

HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT” OR THE “REIT”)

- **Proposed Acquisitions;**
- **Proposed Rights Issue; and**
- **Proposed Increase in Fund Size.**

1. INTRODUCTION

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd (the “**Board**”), the management company of Hektar REIT (“**HAMSB**” or the “**Manager**”), ECM Libra Investment Bank Berhad (“**ECM Libra**”), wishes to announce that AmTrustee Berhad, (“**Trustee**” or the “**Purchaser**”), the Trustee for Hektar REIT, had on 8 December 2011 entered into two (2) separate conditional sale and purchase agreements (“**SPAs**”) to acquire the following properties for a total cash consideration of RM181,000,000 (“**Purchase Price**”):

- (a) all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, District of Kulim, Bakar Bata State of Kedah measuring approximately 291,917 square feet (“**sq. ft.**”) on which is erected a three (3)-storey mall building (including six hundred and forty two (642) car park bays) comprising a shopping mall known as “Landmark Central Shopping Centre” with a covered car park providing approximately six hundred and seven (607) car parking bays and an open surface providing approximately thirty five (35) car parking bays within the land, measuring in total a net lettable area of 289,462 sq. ft. (“**Landmark Central Property**”) from Sri Awona Sdn Bhd (“**SASB**”) for a purchase consideration of RM98,000,000; and
- (b) one hundred and ten (110) strata parcels within a six (6)-storey mall building comprising a shopping mall known as “Central Square Shopping Centre” (measuring 464,520 square feet and representing 85% of the voting rights in Perbadanan Pengurusan Komplek Central Square (“**PPKCS**”)) together with all the accessory parcels thereto, which consists of retail space with an aggregate net lettable area of approximately 300, 782 sq. ft. and approximately 488 car park bays erected on freehold land held und Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah (“**Central Square Property**”) from Awona Land Sdn Bhd (“**ALSB**”) for a purchase consideration of RM83,000,000.

*(collectively, the “**Proposed Acquisitions**”)*

In conjunction with the Proposed Acquisitions, the following is also proposed:

- (a) proposed renounceable rights issue of new Hektar REIT units (“**Rights Units**”) to the entitled unitholders of Hektar REIT to raise gross proceeds of approximately RM98,400,000 (“**Proposed Rights Issue**”) to part-fund the Proposed Acquisitions;
- (b) proposed issuance of new Hektar REIT units (“**Manager’s Units**”) to the Manager amounting to RM905,000 as part of the acquisition fee due to the Manager (“**Proposed Issuance to Manager**”); and
- (c) proposed increase in the existing approved fund size of Hektar REIT by such number of Rights Units and Manager’s Units (“**Proposed Increase in Fund Size**”).

*(Collectively, the abovementioned is referred to as the (“**Proposals**”)).*

Further details are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1.1 Landmark Central Property

The Landmark Central Property is a three (3)-storey mall building comprising a shopping mall that includes approximately six hundred and seven (607) car parking bays and an open surface providing approximately thirty five (35) car parking bays.

SASB is the registered proprietor of all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, District of Kulim, Bakar Bata, State of Kedah measuring approximately 291,917 sq. ft. on which is erected Landmark Central Property.

A brief description of Landmark Central Property is as follows:

Postal Address	Landmark Central Shopping Centre, No.1 Jalan KLC Satu (1), Kulim, 09000 Kedah Darul Aman
Land title details	GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, District of Kulim, State of Kedah
Tenure	Freehold
Registered owner	Sri Awona Sdn Bhd
Category of land use	Building
Property use	Retail mall
Age of the building (years)	2
Gross floor area (sq. ft.)	445,320
Net lettable area (sq. ft.)	281,298
Land area (sq.ft.)	291,917
Date of certificate of completion and compliance	27 July 2009
No. of car park bays	642
Occupancy rate as at 1 November 2011 (%)	77
Net property income for the financial year ended 30 June 2011 (RM) ⁽¹⁾	5,178,830
Audited net book value of SASB as at 30 June 2011 (RM) ⁽²⁾	37,222,159
Market value as at 1 November 2011 as appraised by the valuer	RM101,000,000
Encumbrances	Two (2) charges in favour of Malayan Banking Berhad vide: (i) charge presentation no: 225/2008 registered on 29 January 2008; and (ii) charge presentation 226/2008 registered on 29 January 2008.
Express conditions	<i>"Tanah yang terkandung dalam hakmilik ini hendaklah digunakan sebagai tapak untuk satu bangunan perniagaan (Tapak kompleks perniagaan) sahaja."</i> The land as described in this title shall only be used as a site for one

	commercial building (commercial complex site) only.
Restriction in interest	<p><i>“Ditegah tuan tanah membuat sebarang perkiraan (dealings) di atas tanah yang hendak dimajukan sebagai tapak perumahan⁽³⁾ itu melainkan tuan tanah bina dan pelihara simpanan jalan itu dan taruh batu dan tar mengikut taraf Jabatan Kerja Raya serta perbuat parit-parit dengan sepuashati Penguasa Tempatan dan Jabatan Kerja Raya atau ada jaminan daripada Penguasa Tempatan dan Jabatan Kerja Raya bahawa jalan-jalan dan parit-parit itu dapat disempurnakan.”</i> The land owner is prohibited from undertaking any dealings 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.</p>

Notes:

- 1) *Provided by SASB and does not include rental income from new major tenants who have signed Letters of Offer after 30 June 2011.*
- 2) *Audited net assets in the books of SASB include other assets.*
- 3) *This is not applicable as the land has not been developed for residential purposes.*

The Landmark Central Property tenancy agreements will be assigned to Hektar REIT in conjunction with the completion of the Proposals.

2.1.2 Central Square Property

The Central Square Property consists of one hundred and ten (110) strata parcels within a six (6)-storey mall building known as “Central Square Shopping Centre” comprising a shopping mall together with all the accessory parcels thereto and two (2) levels of basement car park.

