an issue price of RM1.31, being the TERP of the Unit calculated based on the five (5)-day VWAMP of the Units up to and including 13 July 2017, being the last trading day prior to the Price-Fixing Date, of RM1.34, to the Manager amounting to RM471,600 as part of the Acquisition Fee due to the Manager
Issue Price	: RM1.11 per Rights Unit
ITA	: Income Tax Act, 1967
Joint Underwriters	: Collectively, Maybank IB and Kenanga IB
Kenanga IB	: Kenanga Investment Bank Berhad
Landmark Central	: All that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) 13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sqf on which is erected a three (3)-storey mall building (including six hundred and ten (610) car park bays) comprising a shopping mall known as Landmark Central Shopping Centre
LPD	: 11 July 2017, being the latest practicable date prior to the date of this Rights Issue Prospectus

DEFINITIONS (Cont'd)

Mahkota Parade	: A leasehold land measuring approximately 570,815 sqf (13.1 acres) in area together with a three (3)-storey shopping complex with one (1) level of basement car park. The commercial/retail complex comprises four (4) floors of shopping/commercial area on the basement, ground, first and second floors having a postal address at No. 1, Jalan Merdeka, 75000 Melaka and held under master title PN 28957, Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka and is an existing property of Hektar REIT, save and except for such individual units or lots which have been sold by the developer to various purchasers
Management Fee Units	: Up to 13,500,000 new Units to be issued to the Manager pursuant to the Authority
Manager's Units	: 360,000 new Units to be issued to the Manager pursuant to the Issuance to Manager
Market Day	: A day on which Bursa Securities is open for trading of securities
Market Value of the 1Segamat Property	: Market value of RM105.0 million dated 2 May 2016 as duly appraised by Henry Butcher as set out in the Valuation Certificate in respect of the 1Segamat Property and subsequent updates dated 30 November 2016 and 31 May 2017.
Master Titles	: H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor
Maybank IB or Principal Adviser or Managing Underwriter	: Maybank Investment Bank Berhad
Meeting	: Unitholders' meeting in relation to the Corporate Exercises
MFRS	: Malaysian Financial Reporting Standard
MTrustee or Trustee	: MTrustee Berhad (<i>formerly known as AmTrustee Berhad</i>), the trustee of Hektar REIT
NAV	: Net asset value
NLA	: Net lettable area
NPA	: Notice of provisional allotment of the Rights Units
NPI	: Net property income
Price-Fixing Date	: 14 July 2017, being the date on which the Board determined the Issue Price
Proposed Acquisition	: Proposed acquisition by MTrustee, on behalf of Hektar REIT, of the Subject Property for the Purchase Consideration
Provisional Rights Units	: Rights Units provisionally allotted to the Entitled Unitholders
Purchase Consideration	: Cash consideration of RM104.0 million
Record of Depositors	: A record of securities holders established by Bursa Depository pursuant to the rules of Bursa Depository

DEFINITIONS (Cont'd)

Registrar	: Mega Corporate Services Sdn Bhd
REIT(s)	: Real estate investment trust(s)
REIT Guidelines	: Guidelines on Real Estate Investment Trusts issued by the SC
Reporting Accountants	: SJ Grant Thornton
Rights Issue	: Renounceable rights issue of 60,966,061 Rights Units at the Issue Price on the basis of 7 Rights Units for every 46 existing Units held on the Entitlement Date
Rights Issue Prospectus	: This abridged prospectus dated 31 July 2017 in relation to the Rights Issue
Rights Unit(s)	: New Units to be issued pursuant to the Rights Issue
RSF	: Rights subscription form for the Rights Issue
Rules of Bursa Depository	: The rules of Bursa Depository as issued pursuant to the Securities Industries (Central Depositories) Act, 1991
SC	: Securities Commission Malaysia
Solicitors	: Zul Rafique & Partners
SPA	: Conditional sale and purchase agreement dated 10 June 2016 between MTrustee and TDSB for the Proposed Acquisition
sqf	: Square feet
sqm	: Square meters
Subang Parade	: A freehold land measuring approximately 475,021.80 sqf (10.905 acres) in area together with a three (3)-storey shopping complex with two (2) basement levels erected thereon. The commercial/retail complex comprises three (3) floors of shopping/commercial area on the lower ground, ground and first floors, one level of basement car park and another level of basement service tunnel having a postal address at No. 5, Jalan SS 16/1, 47500 Subang Jaya, Selangor and held under master title Geran 313558, Lot 72020 (formerly known as Geran 55365, Lot 14193), Bandar Subang Jaya, District of Petaling, Selangor and is an existing property of Hektar REIT, save and except for such individual units or lots which have been sold by the developer to various purchasers
Subdivided Titles	: H.S.(D) 55835 No. PTD 1991 in Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 55836 No. PTB 1537 in Bandar and Daerah Segamat, Negeri Johor, resulting from the subdivision of the Master Titles
Subject Property	: Collectively, 1Segamat Property and Car Park Rights
Substantial Unitholders	: Collectively, HBSB and FCT
TDSB or Vendor	: Tashima Development Sdn Bhd
TERP	: Theoretical ex-rights price

DEFINITIONS (Cont'd)

Undertakings	: Irrevocable and unconditional written undertakings dated 3 May 2017 from the Substantial Unitholders to subscribe in full their respective entitlements to the Rights Units under the Rights Issue
Underwriting Agreement	: Underwriting agreement dated 14 July 2017 between the Manager, the Trustee and the Joint Underwriters in relation to the underwriting of 17,517,678 Rights Units which are not covered by the Undertakings
Unit(s)	: Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	: Holder(s) of the Units
Valuation Report	: Valuation report dated 8 June 2016 on the 1Segamat Property prepared by Henry Butcher as updated by the updated valuation certificates in respect of the 1Segamat Property dated 7 December 2016 and 22 June 2017
VWAMP	: Volume weighted average market price
Wetex Parade	: A five (5)-storey shopping complex podium known as Wetex Parade and a three (3) star category ten (10)-storey hotel tower with one hundred and fifty six (156) rooms known as Hotel Classic and one (1)-level of basement car park erected on freehold land held under HS (D) 19633, No. Lot PTB 10586 & Geran 84560, Lot No. 3675, both located in Bandar Maharani, District of Muar, Johor measuring approximately 52,829 sq. ft. (1.2128 acres) in land area and having a postal address at 69, Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor and is an existing property of Hektar REIT

CURRENCY

RM	: Ringgit Malaysia
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All references to **"you"** in this Rights Issue Prospectus are to the Entitled Unitholders and/or where the context otherwise requires, their renounee(s) and/or transferee(s).

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Rights Issue Prospectus to any legislation, statute, enactment, code, rules and regulations is a reference to that legislation, statute, enactment, code, rules and regulations as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Rights Issue Prospectus between the amounts listed and the totals thereof are due to rounding.

Any reference to a time of day in this Rights Issue Prospectus is a reference to Malaysian time.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS OF THE MANAGER

Name (Designation)	Address	Nationality	Profession
Michael Lim Hee Kiang <i>Independent Non-Executive Chairman</i>	131 Jalan Ara Bangsar Baru 59100 Kuala Lumpur	Malaysian	Lawyer
Dato' Hisham bin Othman <i>Executive Director and Chief Executive Officer</i>	AM-26 Jalan Bakubang 2 Taman Setapak, Gombak 53000 Kuala Lumpur	Malaysian	Chief Executive Officer
Zalila binti Mohd Toon <i>Executive Director and Chief Financial Officer</i>	No. 132A Jalan Duta Villa 1 Duta Villa, Setia Alam Seksyen U13 40170 Shah Alam Selangor	Malaysian	Chief Financial Officer
Dr Chew Tuan Chiong <i>Non-Independent Non-Executive Director</i>	97 Jalan Dermawan Singapore 669048	Singaporean	Chief Executive Officer of FCAM
Christopher Tang Kok Kai <i>Non-Independent Non-Executive Director</i>	26 Faber Terrace Singapore 129021	Singaporean	Chief Executive Officer of Frasers Centrepoint
Mahusni bin Hasnan <i>Independent Non-Executive Director</i>	No. 2, Jalan P18C 1/1 Presint 18 62100 Putrajaya W.P. Putrajaya	Malaysian	Company Director
Philip Eng Heng Nee <i>Independent Non-Executive Director</i>	53C Jalan Lim Tai See Singapore 268383	Singaporean	Independent Chairman of FCAM
Rahanawati binti Ali Dawam <i>Independent Non-Executive Director</i>	No. 8, Jalan 28A Cheras Baru 59100 Kuala Lumpur Wilayah Persekutuan	Malaysian	Lawyer
Alex Chia Soon Ren <i>Alternate Director to Dr Chew Tuan Chiong</i>	Block 14 Upper Boon Keng Road #07-957 Singapore 380014	Singaporean	Head, Investment of FCAM
Tay Hwee Pio <i>Alternate Director to Christopher Tang Kok Kai</i>	381 Tanglin Road #12-03 Singapore 247965	Singaporean	Financial Controller of FCAM

AUDIT COMMITTEE

Name	Designation	Directorship
Mahusni bin Hasnan	Chairman	Independent Non-Executive Director
Philip Eng Heng Nee	Member	Independent Non-Executive Director
Rahanawati binti Ali Dawam	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)

EXECUTIVE COMMITTEE

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Dato' Hisham bin Othman	Chairman	Executive Director and Chief Executive Officer
Zalila binti Mohd Toon	Member	Executive Director and Chief Financial Officer
Dr Chew Tuan Chiong	Member	Non-Independent Non-Executive Director

MANAGER : Hektar Asset Management Sdn Bhd

Principal place of business:

D1-U3-10, Block D1
Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Telephone No. : +603 6205 5570
Facsimile No. : +603 6205 5571
Website : www.hektarreit.com

Registered office:

Unit 419, Block A, Kelana Business Centre
No. 97, Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya, Selangor

JOINT COMPANY SECRETARIES OF THE MANAGER : Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820)
c/o H&C Consultancy

Unit 419, Block A, Kelana Business Centre
No. 97, Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya, Selangor
Telephone No. : +603 7492 7090
Facsimile No. : +603 7492 7099
Email: mhnconsult@gmail.com

Lim Seck Wah (MAICSA 0799845)
c/o Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : +603 2692 4271
Facsimile No. : +603 2732 5388
Email: cindylin@megacorp.com.my

TRUSTEE : MTrustee Berhad (*formerly known as AmTrustee Berhad*)
Level 15, Menara AmFIRST
No. 1, Jalan 19/3
46300 Petaling Jaya
Selangor
Telephone No. : +603 7954 6862
Facsimile No. : +603 7954 3712

PROPERTY MANAGEMENT COMPANY : Hektar Property Services Sdn Bhd
Lot A, Basement
Subang Parade
No. 5, Jalan SS 16/1
47500 Subang Jaya
Selangor
Telephone No. : +603 5032 9778
Facsimile No. : +603 5633 8079

CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL ADVISER AND
MANAGING UNDERWRITER** : Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Telephone No. : +603 2059 1888
Facsimile No. : +603 2078 4194
- JOINT UNDERWRITERS** : Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Telephone No. : +603 2059 1888
Facsimile No. : +603 2078 4194
- Kenanga Investment Bank Berhad
17th Floor, Kenanga Tower
No. 237, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Telephone No. : +603 2172 2888
Facsimile No. : +603 2172 2999
- SOLICITORS** : Messrs. Zul Rafique & Partners
D3-3-8, Solaris Dutamas
No 1, Jalan Dutamas 1
50480 Kuala Lumpur
Telephone No. : +603 6209 8228
Facsimile No. : +603 6209 8221/8331/8381
- REGISTRAR** : Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : +603 2692 4271
Facsimile No. : +603 2732 5388
- AUDITORS** : BDO
Level 8, BDO@Menara CentARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Telephone No. : +603 2616 2888
Facsimile No. : +603 2616 3195
- REPORTING ACCOUNTANTS** : SJ Grant Thornton
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail P.O. Box 12337
50774 Kuala Lumpur
Telephone No. : +603 2692 4022
Facsimile No. : +603 2732 5119
- TAXATION ADVISER** : BDO Tax Services Sdn Bhd
Level 8, BDO@Menara CentARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Telephone No. : +603 2616 2888
Facsimile No. : +603 2616 3195

CORPORATE DIRECTORY *(Cont'd)*

- PRINCIPAL BANKER** : Malayan Banking Berhad
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Telephone No. : +603 2059 1888
Facsimile No. : +603 2301 1377
- INDEPENDENT VALUER** : Henry Butcher Malaysia (Kluang) Sdn Bhd
No. 18, Tingkat 1
Jalan Haji Manan
86000 Kluang, Johor
Telephone No. : +607 775 1500
Facsimile No. : +607 775 1501
- STOCK EXCHANGE LISTED** : Main Market of Bursa Securities



HEKTAR ASSET MANAGEMENT SDN BHD

(Company No. 732261-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act)

Registered Office

Unit 419, Block A,
Kelana Business Centre
No. 97, Jalan SS 7/2
Kelana Jaya
47301 Petaling Jaya
Selangor

31 July 2017

Board of Directors

Michael Lim Hee Kiang *(Independent Non-Executive Chairman)*
Dato' Hisham bin Othman *(Executive Director and Chief Executive Officer)*
Zalila binti Mohd Toon *(Executive Director and Chief Financial Officer)*
Dr Chew Tuan Chiong *(Non-Independent Non-Executive Director)*
Christopher Tang Kok Kai *(Non-Independent Non-Executive Director)*
Mahusni bin Hasnan *(Independent Non-Executive Director)*
Philip Eng Heng Nee *(Independent Non-Executive Director)*
Rahanawati binti Ali Dawam *(Independent Non-Executive Director)*
Alex Chia Soon Ren *(Alternate Director to Dr Chew Tuan Chiong)*
Tay Hwee Pio *(Alternate Director to Christopher Tang Kok Kai)*

To: Unitholders

Dear Sir/Madam,

RIGHTS ISSUE

1. INTRODUCTION

On 10 June 2016, on behalf of the Board, Maybank IB announced that the Manager proposes to undertake, among others, the Rights Issue.

On 22 May 2017, on behalf of the Board, Maybank IB announced that Bursa Securities has, via its letter dated 18 May 2017, approved the listing and quotation of, among others, the Rights Units on the Main Market of Bursa Securities, subject to the conditions set out in Section 11.1 of this Rights Issue Prospectus.

At the Meeting held on 13 June 2017, the Corporate Exercises were approved by the Unitholders. A certified true copy of the extract of the resolutions relating to the Corporate Exercises passed at the Meeting is set out in **Appendix I** of this Rights Issue Prospectus.

On 14 July 2017, on behalf of the Board, Maybank IB announced the following:

- (i) the Entitlement Date; and
- (ii) the Issue Price which was fixed at RM1.11 per Rights Unit, and the entitlement basis for the Rights Issue of 7 Rights Unit for every 46 existing Units held on the Entitlement Date.

On 14 July 2017, on behalf of the Board, Maybank IB announced that the Manager, the Trustee, Maybank IB and Kenanga IB have entered into the Underwriting Agreement. The details of the underwriting arrangement are set out in Section 3.2 of this Rights Issue Prospectus.

No person is authorised to give any information or make any representation not contained in this Rights Issue Prospectus and if given or made, such information or representation must not be relied upon as having been authorised by the Board, Principal Adviser, Managing Underwriter or Joint Underwriters.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. RIGHTS ISSUE

2.1 Details of the Rights Issue

In accordance with the terms of the Rights Issue as approved by the relevant authorities and the Unitholders and subject to the terms of the Documents, the Board will provisionally allot 60,966,061 Rights Units on the basis of 7 Rights Units for every 46 existing Units held on the Entitlement Date.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Unitholders can subscribe for and/or renounce their entitlements to the Rights Units in full or in part.

Any fractional entitlement of the Rights Units will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and in the best interest of Hektar REIT.

Rights Units which are not taken up or not validly taken up by the Entitled Unitholders and/or their transferee(s) and/or their renounee(s) (if applicable) shall be made available for Excess Rights Units Application. It is the intention of the Board to allot the Excess Rights Units, if any, in a fair and equitable manner in the order of priority as set out in Section 12.6 of this Rights Issue Prospectus.

Any remaining unsubscribed Rights Units (after allocating the Excess Rights Units in accordance to the above, will be subscribed by the Joint Underwriters in accordance with the terms and conditions of the Underwriting Agreement.

2.2 Basis and justification for the Issue Price

The Issue Price of RM1.11 per Rights Unit was determined by the Board after taking into consideration the TERP of RM1.31 per Unit based on the five (5)-day VWAMP of the Units up to and including 13 July 2017, being the last trading day prior to the Price-Fixing Date, of RM1.34, representing a discount of 15.27% to the TERP of the Units.

The Board is of the opinion that the discount will provide the Entitled Unitholders with an equal and attractive opportunity to increase their participation in Hektar REIT as well as reward the Entitled Unitholders for their continuous support to Hektar REIT.

2.3 Ranking of the Rights Units

The Rights Units will, upon allotment and issuance, rank equally in all respects with the then existing Units, save and except that the Rights Units will not be entitled to participate in any income distribution, rights and/or other distributions which may be declared, made or paid, the entitlement date of which is before the date of allotment of the Rights Units.

2.4 Other corporate exercise/scheme

Save for the Corporate Exercises and Proposed Acquisition, Hektar REIT does not have other corporate exercise/scheme which has been announced but is pending completion as at the LPD.

3. UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

The Rights Issue will be undertaken on a full subscription basis.

3.1 Undertakings

The Substantial Unitholders have provided irrevocable and unconditional written undertakings to subscribe in full their respective entitlements to the Rights Units. The Substantial Unitholders' entitlement under the Rights Issue based on their unitholdings in Hektar REIT as at the LPD are as follows:

Name	As at the LPD		Entitlement under the Rights Issue	
	No. of Units	% ⁽¹⁾	No. of Rights Units	% ⁽²⁾
HBSB	160,625,000	40.09	24,442,934	40.09
FCT	124,892,950	31.17	19,005,449	31.17

Notes:

(1) Based on the Unitholders' capital of Hektar REIT as at the LPD.

(2) Based on 60,966,061 Rights Units to be issued pursuant to the Rights Issue.

The Substantial Unitholders have confirmed via their respective undertaking letters dated 3 May 2017 that they have sufficient financial resources to subscribe in full their respective entitlements under the Rights Issue and will make full payment for their respective entitlements to the Rights Units. Maybank IB has verified that the Substantial Unitholders have the financial resources to fulfil their commitments pursuant to the Undertakings.

3.2 Underwriting arrangement

The Manager and the Trustee have entered into the Underwriting Agreement with the Joint Underwriters for the underwriting of 17,517,678 Rights Units ("**Underwritten Rights Units**"), representing 28.74% of the total Rights Units, in the following proportions, subject to the terms and conditions of the Underwriting Agreement.

Joint Underwriters	Agreed Proportions	Maximum no. of Rights Units underwritten	Value of Underwritten Rights Units at the Issue Price
			RM
Maybank IB	50%	8,758,839	9,722,311
Kenanga IB	50%	8,758,839	9,722,311
Total	100%	17,517,678	19,444,622

In the event of fractional allocations, the Board shall be entitled (at its absolute discretion) to round-up or round-down the fractional allocations of the Underwritten Rights Units. Notwithstanding anything to the contrary, the actual number of Underwritten Rights Units be taken up by each of the Joint Underwriters shall not exceed the number of Underwritten Rights Units set out above.

The managing underwriting commission is 0.25% and the underwriting commission is 1.50% of the value of the Underwritten Rights Units, subject to the terms and conditions of the Underwriting Agreement. The underwriting commission payable to the Joint Underwriters and all other costs in relation to the Underwriting Agreement will be fully borne by Hektar REIT.

Any of the Joint Underwriters ("**Terminating Underwriter**") may by notice in writing to the Manager terminate the Underwriting Agreement ("**Termination Notice**") if in the opinion of the Joint Underwriter, any of the following circumstances ("**Termination Events**") has occurred and (where capable of being remedied) continues to subsist unremedied within five (5) Market Days from the date that the Manager is notified by the Joint Underwriter of such event at any time on or prior to the date of the listing and quotation of the Rights Units on the Main Market of Bursa Securities ("**Trading Date**"):

- (i) there shall have been any prospective, change, or any development in the local, national or international monetary, financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market in Malaysia or elsewhere), political, industrial, legal, regulatory or monetary conditions, taxation or exchange controls (including any disruption to trading generally, on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls in any jurisdiction or economic conditions which in the opinion of the Joint Underwriters may or is likely to (a) have a material adverse effect; (b) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia; or (c) be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue on the terms and in the manner contemplated in this Rights Issue Prospectus and any documents accompanying the same, including the application forms for the application for the Rights Units accompanying this Rights Issue Prospectus (collectively, the "**Rights Issue Documents**"), and the Underwriting Agreement; or
- (ii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Joint Underwriters by reason of Force Majeure which in the opinion of the Joint Underwriters may, or is likely to (a) have a material adverse effect; (b) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia; or (c) be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue on the terms and in the manner contemplated in the Rights Offer Documents and the Underwriting Agreement. In this clause, "**Force Majeure**" means an event or cause which is unpredictable and beyond the reasonable control of the party claiming the same, and which could not have been avoided or prevented by reasonable foresight, planning and/or implementation, and includes (without limitation) war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage, crimes, and acts of God; or
- (iii) the imposition of any moratorium, suspension or limitation on trading in securities generally on Bursa Securities or trading in the Units shall have been suspended by Bursa Securities or limited or minimum or maximum prices for securities shall have been established on Bursa Securities or by order of any governmental authority or a general moratorium on commercial banking activities or foreign exchange rating or securities settlement or clearing services in or affecting Malaysia by the relevant authorities for a period exceeding one (1) Market Day; or

- (iv) any stop-order, injunction, direction, investigation, or action having similar effect, being issued or announced by Bursa Securities, the SC or any other judicial, governmental or regulatory authority in relation to the Rights Issue; or
- (v) any, or any prospective, change in or introduction of, any law, legislation, regulation, directive, policy, guideline, ruling, or interpretation or application thereof by any court or other competent authority in any relevant jurisdiction which in the opinion of the Joint Underwriters may or is likely to (a) have a material adverse effect; (b) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia; or (c) be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue on the terms and in the manner contemplated in the Rights Offer Documents and the Underwriting Agreement; or
- (vi) the obligations of the Joint Underwriters to subscribe for and/or procure subscriptions for the Underwritten Rights Units is or becomes prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction; or
- (vii) any relevant government requisition or occurrence of any nature whatsoever which would or is likely to have a material adverse effect; or
- (viii) the Manager has not fulfilled any of the conditions or has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement; or
- (ix) any event which would have rendered any of the warranties contained in the eighth schedule of the Underwriting Agreement untrue or incorrect had it occurred before the date of the Underwriting Agreement, occurs after the date of the Underwriting Agreement and on or prior to the Trading Date; or
- (x) the Manager withholds any information of a material nature from the Joint Underwriters which:
 - (a) would have or can reasonably be expected to have, a material adverse effect; or
 - (b) if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Manager, and would have or can reasonably be expected to have, a material adverse effect; or
- (xi) the date of the listing of and quotation for the Rights Units on the Main Market of Bursa Securities does not take place within sixty (60) Market Days from the date of the Underwriting Agreement or such other extended date as may be mutually agreed between the Joint Underwriters and the Manager; or
- (xii) if the registration of this Rights Issue Prospectus with the SC, necessary approval of Bursa Securities required for the listing of and quotation for the Rights Units on the Main Market of Bursa Securities is revoked, suspended or withdrawn or lapses or if any of the conditions for such registrations, consents or approvals have not been fulfilled to the satisfaction of the SC, Bursa Securities or waived by it; or

- (xiii) the FTSE Bursa Malaysia KLCI (“**Index**”) to be at the close of normal trading on any Market Day:
 - (a) on or after the date of the Underwriting Agreement; and
 - (b) prior to the date on which Hektar REIT allots and issues the Rights Units and where such Rights Units are credited to the CDS Account of the Entitled Unitholders, their renouncee(s) or any other parties, as the case may be, who have accepted their Rights Units (or who have applied for and have been allocated Excess Rights Units) and/or of the Joint Underwriters (or their nominees or such persons as the Joint Underwriters may have procured), which date shall be no later than eight (8) Market Days after the Closing Date, or such other period as may be prescribed or allowed by Bursa Securities,

lower than 85% of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days; or

- (xiv) there shall have occurred any change, in the condition (financial or otherwise), prospects, management, results of operations, properties or assets of the Manager or Hektar REIT since the date of the Underwriting Agreement, which, in the opinion of the Joint Underwriters may or is likely to (a) have a material adverse effect (b) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia; or (c) be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue on the terms and in the manner contemplated in the Rights Offer Documents and the Underwriting Agreement; or
- (xv) the registration or lodgement of any amendment, supplement or replacement to this Rights Issue Prospectus, as the case may be, with the SC for any of the following reasons:
 - (a) the Rights Issue Prospectus contains a material statement or information that is false or misleading;
 - (b) the Rights Issue Prospectus contains a statement or information from which there is a material omission;
 - (c) there has been a significant change affecting a matter disclosed in the Rights Issue Prospectus; or
 - (d) a matter has arisen and information in respect of that matter would have been required by Sections 235 and 236 of the CMSA or any other requirement under the CMSA (including any applicable guidelines issued by the SC) or the Main Market Listing Requirements of Bursa Securities, at the time this Rights Issue Prospectus was prepared,

provided always that such change, matter or information, as the case maybe, is material and adverse and makes it, in the opinion of the Joint Underwriters, commercially impracticable to proceed with the Rights Issue on the terms and in the manner contemplated in the Rights Offer Documents and the Underwriting Agreement; or

- (xvi) (a) the Substantial Unitholders’ obligations under the Undertakings becomes unlawful, impossible or unenforceable for whatever reason;
- (b) any of the Substantial Unitholders fails to fully perform its obligations under the Undertakings; or

- (c) any of the Undertakings is (1) terminated or rescinded in accordance with its terms thereof; (2) void or unenforceable or ceased to have any effect whatsoever; or (3) varied or supplemented upon terms and such variation or supplementation would have or is likely to have a material adverse effect.

4. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue will enable Hektar REIT to raise funds to part-finance the Proposed Acquisition. The Board considers the Rights Issue as the most appropriate method to raise funds for the Proposed Acquisition for the following reasons:

- (i) the Rights Issue will involve the issuance of new Units which will increase the number of Units in circulation and may lead to an improvement in the trading liquidity of the Units; and
- (ii) the Rights Issue will provide an opportunity for the existing Unitholders to further increase their participation in Hektar REIT via the subscription of the Rights Units at a discount to the prevailing market price without diluting the existing Unitholders' percentage unitholdings assuming all Entitled Unitholders fully subscribe for their respective entitlements.

As at 31 December 2016, Hektar REIT's gearing level stood at 44.94%. If the Rights Issue is not implemented and the Proposed Acquisition is fully funded by debt, this will increase its gearing level to 49.82% of its enlarged total assets, which is close to the 50% threshold as stipulated under Clause 8.37 of the REIT Guidelines, limiting its flexibility to fund future acquisitions.

5. USE OF PROCEEDS

The proceeds from the Rights Issue are to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation from the listing of the Rights Units	RM'million
Part-finance the Proposed Acquisition	Within 3 months	(1)64.52
Defray estimated expenses relating to the Corporate Exercises and Proposed Acquisition ⁽²⁾	Within 3 months	3.15
Total		67.67

Notes:

- (1) *The balance of the Purchase Consideration is to be financed via bank borrowings of RM39.48 million.*
- (2) *The estimated expenses in relation to the Corporate Exercises and Proposed Acquisition comprise of the cash portion of the Acquisition Fee, professional fees, underwriting commission, fees payable to the authorities, printing costs and other incidental expenses. In the event the actual expenses in relation to the Corporate Exercises and Proposed Acquisition are lower than RM3.15 million, the excess shall be utilised for working capital purposes.*

Pending utilisation, the proceeds will be placed in interest-bearing deposits with financial institutions or short-term money market instruments as the Board deems fit. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be utilised for working capital.

6. PROPOSED ACQUISITION

6.1 Information on the 1Segamat Property and Car Park Rights

The 1Segamat Property is the only purpose-built mall in Segamat, Johor, which offers both retail and entertainment components. The 1Segamat Property is easily accessible via public transportation due to it being physically connected to the main bus terminal of Segamat and close proximity to the Segamat railway station. In addition, the 1Segamat Property is also easily accessible by road via Jalan Genuang, which is a main artery road that joins to Jalan Muar-Segamat and Lebuhraya Segamat-Kuantan. The 1Segamat Property is within close proximity to two (2) tertiary institutions, namely the Segamat campus of Universiti Teknologi Mara and the Johor campus of Tunku Abdul Rahman University College.

A brief description of the 1Segamat Property is as follows:

Details	Description
Postal address	: Jalan Kolam Air, 85000 Segamat, Johor Darul Takzim
Land titles	: H.S.(D) 55835 No. PTD 1991 in Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 55836 No. PTB 1537 in Bandar and Daerah Segamat, Negeri Johor
Tenure	: Leasehold 99 years expiring on 3 July 2116
Registered owner	: TDSB
Category of land use	: Building
Property use	: Retail mall
Approximate age of building as at the LPD	: 5 years and 8 months
Gross floor area (sqf/sqm)	: 486,788.99/45,224.18
NLA (sqf/sqm)	: 223,438.71/20,758.14
Land area (sqf/sqm)	: 169,284/15,727
Date of certificate of fitness for occupation	: 2 December 2011
Occupancy rate as at the LPD (%)	: 95.93
Tenancy term	: Two (2) to three (3) years
Major tenants (more than 10% of total NLA)	: UO Superstore and Lotus Five Star Cinemas
NPI for the FYE 31 May 2016 (RM'000)	: 8,007
Audited net book value as at 31 May 2016 (RM'000)	: 101,601
Market Value of the 1Segamat Property (RM'000)	: 105,000
Encumbrances as per land search dated 12 July 2017	: Nil

Details	Description
Express conditions as per land search dated 12 July 2017	<p>(i) <i>"Tanah ini hendaklah digunakan untuk tujuan Kompleks Perdagangan tiga tingkat dibina mengikut pelan yang diluluskan oleh pihak Berkuasa Tempatan yang berkenaan."</i> This land shall be used for a 3-storey commercial complex constructed according to the plan approved by relevant Local Authority.</p> <p>(ii) <i>"Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa berkenaan."</i> All waste and pollution resulting from this activity shall be transmitted/ disposed to the location designated by the Relevant Authority.</p> <p>(iii) <i>"Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi."</i> Every policy and condition that have been prescribed and enforced from time to time by the Relevant Authority shall be complied with.</p>
Restrictions-in-interest as per land search dated 12 July 2017	<p>(i) <i>"Tuan punya tanah tidak dibenarkan menawarkan atau menjual unit-unit (parcels) bangunan yang akan dibina tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan."</i> The proprietor of the land shall not offer or sell any units (parcels) of the building that is to be constructed on the land save and except where the construction of the building has commenced according to the plan approved by the relevant Local Authority.</p> <p>(ii) <i>"Petak-petak bangunan yang didirikan di atas tanah ini apabila sahaja bertukar miliknya kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindahmilik dengan apa cara sekalipun kepada orang Bukan Bumiputera/Syarikat Bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri."</i> The parcels within the building erected on this land upon being transferred to a Bumiputera/ Bumiputera Company, shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera/ Non-Bumiputera Company without consent from the State Authority.⁽¹⁾</p> <p>(iii) <i>"Petak-petak bangunan yang didirikan di atas tanah ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada Bukan Warganegara/Syankat Asing tanpa persetujuan Pihak Berkuasa Negeri."</i> The parcels within the building erected on this land shall not be sold or transferred in any way whatsoever to a non-citizen/ foreign company without consent from the State Authority.⁽¹⁾</p>

Note:

(1) The 1Segamat Property is not a strata mall.

