

**THIS CIRCULAR IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HEKTAR REIT'S UNITHOLDERS. IF UNITHOLDERS ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, THEY SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

The approval of the Securities Commission ("SC") for the Proposals (as defined herein) shall not be taken to indicate that the SC recommends the said proposals. Unitholders should rely on their own evaluation to assess the merits and risks of the Proposals herein.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused the information on the Proposed Increase in Fund Size (as defined herein) in this Circular prior to the issuance of this Circular as the said proposal falls under the category Exempt Circular.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



### **HEKTAR REAL ESTATE INVESTMENT TRUST**

*(established in Malaysia under the Deed dated 5 October 2006 (as amended by the Supplemental Deed dated 20 March 2012) entered into between Hektar Asset Management Sdn Bhd (Company No. 732261-T), a company incorporated in Malaysia under the Companies Act, 1965 and AmTrustee Berhad (Company No. 163032-V), a company incorporated in Malaysia under the Companies Act, 1965)*

#### **CIRCULAR TO UNITHOLDERS**

##### **IN RELATION TO**

- (I) **PROPOSED ACQUISITIONS BY AMTRUSTEE BERHAD, ON BEHALF OF HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") OF THE FOLLOWING PROPERTIES:**
- **LANDMARK CENTRAL PROPERTY (AS DEFINED HEREIN) FOR A PURCHASE CONSIDERATION OF RM98,000,000; AND**
  - **CENTRAL SQUARE PROPERTY (AS DEFINED HEREIN) FOR A PURCHASE CONSIDERATION OF RM83,000,000,**
- (COLLECTIVELY, THE "PROPOSED ACQUISITIONS");**
- (II) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 93,000,000 NEW UNITS IN HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") ("RIGHTS UNITS") TO THE ENTITLED UNITHOLDERS OF HEKTAR REIT ("PROPOSED RIGHTS ISSUE") TO PART-FUND THE PROPOSED ACQUISITIONS;**
- (III) **PROPOSED ISSUANCE OF UP TO 853,773 NEW UNITS IN HEKTAR REIT ("MANAGER'S UNITS") TO HEKTAR ASSET MANAGEMENT SDN BHD (THE "MANAGER") AMOUNTING TO RM905,000 AS PART OF THE ACQUISITION FEE DUE TO THE MANAGER ("PROPOSED ISSUANCE TO THE MANAGER"); AND**
- (IV) **PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT OF 320,001,000 UNITS TO UP TO 413,854,773 UNITS PURSUANT TO THE PROPOSED RIGHTS ISSUE AND PROPOSED ISSUANCE TO THE MANAGER.**

**AND**

#### **NOTICE OF UNITHOLDERS' MEETING**

*Adviser*

**ecmlibra** Investment Bank

**ECM LIBRA INVESTMENT BANK BERHAD (682-X)**

A Licensed Merchant Bank

A Participating Organisation of Bursa Malaysia Securities Berhad

The notice of the unitholders' meeting of Hektar REIT ("**Meeting**") and the Form of Proxy for the Meeting are set out in this Circular. Hektar REIT's Meeting will be held as follows:

Venue of the Meeting	: Ballroom, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur
Date and time of the Meeting	: Thursday, 5 July 2012, 11.00 a.m.
Last date and time for lodging of Form of Proxy	: Tuesday, 3 July 2012, 11.00 a.m.

The completed Form of Proxy should be lodged at the registered office of AmTrustee Berhad's business office at Level 15, Menara AmFIRST, No.1, Jalan 19/3, 46300 Petaling Jaya, Malaysia not later than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. The Form of Proxy once deposited will not preclude a unitholder from attending and voting in person at the Meeting should a unitholder subsequently wish to do so.

**This Circular is dated 20 June 2012**

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## DEFINITIONS

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The following definitions shall apply throughout this Circular unless the context requires otherwise:

Act	:	Companies Act, 1965 and any statutory modification, amendment or re-enactment thereof for the time being in force
ALSB	:	Awona Land Sdn Bhd (291372-P), the registered proprietor of the Central Square Property
AmTrustee or the Purchaser or the Trustee	:	AmTrustee Berhad (163032-V)
Board	:	Board of Directors of the Manager
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Central Square Property	:	One hundred and ten (110) strata parcels (out of a total of 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 (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85.0% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 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
Comparison Approach to Value	:	An estimation of the value of the Subject Properties by analysing sales of similar properties and making adjustments to those sales for dissimilarities (physical, legal and economic) between each of the selected comparables and the property under consideration. The next step is a reconciliation of adjusted values and a selection of the more suitable comparable made judgementally and based on professional experience.
Cut-Off Date	:	The period of six (6) months from the date of the SPAs with an automatic extension of a further one (1) month or such period of extension thereafter as shall be mutually agreed by the Vendors and the Purchaser
Deed	:	The trust deed in respect of the establishment of Hektar REIT dated 5 October 2006 (as amended by the Supplemental Deed dated 20 March 2012) executed between the Manager and AmTrustee
Director(s)	:	Any person occupying the position of a director of a corporation as defined in the Act
DPU	:	Distribution per Unit
ECM Libra or Adviser	:	ECM Libra Investment Bank Berhad (682-X)
Entitlement Basis	:	The entitlement basis under the Proposed Rights Issue which will be determined by the Board and announced closer to the implementation of the Proposed Rights Issue

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**DEFINITIONS (CONT'D)**

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Entitlement Date	:	A date to be determined by the Board and announced later, on which the names of the unitholders must be registered in the Record of Depositors as at 5.00 p.m. in order to be entitled to the Proposed Rights Issue
Entitled Unitholders	:	Unitholders of Hektar REIT whose names appear on the Record of Depositors of Hektar REIT on the Entitlement Date
EPU	:	Earnings per Unit
FYE	:	Financial year(s) ended
HAMSB or the Manager	:	Hektar Asset Management Sdn Bhd (732261-T), being the Manager of Hektar REIT
Hektar REIT or the REIT	:	Hektar Real Estate Investment Trust
Income Approach to Value	:	An estimation of the gross rental income of the Subject Properties as established from evidences of prevailing rental values for similar properties in the market, and from which the estimated outgoings are deducted to give a net rental. The net rental income per annum is then capitalised at an "all-risks" yield to give an estimate of market value, from the income or investment perspective. Just as the gross rental is market derived, the "all-risks" yield is also market derived.
Issue Price	:	Issue price of the Rights Units which will be determined by the Board and announced closer to the implementation of the Proposed Rights Issue
Landmark Central Property	:	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, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. 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 measuring in total a NLA of 279,291 sq. ft.
LPD	:	15 June 2012, being the last practicable date before the printing of this Circular
Mahkota Parade	:	A leasehold land measuring approximately 570,815 sq. ft. (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, second and third floors having a postal address at No.1, Jalan Merdeka, 75000 Melaka 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

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**DEFINITIONS (CONT'D)**

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Major Shareholder(s)	:	As stated in Bursa Malaysia Listing Requirements, means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is –  (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation.  For the purpose of this definition, "interest in shares" has the meaning given in section 6A of the Act
Management Corporation or PPKCS	:	The management corporation of a shopping mall known as Central Square Shopping Centre which was established pursuant to the Strata Titles Act 1985 and 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 Central Square Shopping Centre, save for the strata parcels within the Central Square Shopping Centre which has been sold and registered under the names of the individual parcel proprietors
Manager's Units	:	Up to 853,773 new Units to be issued pursuant to the Proposed Issuance to the Manager
Market Day	:	A day on which Bursa Securities is open for trading of securities
Meeting	:	Unitholders' meeting in relation to the Proposals
NAV	:	Net asset value
NLA	:	Net lettable area
Proposals	:	Collectively, Proposed Acquisitions, Proposed Rights Issue, Proposed Issuance to the Manager and Proposed Increase in Fund Size
Proposed Acquisitions	:	Collectively, the Proposed Landmark Central Property Acquisition and the Proposed Central Square Property Acquisition
Proposed Central Square Property Acquisition	:	Proposed acquisition of the Central Square Property by AmTrustee from ALSB for a purchase consideration of RM83,000,000 to be satisfied entirely by cash
Proposed Increase in Fund Size	:	Proposed increase in the existing approved fund size of Hektar REIT of 320,001,000 Units to up to 413,854,773 Units pursuant to the Proposed Rights Issue and Proposed Issuance to the Manager
Proposed Issuance to the Manager	:	Proposed issuance of up to 853,773 new Units to the Manager amounting to RM905,000 as part of the acquisition fee due to the Manager
Proposed Landmark Central Property Acquisition	:	Proposed acquisition of the Landmark Central Property by AmTrustee from SASB for a purchase consideration of RM98,000,000 to be satisfied entirely by cash

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**DEFINITIONS (CONT'D)**

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Proposed Rights Issue	:	Proposed renounceable rights issue of up to 93,000,000 new Units to the Entitled Unitholders of Hektar REIT to part-fund the Proposed Acquisitions
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository
Registrar	:	Mega Corporate Services Sdn Bhd (187984-H)
REIT Guidelines	:	The Guidelines on Real Estate Investment Trusts issued by the SC as at 21 August 2008 and any subsequent amendment thereto
Reporting Accountants	:	SJ Grant Thornton (455582-W)
Rights Units	:	Up to 93,000,000 new Units to be issued pursuant to the Proposed Rights Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
SASB	:	Sri Awona Sdn Bhd (122717-X), the registered proprietor of the Landmark Central Property
SC	:	Securities Commission of Malaysia
SPA(s)	:	Collectively, the conditional sale and purchase agreements both dated 8 December 2011 respectively entered into between the Vendors and AmTrustee pursuant to the Proposed Acquisitions
sq. ft.	:	Square feet
Stakeholders	:	Messrs T.C. Lim & Co., Advocates and Solicitors for the Proposed Landmark Central Property Acquisition and Messrs Syarikat Lim Kiam Hoon, Advocates & Solicitors for the Proposed Central Square Property Acquisition
Subang Parade	:	A freehold land measuring approximately 475,021.80 square feet (10.905 acres) in area together with a three (3)-storey shopping complex with two (2) basement levels. The commercial/retail complex comprises three floors of shopping/commercial area on the ground, second and third floors, one level of basement car parks and another level of basement service tunnel having a postal address at No.5 Jalan SS 16/1, 47500 Subang Jaya Selangor 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
Subject Properties	:	Collectively, Landmark Central Property and Central Square Property
Substantial Unitholders	:	Frasers Centrepoint Trust, Hektar Black Sdn Bhd (593778-H) and Hektar Premier Sdn Bhd (586618-M)
Supplemental Deed	:	Supplemental Deed dated to the Deed 20 March 2012 executed between the Manager and AmTrustee
TERP	:	Theoretical ex-rights price

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**DEFINITIONS (CONT'D)**

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Total Purchase Price	:	Total purchase consideration of RM181,000,000 for the Subject Properties
Unit(s)	:	Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
Valuer	:	Khong & Jaafar Sdn Bhd (31218-T)
Vendors	:	Collectively, ALSB and SASB
VWAP	:	Volume weighted average price
Wetex Parade	:	A five (5)-storey shopping complex podium known as Wetex Parade and a three (3) star category ten-storey hotel tower with 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

All references to "you" in this Circular are to the Entitled Unitholders.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any discrepancies in the tables between the amounts listed and the totals in this Circular are due to rounding.

Any reference to any statute and legislation in this Circular shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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**LETTER TO UNITHOLDERS  
IN RELATION TO THE PROPOSALS**



**HEKTAR ASSET MANAGEMENT SDN. BHD.**  
(Company No.: 732261-T)  
(Incorporated in Malaysia under the Companies Act, 1965)

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

20 June 2012

**The Board**

Dato' Jaafar Bin Abdul Hamid (*Chairman and Chief Executive Officer*)  
Zalila Binti Mohd Toon (*Executive Director and Chief Financial Officer*)  
Chew Tuan Chiong (*Non-Executive Director*)  
Christopher Tang Kok Kai (*Non-Executive Director*)  
Shahril Bin Kassim (*Non-Executive Director*)  
Dato' Syed Md Amin Bin Syed Jan Aljefri (*Independent Non-Executive Director*)  
Dato' Robert Lim Git Hooi @ Robert Lim (*Independent Non-Executive Director*)  
Eng Heng Nee Philip (*Independent Non-Executive Director*)  
Lam Juck Ngai (*Alternate Director to Christopher Tang Kok Kai*)

To: Unitholders

Dear Sir/Madam,

- (I) **PROPOSED ACQUISITIONS;**
- (II) **PROPOSED RIGHTS ISSUE;**
- (III) **PROPOSED ISSUANCE TO THE MANAGER; AND**
- (IV) **PROPOSED INCREASE IN FUND SIZE**

**1. INTRODUCTION**

On 8 December 2011, on behalf of the Board, ECM Libra announced the following:

- (i) that the Trustee has entered into a conditional sale and purchase agreement:
  - (a) with SASB for the acquisition of Landmark Central Property for a purchase consideration of RM98,000,000;
  - (b) with ALSB for the acquisition of Central Square Property for a purchase consideration of RM83,000,000; and
- (ii) in conjunction with the abovementioned Proposed Acquisitions:
  - (a) the Proposed Rights Issue
  - (b) the Proposed Issuance to the Manager; and
  - (c) the Proposed Increase in Fund Size

On 14 May 2012, on behalf of the Board, ECM Libra announced that Hektar REIT has obtained the approvals of the SC on the Proposals subject to conditions as set out in Section 10 of this Circular.

Bursa Securities through its letter dated 15 June 2012, approved the listing of and quotation for the Rights Units and Manager's Units on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to, inter-alia, the conditions set out in Section 10 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SET OUT THE VIEW AND RECOMMENDATION OF THE BOARD. THE BOARD WILL BE SEEKING YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING MEETING. THE NOTICE OF THE MEETING TOGETHER WITH THE FORM OF PROXY IS ENCLOSED WITH THIS CIRCULAR.

THE INFORMATION CONTAINED IN THE APPENDICES FORMS PART OF THIS CIRCULAR. THE RESOLUTIONS PERTAINING TO THE PROPOSALS SET OUT HEREIN ARE TO BE READ TOGETHER WITH THIS CIRCULAR AND THE APPENDICES.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS, WHICH WILL BE TABLED AT THE FORTHCOMING MEETING.

## 2. PROPOSED ACQUISITIONS

### 2.1 Details of the Proposed Acquisitions

AmTrustee, shall acquire the Subject Properties from the Vendors for a total cash consideration of RM181,000,000 as follows:

Subject Properties	Total Consideration	Mode of Payment	Open Market Value
Landmark Central Property	98,000,000	Cash	101,000,000
Central Square Property	83,000,000	Cash	84,700,000
	181,000,000		185,700,000

The Subject Properties have been duly appraised by the Valuer, who was appointed by the Manager on behalf of the REIT, as per the respective valuation reports both dated 5 December 2011.

The respective valuation reports have been prepared in compliance with the Asset Valuation Guidelines of the SC, the Malaysian Valuation Standards and the International Valuation Standards. The basis of valuation is the market value of the Subject Properties. The date of valuation for the Subject Properties is 1 November 2011.

The Total Purchase Price for the Subject Properties was arrived at on a willing-buyer willing-seller basis after taking into account the market values of the Landmark Central Property and the Central Square Property of RM101,000,000 and RM84,700,000 respectively as appraised by the Valuer. Both valuations were arrived at using the Income Approach to Value as the principal method of valuation, and the Comparison Approach to Value as the secondary method of valuation.

Taking into consideration that the Subject Properties are income generating properties, the principal method in arriving at the estimated market values of the Subject Properties is the Income Approach to Value where reference is made to the projected gross income the Subject Properties are able to generate. From the gross income, appropriate deductions are made for all outgoings thus arriving at the net income for the Subject Properties. The net yearly income is then capitalised by a market derived rate in order to arrive at the market values of the Subject Properties.

In the Comparison Approach to Value, reference is made to sale transactions of shopping centres within comparable economic areas. The Comparison Approach to Value generally estimates the value of the Subject Properties by comparing them to the prices of similar properties transacted in similar locations or comparable economic areas within a reasonable period of time and adjustments are made for differences in location, condition, date of transaction, age, concept, management and other relevant characteristics. The next step is a reconciliation of adjusted values and the selection of a suitable comparable and made judgmentally based on professional experience.

Please refer to the Valuation Certificate for the Subject Properties in Appendix III for more details.

The purchase consideration of the Landmark Central Property of RM98,000,000 and the purchase consideration of Central Square Property of RM83,000,000 represent discounts of 3.0% and 2.0% to their respective market values.

In arriving at the Total Purchase Price, the Manager had also given regard to not only the historical and prospective net property income of the Subject Properties vis-à-vis its respective purchase prices but also the impact on the future DPU of the REIT. Please see Section 7.4 of this Circular for further illustrations on earnings and distributable income.

The historical net property income of the Landmark Central Property as extracted from the financial statements provided by SASB for FYE 30 June 2010 to 30 June 2011 is shown below:

Subject Properties	Net property income	
	FYE 30 June 2010	FYE 30 June 2011
Landmark Central Property	RM3,975,310	RM5,653,565

The historical net property income of the Central Square Property as extracted from the financial statements provided by ALSB for FYE 31 March 2009 to 31 March 2011 are shown below:

Subject Properties	Net property income		
	FYE 31 March 2009	FYE 31 March 2010	FYE 31 March 2011
Central Square Property	RM5,846,269	RM5,519,496	RM5,339,988

Going forward, the net property incomes of the Subject Properties are expected to be improved.

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 centre and to provide Unitholders with a secure income distribution. Please see Section 6 of this Circular for more details on the rationale for the Proposed Acquisitions.