ALSB is the registered proprietor of one hundred and ten (110) strata parcels within the building (measuring 464,520 sq.ft. and representing 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate net lettable area of approximately 300,782 sq. ft. and approximately 488 car park bays.

PPKCS is the registered proprietor of all that freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah in an area measuring approximately 118,425 sq. ft. on which is erected a six (6) storey mall building comprising a shopping mall known as “Central Square Shopping Centre”, together with two (2) levels of basement car park comprising of four hundred and eighty eight (488) car park bays.

Manager’s Participation in the Management Corporation

The owner of the majority share units will normally be able to exert some influence on the management of the common property by voting in the Annual General Meeting to elect appropriately experienced and responsible individual owners to be on the Council of the Management Corporation. As the intention is to appoint a property manager to effectively manage the building (common property including common areas and facilities), the Council will delegate its building management duties to the property manager based on an agreed scope of work and operating budget. The Council will therefore not be actively involved in the day to day running of the common property and will most likely only meet periodically

(on a monthly or bi-monthly basis) to discuss issues pertaining to the status of the accounts and property management services.

A brief description of the Central Square Property is as follows:

Postal Address	Central Square Shopping Centre, No.23, Jalan Kampung Baru, Sungai Petani 08000, Kedah Darul Aman
Strata title details	G145068/M1/1/18-22, G145068/M1/1/26, G145068/M1/1/34, G145068/M1/1/4, G145068/M1/1/45-50, G145068/M1/1/7-9, G145068/M1/2/100, G145068/M1/2/66, G145068/M1/2/83, G145068/M1/2/86-87, G145068/M1/2/93, G145068/M1/2/98,, G145068/M1/3/108-112, G145068/M1/3/117, G145068/M1/3/119-121, G145068/M1/3/129, G145068/M1/3/139-147, G145068/M1/3/153-154, G145068/M1/4/160-166, G145068/M1/4/173-174, G145068/M1/4/180, G145068/M1/4/182, G145068/M1/4/188, G145068/M1/4/191-206, G145068/M1/4/208, G145068/M1/4/210-211, G145068/M1/4/213-227, G145068/M1/5/229-234, G145068/M1/5/236-238, G145068/M1/5/247-253, G145068/M1/B1/2-3, G145068/M1/B2/1
Tenure	Freehold (stratified)
Registered owner	Awona Land Sdn Bhd
Property use	Retail mall
Age of the building (years)	14
Gross floor area of the building (sq. ft.)	743,117
Net lettable area (sq. ft.)	300,782
No. of car park bays	488
Occupancy rate as at 1 November 2011 (%)	99.5
Net property income for the financial year ended 31 March 2011 (RM)⁽¹⁾	5,595,711
Audited net book value as at 31 March 2011 of ALSB (RM)⁽²⁾	17,702,675
Market value as at 1 November 2011 as appraised by the valuer (RM)	84,700,000
Encumbrances	Private caveat and charges
Express conditions	As per the master title land, set out below.
Restriction in interest	As per the master title land, set out below.

Notes:

1) *Provided by ALSB.*

2) *Audited net assets in the books of ALSB include other assets.*

A brief description of the master title land area is as follows:

Postal Address	Central Square Shopping Centre, No.23, Jalan Kampung Baru, Sungai Petani 08000, Kedah Darul Aman
Land title details	Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah
Registered owner	PPKCS
Date of certificate of fitness for occupation	22 December 1997
Category of land use	Building
Land area (sq. ft.)	118,425
Encumbrances	Private caveats
Express conditions	<i>“Tanah yang terkandung dalam hakmilik ini hendaklah digunakan sebagai tapak untuk satu bangunan perniagaan untuk kompleks perniagaan sahaja.”</i> The land as described in this title shall only be used as a site for one commercial building for commercial complex only.
Restriction in interest	None

The Central Square Property tenancy agreements will be assigned to Hektar REIT in conjunction with the completion of the Proposals.

*Collectively, SASB and ALSB shall be referred to as the (“**Vendors**”) and collectively, the Landmark Central Property and Central Square Property shall be referred to as (“**Subject Properties**”).*

2.2 Salient terms of the SPAs

The total purchase price of RM181,000,000 for the Subject Properties (“**Total Purchase Price**”) under the Proposed Acquisitions shall be settled in the following manner, in accordance with the terms and conditions of the SPAs:

- (a) Refundable earnest deposit of RM3,620,000 equivalent to 2% of the Total Purchase Price which has been paid to the Vendors’ solicitors as stakeholders (“**Stakeholders**”) prior to the execution of the SPAs, and which shall be applied towards the Purchase Price upon completion of the SPAs;
- (b) A further sum of RM14,480,000 equivalent to 8% of the Total Purchase Price has been paid to the Stakeholders upon signing of the SPAs; and
- (c) The balance of the Total Purchase Price of RM162,900,000 after the payments under (a) and (b) above shall be paid in cash to the Stakeholders within ninety (90) days from the date on which all the conditions precedents to the SPAs have been fulfilled and with an automatic extension of one (1) month therefrom, if applicable, with interest.