The Proposed Acquisition also entails the acquisition of the rights to operate and maintain a car park operation on the following lease areas:

- (i) the Car Park Lease Area, the lease payment of which shall be calculated based on 70:30 profit sharing basis where thirty percent (30%) of the income generated from the Car Park Lease Area will be payable to Kelab Sukan Kebajikan Majlis Daerah Segamat and the remaining seventy percent (70%) is payable to Hektar REIT; and
- (ii) the External Road Reserve, the lease payment of which has not been determined pending the execution of the lease agreement to be entered into between TDSB and Majlis Daerah Segamat. However, TDSB has proposed to Majlis Daerah Segamat to lease back the External Road Reserve at the rental calculation based on 70:30 profit sharing basis where thirty percent (30%) of the income generated from the External Road Reserve will be payable to Majlis Daerah Segamat and the remaining seventy percent (70%) is payable to Hektar REIT.

6.2 Salient terms of the SPA

6.2.1 Agreement to sell and purchase the Subject Property

TDSB agrees to sell and the Trustee agrees to purchase the Subject Property at the Purchase Consideration free from all encumbrances but subject to all conditions express or implied in the Subdivided Titles and with the benefit of the tenancies in respect of the 1Segamat Property upon the terms and conditions of the SPA.

6.2.2 Payment of the Purchase Consideration

The Purchase Consideration shall be settled in the following manner:

- (i) refundable earnest deposit of RM2,080,000, equivalent to 2% of the Purchase Consideration ("**Earnest Deposit**") which has been paid to TDSB's solicitors as stakeholders ("**Stakeholders**") prior to the execution of the SPA, and which shall be applied towards the Purchase Consideration upon completion of the SPA;
- (ii) a further sum of RM8,320,000, equivalent to 8% of the Purchase Consideration ("**Balance Deposit**") which has been paid to the Stakeholders upon signing of the SPA. The Earnest Deposit and Balance Deposit are collectively referred to as "**Deposit**"; and
- (iii) the balance of the Purchase Consideration of RM93,600,000 shall be paid in cash to TDSB or the Stakeholders within thirty (30) days after the date on which all the conditions precedent to the Proposed Acquisition as set out in the SPA ("**SPA Conditions Precedent**") have been fulfilled and with an extension of thirty (30) days therefrom, if applicable, with interest.

TDSB may deliver to the Trustee a valid "on demand" unconditional and irrevocable bank guarantee in favour of the Trustee to guarantee the sum of RM10,978,286 (being the sum equivalent to the Deposit, a fifteen (15) month bank guarantee interest, Earnest Deposit interest and differential interest) in exchange for the release of the Deposit together with the interest earned on the Deposit to TDSB by the Stakeholders.

6.2.3 SPA Conditions Precedent

The Proposed Acquisition is conditional upon the following SPA Conditions Precedent being fulfilled within 7 months from the date of the SPA (“**Conditional Period**”) together with its status as at the LPD are as follows:

No.	SPA Condition Precedent	Status
(i)	TDSB shall have obtained the approval from its shareholders and the appropriate authority (if any) for the conveyance or the disposal of the Subject Property by TDSB to the Trustee	Fulfilled
(ii)	TDSB shall have obtained issuance of the Subdivided Titles from the Pentadbir Tanah Daerah Pejabat Tanah Segamat with the terms of the express conditions and restrictions-in-interest no worse off than the Master Titles and delivered a duly executed memorandum of transfer	Fulfilled
(iii)	TDSB shall have secured the leases from Kelab Sukan Kebajikan Majlis Daerah Segamat and Majlis Daerah Segamat in relation to the Car Park Lease Area and External Road Reserve upon terms acceptable between the Trustee and TDSB	To be fulfilled
(iv)	TDSB shall have deposited with the Trustee all drawings pertaining to the Subject Property including as-built, civil and structural, mechanical and electrical plans and drawings as per the list set out in the SPA	Fulfilled
(v)	TDSB shall have procured and delivered to the Trustee’s solicitors (i) the redemption statement from the Existing Chargee setting out the amount payable for the full redemption of the Subject Property against the Existing Chargee’s undertaking to release the original Subdivided Titles, the duly executed and stamped duplicate charge and the duly executed discharge of charge to the Trustee or Trustee’s solicitors upon receipt of the redemption sum and to refund the redemption sum received in the event the discharge cannot be registered at the Pendaftar Tanah Negeri Johor or registry for any reason whatsoever; and (ii) the redemption statement from Orix Credit Malaysia Sdn Bhd (“ Orix ”) in respect of the sum of money outstanding and owing by TDSB to Orix pursuant to the hire purchase agreement dated 7 April 2015 granted by Orix to TDSB	To be fulfilled
(vi)	TDSB shall, at its own cost and expense, rectify, repair, replace and/or make good the defects in accordance with the manner set out in the SPA	Fulfilled
(vii)	TDSB shall have deposited with its solicitors the original copy of the certificate of fitness for the Building	Fulfilled
(viii)	TDSB shall have achieved an average tenancy rental and car park collection of not less than RM1,050,000 only per month for the last three (3) months prior to the expiry of the Conditional Period or Second Extended Conditional Period (as defined herein), whichever is later	To be fulfilled
(ix)	TDSB shall have executed in escrow the duly executed assignment and notices in respect of the existing tenancies, novation agreements and consent letters and deposited the same together with the occupation agreements with TDSB’s solicitors who shall have the right to release them to the Trustee on the completion date of the SPA (“ Completion Date ”)	Fulfilled
(x)	TDSB shall have settled all the sums owing to Lim Nyuk Wah @ Ng Peng Wah and Lim Kim Bee (“ Claimants ”) under the settlement agreement dated 22 February 2016 entered into between TDSB and the Claimants and a deed of revocation is duly entered and stamped between the parties thereof	Fulfilled

No.	SPA Condition Precedent	Status
(xi)	the Trustee shall have obtained the approval of the SC, Bursa Securities and the Unitholders in relation to the equity funding exercise and acquisition of the Subject Property	Fulfilled
(xii)	the Trustee or its agent is in receipt of the proceeds raised from any equity funding exercise and/or loan/financing agreement between the Trustee and the Trustee's financiers for the debt facilities to part-finance the Proposed Acquisition have been duly executed	To be fulfilled

The SPA shall become unconditional on the date when all the SPA Conditions Precedent are satisfied or waived, as the case may be. The Trustee shall be entitled at its own discretion to waive any of the SPA Conditions Precedent to be satisfied by TDSB by giving written notice to TDSB.

In the event TDSB is unable to fulfil the condition stipulated in Section 6.2.3(ii) above within the Conditional Period, TDSB is entitled to an automatic extension of six (6) months or such other extended period as may be mutually agreed between the Trustee and TDSB ("**First Extended Conditional Period**")*, subject to payment by TDSB to the Trustee of an interest at 6% per annum on the Deposit calculated on a daily basis in accordance with the terms of the SPA. In addition, the Trustee is entitled to an automatic extension of two (2) months from the expiry of the Conditional Period or the First Extended Conditional Period, whichever is later, or such other extended period as may be mutually agreed between the Trustee and TDSB ("**Second Extended Conditional Period**") to fulfil its SPA Conditions Precedent.

Note:

* *The Manager and the Vendor had mutually agreed to the First Extended Conditional Period from 10 January 2017 up to 9 August 2017.*

TDSB agrees that upon termination where:

- (i) TDSB fails to satisfy the SPA Conditions Precedent under Section 6.2.3(ii) or 6.2.3(iii) above by the expiry of the First Extended Conditional Period and the Trustee is not agreeable to extend the First Extended Conditional Period; or
- (ii) The Trustee fails to satisfy the SPA Conditions Precedent under Section 6.2.3(xi) above or fails to obtain proceeds raised from any equity funding exercise under the first part of Section 6.2.3(xii) above due to economic downturn or force majeure circumstance or material adverse overall market condition which are beyond the control of the Trustee and not caused or contributed by the Trustee by the expiry of the Conditional Period or the Second Extended Conditional Period, as the case may be,

and in consideration of a sum of Ringgit Malaysia Ten (RM10.00) to be paid by the Trustee to TDSB, TDSB shall grant the Trustee the first right of refusal to purchase the Subject Property or any part thereof in the event TDSB intends to sell and/or dispose of such Subject Property or any part thereof to a third party. Such right of first refusal shall be exercisable by the Trustee within a period of three (3) years from the termination of the SPA and the terms to be offered to the Trustee shall not be less favourable than the terms offered to the third party.

6.2.4 Anti-competition

TDSB undertakes with the Trustee that TDSB, EcoFirst Consolidated Berhad ("**EcoFirst**") and any of EcoFirst's subsidiaries shall not enter into any arrangement, agreement or undertaking (including developing or managing) of a retail mall business located within twenty (20) kilometres radius from the Subject Property within fifteen (15) years from the date of the SPA.

6.2.5 Default and termination

(i) Default by Trustee

In the event:

- (a) the Trustee shall fail to pay the balance Purchase Consideration of RM93,600,000 or any part thereof in accordance with the provisions of the SPA; or
- (b) of any breach of representations and warranties on the part of the Trustee, which is a fundamental breach,

TDSB shall be entitled to either (i) a remedy of specific performance of the SPA against the Trustee or (ii) by notice in writing to terminate the SPA whereupon the Deposit together with the accrued interest thereon shall be forfeited by TDSB as agreed liquidated damages. All other monies paid by the Trustee towards account of the Purchase Consideration (if any) shall be refunded by TDSB free of interest to the Trustee in exchange for the Trustee redelivering the legal possession of the Subject Property to TDSB (if the same has already been delivered) and accounting and paying to TDSB any income accrued on the Subject Property during the period of possession by the Trustee and the Trustee simultaneously causing the Trustee's solicitors to forthwith return to TDSB all documents forwarded to them including but not limited to the duly executed withdrawal of private caveat form by the Trustee together with the necessary registration fees (if not already withdrawn).

Thereafter, the SPA shall be terminated and become null and void and be of no further effect and neither party shall have any further claims, action or proceedings against the other in respect of or arising out of the SPA save and except the right of TDSB to claim against the Trustee for any other losses and damages, expenses and costs incurred or suffered by TDSB as a result of other antecedent breaches by the Trustee, i.e. the occurrence of any breaches to the terms and conditions of the SPA by the Trustee before the date of termination. TDSB shall be entitled to dispose of or deal with the Subject Property at its absolute discretion.

For the avoidance of doubt, a fundamental breach is:

- (i) any breach which results in damages of an amount of more than RM10,400,000; or
- (ii) any breach which is not capable of being remedied.

(ii) Default by TDSB

In the event of default by TDSB to complete the sale of the Subject Property pursuant to the terms and conditions of the SPA or in the event of any breach of representations and warranties on the part of TDSB which is a fundamental breach, the Trustee shall be entitled to either:

- (a) the remedy of specific performance of the SPA against TDSB; or
- (b) terminate the SPA and upon such termination, TDSB shall refund and pay to the Trustee within seven (7) business days, all monies paid thereunder towards the Purchase Consideration with the accrued interest, earnest deposit interest and differential interest (if any), together with a further sum equivalent to the Deposit sum as agreed liquidated damages, and the Trustee simultaneously causing the Trustee's solicitors to forthwith return to TDSB all documents forwarded to them including but not limited to the duly executed withdrawal of private caveat form by the Trustee together with the necessary registration fees.

After the Trustee has received the refund of the Purchase Consideration, the accrued interest, earnest deposit interest and differential interest (if any) plus the agreed liquidated damages, the SPA shall be terminated and become null and void and be of no further effect and neither party shall have any further claims, action or proceedings against the other in respect of or arising out of the SPA save and except the right of either party to claim against the other for any other losses and damages, expenses and costs incurred or suffered by that party as a result of other antecedent breaches by the other party, i.e. the occurrence of any breaches to the terms and conditions of the SPA by the other party before the date of termination. And thereafter, TDSB shall be entitled to dispose of or deal with the Subject Property at its absolute discretion.

For the avoidance of doubt, a fundamental breach is:

- (i) any breach which results in damages of an amount of more than RM10,400,000;
- (ii) any breach which is not capable of being remedied; or
- (iii) a breach of TDSB's warranty that no units of retail space within the Building or any part thereof has been sold, assigned, transferred or disposed by TDSB to any person as at the date the SPA becomes unconditional and the Completion Date.

6.2.6 Non-registration of transfer

Save for defects and/or omissions in the memorandum of transfer or stamp duty proforma which the parties undertake to rectify within fourteen (14) business days of receipt of notice of the same from the land office/registry, in the event the memorandum of transfer cannot be registered by any reason attributable to any default, neglect or omission of TDSB which TDSB cannot rectify within one (1) month of receipt of notice of non-registration or such additional time as the Trustee may allow at its sole discretion, the Trustee shall be entitled by writing to TDSB or TDSB's solicitors as the case may be to terminate the SPA and TDSB shall refund the full Purchase Consideration to the Trustee with interest in exchange for possession of the Building, assignment of all existing tenancies to TDSB (if applicable), rental revenues and security deposits received by the Trustee as from the Completion Date free of interest and return all documents given to the Trustee under the SPA and the document of the Master Titles with TDSB's interest intact.

6.3 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the Market Value of the 1Segamat Property.

Henry Butcher, the independent valuer who was appointed on 14 March 2016 by the Manager to undertake the valuation of the 1Segamat Property, had adopted the investment approach as the principal valuation methodology in arriving at the market value of the 1Segamat Property as at the date of valuation of 2 May 2016 of RM105.0 million and had counter-checked against the comparative approach. Two update valuations were carried out on 30 November 2016 and 31 May 2017 and the market value of the 1Segamat Property remained unchanged at RM105.0 million. The investment approach entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net annual income at an appropriate current market yield to arrive at the market value. As a check, the comparative approach is adopted in which recent transactions and asking prices of similar properties within the same location or other comparable localities are analysed for comparison purposes, with adjustments made for differences in location, factor of time, size of NLA, quality of the building, number of car parks and other relevant characteristics to arrive at the market value.

The Purchase Consideration represents a discount of approximately 1.0% to the Market Value of the 1Segamat Property.

The valuation certificate and the updated valuation certificates in respect of the 1Segamat Property prepared by Henry Butcher are set out in **Appendix III(A)**, **Appendix III(B)** and **Appendix III(C)** of this Rights Issue Prospectus respectively.

6.4 Source of funding

The Purchase Consideration will be fully satisfied via the net proceeds from the Rights Issue of RM64.52 million and bank borrowings of RM39.48 million.

6.5 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Hektar REIT pursuant to the Proposed Acquisition.

However, there will be lease payments to be made for the Car Park Rights as set out in Section 6.1 of this Rights Issue Prospectus.

6.6 Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the investment objectives of the Manager to:

- (i) invest in real estate assets predominantly involved in retail and/or shopping centres to further diversify and expand its current portfolio of properties and be less reliant on any individual property in Malaysia;
- (ii) provide the Unitholders with a long-term and sustainable distribution of income and potential capital growth by acquiring earnings accretive real estate assets with strong recurring rental income;
- (iii) enhance the long-term value of the property portfolio of Hektar REIT to further strengthen its position as a sizeable and geographically well-diversified retail real estate investment trust in Malaysia; and
- (iv) to acquire assets with opportunities for value creation via potential asset enhancement initiatives (“**AEI**”) which include, among others, refurbishments.

The strategic location of the 1Segamat Property, in addition to it being the only purpose-built mall in Segamat, enables it to enjoy good traffic flow of shoppers and commuters which creates business potential. In addition, Segamat is a fast-developing town with an estimated population of 198,000 in 2016 as projected by the Department of Statistics, Malaysia which is expected to further enhance the prospects of the 1Segamat Property.

The 1Segamat Property is well-positioned to cater to all age groups from children to families, as well as a broad spectrum of income levels from the lower-middle to the upper-income group with its diverse offering of food and beverages (“**F&B**”), fashion, daily necessities, services and entertainment options. The 1Segamat Property, with an occupancy rate of 95.93% as at the LPD, houses an established mix of retailers which includes UO Superstore, Lotus Five Star Cinemas, Watsons and Guardian, as well as F&B offerings such as Old Town White Coffee, Big Apple Donuts and Coffee, Tutti Frutti and Kentucky Fried Chicken. In terms of tenancy mix, the 1Segamat Property has the widest range of merchandise vis-à-vis other retail centres in Segamat, mainly grocery and convenience shopping.

The Manager views the 1Segamat Property as an asset with further potential and intends to adopt the same successful approach as in the case of Wetex Parade which had involved a repositioning exercise and extensive market research to aid its portfolio management and the introduction of best practices in property management. The Manager’s systematic approach had resulted in a remarkable increase in the occupancy rate and average rental rates of Wetex Parade by approximately 15% and 30% respectively.

The Proposed Acquisition represents yet another positive milestone in Hektar REIT’s objectives of greater income and geographical diversification. Upon completion of the Proposed Acquisition, Hektar REIT will own six (6) retail malls with locations spanning from Kedah in the north all the way to Johor in the south. The diversification allows for cross subsidisation between assets in the enlarged portfolio, which will engender better resilience.

7. RISK FACTORS

In addition to the other information contained in this Rights Issue Prospectus, you should carefully consider the following risk factors before making your decision on whether to subscribe for the Rights Issue.

7.1 Risks relating to the property industry

7.1.1 Uncertainties and instability in general economic and real estate market conditions

Hektar REIT's operations are closely linked to the economic performance of Malaysia. Any adverse developments in the political and economic environment and uncertainties in Malaysia which include, among others, changes in the general economic, business and credit conditions, government legislations and policies affecting the real estate industry, inflation, interest rates, taxation, fluctuation in foreign exchange rates and political or social developments could materially and adversely affect the financial performance of Hektar REIT.

In addition, the Malaysian economy is affected by the global economic conditions. Global credit markets have experienced, and may continue to experience volatility and liquidity disruption, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. Such events have a significant impact on the global capital markets associated not only with asset-backed securities but also with the global credit and financial markets as a whole, and could materially and adversely affect the financial performance of Hektar REIT, as follows:

- (a) inability of tenants to settle rents in a timely manner and/or continue with the existing tenancies, which reduces Hektar REIT's revenue and/or cash flows;
- (b) downward pressure/revision of rental rates;
- (c) downward revaluation of the properties; and
- (d) a higher probability that the lenders do not continue to extend credit facilities to Hektar REIT.

Furthermore, the revenue of the Government is derived mainly from the sale of commodities such as crude palm oil and oil and gas and as such, would be substantially dependent upon the prevailing prices of, and demand for, crude palm oil and oil and gas. The decline in commodity prices have led to a decrease in the revenue of the Government as well as various commodity businesses in Malaysia which have resorted to various cost-cutting measures such as reduced scale of operations, deferring expansion plans and retrenchment of staff. This would affect the purchasing power of consumers in Malaysia and may affect the business of Hektar REIT's tenants.

7.1.2 Compulsory acquisition

Pursuant to the Land Acquisition Act, 1960, the Government has the power to compulsorily acquire any land in Malaysia. If all or any of the Hektar REIT Properties are compulsorily acquired by the Government, there can be no assurance that the amount of compensation paid to Hektar REIT for any of the Hektar REIT Properties may be equal or more than their acquisition price or current market value.

7.2 Risks relating to the performance of the business of Hektar REIT

7.2.1 Non-renewal of expiring tenancies and loss of tenants

Hektar REIT's business, financial conditions, results of operations and cash flows may be materially and adversely affected by the bankruptcy and/or insolvency of tenants or downturn in the businesses of tenants which will lead to non-renewal of leases or termination of leases before they expire.

Most of the tenancies for the Hektar REIT Properties are typically for periods of 3 years. As a result, there will be a number of tenancies subject to renewal each year according to their respective tenancy cycles. Such renewals make Hektar REIT susceptible to rental fluctuations which, in a declining market, may lead to higher vacancies and lower rents, and may have a material and adverse impact on the revenue of Hektar REIT.

7.2.2 Competition from other properties

There is keen competition for tenants between the Hektar REIT Properties and other existing and new shopping malls and/or retail properties. Whenever competing properties in the vicinity of the Hektar REIT Properties are developed or substantially upgraded and refurbished, the attractiveness of the Hektar REIT Properties to prospective tenants may be affected. Factors that affect the ability of shopping malls and/or retail properties to attract or retain tenants include the attractiveness of the building and its surrounding areas to prospective tenants and the tenants' customers/clients as well as the quality of the building's existing tenants.

The rental income and market value of the Hektar REIT Properties are largely dependent on the ability of the Hektar REIT Properties to compete against other shopping malls and/or retail properties in the relevant localities in attracting and retaining tenants. Historical operating results of the Hektar REIT Properties may not be indicative of future operating results and historical market values of the Hektar REIT Properties may not be indicative of future market values of the Hektar REIT Properties.

7.2.3 Increasing property and operating expenses

Any increase in property and operating expenses without a corresponding increase in rental income could adversely affect Hektar REIT's distribution to the Unitholders. Factors that increase property and operating expenses include the following:

- (i) increase in energy costs;
- (ii) increase in contractor/service provider costs;
- (iii) increase in insurance premium;
- (iv) increase in land assessment and other statutory charges;
- (v) increase in property management cost;
- (vi) changes in statutory laws, regulations and/or government policies which correspondingly increase the cost of compliance; and
- (vii) defects affecting the Hektar REIT Properties which need to be rectified, leading to unforeseen major repair and capital expenditure.

7.2.4 Inability of the Manager to successfully implement its investment strategy

The Manager's investment strategy includes, *inter-alia*, expanding Hektar REIT's portfolio of properties and providing regular and stable distributions to the Unitholders. However, there can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand Hektar REIT's portfolio at all, or at any specified rate or to any specified size. Further, the Manager may not be able to make investments or acquisitions on favourable terms or within a desirable timeframe.

In addition, Hektar REIT's growth strategy and asset selection process may not ultimately be successful and may not provide the necessary expected returns to the Unitholders. Further, the acquired asset and/or property may turn out to be less comparable to Hektar REIT's growth strategy than initially anticipated, which could adversely affect the financial conditions and results of operations of Hektar REIT.

There may also be significant competition for attractive investment opportunities from other real estate investors which include, among others, commercial property investment companies, private investment funds and other REITs whose investment strategy is also to invest in commercial properties. There can be no assurance that Hektar REIT will be able to compete effectively against such entities.

7.2.5 Inability of the Manager to successfully implement AEI

One of the Manager's growth strategies is to increase yields and total returns through a combination of the addition and/or optimisation of retail space and enhancement of shopping experience at the relevant shopping mall. The Manager has undertaken various AEI for Central Square and Mahkota Parade during the FYEs 31 December 2014 and 31 December 2015, which successfully increased the revenue of Hektar REIT by attracting new retailers to the revitalised malls despite the gloomy economy backdrop. However, any AEI are subject to known and unknown risks, uncertainties and other factors which may lead to the outcomes of any of such AEI being materially different from the original projections or plans.

There can be no assurance that the Manager will be able to implement or continue to implement any of its AEI successfully and/or obtain approvals of the relevant authorities for the implementation of the AEI (where required). In addition, the Manager may not be able to implement the AEI within a desired timeframe and hence, any expected benefit or return from such AEI may be lost or impacted. In addition, there can also be no assurance that Hektar REIT will achieve its intended benefit or return from the AEI although such AEI are successfully implemented.

7.2.6 Reliance on senior management team and certain key senior personnel of the Manager

The success of Hektar REIT depends, to a significant extent, upon the expertise and experience of the Manager's senior management team and certain key senior personnel. The inability to retain any of these individuals or failure to recruit suitable candidates equipped with relevant expertise and experience as replacement may impede Hektar REIT from further expanding its portfolio of properties and/or managing its portfolio of properties effectively.

7.2.7 Uninsured or under-insured losses

The Hektar REIT Properties may face the risk of suffering physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential public liability claims from customers, contractors and tenants. In addition, certain types of risks (such as war risk, terrorist acts and losses caused by the outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk.

Currently, Hektar REIT has in place insurance coverage on the Hektar REIT Properties against, among others, fire, consequential losses and public liability. Should an uninsured or under-insured loss occur, Hektar REIT could be required to pay compensation and/or lose capital invested in the affected Hektar REIT Property as well as anticipated future income from such Hektar REIT Property as it may not be able to rent out or sell the said property. There can be no assurance that uninsured and under-insured losses will not occur.

Further, Hektar REIT's insurance policies and terms of coverage will be subject to renewal and negotiations on a periodic basis in the future and there can be no assurance as to the nature and extent of coverage that will be available on commercially reasonable terms in the future. Any material increase in insurance rates or decrease in available coverage in future will adversely affect Hektar REIT's business, results of operations and financial condition.

7.2.8 Potential downward revaluation of the Hektar REIT Properties may adversely impact gearing and trigger breach of loan covenants or affect ability to refinance or secure additional borrowings

The Hektar REIT Properties will be revalued annually pursuant to MFRS 140 and once in every three (3) years from the date of last valuation pursuant to Clause 10.03 of the REIT Guidelines. There can be no assurance that the Hektar REIT Properties will not be subject to any downward revaluations in future. Factors such as a decline in market rental and occupancy rates, a decrease in NPI generated may result in downward revaluation of the Hektar REIT Properties. Any further downward revaluation of the Hektar REIT Properties could negatively impact gearing which in turn could trigger the breach of loan covenants and/or affect Hektar REIT's ability to refinance its existing bank borrowings or secure additional borrowing in future.

7.2.9 Inability to meet the requirements to enjoy tax exemption under Section 61A(1) of the ITA by virtue of, amongst others, tax adjustments or changes in tax laws

Under the current tax regime, a REIT is treated as unit trust which is governed principally by Sections 61 and 63C of the ITA. Under Section 61A(1) of the ITA, where in the basis period for a year of assessment ("YA"), 90% or more of the total taxable income of the REIT is distributed, total taxable income of the REIT for that YA shall be exempted from tax.

Where the abovementioned condition pursuant to Section 61A(1) of the ITA is met, Hektar REIT will be exempted from Malaysian income tax. However, Hektar REIT is required to withhold tax on taxable income distributed to certain Unitholders.

The Malaysian tax laws may be subject to change. For instance, the pre-requisites for tax exemption may become more difficult to meet such that Hektar REIT would be more likely to be subject to tax or the tax exemption for Malaysian REITs may be removed altogether. Any other tax exemptions, such as stamp duty, which Malaysian REITs currently enjoy, may also be removed in future.

The current preferential withholding tax rate on taxable income distribution to certain unitholders by a Malaysian REIT has been extended for another 3 years until 31 December 2019.

7.3 Risks relating to the Rights Issue

7.3.1 Delay in or cancellation of the Rights Issue

The Rights Issue is exposed to delays or cancellation if there is a material adverse change of events or circumstances which is beyond the control of the Manager, the Principal Adviser or the Joint Underwriters prior to the completion of the Rights Issue. In addition, the Joint Underwriters may terminate the Underwriting Agreement on occurrence of any of the Termination Events. These include, among others, events which, in the opinion of the Joint Underwriters, would materially prejudice the success of the Rights Issue or likely to have a material adverse effect on the financial condition, contractual commitments, prospects, properties or results of operations of Hektar REIT or the ability of Hektar REIT to perform its obligations with regards to the transaction to which Hektar REIT is a party as contemplated in the Documents as well as events which as a result of it be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue on the terms and in the manner contemplated in the Documents and the Underwriting Agreement.

Notwithstanding the above, the Manager will use its best endeavour to ensure the successful implementation of the Rights Issue. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or cancellation of the Rights Issue.

In the event the Rights Issue is cancelled, the Trustee will repay without interest all monies received from the applicants in respect of any application for the subscription of the Rights Units including the Excess Rights Units within 14 days after the Trustee becomes liable to do so, in accordance with the provisions of the CMSA. If such monies are not repaid within 14 days after the Trustee becomes liable, the Trustee will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

7.3.2 Potential dilution

Entitled Unitholders who do not or are unable to accept their Provisional Rights Units will have their proportionate ownership and voting interests in Hektar REIT reduced, and the percentage of the enlarged issued Unitholders' capital represented by their unitholdings in Hektar REIT will also be reduced accordingly.

7.3.3 Capital market risk

The market price of the Units are influenced by, among others, the prevailing market sentiments, the demand and supply of the Units for trading purposes, the volatility of the stock market, movements in interest rates, the outlook of the industry in which Hektar REIT operates, the financial performance of Hektar REIT, changes in regulatory requirements or market conditions and announcement of developments relating to the business of Hektar REIT. In view of this, there can be no assurance that the market price of the Units (together with the Rights Units) will trade at or above the TERP upon or subsequent to the completion of the Rights Issue. In addition, the market price of the Rights Units may not trade at a level that meets the specific investment objectives or targets of any subscriber of the Rights Units.

7.4 Risks relating to the Proposed Acquisition

7.4.1 Completion risk

The Proposed Acquisition is subject to completion risk as the Proposed Acquisition is conditional upon the fulfilment and/or waiver (as the case may be) of the SPA Conditions Precedent or occurrence of any of the termination events as set out in Section 6.2.5 of this Rights Issue Prospectus. There can be no assurance that the SPA Conditions Precedent will be satisfied and/or waived (as the case may be) or that any of the termination events will not occur.

7.4.2 Competition risk

The 1Segamat Property may be affected by, among others, increased competition from other shopping malls and retail properties including any new proposed commercial development involving retail/shopping centres in Segamat with higher quality specifications, diminished attractiveness as the building ages, non-renewal of tenancies following expiry of tenancy agreements and the Manager's ability to collect rental on a timely basis, which in turn may have a material and adverse effect on Hektar REIT's financial position, result of operations and prospects.

7.4.3 Non-renewal/termination of key tenancies

Based on the committed leases of the retail lots as at the LPD, the top five (5) tenants of the 1Segamat Property (in terms of contribution to gross rental income) accounted for approximately 38.6% of the gross rental income of the 1Segamat Property. In the event one or more of these key tenants decide not to renew their tenancies and/or decide on early termination of their leases, this may have a material and adverse impact on the NPI of the 1Segamat Property.