## 2.2 Salient terms of the SPAs in relation to the Proposed Acquisitions

### 2.2.1 Settlement of the Total Purchase Price

The Total Purchase Price shall be settled in the following manner, in accordance with the terms and conditions of the SPAs:

- (a) Earnest deposit of RM3,620,000 equivalent to 2% of the Total Purchase Price which has been paid to the Stakeholders prior to the execution of the SPAs, and which shall be applied towards the Total Purchase Price upon completion of the SPAs;

- (b) A further sum of RM14,480,000 equivalent to 8% of the Total Purchase Price which 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 precedent to the SPAs have been fulfilled and with an automatic extension of one (1) month therefrom, if applicable, with interest.

### 2.2.2 Conditions Precedent

The Proposed Acquisitions are conditional upon the following conditions precedent 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.

#### (a) Landmark Central Property SPA

- (i) the Purchaser shall have obtained the approval from SC and 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(b)(v) of this Circular.

**Status as at the LPD:**

All conditions precedent of the Landmark Central Property SPA have been fulfilled with the exception of Section 2.2.2(a)(i) in relation to approval from Hektar REIT Unitholders, Section 2.2.2(a)(vii) and Section 2.2.2(a)(ix).

**(b) Central Square Property SPA**

- (i) the Purchaser shall have obtained the approval from the SC and 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.

**Status as at the LPD:**

All conditions precedent of the Central Square Property SPA have been fulfilled with the exception of Section 2.2.2(b)(i) in relation to approval from Unitholders, Section 2.2.2(b)(viii) and Section 2.2.2(b)(x).

By virtue of Section 2.2.2(a)(ix) and Section 2.2.2(b)(x) above, the Landmark Central Property SPA and the Central Square Property SPA are deemed to be inter-conditional.

### 2.2.3 Forfeiture of the earnest deposit

In the event that the conditions precedent as set out in Section 2.2.2(a) and Section 2.2.2(b) is not satisfied or is deemed not to have been satisfied or is not waived by the Purchaser in writing by the Cut-Off Date or such extended period pursuant to the terms and conditions, the SPAs shall be deemed terminated.

In the event the Purchaser fails to fulfill the conditions precedent under its responsibility as set out in Section 2.2.2(a) and Section 2.2.2(b), SASB and ALSB shall be entitled to forfeit two percent (2%) of the respective purchase considerations of the Subject Properties amounting to a total of RM3,620,000.

In the event SASB and ALSB fails to fulfill the conditions precedent under its respective responsibilities as set out in Section 2.2.2(a) and Section 2.2.2(b), both SASB and ALSB shall within fourteen (14) days of such termination refund to the Purchaser all monies paid towards the respective purchase considerations with accrued interests together with a sum of two percent (2%) of the respective purchase considerations of the Subject Properties amounting to a total of RM3,620,000.

## 2.3 Information on the Subject Properties

### 2.3.1 Landmark Central Property

The Landmark Central Property is a three (3)-storey mall building comprising a shopping mall that includes approximately five hundred and eleven (511) car park bays within the building and an open surface car park providing an additional ninety nine (99) car park 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, Bandar Kulim, District of Kulim, 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:

<b>Postal Address</b>	Landmark Central Shopping Centre, No.1 Jalan KLC Satu (1), Kulim, 09000 Kedah Darul Aman
<b>Land title details</b>	GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah
<b>Tenure</b>	Freehold
<b>Registered owner</b>	SASB
<b>Category of land use</b>	Building
<b>Property use</b>	Retail mall
<b>Age of the building (years)</b>	3
<b>Gross floor area (sq. ft.)</b>	513,333
<b>Net lettable area (sq. ft.)<sup>(1) (i)</sup></b>	279,291
<b>Land area (sq.ft.)</b>	291,917
<b>Date of certificate of completion and compliance</b>	27 July 2009
<b>No. of car park bays<sup>(1) (ii)</sup></b>	610
<b>Occupancy rate as at 1 November 2011 (%)<sup>(1) (iii)</sup></b>	77.6
<b>Occupancy rate as at 1 May 2012 (%)</b>	76.7
<b>Major tenant</b>	GCH Retail (Malaysia) Sdn Bhd (trading under the name of Giant Superstore) <ul style="list-style-type: none"> <li>• Percentage of total NLA: 25.8%</li> <li>• Percentage of annual rental: 14.2%</li> </ul>

<b>Audited net book value of SASB as at 30 June 2011 (RM) <sup>(2)</sup></b>	37,222,159
<b>Market value as at 1 November 2011 as appraised by the Valuer</b>	RM101,000,000
<b>Encumbrances</b>	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 no: 226/2008 registered on 29 January 2008.
<b>Express conditions</b>	The land as described in this title shall only be used as a site for one commercial building (commercial complex site) only.
<b>Restriction in interest</b>	The land owner is prohibited from undertaking any dealings on the land that is to be developed as a residential <sup>(3)</sup> 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.

**Notes:**

- (1) As per the announcement dated 8 December 2011;
- (i) the NLA of 289,462 sq. ft. includes the NLA of promotional kiosks of 8,051 sq. ft. and, at that point, an additional 2,007 sq. ft. of floor space for The Store which was double-counted.
- (ii) the total number of car park bays is six hundred and forty two (642). Notwithstanding, out of this total, only six hundred and ten (610) is being utilised as car park bays, whereas the balance of thirty two (32) car park bays are being utilised for other purposes, namely building services as well as car park ticketing booths.
- (iii) the occupancy rate was 77.0%. Due to the adjustment in the NLA as set out in (i) above, the occupancy rate is 77.6%.
- (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.

On 10 April 2012, a new tenancy agreement was entered into with The Store. On the assumption that the existing tenancies remain status quo, the occupancy of the Landmark Central Property would increase to 99.0% upon commencement of tenancy by The Store on 15 October 2012.

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

### 2.3.2 Central Square Property

The Central Square Property consists of one hundred and ten (110) strata parcels (out of two hundred and fifty three (253) 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 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represents 85.0%\* of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA 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.

\* computed on the basis of 464,517 sq. ft. relating to the 110 strata parcels vis-à-vis the 545,041 sq. ft. relating to the entire 253 strata parcels within the building, excluding all accessory parcels.

#### Participation in the Management Corporation

Pursuant to the Strata Titles Act 1985, the owner of the majority share units will be able to exert 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.

The approval of the Management Corporation is not required for the acquisition of the Central Square Property.

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

<b>Postal Address</b>	Central Square Shopping Centre, No.23, Jalan Kampung Baru, Sungai Petani, 08000 Kedah Darul Aman
<b>Strata title details</b>	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
<b>Tenure</b>	Freehold (stratified)
<b>Registered owner</b>	ALSB
<b>Property use</b>	Retail mall
<b>Age of the building (years)</b>	15
<b>Gross floor area of the building (sq. ft.)</b>	743,117
<b>Total strata area of the building (sq. ft.)</b>	557,915
<b>Total strata area of the building excluding accessory parcels (sq. ft.)</b>	545,041
<b>Net lettable area of the building (sq. ft.)</b>	401,569
<b>Total strata area of Central Square Property (sq. ft.)<sup>(2)</sup></b>	464,517
<b>Net lettable area of Central Square Property (sq. ft.)</b>	300,782
<b>No. of car park bays</b>	488
<b>Occupancy rate as at 1 November 2011 (%)</b>	99.5



<b>Major tenant</b>	The Store Corporation Berhad (trading under the name of The Store) <ul style="list-style-type: none"> <li>Percentage of total NLA: 43.2%</li> <li>Percentage of annual rental: 29.4%</li> </ul>
<b>Occupancy rate as at 1 May 2012 (%)</b>	99.2
<b>Audited net book value as at 31 March 2011 of ALSB (RM)<sup>(1)</sup></b>	17,702,675
<b>Market value as at 1 November 2011 as appraised by the Valuer (RM)</b>	84,700,000
<b>Encumbrances</b>	Private caveat and charges
<b>Express conditions</b>	As per the master title land, set out below.
<b>Restriction in interest</b>	As per the master title land, set out below.

**Notes:**

(1) Audited net assets in the books of ALSB include other assets.

(2) The total strata area of 464,520 as mentioned in the announcement dated 8 December 2011 is due to rounding off.

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

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

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

## 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. In relation to the bank borrowings, the Trustee had, by virtue of a Letter of Offer dated 1 November 2011 and a Letter of Variation dated 7 December 2011, obtained a Cash Line-i/Murabahah Overdraft Facility of RM54,300,000 from Maybank Islamic Berhad and subsequently by virtue of a Letter of Offer dated 5 April 2012, obtained a further Cash Line-i/Murabahah Overdraft Facility of RM32,800,000 from Maybank Islamic Berhad. Two separate legal charges will be secured against Wetex Parade as security for the said facilities.

The rationale for the funding combination illustrated above is as follows:

- (i) Clause 8.37 of the REIT Guidelines stipulates that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50.0% of the total asset value of the fund at the time the borrowings are incurred, unless

sanction of the Unitholders by way of an ordinary resolution is obtained. The gearing level of Hektar REIT is approximately 41.9% as at 31 December 2011. If the Proposed Acquisitions is funded totally by debt financing, it will increase the gearing level to approximately 52.2% of total asset value, which breaches the 50.0% threshold. The Proposed Rights Issue will enable Hektar REIT to raise equity to part finance the Proposed Acquisitions and therefore maintain the gearing level below 50.0%;

- (ii) the Proposed Rights issue will increase the number of Units in circulation and may improve the trading liquidity of Hektar REIT;
- (iii) financing the Proposed Acquisitions purely via the issuance of new Units would cause significant dilution to the NAV and DPU of the REIT; and
- (iv) to allow existing Unitholders to participate in more equity in Hektar REIT.

## 2.6 Information on the Vendors

Further information on the Vendors of the Subject Properties is set out in Appendix I of this Circular.

## 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 1.0% of the Total Purchase Price due to the Manager	1,810,000
Estimated expenses for the Proposals (including expenses such as, professional fees, underwriting fees service tax, charges payable to the related authorities, costs of convening the Meeting and other incidental expenses) <sup>(1)</sup>	3,775,000
	186,585,000

**Note:**

(1) Before any reallocation to working capital due to excess cash from the Proposed Rights Issue.

The balance acquisition cost, after taking into consideration the bank borrowings of up to RM87,100,000, will be funded via the gross proceeds from the Proposed Rights Issue illustrated in Section 7 of this Circular.

## 3. PROPOSED RIGHTS ISSUE

### 3.1 Details of the Proposed Rights Issue

On 8 December 2011, ECM Libra, on behalf of the Board announced that a proposal to undertake the Proposed Rights Issue to raise the balance of the proceeds that is required to settle the Total Purchase Price and the expenses relating thereof, taking into account the level of bank borrowings to be utilised for the Proposed Acquisitions. The Entitlement Basis and the Issue Price have not been fixed at this juncture as Hektar REIT will be undertaking the Proposed Acquisitions concurrent with the Proposed Rights Issue. The market price of Hektar REIT may fluctuate depending on prevailing market conditions and the Board requires flexibility in respect of the pricing of the Rights Units and the number of Rights Units to be issued.

The Proposed Rights Issue will entail the issuance of new Units for subscription by the Entitled Unitholders to raise the requisite proceeds for the purpose of:

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

The final Entitlement Basis and the corresponding number of Rights Units to be issued can only be determined in conjunction with the fixing of the Issue Price where it is the intention of the Board to fix an Entitlement Basis which will minimise the occurrence of odd lots and fractional entitlements.

### **3.2 Basis of the issue price of the Rights Units**

The 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 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 approvals have been obtained.

The Issue Price will be fixed based on the TERP of the Units taking into consideration the five (5)-day VWAP of the Units immediately prior to the announcement of the books closure date (“**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 historical market price of the Units is set out in Section 7 of Appendix IV of this Circular.

The Issue Price may or may not be fixed at a discount to the TERP taking cognizance of any impact to the NAV per unit and DPU. The Board has considered the effects on the enlarged unit base of the REIT and is of the view that at an issue price of RM1.06, after taking into consideration the number of units to be issued to raise gross proceeds of approximately RM98.58 million, the REIT would still be able to maintain its DPU in line with the historical DPU. In this regard, please note that the fixing of the issue price is not based on a fixed discount but would depend on the market price of Hektar REIT prior to price fixing date and the total proceeds to be raised under the Proposed Rights Issue.

The final amount of Rights Units to be issued will depend on the final Issue Price at Price Fixing Date.

### **3.3 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.

### **3.4 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.

### 3.5 Substantial Unitholders' undertaking and underwriting arrangement

The Manager will endeavour to procure written irrevocable undertakings from its Substantial Unitholders to subscribe in full their respective entitlements under the Proposed Rights Issue, subject to the terms and conditions to be set out in the Notice of Provisional Allotment and Prospectus to be issued.

As at 24 May 2012, Hektar Black Sdn Bhd directly holds 40,700,000 Units, representing a 12.7% equity interest, Hektar Premier Sdn Bhd directly holds 87,800,000 Units representing a 27.4% equity interest and Frasers Centrepoint Trust directly holds 99,400,000 Units representing a 31.1% equity interest.

Pursuant to Clause 14.13 of the REIT Guidelines, where underwriting is arranged for the Units offered under a rights issue, the Adviser must be part of the syndicate of underwriters.

As the Proposed Rights Issue will not be undertaken under a minimum subscription level, the underwriting arrangements for the underwritten Rights Units are necessary to ensure the successful completion of the Proposals.

Once the written irrevocable undertakings from the Substantial Unitholders to subscribe in full their respective entitlements under the Proposed Rights Issue have been secured, underwriting arrangements will be made for the remaining 28.8% of the total Rights Units, The Manager will have to ensure that such underwriting arrangement is in place prior to the implementation of the Proposed Rights Issue.

The underwriting commission has not been fixed at this stage and shall be borne by the REIT. The details of the underwriter(s) and the salient terms of the underwriting agreement will be disclosed in the prospectus to be issued for the Proposed Rights Issue.

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

### 3.6 Entitled Unitholders with Foreign Address

The prospectus and its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue (collectively "**Documents**") 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 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 REIT'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.

### 3.7 Utilisation of proceeds

The proceeds arising from the Proposed Rights Issue based on the scenarios pursuant to Section 7 of this Circular shall be utilised in the following manner:

Purpose	Amount of proceeds RM '000		Estimated timeframe for utilisation from the listing of the Rights Units
	Scenario 1	Scenario 2	
Part finance the Total Purchase Price <sup>(1)</sup>	93,900	93,900	Within one (1) month
Defrayment of estimated Expenses for the Proposals and working capital purposes, if any <sup>(2)</sup>	4,680	4,500	Within one (1) month
<b>Total gross proceeds<sup>(3)</sup></b>	<b>98,580</b>	<b>98,400</b>	

**Notes:**

(1) The balance of the Total Purchase Price is expected to be financed via debt.

(2) The Expenses for the Proposals and working capital purposes, if any, are dependent on the final amount of proceeds to be raised. These Expenses consist of the part acquisition fee payable to the Manager, professional fees, underwriting 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) The actual amount of proceeds will be based on the final issue price and number of Rights Units to be issued.

## 4. PROPOSED ISSUANCE TO THE MANAGER

### 4.1 Details of the Proposed Issuance to the Manager

The issuance of the Manager's Units is pursuant to the Manager's entitlement to the acquisition fee of a maximum of 1.0% of the Total Purchase Price, which would amount to RM1,810,000, to be satisfied in the following manner:

- (i) RM905,000 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 to be paid by way of Manager's Units.

The Proposed Issuance to the Manger entails the issuance of up to 853,773 Units assuming a TERP of RM1.06. The Manager's units shall be based on the TERP, where the TERP shall be determined upon the fixing of the Issue Price. The final number of Manager's Units will be determined as follows:

$$\text{Final number of Manager's units} = \frac{\text{RM905,000}}{\text{TERP}}$$

Please see Section 7 of this Circular for illustrations on the issuance of the Manager's Units.

Whilst the acquisition fee 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.

Clause 15.1.2 of the 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 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".*

In this respect, the said Clause 4.15.1 may be modified by the Trustee and the Manager if the Trustee and Manager undertake, pursuant to Clause 22.2.1 of the 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 Trustee and the Manager from any responsibility to the Unitholders as provided in Clause 22.2.1 of the Deed.

In this regard, Unitholders' approval is not required for the amendment to the Deed as the Manager and the Trustee has amended the Deed pursuant to Clause 22.2.1 of the Deed by way of a Supplemental Deed to incorporate the following to allow for the Proposed Issuance to the Manager:

Clause	Existing clause	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 Applicable Laws and Requirements.

The Supplemental Deed was registered with the SC on 27th March 2012 and subsequently lodged at the SC on 29th March 2012.

#### 4.2 Basis of the issue price of the Manager's Units

The issue price of the Manager's Units will be priced at the TERP, which will be calculated based on the Issue Price to be determined immediately prior to the announcement of the books closure date and accordingly the final amount of Manager's Units will depend on the final issue price at Price Fixing Date.

The issue price of the Manager's Units may or may not be the same as the Issue Price depending on the then prevailing market conditions and market price of the Units as well as the resultant TERP of the Units.

Please refer to Section 7 of this Circular for an illustration of the issue price of the Manager's Units.

#### 4.3 Status and ranking of the Manager's 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 the Manager shall not exercise the voting rights with respect to the Manager's Units in any Unitholders' meeting as per Clause 4.15.2 of the Deed and 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 Manager's Units.

## **5. 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 the Units by the actual number of Rights Units and Manager's Units to be issued.