The Proposed Acquisitions are conditional upon the following conditions precedents being fulfilled within six (6) months from the date of the SPAs respectively with an automatic extension of one (1) month or such other extended period as may be mutually agreed between the Trustee and the Vendors:

2.2.1 Landmark Central Property

- (i) the Purchaser shall have obtained the approval from SC and Hektar REIT unitholders;
- (ii) SASB shall have obtained the approval of the appropriate authority for the conveyance or the disposal of the Landmark Central Property by SASB to the Purchaser (if any);
- (iii) SASB 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 the SASB's solicitors who shall have the right to release them to the Purchaser on the completion date;
- (iv) SASB shall have obtained from GCH Retail (M) Sdn Bhd a letter of waiver of its first right of refusal to purchase Lot 1F-1A1 in a form satisfactory to the Purchaser;
- (v) SASB shall have obtained from Big Cinemas Lotus Five Star Sdn Bhd a letter of waiver of its rights to purchase Lot 2-01 in a form satisfactory to the Purchaser;
- (vi) SASB shall have deposited with the Purchaser all drawings pertaining to the Landmark Central Property including as-built drawings;
- (vii) SASB shall have delivered to the Purchaser's solicitors the redemption statement from SASB's financier of the Landmark Central Property setting out the amount payable for the full redemption of the Landmark Central Property against SASB's financier undertaking to release the original issue document of title to the Landmark Central Property, the duplicate charge, deed of receipt and reassignment and the discharge of charge to the Purchaser and to refund the redemption sum received in the event the discharge cannot be registered at the relevant land office or registry for any reason whatsoever;
- (viii) SASB shall have deposited with SASB's Solicitors the original copy of the Certificate of Completion and Compliance for the Landmark Central Property; and
- (ix) all the conditions precedent set out in the sale and purchase agreement between ALSB and the Purchaser of even date have been fulfilled save for the conditions as set out in Section 2.2.2(x) of the Central Square Property SPA [waiver by The Store Corporation Bhd] .

2.2.2 Central Square Property

- (i) the Purchaser shall have obtained the approval from the SC and Hektar REIT unitholders;
- (ii) ALSB shall have obtained the approval of the appropriate authority for the conveyance or the disposal of the Central Square Property by ALSB to the Purchaser (if any);
- (iii) ALSB 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 ALSB's solicitors who shall have the right to release them to the Purchaser on the completion date;

- (iv) ALSB shall have obtained from Golden Arches Restaurants (M) Sdn Bhd a letter of waiver of their rights to purchase Lot GF-16 and 17 respectively in a form satisfactory to the Purchaser;
- (v) ALSB shall have obtained from The Store Corporation Bhd a letter of waiver of their rights to purchase Lot LG, GF-01, S-1, 2-01, 3-01 and 4-01 respectively in a form satisfactory to the Purchaser;
- (vi) ALSB shall have obtained from Watson's Personal Care Stores Sdn Bhd and Digi Telecommunications Sdn Bhd a letter of waiver of its first right of refusal to purchase Lot GF-12 and 13 and part of the rooftop in a form satisfactory to the Purchaser;
- (vii) ALSB shall have deposited with the Purchaser all drawings pertaining to the Central Square Property and the building including as built drawings;
- (viii) ALSB shall have delivered to the Purchaser's solicitors the redemption statement from ALSB's financier of the Central Square Property setting out the amount payable for the full redemption of the Central Square Property against the ALSB's financier undertaking to release the original issue document of title to the Central Square Property, deed of receipt and reassignment, the duplicate charge and the discharge of charge, withdrawal of existing caveat, deed of assignment and receipt and reassignment to the Purchaser and to refund the redemption sum received in the event the discharge cannot be registered at the relevant land office or registry for any reason whatsoever;
- (ix) ALSB shall have rectified the title for the parcel held under strata title registration number G145068/M1/5/213 , No. Petak 213, Tingkat No. 5, Bangunan M1, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah with the relevant land office for the inclusion of Accessory Parcel A17 and A18 to the said strata title; and
- (x) all the conditions precedent set out in the sale and purchase agreement between SASB and the Purchaser of even date have been fulfilled.

2.3 Basis of arriving at the Total Purchase Price

The Total Purchase Price for the Subject Properties was arrived on a willing-buyer willing seller basis after taking into account the market value of the Landmark Central Property and Central Square Property of RM101,000,000 and RM84,700,000 respectively as appraised by Messrs. Khong and Jaafar Sdn Bhd ("**Valuer**"), an independent professional firm of registered real estate valuers, who was appointed by the Manager on behalf of Hektar REIT, as per the respective valuation reports dated 3 November 2011. Both valuations were arrived at using the Income Approach to Value as the primary method of valuation, and the Comparison Approach to Value as the secondary method of valuation.

The purchase consideration of the Landmark Central Property of RM98,000,000 and the Central Square Property of RM83,000,000 represent discounts of 3% and 2% to its respective market values.

In arriving at the purchase consideration, the Manager had also given regard to the historical and prospective net property income of the Subject Properties vis-à-vis its respective purchase prices.

2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Hektar REIT arising from the Proposed Acquisitions.

2.5 Source of funding

The Proposed Acquisitions will be funded via the proceeds to be raised from the Proposed Rights Issue as well as bank borrowings of up to an amount of RM87,100,000, where the financial institution will be taking a first legal charge over the Landmark Central Property and Wetex Parade, an existing property of the REIT.

2.6 Information on the Vendors

2.6.1 SASB

Sri Awona Sdn Bhd is a private company, incorporated in Malaysia on 6 July 1984. As at 30 September 2011, its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each all of which is fully paid up. The principal activities of SASB are that of general construction and property development.

The directors of SASB are:

- (i) Teh Phek Hong;
- (ii) Loh See Kiang @ Loh Siew Yang;
- (iii) Loh Hun Peng,;
- (iv) Loh Wei Chai; and
- (v) Loh Ying Jie.

Except for Teh Phek Hong, Loh Kee Siang @ Loh Siew Yang, Loh Hun Peng, where their shareholdings are disclosed in the table below, none of the other directors has any interest in SASB.

The shareholders of SASB and their shareholdings based on the information provided by SASB are as follows:

Shareholders	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Teh Phek Hong	40,000	4.0		
Loh Hun Peng	65,000	6.5	750,000 ⁽¹⁾	75.0
Loh Hee Song @ Loh Siew Hock	20,000	2.0		
Loh See Kiang @ Loh Siew Yang	65,000	6.5	750,000 ⁽²⁾	75.0
Tat Seng Chan Sdn. Bhd.	750,000	75.0		
Loh Khin Kok	60,000	6.0		
Total	1,000,000	100.0	-	-

Notes:

- (1) Deemed interested by virtue of 39.1% equity interests in Tat Seng Chan Sdn. Bhd.
(2) Deemed interested by virtue of 37.5% equity interests in Tat Seng Chan Sdn. Bhd.