In addition, Hektar REIT may face challenges in securing replacement tenants following sudden loss of existing major tenants, with a possibility that the terms on which the new leases are agreed upon may be less favourable.

7.4.4 Due diligence risk

The due diligence on the 1Segamat Property may not identify all defects, deficiencies, breaches and/or non-compliance of any relevant laws, regulations, rules and requirements governing the 1Segamat Property which could result in unpredictable business interruption and additional expenses on material repairs and rectifications being incurred.

7.4.5 Financing risk

Hektar REIT will raise debt financing to part-finance the Proposed Acquisition. As such, its ability to pay distributions to the Unitholders in the future may be affected by interest rate fluctuations as a result of the additional debt.

7.4.6 Operational risk

The 1Segamat Property may need to undergo renovation or asset enhancement works from time to time to retain its competitiveness and attractiveness, as well as unforeseen maintenance in respect of defects or problems that may develop from time to time. In addition, the renovation and maintenance costs tend to increase over time as the building ages.

Further, any renovations or asset enhancement works carried out may result in disruptions to the normal operations of the 1Segamat Property and this could have a material and adverse impact to the NPI of the 1Segamat Property in view that it may not be possible for the Manager to collect the full rate of, or, as the case may be, any rental income on the retail lots affected by such renovation or asset enhancement works.

7.5 Other risk

7.5.1 Forward-looking statements

This Rights Issue Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Rights Issue Prospectus, including, without limitation, those regarding the financial position, business strategies, prospects, plans and objectives for future operations of Hektar REIT, are forward-looking statements. Such forward-looking statements are made based on estimates and assumptions made by the Manager, and although believed to be reasonable as at the LPD, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Rights Issue Prospectus should not be regarded as a representation or warranty by the Manager, Principal Adviser or Joint Underwriters in relation to the Rights Issue that the plans and objectives of Hektar REIT will be achieved.

8. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

8.1 Overview of the Malaysian economy

The Malaysian economy recorded a higher growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Growth was further lifted by higher exports, as increased demand for manufactured products led to a strong growth in real exports (9.8%; 4Q 2016: 2.2%). Real imports also increased at a faster rate of 12.9% (4Q 2016: 1.6%) on account of higher growth of capital and intermediate goods. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%).

Domestic demand growth increased to 7.7% in the first quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat Malaysia cash transfers, also provided additional impetus to household spending.

Public consumption recorded a stronger growth of 7.5% (4Q 2016: -4.2%) attributed to higher spending on both emoluments and supplies and services. Private investment grew at a robust pace of 12.9% (4Q 2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector.

Business sentiments improved during the quarter amid the better international economic environment and more stable financial markets. Public investment registered a higher growth of 3.2% (4Q 2016: -0.4%), driven mainly by higher spending on fixed assets by public corporations.

On the supply side, most economic sectors expanded at a faster pace. The improvement in the overall growth was contributed primarily by the turnaround in the agriculture sector and higher growth in the manufacturing and services sectors.

The ringgit and most regional currencies appreciated against the US dollar during the quarter amid the broad weakening of the United States ("US") dollar. Despite reaching the highest level in 14 years in early January, the dollar index went on a downward trend during the quarter. The weaker US dollar sentiments were driven mainly by market uncertainties on the direction and implication of policies in the US. Regional currencies were also supported by renewed investor interest in financial assets of regional countries following the Federal Reserve's decision to maintain the path of interest rate normalisation in March. In addition, the ringgit showed more stability during the quarter compared to the previous quarter following the measures announced by the Financial Market Committee of Bank Negara Malaysia in December 2016.

(Source : Economic and financial developments in Malaysia in the 1st quarter of 2017, Bank Negara Malaysia)

8.2 Overview of the Malaysian and Johor retail sector

8.2.1 Malaysian retail sector

The wholesale and retail trade subsector grew 5.9% during the first half of 2016 (January – June 2015: 7.8%) following continued household spending in the retail segment. The retail segment rose 6.3% (January – June 2015: 7.5%) with sales at specialised stores expanding 8.4% to RM129.6 billion (January to June 2015: 8.7% to RM119.6 billion) contributed by sales of household products as well as information and communication equipment. Meanwhile, sales at non-specialised stores increased 8.3% to RM66.1 billion (January to June 2015: 11.1% to RM61 billion). The strong growth of retail segment also benefited from sales campaigns such as Buy Malaysian Products Campaign, Price Reduction Campaign and Kempen Jom Beli Barang Raya@Putrajaya.

The wholesale segment expanded 8.4% supported by fee or contract basis, food, beverages and tobacco, and other specialised wholesale (January to June 2015: 9%). However, the motor vehicles segment declined 3.9% partly due to advance purchases made during the final quarter of 2015 in anticipation of higher car prices in 2016 (January to June 2015: 4.7%). For 2016, the wholesale and retail trade subsector is envisaged to grow 6.2% (2015: 6.9%).

(Source : Economic Report 2016/2017, Ministry of Finance Malaysia)

8.2.2 Johor retail sector

As at end of 2015, Johor has a total of 139 retail centres (inclusive of shopping centres, arcades and hypermarkets) offering retail space of approximately 18.3 million sqf, which translates to a retail space provision of 4.69 sqf per capita based on the projected population of Johor in 2016 of 3,910,400, being the fourth (4th) highest after Kuala Lumpur, Selangor and Putrajaya, and Penang.

There are a total of six (6) retail centers in Segamat with an aggregate NLA of approximately 515,439 sqf where the 1Segamat Property is the only purpose-built shopping centre whilst the others are either retail warehouses (which includes a wet market and retail stores) or departmental stores or a combination of both. The 1Segamat Property is also the biggest retail centre in Segamat with the highest NLA and a high occupancy rate of more than 95%.

(Source : Independent market research report prepared by RNDC Retail Solutions Sdn Bhd)

8.3 Prospects of Hektar REIT

Hektar REIT was listed on the Main Market of Bursa Securities on 4 December 2006 with the objective of effectively growing and managing its portfolio of assets while providing sustainable income to its Unitholders. Given that Hektar REIT's growth strategy includes, among others, acquisitions in monopolistic tier two markets, the Proposed Acquisition is in line with Hektar REIT's mission and strategy.

The Subject Property will increase Hektar REIT's asset base and net income base and as such, the Manager believes that the long-term prospect of the Subject Property will be beneficial to Hektar REIT and will contribute positively to the future performance of Hektar REIT.

After the Proposed Acquisition, the Manager intends to undertake, among others, the following measures to enhance the value of the Subject Property:

- (i) replace local retailers with more reputable national and international retailers to be able to command higher rental rates;
- (ii) improve tenancy mix to appeal to broader spectrum of shoppers;
- (iii) assist retailers with their sales by offering to promote their products in strategic locations in the mall;
- (iv) embark on more aggressive marketing and promotional activities to increase shopper traffic;
- (v) introduce percentage rent provisions in the tenancy agreements to vary income stream; and
- (vi) upgrade services in the mall such as parent room, gift counter, stroller/wheelchairs rental, revitalised *surau* and toilets to maximise time spent by shoppers in the mall.

The Manager also plans to look into the viability of carrying out AEI on the Subject Property to increase its NLA as well as improve the aesthetics of the Subject Property.

Over the last 10 years, Hektar REIT has continuously carried out AEI on its portfolio of malls on a timely basis which has seen the increase in the value of its malls. The Manager will be carrying out AEI on 2 of the malls, namely Landmark Central and Subang Parade, with a total combined budget of RM 62 million. The AEI on Landmark Central and Subang Parade are expected to be completed by the third (3rd) quarter of 2017 and the third (3rd) quarter of 2018 respectively and would increase the NLAs in the aforementioned malls, which is expected to result in additional income after completion.

8.4 Prospects of 1Segamat Property

As mentioned in Section 6.1 of this Rights Issue Prospectus, the 1Segamat Property is strategically located with good traffic flow and easy accessibility to the main bus terminal of Segamat and the Segamat railway station, and is within close proximity to two (2) tertiary institutions. Furthermore, Segamat is a fast-developing town which is expected to experience increasing population.

Given its strategic location, easy accessibility, increasing population and the Manager's strengths and experience in retail mall operations, the Manager expects to be able to enhance the overall performance of the 1Segamat Property by adopting the same successful approach as in the case of Wetex Parade which had involved a repositioning exercise and extensive market research to aid its portfolio management and the introduction of best practices in property management.

With an estimated population of 198,000 in 2016 as projected by the Department of Statistics, Malaysia, the current retail provision per capita for Segamat is estimated to be only 2.60 sqf, which is much lower than the retail provision per capita of 4.69 sqf for the State of Johor. This indicates that Segamat does not have an oversupply of retail provision and therefore, is able to enjoy a high capture rate amongst the population, as well as an opportunity to continuously expand and dominate the retail landscape of Segamat in the future.

(Source : Management of HAMS B and independent market research report prepared by RND Retail Solutions Sdn Bhd)

9. EFFECTS OF THE RIGHTS ISSUE

9.1 Unitholders' capital

	<u>No. of Units</u>	<u>RM</u>
As at the LPD	400,634,117	425,738,255
To be issued pursuant to the Rights Issue	60,966,061	67,672,328
	<u>461,600,178</u>	<u>493,410,583</u>
To be issued pursuant to the Issuance to Manager	360,000	471,600
Enlarged issued Unitholders' capital	<u>461,960,178</u>	<u>493,882,183</u>

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9.2 NAV per Unit and gearing

For illustration purposes only, based on the audited statement of financial position of Hektar REIT as at 31 December 2016 and on the assumption that the Rights Issue, Proposed Acquisition and Issuance to Manager had been completed on that date, the proforma effects of the Rights Issue, Proposed Acquisition and Issuance to Manager on the NAV per Unit and gearing of Hektar REIT are as follows:

	(i)	(ii)	(iii)
	Audited as at 31 December 2016	After the Rights Issue	After (i) and the Proposed Acquisition
	RM'000	RM'000	RM'000
Unitholders' capital	425,738	493,410	(1)491,491
Undistributed income – realised	43,476	43,476	43,476
Undistributed income – unrealised	116,254	116,254	116,254
NAV	585,468	653,140	651,221
No. of Units in circulation ('000)	400,634	461,600	461,960
NAV per Unit (RM)	1.46	1.41	1.41
Total borrowings	508,200	508,200	(2)547,676
Total assets	1,130,809	1,198,481	1,236,038
Gearing ratio (times) ⁽³⁾	0.45	0.42	0.44

Notes:

- (1) After taking into consideration the estimated expenses relating to the Corporate Exercises and Proposed Acquisition of approximately RM3.15 million, of which RM1.92 million is set-off against the Unitholders' capital and the remaining RM1.23 million is capitalised into investment properties.
- (2) After taking into consideration bank borrowings of RM39.48 million to part-finance the Proposed Acquisition.
- (3) Computed as interest-bearing borrowings over total assets.

Any issuance of new Units pursuant to the Authority is expected to affect the NAV per Unit, the extent of which would depend on the total number of new Units to be issued and the issue price which will be determined based on the five (5)-day VWAMP of the Units for the relevant period in which the management fee accrues. Further, assuming there is no change in borrowings, any issuance of new Units pursuant to the Authority will result in a decline in gearing, the extent of which would depend on the amount of cash being preserved by Hektar REIT.

9.3

Substantial Unitholders' unitholdings

Any issuance of new Units under the Authority will dilute the percentage of unitholdings of the substantial Unitholders.

Based on the Record of Depositors of Hektar REIT as at the LPD, the proforma effects of the Rights Issue and Issuance to Manager on the Substantial Unitholders' unitholdings are as follows:

Name	(I)						(II)					
	As at the LPD			After the Rights Issue ⁽¹⁾			After (I) and the Issuance to Manager			After (I) and the Issuance to Manager		
	Direct	*Indirect	%	Direct	*Indirect	%	Direct	*Indirect	%	Direct	*Indirect	%
HBSB	160,625,000	-	40.09	185,067,934	-	40.09	185,067,934	-	40.06	185,067,934	-	40.06
FCT	124,892,950	-	31.17	143,898,399	-	31.17	143,898,399	-	31.15	143,898,399	-	31.15
DJAH	-	(2)161,257,867	40.25	-	(2)185,797,107	40.25	-	(2)186,157,107	40.30	-	(2)186,157,107	40.30
FCL	-	(3)125,525,817	31.33	-	(3)144,627,572	31.33	-	(3)144,987,572	31.39	-	(3)144,987,572	31.39

Notes:

* For illustrative purposes, the deemed interests are ascertained by extending the application of Section 8 of the Act to the Units.

(1) Assuming all the Entitled Unitholders fully subscribe for their entitlements under the Rights Issue.

(2) Deemed interest by virtue of his shareholding of more than 15.0% in HBSB and the Manager.

(3) Deemed interest by virtue of its unitholding of more than 15.0% in FCT and by virtue of its shareholding of more than 15.0% in the Manager.

9.4 Distributable income

Notwithstanding the additional interest expense arising from the new bank borrowings, the Proposed Acquisition is expected to contribute positively to the distributable income of Hektar REIT for the FYE 31 December 2017. The decision to declare and pay distributable income in the future would depend on, among others, the financial performance, cash flow position and future financing requirements of Hektar REIT, and the prevailing market conditions.

The issuance of new Units pursuant to the Rights Issue and Issuance to Manager will dilute the distribution per Unit, the quantum of which would depend on the number of new Units to be issued which in turn would depend on the actual issue price. Nevertheless, the Proposed Acquisition is expected to be yield accretive for Unitholders, after taking into consideration the additional NPI to be received from the 1Segamat Property following the Proposed Acquisition and distributable income and distribution policy of Hektar REIT.

For illustration purposes only, based on the audited statement of profit or loss and other comprehensive income of Hektar REIT for the FYE 31 December 2016 and on the assumption that the Rights Issue, Proposed Acquisition and Issuance to Manager had been completed on 1 January 2016, being the beginning of the FYE 31 December 2016, the proforma effects of the Rights Issue, Proposed Acquisition and Issuance to Manager on the EPU of Hektar REIT are as follows:

		(I)	(II)	(III)
	Audited as at 31 December 2016	After the Rights Issue	After (I) and the Proposed Acquisition	After (II) and the Issuance to Manager
Net realised income (RM'000)	41,546	41,546	⁽²⁾ 49,553	49,553
No. of Units in circulation ('000)	⁽¹⁾ 400,634	461,600	461,600	461,960
EPU – realised (sen)	10.37	9.00	10.74	10.73

Notes:

- (1) After taking into consideration the bonus element in respect of the Rights Issue in accordance with the Malaysian Financial Reporting Standard 133 – Earnings per Share, the number of Units in circulation will be adjusted to 409,808,944, resulting in an adjusted realised EPU of 10.14 sen per Unit.
- (2) After taking into account the NPI of the 1Segamat Property for the FYE 31 May 2016.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working capital

The Board is of the opinion that after taking into consideration the cash in hand, the proceeds from the Rights Issue, banking facilities available to Hektar REIT and the funds generated from its operations, Hektar REIT will have sufficient working capital available for a period of twelve (12) months from the date of this Rights Issue Prospectus.

10.2 Borrowings

As at 30 June 2017, the total borrowings of Hektar REIT, all of which are in RM and interest-bearing, is as follows:

	<u>RM'000</u>
Non – current liabilities (amounts due in more than a year):	
Cash Line-i / Murabahah overdraft	473,375
Term loan	24,661
	<u>498,036</u>
Current liabilities (amounts due in less than a year):	
Short term revolving credit	15,000
Total borrowings	<u>513,036</u>

There has been no default on payments of interest and/or principal sums on any of the above borrowings during the FYE 31 December 2016 and up to the LPD.

10.3 Contingent liabilities

As at the LPD, there are no contingent liabilities, which upon becoming enforceable, may have a material impact on the financial position of Hektar REIT.

10.4 Material commitments

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by Hektar REIT which may have a material impact on the financial position of Hektar REIT:

	<u>RM'000</u>
Approved and contracted for:	
Refurbishment of investment properties	16,485

The material commitments of Hektar REIT is expected to be funded via bank borrowings.

11. APPROVALS AND CONDITIONS

11.1 Approval and conditions

Bursa Securities has, via its letter dated 18 May 2017, approved the listing and quotation of, among others, the Rights Units on the Main Market of Bursa Securities, subject to, among others, the following conditions:

No.	Condition	Status of compliance
1.	Hektar REIT and Maybank IB must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Corporate Exercises	To be complied
2.	Hektar REIT and Maybank IB to inform Bursa Securities upon the completion of the Corporate Exercises	To be complied
3.	Hektar REIT to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed	To be complied
4.	Hektar REIT to furnish Bursa Securities with a certified true copy of the resolutions passed by the Unitholders at the Unitholders' Meeting approving the Corporate Exercises	To be complied
5.	Payment of additional listing fee based on the final issue price of the Rights Units, Manager's Units and Management Fee Units together with the copy of the computation of the amount of listings fees payable, if relevant	To be complied

11.2 Reliefs granted by the SC

The SC has, via its letter dated 14 December 2016, granted the following reliefs in respect of compliance with the CIS Prospectus Guidelines:

No.	Relevant clause of the CIS Prospectus Guidelines	Details of the reliefs granted
1.	Clause 3.08(b), Part V – Registration and Lodgement of a Prospectus	Relief from having to prepare the Rights Issue Prospectus in Bahasa Malaysia
2.	Clause 3.08(o), Part V – Registration and Lodgement of a Prospectus	Relief from having to prepare the RSF in Bahasa Malaysia
3.	Clause 3.08(q), Part V – Registration and Lodgement of a Prospectus	Relief from having to prepare a summary advertisement of the Rights Issue Prospectus in Bahasa Malaysia as well as publish the summary advertisement in a widely-distributed Bahasa Malaysia newspaper
4.	Clause 4.01(b), Part V – Registration and Lodgement of a Prospectus	Relief from having to lodge the Rights Issue Prospectus and RSF in Bahasa Malaysia
5.	Clause 3.03, Part V – Registration and Lodgement of a Prospectus	Variation to the requirement such that the registrable file is submitted to the SC 7 market days prior to the intended registration date

12. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS RIGHTS UNITS APPLICATION

FULL INSTRUCTIONS FOR ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS UNITS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER OF ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS ARE SET OUT IN THE RSF. YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) ARE ADVISED TO READ THIS RIGHTS ISSUE PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS RIGHTS ISSUE PROSPECTUS.

ACCEPTANCE, APPLICATION AND/OR PAYMENT WHICH DO NOT CONFORM STRICTLY TO THE TERMS OF THIS RIGHTS ISSUE PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.

12.1 General

As you are an Entitled Unitholder, your CDS Account will be duly credited with the number of Rights Units, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this Rights Issue Prospectus, the NPA notifying you of the crediting of such Provisional Rights Units into your CDS Account and a RSF to enable you to subscribe for such Rights Units that you have been provisionally allotted as well as to apply for Excess Rights Units if you choose to do so. The RSF is also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

12.2 Last date and time for acceptance and payment

The last date and time for acceptance of the Rights Units and payment for the subscription of the Rights Units is **on Tuesday, 15 August 2017 at 5.00 p.m.**

12.3 Procedures for full acceptance

If you wish to accept your entitlements provisionally allotted to you in full or in part, please complete Parts I and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** in the official envelope provided to the Registrar at the following address, entirely at your own risk, by the Closing Date:

Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: +603 2692 4271
Facsimile No.: +603 2732 5388

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies of the RSF from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>) or the Registrar or at the Manager's registered address at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor.

One (1) RSF can only be used for acceptance of the Provisional Rights Units standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of Provisional Rights Units standing to credit of more than one (1) CDS Accounts. If successful, the Rights Units subscribed by you will be credited into the respective CDS Accounts where the Provisional Rights Units are standing to the credit.

Each completed RSF must be accompanied by the appropriate remittance in RM for the **FULL** and **EXACT** amount payable for the Rights Units accepted in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "**HEKTAR REIT RIGHTS ISSUE ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters, contact number and your CDS Account number. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other modes of payment are not acceptable.

If acceptance of the Rights Units and payment for the Rights Units in the manner specified in the RSF (whether in full or in part, as the case may be) are not received by the Registrar by the Closing Date, the said Rights Units provisionally allotted to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. The Board will then have the right to allot such Rights Units in the manner set out in **Section 12.6** of this Rights Issue Prospectus.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF HEKTAR REIT AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH THE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

12.4 Procedures for part acceptance

Entitled Unitholders are entitled to accept part of their entitlements that can be subscribed for. In determining an Entitled Unitholder's entitlement, any fractional entitlement of the Rights Units shall be disregarded. Fractional entitlement, if any, shall be dealt with in such a manner as the Board in its absolute discretion deems fit or expedient and in the best interest of Hektar REIT. However, applicants should take note that a trading board lot comprises of 100 Rights Units.

Entitled Unitholders have to complete Parts I and II of the RSF by specifying the number of Rights Units which the Entitled Unitholders is subscribing for and deliver the completed RSF together with the relevant payment to the Registrar in the same manner as set out in **Section 12.3** of this Rights Issue Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Rights Units that has not been accepted will be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Rights Unit and the balance, if any, will be allotted to applicants applying for Excess Rights Units.

12.5 Procedures for sale/transfer of Provisional Rights Units

The Rights Issue is renounceable in full or in part. Accordingly, as an Entitled Unitholder, if you wish to sell or transfer all or part of your entitlements to the Rights Units to one (1) or more person, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Units standing to the credit of your CDS Account. To sell/transfer all or part of your Provisional Rights Units, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository.

IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS UNITS, YOU NEED NOT DELIVER ANY DOCUMENT, INCLUDING THE RSF, TO YOUR STOCKBROKER. HOWEVER, YOU MUST ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL RIGHTS UNITS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT(S) THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

The purchaser/transferee/renouncee may obtain a copy of the Rights Issue Prospectus and the RSF for the acceptance of his rights from the Registrar. The Rights Issue Prospectus and the RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

If you have sold or transferred only part of your Provisional Rights Units, you may still accept the balance of your Provisional Rights Units by completing Parts I and II of the RSF and forwarding the RSF together with the **FULL** and **EXACT** amount payable for the balance of the Provisional Rights Units accepted to the Registrar in accordance with the procedures of acceptance and payment as described in **Section 12.3** of this Rights Issue Prospectus.

YOU AND/OR YOUR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

12.6 Procedures for Excess Rights Units application

If you wish to apply for additional Rights Units in excess of those provisionally allotted to you, you may do so by completing Parts I and II of the RSF and forwarding it together with a **separate** remittance for the **FULL** and **EXACT** amount payable in respect of the Excess Rights Units applied for to the Registrar, so as to arrive not later than **5.00 p.m. on Tuesday, 15 August 2017**.

Payment for the Excess Rights Units applied for should be made in the same manner described in **Section 12.3** of this Rights Issue Prospectus except that the Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia should be made payable to "**HEKTAR REIT EXCESS RIGHTS ISSUE ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters, contact number and your CDS Account number. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other modes of payment are not acceptable.

It is the intention of the Board to allot the Excess Rights Units, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on their unitholdings as at the Entitlement Date; and

- (iii) thirdly, for allocation to Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for; and
- (iv) fourthly, for allocation to the renouncee(s) and/or transferee(s) of the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for.

In the event of any Excess Rights Units balance after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated to allocate the balance Excess Rights Units until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess Rights Units applied for in such manner as the Board deems fit or expedient and in the best interest of Hektar REIT, subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF HEKTAR REIT AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE.

APPLICANTS ARE NOT ALLOWED TO WITHDRAW THE RSF AND PAYMENT ONCE THEY HAVE BEEN LODGED WITH THE REGISTRAR.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS UNITS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF HEKTAR REIT AT HIS OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

12.7 Procedures for acceptance by renouncee(s) and/or transferee(s)

A renouncee and/or transferee who wishes to accept the Provisional Rights Units renounced or transferred to him must obtain a copy of the RSF from his stockbroker or the Registrar or at the Manager's registered office or from Bursa Securities' website (<http://www.bursamalaysia.com>). He must complete the RSF, submit the same together with the requisite remittance in accordance with the notes and instructions printed therein.

The procedures for application, acceptance and payment as well as sale/transfer applicable to the Entitled Unitholders as set out in **Section 12** of this Rights Issue Prospectus also apply to renouncees and/or transferees who wish to accept the renounced/transferred Rights Units.

RENOUNCEES AND/OR TRANSFEREES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

12.8 CDS Account

The acceptance of the Rights Units by you or the renounce shall mean consent to receiving such Rights Units as deposited securities which will be credited directly into the respective CDS Accounts.

If you have more than one (1) CDS Accounts, which were credited with the Provisional Rights Units, you are required to use separate RSFs to make an application for acceptance for each CDS Account. You may not request for the Rights Units accepted/applied for acceptance for in a particular CDS Account to be credited into more than one (1) CDS Account.

No physical Rights Units' certificates will be issued to the Entitled Unitholders and/or their renounee(s) (if applicable) under the Rights Issue. The Rights Units will be credited directly into the respective CDS Accounts of successful Entitled Unitholders and/or their renounee(s) if applicable and notices of allotment shall be despatched to them at their own risk to their addresses shown in the Record of Depositors of Hektar REIT within eight (8) Market Days after the Closing Date.

12.9 Foreign Addressed Unitholders

The Documents have not been, and will not be made to comply with the laws of any country or jurisdiction other than Malaysia. Accordingly, the Documents have not been (and will not be) lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction.

The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Rights Issue Prospectus relates is only available to persons receiving the Documents within Malaysia.

Accordingly, the Documents have not been and will not be sent to Entitled Unitholders who do not have a registered address in Malaysia as stated in the Record of Depositors of Hektar REIT on the Entitlement Date. However, if you are a Foreign Addressed Unitholder, you may collect the Documents from the Registrar, in which event, the Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Hektar REIT will not make or bound to make any enquiry as to whether you have a registered address in Malaysia other than as stated in the Record of Depositors of Hektar REIT as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not an enquiry or investigation is made in connection therewith. The Board will assume the Rights Issue and the acceptance thereof by you would not be in breach of the laws of any jurisdiction. The Board will further assume that you have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

You and/or your renounee(s) may only accept or renounce all or any part of your entitlement and exercise any other rights in respect of the Rights Issue to the extent that it would be lawful to do so, and Hektar REIT, the Board and officers of HAMSB, Maybank IB and/or other experts ("**Parties**"), in connection with the Rights Issue, would not be in breach of the laws of any jurisdiction or country to which that you and/or your renounee(s) is or might be subject to. You and/or your renounee(s) shall be solely responsible to seek advice from your legal and/or professional advisers as to the laws of the countries or jurisdictions to which you and/or renounee(s) are or might be subject to. The Parties shall not accept any responsibility and liability whatsoever to any party in the event that any acceptance or renunciation made by you and/or renounee(s) is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

By signing any of the forms accompanying this Rights Issue Prospectus, you and/or your renounee(s) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that Foreign Addressed Unitholders and/or their renounee(s) are or may be subject to;
- (ii) you and/or your renounee(s) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) you and/or your renounee(s) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject;
- (iv) you and/or your renounee(s) are aware that the Rights Units can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) you and/or your renounee(s) have received a copy of this Rights Issue Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to representatives of the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Units; and
- (vi) you and/or your renounee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Units, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Units.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he/she/it/they must not seek to accept the offer unless he/she/it/they has/have complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and the Board reserves the rights to reject a purported acceptance of the Rights Units from any such application by the Foreign Addressed Unitholder and/or his renounee(s) in any jurisdiction other than Malaysia.

The Board reserves the right, in absolute discretion, to treat any acceptance as invalid if the Board believes that such acceptance may violate any applicable legal or regulatory requirements.

13. TERMS AND CONDITIONS

The offer of the Rights Units pursuant to the Rights Issue is governed by the terms and conditions set out in the Documents.

14. FURTHER INFORMATION

You are advised to refer to the attached Appendices for further information.

Yours faithfully

For and on behalf of the Board of
HEKTAR ASSET MANAGEMENT SDN BHD

A handwritten signature in black ink, appearing to read 'Michael Lim Hee Kiang', with a stylized flourish at the end.

MICHAEL LIM HEE KIANG
Independent Non-Executive Chairman

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017

CERTIFIED TRUE COPY


 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

HEKTAR REAL ESTATE INVESTMENT TRUST 18 JUL 2017

Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust ("Hektar REIT") held on Tuesday, 13 June 2017 at 11.00 a.m. at the Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

- PRESENT** : Mr. Michael Lim Hee Kiang (Independent Non-Executive Chairman)
 Dato' Hisham Bin Othman (Chief Executive Officer and Executive Director)
 Puan Zalila Binti Mohd Toon (Chief Financial Officer & Executive Director)
 Dr. Chew Tuan Chiong (Non-Executive Director)
 Encik Mahusni Bin Hasnan (Independent Non-Executive Director)
 Cik Rahanawati Binti Ali Dawam (Independent Non-Executive Director)
 Ms. Tay Hwee Pio (Alternate Director to Christopher Tang Kok Kai)
- IN ATTENDANCE** : Dato' Muhammad Hafidz Bin Nuruddin (Company Secretary)
- BY INVITATION** : As per invitation list
- SHAREHOLDERS** : As per attendance list

CHAIRMAN

The Company Secretary, Dato' Muhammad Hafidz Bin Nuruddin ("Dato' Hafidz") welcomed the unitholders to the Extraordinary General Meeting ("EGM") of Hektar REIT. He informed that Dato' Hisham Bin Othman ("Dato' Hisham") was cordially invited by the Board members to chair the Meeting pursuant to Section 18.4.2(2) of the Trust Deed made between Hektar Asset Management Sdn Bhd and MTrustee Berhad (*formerly known as AmTrustee Berhad*).

QUORUM

The Secretary confirmed receiving a total of 155 unitholders/proxies made up to 301,004,730 units representing 75.13% of the total issued units. Pursuant to Section 18.4.1 of the Trust Deed, 5 unitholders present in person or by proxy representing at least 10% of the total issued units shall constitute the quorum. He further confirmed that there is a quorum for the EGM.

The Secretary informed that pursuant to Bursa Listing Requirement, all resolutions in all general meetings will be voted by way of poll.

The Poll Administrator, Mega Corporate Services Sdn Bhd confirmed that each and every eligible member/proxy holder has given the wrist band upon their registration.

For those who do not have the wrist band, please identify yourself with the personnel of Mega Corporate Services Sdn Bhd.

That all resolutions be voted by way of e-polling. For administration purposes, all resolution be voted only after the end of the discussion of all agenda.

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

CERTIFIED TRUE COPY


 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

HEKTAR REAL ESTATE INVESTMENT TRUST

18 JUL 2017

Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust (Hektar REIT) held on Tuesday, 13 June 2017 at 11.00 a.m. at the Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

NOTICE

Notice convening the Meeting having been circulated to all members was taken as read.

Dato' Hisham proceeded to brief on meeting procedure to be followed in tabling and approving resolutions at the Meeting.

1. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 61,000,000 NEW UNITS IN HEKTAR REIT TO RAISE GROSS PROCEEDS OF UP TO RM75,000,000 – ORDINARY RESOLUTION 1

1.1 The following motion was duly proposed by Martin Chen (proxyholder) and seconded by Eunice Ling (proxyholder) :-

“THAT subject to the passing of ordinary Resolution 4 and the relevant approvals being obtained, renounceable rights issue of up to 61,000,000 new units in Hektar REIT to raise gross proceeds of up to RM75,000,000”.

1.2 The Q & A of the above resolution is as per Appendix I attached.

2. PROPOSED ISSUANCE OF UP TO 360,000 NEW UNITS TO HEKTAR ASSET MANAGEMENT SDN BHD AMOUNTING TO RM520,000 AS PART OF THE ACQUISITION FEE DUE TO THE MANAGER – ORDINARY RESOLUTION 2

2.1 The Chairman confirmed that the interested Major Shareholders of the Manager which are Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, Frasers Centrepoint Limited (FCL), Hektar Klasik Sdn Bhd and the personal representative of the demised Chairman, Dato' Jaafar Bin Abdul Hamid as well as Interested Major Unitholders which are Frasers Centrepoint Trust (FCT), Frasers Centrepoint Limited (FCL), Hektar Black Sdn Bhd as well as Interested Directors had undertaken to ensure that the persons connected with them have abstained from any deliberations and voting in the meeting in relation to the Proposed Issuance to the Manager at this EGM.

2.2 The following motion was duly proposed by Jason Lee (unitholder) and seconded by Chow Wong Hoong (proxyholder) :-

“THAT subject to the passing of Ordinary Resolution 4 and the relevant approvals being obtained, issuance of up to 360,000 new units to Hektar Asset Management Sdn Bhd amounting to RM520,000 as part of the acquisition fee due to the Manager”.

2.3 The Q & A of the above resolution is as per Appendix I attached.

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

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 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

HEKTAR REAL ESTATE INVESTMENT TRUST

18 JUL 2017

Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust (Hektar REIT™) held on Tuesday, 13 June 2017 at 11.00 a.m. at the Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

3. PROPOSED AUTHORITY TO ALLOT AND ISSUE UP TO 13,500,000 NEW UNITS AS PART PAYMENT OF THE MANAGEMENT FEE TO THE MANAGER IN THE FORM OF NEW UNITS - ORDINARY RESOLUTION 3

3.1 The Chairman confirmed that the interested Major Shareholders of the Manager which are Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, Frasers Centrepoint Limited (FCL), Hektar Klasik Sdn Bhd and the personal representative of the demised Chairman, Dato' Jaafar Bin Abdul Hamid as well as Interested Major Unitholders which are Frasers Centrepoint Trust (FCT), Frasers Centrepoint Limited (FCL), Hektar Black Sdn Bhd as well as Interested Directors had undertaken to ensure that the persons connected with them have abstained from any deliberations and voting in the meeting in relation to the Proposed Authority at this EGM.

3.2 The following motion was duly proposed by Jason Lee (unitholder) and seconded by Chow Wong Hoong (proxyholder) :-

“THAT subject to the passing of ordinary Resolution 4 and the relevant approvals being obtained, authority to allot and issue up to 13,500,000 new units as part payment of the management fee to the Manager in the form of new units”.

3.3 The Q & A of the above resolution is as per Appendix I attached.

4. PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT FROM 400,634,117 UNITS UP TO 475,494,117 UNITS – ORDINARY RESOLUTION 4

4.1 The following motion was duly proposed by Martin Chen (proxyholder) and seconded by Zalina Musa (proxyholder) :-

“THAT the approval fund size of Hektar REIT be and is hereby increase in the existing approved fund size of Hektar REIT of 400,634,117 units up to 475,494,117 units”.

4.2 The Q & A of the above resolution is as per Appendix I attached.

5. CONCLUSION

The Chairman adjourned the meeting for 10 minutes for members/proxies to exercise the voting rights.

The Chairman resume the meeting upon receiving the poll results, duly verified and validated by the scrutineers.

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

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 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

18 JUL 2017

HEKTAR REAL ESTATE INVESTMENT TRUST

Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust (Hektar REIT™) held on Tuesday, 13 June 2017 at 11.00 a.m. at the Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

The poll results were as tabled below:-

ORDINARY RESOLUTIONS	VOTE FOR		VOTE AGAINST		RESULT
	NO. OF SHARES	%	NO. OF SHARES	%	
1. Proposed Rights Issue	300,363,562	99.96	110,900	0.04	CARRIED
2. Proposed Issuance to Manager	14,212,745	99.23	110,900	0.77	CARRIED
3. Proposed Authority	14,212,645	99.23	111,000	0.77	CARRIED
4. Proposed Increase in Fund Size	300,363,562	99.96	110,900	0.04	CARRIED

There being no further business, the Chairman declared the Meeting concluded at 12.10 p.m. with a vote of thanks to the Chair.

CONFIRMED TRUE RECORD

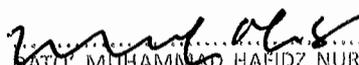


DATO' HISHAM BIN OTHMAN
CHAIRMAN OF THE MEETING

/Hektar EGM Minutes(13062017)/azi

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

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 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

18 JUL 2017

APPENDIX I

The unitholders, Mr. Venkatachalam Alagappan and Mr. Ting Kien Hwa raised some questions to which the Chairman, Dato' Hisham Bin Othman and the Executive Director & Chief Financial Officer, Puan Zalila Binti Mohd Toon responded. The salient Questions ("Q") and Answers ("A") are summarized as follows:-

- Q1) What is the rationale to purchase 1Segamat Property as the current market is quite challenging and could it be postponed to another time?
- A1) The Board feels that it is an opportunity to acquire 1Segamat Property now as it meets with all the criteria such as yield, strategic location and a good catchment area. The Management team is confident that they will achieve success in 1Segamat Mall and achieve positive returns in future.
- Q2) Are there any other malls coming-up nearby?
- A2) At current, none that we are aware of.
- Q3) Is the rental issue in Wetex Parade in Muar forthcoming?
- A3) It is still manageable.
- Q4) What is the average rental lease expiry period?
- A4) Average lease is for 3 years but for anchor tenants it is for 15 years on a 3 plus 3 etc. basis with an option to renew.
- Q5) When will the subscription forms of the Rights Issue be issued?
- A5) Targeted by end of July 2017.
- Q6) Building efficiency is less than 50% and there is a lot of common areas to grow and generate more income. What will be the action taken by the Management and why is the outgoing rental income per square foot high?
- A6) For the purpose of this valuation, the Management team has considered recent rental renewals and rentals of similar comparable malls in determining the rentals adopted. The Management team is of the opinion that the rentals adopted are within the market range of similar shopping malls in comparable location.
- Q7) How to derive higher income in future as it was not stated in the Circular?
- A7) The Management team had done a lot to review and research the acquisition potentials and is confident that it could be improved based on the expertise that Hektar possesses in mall management.

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

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 DATO' MUHAMMAD HAFIDZ NURUDDIN
 (MAICSA 7005820)
 Secretary

18 JUL 2017

HEKTAR REAL ESTATE INVESTMENT TRUST

Extract Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust (Hektar REIT") held on Tuesday, 13 June 2017 at 11.00 a.m. at the Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

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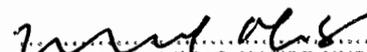
- 2.1 The Chairman confirmed that the interested Major Shareholders of the Manager which are Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, Frasers Centrepoint Limited (FCL), Hektar Klasik Sdn Bhd and the personal representative of the demised Chairman, Dato' Jaafar Bin Abdul Hamid as well as Interested Major Unitholders which are Frasers Centrepoint Trust (FCT), Frasers Centrepoint Limited (FCL), Hektar Black Sdn Bhd as well as Interested Directors had undertaken to ensure that the persons connected with them have abstained from any deliberations and voting in the meeting in relation to the Proposed Issuance to the Manager at this EGM.

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CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE MEETING HELD ON 13 JUNE 2017 (Cont'd)

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 DATO' MUHAMMAD HAFIDZ NURUDDIN
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HEKTAR REAL ESTATE INVESTMENT TRUST

18 JUL 2017

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"THAT the approval fund size of Hektar REIT be and is hereby increase in the existing approved fund size of Hektar REIT of 400,634,117 units up to 475,494,117 units".

We hereby certify that the above to be a true extract of the Minutes of the Unitholders' Meeting.

Chairman


 :
DATO' HISHAM BIN OTHMAN

Secretary


 :
DATO' MUHAMMAD HAFIDZ BIN NURUDDIN
MAICSA NO. 7005820

INFORMATION ON HEKTAR REIT

1. HISTORY AND BUSINESS

Hektar REIT was established on 5 October 2006 pursuant to the Deed and was listed on the Main Market of Bursa Securities on 4 December 2006.

The principal activity of Hektar REIT is to acquire and invest in income-producing real estate in Malaysia which is primarily used for retail purposes with a view to provide the Unitholders with stable distribution of income and potential growth.

In December 2006, Hektar REIT acquired Subang Parade and Mahkota Parade in conjunction with its initial public offering, while Wetex Parade was acquired in May 2008. Central Square and Landmark Central were subsequently acquired by Hektar REIT in October 2012.

Hektar REIT is managed by HAMSMB while its trustee is MTrustee.

2. INVESTMENT OBJECTIVE, OVERALL STRATEGIES AND PERMITTED INVESTMENTS AND INVESTMENT LIMITS**2.1 Investment objective**

The Manager's principal investment objective is to invest in income-producing real estate in Malaysia, which is primarily used for retail purposes. The Manager also strives to provide the Unitholders with a secure income distribution and to enhance the long-term value of Hektar REIT.

Should there be any material changes to the primary investment objectives of Hektar REIT, the prior approval of the Unitholders is required by way of a resolution of not less than two-thirds (2/3) of all Unitholders (or such other majority as may be required under the REIT Guidelines) given at a meeting duly convened and held.

2.2 Overall strategies

The Manager aims to achieve Hektar REIT's primary objectives which are to invest in real estate assets predominantly involved in retail and/or shopping centres, to provide the Unitholders with a secure income distribution and to enhance the long-term value of Hektar REIT's property portfolio. The Manager's three (3) key strategies to achieve Hektar REIT's investment objectives are as below:

- (i) portfolio strategy;
- (ii) investment strategy; and
- (iii) capital management strategy.

2.2.1 Portfolio strategy

Portfolio strategy or operating strategy involves the optimisation of the financial performance on the Hektar REIT Properties and 1Segamat Property to achieve optimal returns through the combination of increasing gross revenue and minimising operating expenses to generate organic or internal growth. The Manager has developed a framework known as "Hektar Retail Management System", which is benchmarked against international best practices and covers the activities as described below:

INFORMATION ON HEKTAR REIT (Cont'd)

(i) Consumer-focused tenant mix

The Manager ensures the relevance of the Hektar REIT Properties tenant mix and amenities to its respective customer base by periodically performing studies of the consumers within the surrounding trade area. The Manager also periodically studies and analyses the traffic footfall report, competition review of competing shopping centres and third-party market research on consumer trends as they pertain to the Hektar REIT Properties' market position. In turn, these studies and their various analyses allow the Manager to review the respective Hektar REIT Properties' tenant, trade sector and diversify mix.

(ii) Active leasing

The Manager continuously aims to maximise occupancy, minimise vacancy allowance, mitigate rent arrears risk and maintain occupancy rental rate growth by employing a leasing review system designed to assist management decision-making in leasing activities. The leasing review involves analysis of the tenants' credit-worthiness, business plan, projections review, concept and layout review, occupancy costs, history of turnover performance and so forth. In line with typical practices in Malaysia, tenancy rates are fixed in advance for the tenure of the tenancy term, with the typical term extending to three (3) years. The Manager ensures that rent reviews and negotiations commence prior to the expiry of the lease, or typically within six (6) months of tenancy expiry.

(iii) Leasing provisions – step-up and turnover rent

The Manager uses step-up provisions, which include a negotiated fixed quantum base rent increase at specified periods over the tenancy term, usually every year. This ensures that the tenant pays an increasing rent over the term of the tenancy agreement and overall, provides the Hektar REIT Properties (and the 1Segamat Property after the completion of the Proposed Acquisition) with gradual increases in rental income. In addition, the Manager uses a turnover rent provision in the tenancy agreement in addition to the base rent. The turnover rent is typically fixing a percentage of a tenant's monthly or periodic sales turnover, usually with a specific sales threshold, also known as the breakeven point and requires that the tenant provide monthly turnover sales reports. Turnover rent reporting is an effective real-time management tool in gauging tenant performance, market conditions and future rent reviews. The competitive advantage of turnover rent is that successful implementation allows us to increase rental income without increasing base rental rates.

(iv) Tenant coordination services

The Manager recognises tenants as partners and considers strong tenant relationships as a key attribute towards building a successful shopping centre in the long term. The Manager has practised a set of tenant coordination strategies designed to promote tenants' interests over the long term. These tenant support services include but are not necessarily limited to training, education on service standards and finance. From time to time, the Manager offers consultation and advice to tenants to improve their performance or adopt mutually-beneficial promotions and marketing campaigns which may tie in with the tenants' offerings.

INFORMATION ON HEKTAR REIT (Cont'd)

(v) **Retailer relationships**

The Manager recognises that refreshing the tenant mix is an important element in maintaining the consumer relevancy over time. The Manager will continue to establish relationships with over five hundred (500) national and international retailers and will constantly look for retailers, nationally and worldwide, with innovative and different retailing concepts. In addition, the Manager maintains an open door policy to third parties and franchise agents to collaborate on new retailing concepts.

(vi) **Asset enhancement**

The Manager has continuously looked into improving the Hektar REIT Properties and actively assesses opportunities for asset enhancement which may range from rehabilitation to refurbishment (modernisation or reconfiguration to original plan). Typical asset enhancement projects include the creation of additional or new rental space from common areas, the reconfiguration of large low-yielding lots and spaces into smaller, higher yielding lots or the refurbishment of lot space to provide for desired amenities. Asset enhancement also includes tenant relocation to facilitate improvements in customer traffic distribution throughout the property or sector re-zoning to increase the trade segment appeal.

(vii) **Marketing**

The Manager carries out marketing campaigns to improve Hektar REIT Properties' profile, brand, customer traffic and tenant turnover. The Manager has developed customised marketing plans for each of the Hektar REIT Properties and the same will be applied to 1Segamat Property to reflect its specific market characteristics. The marketing plans may include promotional activities such as product exhibitions, prize competitions, live entertainment, community events, charitable campaigns and special events.

2.2.2 **Investment strategy**

The Manager's investment strategy is to study the external investment opportunities with the potential to generate overall growth prospects or improvements of the long-term value of Hektar REIT.

(i) **Acquisition**

The Manager will actively study acquisition opportunities for shopping centres and properties designed primarily for retail purposes. The Manager seeks to acquire assets which provide yield accretion potential and for increasing the overall growth prospects of Hektar REIT. The preferred holding period for investment properties is for the long term. The process of acquiring acquisition candidates would include but not be limited to, the identification of value-creation opportunities for the target property (potential asset enhancement), the analysis of forecast financials, the overall risk assessment and the impact analysis on the existing portfolio. The criteria for acquisitions candidates would include but not limited to:

- (a) location characteristics and catchment potential;
- (b) prospective net yield with the potential to exceed Hektar REIT's weighted average cost of capital;

INFORMATION ON HEKTAR REIT (Cont'd)

- (c) the facilities' condition and their specifications with respect to building and zoning codes as well as their value to replacement cost;
- (d) occupancy and average rental rates relative to prevailing market conditions;
- (e) redevelopment potential and unutilised plot ratio;
- (f) synergistic potential to the existing portfolio;
- (g) quality real estates which are temporarily below market value and will result in NAV improvements within the medium to long-term periods.

(ii) Divestments

The Manager intends to hold the Hektar REIT Properties and the 1Segamat Property for long term. From time to time, the Manager may contemplate divestment of an asset of property if it is decided that a property has matured to a stage where growth prospects are limited and will consider a sale if the then present market condition is conducive. In the event of a divestment, the Manager may use the portion of the proceeds to invest in new real estate or other acquisition with better yield and growth potential. The remaining portion of the proceeds attributable to the capital gains due to the disposal may be distributed to the Unitholders.

2.2.3 Capital management strategy

The Manager's capital management strategy is to provide funding for Hektar REIT's operations and investment under an optimal structure and cost of capital.

(i) Debt gearing and structure

The Manager has adopted a debt structure which provides flexibility for Hektar REIT in terms of funding operations, acquisitions, future capital expenditures and other liquidity requirements. The Manager will strive to structure the debt at the best prevailing rates and optimise on the security collateral, restrictive covenants and conditions.

(ii) Risk management

The Manager adopts a proactive risk management review system to monitor market conditions and manage risks associated with changes of interest rates and other economic factors over the short to long-term. The review tracks variable and total debt exposure of Hektar REIT and monitors its respective variable and fixed debt exposure with respect to market conditions and its relative cost competitiveness.

2.3 Permitted investments and investment limits

Under the Deed and subject to the provisions of the REIT Guidelines, Hektar REIT is allowed to invest in any of the following:

- (i) real estate;
- (ii) single-purpose companies being unlisted companies whose principal assets comprise real estate;

INFORMATION ON HEKTAR REIT *(Cont'd)*

- (iii) real estate-related assets which include units of other REITs, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies and mortgage backed securities;
- (iv) liquid assets which include cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits, or any other instrument capable of being converted into cash within seven (7) days as approved by the Trustee;
- (v) non-real estate-related assets being listed shares issued by non-property companies;
- (vi) asset-backed securities; or
- (vii) any other investment not covered by items (i) to (vi) above but specified as a permissible investment in the REIT Guidelines or as otherwise permitted by the SC.

Hektar REIT invests primarily in retail properties and will continue to look for opportunities in these types of properties.

In the event Hektar REIT diversifies its investment portfolio to other authorised investments (other than real estate assets), the basis of valuation of such investment shall be carried out in accordance with the provisions of the Deed and the REIT Guidelines.

As prescribed by the REIT Guidelines, Hektar REIT's investments are limited to the following:

- (i) at least 50% of Hektar REIT's total asset value must be invested in real estate and/or single-purpose companies at all times; and
- (ii) Hektar REIT's investment in non-real estate-related assets and/or cash, deposit and money market instruments must not exceed 25% of Hektar REIT's total asset value,

provided that investments in both real estate-related assets and non-real estate-related assets are limited as follows:

- (i) the value of Hektar REIT's investments in securities issued by any single issuer must not exceed 5% of Hektar REIT's total asset value;
- (ii) the value of Hektar REIT's investment in securities issued by any group of companies must not exceed 10% of Hektar REIT's total asset value; and
- (iii) Hektar REIT's investment in any class of securities must not exceed 10% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the Deed and the REIT Guidelines.

2.4 Investor profile

Investment in REITs is generally less risky than direct investments in real estate, shares and financial derivatives. However, investment in REITs is generally riskier than investments in bonds or fixed deposits. As such, REIT may appeal to a conservative and/or moderate investor with a long-term investment horizon who seeks regular distribution of income and long-term capital growth.

INFORMATION ON HEKTAR REIT (Cont'd)

3. BRIEF INFORMATION ON THE HEKTAR REIT PROPERTIES

As at the LPD, Hektar REIT has five (5) properties in its investment portfolio as set out below:

	Subang Parade	Mahkota Parade	Wetex Parade	Central Square	Landmark Central
Location	Subang Jaya	Bandar Melaka	Muar	Sungai Petani	Kulim
Land title	Geran 313558, Lot PN 28957, Lot 1337, HS (D) 19633, Lot PTB 10586 72020, Bandar Subang Kawasan Bandar XLII, & Geran 84560, Lot No. 3675, Jaya, District of Petaling, District of Melaka both located in Bandar of Kuala Muda, State of Selangor Tengah, Melaka Maharani, District of Muar, Johor			Geran 145068, Lot 134 Seksyen 56, Bandar Seksyen 44, District of Sungai Petani, District of Kedah	GM 14677, Lot No. 4015, Seksyen 44, District of Bakar Bata State of Kedah
Type of building	Retail mall	Retail mall	Retail mall and hotel	Retail mall	Retail mall
Existing use	Commercial and retail mall	Commercial and retail mall	Commercial and retail mall	Commercial and retail mall	Commercial and retail mall
Tenure	Freehold	Leasehold 99 years expiring on 18 July 2101 (84 years remaining)	Freehold	Freehold	Freehold
Age of building (years)	29	23	21	20	8
Year opened	1988	1994	1996	1997	2009
Month and year acquired	December 2006	December 2006	May 2008	October 2012	October 2012
NLA (sq. ft.)	507,254	519,542	159,056	311,230	278,897
No. of car park	1,288	1,079	175	477	610
Average occupancy rate (%)	92.2	97.1	100.0	95.5	91.7
Visitor traffic in the FYE 31 December 2016 (million)	9.2	9.4	4.6	3.9	3.0
Acquisition cost (RM'million)	280.0	232.0	117.5	83.0	98.0
Market value (RM'million)	427.2	322.4	135.2	95.7	112.0

INFORMATION ON HEKTAR REIT (Cont'd)

	Subang Parade	Mahkota Parade	Wetex Parade	Central Square	Landmark Central
Encumbrances	1st, 2nd, 3rd & 4th legal charges registered in favour of Maybank Islamic Berhad	1st legal charge registered in favour of Maybank Islamic Berhad and 2nd, 3rd, and 4th legal charge registered in favour of Malaysian Banking Berhad	(i) 1st and 2nd legal charge registered in favour of Maybank Islamic Berhad and (ii) Lease registered in favour of Wetex Realty Sdn. Bhd.	Nil	1st legal charge registered in favour of Maybank Islamic Berhad
Revaluation surplus/(deficit) (as compared to the previous valuation) (RM'000)	(96)	1,756	(231)	390	606
Date of valuation/revaluation	27 December 2016	27 December 2016	27 December 2016	27 December 2016	27 December 2016
Restriction-in-interest	Nil	The land cannot be transferred or leased unless with the consent of the State Authority	The land proprietor is not permitted to sell the parcel units which are to be built on this land unless the building has been built in accordance with the plan approved by the local authorities. In the event the subsidiary titles have been subdivided and transferred to a Bumiputera, the said title cannot subsequently be sold, leased, charged or transferred in any manner to a non-Bumiputera without the consent from the State Authority.	27 December 2016	The land owner is prohibited from undertaking any dealing on the land that is to be developed as a residential site unless the land owner has built and maintained the road reserves with proper road surface in compliance with the Public Works Department's specifications and to the full satisfaction of the local enforcement officer and the Public Works Department.
					(The above is not applicable as the land has not been developed for residential purposes.)

INFORMATION ON HEKTAR REIT (Cont'd)
4. APPROVED FUND SIZE AND MOVEMENTS IN TOTAL UNITS IN CIRCULATION

The details of the approved size of fund and issued Units in circulation as at the LPD are as follows:

	<u>No. of Units</u>
Total Units in circulation	400,634,117
Approved fund size	475,494,117

There has been no change in Hektar REIT's total Units in circulation for the past three (3) years up to the LPD. The total Units in circulation will increase to 461,960,178 Units upon allotment and issuance of the Rights Units and Manager's Units. Upon allotment and issuance of the Management Fee Units, the total Units in circulation will increase further to 475,460,178 Units.

5. SUBSTANTIAL UNITHOLDERS

The details of the Substantial Unitholders and the proforma effects of the Rights Issue on the Substantial Unitholders' unitholdings based on the Record of Depositors of Hektar REIT as at the LPD are set out in Section 9.3 of this Rights Issue Prospectus.

6. FINANCIAL INFORMATION

The summary financial information based on the audited financial statements of Hektar REIT for the past 3 FYEs 31 December 2014 to 2016 and the unaudited quarterly results of Hektar REIT for the 3-month FPE 31 March 2017 are as follows:

	<u>Audited FYE 31 December</u>			<u>Unaudited 3-month FPE 31 March 2017</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross revenue	121,991	125,511	124,571	30,857
Property expenses	(48,714)	(49,028)	(50,236)	(13,170)
NPI	73,277	76,483	74,335	17,687
Interest income	318	272	318	48
Other income	15	26	9	2
Sundry income	-	283	-	-
Change in fair value of investment properties	6,126	(39,934)	2,426	-
Allowance for doubtful debts no longer required	69	149	18	-
Total income	79,805	37,279	77,106	17,737
Trust expenses	(9,805)	(10,449)	(9,918)	(2,778)
Change in fair value of derivatives financial instrument	-	-	(814)	300
Interest expenses	(19,613)	(22,071)	(23,216)	(5,637)
Net income before taxation	50,387	4,759	43,158	9,622
Taxation	-	-	-	-
Net income for the year/period	50,387	4,759	43,158	9,622
EPU - Total (sen)	12.58	1.19	10.77	2.40
EPU - Realised (sen)	11.05	11.16	10.37	2.33
DPU (sen)	10.50	10.50	10.50	2.30

INFORMATION ON HEKTAR REIT (Cont'd)

7. HISTORICAL UNIT PRICES

The monthly high and low prices of the Units as traded on the Main Market of Bursa Securities for the past twelve (12) months from July 2016 to June 2017 are as follows:

	High	Low
	RM	RM
2016		
July	1.56	1.51
August	1.68	1.53
September	1.57	1.55
October	1.67	1.58
November	1.70	1.60
December	1.61	1.55
2017		
January	1.66	1.57
February	1.67	1.59
March	1.65	1.60
April	1.64	1.59
May	1.58	1.48
June	1.49	1.35
Last transacted market price of the Units on 9 June 2016, being the last full trading day prior to the announcement of the Corporate Exercises and Proposed Acquisition on 10 June 2016		1.52
Last transacted market price of the Units as at the LPD		1.33
Last transacted market price of the Units on 26 July 2017, being the last trading day prior to the ex-date for the Rights Issue on 27 July 2017		1.33

(Source : Bloomberg)

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VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016

**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Your Ref. :
 Our Ref. : V/J (KS) – 03 – 2016/0012

June 8, 2016

THE DIRECTORS

HEKTAR ASSET MANAGEMENT SDN BHD
 (as the Manager of Hektar Real Estate Investment Trust)
 D1-U3-10 (Block D1), Solaris Dutamas
 No. 1, Jalan Dutamas 1,
 50480 Kuala Lumpur.

Dear Sirs

CERTIFICATE OF VALUATION OF A LAND MEASURING APPROXIMATELY 174,534.21 SQUARE FEET (16,214.76 SQUARE METERS) ON WHICH A THREE STOREY RETAIL MALL BUILDING AND ONE BASEMENT CAR PARK TOGETHER WITH A TOTAL OF FOUR HUNDRED AND TWELVE (412) CAR PARK BAYS (LOCATED AT THE BASEMENT, ROOF TOP AND OUTDOOR PARKING AREAS) KNOWN AS "1SEGAMAT SHOPPING CENTRE" ("SUBJECT PROPERTY").

We have been instructed by Hektar Asset Management Sdn Bhd, as the Manager of Hektar Real Estate Investment Trust to ascertain the Market Value of the Subject Property for the purpose of for inclusion in the abridged prospectus to the unitholders of Hektar Real Estate Investment Trust ("Hektar REIT") in relation to the right issue undertaken by Hektar REIT to part finance the proposed acquisition of the Subject Property ("Proposed Acquisition"). This valuation certificate has been prepared for inclusion in the circular to the shareholders of Hektar Real Estate Investment Trust in relation to the proposed acquisition. The full details of the valuation are included in our Valuation Report bearing reference no. V/J (KS) – 03 – 2016/0012 dated June 8, 2016.

We have also been instructed by Tashima Development Sdn. Bhd. (Vendor), which is a wholly owned subsidiary of EcoFirst Consolidated Berhad to conduct a valuation on the Subject Property for disposal purposes.

The Subject Property was inspected on April 1, 2016. The material date of valuation is at May 2, 2016.

We confirm that we have valued the Subject Property based on the valuation basis stated below. The valuation had been carried out in compliance with the Asset Valuation Guidelines issued by the SC and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia as well as the Guidelines on Due Diligence Conduct for Corporate Proposals issued by the SC.

The basis of valuation adopted is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

1

HENRY BUTCHER MALAYSIA (KLUANG) Sdn Bhd (237829-M)

No.18 (Tingkat 1), Jalan Haji Manan, 86000 Kluang, Johor, Malaysia

t • +607-775 1500 f • +607-775 1501 e • henrybm@streamyx.com w • www.henrybutcherproperty.com

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Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

Property Description

**Property Type/
Interest Valued**

A land measuring approximately 174,534.21 sq. ft. (16,214.76 sq. m.) on which a three storey retail mall building and one basement car park together with a total of four hundred and twelve (412) car park bays (located at the basement, roof top and outdoor parking areas) known as "1Segamat Shopping Centre" is erected thereon which forms part of two pieces of contiguous leasehold land ("**Titled Land**").

The vendor also has to secure the rights to operate and maintain a car park operation on the following lease area ("**Car Park Rights**").

- i) such part of the land held under Lot 236 in Bandar and Daerah Segamat, Negeri Johor measuring approximately 65,340 sq. ft (6,070.28 sq. m) pursuant to the lease agreement dated June 6, 2016 between Tashima Development Sdn Bhd and Kelab Sukan Kebajikan Majlis Daerah Segamat in relation to the lease of the car park lease area
- ii) such part of the land comprising in the Master Titles having a total of seventy two (72) car park bays (subject to changes on the car park bays pursuant to the terms and conditions set out in the SPA) pursuant to the lease agreement to be entered into between Tashima Development Sdn Bhd and the relevant authority in relation to the lease of the external road reserve.

However, for the purpose of this valuation, we have not included the valuation of the **Car Park Rights**.

**Name and Address of
the Subject Property**

1Segamat Shopping Centre which is located at Jalan Kolam Air, 85000 Segamat, Johor.

Location

The Subject Property is sited along Jalan Station of Bandar Segamat and linked to the Segamat bus and taxi terminal within the Central Business District ("**CBD**") area of Segamat town.

It is easily accessible from the CBD area of Segamat town via Jalan Genuang, a left turn onto Jalan Sultan and finally a right turn onto Jalan Station which leads to the Subject Property. The 1Segamat Shopping Centre is sited at the end of Jalan Station, immediately after the Segamat bus and taxi terminal.

Surrounding developments within the immediate vicinity comprise mainly commercial developments with some residential detached lots rezoned for commercial developments. The commercial developments comprise of double and three storey shophouses along the main roads whilst the residential development comprises mainly of detached houses.

Age of Building

As of the date of inspection, the Subject Property's building is about 4 years and 5 months old from the date of Certificates of Fitness for Occupation that was issued on December 2, 2011.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

Building Description The building is generally constructed on reinforced concrete framework resting on deep piled foundation with brick infill rendered externally and plastered internally. The floor finishes of the building is floor tiles and cement rendered. The gross floor area of the building is 486,788.99 sq. ft. (45,224.18 sq. m.).