## **6. RATIONALE FOR THE PROPOSALS**

### **6.1 Proposed Acquisitions**

#### **6.1.1 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 May 2012, the Landmark Central Property has an occupancy rate of 76.7%. However, a new tenancy agreement was entered into with The Store on 10 April 2012 with a tenancy commencement date of 15 October 2012. As such, on the assumption that the existing tenancies remain status quo, the occupancy of the Landmark Central Property would increase to 99.0% upon commencement of tenancy by The Store.

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 May 2012, the Central Square Property has an occupancy rate of 99.2% whilst the average occupancy rate of Hektar REIT's existing portfolio of Subang Parade, Mahkota Parade and Wetex Parade as at 31 March 2012 is 98.2%.

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 98.6% in FYE 2011 from 83.1% in FYE 2008 and 10.6% increase in property value to RM130,000,000 in FYE 2011 from its acquisition price of RM117,500,000 in December 2008. The revaluation was announced to Bursa Securities on 20 December 2011.

Upon completion, the Manager intends to refurbish the Central Square Property, which has been in operation for approximately 15 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. At this juncture, the Manager estimates the cost of the proposed refurbishment of the Subject Properties to be approximately RM19,000,000, which will be financed via a combination of internal funds and bank borrowings. Notwithstanding this, the cost can only be finalised after detailed refurbishment plans are determined. This can only take place after the completion of the Proposed Acquisitions. The effects of the proposed refurbishment are expected to increase the rental rates which in turn, will improve the value of the Subject Properties. Consequently, property yields will improve in the medium to long term.

## **6.1.2 Competitive strengths of the Subject Properties**

### **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, 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. In addition, German semiconductor giant Infineon Technologies recently announced that it will be pumping in another RM4 billion into its Malaysian operations based in Kulim over the next decade and this has significantly brightened prospects of Kulim's local economy.

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 the Landmark Central Property 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, the Landmark Central Property as a neighbourhood centre offers good potential to capture the expatriate catchment at Kulim Hi-Tech 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 that 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.

### **6.1.3 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.

### **6.2 Proposed Rights Issue**

The rationale for the Proposed Rights Issue is as follows:

- (i) to enable Hektar REIT to part finance the Proposed Acquisitions 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 an equity issuance is currently the most appropriate avenue to part finance the Proposed Acquisitions as the gearing level of Hektar REIT is approximately 41.9% of the total asset value as at 31 December 2011. The gearing level of Hektar REIT upon completion of the Proposals is 42.06%

On the assumption that the Proposed Acquisitions were purely financed via bank borrowings, based on the latest audited financial statements of Hektar REIT as at 31 December 2011, Hektar REIT's gearing level would be 51.6% which would theoretically be in breach of the prescribed borrowing limit of 50% of total asset value pursuant to the REIT Guidelines unless Unitholders' prior approval is obtained. In this regard, it is not the intention of the Board to increase gearing to over 50% as the Board views that it is in the best interest of the REIT that the gearing level be maintained below 50%.

### **6.3 Proposed Issuance to the Manager**

Whilst the acquisition fee 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 modification to the Deed 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.

#### 6.4 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.

### 7. EFFECTS OF THE PROPOSALS

Where applicable, the proforma effects of the Proposed Rights Issue and Proposed Issuance to the Manager in this section are illustrated based on the following scenarios:

	Scenario 1	Scenario 2
Illustrative Issue Price per Rights Unit	RM1.06	RM1.23
Illustrative Entitlement Basis	Approximately seventeen (17) for every sixty (60) existing Units	One (1) Rights Unit for every four (4) existing Units
Illustrative TERP	RM1.32	RM1.37
Discount to TERP	19.7%	10.2%
Five-day VWAP of Units up to 7 June 2012	RM1.40	RM1.40
Discount to five (5)-day VWAP of Units up to 7 June 2012	24.3%	12.1%
Illustrative number of Rights Units to be issued	Up to 93,000,000	80,000,250
Gross proceeds to be raised assuming full subscription by the Entitled Unitholders	RM98,580,000	RM98,400,308
Illustrative issue price per Manager's Unit	RM1.32	RM1.37
Illustrative number of Manager's Units to be issued	685,606	660,583

#### Scenario 1 assumptions

- Based on the maximum number of Rights Units of 93,000,000 to be issued under the Proposed Rights Issue as per SC's approval
- Issue Price of RM1.06 to raise gross proceeds of approximately RM98.58 million.
- Illustrative discount to TERP of approximately 19.7%. TERP is derived based on the 5-day VWAP of Units up to 7 June 2012.

#### Scenario 2 assumptions

- Based on entitlement basis of one (1) Rights Unit for every four (4) existing Units to give 80,000,250
- Issue Price of RM1.23 to raise gross proceeds of approximately RM98.4 million
- Illustrative discount to TERP of approximately 10.2%. TERP is derived based on the 5-day VWAP of Units up to 7 June 2012.

*It is the intention of the Manager that any scenario under the Proposed Rights Issue will raise gross proceeds of approximately RM98,580,000 to sufficiently meet the utilization purposes set out in Section 3.7 of this Circular. The Manager wishes to emphasise that the proforma effects in this Section 7 should not be regarded as an indication or reference to the final Issue Price or the Entitlement Basis, which will be determined by the Board closer to the implementation of the Proposed Rights Issue.*

## 7.1 Unitholders' capital

	No. of Units	
	Scenario 1	Scenario 2
Existing as at 31 December 2011	320,001,000	320,001,000
To be issued pursuant to the Proposed Rights Issue	93,000,000	80,000,250
To be issued pursuant to the Proposed Issuance to the Manager	685,606	660,583
<b>Enlarged unitholders' capital</b>	<b>413,686,606</b>	<b>400,661,833</b>

## 7.2 Net asset value ("NAV") and gearing

The proforma effects of the Proposed Rights Issue, Proposed Acquisitions and Proposed Issuance to the Manager on the NAV per unit and gearing of Hektar REIT based on the audited financial statements of Hektar REIT as at 31 December 2011 are set out below:

	Audited as at 31 Dec 2011	After the Proposed Rights Issue <sup>(1)</sup>		After Proposed Acquisitions and Proposed Issuance to the Manager <sup>(2)</sup>	
		Scenario 1	Scenario 2	Scenario 1	Scenario 2
	RM'000	RM'000	RM'000	RM'000	RM'000
Unitholders' Capital	328,137	426,717	426,537	425,233	425,233
Undistributed Income	147,017	147,017	147,017	147,017	147,017
<b>NAV</b>	<b>475,154</b>	<b>573,734</b>	<b>573,554</b>	<b>572,250</b>	<b>572,250</b>
No. of Units in circulation ('000)	320,001	413,001	400,001	413,687	400,662
<b>NAV per Unit (RM)</b>	<b>1.48</b>	<b>1.39</b>	<b>1.43</b>	<b>1.38</b>	<b>1.43</b>
Total Borrowings	363,480	363,480	363,480	436,100	436,100
Total Assets	867,059	965,639	965,459	1,036,775	1,036,775
Gearing (%) <sup>(3)</sup>	41.92	37.64	37.65	42.06	42.06

**Notes:**

(1) After taking into consideration gross proceeds raised from the Proposed Rights Issue

(2) After taking into consideration the following:

(i) the acquisitions of the Subject Properties totaling to RM181,000,000;

(ii) borrowings of RM87,100,000 to part-fund the Proposed Acquisitions (out of which RM14,480,000 was drawn down in December 2011 for part payment of the 10% deposit); and expenses of RM4,680,000 in Scenario 1 and RM4,500,000 in Scenario 2 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.

(3) Gearing is calculated as total borrowings divided by total assets.



## 7.4 Earnings and Distributable Income

Whilst the Proposals may have a short-term dilutive impact on the EPU of Hektar REIT given the enlarged number of units in circulation after the Proposed Rights Issue among other factors, the Manager expects the medium term impact on the EPU to be positive.

For illustration purposes, the effect of the Rights Issue on the historical EPU for the FYE 31 December 2011 based on the audited statement of comprehensive income for the said financial year and the assumption that the Proposals were effected on 1 January 2011, is set out below:-

	Audited FYE 31 December 2011	After the Proposed Rights Issue		After the Proposed Acquisitions and Proposed Issuance to the Manager <sup>(1)</sup>	
		Scenario 1	Scenario 2	Scenario 1	Scenario 2
Total comprehensive income (RM)	86,651,376	86,651,376	86,651,376	92,542,251	92,542,251
Net realised income (RM)	38,914,169	38,914,169	38,914,169	44,805,044	44,805,044
Number of Units in circulation	320,001,000	413,001,000	400,001,250	413,686,606	400,661,833
EPU – Total (sen)	27.08	20.98	21.66	22.37	23.10
EPU – Realised (sen)	12.16	9.42	9.73	10.83	11.18

**Notes:**

(1) After taking into consideration the net property income from the latest audited accounts of Landmark Central Property for FYE 30 June 2011 and the latest audited accounts of Central Square Property for FYE 31 March 2011, adjusted for the performance fee, base fee, and borrowing costs.

The effect of the Proposals on the DPU will factor in the contributions of the Subject Properties to Hektar REIT's income moving forward. Barring any unforeseen circumstances, the Manager endeavors to maintain the DPU for FYE2012 in line with the historical DPU of Hektar REIT of 10.5 sen for FYE 2011. The Subject Properties are expected to contribute positively to the future DPU of the REIT going forward given the Manager's turnaround approach and upgrading plans for the Subject Properties which will lead to an improvement in the DPU going forward.

Whilst the Proposals are expected to contribute positively to the future earnings of Hektar REIT, 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.

## 7.5 Convertible Securities

As at LPD, the REIT has not issued any convertible security.

## 8. 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 reversions, 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. The tenants to the Subject Properties may terminate, abandon or vacate the Subject Properties before the expiry of the term. In such event, the security and/or utility deposits of the tenants shall be forfeited. 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 Property. 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 85.0% 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 Property. This may have an adverse effect on Hektar REIT's financial condition and results of operations.

The Manager sees the Subject Properties as assets with good fundamentals but requiring intensive value creation initiatives to 'turnaround' the respective Subject Properties to increase yields in the medium to long term. This includes active leasing by aligning the tenancy mix to the needs of the target shoppers, aggressive marketing to retain consumer interest and visitor traffic as well as asset enhancement and refurbishment. The expected improvement of consumer interest and visitor traffic, in turn, will ensure that there will be continuing interest from existing and potential tenants to occupy the Subject Properties. 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.

## 9. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

### 9.1 Overview of the Kedah Retail Sector

Kedah is situated within the Northern Corridor Economic Region (“**NCER**”). This region encompasses Kedah, Perlis, Penang and Northern Perak. Launched in July 2007, NCER is one of four (4) economic regions identified under the Ninth Malaysia Plan for the promotion of a balanced and equitable national economic development. Investment in the NCER in the first four (4) months of 2011 amounted to RM3.3 billion and is expected to surpass the total investment of RM6.1 billion recorded in 2010. Kedah's gross domestic product showed favourable growth from -1.8% in 2009 to 4.4% in 2010. This momentum was mainly supported by favourable performances of the services and manufacturing sectors in the state.

The changes in consumer demand and behavior have led to the development of convenience stores, foreign supermarkets and regional shopping complexes with lifestyle and leisure experience in Kedah. Improved consumer spending and liberalisation of the market has helped spur retail assets.

Retailing in the past was conducted in shop houses in shopping streets and this continued until the early seventies when medium-sized emporium came on to the scene. Today, Kedah has several established shopping centres which include City Plaza in Alor Setar, Central Square Shopping Centre and Village Mall in Sungai Petani and Kulim Landmark Central. These “one-stop” shopping centres are well-received by shoppers as they offer convenience and a variety of brands under one roof. These centres are noted to be on expansion mode in populated residential neighbourhoods such as in Alor Setar, Sungai Petani and Kulim.

The total net lettable area of purpose-built shopping malls in Kedah as at June 2011 is approximately 4,216,999 square feet, all of which are located in Kedah major towns. The average occupancy rate for shopping centres in Kedah has generally remained constant at around or above 70.0% for the period between 2006 to 2008. The latest average occupancy rates in the first half of 2011 for Sungai Petani and Kulim shopping centres are at 78.6% and 67.8% respectively. Kulim's average occupancy rate of 67.8% in the first half of 2011 has improved compared to 2010 average occupancy rate of 44.4% mainly due to improvement in the take up of rental space at Kulim Landmark Central Shopping Complex.

*(Source: Market Report on Landmark Central in Kulim and Central Square in Sungai Petani prepared by Hektar Property Services Sdn Bhd\*)*

*\*Please note that the directors and shareholders of Hektar Property Services Sdn Bhd are not connected to the substantial shareholders and directors of Hektar Black Sdn Bhd and Hektar Premier Sdn Bhd or any of the Substantial Unitholders of Hektar REIT.*

### 9.2 Prospects of Hektar REIT

Hektar REIT was established on 5 October 2006 and listed on 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 Unitholders with stable distribution of income and potential capital growth.

In light of industry competition, the Subject Properties have good prospects due to its' respective strengths as elaborated in Section 6.1.2 of this Circular. There are various opportunities to enhance the retail space of the Subject Properties in view of the fact that usage of some of the lettable areas is not optimised.

The tenant mix for both the Subject Properties could be improved further by attracting a more upmarket tenant mix to attract upscale international and national retailers and command higher rental rates.

There is also opportunity to increase the footfall of the Subject Properties if better promotion is carried out by an experienced property management company. The Landmark Central Property will benefit from being repositioned to meet the affluent expectations of the Kulim Hi-Tech Park expatriates. Furthermore, the vacant land area available at the Landmark Central Property can provide opportunity for future expansion of retail space.

Such plans are intended by the Manager upon completion of the Proposed Acquisitions and will be implemented strategically in due course. The costs to execute such plans will be financed via a combination of internal funds and bank borrowings.

Hektar REIT has also continuously refurbished and renovated its malls on a timely basis which has resulted in the increase in the malls' values. The following table illustrates the increase in value of Hektar REIT's assets, which is attributed to the improvement initiatives and active management by HAMSMB:

<b>Mall</b>	<b>Value as at 1 January 2011 (RM '000)</b>	<b>Refurbish/ (Divestment) (RM '000)</b>	<b>Total (RM'000)</b>	<b>Revaluation as at 31 December 2011 (RM '000)</b>	<b>Unrealised gain / (loss) (RM '000)</b>
Subang Parade	347,000	19,400	366,400	385,000	18,600
Mahkota Parade	283,000	1,900	284,900	307,000	22,100
Wetex Parade	122,000	1,000	123,000	130,000	7,000
<b>Total</b>	<b>752,000</b>	<b>22,300</b>	<b>774,300</b>	<b>822,000</b>	<b>47,700</b>

Source: Hektar REIT's Annual Report for FYE 31 December 2011

Upon completion of the Proposed Acquisitions, it is Hektar REIT's intention to refurbish and upgrade the Subject Properties to generate improvements in income.

The Manager will strive to actively build up a stable and yield accretive portfolio of assets to add value through acquisitions. The Board believes that acquiring the Subject Properties will immediately grow Hektar REIT's asset base and net income base and will provide Hektar REIT with a steady and secure income stream. The Manager believes that the long term earnings prospects of the Subject Properties will be beneficial to Hektar REIT which in turn will contribute positively to the future performance of the REIT.

## 10. APPROVALS REQUIRED

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

- (i) the SC, which was obtained on 14 May 2012, for the following:
  - (a) the listing of and quotation for the Rights Units and Manager's Units pursuant to the Proposed Rights Issue and Proposed Issuance to the Manager respectively on the Main Market of Bursa Securities;
  - (b) the Proposed Increase in Fund Size as a result of the Proposed Rights Issue and Proposed Issuance to the Manager;
  - (c) the market value of the Landmark Central Property and Central Square Property, of RM101,000,000 and RM84,700,000 respectively as appraised by the Valuer in relation to the Proposed Acquisitions;

which is subject to the following conditions:

<b>Conditions</b>	<b>Status of Compliance</b>
1. HAMSMB and its adviser are required to inform the SC prior to the listing of the New Units, the date of the issuance of the New Units and the date of listing of and the quotation for the New Units on the Main Market of Bursa Securities.	To be complied
2. The issuance of the New Units and the listing of the New Units on the Main Market of Bursa Securities must be completed within 6 months from the date of the SC's approval. The approval is deemed to lapse if HAMSMB fails	To be complied



to do so within the stipulated time frame.

3. A prospectus in relation to the Proposed Rights Issue must be issued and is to be registered by the SC. To be complied
- (ii) the Bursa Securities vide its letter dated 15 June 2012, for the listing of and quotation for the Rights Units, which is subject to, inter-alia, the following conditions:

<u>Conditions</u>	<u>Status of Compliance</u>
1. Hektar REIT and its adviser must fully comply with the relevant provisions under the Main Market Listing Requirements ("LR") pertaining to the implementation of the Proposals	To be complied
2. Hektar REIT and its adviser to inform Bursa Securities upon completion of the Proposals.	To be complied
3. To incorporate comments made in the circular to Unitholders provided.	Complied
4. Hektar REIT to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed.	To be complied
5. Certified true copy of the resolution passed by the Unitholders in general meeting approving the Proposals	To be complied

- (iii) the Unitholders at the forthcoming Meeting for the Proposals;

The Proposed Acquisitions, Proposed Rights Issue, and Proposed Increase in Fund Size are inter-conditional. The Proposed Issuance to the Manager is conditional upon the completion of the Proposed Acquisitions.