2.6.2 ALSB

Awona Land Sdn Bhd is a private company, incorporated in Malaysia on 4 March 1994. As at 30 September 2011, its authorised share capital is RM5,000,000 comprising 3,500,000 ordinary shares of RM0.70 each of which RM2,450,000 comprising 3,500,000 ordinary shares of RM0.70 each is fully paid-up. The principal activities of ALSB are that of property development, operation and management of a shopping complex.

The directors of ALSB as at 30 September 2011 are as follows:

- (i) Teh Phek Hong;
- (ii) Loh See Kiang @ Loh Siew Yang;
- (iii) Ong Tong Pheng @ Eng Ah Toon;
- (iv) Loh Geok Bew @ Loo Geok Bew;
- (v) Loh Hun Peng;
- (vi) Ong Gim Sem @ Ong Gim Seng; and
- (vii) Loh Wei Chai.

Except for Ong Tong Pheng @ Eng Ah Toon, Loh Geok Bew @ Loo Geok Bew, Ong Gim Sem @ Ong Gim Seng, where their shareholdings are disclosed in the table below, none of the other directors has any interest in ALSB.

The shareholders of ALSB and their shareholdings based on the information provided by ALSB are as follows:

Shareholders	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Ong Tong Pheng @ Eng Ah Toon	700,000	20.0	-	-
Loh Geok Bew @ Loo Geok Bew	175,000	5.0	-	-
Loh Ah Nya @ Loh Geok Chin	175,000	5.0	-	-
Ong Gim Sem @ Ong Gim Seng	525,000	15.0	-	-
Tat Seng Chan Sdn. Bhd.	1,750,000	50.0	-	-
Eng Kim Yu @ Ng Kim Yu	175,000	5.0	-	-
Loh Hun Peng	-	-	1,750,000 ⁽¹⁾	50.0
Loh See Kiang @ Loh Siew Yang	-	-	1,750,000 ⁽²⁾	50.0
Total	3,500,000	100.0	-	-

Notes:

- (1) Deemed interested by virtue of 39.1% equity interests in Tat Seng Chan Sdn. Bhd.
(2) Deemed interested by virtue of 37.5% equity interests in Tat Seng Chan Sdn. Bhd.

2.7 Total acquisition cost

The REIT will incur expenses in undertaking the Proposed Acquisitions, as set out in the table below:

Estimated total acquisition cost	RM
Purchase price for the Subject Properties	181,000,000
Acquisition fee of 1% of the Purchase Price due to the Manager	1,810,000 ⁽¹⁾
Estimated expenses for the Proposals (including expenses such as, professional fees, service tax, charges payable to the related authorities, costs of convening the unitholders' meeting and other incidental expenses.)	3,595,000
	186,405,000

Notes:

(1) To be satisfied in the following manner:

- (i) To be paid in cash by the Trustee to the Manager from the proceeds of the Proposed Rights Issue; and
- (ii) The balance of RM905,000 is proposed to be paid by way of the Manager's Units (please see Section 2.7.1 below for more information on the issuance of the Manager's Units).

A capital expenditure of an estimated RM19,000,000 is also anticipated to be incurred to refurbish and upgrade the Subject Properties. At this juncture however, details of the refurbishment have not been finalised, but it is with the intention to further enhance the rental income from the Subject Properties over a period of time.

2.7.1 Issuance of the Manager's Units

Clause 15.1.2 of the trust deed constituting the REIT dated 5 October 2006 ("Trust Deed") states the following:

"The Management Company is entitled to receive from the Trustee out of the Assets of the REIT:(c) An acquisition fee of up to 1.0% (Acquisition Fee) of the acquisition price of any Real Estate or Single Purpose Company purchased by the Trustee for the REIT (pro rated if applicable to the proportion of the interest of the REIT in the assets acquired)."

However, clause 4.15.1 of the Trust Deed states the following:

"The Management Company or its nominee shall not at any time hold any Units, other than when subscribing for the Promoter Units pursuant to Clause 2.2.1, which Units shall be disposed of in the manner set out in Clause 2.2.1".

As such, to issue the Manager's Units, the above clause will need to be modified. In this respect, the said clause 4.15.1 may be modified by the Trustee if the Trustee undertakes, pursuant to clause 22.2.1 of the Trust Deed, the following:

(a) Certification to the SC

To certify in a written statement to the SC that in their opinion such modification, addition or deletion does not materially prejudice the interests of the unitholders

and does not operate to release the Manager from any responsibility to the unitholders as provided in Clause 22.2.1 of the Trust Deed.

In this regard, the Trustee has confirmed via its letter dated 8 December 2011 that the issuance of the Hektar REIT units to the Manager as part payment of the acquisition fee, i.e. the Manager's Units, does not materially prejudice the interests of the unitholders and does not operate to release the Manager from any responsibility to the unitholders.

(b) Proposed modification

Following the above mentioned certification to the SC, the Manager and the Trustee proposes to amend the Deed by way of a supplemental deed to incorporate the following:

Clause	Existing clause	Proposed amendment
4.15.1	The Management Company or its nominee shall not at any time hold any Units, other than when subscribing for the Promoter Units pursuant to Clause 2.2.1, which Units shall be disposed of in the manner set out in Clause 2.2.1	The Management Company shall be entitled to hold, sell or deal with any Units received by the Management Company pursuant to the payment of fees to the Management Company unless otherwise prohibited by Relevant Laws and Requirements.

The issuance of the Manager's Units is pursuant to the Manager's entitlement to the acquisition fee of a maximum of 1% of the Total Purchase Price of the the Proposed Acquisitions, which would amount to RM1,810,000.