Existing Use Of The Subject Property Retail mall

Occupancy Rate The occupancy rate for the past two financial years ended May 31, 2014 to 2015, and as at May 2, 2016 are as follows :

Year	2014	2015	As at May 2, 2016
Average Occupancy Rate	98.85%	98.86%	96.35%*

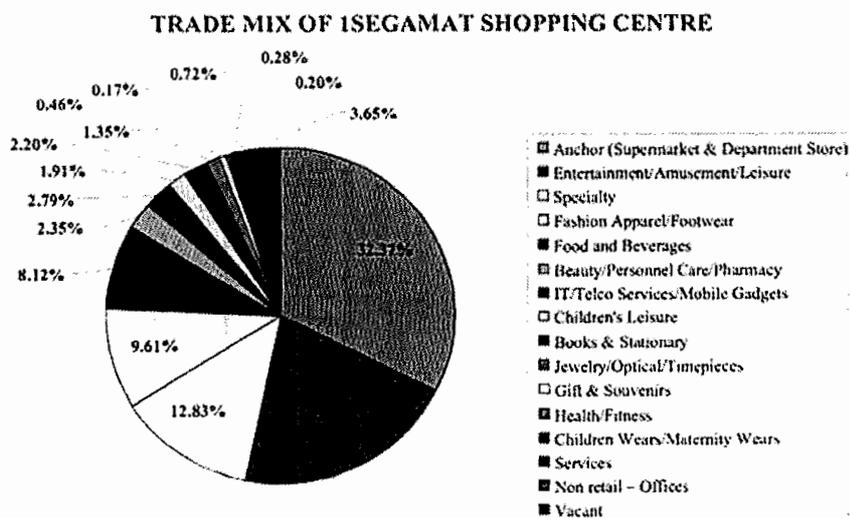
(Source: Management of the 1Segamat Shopping Centre)

* The occupancy rate as at May 2, 2016 does not include the units where rental offer letters have already been issued to the potential new tenants. The occupancy rate would increase to 97.13% if the potential new tenants are included.

Term of Tenancy The mall is tenanted to various tenants with a gross rental ranging from RM1.45 per sq. ft. to RM32.14 per sq. ft.. The type of trade sectors are supermarket & department store, entertainment, telecommunication, fashion apparel, food and beverages, health and wellness, and services.

Majority of the tenancies are 2 - 3 years with the option to renew of between 1 to 3 years.

Overall, the retail mall trade mix of the 1Segamat Shopping Centre can be summarised as follows:-



(Source : Management of the 1Segamat Shopping Centre)

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

The anchor tenants for the 1Segamat Shopping Centre are UO Superstore and Lotus Five Star Cinemas.

The average monthly gross term rental as per tenancy list as at May 2, 2016 is RM3.29 per sq. ft., calculated as monthly rent divided by the net lettable area.

Title Particulars

Master Titles No. HS(D) 37323, PTB 1283, Bandar and Daerah Segamat and HS(D) 37321, PTD 1468, Mukim Gemereh, Daerah Segamat, Negeri Johor.

Tenure 99 years leasehold land expiring on July 4, 2100 for both Master Titles. The unexpired term of approximately 84 years.

Category of land use Building (*Bangunan*)

Land Area^{(1), (2)} An aggregate area of 267,752.26 sq. ft. (24,875 sq. m.).

However, a portion of the Titled Land measuring 19,602.05 sq. ft. (1,821.09 sq. m.) has been developed into a commercial development which consists of 3 and 4 storey shopoffices whilst another portion of the Titled Land measuring 73,616.00 sq. ft. (6,839.15 sq. m.) will be surrendered for road access to the local authority of Majlis Daerah Segamat via planning approval of the amended approved layout plan vide Reference No. MDS/PBDS-KM271/12/A dated November 1, 2012.

The net aggregate area after deducting the portions mentioned above will be 174,534.21 sq. ft. (16,214.76 sq. m.) and this area has been adopted for this valuation exercise.

Floor Area	Total Gross Floor Area (GFA)	486,788.99 sq. ft. (45,224.18 sq. m.)
	Total Net Lettable Area (NLA)	223,438.71 sq. ft. (20,758.14 sq. m.)

(Source : The GFA was according to architect plan whilst the NLA was based on the tenancy list as at May 2, 2016 provided by the management of the 1Segamat Shopping Centre)

No. of Car Park Bays 412

Registered Owner Tashima Development Sdn. Bhd.

Notes:

- (1) Verbal confirmation with the management of the 1Segamat Shopping Centre revealed that the separate issue documents of title ("Subdivided Titles") for the Titled Land have not been issued yet. However, an application for the subdivision of the Master Titles for the purpose of the issuance of Subdivided Titles has been submitted to the relevant authorities on May 31, 2016 by Tashima Development Sdn. Bhd., the existing owner of the Subject Property.
- (2) The Subject Property is not a strata mall.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

Planning Approvals

Planning Approval

The Subject Property is situated within an area zoned for commercial purposes.

Date of Certificate of Fitness for Occupation

Certificate of Fitness for Occupation for the Subject Property's building was issued by the local authority of Majlis Daerah Segamat on December 2, 2011 via certificate no 38/2011 vide Pres. No. MDS/B : PB. 6/96/PA/A9 (DUP).

Rental Incomes

The details of the gross rental income, outgoings and net income of the Subject Property for the past three financial years ended May 31, 2013 to 2015 as per are as follows :

Years	2015	2014	2013
Gross Rental Income (Include rental revenue, car park revenue, promotion revenue and other revenue) (RM)	10,067,769	9,678,510	7,573,367

The rental income received from 2013 has been gradually increased to 2015 since its opening in the year 2012.

Outgoings

The historical average outgoings for the past three financial years ended May 31, 2013 to 2015 analysed from the audited income and expenses statements of Tashima Développement Sdn. Bhd. are as follows:-

Year	2015	2014	2013
Outgoings (RM/sq. ft)	1.77	1.64	1.49

Outgoings are the expenses incurred in maintaining the 1Segamat Shopping Centre which include staff costs, operational costs, insurances, general expenses and maintenance cost. We noted that the average outgoings increase annually from year 2013 to 2015 due to the increase in staff costs, property maintenance and utilities.

Based on this, we have adopted average outgoings of RM1.80 per sq. ft. for the current term and RM1.95 for the reversionary period which we consider as a fair representation of the 1Segamat Shopping Centre. The increase of 8% in outgoings for the reversionary period reflects the percentage increase in actual historical outgoings from year 2014 to 2015.

BASIS OF VALUATION

We have adopted the "Investment Method" and cross-checked with the "Comparison Approach" in formulating our opinion of the Market Value of the Subject Property.

INVESTMENT METHOD

Under this method, the capital value of the Subject Property is derived from an estimate of the market rental in which the Subject Property can reasonably be let for. Outgoings, such as assessment and quit rent, repair and maintenance, insurance and utilities, are then deducted from the annual rental income. The net annual rental income is then capitalized at an appropriate current market yield to arrive at its capital value.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

In this instance, we have relied on information extracted from the tenancy list as at May 2, 2016 provided by the management of the 1Segamat Shopping Centre for the Investment Method.

A) Rental Revenue

Description	Retail lots	Remark
Average Gross Term Rental	RM3.29 per sq. ft.	We have adopted current passing rent. *Note: Exclusive of car park revenue, promotion revenue and other revenue.
Average Reversionary Gross Rental	RM 3.79 per sq. ft. or RM3.60 after void factor of 5.0%	For the purpose of this valuation exercise, we have considered recent rental renewals and rentals of similar comparable malls in determining the rentals adopted in the reversion period. We are of the opinion that the rentals adopted are within the market range of similar shopping malls in comparables location.
Term Monthly Outgoings	RM 1.80 per sq. ft.	Adopted the analysed outgoings based on historical data and also considered other retail malls at between RM1.80 per sq. ft. to RM3.42 per sq. ft..
Reversionary Monthly Outgoings	RM 1.95 per sq. ft.	The increase of 8% in outgoings for the reversionary period reflects the percentage increase in actual historical outgoings from year 2014 to 2015.
Void Allowance	5.0%	Void allowance is for vacancy periods, marketing and rent free periods offered to new tenants. This is based on the historical average occupancy rate of the 1Segamat Shopping Centre of more than 95% and also the occupancy rate of other comparable malls such as Kluang Mall (94.8%), AEON Bukit Indah (98.0%), AEON Tebrau City (99.0%), ANGSANA JB Mall (99.3%) and WETEX Parade (98.7%).
Term Capitalization Rate	6.50%	Based on the transactions of retail malls within the comparables areas, the net property yield ranges from 5.74% to 7.60%. We have adopted the capitalization rate of 6.50% for the term period to reflect that the 1Segamat Shopping Centre is relatively new and is located in the district of Segamat.
Reversionary Capitalization Rate	7.00%	A higher rate of 7.00% capitalization rate was adopted for reversionary period to reflect risk due to future uncertainty during the reversionary period.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

B) Others

Car Park Revenue

Currently, 500 car parks are leased to Dazzling Density Sdn Bhd for car park operation at a monthly rental of RM87,000 based on three separate lease agreements including one agreement for Lot 236. Lot 236 is not part of the 1Segamat Shopping Centre and is leased from Kelab Sukan Dan Kebajikan Majlis Daerah Segamat. Subsequently, Tashima Development Sdn. Bhd., had further sub-leased the 150 parking bays to Dazzling Density Sdn Bhd for the purpose of providing extra parking bays to the 1Segamat Shopping Centre. For the purpose of this valuation, we have excluded the car park revenue generated by these 150 parking bays in our valuation computation.

We also noted that a total of 97 units of car park will be surrendered for road access to the local authority of Majlis Daerah Segamat via planning approval of the amended approved layout vide Pres. No. MDS/PBDS-KM271/12/A dated November 1, 2012. As such, we adopt a total of 403 car parks and a monthly rental of RM77,710.69 per month or RM932,528 per annum (after deducting the loss of income arising from the surrender of 97 units of car parks to the local authority of Majlis Daerah Segamat and rental on Lot 236) in our valuation exercise.

We also noted that the other 9 parking bays are leased to Top Auto Car Care Services Sdn Bhd for car wash operation. The monthly rental is RM5,000.00 or equivalent to an annual rental of RM60,000.00. The 9 parking bays are located at the basement floor of the 1Segamat Shopping Centre.

As such, the total car park revenue is RM992,528 per annum.

No outgoings have been considered for car park revenue as it was maintained by the lessee.

The total capital value for the parking area is RM13,651,756 or RM33,135 per bay.

Promotion Revenue

The promotion revenue for the past three financial years ended May 31, 2013 to 2015 are as follows :

Year	2015	2014	2013
Rental Per Annum	RM1904,701.08	RM584,342.55	RM434,824.60

(Source : Management of the 1Segamat Shopping Centre)

The promotion revenue largely increased from 2014 to 2015 due to the 5 month rental received from Agenda Fokus Sdn. Bhd. and Tirai Prospektif Sdn. Bhd. in year 2015, in which the tenancy agreements commence from January 1, 2015 to December 31, 2017 for a total monthly rental of RM140,000.

Therefore, we have adopted RM1,680,000 per annum for long term promotion revenue.

The total capital value for the promotion revenue is RM23,107,610.

Other Revenue

The other revenue from leasing out the common area for the past two financial years ended May 31, 2014 to 2015 are as follows :

Year	2015	2014	2013
Rental Per Annum	RM382,356	RM410,256	Not available

(Source : Management of the 1Segamat Shopping Centre)

From the tenancy list dated May 2, 2016 as provided by the management of the 1Segamat Shopping Centre, the total monthly revenue for other revenue is RM26,364.00 or equivalent to RM316,368.00 annually. Therefore, we have adopted RM316,368.00 per annum for long term other revenue.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

We have adopted a higher capitalization rate of 7.25% for car park revenue, promotion revenue and other revenue for tendency of such revenue to fluctuate more.

Outgoings for promotion revenue and other revenue have been reflected in the valuation under the retail lots portion.

The total capital value for the other revenue is RM4,351,493.

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VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

COMPARISON APPROACH

This approach is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In the selection of and making comparison to the comparable properties, due consideration is given to value-based factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

Our findings from the data of the Bursa Securities Announcement revealed that there are few transactions involving similar retail malls. For the purpose of this valuation, we have adopted the following comparables.

Comparables	1	2	3
Property	@Mart Kempas Hypermarket	AEON Taman Universiti	Landmark Central
Location	Taman Cempaka, Johor Bahru	Taman Universiti, Skudai	Kulim Kedah
Source	Bursa Securities Announcement	Bursa Securities Announcement	Bursa Securities Announcement
Tenure	99 years leasehold expiring on January 23, 2106	Freehold	Freehold
NLA	98,083 sq. ft. (9,112.21 sq. m)	261,765 sq. ft. (24,318.76 sq. m)	281,716 sq. ft. (26,172.27 sq. m)
No. of Parking Bays	680	658	610
Consideration	RM 65,000,000	RM20,000,000 (18.18% share) (RM110,011,000 at full share)	RM 98,000,000
Transaction Date	June 1, 2015	October 21, 2013	October 2, 2012
Vendor	Damansara Assets Sdn. Bhd.	AEON CO (M) Berhad	Sri Awona Sdn. Bhd.
Purchaser	Amanahraya Trustees Berhad (For Al - Salam REIT)	AEON REIT Investment Corporation	AmTrustee Berhad as trustee of Hektar REIT
Consideration (RM per sq. ft.)	RM663	RM420	RM348
Adjustments Made	Time, Location, Size Of NLA, Quality Of Building and Car Park Provisions		
Final Adjusted Value (RM per sq. ft.)	RM 487	RM 351	RM 369

After final adjustment, we have arrived at a range of **RM351 per sq. ft. to RM487 per sq. ft.** Having taken the above into consideration, we placed a greater emphasis on **Comparable 1 - @Mart Kempas Hypermarket** for it being transacted recently in 2015 and its location (both located within the State of Johor). It is therefore we have adopted **RM487 per sq. ft.** reflects the fair and reasonable market value for the Subject Property.

VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 8 JUNE 2016
(Cont'd)

The value summaries from both methods of valuation and the reconciliation rationale are as follows:-

Investment Method

RM105,000,000 (RM470 per sq. ft over NLA)

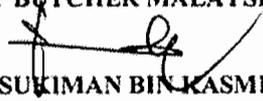
Comparison Method

RM108,000,000 (RM487 per sq. ft over NLA)

We have adopted the Investment Method as the main method in arriving at our opinion of the Market Value. We are of the opinion that this is the best method as the Subject Property is an income generating commercial property.

It is our opinion that the Market Value of the unencumbered leasehold interest in the Subject Property in its existing physical condition and tenancies is **RM105,000,000 (Ringgit Malaysia: One Hundred And Five Million Only)**

Yours faithfully,
HENRY BUTCHER MALAYSIA (KLUANG) SDN. BHD.


Sr. HJ. SUKIMAN BIN KASMIN
Dip. Urban Land Economics, MRISM
Registered Valuer (V - 41)



UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 7 DECEMBER 2016



Your Ref. :
 Our Ref. : V/J (KS) – 03 – 2016/0012 December 7, 2016

THE DIRECTORS

HEKTAR ASSET MANAGEMENT SDN BHD
 (as the Manager of Hektar Real Estate Investment Trust)
 D1-U3-10 (Block D1), Solaris Dutamas
 No. 1, Jalan Dutamas 1,
 50480 Kuala Lumpur.

Dear Sirs

UPDATE CERTIFICATE OF VALUATION OF A LAND MEASURING APPROXIMATELY 174,534.21 SQUARE FEET (16,214.76 SQUARE METERS) ON WHICH A THREE STOREY RETAIL MALL BUILDING AND ONE BASEMENT CAR PARK TOGETHER WITH A TOTAL OF FOUR HUNDRED AND TWELVE (412) CAR PARK BAYS (LOCATED AT THE BASEMENT, ROOF TOP AND OUTDOOR PARKING AREAS) KNOWN AS "1SEGAMAT SHOPPING CENTRE" ("SUBJECT PROPERTY").

This Update Valuation Certificate ("Update Valuation Certificate") has been prepared for inclusion in the abridged prospectus to the unitholders of Hektar Real Estate Investment Trust ("Hektar REIT") in relation to the right issue undertaken by Hektar REIT to part finance the Proposed Acquisition. The full details of the valuation are included in our Valuation Report bearing reference no. V/J (KS) – 03 – 2016/0012 dated June 8, 2016. This Update Valuation Certificate should be read in conjunction with the said Valuation Report.

We have re-inspected the Subject Property on December 7, 2016, as instructed and the material date of valuation is taken as at November 30, 2016, being the date of the latest tenancy schedule.

We have prepared and provided this Update Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of the market value of the Subject Property and reflects all information known by us and based on present market conditions.

We confirm that we have valued the Subject Property based on the valuation basis stated below. The valuation had been carried out in compliance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia ("SC") and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia as well as the Guidelines on Due Diligence Conduct for Corporate Proposals issued by the SC.

The basis of valuation adopted is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

HENRY BUTCHER MALAYSIA (KLUANG) Sdn Bhd (237829 M)
 No. 18 (Tingkat 1), Jalan Haji Manan, 86000 Kluang, Johor, Malaysia.
 t • +607-775 1500 f • +607-775 1501 e • henrybm@streamyx.com w • www.henrybutcherproperty.com

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 Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 7 DECEMBER 2016 (Cont'd)

TERMS OF REFERENCE

The update valuation is conducted based on same Terms of Reference as stated in our previous Valuation Report dated June 8, 2016.

TITLE PARTICULARS

We have carried out latest title searches on November 11, 2016 at Pejabat Tanah Dan Galian Johor and it was revealed that there are no changes in the title documents as reported in our Valuation Report dated June 8, 2016.

GENERAL DESCRIPTION

We would like to confirm that the physical state of the Subject Property generally remains unchanged since our last inspection and valuation.

OCCUPATION

Based on the tenancy schedule as at November 30, 2016, we noted that the occupancy rate has increased to 98.38% from 96.35% due to new tenancies filling up the vacant units since our last valuation.

MARKET CONDITION

According to the statement by Bank Negara Malaysia, the Malaysian economy registered a growth of 4.0% in the second quarter of 2016 compared to 4.2% in the first quarter due to the shrinking performance of the agriculture sector, particularly in palm oil output and exports due to El Nino. However, other sectors of the Malaysian economy have recorded growth.

Public consumption also grew at a higher rate of 6.5% compared with 3.8% growth in the first quarter. This was fuelled by higher spending on supplies and services. Bank Negara Malaysia also expects public consumption to remain on a steady growth path buoyed by higher salary for civil servants and minimum wages in the private sector, continued execution of infrastructure project and higher palm oil output as El Nino drought has tapered off.

We noted that the rental of retail and office space in this locality has remained stable since the last valuation.

UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 7 DECEMBER 2016 (Cont'd)

MARKET VALUE**Investment Method**

We have reassessed the market value of the Subject Property with the updated details and have adopted the same parametres in the Investment Method of Valuation as per our previous Valuation Report dated June 8, 2016.

Comparison Method

We have adopted the same comparables of similar commercial buildings as per our previous Valuation Report dated June 8, 2016 as there were no similar new transactions.

Reconciliation of Value

The market value of the Subject Property derived from the Investment Method of Valuation is RM105,000,000 (RM470 per sq. ft over NLA) while the Comparison Method of Valuation is RM108,000,000 (RM487 per sq. ft over NLA).

We have adopted the market value derived from the Investment Method of Valuation as a fair representation of the market value of the Subject Property in view of the fact that the subject property is an income generating property.

The current market value has remained unchanged as compared to the last valuation.

VALUATION

Taking into consideration the above factors, it is our opinion that the market value of the unencumbered leasehold interest in the Subject Property in its existing physical condition and tenancies is RM105,000,000 (Ringgit Malaysia: One Hundred And Five Million Only)

Yours faithfully,

HENRY BUTCHER MALAYSIA (KLUANG) SDN. BHD.


Sr. HJ. SUKIMAN BIN KASMIN
Dip. Urban Land Economics, MRISM
Registered Valuer (V - 416)



UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 22 JUNE 2017



HENRY BUTCHER MALAYSIA

International Asset Consultants

Your Ref. :
Our Ref. : V/J (KS) – 03 – 2016/0012 June 22, 2017

THE DIRECTORS

HEKTAR ASSET MANAGEMENT SDN BHD
(as the Manager of Hektar Real Estate Investment Trust)
D1-U3-10 (Block D1), Solaris Dutamas
No. 1, Jalan Dutamas 1,
50480 Kuala Lumpur.

Dear Sirs

UPDATE CERTIFICATE OF VALUATION OF A LAND MEASURING APPROXIMATELY 174,534.21 SQUARE FEET (16,214.76 SQUARE METERS) ON WHICH A THREE STOREY RETAIL MALL BUILDING AND ONE BASEMENT CAR PARK TOGETHER WITH A TOTAL OF FOUR HUNDRED AND TWELVE (412) CAR PARK BAYS (LOCATED AT THE BASEMENT, ROOF TOP AND OUTDOOR PARKING AREAS) KNOWN AS "1SEGAMAT SHOPPING CENTRE" ("SUBJECT PROPERTY").

We refer to your instruction to review our valuation of the Subject Property in conjunction with the proposed acquisition of the Subject Property ("Proposed Acquisition"). This Update Valuation Certificate ("Update Valuation Certificate") has been prepared for inclusion in the abridged prospectus to the unitholders of Hektar Real Estate Investment Trust ("Hektar REIT") in relation to the right issue undertaken by Hektar REIT to part finance the Proposed Acquisition. The full details of the valuation are included in our Valuation Report bearing reference no. V/J (KS) – 03 – 2016/0012 dated June 8, 2016. This Update Valuation Certificate should be read in conjunction with the said Valuation Report.

We have re-inspected the Subject Property on May 31, 2017, as instructed and the material date of valuation is taken as at May 31, 2017, being the date of the latest tenancy schedule.

We have prepared and provided this Update Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of the market value of the Subject Property and reflects all information known by us and based on present market conditions.

We confirm that we have valued the Subject Property based on the valuation basis stated below. The valuation had been carried out in compliance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia ("SC") and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia as well as the Guidelines on Due Diligence Conduct for Corporate Proposals issued by the SC.

The basis of valuation adopted is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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HENRY BUTCHER MALAYSIA (KLUANG) Sdn Bhd (237829-M)

No.18 (Tingkat 1), Jalan Haji Manan, 86000 Kluang, Johor, Malaysia.

t • +607-775 1500 f • +607-775 1501 e • henrybm@streamyx.com w • www.henrybutcherproperty.com

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UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 22 JUNE 2017 (Cont'd)

TERMS OF REFERENCE

The update valuation is conducted based on same Terms of Reference as stated in our previous Valuation Report dated June 8, 2016.

TITLE PARTICULARS

We have carried out latest title searches on November 11, 2016 at Pejabat Tanah Dan Galian Johor and it was revealed that there are no changes in the title documents as reported in our Valuation Report dated June 8, 2016.

GENERAL DESCRIPTION

We would like to confirm that the physical state of the Subject Property generally remains unchanged since our last inspection and valuation.

OCCUPATION

Based on the tenancy schedule as at November 30, 2016, we noted that the occupancy rate has increased to 98.38% from 96.35% due to new tenancies filling up the vacant units since our last valuation.

MARKET CONDITION

According to the statement by Bank Negara Malaysia, the Malaysian economy registered a growth of 4.0% in the second quarter of 2016 compared to 4.2% in the first quarter due to the shrinking performance of the agriculture sector, particularly in palm oil output and exports due to El Nino. However, other sectors of the Malaysian economy have recorded growth.

Public consumption also grew at a higher rate of 6.5% compared with 3.8% growth in the first quarter. This was fuelled by higher spending on supplies and services. Bank Negara Malaysia also expects public consumption to remain on a steady growth path buoyed by higher salary for civil servants and minimum wages in the private sector, continued execution of infrastructure project and higher palm oil output as El Nino drought has tapered off.

We noted that the rental of retail and office space in this locality has remained stable since the last valuation.

UPDATED VALUATION CERTIFICATE IN RESPECT OF THE 1SEGAMAT PROPERTY DATED 22 JUNE 2017 (Cont'd)

MARKET VALUE

Investment Method

We have reassessed the market value of the Subject Property with the updated details and have adopted the same parameters in the Investment Method of Valuation as per our previous Valuation Report dated June 8, 2016.

Comparison Method

We have adopted the same comparables of similar commercial buildings as per our previous Valuation Report dated June 8, 2016 as there were no similar new transactions.

Reconciliation of Value

The market value of the Subject Property derived from the Investment Method of Valuation is RM105,000,000 (RM470 per sq. ft over NLA) while the Comparison Method of Valuation is RM108,000,000 (RM487 per sq. ft over NLA).

We have adopted the market value derived from the Investment Method of Valuation as a fair representation of the market value of the Subject Property in view of the fact that the subject property is an income generating property.

The current market value has remained unchanged as compared to the last valuation.

VALUATION

Taking into consideration the above factors, it is our opinion that the market value of the unencumbered leasehold interest in the Subject Property in its existing physical condition and tenancies is RM105,000,000 (Ringgit Malaysia: One Hundred And Five Million Only)

Yours faithfully,

HENRY BUTCHER MALAYSIA (KLUANG) SDN. BHD.


Sr. HJ. SUKIMAN BIN KASMIN
 Dip. Urban Land Economics, MRISM
 Registered Valuer (V - 416)



PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON



**REPORTING ACCOUNTANTS' LETTER
ON THE PROFORMA STATEMENT OF FINANCIAL POSITION OF
HEKTAR REAL ESTATE INVESTMENT TRUST
(Prepared for inclusion in the Rights Issue Prospectus)**

The Board of Directors
Hektar Asset Management Sdn Bhd
(the Manager of Hektar REIT)
D1-U3-07 Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia

13 July 2017

Dear Sirs,

**HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
REPORTING ACCOUNTANTS' LETTER ON PROFORMA STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2016**

We have reviewed the presentation of the proforma statement of financial position of Hektar REIT as at 31 December 2016, together with the notes and assumptions thereto, as set out in the accompanying statements (which we have stamped for the purpose of identification), prepared for inclusion in the Rights Issue Prospectus to be dated 31 July 2017 in connection with the following:-

- i. Renounceable Rights Issue of 60,966,061 new units in Hektar REIT to raise gross proceeds of RM67,672,328 ("Rights Issue") to part-finance the proposed acquisition of a land measuring approximately 169,284 square feet/15,727 square meters on which a three (3)-storey retail mall building and one (1) basement car park with a total of four hundred and twelve (412) car park bays known as "1Segamat Shopping Centre" (including all relevant assets) erected hereon which forms part of two (2) pieces of leasehold land held under subdivided titles H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and master title H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor and car park rights ("Subject Property") for a purchase consideration of RM104,000,000 from Tashima Development Sdn Bhd, being a wholly-owned subsidiary of Ecofirst Consolidated Bhd ("Proposed Acquisition").
- ii. Issuance of 360,000 new units to Hektar Asset Management Sdn Bhd ("Manager") amounting to RM471,600 as part of the acquisition fee due to the Manager ("Issuance To Manager");
- iii. Authority to allot and issue up to 13,500,000 new units as part payment of the management fee to the Manager ("Authority"); and
- iv. Increase in the existing approved fund size of Hektar REIT from 400,634,117 units up to 475,494,117 units pursuant to the Rights Issue, Issuance To Manager and Authority.

The proceeds from the Rights Issue will be used for the purpose of part-financing the Proposed Acquisition as well as to defray the expenses relating to the Proposed Acquisition.

Audit | Tax | Advisory

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



The Board of Directors of the Manager Responsibility

It is the sole responsibility of the Board of Directors of the Manager to prepare the proforma statement of financial position for the purpose of complying with the Prospectus Guidelines (with modifications) and other relevant guidelines/requirements issued by the Securities Commission Malaysia (“Guidelines”).

Reporting Accountants’ Responsibilities

Our responsibility is to form an opinion as required by the Guidelines in conjunction with the proposals on the proforma statement of financial position and our report is given to you solely for this, and no other purpose. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, (*Assurance Engagements to Report on the Compilation of Proforma Financial Information included in a Prospectus*) issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Manager has compiled the proforma statement of financial position on the basis of the applicable criteria.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the proforma statement of financial position, nor do we accept responsibility for such reports or opinions beyond that is owed to those to whom those reports or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, is primarily to compare the proforma statement of financial position with the audited financial statements of Hektar REIT for the financial year ended 31 December 2016 and considering the evidence supporting the adjustments, and discussing the proforma statement of financial position with representatives of the Manager.

Reporting Accountants’ Opinion

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the proforma statement of financial position together with the accompanying notes which are provided solely for illustration purpose only,

- (a) have been properly prepared based on the audited financial statements of Hektar REIT as at 31 December 2016 which were prepared in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and in a manner consistent with both the format of the statement of financial position and accounting policies of Hektar REIT; and
- (b) the adjustments made to the information used in the preparation of the proforma statement of financial position are appropriate for the purposes of the proforma statement of financial position.

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER
2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



Grant Thornton

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Reporting Accountants' Opinion (Cont'd)

The accompanying proforma statement of financial position and this letter have been prepared solely for the purposes stated above in connection with the Proposals. This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'SJ Grant Thornton'.

SJ GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'Kishan Narendra Jasani'.

KISHAN NARENDRA JASANI
Approval Number: 3223/12/17(J)
Chartered Accountant

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

Stamped for the purpose of identification on
13 JUN 2017
SJ Grant Thornton

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

The proforma statement of financial position of the Hektar REIT as at 31 December 2016 as set out below are provided for illustrative purpose only to show the effects of the transactions and events as mentioned in Note 3 to the proforma statement of financial position on the assumption that these transactions were completed on that date and should be read in conjunction with the notes thereto.

		Audited	Proforma I	Proforma II	Proforma III
		As at 31		After	After
		December	Proposed	Proforma I	Proforma II
		2016	Rights Issue	and	and the
	Note	RM'000	RM'000	Proposed	Proposed
				Acquisition	Issuance to
				RM'000	Manager
					RM'000
ASSETS					
<u>Non-current assets</u>					
Investment properties	4	1,092,450	1,092,450	1,197,679	1,198,151
Capital work in progress		162	162	162	162
Fixed deposits with a licensed bank		665	665	665	665
Total non-current assets		1,093,277	1,093,277	1,198,506	1,198,978
<u>Current assets</u>					
Trade receivables		5,751	5,751	5,751	5,751
Other receivables, deposits and prepayments		17,221	17,221	17,221	17,221
Cash and bank balances	5	14,560	82,232	14,560	14,560
Total current assets		37,532	105,204	37,532	37,532
TOTAL ASSETS		1,130,809	1,198,481	1,236,038	1,236,510
UNITHOLDERS' FUNDS AND LIABILITIES					
<u>Unitholders' funds</u>					
Unitholders' capital	6	425,738	493,410	491,491	491,963
Undistributed income- realised		43,476	43,476	43,476	43,476
Undistributed income- unrealised		116,254	116,254	116,254	116,254
Total unitholders' funds		585,468	653,140	651,221	651,693

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

Stamped for the purpose of identification on
13 JUL 2017
SJ Grant Thornton

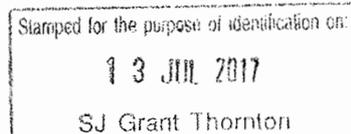
HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)

The proforma statement of financial position of the Hektar REIT as at 31 December 2016 as set out below are provided for illustrative purpose only to show the effects of the transactions and events as mentioned in Note 3 to the proforma statements of financial position on the assumption that these transactions were completed on that date and should be read in conjunction with the notes thereto (cont'd).