## 11. TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSALS

Barring any unforeseen circumstances, the tentative timeline for the implementation of the Proposals are set out below:

Date	Event
5 July 2012	Date of Meeting and fulfilment of all conditions precedent in the SPAs
Mid July 2012	Announcement of Entitlement Date <sup>(1)</sup>
Early August 2012	Despatch of prospectus, rights subscription form and notices of provisional allotment
Mid August 2012	Last day for payment and acceptance of Rights Units
End August 2012	Listing and quotation for the Rights Units
End August 2012	Completion of the Proposed Acquisitions

**Notes:**

- (1) Please note that this is the targeted date but may move accordingly as this can only proceed where:
- (i) Underwriting arrangement has been finalized
  - (ii) The relevant exemptions/ variations from the Prospectus Guidelines for Collective Investment Schemes from the SC has been obtained

**12. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF HAMSB, MAJOR UNITHOLDERS OF HEKTAR REIT AND/OR PERSONS CONNECTED**

Dato' Jaafar bin Abdul Hamid ("**Dato' Jaafar**") is an indirect major unitholder of the REIT by virtue of his interest in Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd and is also an indirect major shareholder of the Manager through his interest in Hektar Klasik Sdn Bhd which holds 60.0% interest in the Manager. The shares held by Dato' Jaafar in Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Hektar Klasik Sdn Bhd are as follows:

<b>Company</b>	<b>Dato' Jaafar (no. of shares held)</b>	<b>Shahril bin Kassim (no. of shares held)</b>	<b>Total shares</b>
Hektar Premier Sdn Bhd	4,999,999	1	5,000,000
Hektar Black Sdn Bhd	999,999	1	1,000,000
Hektar Klasik Sdn Bhd	15,686,274	1	15,686,275

Frasers Centrepoint Limited ("**FCL**") is an indirect major unitholder of the REIT by virtue of its deemed interests in Frasers Centrepoint Trust ("**FCT**") which holds 31.1% interest in the REIT, and is also an indirect major shareholder of the Manager through its interest in Frasers Centrepoint Asset Management (Malaysia) Pte. Ltd. which owns 40.0% interest in the Manager. FCL also holds 100% interest in the manager of FCT, Frasers Centrepoint Asset Management Ltd.

As such, Dato' Jaafar and FCL are deemed to be interested in the Proposed Issuance to the Manager. Notwithstanding, Dato' Jaafar and FCL are not deemed to be interested parties in the Proposed Acquisitions as the Proposed Acquisitions are not conditional upon the Proposed Issuance to the Manager.

Therefore, the Substantial Unitholders of Hektar REIT shall abstain from voting in respect of their direct and/or indirect unitholdings on the resolution pertaining to the Proposed Issuance to the Manager, which will be tabled at the forthcoming Meeting. They have also undertaken to ensure that persons connected to them will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolutions pertaining to the Proposed Issuance to the Manager.

Save as disclosed 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.

The directors of the Manager are not aware of any related party transactions in relation to the Proposed Acquisitions.

**13. PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION**

Save for the Proposals, which is the subject of this application, there are no outstanding proposals by Hektar REIT which have been announced but pending implementation as at the date of this application.

**14. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposals, including the financial merits and qualitative aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Unitholders and the REIT. The Board recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming Meeting.

**15. MEETING**

The Meeting will be held at the Ballroom, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 5 July 2012 at 11.00 a.m. or at any adjournment, for the purpose of considering and, if thought fit, passing the resolutions on the Proposals. The Notice of Unitholders' Meeting is enclosed in this Circular.

Any Unitholder who is unable to attend and vote in person at the Meeting should complete, sign and return the enclosed Form of Proxy, in accordance with the instructions printed on it, so as to arrive at the office of the Trustee at Level 15, Menara AmFIRST No.1, Jalan 19/3 46300 Petaling Jaya, Malaysia as soon as possible and in any event no less than 48 hours before the time set for the Meeting or any adjournment. Such Unitholder may still attend and vote in person at the Meeting if he/she wishes to do so, even after he/she has completed and returned the original Form of Proxy.

**16. FURTHER INFORMATION**

Unitholders are requested to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**HEKTAR ASSET MANAGEMENT SDN BHD**

**Dato' Jaafar bin Abdul Hamid**  
Chairman and Chief Executive Officer

---

**DETAILS ON THE VENDORS OF THE SUBJECT PROPERTIES**


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**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 See Kiang @ Loh Siew Yang, and 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	4.00	-	-
Loh Hun Peng	65,000	6.50	750,000 <sup>(1)</sup>	75.00
Loh Hee Song @ Loh Siew Hock	20,000	2.00	-	-
Loh See Kiang @ Loh Siew Yang	65,000	6.50	750,000 <sup>(2)</sup>	75.00
Tat Seng Chan Sdn. Bhd.	750,000	75.00	-	-
Loh Khin Kok	60,000	6.00	-	-
<b>Total</b>	<b>1,000,000</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

**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. 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 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, and 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.

**DETAILS ON THE VENDORS OF THE SUBJECT PROPERTIES (CONT'D)**

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	20.00	-	-
Loh Geok Bew @ Loo Geok Bew	175,000	5.00	-	-
Loh Ah Nya @ Loh Geok Chin	175,000	5.00	-	-
Ong Gim Sem @ Ong Gim Seng	525,000	15.00	-	-
Tat Seng Chan Sdn. Bhd.	1,750,000	50.00	-	-
Eng Kim Yu @ Ng Kim Yu	175,000	5.00	-	-
Loh Hun Peng	-	-	1,750,000 <sup>(1)</sup>	50.00
Loh See Kiang @ Loh Siew Yang	-	-	1,750,000 <sup>(2)</sup>	50.00
<b>Total</b>	<b>3,500,000</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

**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.

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PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS



# Grant Thornton

An instinct for growth™

The Board of Directors  
**Hektar Asset Management Sdn Bhd**  
 D1-U3-10 Solaris Dutamas  
 No 1 Jalan Dutamas 1  
 50480 Kuala Lumpur

18 June 2012

Dear Sirs

**SJ Grant Thornton** (AF:0737)

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

T +603 2692 4022

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**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)  
 REPORTING ACCOUNTANTS’ LETTER ON PROFORMA STATEMENTS OF  
 FINANCIAL POSITION AS AT 31 DECEMBER 2011**

We have reviewed the presentation of the proforma statements of financial position of Hektar REIT as at 31 December 2011, 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 Circular to Unitholders in connection with the following proposed transactions:

- (a) Proposed renounceable rights issue of up to 93,000,000 new Hektar REIT units (“**Rights Units**”) to the entitled unitholders of Hektar REIT (“**Proposed Rights Issue**”) to part-fund the proposed acquisitions of the following properties:
- (i) 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, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. 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” measuring in total a NLA of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd (“**Proposed Landmark Central Property Acquisition**”); and
  - (ii) one hundred and ten (110) strata parcels (out of a total of 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” (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 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 for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd (“**Proposed Central Square Property Acquisition**”);

(collectively referred to as the “**Proposed Acquisitions**”)

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**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)**


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- 2 -

- (b) Proposed issuance of up to 853,773 new Hektar REIT units (“**Manager’s Units**”) to Hektar Asset Management Sdn Bhd (the “**Manager**”) amounting to RM905,000 as part of the acquisition fee due to the Manager (“**Proposed Issuance to the Manager**”); and
- (c) Proposed increase in the existing approved fund size of Hektar REIT of 320,001,000 units to up to 413,854,773 units pursuant to the Proposed Rights Issue and Proposed Issuance to the Manager respectively.
- (hereinafter referred to as the “**Proposals**”).

The Board of Directors of the Manager is solely responsible for the preparation of the proforma statements of financial position in accordance with the requirements of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission. Our responsibility is to form an opinion on the proforma statements of financial position and to report our opinion to you based on our work. We do not accept any responsibility for any reports previously given to us on any financial information used in the compilation of the proforma statements of financial position beyond that is owed to those to whom those reports were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma statements of financial position to the audited financial statements of Hektar REIT for the financial year ended 31 December 2011 and considering the evidence supporting the adjustments, and discussing the proforma statements of financial position with representatives of the Manager.

In our opinion,

- (a) the proforma statements of financial position have been properly prepared based on the audited financial statements of Hektar REIT as at 31 December 2011 which were prepared in accordance with the Financial Reporting Standards issued by the Malaysian Accounting Standards Board;
- (b) the proforma statements of financial position have been prepared on such basis that is consistent with the accounting policies adopted by Hektar REIT;
- (c) each material adjustment made to the information used in the preparation of such proforma statements of financial position is appropriate for the purposes of preparing such proforma statements of financial position ; and
- (d) the proforma statements of financial position has been properly prepared on the basis of assumptions stated in the accompanying attachment.

---

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)**

---



- 3 -

The accompanying proforma statements of financial position and this letter have been prepared solely for the purposes stated above in connection with the aforementioned Proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purposes without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "SJ Grant Thornton", with a long horizontal flourish extending to the right.

**SJ GRANT THORNTON**  
NO: AF 0737  
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read "NG Chee Hoong", with a stylized, cursive script.

**NG CHEE HOONG**  
CHARTERED ACCOUNTANTS  
(NO: 2278/10/12(J))  
PARTNER



**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)**

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

The Proforma Statements of Financial Position of Hektar REIT as at 31 December 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Statements of Financial Position on the assumptions that these transactions were completed on that date and should be read in conjunction with the notes thereto.

Scenario 1

		<b>Audited as at 31 December 2011</b>	<b>Proforma I After Proposed Rights Issue</b>	<b>Proforma II After Proforma I, Proposed Acquisitions and Proposed Issuance to Manager RM</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	4	822,000,000	822,000,000	1,006,196,000
Fixed deposits with a licensed bank		2,338,995	2,338,995	2,338,995
Total non-current assets		824,338,995	824,338,995	1,008,534,995
<b>Current assets</b>				
Trade receivables		3,002,686	3,002,686	3,002,686
Other receivables, deposits and prepayments	5	20,451,827	20,451,827	1,013,676
Cash and bank balances	6	19,265,508	117,845,508	24,223,659
Total current assets		42,720,021	141,300,021	28,240,021
<b>Total assets</b>		<b>867,059,016</b>	<b>965,639,016</b>	<b>1,036,775,016</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>				
<b>UNITHOLDERS' FUNDS</b>				
Unitholders' capital	7	328,136,711	426,716,711	425,232,711
Undistributed income-realised		29,910,936	29,910,936	29,910,936
Undistributed income-unrealised		117,105,649	117,105,649	117,105,649
Total unitholders' funds		475,153,296	573,733,296	572,249,296

Stamped for the purpose of identification on:

18 JUN 2012

SJ Grant Thornton

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

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

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

The Proforma Statements of Financial Position of Hektar REIT as at 31 December 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Statements of Financial Position on the assumptions that these transactions were completed on that date and should be read in conjunction with the notes thereto (cont'd).

Scenario 1 (cont'd)

		<b>Audited as at 31 December 2011</b>	<b>Proforma I After Proposed Rights Issue</b>	<b>Proforma II After Proforma I, Proposed Acquisitions and Proposed Issuance to Manager</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	8	363,480,000	363,480,000	436,100,000
<b>Current liabilities</b>				
Trade payables		266,763	266,763	266,763
Other payables and accruals		28,158,957	28,158,957	28,158,957
Total current liabilities		<u>28,425,720</u>	<u>28,425,720</u>	<u>28,425,720</u>
<b>Total liabilities</b>		<u>391,905,720</u>	<u>391,905,720</u>	<u>464,525,720</u>
<b>Total unitholders' funds and liabilities</b>		<u>867,059,016</u>	<u>965,639,016</u>	<u>1,036,775,016</u>
<b>NET ASSETS VALUE ("NAV")</b>				
		<u>475,153,296</u>	<u>573,733,296</u>	<u>572,249,296</u>
Number of units in issue	7	320,001,000	413,001,000	413,686,606
NAV per unit (RM)		1.48	1.39	1.38

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18 JUN 2012

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PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

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

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

The Proforma Statements of Financial Position of Hektar REIT as at 31 December 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Statements of Financial Position on the assumptions that these transactions were completed on that date and should be read in conjunction with the notes thereto (cont'd).

<u>Scenario 2</u>		<b>Audited as at 31 December 2011</b>	<b>Proforma I After Proposed Rights Issue</b>	<b>Proforma II After Proforma I, Proposed Acquisitions and Proposed Issuance to Manager RM</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	4	822,000,000	822,000,000	1,006,196,000
Fixed deposits with a licensed bank		2,338,995	2,338,995	2,338,995
Total non-current assets		<u>824,338,995</u>	<u>824,338,995</u>	<u>1,008,534,995</u>
<b>Current assets</b>				
Trade receivables		3,002,686	3,002,686	3,002,686
Other receivables, deposits and prepayments	5	20,451,827	20,451,827	1,013,676
Cash and bank balances	6	19,265,508	117,665,816	24,223,967
Total current assets		<u>42,720,021</u>	<u>141,120,329</u>	<u>28,240,329</u>
<b>Total assets</b>		<u><u>867,059,016</u></u>	<u><u>965,459,324</u></u>	<u><u>1,036,775,324</u></u>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>				
<b>UNITHOLDERS' FUNDS</b>				
Unitholders' capital	7	328,136,711	426,537,019	425,233,019
Undistributed income-realised		29,910,936	29,910,936	29,910,936
Undistributed income-unrealised		117,105,649	117,105,649	117,105,649
Total unitholders' funds		<u>475,153,296</u>	<u>573,553,604</u>	<u>572,249,604</u>

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

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

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

The Proforma Statements of Financial Position of Hektar REIT as at 31 December 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Statements of Financial Position on the assumptions that these transactions were completed on that date and should be read in conjunction with the notes thereto (cont'd).

<u>Scenario 2 (cont'd)</u>		<b>Audited as at 31 December 2011</b>	<b>Proforma I After Proposed Rights Issue</b>	<b>Proforma II After Proforma I, Proposed Acquisitions and Proposed Issuance to Manager RM</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	8	363,480,000	363,480,000	436,100,000
<b>Current liabilities</b>				
Trade payables		266,763	266,763	266,763
Other payables and accruals		28,158,957	28,158,957	28,158,957
Total current liabilities		<u>28,425,720</u>	<u>28,425,720</u>	<u>28,425,720</u>
<b>Total liabilities</b>		<u>391,905,720</u>	<u>391,905,720</u>	<u>464,525,720</u>
<b>Total unitholders' funds and liabilities</b>		<u>867,059,016</u>	<u>965,459,324</u>	<u>1,036,775,324</u>
<b>NET ASSETS VALUE ("NAV")</b>				
		<u>475,153,296</u>	<u>573,553,604</u>	<u>572,249,604</u>
Number of units in issue	7	320,001,000	400,001,250	400,661,833
NAV per unit (RM)		1.48	1.43	1.43

Stamped for the purpose of identification on:

18 JUN 2012

SJ Grant Thornton

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

**NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION**

**1. BASIS OF PREPARATION**

The Proforma Statements of Financial Position have been prepared for illustrative purposes only and are based on the audited financial statements of Hektar REIT for the financial year ended 31 December 2011.

**2. PROPOSALS**

The Proposals comprise the following:-

- (i) Proposed renounceable rights issue of up to 93,000,000 new Hektar REIT units (“**Rights Units**”) to the entitled unitholders of Hektar REIT (“**Proposed Rights Issue**”) to part-fund the proposed acquisitions of the following properties:
- a. all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly Kulim, State of Kedah measuring approximately 291,917 sq. ft. 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” measuring in total a NLA of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd (“**Proposed Landmark Central Property Acquisition**”); and
  - b. one hundred and ten (110) strata parcels (out of a total of 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” (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 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 for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd (“**Proposed Central Square Property Acquisition**”);

(collectively referred to as the “**Proposed Acquisitions**”)

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

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

**2. PROPOSALS (CONT'D)**

The balance of the Proposed Acquisitions of RM87,100,000 will be financed by a 5-year term loan from a financial institution (Note 8).

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

- (ii) Proposed issuance of new Hektar REIT units (“**Manager’s Units**”) to Hektar Asset Management Sdn Bhd (the “**Manager**”) amounting to RM905,000 as part of the acquisition fee due to the Manager (“**Proposed Issuance to the Manager**”); and
- (iii) Proposed increase in the existing approved fund size of Hektar REIT of 320,001,000 units to up to 413,854,773 units pursuant to the Proposed Rights Issue and Proposed Issuance to the Manager.

(hereinafter referred to as the “**Proposals**”).

**3. EFFECTS ON THE PROFORMA STATEMENTS OF FINANCIAL POSITION**

The Proforma Statements 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 2011, based on the following scenarios:

Scenario 1

It is assumed that 93,000,000 Rights Units are issued at an illustrative issue price of RM1.06 per new unit, after taking into consideration the 52-week low price of Hektar REIT units and the maximum number of units to be issued under the Proposed Rights Issue as per the SC’s approval. The Manager’s Units are issued at theoretical ex-rights price (“TERP”) of RM1.32.

Total expenses for the Proposals are estimated at RM5,585,000 in which RM4,680,000 is to be settled in cash and RM905,000 is to be settled by the issuance of 685,606 Manager’s Units.

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**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)**

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**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)****NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION  
(CONT'D)****3. EFFECTS ON THE PROFORMA STATEMENT OF FINANCIAL POSITION  
(CONT'D)**Scenario 2

It is assumed that 80,000,250 Rights Units are issued at an illustrative issue price of RM1.23 per new unit, based on the 5-day Volume Weighted Average Price (“VWAP”) of units up to 7 June 2012 of RM1.40 per unit and an illustrative discount to TERP of approximately 10%. The Manager’s Units are issued at TERP of RM1.37.

Total expenses for the Proposals are estimated at RM5,505,000 in which RM4,500,000 is to be settled in cash and RM905,000 is to be settled by the issuance of 660,583 Manager’s Units.