Whilst the acquisition could be paid entirely in cash, the Manager's Units would ensure that the interest of the Manager continues to be aligned with the REIT after the Proposed Acquisitions. In addition, the issuance of the new units vis-à-vis the cash payment (albeit in part) would mean the REIT is able to retain more cash.

As such, the proposed modification will provide more flexibility to Hektar REIT in settling payments due to the Manager, be it the annual management fee or any performance fee due to the Manager.

The actual number of Manager's Units, will be determined based on the final issue price of the Rights Units, which shall be determined later.

The application for the listing of and quotation for the Manager's Units on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") will be made concurrently with the same application for the Rights Units.

The Manager's Units shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up units, save and except that they will not be entitled to participate in any distributable income, rights, allotments and/or any other distributions that may be declared prior to the date of allotment of the Rights Units.

3. DETAILS OF THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue will entail the issuance of new units of Hektar REIT for subscription by the unitholders of Hektar REIT whose names appear on the Record of Depositors of Hektar REIT on an entitlement date to be determined later (“**Entitled Unitholders**”) to raise proceeds of approximately RM98,400,000 (“**Intended Gross Proceeds**”) for the purpose of:

- (i) part-funding the Proposed Acquisitions; and
- (ii) to defray the expenses relating to the Proposals.

The actual number of Rights Units, and hence the entitlement basis for the Proposed Rights Issue will be determined based on the final issue price of the Rights Units, which shall be determined later.

The Manager will endeavor to procure written irrevocable undertaking from its substantial unitholders to subscribe in full their respective entitlements under the Proposed Rights Issue.

The Board will look into underwriting arrangements for the balance of Rights Units where irrevocable undertakings are not obtained.

The Proposed Rights Issue is not undertaken on a minimum level of subscription basis.

3.1 Basis of the issue price of the Rights Units

The issue price of the Rights Units (“**Issue Price**”), and accordingly the number of Rights Units and the corresponding entitlement basis, will be determined by the Board, in consultation with ECM Libra as the principal adviser for the Proposed Rights Issue, at a price-fixing date to be determined later.

The issue price of the Rights Unit will be fixed immediately prior to the announcement of the books closure date for the Proposed Rights Issue, which can only be done after all prior approvals have been obtained (including the approval of the unitholders at an extraordinary general meeting to be held).

The issue price will be fixed based on the theoretical ex-rights price (“**TERP**”) of Hektar Units taking into consideration the five (5)-day volume weighted average price (“**VWAP**”) of Hektar REIT Units immediately prior to the announcement of the books closure date (“**BCD**”) (“**Price Fixing Date**”). The Issue Price will be fixed after taking into consideration the amount required to be raised under the Proposed Rights Issue and the then prevailing market conditions.

The issue price may or not be fixed at a discount to the TERP, where the REIT will need to raise proceeds of RM98,400,000 from the Proposed Rights Issue while at the same time taking cognizance of any impact to the net asset value (“**NAV**”) per unit and distribution per unit.

The final amount of units to be issued pursuant to the Rights Issue will depend on the final issue price at Price Fixing Date.

3.2 Renunciation of the Rights Units

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

The Rights Units which are not taken up or not validly taken up shall be made available for excess applications by the Entitled Unitholders and/or their renounee(s). It is the intention of the Board to allocate the excess Rights Units in a fair and equitable manner on a basis to be determined by the Board and announced later.

The Rights Units will be provisionally allotted to the Entitled Unitholders. Fractional entitlements under the Proposed Rights Issue if any, will be dealt with in such a manner as the Board in its absolute discretion deems fit and in the best interest of Hektar REIT.

3.3 Status and ranking of the Rights Units

The Rights Units shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up units, save and except that they will not be entitled to participate in any distributable income, rights, allotments and/or any other distributions that may be declared prior to the date of allotment of the Rights Units.

An application will be made to Bursa Securities for the listing of and quotation for the Rights Units on the Main Market of Bursa Securities.

3.4 Utilisation of proceeds

The proceeds arising from the Proposed Rights Issue of approximately RM98,400,000 shall be utilised in the following manner:

Purpose	Amount of proceeds	Estimated timeframe for utilisation from the listing of the Rights Units
Part finance the purchase consideration of the Proposed Acquisitions ⁽¹⁾	RM'000 93,900	Within one (1) month
Defrayment of estimated expenses for the Proposals ⁽²⁾	4,500	Within one (1) month
Total gross proceeds	98,400	

Notes:

- (1) *The balance of the Purchase Price is expected to be financed via debt.*
- (2) *The expenses for the Proposals consist of the part acquisition fee payable to the Manager, professional fees, service tax, charges payable to the related authorities and other incidental expenses to be incurred in relation to the Proposals. If the actual expenses are less than this estimated amount, the excess cash shall be used by Hektar REIT for working capital purposes.*

3.5 Entitled Unitholders with foreign addresses

The prospectus and its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue are not intended to comply with the laws of any jurisdiction other than Malaysia and will not be lodged, registered or approved under applicable securities legislation of any foreign jurisdiction. Accordingly, the Proposed Rights Issue will not be offered for subscription in countries or jurisdictions other than Malaysia.

The prospectus and its accompanying documents or any other documents relating to the Proposed Rights Issue (collectively “**Documents**”) will not be sent to the unitholders who have not provided an address in Malaysia for the service of Documents as at the entitlement date (“**Foreign-Addressed Unitholders**”). Foreign-Addressed Unitholders who wish to provide their addresses in Malaysia should inform their respective stockbrokers as well as the Fund’s unit registrar at Mega Corporate Services Sdn Bhd, at Level 15-2 Faber Imperial Court Jalan Sultan Ismail, P.O. Box 12337, 50774 Kuala Lumpur (Tel: +603-2692 4271) to effect the change of address prior to the entitlement date.