		Audited	Proforma I	Proforma II	Proforma III
		As at 31 December 2016 RM'000	Proposed Rights Issue RM'000	After Proforma I and Proposed Acquisition RM'000	After Proforma II and the Proposed Issuance to Manager RM'000
	Note				
<u>Non-current liabilities</u>					
Other payables and accruals		12,280	12,280	12,280	12,280
Bank borrowings	7	493,200	493,200	532,676	532,676
Derivative financial instrument		814	814	814	814
		506,294	506,294	545,770	545,770
<u>Current liabilities</u>					
Trade payables		938	938	938	938
Other payables and accruals		23,109	23,109	23,109	23,109
Bank borrowings		15,000	15,000	15,000	15,000
Total current liabilities		39,047	39,047	39,047	39,047
Total liabilities		545,341	545,341	584,817	584,817
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES		1,130,809	1,198,481	1,236,038	1,236,510
NET ASSETS VALUE ("NAV")		585,468	653,140	651,221	651,693
Number of Units in issue ('000)	6	400,634	461,600	461,600	461,960
NAV per Unit (RM)		1.46	1.41	1.41	1.41
TOTAL BORROWINGS (RM'000)		508,200	508,200	547,676	547,676
GEARING RATIO (Times)		0.45	0.42	0.44	0.44

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)

NOTES TO THE PROFORMA STATEMENT OF FINANCIAL POSITION

1. BASIS OF PREPARATION

The proforma statement of financial position have been prepared solely to illustrate the effects of the Corporate Exercises (as defined herein) as if the Corporate Exercises had been undertaken as at 31 December 2016. The proforma statement of financial position have been prepared based on the audited financial statements of Hektar REIT for the financial year ended 31 December 2016 which were prepared in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and in a manner consistent with both the format of the statement of financial position and accounting policies of Hektar REIT.

2. CORPORATE EXERCISES

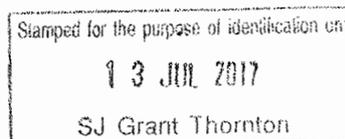
- (i) Renounceable rights issue of 60,966,061 new Hektar REIT units ("**Right Units**") to raise gross proceeds of RM67,672,328 ("**Rights Issue**") to part-finance the proposed acquisition of a land measuring approximately 169,284 square feet/15,727 square meters on which a three (3)-storey retail mall building and one (1) basement car park with a total of four hundred and twelve (412) car park bays known as "1Segamat Shopping Centre" (including all relevant assets) erected hereon which forms part of two (2) pieces of leasehold land held under subdivided titles H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and master title H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor and car park rights ("**Subject Property**") for a purchase consideration of RM104,000,000 from Tashima Development Sdn Bhd, being a wholly-owned subsidiary of Ecofirst Consolidated Bhd ("**Proposed Acquisition**").

The balance of the Proposed Acquisition of RM39,476,072 will be financed by a Cash Line-i/Murabahah Overdraft Facility from a financial institution by the virtue of a letter of offer (Note 7).

The proceeds from the Rights Issue will be used for the purpose of part-financing the Proposed Acquisition as well as to defray the expenses relating to the Corporate Exercises.

- (ii) Issuance of up to 360,000 new Hektar REIT units ("**Manager's Unit**") to Hektar Asset Management Sdn Bhd ("**Manager**" or "**HAMSB**") amounting to RM471,600 as part of the acquisition fee due to the Manager ("**Issuance to the Manager**");
- (iii) Authority to allot and issue up to 13,500,000 new Hektar REIT units as part payment of the management fee to the manager ("**Authority**"); and

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

**PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)**

**NOTES TO THE PROFORMA STATEMENT OF FINANCIAL POSITION
(CONT'D)**

2. PROPOSALS (CONT'D)

(iv) Increase in the existing approved fund size of Hektar REIT from 400,634,117 units up to 475,494,117 units pursuant to the Rights Issue, Issuance to the Manager and Authority.

(hereinafter referred to as the "Corporate Exercises").

3. EFFECTS ON THE PROFORMA STATEMENT OF FINANCIAL POSITION

The proforma statement of financial position have been prepared solely for illustrative purposes and on the basis consistent with both format of the financial statements and accounting policies previously adopted and disclosed by Hektar REIT in its audited financial statements for the financial year ended 31 December 2016, based on the following assumptions:

It is assumed that 60,966,061 Rights Units are issued on the basis of 7 Rights Units for every 46 existing units held in Hektar REIT at 13 July 2017 at an issue price of RM1.11 per Rights Unit.

Total expenses for the Corporate Exercises are estimated at RM3,620,000 of which RM3,148,400 is to be settled in cash and RM471,600 is to be settled by the issuance of 360,000 Manager's Units at the Theoretical Ex-Rights Price of RM1.31 per new unit, after taking into consideration 5-day Volume Weighted Average Price ("VWAP") of Hektar REIT units up to 13 July 2017 of RM1.34 per unit, the resultant theoretical ex-rights price and the maximum number of units to be issued by Hektar REIT to maintain the distribution per unit after the Acquisition.

The Proforma effects under both scenarios have been prepared assuming all the following transactions had taken place on 31 December 2016:

3.1 Proforma I

Proforma I incorporates the effects of the Rights Issue of 60,966,061 Rights Units.

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

Stamped for the purpose of identification on: 13 JUL 2017 SJ Grant Thornton

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)

NOTES TO THE PROFORMA STATEMENT OF FINANCIAL POSITION
(CONT'D)

3. EFFECTS ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (CONT'D)

3.2 Proforma II

Proforma II incorporates the effects of the Proforma I and the effects of the borrowings of RM39,476,072 to part finance the Proposed Acquisition, the effects of acquisition of the Subject Property totaling RM104,000,000 and expenses of RM3,148,400 to be netted off from the proceeds raised from the Rights Issue relating to the Corporate Exercises of which an estimated RM1,229,400 is to be capitalised.

3.3 Proforma III

Proforma III incorporates the effects of the Proforma II and the effects of issuance of 360,000 Manager's Units to the Manager for part settlement of acquisition fee to the Manager.

4. Investment Properties

	RM'000
Audited as at 31 December 2016/Proforma I	1,092,450
Purchase price for Subject Property	104,000
Estimated expenses for the Corporate Exercises (Note (b))	1,229
	<hr/>
As Per Proforma II	1,197,679
Acquisition fee due to the Manager (Note (a))	472
	<hr/>
As per Proforma III	<u>1,198,151</u>

- (a) Acquisition fee of RM1,040,000 represent 1% of the total purchase price of the Proposed Acquisition of RM104,000,000 due to the Manager out of which RM471,600 is to be settled by the issuance of 360,000 Manager's Units and the balance of RM568,400 is to be settled in cash from the proceeds of the Rights Issue.

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

Stamped for the purpose of identification on: 13 JUN 2017 SJ Grant Thornton

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)

NOTES TO THE PROFORMA STATEMENT OF FINANCIAL POSITION
(CONT'D)

4. Investment Properties (Cont'd)

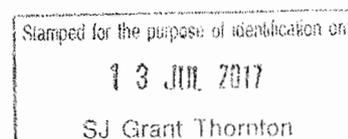
(b) The incidental expenses for the Proposed Acquisition comprise:-

	RM'000
(i) Part settlement of acquisition fee to the Manager	472
(ii) Incidental expenses capitalised into investment properties	1,229
(iii) Incidental expenses setoff against unitholders' capital	1,919
	<u>3,620</u>

5. Cash and Bank Balances

	RM'000
Audited as at 31 December 2016	14,560
Proceeds from Rights Issue	<u>67,672</u>
As per Proforma I	82,232
Debt funding from a financial institution to part finance the Proposed Acquisition	39,476
Settlement of incidental expenses for the Proposed Acquisition	(3,148)
Part settlement of purchase price of the Subject Property	<u>(104,000)</u>
As Per Proforma II/III	<u>14,560</u>

PRO FORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")
(Established in Malaysia)

PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D)

NOTES TO THE PROFORMA STATEMENT OF FINANCIAL POSITION
(CONT'D)

6. Unitholders' Capital

	Number of units	RM'000
Audited as at 31 December 2016	400,634	425,738
Rights Units to be issued pursuant to the Rights Issue	60,966	67,672
As per Proforma I	461,600	493,410
Incidental expenses for the Proposed Acquisition (Note 4(b))	-	(1,919)
As per Proforma II	461,600	491,491
Manager's units to be issued for the part settlement of the acquisition fee due to the Manager (Note 4(a))	360	472
As per Proforma III	461,960	491,963

The estimated expenses in the relation to the Corporate Exercises include the cash portion of the acquisition fee, professional fees, underwriting commission, fees payable to the authorities, printing costs and other incidental costs.

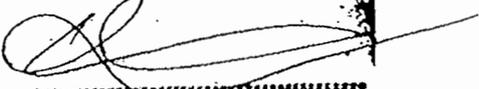
In the event the actual expenses is lower than this estimated amount, such excess shall be used by Hektar REIT for working capital purposes.

7. Bank Borrowings (Non-current)

	RM'000
Audited as at 31 December 2016/Proforma I	493,200
Cash Line-i/Murabahah Overdraft Facility to be obtained from a financial institution to part-finance the Proposed Acquisition	39,476
As per Proforma II/III	532,676

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON

CERTIFIED TRUE COPY


Authorized Signatory(s)

KISHAN NARENDRA JASANI
(NO: 3223/12/17(J))
CHARTERED ACCOUNTANT

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2016

SJ GRANT THORNTON
CHARTERED ACCOUNTANTS
Member of Grant Thornton International Ltd

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)**REPORTS AND FINANCIAL STATEMENTS****31 DECEMBER 2016**

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AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

CORPORATE INFORMATION

MANAGER	Hektar Asset Management Sdn. Bhd.
MANAGER'S PRINCIPAL PLACE OF BUSINESS	D1-U3-10, Block D1, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur
MANAGER'S REGISTERED OFFICE	Unit 419, Block A Kelana Business Centre No. 97, Jalan SS 7/2 Kelana Jaya 47301 Petaling Jaya Selangor
BOARD OF DIRECTORS OF THE MANAGER	Zalila Binti Mohd Toon Dr Chew Tuan Chiong Christopher Tang Kok Kai Michael Lim Hee Kiang Eng Heng Nee Philip Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong) Dato' Hisham bin Othman (Appointed on 1 May 2016) Tay Hwee Pio (Alternate Director to Christopher Tang Kok Kai) (Appointed on 29 November 2016) Mahusni Bin Hasnan (Appointed on 23 January 2017) Datuk Kamaruddin bin Awang (Appointed on 15 February 2016 and resigned on 23 January 2017) Dato' Syed Md Amin Bin Syed Jan Aljefri (Resigned on 15 February 2016) Shahril Bin Kassim (Resigned on 1 May 2016) Lam Juck Ngai (Alternate Director to Christopher Tang Kok Kai) (Resigned on 1 November 2016) Dato' Jaafar Bin Abdul Hamid (Demised on 24 January 2017)
SECRETARIES OF THE MANAGER	Dato' Muhammad Hafidz Bin Nuruddin Lim Seck Wah

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

CORPORATE INFORMATION (CONT'D)

TRUSTEE	MTrustee Berhad Level 15, Menara AmFIRST No.1 Jalan 19/3 46300 Petaling Jaya
PROPERTY MANAGER	Hektar Property Services Sdn. Bhd. Lot F36, First Floor Subang Parade No 5, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan
PRINCIPAL BANKERS	Malayan Banking Berhad Maybank Islamic Berhad
AUDITORS	SJ Grant Thornton (Member firm of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
REGISTRAR	Mega Corporate Services Sdn. Bhd. Level 15-2, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad - Main Market

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

STATEMENT BY MANAGER

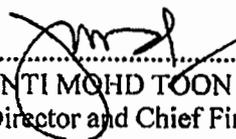
In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 12 to 53 are drawn up in accordance with the provisions of the Deed dated 5 October 2006 between Hektar Asset Management Sdn. Bhd. and MTrustee Berhad ("the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust, ("Hektar REIT") as at 31 December 2016 and of its financial performance and cash flows for the financial year ended 31 December 2016.

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the information set out on page 54 has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors of the Manager in accordance with a resolution of the Board of Directors.



.....
DATO' HISHAM BIN OTHMAN
Executive Director and Chief Executive
Officer



.....
ZALILA BINTI MOHD TOON
Executive Director and Chief Financial Officer

Kuala Lumpur
14 February 2017

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

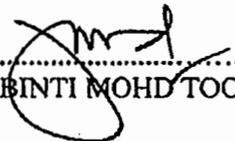
HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

STATUTORY DECLARATION

I, Zalila Binti Mohd Toon, being the Executive Director of Hektar Asset Management Sdn. Bhd. primarily responsible for the financial management of Hektar Real Estate Investment Trust, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 53 and the financial information set out on page 54 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed in Kuala Lumpur in
the Federal Territory this day of
14 February 2017

)
)
)
).....
ZALILA BINTI MOHD TOON



Before me:



Commissioner for Oaths

10-2, Jalan Opera 'C'
Taman TTDI Jaya,
40150 Shah Alam, Selangor.



AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

**Trustee's Report To The Unitholders Of
Hektar Real Estate Investment Trust**
(Established in Malaysia)

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT") for the financial year ended 31 December 2016. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd. ("the Manager"), has managed Hektar REIT in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on the Real Estate Investment Trust, the Capital Markets and Services Act 2007 and other applicable laws; and
- (b) the procedures and process employed by the Manager to value and price the units of Hektar REIT are adequate and that such valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements.

We confirm that the income distribution declared and paid during the financial year ended 31 December 2016 are in line with and are reflective of the objectives of Hektar REIT.

For and on behalf of the Trustee,
MTrustee Berhad



Tan Kok Cheeng
Chief Executive Officer

Selangor, Malaysia
14 February 2017



**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
HEKTAR REAL ESTATE INVESTMENT TRUST**
(Established in Malaysia)

SJ Grant Thornton (AF:0737)

Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

T +603 2692 4022

F +603 2691 5229

www.grantthornton.com.my

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hektar Real Estate Investment Trust ("the Trust"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 53.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as of 31 December 2016, and of its financial performance and its cash flows for the financial year then ended in accordance with the Deed dated 5 October 2006, the Securities Commission Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Trust in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

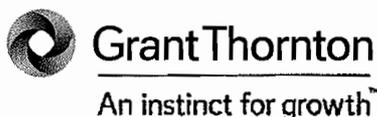
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Trust for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment loss on trade receivables

The risk

With reference to Note 7 to the financial statements. The Trust has a material amount of trade receivables that are past due but not impaired amounted to RM3,663,362. The key associate risk is the recoverability of the invoiced trade receivables as management judgement is required in determining the adequacy of the impairment loss made on trade receivables.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)



Key Audit Matters (cont'd)

Impairment loss on trade receivables (cont'd)

Our responses

We have assessed management's assumptions in calculating the impairment loss on trade receivables. This includes reviewing the ageing of the trade receivables, checking the bad debts written off and also reviewing the legal file to check any litigation cases demanding payment from the tenants. We have also checked the recoverability of outstanding trade receivables through the examination of subsequent year end receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

The impairment loss on trade receivables has been provided in line with the Trust's policy and we found the estimates to be in line with our expectation.

Revenue recognition

The risk

The rental income as disclosed in the Note 14 to the financial statements amount to RM110,775,797 is material to the financial statements. The revenue of the Trust are mainly from rental income which is recognised on an accrual basis. Most of the tenancy agreements between the Trust and the tenant are with a term of 3 years and with rent rate increasing at 1%-2% every year. MFRS 117 Leases states that lease payments under an operating lease should be recognised as an income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. The key associated risk is the amount of rental income recognised.

Our responses

We have evaluated the computation on the rental income recognised and also the accuracy of the inputs involved in the calculation by vouching to a sample of agreements, recalculation on the average rental rate and the fair value adjustment arising from the difference between the average rental rate and the actual rental rate. We have also tested the operating effectiveness of the relevant control procedures that management has in place.

The revenue has been recognised in line with our expectation.

Valuation of investment properties

The risk

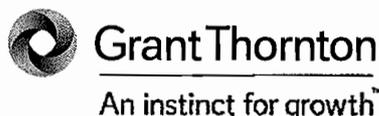
The investment properties as disclosed in Note 4 to the financial statements amount to RM1,092,450,000 are material to the financial statements. The investment properties have been valued by an independent professional valuer. There is inherent subjectivity and estimation involved in the valuation process.

Our responses

We have assessed the qualification and expertise of the valuers and have also obtained independent confirmation from the valuers. The valuation reports and also valuation workings have been obtained from the valuers. We have performed arithmetic checks on the workings and have assessed the inputs and assumptions involved in the calculation.

The valuation of the investment properties was found reasonable.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**

**Information Other than the Financial Statements and Auditors' Report thereon**

The Directors of the Manager of the Trust are responsible for the other information. The other information comprises of all information included in the annual report, but does not include the financial statements of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the Manager for the Financial Statements

The Directors of the Manager of the Trust are responsible for the preparation of financial statements of the Trust that give a true and fair view in accordance with the Deed dated 5 October 2006, the Securities Commission's Guidelines on Real Estate Investment Trusts, MFRS and IFRS. The Directors are also responsible for such internal control as the Directors of the Manager of the Trust determine is necessary to enable the preparation of financial statements of the Trust that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Trust, the Directors of the Manager of the Trust are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager of the Trust either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements of the Trust

Our objectives of our audit are to obtain reasonable assurance about whether the financial statements of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**



Auditors' Responsibilities for the Audit of the Financial Statements of the Trust (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager of the Trust.
- Conclude on the appropriateness of the Directors of the Manager of the Trust use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Manager of the Trust regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the Directors of the Manager of the Trust with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager of the Trust, we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)



Other Reporting Responsibilities

The supplementary information set out in page 54 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the Unitholders of the Trust, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trust in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KISHAN NARENDRA JASANI
(NO: 3223/12/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
14 February 2017

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-current assets			
Investment properties	4	1,092,450,000	1,086,580,000
Capital work in progress	5	162,080	335,057
Fixed deposits with a licensed bank	6	665,369	634,816
Total non-current assets		<u>1,093,277,449</u>	<u>1,087,549,873</u>
Current assets			
Trade receivables	7	5,750,826	3,725,472
Other receivables, deposits and prepayments	8	17,220,686	5,953,842
Cash and bank balances		14,560,249	19,085,638
Total current assets		<u>37,531,761</u>	<u>28,764,952</u>
Total assets		<u>1,130,809,210</u>	<u>1,116,314,825</u>
Current liabilities			
Trade payables	9	937,729	902,924
Other payables and accruals	10	23,109,065	21,730,204
Bank borrowings	11	15,000,000	15,000,000
Total current liabilities		<u>39,046,794</u>	<u>37,633,128</u>
Non-current liabilities			
Other payables and accruals	10	12,279,861	15,089,960
Bank borrowings	11	493,200,372	479,214,809
Derivative financial instrument	12	814,013	-
Total non-current liabilities		<u>506,294,246</u>	<u>494,304,769</u>
Total liabilities		<u>545,341,040</u>	<u>531,937,897</u>
Net assets		<u>585,468,170</u>	<u>584,376,928</u>
Unitholders' funds and reserve			
Unitholders' capital	13	425,738,255	425,738,255
Undistributed income-realised		43,476,386	43,996,656
Undistributed income-unrealised		116,253,529	114,642,017
Total Unitholders' funds and reserve		<u>585,468,170</u>	<u>584,376,928</u>
Number of units in circulation	13	<u>400,634,117</u>	<u>400,634,117</u>
Net asset value ("NAV") per unit (RM)			
- As at 31 December		1.4614	1.4586
- Before income distribution during the financial year		<u>1.5664</u>	<u>1.5636</u>

The accompanying notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	2016 RM	2015 RM
Gross revenue	14	124,570,904	125,511,215
Property expenses	15	(50,235,768)	(49,028,498)
Net property income		74,335,136	76,482,717
Interest income		318,276	271,924
Other income		9,226	26,251
Sundry income		20	283,072
Change in fair value of investment properties		2,425,525	(39,933,986)
Allowance for doubtful debts no longer required		17,475	149,170
Total income		77,105,658	37,279,148
Manager's fees	16	7,791,596	7,927,254
Trustee's fee	17	474,304	504,568
Auditors' remuneration:			
- current year			
- statutory		88,000	88,000
- others		103,400	33,000
Valuation fees		66,522	52,887
Professional fees		207,750	1,156,990
Allowance for doubtful debts		501,535	208,155
Administration expenses		685,005	449,234
Interest expense		23,215,709	22,070,679
Change in fair value of derivative financial instrument		814,013	-
Bad debts written off		-	29,046
Total expenses		(33,947,834)	(32,519,813)
Income before tax		43,157,824	4,759,335
Tax expense	18	-	-
Income for the financial year		43,157,824	4,759,335
Other comprehensive income		-	-
Total comprehensive income for the financial year		43,157,824	4,759,335

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

	Note	2016 RM	2015 RM
Total comprehensive income for the financial year is made up as follows:-			
Realised		41,546,312	44,693,321
Unrealised - Change in fair value of investment properties		2,425,525	(39,933,986)
Unrealised - Change in fair value of derivative financial instrument		(814,013)	-
		<u>43,157,824</u>	<u>4,759,335</u>
Earnings per unit (Total)			
- After manager's fees (sen)	19(a)	10.77	1.19
- Before manager's fees (sen)	19(b)	<u>12.72</u>	<u>3.17</u>
Earnings per unit (Realised)			
- After manager's fees (sen)	19(c)	10.37	11.16
- Before manager's fees (sen)	19(d)	<u>12.31</u>	<u>13.13</u>
Net income distribution			
- Interim income distribution of 7.8 sen (2015: 7.8 sen) per unit		31,249,461	31,249,461
- Final income distribution of 2.7 sen in respect of financial year ended 31 December 2016 (31 December 2015: 2.7 sen)		<u>10,817,121</u>	<u>10,817,121</u>
		<u>42,066,582</u>	<u>42,066,582</u>
Interim income distribution per unit			
- Gross (sen)	20	7.80	7.80
- Net (sen)	20	<u>7.80</u>	<u>7.80</u>
Final income distribution per unit			
- Gross (sen)	20	2.70	2.70
- Net (sen)	20	<u>2.70</u>	<u>2.70</u>

The accompanying notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Unrealised RM	Unitholders' Funds RM
At 1 January 2015		425,738,255	41,369,917	154,576,003	621,684,175
Operations for the financial year ended 31 December 2015					
Total comprehensive income for the financial year		-	44,693,321	(39,933,986)	4,759,335
Increase in net assets resulting from operations		-	44,693,321	(39,933,986)	4,759,335
Unitholders' transactions					
Distribution to Unitholders		-	(42,066,582)	-	(42,066,582)
Decrease in net assets resulting from Unitholders' transactions		-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2015		425,738,255	43,996,656	114,642,017	584,376,928
Operations for the financial year ended 31 December 2016					
Total comprehensive income for the financial year		-	41,546,312	1,611,512	43,157,824
Increase in net assets resulting from operations		-	41,546,312	1,611,512	43,157,824
Unitholders' transactions					
Distribution to Unitholders		-	(42,066,582)	-	(42,066,582)
Decrease in net assets resulting from Unitholders' transactions		-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2016		425,738,255	43,476,386	116,253,529	585,468,170

The accompanying notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		43,157,824	4,759,335
Adjustments for:-			
Reversal of impairment loss on trade receivables		(17,475)	(149,170)
Bad debts written off		-	29,046
Change in fair value of investment properties		(2,425,525)	39,933,986
Interest expense		23,215,709	22,070,679
Interest income		(318,276)	(271,924)
Allowance for impairment loss		501,535	208,155
Change in fair value of derivative financial instrument		814,013	-
Operating profit before working capital changes		64,927,805	66,580,107
Changes in working capital:			
Payables		(1,396,433)	3,237,430
Receivables		(13,776,258)	(1,279,738)
Net cash from operating activities		49,755,114	68,537,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties		(1,168,362)	(23,524,327)
Expenditure for refurbishment and enhancement of investment properties incurred		(2,103,136)	(20,913,771)
Interest received		318,276	271,924
(Placement)/Withdrawal of fixed deposits		(30,553)	3,773,551
Net cash used in investing activities		(2,983,775)	(40,392,623)

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(23,215,709)	(22,070,679)
Drawdown of borrowings	13,985,563	40,338,481
Distribution to Unitholders	<u>(42,066,582)</u>	<u>(42,066,582)</u>
Net cash used in financing activities	<u>(51,296,728)</u>	<u>(23,798,780)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(4,525,389)	4,346,396
Brought forward	<u>19,085,638</u>	<u>14,739,242</u>
Carried forward	<u><u>14,560,249</u></u>	<u><u>19,085,638</u></u>

NOTE TO STATEMENT OF CASH FLOWS

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprises cash and bank balances.

Cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of reporting period are classified as non-current asset.

The accompanying notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. GENERAL INFORMATION

Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") was constituted on 5 October 2006 pursuant to the Deed.

Hektar REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 4 December 2006.

The principal activity of Hektar REIT is to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth.

There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the Manager consist of managing and administering the Fund for Hektar REIT and other management services. The Manager, incorporated in Malaysia, is a subsidiary of Hektar Klasik Sdn. Bhd..

The Manager's registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Board of Directors on 14 February 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Trust have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trust, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

2.2 Basis of Measurement

The financial statements of the Trust are prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)****2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)****2.2 Basis of Measurement (cont'd)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 – Quoted (adjusted) market price is active market for identical asset or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Trust has established control frameworks in respect to the measurement of the fair values of financial instruments. This includes a certified independent valuer that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reporting directly to the Board of Directors of the Manager. The certified independent valuer will review significant unobservable inputs and valuation adjustments.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Trust's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of New and Revised MFRSs

The accounting policies adopted by the Trust are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Trust.

Several other amendments are effective for the first time in financial year ended 31 December 2016. However, they do not impact the annual financial statements of the Trust.

2.4.2 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been adopted by the Trust.

The management anticipates that all of the relevant pronouncements will be adopted in the Trust's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Trust except as mentioned below:-

Amendments to MFRS 107 Disclosure Initiative

The amendment to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Trust.

Amendments to MFRS 140 Investment property

The amendments to MFRS 140 clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The adoption of these amendments is not expected to have any financial impact on the Trust.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

2. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**

2.4 **MFRSs (cont'd)**

2.4.2 **Standards Issued But Not Yet Effective (cont'd)**

MFRS 9 Financial instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Trust's investment in unquoted shares will be measured at fair value through other comprehensive income.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will result in a change in accounting policy. The Trust is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 Revenue from contracts with customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue — Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with current practices.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. The Trust is currently assessing the financial impact of adopting MFRS 15.

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Trust is required to account for major part of their operating leases in the statement of financial position by recognising the "right-of-use" assets and these lease liability, thus increasing the assets and liabilities of the Trust. The financial effect arising from this standard is still being assessed by the Trust.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**2.5 Significant Accounting Estimates and Judgements****Key Sources of estimation uncertainties**

Key assumptions concerning the future and accounting estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of loans and receivable

The Trust assesses at end of each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Trust considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Trust's loans and receivables at the end of the reporting period is summarised in Notes 7 and 8 to the Financial Statements.

The Board of Directors of the Manager expects that the carrying amount of the Trust's loans and receivables at the end of the reporting date would not have material difference from their estimates and hence it would not result in material variance in the Trust's profit for the financial year.

Fair value of investment properties

Fair value is determined in accordance with the Deed, the Guidelines on Real Estate Investment Trusts and the Guidelines on Asset Valuation issued by the Securities Commission which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions. The basis of valuation is disclosed in Note 4.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Trust that have the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

The Trust determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Trust considers whether a property generates cash flows largely independently of the other assets held by the Trust.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant management judgements (cont'd)

Classification between investment properties and owner-occupied properties (cont'd)

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Trust accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statement of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Investment properties (cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3.2 Capital work in progress

Capital work in progress represents refurbishment work undertaken to enhance the value of the properties which will be transferred to investment properties upon the completion of the work.

3.3 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

3.3.1 Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.3.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.1 to the Financial Statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON *(Cont'd)*

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Tax expense (cont'd)

3.3.2 Deferred tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.4 Financial instruments

3.4.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial instrument carried at fair value through profit or loss, which are measured initially at fair value.

3.4.2 Financial assets – Categories and subsequent measurement

The Trust categories and financial instruments as follows and all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment:-

3.4.2.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Trust's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.2 Financial assets – Categories and subsequent measurement (cont'd)

3.4.2.1 Loans and receivables (cont'd)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Financial assets included in loans and receivables are cash and cash equivalents, trade and other receivables.

3.4.2.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term and contingent consideration in a business combination fall into this category, except for those that are financial guarantee contracts or those designated and effective as hedging instruments.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3.4.3 Financial liabilities – Categories and subsequent measurement

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

3.4.3.1 Other financial liabilities measured at amortised cost

Other financial liabilities including borrowings, trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Trust has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.3 Financial liabilities – Categories and subsequent measurement (cont'd)

3.4.3.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Trust that are not financial guarantee contracts or do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

3.4.4 Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of the ownership of the financial asset are transferred to another party. If the Trust neither transfers nor retained substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred assets, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.4.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimate reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Trust can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.6 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, bank balances, short-term demand deposits and bank overdraft which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statement of financial position.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of reporting period are classified as non-current asset.

3.7 Borrowing costs

Borrowing costs consist of interest and other costs incurred by the Trust in connection with the borrowing of funds. They are recognised as expenses in the profit or loss in the period they are incurred.

Borrowing costs directly attributable to finance the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets and it ceases or is suspended when the activities necessary to prepare the qualifying asset for its intended use is completed or interrupted.

Investment income earned from the temporary investment on specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of assets

3.8.1 Non-financial assets

The Trust assesses at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Trust bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Trust's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Trust estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3.8.2 Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.8 Impairment of assets (cont'd)****3.8.2.1 Trade and other receivables and other financial assets carried at amortised cost**

An impairment loss in respect of loans and receivables is recognised in profit or loss. The Trust considers factors such as significant delay in payment, default or the probability of insolvency of the loan and receivables to determine whether there is objective evidence that an impairment loss has occurred. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

When loan and receivables becomes uncollectible, it is written off against the allowance account. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Trust's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions.

3.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Any gains or losses arising from changes in the fair value of these contracts except for derivative designated as a hedging instrument are recognised in profit or loss. The Trust does not designate its derivatives as hedge accounting. The full fair value of a derivative is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months, and a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivatives are derecognised when the instrument is expired, sold or terminated. Upon derecognition, gains or losses arising from changes in the fair value that were previously recognised will be recognised in profit or loss.