The Proforma effects under both scenarios have been prepared assuming all the following transactions had taken place on 31 December 2011:

**3.1 Proforma I**Scenario 1

Proforma I incorporates the effects of Proposed Rights Issue of 93,000,000 Rights Units.

Scenario 2

Proforma I incorporates the effects of Proposed Rights Issue of 80,000,250 Rights Units.

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**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)**

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**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)****NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION  
(CONT'D)****3. EFFECTS ON THE PROFORMA STATEMENT OF FINANCIAL POSITION  
(CONT'D)**

The proforma effects under both scenarios have been prepared assuming all the following transactions had taken place on 31 December 2011 (cont'd):

**3.2 Proforma II**Scenario 1

Proforma II incorporates the effects of the Proforma I and the effects of acquisitions of Landmark Central Property and Central Square Property (“**Subject Properties**”) totalling RM181,000,000, borrowings of RM87,100,000 to part finance the Proposed Acquisitions, Proposed issuance of up to 685,606 Manager’s Units to the Manager and expenses of RM4,680,000 to be netted off from the proceeds raised from the Proposed Rights Issue relating to the Proposals of which an estimated RM2,291,000 is to be capitalised.

Scenario 2

Proforma II incorporates the effects of the Proforma I and the effects of acquisitions of the Subject Properties totalling RM181,000,000, borrowings of RM87,100,000 to part finance the Proposed Acquisitions, Proposed issuance of up to 660,583 Manager’s Units to the Manager and expenses of RM4,500,000 to be netted off from the proceeds raised from the Proposed Rights Issue relating to the Proposals of which an estimated RM2,291,000 is to be capitalised.



PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

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

**4. Investment Properties**

Scenario 1 and 2

	RM
Audited as at 31 December 2011/Proforma I	822,000,000
Purchase price for Subject Properties	181,000,000
Acquisition fee due to the Manager (Note (a))	905,000
Estimated expenses for the Proposals (Note (b))	<u>2,291,000</u>
As per Proforma II	<u>1,006,196,000</u>

- (a) Acquisition fee of RM1,810,000 represent 1% of the total purchase price of the Proposed Acquisitions of RM181,000,000 due to the Manager out of which RM905,000 is to be settled by the issuance of 685,606 Manager’s Units in Scenario 1 and 660,583 Manager’s Units in Scenario 2 and the balance of RM905,000 is to be settled in cash from the proceeds of the Proposed Rights Issue.
- (b) The incidental expenses for the Proposed acquisitions comprise:-

	Scenario 1 RM	Scenario 2 RM
(i) Part settlement of acquisition fee to the Manager	905,000	905,000
(ii) Incidental expenses capitalised into investment properties	1,386,000	1,386,000
(iii) Incidental expenses setoff against unitholders’ capital	<u>2,389,000</u>	<u>2,209,000</u>
	<u>4,680,000</u>	<u>4,500,000</u>

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

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

**5. Other Receivables, Deposits and Prepayments**

Scenario 1 and 2

	RM
Audited as at 31 December 2011/Proforma I	20,451,827
Capitalisation of deposits paid for Subject Properties and incidental expenses to investment properties	<u>(19,438,151)</u>
As per Proforma II	<u>1,013,676</u>

**6. Cash and Bank Balances**

Scenario 1

	RM
Audited as at 31 December 2011	19,265,508
Proceeds from Proposed Rights Issue	<u>98,580,000</u>
As per Proforma I	117,845,508
Part settlement of purchase price of the Subject Properties	(90,280,000)
Defrayment of incidental expenses for the Proposed Acquisitions	<u>(3,341,849)</u>
As per Proforma II	<u>24,223,659</u>

Scenario 2

	RM
Audited as at 31 December 2011	19,265,508
Proceeds from Proposed Rights Issue	<u>98,400,308</u>
As per Proforma I	117,665,816
Part settlement of purchase price of the Subject Properties	(90,280,000)
Defrayment of incidental expenses for the Proposed Acquisitions	<u>(3,161,849)</u>
As per Proforma II	<u>24,223,967</u>

Stamped for the purpose of identification on: 24,223,967

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18 JUN 2012

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SJ Grant Thornton

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

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

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

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

**7. Unitholders' Capital**

Scenario 1

	Number of units	RM
Audited as at 31 December 2011	320,001,000	328,136,711
Rights Units to be issued pursuant to the Proposed Rights Issue	93,000,000	98,580,000
As per Proforma I	413,001,000	426,716,711
Manager's units to be issued to satisfy 50% of the acquisition fee due to the Manager (Note 4(a))	685,606	905,000
Incidental expenses for the Proposed Acquisitions (Note 4(b))	-	(2,389,000)
As per Proforma II	413,686,606	425,232,711

Scenario 2

	Number of units	RM
Audited as at 31 December 2011	320,001,000	328,136,711
Rights Units to be issued pursuant to the Proposed Rights Issue	80,000,250	98,400,308
As per Proforma I	400,001,250	426,537,019
Manager's units to be issued to satisfy 50% of the acquisition fee due to the Manager (Note 4 (a))	660,583	905,000
Incidental expenses for the Proposed Acquisitions(Note 4(b))	-	(2,209,000)
As per Proforma II	400,661,833	425,233,019

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2011 TOGETHER WITH THE LETTER FROM THE REPORTING ACCOUNTANTS (CONT'D)

**HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)**  
(Established in Malaysia)

**PROFORMA STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011 (CONT'D)**

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

**7. Movement in Unitholders' Capital (cont'd)**

The estimated expenses for the Proposed Acquisitions include expenses such as professional fees, service tax, charges payable to the related authorities, costs of convening the unitholders' meeting and other incidental cost.

If the actual incidental expenses are less than this estimated amount, the excess cash shall be used by Hektar REIT for working capital purposes.

**8. Borrowings (Non-current)**

Scenario 1 and 2

	RM
Audited as at 31 December 2011/Proforma I	363,480,000
Loan obtained from a financial institution for the Proposed Acquisitions	<u>72,620,000</u>
As per Proforma II	<u><u>436,100,000</u></u>

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES



# KHONG & JAAFAR SDN BHD (31218-T)

VALUERS (REAL ESTATE, BUSINESSES, INTANGIBLES & PLANT & MACHINERY)-ESTATE AGENTS  
PROPERTY CONSULTANTS-PROPERTY MANAGERS-PROPERTY INVESTMENT ADVISORS  
MARKET & FEASIBILITY RESEARCHERS-LITIGATION SUPPORT-TENANT REPRESENTATION  
DISPUTE RESOLUTION (EXPERT DETERMINATION)



benchmark  
IN QUALITY  
ISO 9001:2000



RICS

PENILAI (HARTA TANAH, PERNIAGAAN, HARTA TANAH TAK KETARA & LOJI)-EJEN HARTA TANAH  
PERUNDING HARTA TANAH-PENASIHAT PELABURAN HARTA TANAH-PENYELIDIK PASARAN DAN KEMUNGKINAN  
SOKONGAN TINDAKAN UNDANG-UNDANG-PERWAKILAN PENYEWA-PENGURAIAN PEMBANTAHAN (PENENTUAN PAKAR)

57-1 Jalan Telawi Tiga, Bangsar Baru, 59100 Kuala Lumpur, Malaysia Tel : +6 03 2282 9699 Fax : +6 03 2282 9799

Email : khongja@po.jaring.my Website : www.khongjaafar.com.my

Twitter : twitter.com/khongjaafar Facebook : facebook.com/khongjaafar

Our Ref: MV(K) 875/2011 (A) & (B)

5 December 2011

The Directors  
AmTrustee Berhad (the Trustee for Hektar REIT)  
Level 15, Menara AmFIRST  
No. 1, Jalan 19/3  
46300 Petaling Jaya  
Selangor Darul Ehsan

The Directors  
Hektar Asset Management Sdn Bhd (the Manager of Hektar REIT)  
D1-U3-10, Solaris Dutamas  
No. 1, Jalan Dutamas 1  
Sri Hartamas  
50480 Kuala Lumpur

Dear Sir

## VALUATION CERTIFICATE

**VALUATION OF THE UNSOLD PORTIONS OF THE CENTRAL SQUARE SHOPPING COMPLEX,  
SUNGAI PETANI AND THE LANDMARK CENTRAL SHOPPING CENTRE, KULIM, KEDAH DARUL AMAN  
(HEREINAFTER REFERRED TO AS "THE PROPERTIES")**

This Valuation Certificate has been prepared in accordance with your instructions to value the above-mentioned Properties for purposes of submission for approval to the Securities Commission Malaysia in connection with the proposed acquisition of the unsold portions of the Central Square Shopping Complex and the Landmark Central Shopping Centre.

In accordance with your instructions to value the Properties, we have inspected the Properties on several occasions in October 2011 and on 1 November 2011, extracted particulars of title from searches randomly conducted at the Pejabat Tanah & Galian Kedah, Alor Setar and the Pejabat Tanah & Daerah Kulim on 2 and 3 October 2011 respectively and gathered other information necessary to arrive at our opinion of value.

The material date of valuation is taken to be as at our last date of inspection i.e. 1 November 2011.

The basis of valuation is the Market Value of the Properties under consideration. "Market Value" is defined as "the estimated amount for which the Properties 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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**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**


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This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and with the necessary professional responsibility and due diligence.

The table below is a summary of market values for the Properties valued:-

REF. NOS.	DESCRIPTION	MARKET VALUE AS AT 1 NOVEMBER 2011
MV(K) 875/2011 (A)	The Unsold Portions Of The Central Square Shopping Complex Standing On Lot 134, Section 56, Bandar Sungai Petani, District Of Kuala Muda, Kedah (The Unsold Portions Of A 6-Storey Retail Mall Complete With A 2-Level Basement Car Park Bearing Address No. 23, Jalan Kampung Baru, Sungai Petani, Kedah Darul Aman)	RM84,700,000
MV(K) 875/2011 (B)	The Landmark Central Shopping Centre Standing On Lot 4015, Section 44, Bandar Kulim, District Of Kulim, Kedah (A 3-Storey Retail Mall Bearing Address No. 1, Jalan KLC Satu (1) Kulim, Kedah Darul Aman)	RM101,000,000
<b>TOTAL</b>		<b>RM185,700,000</b>

Disclosures as required under Chapter 6 of the Asset Valuation Guidelines are as follows:-

**Reference No** : **MV(K) 875/2011 (A)**

**Date of Inspection** : On several occasions in October 2011 and on 1 November 2011

**Date of Valuation** : 1 November 2011

**Identification of Property:** The Property is held under 110 individual strata titles, and based on the strata plans, the Property has a combined strata title area of 464,517 square feet and another 12,884 square feet as accessory parcels (i.e. the promotional kiosks).

**Lot No.** : Lot 134, Section 56

**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

**Locality** : Bandar Sungai Petani, District of Kuala Muda, Kedah Darul Aman

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**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**


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Tenure	:	Grant-in-perpetuity (commonly referred to as freehold)
Category of Land Use	:	"Bangunan"
Combined Strata Title Area	:	43,155 square metres (i.e. approximately 464,517 square feet)
Registered Proprietor	:	AWONA LAND SDN BHD

**General Description:** The Property is located within the Central Square Shopping Complex (hereinafter referred to as the "Complex"), alongside of Jalan Kampung Baru, in Bandar Sungai Petani, District of Kuala Muda and sited within the Municipal Centre of Sungai Petani.

The Complex has a gross floor area of 743,117 square feet. The total strata title area of the Complex is 545,041 square feet.

Based on the existing Tenancy Agreements, the Complex has a total net lettable area 401,569 square feet, including 20,473 square feet of promotional kiosks, and 488 car parking bays in the basement levels. Of this net lettable area, about 91,281 square feet has been sold to third parties and does not form part of this valuation exercise.

The ratio of the total net lettable area and the Strata Title area of the Property under consideration over the total net lettable area and Strata Title area of the Complex are 78.93% and 85.23% respectively.

The Property under consideration comprises the unsold portions of the Complex, which are held under 110 individual strata titles, and are located from the basement levels to the fifth floor of the Complex.

Generally the site of the Complex is flat and lies about level with the frontage roads.

At present the site is more or less fully built upon with a 6-storey retail mall complete with 2 basement levels, leaving little or no room available for future expansion.

The total net lettable area (in accordance to the existing Tenancy Agreements) of the Property is 300,782 square feet, which excludes promotional kiosks of 9,506 square feet.

The building is constructed basically of reinforced concrete framework with concrete floors, plastered brickwalls and reinforced concrete flat main roof.

Internally the floor finishes are generally of homogeneous tiles to the entrance lobbies, concourse areas, external walkways, lift lobbies and toilets, and cement render to the staircases, M&E rooms, chiller room, lift motor room and car park areas. Ceilings are mainly of fibrous suspended plasterboards mounted with downlights, and metal deck roofing for the external walkway.

Vertical communication within the Complex is facilitated by 2 passenger lifts, 2 goods lifts, 11 pairs of dual-direction escalators and 8 single-direction escalators and complemented with a number of reinforced concrete staircases located at strategic positions.

Centralised air-conditioning for the Complex is provided mainly by 3 chillers with a capacity of 600 tonnes and 1 chiller with a capacity of 200 tonnes which are located at the fifth floor Level.

**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**

The general decorative and repairing condition of the Complex is good. The age of the building is about 14 years.

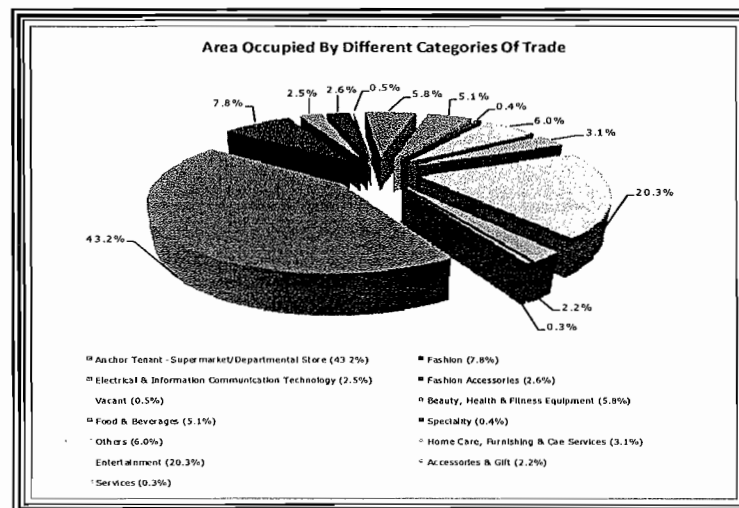
The Complex has been issued with a Certificate of Fitness for Occupation by the Majlis Perbandaran Sungai Petani bearing reference number 75/97(P) dated 22 December 1997.

**General Description:** The management of the Complex is undertaken by Perbadanan Pengurusan Komplek Central Square. The overall standard of maintenance and upkeep of the Complex is good.

The Property is located within an area that is zoned for "Commercial" use with a permissible plot ratio of 1:8.

**Existing Tenancies:** The Property under consideration is presently about 99.5% occupied (this does not include the areas held by third parties). Of the total number of tenants within the Property under consideration, an anchor tenant namely The Store presently occupies a total of 130,000 square feet or 43.2% of the total net lettable area (based on the existing Tenancy Agreement).

As provided by the management and based on the net lettable area, in terms of categories of trade, the majority of the retail spaces are tenanted to Supermarket & Departmental Store (43.22%), and followed by Entertainment (20.30%) and Fashion (7.83%). The remaining retail spaces are being tenanted to other categories of trade, providing a good mix, such as food and beverage, electrical and information communication technology, beauty, health and fitness Equipment, shoes, bags and leather goods, hair salon and beauty supplies and etc. The following pie chart shows the tenanted retail space by category of trade, inclusive of the vacant areas.



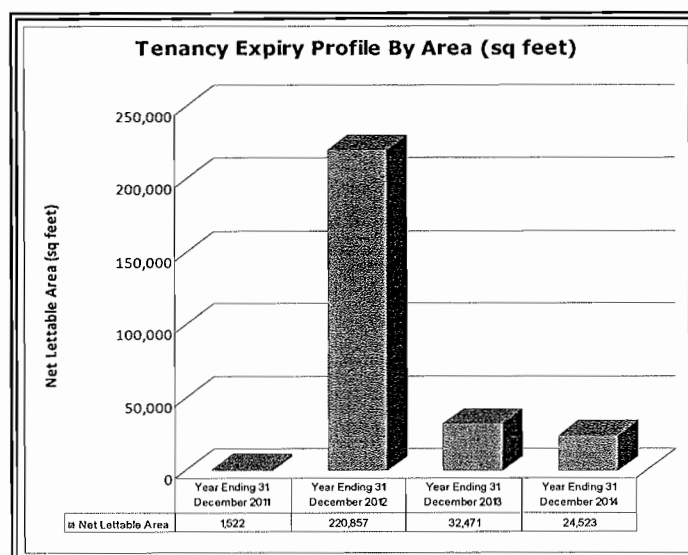
The tenancy term – generally, the duration of the tenancies are for 3 years with only a few tenancies that are for 1 to 2 years.

The optional term – generally, an option to renew the tenancy for a term of 2 to 3 years is available to the tenant at such rent to be mutually agreed upon between the parties.

An analysis of the tenancy expiry profile of the Property is illustrated in the following bar chart:-



## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)



Since the Complex has been in operation for sometime, most of the current tenancies commenced in February 2009, with a majority of the tenancies will be expiring in 2012.