Applicants may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so and the Manager and/or its advisers would not be in breach of the laws of any jurisdictions to which the applicants may be subject to. The applicants shall be solely responsible to seek advice as to the laws of any jurisdiction which they may be subject to, and participation by the applicants in the Proposed Rights Issue shall be on the basis of a warranty by the applicants that they are allowed to do so lawfully without the Manager and/or its advisers being in breach of the laws of any jurisdiction.

Foreign-Addressed Unitholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Units under the laws and jurisdictions to which they are subject to, will have no claims whatsoever against the Manager and/or its advisers in respect of their rights entitlements or any proceeds arising from the Proposed Rights Issue.

4. DETAILS OF THE PROPOSED INCREASE IN FUND SIZE

In order to accommodate the issuance of the Rights Units and the Manager’s Units, the Manager is proposing to increase the existing fund size of Hektar REIT units by the actual number of Rights Units and Manager’s Units to be issued.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Acquisitions

5.1.1 In accordance with investment objectives and strategy

The Proposed Acquisitions are in line with the Manager’s investment objectives, which are to invest in real estate assets predominantly involved in retail and/or shopping centres, to provide unitholders with a secure income distribution and to enhance the long-term value of the REIT’s property portfolio. In addition, the identified assets fit into the Manager’s investment strategy of acquiring assets with opportunities of value-creation (potential asset enhancement).

The Landmark Central Property is considered to be the prime neighbourhood mall in Kulim in addition to having an attractive family entertainment component. It offers shoppers a plethora of retailers including Giant Superstore as well as a large variety of restaurants such as A&W, Secret Recipe, Pizza Hut and KFC. More importantly, two of its anchor tenants are Big Cinema and Ole Ole Superbowl, which are the only cinema and bowling centre in Kulim.

This allows the Landmark Central Property to capitalise on its unique selling proposition as an all-encompassing neighbourhood mall. The closest competitor is Summit Bukit Mertajam which is located in the neighbouring town of Bukit Mertajam. As at 1 November 2011, the Landmark Central Property has an occupancy rate of 77%. Negotiations are currently at an advanced stage with several parties including The Store, national brand food and beverage outlets and a telecommunication retail centre which will eventually increase the occupancy rate to above 90%.

Furthermore, Kulim Hi-Tech Park, located in Kulim, which officially opened in 1996, is the first high technology industrial park in Malaysia and anchors factories for a myriad of high technology companies from all over the globe providing employment to the population in Kulim. Kulim Hi-Tech Park is still on the receiving end of significant local as well as foreign direct investment and this in turn feeds into the population growth of Kulim which will translate to higher visitor traffic towards the Landmark Central Property in the future.

Similarly, completed in 1997, the Central Square Property is the most established retail centre in Sungai Petani and is considered as one of the most recognizable landmarks in the area. Strategically situated in the town centre, the Central Square Property is well-positioned as a neighbourhood mall that caters to its immediate surrounding community. It houses an established mix of national and international brand retailers and has one of the only two cinemas in Sungai Petani. As at 1 November 2011, the Central Square Property has an occupancy rate of 99.5% whilst the average occupancy rate of Hektar REIT's existing portfolio of Subang Parade, Mahkota Parade and Wetex Parade as at 31 December 2010 is 95.5%.

The Manager sees the Central Square Property as an asset that has further potential. It intends to adopt the same successful approach as of the case of Wetex Parade which involved a repositioning exercise, conducting extensive market research to aid its portfolio management and the introduction of best practices management. The Manager's systematic approach has resulted in the increase of Wetex Parade's occupancy rate to 95.5% in Financial Year End ("FYE") 2010 from 83.1% in FYE 2008 and 3.83% increase in property value to RM122,000,000 in FYE 2010 from its acquisition price of RM117,500,000 in December 2008.

Upon completion, the Manager intends to refurbish the Central Square Property, which has been in operation for approximately 14 years. The refurbishment of both the exterior and interior will update the Central Square Property's already-established profile and will upgrade the property's façade on par with some of the newer shopping malls in Sungai Petani. The effects of the potential improvement may include a substantial rise in value of the Central Square Property and the potential increase in rental rates, and thereby improving the property's yield in the long term.

5.1.2 Competitive strengths of the new retail malls

Landmark Central Property

Prime Position

The main trade area within 15 minutes radius of the Landmark Central Property has a catchment of 181,195 people. The entire Kulim town has a population of 282,745. Kulim town has grown very rapidly due to its proximity to Penang in addition to being enhanced by industrial activities.

Hi-Technology Boost

The Kulim Hi-Tech Park, located 8 km away from Kulim town and 3.5 km from the Landmark Central Property, officially opened in 1996 as the first and fully integrated high technology industrial park in Malaysia. Foreign multinational companies such as Intel, Fuji Electric, Infineon, Schenker Logistic, Showa Denko, First Solar, Hoya, Gazzo Food, Entegris, Celestica and SilTerra are located there and have been progressively increasing employment in the area. Kulim has also been identified by the Government as one of the destinations to be linked by the Penang Rapid Transit (Monorail) system by 2020.

Sole Retail Mall

The Landmark Central Property is the only modern purpose built shopping centre in Kulim. The closest competitor is Summit Bukit Mertajam which is located about 8 km away from Landmark Central in the neighbouring town of Bukit Mertajam. Prior to the establishment of the Landmark Central Property, the only one stop shopping place in Kulim town centre is the emporium format, the Store departmental store which is located in a four (4) storey shop house type building.

Prospective demographic growth

As Kulim has predominantly a population within the low to medium income level, the Landmark Central Property has evidently positioned itself to offer the relevant retail mix to meet the catchment profile. The current profile indicates diverse market segments which include youth, family and working adults. Being the only purpose built shopping complex in Kulim, Landmark Central as a neighbourhood centre offers good potential to capture the expatriate catchment at Kulim Hitech Park as well.