3.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.10.1 Rental income

Rental income receivable under operating leases is recognised in the profit or loss on a straight-line basis over the term of lease, except where an alternative basis is more representative or pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received.

The aggregate cost of incentives provided to leasees is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amount received.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue (cont'd)

3.10.2 Carpark income

Carpark income is recognised in the profit or loss on accrual basis.

3.10.3 Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the year to maturity, when it is determined that such income will be accrued.

3.11 Expenses

- (i) Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust. Property management fees are recognised on an accrual basis using the applicable formula as stated in Property Management Agreement.
- (ii) Manager's fees are recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iii) Trustee's fee is recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iv) Interest expense and other costs incurred in connection with borrowings are expensed as incurred.

3.12 Equity instruments

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently. Income distributions to unitholders are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as deduction from equity, net of tax, from the proceeds.

3.13 Operating Segments

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Related parties

A related party is a person or entity that is related to the Manager and they could be:-

- (a) A person or a close member of that person's family is related to the Manager if that person:
- (i) has control or joint control over the Manager;
 - (ii) has significant influence over the Manager; or
 - (iii) is a member of the key management personnel of the Manager.
- (b) An entity is related to the Manager if any of the following conditions applies:
- (i) The entity and the Manager are members of the same group.
 - (ii) The entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Manager or an entity related to the Manager.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a part, provides key management services to the Manager or to the parent of the Manager.

A related party transaction is a transfer of resources, services or obligations between the Manager and its related party, regardless of whether a price is charged.

4. INVESTMENT PROPERTIES

	2016 RM	2015 RM
At fair value		
Freehold land and buildings	770,050,000	766,580,000
Leasehold land and building	322,400,000	320,000,000
	<u>1,092,450,000</u>	<u>1,086,580,000</u>

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4. INVESTMENT PROPERTIES (CONT'D)

The movement of the investment properties is as follows:

	2016 RM	2015 RM
At 1 January	1,086,580,000	1,060,732,000
Additions	1,168,362	23,524,327
Transferred from capital work in progress (Note 5)	2,276,113	42,257,659
Change in fair value recognised in profit or loss	<u>2,425,525</u>	<u>(39,933,986)</u>
At 31 December	<u>1,092,450,000</u>	<u>1,086,580,000</u>

Details of the investment properties are as follows:

Description of property	Tenure of land	Location	Existing use	Cost of investment RM	Valuation as at 31 December 2016 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	427,200,000	73
2. Mahkota Parade	Leasehold	Melaka	Commercial	257,538,630	322,400,000	55
3. Wetex Parade	Freehold	Muar	Commercial	117,500,000	135,150,000	23
4. Landmark Central	Freehold	Kedah	Commercial	98,000,000	112,000,000	19
5. Central Square	Freehold	Kedah	Commercial	83,330,000	<u>95,700,000</u>	16
					<u>1,092,450,000</u>	

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade were issued on 27 December 2016 by Messrs. Henry Butcher Malaysia Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the investment method of valuation. The valuation reports of Landmark Central and Central Square were issued on 27 December 2016 by Messrs. Khong & Jaafar Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the investment method of valuation. There have been no changes in the valuation method during the year.

The leasehold land for Mahkota Parade expires in year 2101.

Subang Parade, Mahkota Parade, Wetex Parade and Landmark Central have been pledged as security for borrowings as disclosed in Note 11 to the Financial Statements.

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4. INVESTMENT PROPERTIES (CONT'D)

The following is recognised in profit or loss in respect of investment properties:

	2016 RM	2015 RM
Rental income	111,597,353	113,519,059
Direct operating expenses:		
- Income generating investment properties	50,235,768	49,028,498
- Non-income generating investment properties	9,918,112	10,449,134

Fair value basis of investment properties

Fair value measurement of the investment properties were categorised as follows:

	Level 1 RM	2016 Level 2 RM	Level 3 RM
- Freehold land and buildings	-	-	770,050,000
- Leasehold land and building	-	-	322,400,000
	-	-	<u>1,092,450,000</u>
		2015	
	Level 1 RM	Level 2 RM	Level 3 RM
- Freehold land and buildings	-	-	766,580,000
- Leasehold land and building	-	-	320,000,000
	-	-	<u>1,086,580,000</u>

Level 3 fair value

The following table shows a reconciliation of Level 3 fair value of investment properties:

	2016 RM	2015 RM
At 1 January	1,086,580,000	1,060,732,000
Addition	3,444,475	65,781,986
Change in fair value recognised in profit or loss- unrealised	<u>2,425,525</u>	<u>(39,933,986)</u>
At 31 December	<u>1,092,450,000</u>	<u>1,086,580,000</u>

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4. INVESTMENT PROPERTIES (CONT'D)

Fair value basis of investment properties (cont'd)

Level 3 fair value (cont'd)

The following shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable inputs used in the valuation model:-

Valuation technique

The investment method considers income and expense relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates to income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates). In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.

Significant unobservable inputs

Risk-adjusted capitalisation rates ranging from 6.25%-12.00% (2015: 7.00%-7.25%).

Inter-relationship between significant unobservable input and fair value measurement

The estimated fair value would increase (decrease) if risk-adjusted capitalisation rates were higher (lower).

5. CAPITAL WORK IN PROGRESS

	2016 RM	2015 RM
Capital work in progress	<u>162,080</u>	<u>335,057</u>

The movement of capital work in progress is as follows:

	2016 RM	2015 RM
At 1 January	335,057	21,678,945
Additions	2,103,136	20,913,771
Transferred to investment properties (Note 4)	<u>(2,276,113)</u>	<u>(42,257,659)</u>
At 31 December	<u>162,080</u>	<u>335,057</u>

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
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6. **FIXED DEPOSITS WITH A LICENSED BANK**

The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 3.13% (2015: 3.23%) per annum.

The fixed deposits have been pledged to a licensed bank for bank guarantee facility granted to the Trust.

7. **TRADE RECEIVABLES**

	2016 RM	2015 RM
Trade receivables	6,733,708	4,325,031
Less: Impairment losses	<u>(982,882)</u>	<u>(599,559)</u>
	<u>5,750,826</u>	<u>3,725,472</u>

The movement of impairment losses during the financial year is as follows:

	2016 RM	2015 RM
At 1 January	(599,559)	(540,574)
Addition	(501,535)	(208,155)
Reversal	17,475	149,170
Written off	<u>100,737</u>	<u>-</u>
As 31 December	<u>(982,882)</u>	<u>(599,559)</u>

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 12% to 18% (2015: 12% to 18%) per annum will be imposed on overdue amount.

Trade receivables that are past due and not impaired are creditworthy debtors with good payment records with the Trust. None of the Trust's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The impairment loss on trade receivable was reversed during the financial year as a result of subsequent receipts of the amount.

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7. **TRADE RECEIVABLES (CONT'D)**

The ageing analysis of trade receivables is as follows:

	Gross RM	Individually Impaired RM	Net RM
2016			
Not past due	2,087,464	-	2,087,464
Past due 0-30 days	211,830	-	211,830
Past due 31-60 days	880,275	-	880,275
More than 60 days	3,554,139	(982,882)	2,571,257
	<u>6,733,708</u>	<u>(982,882)</u>	<u>5,750,826</u>
2015			
Not past due	2,556,623	-	2,556,623
Past due 0-30 days	70,419	-	70,419
Past due 31-60 days	426,791	-	426,791
More than 60 days	1,271,198	(599,559)	671,639
	<u>4,325,031</u>	<u>(599,559)</u>	<u>3,725,472</u>

The net carrying amount of trade receivables is considered a reasonable approximate of fair value.

The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

8. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	2016 RM	2015 RM
Other receivables	14,732,029	4,293,221
Deposits	292,828	251,356
Prepayments	2,195,829	1,409,265
	<u>17,220,686</u>	<u>5,953,842</u>

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
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8. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)**

Included in other receivables is as follows:-

	2016 RM	2015 RM
Amount owing from Property Manager	2,654,483	4,101,004
Deposit on acquisition of 1Segamat Shopping Centre	10,400,000	-
Incidental expenditure for the acquisition of 1Segamat Shopping Centre	<u>864,990</u>	<u>-</u>

Amount owing from Property Manager is unsecured, interest free and repayable monthly in arrears.

9. **TRADE PAYABLES**

Trade payables are non-interest bearing and the normal credit term granted by trade payables to the Trust are generally from 30 to 60 (2015: 30 to 60) days.

10. **OTHER PAYABLES AND ACCRUALS**

	2016 RM	2015 RM
<u>Current liabilities</u>		
Other payables	280,567	48,970
Accruals	4,126,205	5,977,442
Advance received	826,671	889,746
Net output GST payable	363,182	201,047
Deposits received from tenants	<u>17,512,440</u>	<u>14,612,999</u>
	23,109,065	21,730,204
<u>Non-current liabilities</u>		
Deposit received from tenants	<u>12,279,861</u>	<u>15,089,960</u>
	<u>35,388,926</u>	<u>36,820,164</u>

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
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10. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in other payables and accruals are the following amounts:

	2016 RM	2015 RM
Amount owing to Manager	3,069	5,099
Amount owing to Property Manager	<u>255,853</u>	<u>-</u>

Amount owing to Manager and Property Manager are unsecured, interest free and repayable monthly in arrears.

Included in deposits received from tenants is RM1,936,830 (2015: RM2,044,197) representing the difference between the fair value and the amount of deposits received carried in the statement of financial position as a result of the initial recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 Financial Instruments: Recognition and Measurement.

11. BANK BORROWINGS

	2016 RM	2015 RM
Secured		
Current liabilities:		
- Term loan 1		15,000,000
- Short term revolving credit	<u>15,000,000</u>	<u>-</u>
	<u>15,000,000</u>	<u>15,000,000</u>
Non-current liabilities:		
- MOD 1	184,000,000	184,000,000
- MOD 2	150,000,000	150,000,000
- MOD 3	54,300,000	54,300,000
- MOD 4	32,800,000	32,800,000
- MOD 5	52,275,275	39,307,640
- Term loan 2	<u>19,825,097</u>	<u>18,807,169</u>
	<u>493,200,372</u>	<u>479,214,809</u>
Total bank borrowings	<u>508,200,372</u>	<u>494,214,809</u>

The MOD 1, MOD 2, MOD 3, MOD 4 and MOD 5 are secured by way of fixed charge over Subang Parade, Mahkota Parade, Wetex Parade and Landmark Central respectively.

The MODs have tenure of 5 years from the first disbursement of which MOD 1 is due for repayment in 2011, MOD 2 is due for repayment in 2013, MOD 3 and MOD 4 are due for repayment in 2016, MOD 5 is due for repayment in 2018. However, extension period of 5 years was granted for MOD 1, MOD 2, MOD 3, MOD 4 and they are now due for repayment in 2019.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

11. **BANK BORROWINGS (CONT'D)**

MOD 1 and MOD 2 bear interest rate at cost of funds plus 75 basis points (2015: cost of fund plus 75 basis points), MOD 3 bears interest rate at cost of fund plus 75 basis points for first and second year and cost of fund plus 100 basis points for third year onwards, MOD 4 and MOD 5 bear interest rate at cost of fund plus 100 basis points (2015: cost of fund plus 100 basis points). The effective interest rate on MODs is 4.07%-4.90% (2015: 4.38%-4.88%) per annum.

The term loans 1 and 2 are secured by way of fixed charge over Mahkota Parade. The term loans 1 and 2 have a 5-year tenure whereby the principal amount is repayable via a bullet repayment at the end of the 5-year tenure in 2016 and 2018 respectively. These term loans bear interest rate at cost of funds plus 75 basis points and interest is to be serviced monthly in arrears. The effective interest rate on the term loans are 4.57%-4.83% (2015: 4.76%) per annum. Term loan 1 has been fully repaid during the financial year.

Short term revolving credit is secured by way of fixed charge over Mahkota Parade. This loan bears interest rate at cost of fund plus 100 basis points. The effective interest rate on short term revolving credit is 4.25%-4.79% (2015: Nil) per annum.

The carrying amount of the borrowings approximates their fair value.

12. **DERIVATIVE FINANCIAL INSTRUMENT**

	2016		2015	
	Contract/ Notional Amount RM	Liability RM	Contract/ Notional Amount RM	Liability RM
Non-current				
Interest rate swap	<u>150,000,000</u>	<u>814,013</u>	<u>-</u>	<u>-</u>

An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. The Trust had entered into 4-year interest rate swap contract to exchange floating interest rates for fixed interest rates in order to minimise the exposure from fluctuation of interest rate. The interest rate swap contract receives floating interest rates equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR") per annum, pays fixed rate of interest of 4.90% per annum. The fair value of the interest rate swap contract is determined by using the market rate at the end of financial year and changes in the fair value is recognised in the profit or loss. Accordingly, the Trust recognised an unrealised net loss of RM814,013 arising from changes in fair value of interest rate swap in the current financial year.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

13. UNITHOLDERS' CAPITAL

	2016 No. of units	2015 No. of units	2016 RM	2015 RM
Authorised unitholders' capital	<u>400,634,117</u>	<u>400,634,117</u>	<u>425,738,255</u>	<u>425,738,255</u>
The movement of the authorised unitholders' capital are as follows:				
At 1 January/31 December	<u>400,634,117</u>	<u>400,634,117</u>	<u>425,738,255</u>	<u>425,738,255</u>
Issued and fully paid unitholders' capital	<u>400,634,117</u>	<u>400,634,117</u>	<u>425,738,255</u>	<u>425,738,255</u>
The movement of the issued and fully paid unitholders' capital are as follows:				
At 1 January/31 December	<u>400,634,117</u>	<u>400,634,117</u>	<u>425,738,255</u>	<u>425,738,255</u>

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

13. UNITHOLDERS' CAPITAL (CONT'D)

As at 31 December 2016, the Manager holds 632,867 (2015: 632,867) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:

	No. of units		% of total units	
	2016	2015	2016	2015
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-				
1. HSBC Nominees (Asing) Sdn. Bhd. For Frasers Centrepoint Trust (As Trustee)	124,892,950	124,892,950	31.17	31.17
2. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	160,625,000	50,875,000	40.09	12.70
3. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	-	109,750,000	-	27.39
The Manager's related parties' Direct Unitholdings in Hektar REIT:-				
1. Hektar Premier Sdn. Bhd.	-	109,750,000	-	27.39
2. Hektar Black Sdn. Bhd.	160,625,000	50,875,000	40.09	12.70

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

14. GROSS REVENUE

	2016 RM	2015 RM
Rental income	110,775,797	112,636,000
Carpark income	13,211,545	12,241,940
Other income	583,562	633,275
	<u>124,570,904</u>	<u>125,511,215</u>

15. PROPERTY EXPENSES

	2016 RM	2015 RM
Assessment and quit rent	3,959,317	3,910,227
Marketing and promotions	3,439,600	3,094,107
Property management fee	2,096,397	2,138,546
Property maintenance	35,080,707	34,173,231
Utilities	4,572,201	4,618,218
Insurance	1,087,546	1,094,169
	<u>50,235,768</u>	<u>49,028,498</u>

Property management fee of RM2,096,397 (2015: RM2,138,546) incurred is payable to Hektar Property Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

16. MANAGER'S FEES

Pursuant to the Deed, the Manager's annual fees consist of the following:

(i) Base fee

Up to 1.0% per annum of the Gross Asset Value ("GAV") of the Trust payable monthly in arrears.

For the financial year ended 31 December 2016, the base fee shall be 0.35% (2015: 0.35%) per annum of the GAV of the Trust.

(ii) Performance fee

Up to 5.0% per annum of the Net Property Income ("NPI"), before deducting the property management fee, payable monthly in arrears.

For the financial year ended 31 December 2016, the performance fee shall be 5.0% (2015: 5.0%) per annum of the NPI, before deducting the property management fee.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

17. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee is entitled to receive a fee up to 0.1% per annum of the NAV of the Trust, including the Manager's fees, payable annually in arrears.

For the financial year ended 31 December 2016, the Trustee's fee shall be 0.08% (2015: 0.08%) per annum of the NAV of the Fund, including the Manager's fees.

18. TAX EXPENSE

Taxation of the Real Estate Investment Trust ("REIT")

The tax transparency system under Section 61A of the Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Hektar REIT will not incur any tax exposure during the financial year as it distributed more than 90% of its realised income available for distribution for the financial year ended 31 December 2015 which translates to more than 90% of its total taxable income.

	2016 RM	2015 RM
Current financial year's provision	-	-
A reconciliation of income tax expense on income before tax for the REIT with the applicable statutory income tax rate is as follows:		
	2016 RM	2015 RM
Income before tax	43,157,824	4,759,335
Income tax at 24% (2015: 25%)	10,357,878	1,189,834
Tax effects in respect of:-		
Non-allowable expenses	428,211	10,303,248
Income not subject to tax	(582,126)	(37,293)
Effect of income distribution exempted from tax	(10,203,963)	(11,455,789)
	-	-

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

18. TAX EXPENSE (CONT'D)

Taxation of the Unitholders

Pursuant to Section 109D(2) of Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unit holders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individual and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

19. EARNINGS PER UNIT

Number of unitholders' capital

	2016 No. of units	2015 No. of units
At 1 January/31 December	<u>400,634,117</u>	<u>400,634,117</u>

- (a) The calculation of earnings per unit (total) after Manager's fee is based on net income for the financial year of RM43,157,824 (2015: RM4,759,335) to the number of units in circulation for 2016 and 2015 respectively of 400,634,117 (2015: 400,634,117).
- (b) The calculation of earnings per unit (total) before Manager's fee is based on net income for the financial year of RM50,949,420 (2015: RM12,686,589) after adding back Manager's fee and number of units in circulation for 2016 and 2015 respectively of 400,634,117 (2015: 400,634,117).
- (c) The calculation of earnings per unit (realised) after Manager's fee is based on realised net income for the financial year of RM41,546,312 (2015: RM44,693,321) to the number of units in circulation for 2016 and 2015 respectively of 400,634,117 (2015: 400,634,117).
- (d) The calculation of earnings per unit (realised) before Manager's fee is based on realised net income for the financial year of RM49,337,908 (2015: RM52,620,575) after adding back Manager's fees and the number of units in circulation for 2016 and 2015 respectively of 400,634,117 (2015: 400,634,117).

There is no diluted earnings per unit as the Trust has no dilutive potential unitholders' capital.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

20. INCOME DISTRIBUTION

Distribution to Unitholders are from the following sources:

	2016 RM	2015 RM
Net rental income	74,335,136	76,482,717
Other income	9,246	309,323
Interest income	318,276	271,924
Reversal of impairment loss on trade receivables	17,475	149,170
	<u>74,680,133</u>	<u>77,213,134</u>
Less: Expenses	<u>(33,133,821)</u>	<u>(32,519,813)</u>
	<u>41,546,312</u>	<u>44,693,321</u>
Gross provision for distribution per unit (sen):		
- Interim	7.80	7.80
- Final	2.70	2.70
	<u>10.50</u>	<u>10.50</u>
Net provision for distribution per unit (sen): *		
- Interim	7.80	7.80
- Final	2.70	2.70
	<u>10.50</u>	<u>10.50</u>

* Withholding tax will be deducted for distributions made to the following types of Unitholders:

	YA 2016	YA 2015
Resident individual	10%	10%
Non-resident individual	10%	10%
Resident institutional investors	10%	10%
Non-resident institutional investors	10%	10%
Non-resident companies	24%	25%

21. PORTFOLIO TURNOVER RATIO

	2016	2015
Portfolio Turnover Ratio ("PTR")(times)	<u>0.002</u>	<u>0.040</u>

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Hektar REIT to the average net asset value for the financial year calculated on a quarterly basis. Since the PTR is calculated on a quarterly basis, comparison of the PTR of Hektar REIT with other REITs which uses different basis of calculation may not be comparable.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

22. MANAGEMENT EXPENSE RATIO

	2016	2015
Management Expense Ratio ("MER")(%)	<u>1.69</u>	<u>1.79</u>

The calculation of MER is based on the total fees and expenses of Hektar REIT incurred, including Manager's fees, Trustee's fee, auditors' remuneration, tax agent's fees, allowance for impairment loss and administrative expenses, to the average NAV during the financial year. Since the NAV is calculated on a quarterly basis, comparison of the MER of Hektar REIT with other REITs which uses different basis of calculation may not be comparable.

23. TRANSACTION WITH A PARTY RELATED TO THE MANAGER

	2016 RM	2015 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	<u>211,185</u>	<u>214,724</u>

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Other financial liabilities measured at amortised cost (AC); and
- (c) Financial liabilities at fair value through profit or loss (FVPL).

2016	Carrying amount RM	L&R RM	AC RM	FVPL RM
Financial assets				
Trade receivables	5,750,826	5,750,826	-	-
Other receivables and deposits	15,024,857	15,024,857	-	-
Fixed deposits with a licensed bank	665,369	665,369	-	-
Cash and bank balances	14,560,249	14,560,249	-	-
	<u>36,001,301</u>	<u>36,001,301</u>	-	-
Financial liabilities				
Trade payables	937,729	-	937,729	-
Other payables and accruals	35,388,926	-	35,388,926	-
Bank borrowings	508,200,372	-	508,200,372	-
Derivative financial instrument	814,013	-	-	814,013
	<u>545,341,040</u>	-	<u>544,527,027</u>	<u>814,013</u>

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

24. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

- (a) Loans and receivables (L&R);
(b) Other financial liabilities measured at amortised cost (AC); and
(c) Financial liabilities at fair value through profit or loss (FVPL).

2015	Carrying amount RM	L&R RM	AC RM	FVPL RM
Financial assets				
Trade receivables	3,725,472	3,725,472	-	-
Other receivables and deposits	4,544,577	4,544,577	-	-
Fixed deposits with a licensed bank	634,816	634,816	-	-
Cash and bank balances	19,085,638	19,085,638	-	-
	27,990,503	27,990,503	-	-
Financial liabilities				
Trade payables	902,924	-	902,924	-
Other payables and accruals	36,820,164	-	36,820,164	-
Bank borrowings	494,214,809	-	494,214,809	-
	531,937,897	-	531,937,897	-

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risks

Hektar REIT's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the REIT's business whilst managing its risks. Hektar REIT operates within clearly defined guidelines as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts ("the Guidelines"). These Guidelines seek to provide a regulatory framework that would protect the interests of the investing public. Hektar REIT's risk management policies, which ensure compliance with the spirit of the Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

(a) **Interest rate risk**

Hektar REIT's exposure to changes in interest rates are primarily due to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rate.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONT'D)

Financial risks (cont'd)

(a) Interest rate risk (cont'd)

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

	Within 1 year RM	2 to 5 years RM	Total RM	Effective annual interest rate during the financial year %
2016				
Financial asset				
Fixed deposits with a licensed bank	-	665,369	665,369	3.13
Financial liabilities				
Murabahah overdrafts	-	473,375,275	473,375,275	4.57
Term loan	-	19,825,097	19,825,097	4.70
Short term revolving credit	15,000,000	-	15,000,000	4.52
Derivative financial instrument	-	814,013	814,013	0.65
2015				
Financial asset				
Fixed deposits with a licensed bank	-	634,816	634,816	3.23
Financial liabilities				
Murabahah overdrafts	-	460,407,640	460,407,640	4.38
Term loan	15,000,000	18,807,169	33,807,169	4.10

Cash flow sensitivity analysis for variable rate instruments:

A change in 75 basis point (bp) in interest rates at the end of the reporting period would have increased/(decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit for the year		Equity	
	+ 75 bp RM	- 75 bp RM	+ 75 bp RM	- 75 bp RM
2016				
Floating rate instruments	(3,812,618)	3,812,618	(3,812,618)	3,812,618
2015				
Floating rate instruments	(3,701,850)	3,701,850	(3,701,850)	3,701,850

(b) Credit risk

The Trust controls credit risk by the application of credit approvals, limit and monitoring procedure.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the statement of financial position.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

25. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONT'D)**

Financial risks (cont'd)

(b) Credit risk (cont'd)

Hektar REIT has no significant concentration of credit risk with any single counterparty.

As at 31 December 2016, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

As at 31 December 2016, trade receivables of RM3,663,362 (2015: RM1,168,849) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

(c) Liquidity risks

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

In managing its exposures to liquidity risk arising principally from its various payables, loans and borrowings, the Trust maintains a level of cash and cash equivalents and bank facilities deemed adequate by the Manager to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

	Within 1 year RM	2 to 5 years RM	Total RM
2016			
Financial liabilities			
Secured:			
Term loan	-	19,825,097	19,825,097
Murabahah overdrafts	-	473,375,275	473,375,275
Short term revolving credit	15,000,000	-	15,000,000
Unsecured:			
Trade payables	937,729	-	937,729
Other payables and accruals	23,109,065	12,279,861	35,388,926
Total undiscounted financial liabilities	39,046,794	505,480,233	544,527,027
2015			
Financial liabilities			
Secured:			
Term loan	15,000,000	18,807,169	33,807,169
Murabahah overdrafts	-	460,407,640	460,407,640
Unsecured:			
Trade payables	902,924	-	902,924
Other payables and accruals	21,730,204	15,089,960	36,820,164
Total undiscounted financial liabilities	37,633,128	494,304,769	531,937,897

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

25. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONT'D)**

Fair value of financial instruments

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

2016	Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
Financial liabilities					
Other payable and accruals	-	-	27,855,471	27,855,471	29,792,301
Derivative financial instrument	-	814,013	-	814,013	814,013
	-	814,013	27,855,471	28,669,484	30,606,314

2015	Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
Financial liabilities					
Other payable and accruals	-	-	27,658,762	27,658,762	29,702,959

There were no transfers between Level 1 and Level 2 during the financial year (2015: no transfer in either direction).

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 Fair Value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 Fair Value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 Fair Value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONT'D)

Fair value of financial instruments (cont'd)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Description	Valuation	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Financial instruments not carried at fair value			
Other payable and accruals	Discounted cash flows	Discount rate (4.85%)	The estimated fair value would increase/(decrease) if discount rate is lower (higher)

26. CAPITAL MANAGEMENT

Hektar REIT's capital is represented by its unitholder's fund in the statement of financial position.

The Trust's objectives when managing capital is to maintain a strong capital base and safeguard the Trust's ability to continue as a going concern, so as to maintain stakeholders and market confidence and to sustain future development of the Trust.

The Manager monitors capital using a gearing ratio pursuant to the Securities Commission's Guidelines on Real Estate Investment Trusts ("SC Guideline"). As per the SC Guideline, the total borrowings of a trust should not exceed 50% of the total asset value of the trust at the time the borrowings are incurred. From the table below, the Trust's gearing ratio is within the permitted threshold per the SC Guideline.

	2016 RM	2015 RM
Non-current assets	1,093,277,449	1,087,549,873
Current assets	<u>37,531,761</u>	<u>28,764,952</u>
Total assets value	<u>1,130,809,210</u>	<u>1,116,314,825</u>
Total borrowings	<u>508,200,372</u>	<u>494,214,809</u>
Gearing ratio	<u>44.94%</u>	<u>44.27%</u>

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2016.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

27. CAPITAL COMMITMENT

Capital commitment in respect of the following has not been provided for in the financial statements:

	2016 RM	2015 RM
Authorised and contracted for:-		
Refurbishment of investment properties	20,476,680	2,121,360
Acquisition of 1Segamat Shopping Centre	93,600,000	-
	<u>114,076,680</u>	<u>2,121,360</u>

28. MATERIAL CONTRACT

On 10 June 2016, Hektar REIT entered into a contract to purchase 1Segamat Shopping Centre at RM104,000,000. A deposit has been placed at RM10,400,000. As at reporting date, the transaction has not been completed.

29. CONTINGENT LIABILITY

Litigation

On 27 November 2015, the Mahkota Parade Joint Management Body commenced an action against MTrustee Berhad, Hektar Asset Management Sdn Bhd and Hektar Property Services Sdn Bhd in respect of the ownership of the common area and car park bays. The legal suite is currently pending hearing.

In the opinion of the Directors, disclosure of any further information would be prejudice to the interest of the Trust.

30. OPERATING SEGMENTS

The principal activity of the Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium to long terms capital growth. Hence, no operating segments are presented.

AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2016
TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

DISCLOSURE OF REALISED AND UNREALISED PROFIT/ (LOSSES)

Bursa Malaysia Securities Berhad had on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised of the Trust, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of unappropriated profits as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:

	2016 RM	2015 RM
Total undistributed income of the Trust		
- realised	43,476,386	43,996,656
- unrealised	<u>116,253,529</u>	<u>114,642,017</u>
	<u>159,729,915</u>	<u>158,638,673</u>

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES

CERTIFIED TRUE COPY

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

Secretary

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

LIM SECK WAH

MARCSA NO: 0799845

As at 17 JUL 2017

	As at 31.3.2017 RM (Unaudited)	As at 31.12.2016 RM (Audited)
NON-CURRENT ASSETS		
Investment properties	1,092,450,000	1,092,450,000
Capital work in progress	1,167,962	162,080
Fixed deposits with a licensed bank	665,369	665,369
	<u>1,094,283,331</u>	<u>1,093,277,449</u>
CURRENT ASSETS		
Trade receivables	6,844,056	5,750,826
Other receivables, deposits and prepayments	16,827,894	17,220,686
Cash and bank balances	10,148,219	14,560,249
	<u>33,820,169</u>	<u>37,531,761</u>
TOTAL ASSETS	<u>1,128,103,500</u>	<u>1,130,809,210</u>
NON-CURRENT LIABILITIES		
Tenancy deposits	13,543,739	12,279,861
Bank borrowings	493,370,302	493,200,372
Derivative financial instrument	514,186	814,013
	<u>507,428,227</u>	<u>506,294,246</u>
CURRENT LIABILITIES		
Trade payables	1,343,691	937,729
Other payables and accruals	3,937,639	5,596,625
Tenancy deposits	16,121,358	17,512,440
Bank borrowings	15,000,000	15,000,000
	<u>36,402,688</u>	<u>39,046,794</u>
TOTAL LIABILITIES	<u>543,830,915</u>	<u>545,341,040</u>
NET ASSET VALUE	<u>584,272,585</u>	<u>585,468,170</u>
FINANCED BY:		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	41,980,975	43,476,386
– unrealised	116,553,356	116,253,529
TOTAL UNITHOLDERS' FUND	<u>584,272,585</u>	<u>585,468,170</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.4584	1.4614
-before distribution for the cumulative quarter	1.4854	1.5664
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM1,892,659 (2016: RM1,939,395) which is discounted to present value in compliance with MFRS 139 as per note A14.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2017 (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2017 RM	Preceding Year Corresponding Quarter 31.03.2016 RM	Current YTD 31.03.2017 RM	Preceding YTD 31.03.2016 RM
Revenue	30,857,245	31,603,064	30,857,245	31,603,064
Property operating expenses	(13,169,714)	(12,928,774)	(13,169,714)	(12,928,774)
Net property income	17,687,531	18,674,290	17,687,531	18,674,290
Interest income	47,540	44,194	47,540	44,194
Other income	1,560	88,783	1,560	88,783
Trust expenses	(2,777,641)	(2,431,018)	(2,777,641)	(2,431,018)
Borrowing costs	(5,637,280)	(5,669,791)	(5,637,280)	(5,669,791)
Realised income before taxation	9,321,710	10,706,458	9,321,710	10,706,458
Change in fair value of derivative financial instrument	299,827	-	299,827	-
Income before taxation	9,621,537	10,706,458	9,621,537	10,706,458
Taxation	-	-	-	-
Net income	9,621,537	10,706,458	9,621,537	10,706,458
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	9,621,537	10,706,458	9,621,537	10,706,458
Earnings per unit (sen)	2.40	2.67	2.40	2.67
- realised (sen)	2.33	2.67	2.33	2.67
- unrealised (sen)	0.07	-	0.07	-

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2017 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2017</u>	425,738,255	43,476,386	116,253,529	585,468,170
<u>Operation for the cumulative quarter ended 31 March 2017</u>				
Total comprehensive income for the financial year	-	9,321,710	299,827	9,621,537
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(10,817,121)	-	(10,817,121)
Balance at 31 March 2017	<u>425,738,255</u>	<u>41,980,975</u>	<u>116,553,356</u>	<u>584,272,585</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2016 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2016</u>	425,738,255	43,996,656	114,642,017	584,376,928
<u>Operation for the cumulative quarter ended 31 December 2016</u>				
Total comprehensive income for the financial year	-	41,546,312	1,611,512	43,157,824
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2016	<u>425,738,255</u>	<u>43,476,386</u>	<u>116,253,529</u>	<u>585,468,170</u>

The Condensed Statement of Changes in Net Assets Value should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes.