The historical performance of the Property as extracted from the financial statements provided by the management and the Vendor, for the financial years ending 31 March 2009 to 31 March 2011 are shown in the following table :-

Description	Financial Year Ending 31 March 2009	Financial Year Ending 31 March 2010	Financial Year Ending 31 March 2011
Average Occupancy Rate	99%	99%	99%
Gross Rental Receivable (Retail Lots, Promotional Kiosks and ATM Machines)	RM7,875,797	RM7,510,310	RM7,287,195
Other Income (Car Park)	RM782,654	RM784,808	RM812,460
<b>Total Gross Income</b>	<b>RM8,658,451</b>	<b>RM8,295,118</b>	<b>RM8,099,655</b>
Total outgoings	RM2,812,182	RM2,775,622	RM2,759,667
<b>Net Income</b>	<b>RM5,846,269</b>	<b>RM5,519,496</b>	<b>RM5,339,988</b>

Source: Awona Land Sdn Bhd's Financial Statements Year 2009 – 2011

**Market Value:**

The Market Value of the Property, held under 110 separate grants-in-perpetuity in its existing condition, subject to the legally binding existing tenancies and to its Strata Titles being free from encumbrances, good marketable and registrable is RM84,700,000 (Malaysian Ringgit Eighty-Four Million And Seven Hundred Thousand Only) i.e. equivalent to about RM282 per square foot or RM3,035 per square metre based on the total net lettable area of 27,944 square metres (i.e. approximately 300,782 square feet), which excludes promotional kiosks.

**Income Approach to Value**

Taking into consideration that the Property is an income generating property, the principal method in arriving at the above estimate of Market Value of the Property is the Income Approach to Value, where reference is made to the projected gross income the Property is able to generate and by deducting therefrom all outgoings. The net yearly income is then capitalised by a market derived rate in order to arrive at the Market Value of the Property.

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd :**

The parameters of this approach are as follows:-

Description		Term	Reversion
<u>Gross Rental</u>			
Anchor		RM1.37	RM1.60 psf
Retail (Ground Floor)		RM3.70 to RM12.00 psf	RM5.00 to RM15.00 psf
Retail (First Floor)		RM2.12 to RM5.92 psf	RM3.50 to RM6.00 psf
Retail (Second Floor)		RM1.00 to RM5.45 psf	RM2.00 to RM5.00 psf
Retail (Third Floor)		RM1.30 to RM5.31 psf	RM2.00 to RM5.30 psf
Retail (Fourth Floor)		RM0.52 to RM4.44 psf	RM1.50 to RM4.00 psf
Retail (Fifth Floor)		RM0.53 to RM4.32 psf	RM1.30 to RM4.30 psf
Promotional Kiosks		RM2.86 to RM60.00 psf	RM4.00 to RM60.00 psf
Average Rental			
- Include Anchor Tenant		RM1.68	RM2.23
- Exclude Anchor Tenant		RM1.95	RM2.70
Outgoings		RM0.80 psf	RM0.90 psf
Yield	Anchor Tenant	6.75%	7.00%
	Retail Lots	7.00%	7.25%
	Promotional Kiosks, ATM Machines & Rooftop	8.50%	8.75%
Void	Anchor Tenant and Ground Floor	-	5%
	First Floor to Third Floor and Promotional Kiosks	-	5%
	Fourth Floor	-	10%
	Fifth Floor	-	20%
Car parking bays		RM12,000 per bay	
Total net lettable area (in accordance to the existing Tenancy Agreements and excluding promotional kiosks)		300,782 square feet	
Unexpired Term of Tenancies		Between 0.8 year to 2.75 years	

We have structured our model for the Investment Approach on the basis of a "term" (recognising that the rentals are fixed by legally binding tenancy agreements) and one "reversion". Current rentals receivable are therefore used to determine the value of the "term". For the reversionary period, we have applied rental rates as shown in the above table.

The rental rates used in estimating the gross rental income of the Property are based on current market rentals in and around Sungai Petani, Kulim and Seberang Prai. In particular we have considered the following:-

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

Market Value  
Cont'd :

Location and Building	Floor Area (sf)	Rental range psf per month (RM)
<b>Kedah</b>		
<b>Bandar Sungai Petani</b>		
SP Plaza, Jalan Ibrahim	420 - 689	0.39 - 2.92
Cayman Complex 2, Taman Pekan Baru	301 - 344	1.10 - 1.67
Village Mall, Jalan Badlishah	377- 5,479	2.80 - 7.00
<b>Bandar Kulim</b>		
Landmark Central Shopping Centre	2,756 - 11,345	1.30 - 4.50
<b>Pulau Pinang</b>		
<b>Seberang Perai Utara Butterworth</b>		
Bagan Complex, Jalan Bagan Luar	75 - 753	1.89 - 3.62
<b>Seberang Perai Tengah Bukit Mertajam</b>		
Plaza Bukit Mertajam (SUMMIT), Jalan Arumugam Pilai	474- 904	1.24 - 3.76
Bukit Mertajam Complex, Jalan Arumugam Pilai	140	1.82 - 2.07
<b>Seberang Perai Tengah Bandar Perda</b>		
Asenia Mall, Jalan Perda Barat	205 - 4,036	3.78 - 17.80
<b>Seberang Jaya</b>		
Sunway Carnival Mall, Jalan Todak	377 - 5,608	5.50 - 14.50
<b>Perai</b>		
Megamall Pinang, Jalan Baru Perai	366 - 1,055	0.66 - 3.97
Chai Leng Complex, Jalan Baru (Levels 3,4 & 5 for parking)	904 - 947	0.61 - 3.00

Source : National Property Information Centre (NAPIC), JPPH, Property Market Report First Half 2011

The rental rates used in estimating the gross rental income for anchor tenant of the Property are also based on our records as follows:-

Shopping Malls	Rental psf per month (RM)
East Coast Mall, Kuantan	1.30 - 2.30
Aeon Seberang Prai City	2.60

These rental rates are dependent on location, design, quality and age of the building.

We have come to this estimate of market rental after taking into consideration the current rentals receivable, the asking rental rates within the locality, the condition and management of the building.

We have adopted an outgoing rate to reflect the annual cost of owning the building. The outgoings are inclusive of security services, repairs and maintenance, cost of utilities, administrative expenses, insurance premium, quit rent and assessment.

These rates are derived from our study of the historical and current outgoings (provided us) for the Complex and counter-checked against our records of outgoings for other retail malls in Kedah and Seberang Perai that are available in our firm, as follows:-

Name of Complex	Outgoings (per sq ft per month)
Landmark Central Shopping Centre, Kulim, Kedah	RM0.65
Star Parade, Alor Setar, Kedah	RM0.35 - RM0.40
City Plaza, Alor Setar, Kedah	RM0.90
AEON Seberang Perai City, Bandar Perda, Seberang Perai	RM0.50

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd :**

The outgoing that we have adopted reflects the fairly low statutory costs imposed by the relevant local authorities within this locality as compared to the Klang Valley, as well as the fairly conservative rental rates for the Property.

The actual outgoing of the Property and its details from years 2008 to 2011 as extracted from the financial statements provided by the management and the owner are as follows:-

Total Outgoings	Year				Our Estimation
	Ended March 31, 2008	Ended March 31, 2009	Ended March 31, 2010	Ended March 31, 2011	
Amount per month	RM242,813	RM234,348	RM231,302	RM229,972	RM235,317
Rate psf per month	RM0.78	RM0.76	RM0.75	RM0.74	RM0.76

Source : (i) Awona Land Sdn Bhd's Financial Statements Year 2008 – 2010;  
(ii) Perbadanan Pengurusan Komplek Central Square (PPKCS) Financial Statements Year Ended 31 December 2009 – Year Ended 31 December 2010;  
(iii) Information from Vendor.

We have adopted higher outgoing for the valuation of the "reversion" on account of the fact that the age of the building is about 14 years and it is anticipated that cost of repairs and maintenance may increase.

In determining the appropriate yield rate to apply within the investment model, we have analysed the net income of other similar retail malls. The yield (to reflect risk and the time value of money) for the "term" and "reversion" are derived from the yields of similar retail malls that have recently been transacted in the market, as shown below:-

Retail Malls	Net Lettable Area (Sq Ft)	Purchase Price	Net Property Income	Date of Transaction	Net Yield
Gurney Plaza Extension	139,964	RM215,000,000	RM14,689,020	12-Nov-10	6.83%
Gurney Plaza	706,818	RM800,000,000	RM52,400,000	10-Jun-10	6.55%
Sunway Carnival Mall	484,364	RM231,742,000	RM13,626,000	8-July-10 (Date of Completion)	5.88%
East Coast Mall	441,342	RM310,000,000	RM19,987,464	14-Jun-11	6.45%

Source : Khong & Jaafar Research

We have adopted the yield rates as shown in the table on page 6, having considered the location of the Property, the tenure of the land, the existing tenancies, the still affordable rental rates of the building, the state of repair and the retail mall market environment in the location.

We have also deducted a void allowance from the net income for the "reversion" to reflect the fact that at any one time there may be vacancies within the Property. The allowances made, depending on the floor level / tenants, are shown in the table on page 6.

The 488 car parking bays are valued separately at RM12,000 per bay. An alternative way of valuing car parks is by an income approach. Based on our internal research, the current selling prices of car parks within commercial developments in Penang are in the region of RM10,000 to RM30,000 per bay depending on location and type of development.

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd:**

The above estimate of the car park is arrived at basically by the Comparison Approach to Value where reference is made to recent market sale transactions as well as asking prices of similar properties in the larger neighbourhood. This approach estimates the value of the car park by analysing market sales of similar car parks and by making the necessary adjustments for dissimilarities (legal, economic and physical) between each comparable and the car park.

There is a dearth of transactions involving car parks within commercial properties in the northern region. We have therefore considered the following market sales of car parks within residential developments as follows:-

The following adjustments were made to the comparables to arrive at an indicative value for the car parks under consideration:-		
	<b>Comparable No. 1</b>	<b>Comparable No. 2</b>
Description	B-11-8, Jalan Aziz Ibrahim, Nibong Indah, South-West District, Penang	A-6-17, Jalan Aziz Ibrahim, Nibong Indah, South-West District, Penang
Source	<i>Valuation and Property Services Department, Sales Transaction Data</i>	
Type	Car park within 16-storey apartment	Car park within 16-storey apartment
Date of Transaction	15-Aug-2007	15-Aug-2007
Tenure	Freehold	Freehold
Area	3.716 square metres (40 square feet)	3.716 square metres (40 square feet)
Consideration (per bay)	RM8,000	RM8,000
Adjustment	Upward adjustments are made for time, town centre location and type of building/ development (Shopping mall, part of commercial development)	Upward adjustments are made for time, town centre location and type of building/ development (Shopping mall, part of commercial development)
Adjusted value (RM per bay)	<b>RM11,880</b>	<b>RM11,880</b>

We have not used the Income Approach to derive the Market Value of the car park because an Income Approach to value does not normally work as it should when there is low demand for the car park. Under these circumstances and where there are several alternatives for users e.g. roadside parking, the Income Approach will not enable a reasonably accurate figure.

Comparison Approach to value

We have also counterchecked the valuation of the Property by the Comparison Approach to value where reference is made to sale transactions of shopping centres within comparable economic areas. The Comparison Approach to Value generally estimates the value of Property by comparing it to the prices similar properties transacted in similar locations or comparable economic areas within a reasonable period of time and adjustments are made for differences in location, condition, date of transaction, age, concept, management and other relevant characteristics. The next step is a reconciliation of adjusted values and the selection of a suitable comparable and made judgmentally based on professional experience.

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

The following adjustments were made to this comparable to arrive at an indicative value for the Property under consideration:-				
	Comparable No. 1	Comparable No. 2 (Revaluation)	Comparable No. 3	Comparable No. 4
Description	Sunway Carnival Shopping Mall located on Lots 5497, 5498 and 5499, all in Mukim 1, District of Seberang Perai Tengah, Penang.	Mahkota Parade located on Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka.	Alor Star Mall located on Lot 10538, Mukim of Pengkalan Kundor, District of Kota Setar, Kedah	East Coast Mall located on Lot PT 92050, Bandar Kuantan, District of Kuantan, Pahang
Source	IPO by Sunway REIT dated 15 June 2010 and Bursa Malaysia's General Announcement dated 8 July 2010.	Bursa Malaysia's General Announcement dated 17 February 2011.	Bursa Malaysia's General Announcement dated 13 December 2007.	Bursa Malaysia's General Announcement dated 14 June 2011
Type	A 5-storey shopping mall	A 3-storey shopping complex	A 2-storey shopping complex	A 4-storey shopping mall
Location	Within Pusat Bandar Seberang Jaya	Jalan Merdeka, Bandar Hilir Melaka	Within Kawasan Perusahaan Tandop Baru, Alor Setar	Jalan Putra Square 6, Putra Square, Kuantan
Date of Transaction/Valuation	8 July 2010 (Date of Completion)	31 October 2010	13 December 2007	14 June 2011
Tenure	Leasehold (99 years)	Leasehold (99 years)	Freehold	Leasehold (99 years)
Net Lettable Area	41,999 square metres (452,072 square feet)	42,834.53 square metres (461,067 square feet)	27,545 square metres (296,532 square feet)	41,002 square metres (441,342 square feet)
Occupancy Rate	94.80%	94.40%	86.90%	97.00%
Consideration	RM231,742,000	RM283,000,000	RM130,000,000	RM310,000,000
Analysis of the transaction	RM513 per square foot	RM614 per square foot	RM438 per square foot	RM702 per square foot
Adjustment	Downward adjustments are made for quality and age of building (approximate age of the building is 3 years), tenant mix (this comparable has a diversified mix of tenants), car park ratio (this comparable is better) and single ownership (the Property under consideration is under multiple ownership). An upward adjustment is made for tenure (this comparable is a 99-year leasehold).	Downward adjustments are made for location and accessibility (the comparable is better located), quality and age of building (approximate age of this building is 16 years), tenant mix (this comparable is well managed), car park ratio (this comparable is better) and single ownership (the Property under consideration is under multiple ownership). An upward adjustment is made for tenure (this comparable is leasehold).	Downward adjustments are made for location and accessibility (the comparable is better located), quality and age of building (approximate age of this building is 7 years) and single ownership (the Property under consideration is under multiple ownership). Upward adjustment is made for occupancy rate (the Property is higher).	Downward adjustments are made for location and accessibility (the comparable is better located), quality and age of building (approximate age of this building is 3 years), tenant mix (this comparable is well managed), car park ratio (this comparable is better) and single ownership (the Property under consideration is under multiple ownership). An upward adjustment is made for tenure (this comparable is leasehold).
Adjusted value (RM per sq. ft.)	<b>RM282.15 psf</b>	<b>RM276.30 psf</b>	<b>RM306.60 psf</b>	<b>RM280.80 psf</b>

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**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**


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**Market Value:  
Cont'd:**

Based on the above adjustments to arrive at the indicative values, we consider Comparable 1 to be the most appropriate comparable as it is a similar suburban mall as the Property under consideration, and is quite close to the date of valuation. The indicative value of the Property under consideration, after adjusting for dissimilarities is RM280 per square foot.

Our estimate of the Market Value of the Property by the Comparison Approach is **RM84,100,000** (Malaysian Ringgit Eighty-Four Million And One Hundred Thousand Only) i.e. equivalent to about RM280 per square foot or RM3,014 per square metre based on the net lettable area of the Property of 27,944 square metres (i.e. approximately 300,782 square feet), which excludes promotional kiosks.

**Reconciliation of Values:-**

<b>Valuation Approach</b>	<b>Derivation of Values</b>
Investment Approach To Value	RM84,700,000
Comparison Approach To Value	RM84,100,000

We have placed higher reliance on the **Income Approach** to Value as a fair representation as this is an income generating property with legally binding existing tenancies, incorporating a pre-determined, secure-by-contract income-flow in the early parts of the life of the asset. The Income Approach also has an explicit way in which it deals with the cost of running the asset. On the other hand the Comparison Approach acts as a check on a broad basis.

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**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**


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<b>Reference No</b>	: <b>MV(K) 875/2011 (B)</b>
<b>Date of Inspection</b>	: On several occasions in October 2011 and on 1 November 2011
<b>Date of Valuation</b>	: 1 November 2011
<b>Identification of Property:</b>	A 3-storey retail mall known as the Landmark Central Shopping Centre bearing address No. 1, Jalan KLC Satu (1), Kulim, Kedah Darul Aman
Lot & Title Nos.	: Lot 4015, Seksyen 44 (Previously Lot PT 286, Seksyen 44)
Locality	: Bandar Kulim, District of Kulim, Kedah Darul Aman
Tenure	: Grant-in-perpetuity (commonly referred to as freehold)
Category of Land Use	: "Bangunan"
Title Land Area	: 27,120 square metres (i.e. approximately 291,917 square feet or 6.70 acres)
Registered Proprietor	: SRI AWONA SDN BHD

**General Description:** The Property is located alongside of Jalan Bakar Bata, in Bandar Kulim, District of Kulim and sited at about 2 kilometres north-west and 5 kilometres south-east of the Municipal Centre of Kulim and Township of Lunas respectively.

It is constructed basically of reinforced concrete framework with concrete floors, plastered brickwalls and reinforced concrete flat main roof covered over with metal deck roofing sheets.

Internally the floor finishes are generally of homogeneous tiles to the entrance lobbies, concourse areas, lift lobbies and toilets, heavy duty tiles to the external walkways and cement render to the staircases, M&E rooms, chiller room, lift motor room and car park areas. Ceilings are mainly of fibrous suspended plasterboards mounted with downlights, and metal deck roofing for the external walkway.