Central Square Property

Strategic Spot

The Central Square Property is located on Jalan Kampung Baru in the heart of the town of Sungai Petani, Kedah. The population in the main trade area within 15 minutes radius of the Central Square Property is approximately 406,870 and indicates that the Central Square Property has a strong main trade area out of an overall total of 441,308 people in Sungai Petani. The presence of a number of foreign and local hypermarket players in Sungai Petani also indicates that there is growing potential in the retail market. However, it should be noted the hypermarkets are located in the suburban areas and are competing with each other while the town centre itself lacks purpose built shopping malls with a good trade and tenant mix with the exception of the Central Square Property.

Prominent tenant mix

The current trade mix in the Central Square Property offers various basic necessities such as groceries, household goods and basic clothing needs. The main anchor tenant for the Central Square Property is the Store Departmental Store which occupies approximately 123,000 sq. ft. of net lettable area on (6) levels from Lower Ground Floor to Fourth Floor. The other key tenants are Ampang Bowl Bowling Centre (25,000 sq. ft.) and Golden Screen Cinemas (GSC) (10,590 sq. ft.) both on the Fifth Floor. GSC is an established cinema circuit and currently operates three (3) halls in the Central Square Property.

5.1.3 Geographical and earnings diversification

The Proposed Acquisitions will enable Hektar REIT to further diversify and expand its' current portfolio of properties to emerge less reliant upon any individual property market in Malaysia.

Furthermore, the Proposed Acquisitions will enhance income diversification of Hektar REIT and also provide its unitholders exposure to the retail sector in the Northern region of Malaysia in addition to its existing malls in Selangor, Melaka and Johor.

5.2 Proposed Rights Issue

The rationale for the Proposed Rights Issue is as follows:

- (i) to enable Hektar REIT to part finance the Proposed Acquisition through the issuance of new units rather than fully funding the Proposed Acquisitions using debt;
- (ii) to increase the number of units in circulation and may lead to an improvement in the trading liquidity of Hektar REIT; and
- (iii) to allow Entitled Unitholders to participate in the Proposed Rights Issue (on a pro-rata basis) and hence, mitigate dilution of the Entitled Unitholders' unitholdings in Hektar REIT.

After due consideration of the various funding options available, the Board is of the view that the Proposed Rights Issue is currently the most appropriate avenue to part finance the Proposed Acquisitions as the gearing level of Hektar REIT is approximately 42.69% of the total asset value as at 31 December 2010.

5.3 Proposed Increase in Fund Size

The Proposed Increase in Fund Size is to facilitate the issuance of the Rights Units and the Manager's Units.

6. EFFECTS OF THE PROPOSALS

For illustrative purposes only, the proforma effects of the Proposals is on the assumption that the Proposed Rights Issue and Proposed Issuance to Manager are undertaken on the basis that 80,000,250 units and 665,440 units will be issued respectively at the illustrative issue price of RM1.23 per Rights Unit and Manager Unit based on the TERP of Hektar REIT units up to and including 7 December 2011 being the last practicable date. Based on this, the indicative basis of entitlement for the Proposed Rights Issue is one (1) Rights Unit for every four (4) existing Hektar REIT units.

6.1 Unitholders' capital

	No. of units
Existing as at 7 December 2011	320,001,000
To be issued pursuant to the Proposed Rights Issue	80,000,250
To be issued pursuant to the Proposed Issuance to Manager	665,440
Enlarged unitholders' capital	400,666,690

6.2 Net asset value (“NAV”) and gearing

	Audited as at 31 December 2010	After the Proposed Rights Issue ⁽¹⁾	After the Proposed Acquisitions and Proposed Issuance to Manager ⁽²⁾
	RM'000	RM'000	RM'000
Unitholders' Capital	328,137	426,537	425,233
Undistributed Income	93,325	93,325	93,325
NAV	421,462	519,862	518,558
No. of Units in circulation ('000)	320,001	400,001	400,667
NAV per Unit (RM)	1.32	1.30	1.29
Total Borrowings	334,000	334,000	421,100
Total Asset	782,439	880,839	966,635
Gearing (%)	42.69	37.92	43.56

Notes:

- (1) After taking into consideration RM98,400,308 raised from the Proposed Rights Issue
- (2) After taking into consideration the following:
- (a) the acquisitions of the Subject Properties totaling to RM181,000,000;
 - (b) borrowings of RM87,100,000 to part-fund the Proposed Acquisitions; and
 - (c) expenses of RM4,500,000 to be netted off from proceeds raised from the Proposed Rights Issue relating to the Proposals of which an estimated RM2,291,000 is to be capitalized.

6.3 Substantial unitholders' unitholdings

The Proposed Acquisitions and Proposed Increase in Fund Size will not have any effect on the substantial unitholders' unitholdings in Hektar REIT.

Based on the Record of Depositors of Hektar REIT as at 7 December 2011, the proforma effects of the Proposed Rights Issue on the substantial unitholders' unitholdings are as follows:

Substantial unitholders	Direct Unitholdings in Hektar REIT							
	As at 7 December 2011				After the Proposals ⁽¹⁾			
	Direct	Indirect			Direct	Indirect		
	Number of Units	%	Number of Units	%	Number of Units	%	Number of Units	%
Frasers Centrepoint Trust	99,400,000	31.06	-	-	124,250,000	31.01	-	-
Hektar Premier Sdn Bhd	87,800,000	27.44	-	-	109,750,000	27.39	-	-
Hektar Black Sdn Bhd	40,700,000	12.72	-	-	50,875,000	12.70	-	-
ING Insurance Bhd	7,000,000	2.19	-	-	8,750,000	2.18	-	-

Note:

(1) After taking into consideration 665,440 Manager's Units and assuming all the Entitled Unitholders fully subscribe for their entitlements under the Proposed Rights Issue.