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2017**

	Current YTD 31.3.2017 RM	Preceding YTD 31.3.2016 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	9,621,537	10,706,458
Adjustments for :-		
Interest income	(47,540)	(44,194)
Interest expense	5,637,280	5,669,791
Rental under MFRS 117	76,430	111,992
Impairment loss on trade receivables	357,996	37,500
Bad debt written off	-	86,579
Fair value change on derivatives	(299,827)	-
Operating profit before working capital changes	<u>15,345,876</u>	<u>16,568,126</u>
Change in working capital :-		
Receivables	(835,037)	(1,808,007)
Payables	(1,680,056)	(1,281,609)
Net cash from operating activities	<u>12,830,783</u>	<u>13,478,510</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties		
Expenditure for refurbishment and enhancement of investment property incurred	(1,005,882)	(694,550)
Interest income	47,540	44,194
Net cash used in investing activities	<u>(958,342)</u>	<u>(650,356)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(5,637,280)	(5,669,791)
Distribution to Unitholders	(10,817,121)	(10,817,121)
Borrowings	169,930	2,918,741
Net cash used in financing activities	<u>(16,284,471)</u>	<u>(13,568,171)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,412,030)	(740,017)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,560,249	19,085,638
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,148,219</u>	<u>18,345,621</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2017 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting and Chapter 9 Paragraph 9.44 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Hektar REIT had adopted Malaysian Financial Reporting Standard issued by Malaysian Accounting Standards Board for accounting period beginning 1 January 2012.

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR

The auditors have expressed an unqualified opinion on Hektar REIT's financial statements for the year ended 31 December 2016 in their report dated 14 February 2017.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of Hektar REIT is not affected by material, seasonal or cyclical factors.

A4 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

A5 CHANGES IN ESTIMATES

There were no changes in estimates that have had material effect in the current quarter.

A6 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 INCOME DISTRIBUTION

Based on the quarterly result ended 31 March 2017, there will be a First Interim Income Distribution of 2.3 sen per unit, amounting to RM9,214,585 to be made on 22 June 2017.

A8 SEGMENT INFORMATION

The principal activity of Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium-to-long term growth. Hence, no segmental reporting is presented.

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties for Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Landmark Central were last valued on 27 December 2016.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim period.

A11 CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes to the composition of Hektar REIT during the current quarter and the fund size stands at 400,634,117 units.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A13 RENTAL INCOME FROM TENANCIES (MFRS 117)

Rental income receivable under tenancy agreements is recognised on a straight-line basis over the term of the lease.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,892,659 representing the difference between the fair value and the amount of deposits carried in the statement of financial position as a result of the recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 financial instruments.

A15 CAPITAL COMMITMENT (MFRS 134)

Capital commitment in respect of the following has not been provided for in the financial statement:-

Authorised and contracted for:-	<u>RM</u>
Refurbishment of investment properties	20,050,144
Acquisition of 1Segamat Shopping Centre	<u>93,600,000</u>
	<u>113,650,144</u>

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BHD'S MAIN MARKET OF LISTING REQUIREMENT'S

B1 REVIEW OF PERFORMANCE

For the cumulative quarter ended 31 March 2017, Hektar REIT generated total revenue of RM30,857,245 including interest and other income.

Revenue is lower than the preceeding quarter by 2%. The realised net profit was lower by 13% due mainly to lower contribution from Subang Parade.

Property operating expenses increased by RM240,939.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.3.2017 RM	Preceding Quarter Ended 31.3.2016 RM
Income/(loss) before tax (RM)	9,621,537	10,706,458
- Realised income before tax (RM)	<u>9,321,710</u>	<u>10,706,458</u>
- Unrealised income before tax (RM)	<u>299,827</u>	-

Realised income before tax was lower by 13% due mainly to lower contribution from Subang Parade due to the soft retail market and higher impairment loss on trade receivables.

B3 PROSPECT'S

Retail business in Malaysia continues to remain a challenge in 2017, especially in light of the sluggish economy. Hektar is in the process of completing the acquisition of 1Segamat Shopping Centre in addition to exploring Asset Enhancement Initiatives ("AEI") to improve its performance.

B4 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B5 TAX EXPENSE

Pursuant to the introduction of the new tax regime for Real Estate Investment Trust ("REIT"), a REIT will be fully exempted from income tax provided at least 90% of its income is distributed to unitholders with effect from the year of assessment 2007.

Barring unforeseen circumstances, there will be no tax payable as Hektar REIT intends to distribute at least 90% of the distributable income to unitholders for the year ending 31 December 2017.

B6 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the quarter.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B7 QUOTED INVESTMENTS

There were no purchases or disposal of quoted investments during the quarter.

B8 CORPORATE PROPOSAL AND DEVELOPMENTS

Acquisition of 1Segamat Shopping Centre & Proposed Rights Issue

Please refer to our announcements made to Bursa Malaysia Securities Berhad ("Bursa") via the Bursa website:

http://www.bursamalaysia.com/market/listed-companies/list-of-companies/plc-profile.html?stock_code=5121

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM508,370,302 are secured and comprise:

1. Current liability of RM15,000,000; and
2. Non-current liability of RM493,370,302.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at date of reporting.

B12 DERIVATIVES

As at 31 March 2017, the Trust has the following Islamic Profit Rate Swap ("IPRS") to hedge against the fluctuation of future movement in profit rate on its short term financing. The Trust is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised profit of the derivatives had been recognised in the profit and loss:

	Fair Value 31 March 2017 <u>RM</u>	<u>Maturity</u>
5-year IPRS – derivative liability	514,186	More than 1 year

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B13 MATERIAL LITIGATION

**Writ of Summons by Mahkota Parade JMB against Hektar REIT
(Guaman Sivil No: 22 NCVC-66-11)**

Further to our announcements dated 25 April 2016, 1 August 2016, 16 November 2016 and 14 February 2017, the Melaka High Court had heard the suit on 20 and 29 March and subsequently the hearing was concluded on 19 May 2017. At the conclusion of the hearing, the court directed parties to file in written submissions by 22 June 2017 and judgment is expected to be delivered on 23 July 2017.

**Appeal on Application to Strike Out Guaman Sivil No: 22 NCVC-66-11/2015)
(Civil Appeal No. M-02(IM)(NCVC)-1955-10/2016)**

Further to our announcements dated 16 November 2016 and 14 February 2017, Hektar REIT has, on the advice of its solicitors, withdrew its appeal at the Court of Appeal on the decision of the High Court to dismiss the application to strike out the claim from Mahkota Parade JMB.

**Strata Management Tribunal Claim Against Mahkota Parade JMB
(Tribunal Court Putrajaya Case No. TPS/M-2024-11/2016)**

On 28 November 2016, Hektar REIT has filed a claim against the Mahkota Parade JMB and 8 other defendants at the Strata Management Tribunal to invalidate the previous annual general meeting held on 26 January 2016.

At the same time, on 18 April 2017, the Tribunal heard and dismissed Hektar REIT's interlocutory application to refrain the Mahkota Parade JMB from calling the 5th annual general meeting scheduled on 19 April 2017 until the disposal of Hektar REIT's claim in this case. At the same hearing, the Tribunal dismissed Mahkota Parade JMB's interlocutory application to strike out Hektar REIT's claim. On 8 May 2017, the JMB lawyer's interlocutory application to nullify his subpoena to appear as a witness was allowed by the Tribunal.

The Tribunal then set 23 May 2017 as the next case management date and 22 June 2017 for the hearing in relation to the 28 November 2016 claim.

The management will continue to take all necessary action to fully defend Hektar REIT's rights and interest in this litigation matter and will provide further updates on the matter in due course.

B14 SOFT COMMISSION

For the quarter ended 31 March 2017, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B15 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a First Interim Income Distribution of 2.3 sen per unit, amounting to RM9,214,585 for the First Quarter ended 31 March 2017. The withholding tax rate imposed on the recipients of income distribution is as follows:

**UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE 3-MONTH FPE 31 MARCH 2017
TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

Non-corporate investor	Withholding tax at 10%
Foreign institutional investors	Withholding tax at 10%
Resident companies	Subject to tax at the prevailing tax rate at 24%
Non-resident companies	Withholding tax at the prevailing tax rate at 24%

B16 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.3.2017	Preceding Quarter Ended 31.3.2016
Income before tax (RM)	9,321,710	10,706,458
Provision for income distribution (RM)	9,214,585	10,416,487
Number of units in issue	400,634,117	400,634,117
Basic earnings per unit (sen)	2.40	2.67
- Realised	2.33	2.67
Distribution per unit (sen)	2.30	2.60
Market Price (RM)	1.63	1.51
Dividend Yield (%)	5.64	6.89

B17 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with MFRSs and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Hektar REIT as at 31 March 2017 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of the Manager on 22 May 2017.

By Order of the Board
HEKTAR ASSET MANAGEMENT SDN BHD
(as the Manager of Hektar Real Estate Investment Trust)

Dato' Muhammad Hafidz Nuruddin (MAICSA 7005820)
Lim Seck Wah (MAICSA 0799845)
Joint Company Secretaries
Kuala Lumpur
22 May 2017

CERTIFIED TRUE COPY


Secretary

LIM SECK WAH
MAICSA NO: 0799845

17 JUL 2017

DIRECTORS' REPORT



HEKTAR ASSET MANAGEMENT

Date: 19 JUL 2017

To : The Unitholders of Hektar Real Estate Investment Trust ("Hektar REIT")

Dear Sir/Madam,

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd ("**Board**"), the manager of Hektar REIT, I wish to report, after making due enquiries in relation to the period between 31 December 2016, being the date to which the last audited financial statements of Hektar REIT have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of this Rights Issue Prospectus:

- (i) the business of Hektar REIT has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of Hektar REIT which have adversely affected the trading or the value of the assets of Hektar REIT;
- (iii) the current assets of Hektar REIT appear in the books at value which are believed to be realisable in the ordinary course of business;
- (iv) there is no contingent liability which have arisen by reason of any guarantee or indemnity given by Hektar REIT;
- (v) since the last audited financial statements of Hektar REIT, there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings in which the Board is aware of; and
- (vi) there have been no material changes in the published reserves or any unusual factors affecting the incomes of Hektar REIT since the last audited financial statements of Hektar REIT.

Yours faithfully,

For and on behalf of the Board of
HEKTAR ASSET MANAGEMENT SDN BHD

DATO HISHAM BIN OTHMAN
 Executive Director / Chief Executive Officer

HEKTAR ASSET MANAGEMENT SDN BHD (732261-T)

D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia.

Tel: +6 03-6205 5570 Fax: +6 03-6205 5571

ADDITIONAL INFORMATION

1. UNITS IN CIRCULATION

- (i) No securities of Hektar REIT will be allotted or issued on the basis of this Rights Issue Prospectus later than twelve (12) months after the date of issuance of this Rights Issue Prospectus.
- (ii) No person has been or is entitled to be given an option to subscribe for any securities of Hektar REIT as at the date of this Rights Issue Prospectus.

2. FEES AND CHARGES**(i) Manager**

Pursuant to the Deed, the Manager's annual fees consist of the following:

- (a) base fee of up to 1.0% per annum of the gross asset value of Hektar REIT, payable monthly in arrears; and
- (b) performance fee of up to 5.0% per annum of NPI, before deducting property management fees, payable monthly in arrears.

(ii) Trustee

In accordance with the Deed, the Trustee is entitled to receive a fee of up to 0.1% per annum of Hektar REIT's NAV, including the Manager's fees, payable monthly in arrears.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts in the ordinary course of business) entered into by the Trustee and the Manager, on behalf of Hektar REIT, within the two (2) years immediately preceding the date of this Rights Issue Prospectus:

- (i) Conditional sale and purchase agreement dated 10 June 2016 between MTrustee and TDSB for the proposed acquisition by MTrustee, on behalf of Hektar REIT, of the Subject Property for a cash consideration of RM104.0 million; and
- (ii) Underwriting agreement dated 14 July 2017 between the Manager, the Trustee and the Joint Underwriters in relation to the underwriting of 17,517,678 Rights Units (representing 28.74% of the total Rights Units) amounting to RM19,444,622, at a managing underwriting commission and an underwriting commission of 0.25% and 1.50% of the value of the Underwritten Rights Units, respectively.

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ADDITIONAL INFORMATION (Cont'd)

4. MATERIAL LITIGATION

4.1 Hektar REIT

Save as disclosed below, as at the LPD, Hektar REIT is not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings, pending or threatened, against Hektar REIT or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Hektar REIT:

Writ of summons by Mahkota Parade Joint Management Body ("MPJMB")

On 27 November 2015, MPJMB filed a writ of summons against the Trustee, the Manager and Hektar Property Services Sdn Bhd, the property manager of Hektar REIT (collectively referred to as "**Defendants**"), seeking, among others, the following:

- (i) a declaration for the determination of "common area" within Mahkota Parade as defined under the Strata Management Act 2013 ("**SMA**");
- (ii) a declaration that the areas such as, among others, the concourse, lobby, corridor, staircase and car parks are included in the definition of "common area" under the SMA;
- (iii) an order to compel the Defendants to surrender the Building Maintenance Account, the original approved as-built plan for Mahkota Parade, the original approved strata plan for Mahkota Parade, the list of names and details of the tenants occupying the disputed common areas, and the control and ownership of the common areas;
- (iv) an order to compel the Defendants to produce the audited statement of accounts showing the total revenue and rent collection from the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the parking fee collected from the car parks at Mahkota Parade for the period from 1 June 2012 to the date of judgment; and
- (v) an order to compel the Defendants to pay to MPJMB the total revenue and rent collection from the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the parking fee collected from the car parks at Mahkota Parade for the period from 1 June 2012 to the date of judgment.

In the event the High Court of Malaya in Melaka ("**Melaka High Court**") decides that the ownership of the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the car park bays at Mahkota Parade belongs to Hektar REIT, MPJMB is claiming for payment of alleged outstanding maintenance charges, sinking fund and late payment interest on the "disputed common areas" totaling a sum of RM12,148,962.12 as at 31 August 2015.

In addition, in the event the Melaka High Court decides that the car park bays (both at the basement level and the external open space) belong to Hektar REIT, MPJMB is also making an alternative claim of a monthly payment of RM428,395.20 in accordance with the monthly maintenance charge rate of RM1.20 per sqf commencing from 1 September 2015. The Melaka High Court had heard the case on 20 March 2017 and 29 March 2017, and subsequently the hearing was concluded on 19 May 2017. At the conclusion of the hearing, the court had directed parties to file in written submissions by 23 June 2017 and judgement is expected to be delivered on 11 August 2017.

ADDITIONAL INFORMATION (Cont'd)

On 28 November 2016, Hektar REIT has filed its claim against MPJMB and 8 other defendants at the Strata Management Tribunal ("**Tribunal**") to invalidate the previous annual general meeting held on 26 January 2016. On 18 April 2017, the Tribunal heard and dismissed Hektar REIT's interlocutory application to refrain MPJMB from calling the 5th annual general meeting scheduled on 19 April 2017 until the disposal of Hektar REIT's claim in the case. During the same hearing, the Tribunal dismissed MPJMB's lawyer's interlocutory application to strike out Hektar REIT's claim. On 8 May 2017, MPJMB's lawyer's interlocutory application to nullify his subpoena to appear as a witness was allowed by the Tribunal. The hearing of the 28 November 2016 claim, which was earlier fixed by the Tribunal to be held on 22 June 2017 was, at the request of MPJMB's lawyer, postponed to a later date to be fixed and notified by the Tribunal.

Based on legal advice obtained from Hektar REIT's solicitors, the management of the Manager is of the view that MPJMB's claims are unjustified and will continue to take all necessary action to fully defend Hektar REIT's rights and interest in this litigation.

4.2 Manager

As at the LPD, the Manager is not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings, pending or threatened, against the Manager or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of the Manager.

4.3 MTrustee

As at the LPD, MTrustee is not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and is not aware of any proceedings, pending or threatened, against MTrustee or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of MTrustee.

5. CONSENTS

The Trustee, Principal Adviser and Managing Underwriter, Joint Underwriters, Solicitors, Registrar, Joint Company Secretaries of the Manager, Auditors, Taxation Adviser, Principal Banker and Property Management Company have given before the issuance of this Rights Issue Prospectus and have not subsequently been withdrawn their written consents for the inclusion of its name and all references thereto in the form and context in which they appear in this Rights Issue Prospectus.

The independent market researcher, RNDC Retail Solutions Sdn Bhd, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Rights Issue Prospectus.

The reporting accountants, SJ Grant Thornton, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Reporting Accountants' letter on the proforma statement of financial position of Hektar REIT as at 31 December 2016, the auditor's report for the audited financial statements of Hektar REIT for the FYE 31 December 2016 and all references thereto in the form and context in which they appear in this Rights Issue Prospectus.

The independent valuer, Henry Butcher, has given and has not subsequently withdrawn its written consent to the inclusion of its name, valuation certificate in respect of the 1Segamat Property and all references thereto in the form and context in which they appear in this Rights Issue Prospectus.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent to the inclusion of its name as the source of the historical prices of the Units and all references thereto in the form and context in which they appear in this Rights Issue Prospectus.

ADDITIONAL INFORMATION (Cont'd)

6. GENERAL

Save as disclosed in this Rights Issue Prospectus, there are no:

- (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of Hektar REIT;
- (b) material commitments for capital expenditure of Hektar REIT;
- (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of Hektar REIT;
- (d) known trends or uncertainties which have had, or that the Manager reasonably expects to have, a material favourable or unfavourable impact on revenues or operating income of Hektar REIT;
- (e) substantial increase in revenue or operating income; and
- (f) material information, including any special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of Hektar REIT.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Manager at D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur during normal business hours on any weekday (except public holidays) for a period of twelve (12) months from the date of this Rights Issue Prospectus:

- (i) the Deed;
- (ii) audited financial statements of Hektar REIT for the past 3 FYEs 31 December 2014 to 2016 and the unaudited quarterly results of Hektar REIT for the 3-month FPE 31 March 2017;
- (iii) certified true extract of the resolutions relating to the Corporate Exercises passed at the Meeting held on 13 June 2017 as set out in Appendix I of this Rights Issue Prospectus;
- (iv) valuation certificate and updated valuation certificate in respect of the valuation of the 1Segamat Property as set out in Appendix III(A), Appendix III(B) and Appendix III(C) of this Rights Issue Prospectus;
- (v) pro forma statement of financial position of Hektar REIT as at 31 December 2016 together with the notes and Reporting Accountants' letter thereon as set out in Appendix IV of this Rights Issue Prospectus;
- (vi) Directors' Report as set out in Appendix VI of this Rights Issue Prospectus;
- (vii) material contracts as referred to in Section 3 of this Appendix;
- (viii) relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix;
- (ix) consent letters as referred to in Section 5 of this Appendix;
- (x) the Undertakings; and
- (xi) independent market research report prepared by RNDC Retail Solutions Sdn Bhd.

ADDITIONAL INFORMATION (Cont'd)

8. RESPONSIBILITY STATEMENT

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Rights Issue Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT

TERMS DEFINED IN THE RIGHTS ISSUE PROSPECTUS DATED 31 JULY 2017 ("RIGHTS ISSUE PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS OTHERWISE STATED. THE PROVISIONAL RIGHTS UNITS ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT, 1991, AS AMENDED FROM TIME TO TIME, INCLUDING SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) AMENDMENT ACT, 1998 ("SICDA") AND THEREFORE, ALL DEALINGS IN THE PROVISIONAL RIGHTS UNITS WILL BE GOVERNED BY THE SICDA AND THE RULES OF BURSA DEPOSITORY.



HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the trust deed dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) entered into between Hektar Asset Management Sdn Bhd and MTrustee Berhad (formerly known as AmTrustee Berhad))

RENOUNCEABLE RIGHTS ISSUE OF 60,966,061 NEW UNITS IN HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") ("RIGHTS UNITS") AT AN ISSUE PRICE OF RM1.11 PER RIGHTS UNIT ON THE BASIS OF 7 RIGHTS UNITS FOR EVERY 46 EXISTING UNITS HELD AT 5.00 P.M. ON 31 JULY 2017 ("ENTITLEMENT DATE")

Manager



Hektar Asset Management Sdn Bhd (732261-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016 ("Act"))

Principal Adviser, Managing Underwriter and Joint Underwriter



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Trustee

MTrustee Berhad (163032-V)

(formerly known as AmTrustee Berhad)
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act)

Joint Underwriter



Kenanga Investment Bank Berhad (15678-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

To: **The Entitled Unitholders**

Dear Sir/Madam,

The Board has provisionally allotted to you the number of Rights Units as indicated below in relation to the Rights Issue, subject to the terms and conditions stated in the Rights Issue Prospectus and the RSF issued by Hektar REIT.

We wish to advise that the Provisional Rights Units made to you in respect of the Rights Issue have been confirmed by Bursa Depository and upon acceptance will be credited into your CDS Account(s).

Bursa Securities has prescribed the securities of Hektar REIT listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, all dealings in the Provisional Rights Units are prescribed securities and as such, all dealings in the Provisional Rights Units will be by book entries through CDS Accounts and governed by the SICDA and the Rules of Bursa Depository.

ALL RIGHTS UNITS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS UNITS INTO THE CDS ACCOUNTS OF THE ENTITLED UNITHOLDERS AND/OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE). NO PHYSICAL UNIT CERTIFICATE WILL BE ISSUED.

It is the intention of the Board to allot the Excess Rights Units, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on their unitholdings as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for; and
- (iv) fourthly, for allocation to the renouncee(s) and/or transferee(s) of the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for.

In the event of any Excess Rights Units balance after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated to allocate the balance Excess Rights Units until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess Rights Units applied for in such manner as the Board deems fit and expedient, and in the best interest of Hektar REIT, subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED UNITHOLDER

--

NUMBER OF UNITS HELD AS AT 5.00 P.M. ON 31 JULY 2017	NUMBER OF RIGHTS UNITS PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM1.11 PER RIGHTS UNIT
		RM

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date.....	Monday, 31 July 2017 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Units	Monday, 7 August 2017 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Units	Thursday, 10 August 2017 at 4.00 p.m.
Last date and time for the acceptance of and payment for the Provisional Rights Units.....	Tuesday, 15 August 2017 at 5.00 p.m.
Last date and time for the application and payment for the Excess Rights Units.....	Tuesday, 15 August 2017 at 5.00 p.m.

BY ORDER OF THE BOARD
DATO' MUHAMMAD HAFIDZ BIN NURUDDIN (MAICSA 7005820)
LIM SECK WAH (MAICSA 0799845)
 Joint Company Secretaries

Registrar
Mega Corporate Services Sdn Bhd
 Level 15-2, Bangunan Faber Imperial Court
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel. No.: +603 2692 4271
 Fax. No.: +603 2732 5388

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE REQUIREMENTS OF THE CMSA, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE RIGHTS ISSUE PROSPECTUS.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. All enquiries concerning the Rights Issue should be addressed to the Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE RIGHTS ISSUE PROSPECTUS TO WHICH THIS RSF RELATES TO BEFORE COMPLETING AND SIGNING THIS RSF.

This RSF, together with the Rights Issue Prospectus and the NPA (collectively, the "Documents") are only despatched to the Unitholders whose names appear in the Record of Depositors of Hektar REIT at 5.00 p.m. on 31 July 2017 and who have a registered address in Malaysia or who have provided the Registrar with a registered address in Malaysia in writing on or before 5.00 p.m. on 31 July 2017. The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that the Rights Issue or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. It shall be the sole responsibility of the Entitled Unitholders and/or their renounees/transferees (if applicable) who are resident in countries or jurisdictions other than Malaysia to immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights Units, application for Excess Rights Units or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Units would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Unitholders and/or their renounees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 12 of the Rights Issue Prospectus. The Manager, the Trustee and Maybank IB shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) by any Entitled Unitholders and/or their renounees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Unitholders and/or their renounee(s) and/or transferees (if applicable) are residents.

Approval for the Rights Issue has been obtained at the Meeting held on 13 June 2017. Approval has also been obtained from Bursa Securities on 18 May 2017 for the listing and quotation of the Rights Units on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue. The listing and quotation of the Rights Units is in no way reflective of the merits of the Rights Issue. The listing and quotation of the Rights Units will commence after, among others, the receipt of confirmation from Bursa Depository that the Rights Units have been duly credited into the CDS Accounts of the successful Entitled Unitholders and/or their renounees/transferees (if applicable) and the notices of allotment have been despatched to them.

A copy of this Rights Issue Prospectus has been registered with the SC. The registration of this Rights Issue Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Rights Issue Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the SC who takes no responsibility for the contents.

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Unless otherwise stated, the unit of currencies used in this RSF is RM and sen.

INSTRUCTIONS:

(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

The last date and time for acceptance of and payment for the Provisional Rights Units and the Excess Rights Units is **15 August 2017 at 5.00 p.m.**, being the Closing Date.

If acceptance of and payment for the Provisional Rights Units are not received by the Registrar, Mega Corporate Services Sdn Bhd, at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur by the Closing Date, the Provisional Rights Units allotted to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Registrar.

The Board will then have the right to allot such Rights Units to applicants applying for Excess Rights Units in the manner as set out in (III) below.

(II) FULL OR PART ACCEPTANCE AND PAYMENT

If you wish to accept the Provisional Rights Units, either in full or in part, please complete Parts I and II of this RSF and submit this RSF together with the appropriate remittance made in RM for the **FULL** and **EXACT** amount payable for the Provisional Rights Units accepted in the form of **banker's draft(s), cashier's order(s), money order(s) or postal order(s)** drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**HEKTAR REIT RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with the name and address in block letters, contact number and CDS Account number of the applicant to be received by the Registrar together with this RSF by the Closing Date.

Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in this RSF.

No acknowledgement of receipt of this RSF or application monies will be made by Hektar REIT or the Registrar in respect of the Provisional Rights Units. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown in the Record of Depositors of Hektar REIT at your own risk within eight (8) Market Days from the Closing Date. In respect of unsuccessful or partially successful applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest by ordinary post to the address as shown in the Record of Depositors of Hektar REIT at your own risk within fifteen (15) Market Days from the Closing Date.

(III) APPLICATION FOR EXCESS RIGHTS UNITS

If you wish to apply for the Excess Units, you may so do by completing Parts I and II of this RSF and forward it (together with a **separate remittance** made in RM for the **FULL** and **EXACT** amount payable in respect of the Excess Rights Units applied for) using the envelope provided to the Registrar at the address set out in (I) above, so as to arrive by the Closing Date. Payment for the Excess Rights Units applied should be made in the same manner as described in (II) above, except that the **banker's draft(s), cashier's order(s), money order(s) or postal order(s)** drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**HEKTAR REIT EXCESS RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with the name and address in block letters, contact number and CDS Account number of the applicant to be received by the Registrar together with this RSF by the Closing Date.

Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in this RSF.

No acknowledgement of receipt of this RSF for the Excess Rights Units application or application monies will be made by Hektar REIT or the Registrar in respect of the Excess Rights Units. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown in the Record of Depositors of Hektar REIT at your own risk within eight (8) Market Days from the Closing Date. In respect of unsuccessful or partially successful Excess Rights Units applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest by ordinary post to the address as shown in the Record of Depositors of Hektar REIT at your own risk within fifteen (15) Market Days from the Closing Date.

It is the intention of the Board to allot the Excess Rights Units, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on their unitholdings as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for; and
- (iv) fourthly, for allocation to the renounee(s) and/or transferee(s) of the Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Units applied for.

In the event of any Excess Rights Units balance after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated to allocate the balance Excess Rights Units until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess Rights Units applied for in such manner as the Board deems fit and expedient, and in the best interest of Hektar REIT, subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

(IV) SALE/TRANSFER OF PROVISIONAL RIGHTS UNITS

Should you wish to sell/transfer, all or part of your entitlements to the Provisional Rights Units to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Units standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities for the period up to the last date and time for the sale of the Provisional Rights Units (in accordance with the Rules of Bursa Depository) or transfer such entitlements to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the transfer of the Provisional Rights Units (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your Provisional Rights Units, you are not required to deliver any document, including this RSF, to any stockbroker. However, you are advised to ensure that there are sufficient number of Provisional Rights Units standing to the credit of your CDS Account before selling/transferring.

If you have sold/transferred only part of your Provisional Rights Units, you may still accept the balance of your Provisional Rights Units by completing Parts I and II of this RSF and forwarding this RSF together with the **FULL** and **EXACT** amount payable for the balance of the Provisional Rights Units accepted to the Registrar in accordance with the instructions in (II) above.

(V) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal.
- (b) The Rights Units applied by you will be credited into your CDS as stated in this RSF or the exact CDS Account appearing in the Record of Depositors of Hektar REIT.
- (c) Any interest or other benefit accruing on or arising from or in connection with any remittance shall be for the benefit of Hektar REIT and the Manager shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Units by you shall be governed by and construed in accordance with the laws of Malaysia and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) The Board reserves the right to accept or reject any acceptance and/or application (if applicable) if the instructions stated herein are not strictly adhered to, or which are illegible.
- (f) A Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
- (g) Entitled Unitholders and/or their renounees/transferees (if applicable) should note that this RSF and remittances so lodged with the Registrar shall be irrevocable and shall not be subsequently withdrawn.