6.4 Distribution policy

6.4.1 Distributable income

Whilst the Proposals are expected to contribute positively to the future earnings of Hektar REIT, nevertheless the Proposals are not expected to have any immediate material impact on Hektar REIT's distribution policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the performance and cash flow position of Hektar REIT and market conditions.

6.4.2 Distribution per Unit

The Proposals are expected to be completed by the second quarter of 2012. As such, the Proposals are not expected to have a material effect on Hektar REIT's distributable income for the year ending 31 December 2011.

7. RISK FACTORS

The Proposed Acquisitions are subject to general risks relating to property investments, such as the risk of the property being unoccupied at the end of the tenancy agreements, credit risk of the tenant, possible re-negotiations in the rental rates due to adverse economic and property market conditions, possible under-insured losses, unanticipated repair works on the properties, amongst others, that would lead to lower than expected net income.

Whilst the terms of the tenancy agreements for the Subject Properties, such as long term tenancies, fixed rent revisions, and all outgoings are to be borne by the tenant resulting in the rental income to Hektar REIT, there are certain risks relating to the Subject Properties, which are set out below.

- (i) The Subject Properties may be affected by, alongside others, increased competition from other shopping malls and retail properties, non-renewal of tenancies following expiry, and the Manager's ability to collect rental on a timely basis. This could in turn have an adverse effect on Hektar REIT's financial condition and results of operations;
- (ii) The valuation of the Subject Properties is based on various assumptions and the price at which Hektar REIT is able to sell the Subject Properties may be different from the appraised value or the initial acquisition price of the Subject Properties;
- (iii) Due diligence on the Subject Properties may not identify all defects, breaches or non-compliance of any applicable laws including by-laws, rules and regulations, requirements of the regulatory authorities and other deficiencies, which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred. The representations, warranties and indemnities made in favour of Hektar REIT by ALSB and SASB may not offer sufficient protection for the costs and liabilities arising from any defect or deficiency;
- (iv) Hektar REIT will depend on external financing to part finance the Proposed Acquisitions and its ability to pay distributions may be adversely affected by this new loan agreement combined with Hektar REIT's current financing arrangements and/or future loan agreements or any interest rate fluctuations;
- (v) For the Central Square Property, control and rights to manage the common areas of Central Square Shopping Centre lies with PPKCS, also known as the Management Corporation. The Manager will not have direct control over the common areas of Central Square Shopping Centre. The quality, design and condition of the common areas of Central Square Shopping Centre will affect the attractiveness of retail space to potential tenants and shoppers, which could affect rental rates; and
- (vi) Even though Hektar REIT will have 85% of the voting rights in PPKCS, some degree of consensus is still required from the minority parcel owners to successfully execute any proposal that requires their financial contribution or cooperation. If the Manager is unable to gain consensus or cooperation from the minority parcel owners, it may be disabled from executing strategies which it believes are in the best interest of the Central Square Shopping Centre. This may have an adverse effect on Hektar REIT's financial condition and results of operations.

It is anticipated that with Hektar REIT and the Manager's track record in retail property and asset management, the above risks can be managed.

8. APPROVALS REQUIRED AND CONDITIONS OF THE PROPOSALS

The Proposals are subject to approvals being obtained from the following parties:

- (i) the SC for:
 - (a) the Proposed Acquisitions including the valuation of the Subject Properties;
 - (b) the Proposed Rights Issue;
 - (c) the Proposed Issuance to Manager;
 - (d) the Proposed Increase in Fund Size; and
 - (e) the listing of and quotation for the Rights Units and the Managers Units to be issued on the Main Market of Bursa Securities;
- (ii) the Unitholders of Hektar REIT at a unitholders' meeting to be convened ("**Meeting**") for the Proposed Acquisitions, the Proposed Rights Issue, Proposed Issuance to Manager and the Proposed Increase in Fund Size;
- (iii) Bursa Securities for the listing of and quotation for the Rights Units and the Managers' Units to be issued on the Main Market of Bursa Securities; and
- (iv) any other relevant regulatory authorities or parties, if required.

The Proposed Acquisitions are subject to, *inter alia*, the conditions precedent specified in Section 2.2.1 and Section 2.2.2 being satisfied within six (6) months of the announcement date.

The Proposed Acquisitions, Proposed Rights Issue, Proposed Issuance to Manager and Proposed Increase in Fund Size are inter-conditional with each other. The Manager's Units will be issued together with the Rights Units.

Save as disclosed above, the Proposals are not conditional upon any other proposals.

9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF HAMSB, MAJOR UNITHOLDERS OF HEKTAR REIT AND PERSONS CONNECTED

Dato' Jaafar is an indirect substantial unitholder of the REIT and is also an indirect substantial shareholder of the Manager. As such, he may be deemed to be interested in the Proposed Issuance to Manager. Notwithstanding, he is not deemed to be interested in this Proposed Acquisitions as the Proposed Acquisitions is not conditional upon the Proposed Issuance to Manager.

Save for the above, none of the Directors of HAMSB, major shareholders of HAMSB, major unitholders of Hektar REIT and persons connected to them have any interest, direct or indirect, in the Proposals beyond their respective entitlements as unitholders of Hektar REIT for the Proposed Rights Issue, which is the same as all other unitholders of Hektar REIT.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals and after careful deliberation, is of the opinion that the Proposals are in the best interest of Hektar REIT.

11. ADVISER

The Manager has appointed ECM Libra as the Principal Adviser for the Proposals.

12. ESTIMATED TIME FRAME FOR APPLICATION TO AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the second quarter of 2012, subject to all relevant approvals being obtained on a timely basis.

The applications to the relevant authorities in respect of the Proposals are expected to be made within two (2) months from the date of this announcement.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The copies of the SPAs dated 8 December 2011 and the respective valuation reports dated 3 November 2011 on the Subject Properties prepared by the Valuer, are available for inspection at the registered office of HAMS B at Block D1-U3-10, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 8 December 2011.