Vertical communication within the building is facilitated by 2 passenger lifts, a goods lift, 2 pairs of dual-direction escalators and 2 pairs of dual-direction travelators and complemented with a number of reinforced concrete staircases located at strategic positions.

Centralised air-conditioning for the building is provided mainly by 2 chillers with a capacity of 800 tonnes which are located on the Roof Level. The chilled water system has the cool air distributed by air handling units (AHUs) installed on each floor.

The building has a total gross floor area of 513,333 square feet. It has a net lettable area (inclusive of external seating/Alfresco areas but excluding the promotional kiosks) of 279,404 square feet based on the Tenancy Agreements. However the net lettable area (inclusive of external seating/Alfresco areas of 6,864 square feet but excluding the promotional kiosks of 7,987 square feet) based on our check measurements of the building is 279,291 square feet).

For purposes of our valuation by the Income Approach, we have adopted the net lettable areas in accordance to the legally binding existing Tenancy Agreements for the valuation of the "term" and the net lettable areas based on our check measurements for the valuation of the "reversion".

The Property also includes casual leasing spaces and 511 car parking bays on the ground floor of the building and another 99 surface car parking bays.



## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

The general decorative and repairing condition of the building is good. The age of the building is about 2 years.

The Property has been issued with a Certificate of Completion and Compliance (CCC) by Dr. Ar. Yap Lean Hoe (LAM : A/Y 34) bearing reference number LAM/K/No. 0097 dated 27 July 2009.

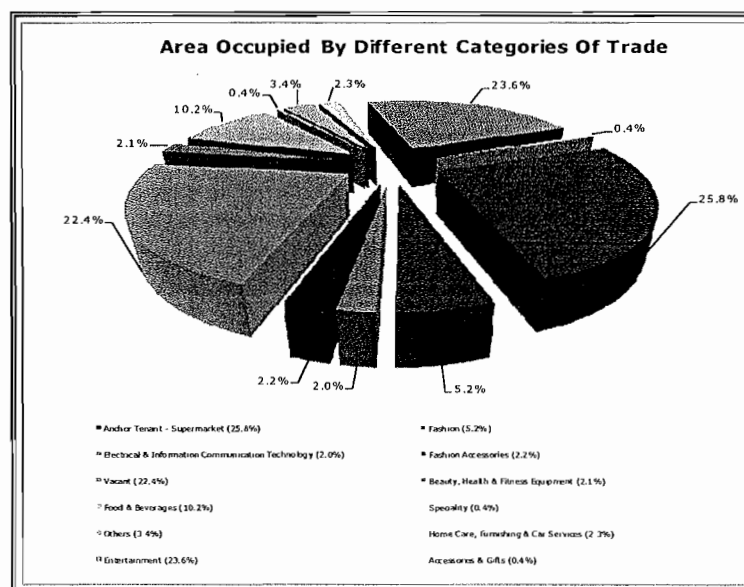
The car parks are presently managed by Metro Parking (M) Sdn Bhd.

The management of the Property is undertaken by Sri Awona Sdn Bhd. The overall standard of maintenance and upkeep of the Property is good.

**Existing Tenancies:**

The Property under consideration is presently about 77.6% occupied (exclusive of promotional kiosks, casual leasing areas and push carts). Of the total number of tenants, the Giant Hypermarket (anchor tenant) presently occupies a total of 72,140 square feet or 25.8% of the total net lettable area (exclusive of promotional kiosks, casual leasing areas and push carts).

As provided by the management, in terms of categories of trade, the majority of the retail spaces are tenanted to Anchor Tenant (25.8%), and followed by Entertainment (23.6%) and Food & Beverage (10.2%). The remaining retail spaces are being tenanted to other categories of trade, providing a good mix, such as food and beverage, beauty, health and fitness equipment, electrical and information communication technology, fashion, fashion accessories, accessories and gift, speciality and etc. The following pie chart shows the tenanted retail space by category of trade, as well as the vacant areas.

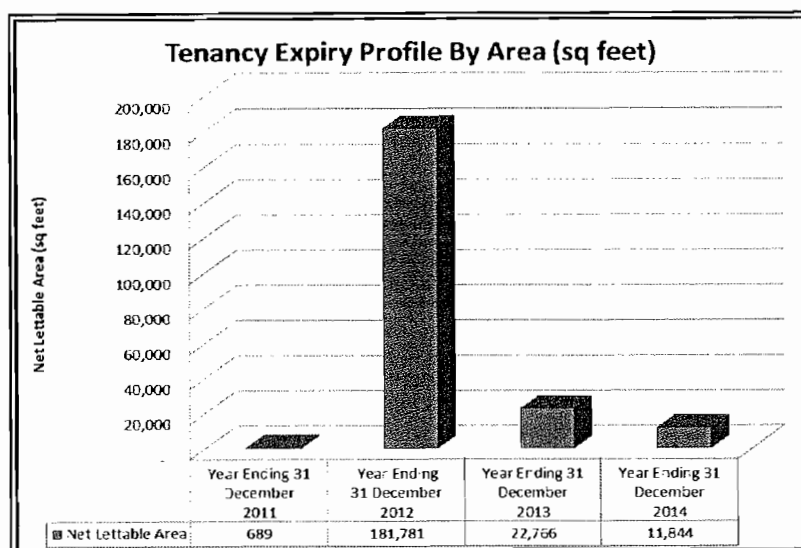


The tenancy term – generally, the duration of the tenancies are from 1 to 3 years.

The optional term – generally, an option to renew the tenancy for 1 to 4 terms of either 2 or 3 years is available to the tenant at rental increments of 10% to 20%.

An analysis of the tenancy expiry profile of the Property is illustrated in the following bar chart:-

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)



As the Property commenced operations in mid-2009 with most of the tenancies commencing in June 2009, a majority of the tenancies will be expiring in 2012.

The historical occupancy rates of the Property are shown below:-

Year	Average Occupancy
2009 (from June 2009)	51%
2010	67%
2011 (Jan - September)	73%
2011 (as at October)	77.6%

Source: Sri Awana Sdn Bhd

Historical operating performance is as follows:-

Description	July 2009 - June 2010	July 2010 - June 2011
Gross Rental Receivable (Retail Lots, Promotional Kiosks, Casual Leasing, ATM Machines, Push Carts and Rooftop)	RM5,348,900	RM7,319,412
Other Income (Profit Share from car park operations)	RM249,067	RM197,368
<b>Total Gross Income</b>	<b>RM5,597,967</b>	<b>RM7,516,780</b>
Total outgoings	RM1,622,657	RM1,863,215
<b>Net Income</b>	<b>RM3,975,310</b>	<b>RM5,653,565</b>

Source: Sri Awana Sdn Bhd

**Market Value:**

The Market Value of the Property, held under a grant-in-perpetuity in its existing condition, subject to the legally binding existing tenancies and to its Title being free from encumbrances, good, marketable and registrable is RM101,000,000 (Malaysian Ringgit One Hundred And One Million Only) i.e. equivalent to about equivalent to about RM361 per square foot or RM3,893 per square metre based on the net lettable area of the Property of 25,946.98 square metres (i.e. approximately 279,291 square feet) which is inclusive of the external seating / Alfresco areas but excluding the promotional kiosks.

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd :****Income Approach to Value**

Taking into consideration that the Property is an income generating property, the principal method in arriving at the above estimate of Market Value of the Property is the Income Approach to Value, where reference is made to the projected gross income the Property is able to generate and by deducting therefrom all outgoings. The net yearly income is then capitalised by a market derived rate in order to arrive at the Market Value of the Property.

The parameters of this approach are as follows:-

Description		Term	Reversion
<b>Gross Rental</b>			
Anchor		RM1.20	RM1.30 psf
Retail (Ground Floor)		RM1.40 - RM4.10 psf	RM1.50 - RM4.70 psf
Retail (First Floor)		RM1.80 - RM9.50	RM3.00 - RM8.50 psf
Retail (Second Floor)		RM0.80 - RM1.30 psf	RM1.20 - RM1.50 psf
Promotional Kiosks		RM1.39 - RM42.19 psf	RM5.00 to RM5.00 psf
<b>Average Rental</b>			
- Include Anchor Tenant		RM2.17	RM2.42
- Exclude Anchor Tenant		RM2.65	RM2.81
<b>Outgoings</b>		RM0.65 psf	RM0.75 psf
Yield	Anchor Tenant	6.75%	7.00%
	Retail Lots	7.00%	7.25%
	Promotional Kiosks, Push Carts, ATM Machines & Rooftop	8.50%	8.75%
	Casual Leasing	-	12.00%
Void	Anchor Tenant	-	5%
	Ground Floor	-	10%
	First Floor	-	5%
	Second Floor	-	15%
	Promotional Kiosks, ATM Machine, Push Carts & Rooftop	-	5%
Car parking bays		RM10,000 per bay	
Total net lettable area (in accordance to the existing Tenancy Agreements and excluding promotional kioks)		279,404 square feet	
Unexpired Term of Tenancies		Between 0.8 year to 3 years	

We have structured our model for the Investment Approach on the basis of a "term" (recognising that the rentals are fixed by legally binding tenancy agreements) and one reversion. Current rentals receivable are therefore used to determine the value of the "term". For the reversionary period, we have applied rental rates as shown in the above table.

There is a dearth of rental evidences of similar properties in Kulim. Therefore, the rental rates used in estimating the gross rental income of the Property are based on current market rentals in and around Sungai Petani and Seberang Prai. In particular we have considered the following:-

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

Market Value  
Cont'd :

Location and Building	Floor Area (sf)	Rental range psf per month (RM)
<b>Kedah</b>		
<b>Bandar Sungai Petani</b>		
SP Plaza, Jalan Ibrahim	420 - 689	0.39 - 2.92
Central Square, Jalan Kampung Baru	334 - 570	1.19 - 5.32
Cayman Complex 2, Taman Pekan Baru	301 - 344	1.10 - 1.67
Village Mall, Jalan Badlishah	377- 5,479	2.80 - 7.00
<b>Pulau Pinang</b>		
<b>Seberang Perai Utara Butterworth</b>		
Bagan Complex, Jalan Bagan Luar	75 - 753	1.89 - 3.62
<b>Seberang Perai Tengah Bukit Mertajam</b>		
Plaza Bukit Mertajam (SUMMIT), Jalan Arumugam Pilai	474- 904	1.24 - 3.76
Bukit Mertajam Complex, Jalan Arumugam Pilai	140	1.82 - 2.07
<b>Seberang Perai Tengah Bandar Perda</b>		
Asenia Mall, Jalan Perda Barat	205 - 4,036	3.78 - 17.80
<b>Seberang Jaya</b>		
Sunway Carnival Mall, Jalan Todak	377 - 5,608	5.50 - 14.50
<b>Perai</b>		
Megamall Pinang, Jalan Baru Perai	366 - 1,055	0.66 - 3.97
Chai Leng Complex, Jalan Baru (Levels 3,4 & 5 for parking)	904 - 947	0.61 - 3.00

Source : National Property Information Centre (NAPIC), JPPH, Property Market Report First Half 2011

The rental rates used in estimating the gross rental income for anchor tenant of the Property are also based on our records as follows:-

Shopping Malls	Rental psf per month (RM)
East Coast Mall, Kuantan	1.30 - 2.30
Aeon Seberang Prai City	2.60

These rental rates are dependent on location, design, quality and age of the building.

We have come to this estimate of market rental after taking into consideration the current rentals receivable, the asking rental rates within the locality, the condition and management of the building.

We have adopted the monthly Casual Leasing Income at RM50,000. The monthly Casual Leasing Income from January 2010 to October 2011 as extracted from the financial statements provided by the management are from RM24,280 to RM81,600.

We have adopted an outgoing rate to reflect the annual cost of owning the building. The outgoings are inclusive of security services, repairs and maintenance, cost of utilities, administrative expenses, insurance premium, quit rent and assessment.

These rates are derived from our study of the historical and current outgoings (provided us) for the Property and counter-checked against our records of outgoings for other retail buildings in Kedah and Seberang Perai that are available in our firm, as follows:-

Name of Complex	Outgoings (per sq ft per month)
Central Square Shopping Centre, Sungai Petani, Kedah	RM0.80
Star Parade, Alor Setar, Kedah	RM0.35 - RM0.40
City Plaza, Alor Setar, Kedah	RM0.90
AEON Seberang Perai City, Bandar Perda, Seberang Perai	RM0.50

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd :**

The outgoing that we have adopted reflects the fairly new condition of the building i.e. approximately 2 years, the design of the car park within the ground floor of the building with sufficient natural ventilation as well as the low statutory costs imposed by the relevant local authorities within this locality as compared to the Klang Valley.

The actual outgoing of the Property itself and its details from year 2009 to-date as obtained from the building owner are as follows:-

Total Outgoings	Year	
	July 2009 – June 2010	July 2010 – June 2011
Amount per annum	RM1,622,657	RM1,996,265
Rate psf per month	RM0.47	RM0.58

We have adopted higher outgoing for the "reversion" on account of the fact that although the age of the building is about 2 years, it is anticipated that costs of upkeep may increase.

In determining the appropriate yield rate to apply within the investment model, we have analysed the net income of other similar retail malls. The yield (to reflect risk and the time value of money) for the "term" and "reversion" are derived from the yields of similar retail malls that have recently been transacted in the market, as shown below:-

Retail Malls	Net Lettable Area (Sq Ft)	Purchase Price	Net Property Income	Date of Transaction	Net Yield
Gurney Plaza Extension	139,964	RM215,000,000	RM14,689,020	12-Nov-10	6.83%
Gurney Plaza	706,818	RM800,000,000	RM52,400,000	10-Jun-10	6.55%
Sunway Carnival Mall	484,364	RM231,742,000	RM13,626,000	8-July-10 (Date of Completion)	5.88%
East Coast Mall	441,342	RM310,000,000	RM19,987,464	14-Jun-11	6.45%

Source : Khong & Jaafar Research

We have adopted the yield rates as shown in the table on page 15, having considered the location of the Property, the tenure of the land, the existing tenancies, the still affordable rental rates of the building, the state of repair and the retail mall market environment in the location.

We have also deducted a void allowance from the net income for the "reversion" to reflect the fact that at any one time there may be vacancies within the Property. The allowances made, depending on the floor level / tenants are shown in the table on page 15.

We have adopted the yield rates as shown in the table on page 15, having considered the location of the Property, the tenure of the land, the existing tenancies, the still affordable rental rates of the building, the state of repair and the retail mall market environment in the location.

We have also deducted a void allowance from the net income for the "reversion" to reflect the fact that at any one time there may be vacancies within the Property. The allowances made, depending on the floor level / tenants are shown in the table on page 15.

The 610 car parking bays are valued separately at RM10,000 per bay. An alternative way of valuing car parks is by an income approach. Based on our internal research, the current selling prices of car parks within commercial developments in Penang are in the region of RM10,000 to RM30,000 per bay depending on location and type of development. We have thus adopted a car park value of RM10,000 per bay.

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value  
Cont'd :**

The above estimate of the car park is arrived at basically by the Comparison Approach to Value where reference is made to recent market sale transactions as well as asking prices of similar properties in the larger neighbourhood. This approach estimates the value of the car park by analysing market sales of similar car parks and by making the necessary adjustments for dissimilarities (legal, economic and physical) between each comparable and the car park.

There is a dearth of transactions involving car parks within commercial properties in the northern region. We have therefore considered the following market sales of car parks within residential developments as follows:-

The following adjustments were made to the comparables to arrive at an indicative value for the car parks under consideration:-		
	Comparable No. 1	Comparable No. 2
Description	B-11-8, Jalan Aziz Ibrahim, Nibong Indah, South-West District, Penang	A-6-17, Jalan Aziz Ibrahim, Nibong Indah, South-West District, Penang
Source	<i>Valuation and Property Services Department, Sales Transaction Data</i>	
Type	Car park within 16-storey apartment	Car park within 16-storey apartment
Date of Transaction	15-Aug-2007	15-Aug-2007
Tenure	Freehold	Freehold
Area	3.716 square metres (40 square feet)	3.716 square metres (40 square feet)
Consideration (per bay)	RM8,000	RM8,000
Adjustment	Upward adjustments are made for time and type of building/ development (Shopping mall, Part of commercial development.  A downward adjustment is made for location.	Upward adjustments are made for time and type of building/ development (Shopping mall, Part of commercial development.  A downward adjustment is made for location.
Adjusted value (RM per bay)	<b>RM10,120</b>	<b>RM10,120</b>

We have not used the Income Approach to derive the Market Value of the car park because an Income Approach to value does not normally work as it should when there is low demand for the car park. Under these circumstances and where there are several alternatives for users e.g. roadside parking, the Income Approach will not enable a reasonably accurate figure.

Comparison Approach to Value

We have also counterchecked the valuation of the Property by the Comparison Approach to value where reference is made to sale transactions of shopping centres within comparable economic areas. The Comparison Approach to Value generally estimates the value of Property by comparing it to the prices similar properties transacted in similar locations or comparable economic areas within a reasonable period of time and adjustments are made for differences in location, condition, date of transaction, age, concept, management and other relevant characteristics. The next step is a reconciliation of adjusted values and the selection of a suitable comparable and made judgmentally based on professional experience.

**VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)**

The following adjustments were made to this comparable to arrive at an indicative value for the Property under consideration:-			
	<b>Comparable No. 1</b>	<b>Comparable No. 2</b>	<b>Comparable No. 3</b>
<b>Description</b>	Sunway Carnival Shopping Mall located on Lots 5497, 5498 and 5499, all in Mukim 1, District of Seberang Perai Tengah, Penang.	Mahkota Parade located on Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka.	Alor Star Mall located on Lot 10538, Mukim of Pengkalan Kundor, District of Kota Setar, Kedah.
<b>Source</b>	IPO by Sunway REIT dated 15 June 2010 and Bursa Malaysia's General Announcement dated 8 July 2010.	Bursa Malaysia's General Announcement dated 17 February 2011	Bursa Malaysia's General Announcement dated 14 June 2011
<b>Type</b>	A 5-storey shopping mall	A 3-storey shopping mall	A 4-storey shopping mall
<b>Location</b>	Within Pusat Bandar Seberang Jaya	Jalan Merdeka, Bandar Hillir Melaka	Jalan Putra Square 6, Putra Square, Kuantan
<b>Date of Transaction/Valuation</b>	8 July 2010 (Date of Completion)	31 October 2010	14 June 2011
<b>Tenure</b>	Leasehold (99 years)	Leasehold (99 years)	Leasehold (99 years)
<b>Net Lettable Area</b>	41,999 square metres (452,072 square feet)	42,834.53 square metres (461,067 square feet)	41,002 square metres (441,342 square feet)
<b>Occupancy Rate</b>	94.80%	94.40%	97.00%
<b>Consideration</b>	RM231,742,000	RM283,000,000	RM310,000,000
<b>Analysis of the transaction</b>	RM51.3 per square foot	RM614 per square foot	RM702 per square foot
<b>Adjustment</b>	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable has a diversified mix of tenants), car park ratio (this comparable is better) and occupancy rate (this comparable is higher). An upward adjustment is made for tenure (this comparable is a 99-year leasehold).	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable is well managed), and occupancy rate (this comparable is higher). Upward adjustments are made for quality and age of building (the approximate age of this building is 16 years) and tenure (this comparable is a 99-year leasehold)	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable is well managed), car park (this comparable is better) and occupancy rate (this comparable is higher). An upward adjustment is made for tenure (this comparable is a 99-year leasehold)
<b>Adjusted value (RM per sq. ft.)</b>	<b>RM359.10 psf</b>	<b>RM368.40 psf</b>	<b>RM351.00 psf</b>

## VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (CONT'D)

**Market Value:  
Cont'd:**

Based on the above adjustments to arrive at the indicative values, we have considered Comparables 1 and 3 to be the most appropriate comparables as they are similar to the Property under consideration i.e. shopping malls in similar suburban areas. The indicative value of the Property under consideration, after adjusting for dissimilarities is RM353 per square foot.

Our estimate of the Market Value of the Property by the Comparison Approach is RM98,500,000 (Malaysian Ringgit Ninety-Eight Million And Five Hundred Thousand Only) i.e. equivalent to about RM353 per square foot or RM3,800 per square metre based on the net lettable area of the Property of 25,946.98 square metres (i.e. approximately 279,291 square feet) which is inclusive of the external seating / Alfresco areas but excluding the promotional kiosks.

Reconciliation of Values:-

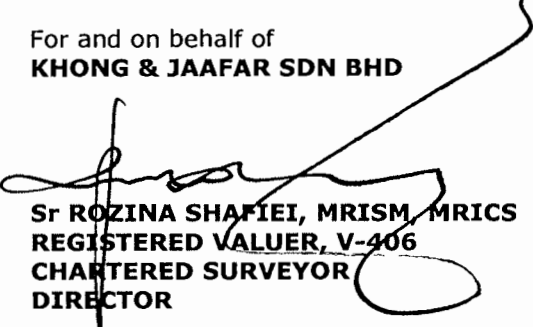
Valuation Approach	Derivation of Values
Investment Approach To Value	RM101,000,000
Comparison Approach To Value	RM98,500,000

We have placed higher reliance on the **Income Approach** to Value as a fair representation as this is an income generating property with legally binding existing tenancies, incorporating a pre-determined, secure-by-contract income-flow in the early parts of the life of the asset. The Income Approach also has an explicit way in which it deals with the cost of running the asset. On the other hand the Comparison Approach acts as a check on a broad basis.

In our opinion, the total market value of the Properties as at the date of valuation free from all encumbrances, good marketable and registrable is RM185,700,000 (Malaysian Ringgit One Hundred Eighty-Five Million And Seven Hundred Thousand Only).

Yours faithfully

For and on behalf of  
**KHONG & JAAFAR SDN BHD**



**Sr ROZINA SHAFIEI, MRISM, MRICS  
REGISTERED VALUER, V-406  
CHARTERED SURVEYOR  
DIRECTOR**



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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board. The Board has seen the contents of this Circular and jointly and severally accepts full responsibility for the accuracy of the information contained herein (save for information relating to the Vendors) and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading. The Board has undertaken to immediately notify the SC, through ECM Libra, of any material events and/or changes in circumstances that would affect the consideration of the SC.

Information relating to the Vendors as contained in this Circular was provided by the management of the Vendors. The responsibility of the Board is limited to ensuring that the aforesaid information is accurately reproduced in this Circular.

**2. CONSENT AND CONFLICT OF INTEREST****2.1 AmTrustee Berhad**

AmTrustee Berhad has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it appears.

**2.2 ECM Libra**

ECM Libra has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it appears.

ECM Libra is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Adviser for the Proposals.

ECM Libra has, under its ordinary course of business, extended loan facilities to Hektar Black Sdn Bhd. ECM Libra does not have any loan facilities to Hektar REIT nor does it have any direct unitholdings in Hektar REIT and vice versa as at the LPD. None of the directors of ECM Libra are on the Board of HAMSMB and vice versa.

**2.3 Zul Rafique & Partners**

Zul Rafique & Partners has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it appears.

Zul Rafique & Partners is not aware of any circumstances or relationships that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Legal Adviser for the Proposals as well as the sale transaction and negotiation in relation to the Proposed Acquisitions between Hektar REIT and the Vendors.

**2.4 Mega Corporate Services Sdn Bhd**

Mega Corporate Services Sdn. Bhd has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it appears.

**2.5 SJ Grant Thornton**

SJ Grant Thornton has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and Reporting Accountants' letter on the proforma statement of financial position of Hektar REIT as at 31 December 2011 in the form and context in which it appears.

**FURTHER INFORMATION (CONT'D)**

SJ Grant Thornton is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Reporting Accountants for the Proposals.

**2.6 Khong & Jaafar Sdn Bhd**

Khong & Jaafar Sdn. Bhd. has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and valuation certificate of the Subject Properties in the form and context in which it appears.

Khong & Jaafar Sdn. Bhd. is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Valuer for Landmark Central Property and Central Square Property.

**2.7 Hektar Property Services Sdn Bhd**

Hektar Property Services Sdn. Bhd. has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it appears.

**3. Salient terms of the standard tenancy agreements for the Subject Properties**

No.	Heading	Salient Terms
1.	Period	1 – 3 years
2.	Rental	Payable in advance at the commencement of the tenancy. Certain tenancies contain income sharing commission payment.
3.	Security Deposit	(i) Two months rental security payable on execution of the tenancy. (ii) Utility deposit payable on execution of the tenancy.
4.	Service Charge	The tenant is responsible for the service charge which forms part of the monthly rental.
5.	Obligations of the Tenant	Usual standard terms including the obligations on the tenant;-  (i) to pay for utilities charges and outgoings over the demised premises, (ii) to use the demised premises for permitted usage only, (iii) to insure its own goods and property, (iv) to indemnify the landlord for any damages caused by the default, negligence or omission of the tenant or its employees, (v) to comply with all the complex's regulations, (vi) to yield the demised premises in good repair upon expiry the tenancy, (vii) not to make alterations in or additions to the demised premises, and (viii) not to sublet or assign the demised premises.

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**FURTHER INFORMATION (CONT'D)**


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6.	Obligations of the Landlord	<p>The landlord shall:</p> <ul style="list-style-type: none"> <li>(i) provide quiet enjoyment to the demised premises,</li> <li>(ii) insure the demised premises against loss or damage by fire,</li> <li>(iii) to maintain the main structure of the demised premises, and</li> <li>(iv) for Central Square Property, to pay all taxes and statutory assessment imposed on the demised premises.</li> </ul>
7	Determination of the Tenancy	<p>The landlord may terminate the tenancy if the tenant defaults in payment or any of its obligations. In such a scenario, the landlord is entitled to forfeit the security deposits and utility deposits.</p> <p>If the tenant terminates the tenancy agreement, vacate or fail to open its business for three days, the landlord shall be entitled to forfeit the security deposits and/or utility deposits.</p>
8.	Renewal	The tenant is given an option to renew the term at an increment of between 10 to 20% of the existing rental rate.
9.	Redevelopment	Under the Landmark Central Property, the landlord is entitled to relocate the tenant if the landlord resolves to develop the complex.

There are variations of the terms with certain tenants of each of the Subject Properties such as the anchor tenants.

#### 4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, Hektar REIT is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant for Hektar REIT and the Board and AmTrustee do not have any knowledge of any proceedings pending or threatened against Hektar REIT or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of Hektar REIT:

- (i) Pursuant to the civil suit no. 52-33043-2010 in the Sessions Court at Kuala Lumpur whereby AmTrustee (on behalf of Hektar REIT), the registered proprietor of Subang Parade, has filed a suit to claim against its former tenant, HSL Electrical and Electronic Sdn Bhd ("**HSL**") in respect of vacant possession and double rental for HSL's unlawful holding over the Demised Premises upon the expiry of the tenancy agreement entered between the parties. On 27 July 2011, a judgment has been obtained in favour of AmTrustee (on behalf of Hektar REIT) and AmTrustee (on behalf of Hektar REIT) is currently at the stage of recovering a sum of RM399,679.63 together with accrued interest from HSL; and
- (ii) Pursuant to an originating summons no. MT4-15-87-2010 in High Court of Shah Alam, AmTrustee (on behalf of Hektar REIT) has filed a claim against the Pentadbir Tanah Daerah Petaling ("**PTD**") for additional compensation as the PTD in calculating and awarding the original compensation for the land acquisition of a part of Subang

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**FURTHER INFORMATION (CONT'D)**

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Parade's land, had failed to take into account the injurious affection sustained by AmTrustee as the registered owner of the acquired land.

On 29 September 2011, the High Court of Shah Alam has granted an order against the PTD to pay to AmTrustee additional compensation in the amount of RM282,332 together with interest at a rate of 8% to be calculated from 23 June 2009 being the date of the Borang K, in relation to the land acquisition.

**5. MATERIAL CONTRACTS**

Save as disclosed below, Hektar REIT has not entered into any material contract (not being contracts entered into in the ordinary course of business since its inception) during the past two (2) years immediately preceding the date of this Circular:

- (i) The SPAs entered into between the Trustee together with the Vendors for the Total Purchase Price of the Subject Properties to be satisfied in cash as mentioned in Section 2 of this Circular; and
- (ii) The Supplemental Deed to the Deed dated 20 March 2012 executed between the Manager and AmTrustee.

**6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****6.1. Material Commitments**

As at the LPD, Hektar REIT does not have any material commitments, which in the opinion of the Board, will or may have a material impact on the financial position of the REIT.

**6.2. Contingent Liabilities**

As at the LPD, Hektar REIT does not have any material contingent liabilities, which in the opinion of the Board, will or may substantially affect the ability of the REIT to meet its obligation as and when they fall due.

**FURTHER INFORMATION (CONT'D)****7. HISTORICAL UNIT PRICES**

The monthly high and low prices of the Units traded on the Main Market of Bursa Securities from June 2011 up to May 2012 are as follows:

	<b>High RM</b>	<b>Low RM</b>
<b>2011</b>		
June	1.35	1.31
July	1.35	1.33
August	1.35	1.28
September	1.31	1.22
October	1.31	1.23
November	1.35	1.29
December	1.37	1.29
<b>2012</b>		
January	1.35	1.32
February	1.39	1.34
March	1.38	1.35
April	1.42	1.38
May	1.43	1.37

Last transacted market price of the Units on 7 December 2011, being the last trading day prior to the date of announcement of the Proposals

1.37

Last transacted market price of the Units as at 18 June 2012

1.39

*(Source: Bloomberg)*

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except for public holidays) at the business office of AmTrustee at Level 15, Menara AmFIRST No.1, Jalan 19/3 46300 Petaling Jaya up to the date of the Meeting:

- (i) the Deed and the Supplemental Deed;
- (ii) the audited consolidated financial statements of Hektar REIT for the FYEs 31 December 2010 and 31 December 2011;
- (iii) the unaudited consolidated financial statements of Hektar REIT for the three (3)-month financial period ended 31 March 2012;
- (iv) the Reporting Accountants' letter on the proforma statement of financial position as at 31 December 2011 as included in Appendix I of this Circular;
- (v) the Valuation Certificate referred to in Appendix II of this Circular together with the Valuation Reports;
- (vi) the letters of consent referred to in Section 2 of this Appendix;
- (vii) cause papers for the material litigations referred to in Section 4 of this Appendix;
- (viii) the material contracts referred to in Section 5 of this Appendix; and
- (ix) Market Report on Landmark Central in Kulim and Central Square in Sungai Petani prepared by Hektar Property Services Sdn Bhd.



## HEKTAR REAL ESTATE INVESTMENT TRUST

*(established in Malaysia under the Deed dated 5 October 2006 (as amended by the Supplemental Deed dated 20 March 2012) entered into between Hektar Asset Management Sdn Bhd (Company No. 732261-T), a company incorporated in Malaysia under the Companies Act, 1965 and AmTrustee Berhad (Company No. 163032-V), a company incorporated in Malaysia under the Companies Act, 1965)*

### NOTICE OF UNITHOLDERS' MEETING

**NOTICE IS HEREBY GIVEN THAT** a meeting of unitholders ("the **Meeting**") of Hektar Real Estate Investment Trust ("**Hektar REIT**") will be held at the Ballroom, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Thursday, 5 July 2012 at 11.00 am or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTION 1

#### PROPOSED LANDMARK CENTRAL PROPERTY ACQUISITION AND PROPOSED CENTRAL SQUARE PROPERTY ACQUISITION ("**PROPOSED ACQUISITIONS**")

**THAT** subject to the passing of Ordinary Resolutions 2, 4 and the relevant approvals being obtained for the Proposed Acquisitions, AmTrustee Berhad ("**Trustee**"), on behalf of Hektar Real Estate Investment Trust ("**Hektar REIT**") be and is hereby authorised to acquire the following properties:

- (i) 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, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. 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" measuring in total a NLA of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd ("**Proposed Landmark Central Property Acquisition**"); and
- (ii) one hundred and ten (110) strata parcels (out of a total of 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" (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 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 for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd ("**Proposed Central Square Property Acquisition**");

**AND THAT** the Trustee (on behalf of Hektar REIT), be and is hereby authorised to enter into the sale and purchase agreements (with salient terms as set out in Section 2.2 of the Circular to Unitholders dated 20 June 2012 and any other relevant or necessary documents with the Vendors in relation to and for the purpose of completing the Proposed Acquisitions;

**AND FURTHER THAT** the Board of Directors ("**Board**") of Hektar Asset Management Sdn Bhd ("**HAMSB**" or the "**Manager**") and the Trustee (on behalf of Hektar REIT), be and are hereby authorised to take such steps and enter into all such agreements, arrangements and/or undertakings with any party or parties and to carry out any other matters as they may deem fit, necessary, expedient and/or appropriate to implement, finalise and give full effect to the Proposed Acquisitions.



### **HEKTAR REAL ESTATE INVESTMENT TRUST**

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#### **ORDINARY RESOLUTION 2**

##### **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 93,000,000 NEW UNITS IN HEKTAR REIT (“RIGHTS UNITS”) TO THE ENTITLED UNITHOLDERS OF HEKTAR REIT (“PROPOSED RIGHTS ISSUE”)**

**THAT** subject to the passing of Ordinary Resolutions 1,4 and the relevant approvals being obtained, approval be and is hereby given to the Board of HAMSMB, to allot (provisionally or otherwise) by way of a renounceable rights issue of up to 93,000,000 new Hektar Units (“**Rights Units**”) to the Unitholders of Hektar REIT, whose names appear in the Record of Depositors of Hektar REIT as at the close of business on an entitlement date to be determined and announced by the Board of HAMSMB, or their renounee(s), to be credited as fully-paid upon full payment of the issue price, on the closing date to be determined and announced later by the Board of HAMSMB;

**THAT** the Board of HAMSMB be and is hereby empowered and authorised to deal with any fractional entitlement that may arise from the Proposed Rights Issue in such manner as they shall in their absolute discretion deem fit and in the best interests of Hektar REIT;

**THAT** the Rights Units shall, upon allotment and issuance, rank equally in all aspects with the existing Hektar REIT units, except that the Rights Units shall not be entitled to any dividend, right, allotment and/or other distribution, in respect of which the entitlement date is before the allotment date of the Rights Units;

**THAT** any Rights Unit which is not taken up or validly taken up shall be made available for excess applications in such manner as the Board of HAMSMB shall in its absolute discretion deem fit;

**THAT** approval be and is hereby given for the proceeds of the Proposed Rights Issue to be utilised by Hektar REIT for the purposes as set out in Section 3.7 of the Circular dated 20 June 2012, and the Board of HAMSMB be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit and in the best interests of the Hektar REIT;

**AND THAT** in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board of HAMSMB to do or to procure to be done all acts, deeds and things to execute, sign and deliver on behalf of Hektar REIT, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Rights Issue.

#### **ORDINARY RESOLUTION 3**

##### **PROPOSED ISSUANCE OF UP TO 853,773 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 THE MANAGER”)**

**THAT** subject to the passing of Ordinary Resolutions 1, 2, 4 and the relevant approvals being obtained, the Board of HAMSMB be and is hereby authorised to allot and issue new units to the Manager as part of the acquisition fee due to the Manager provided that the number of new units must not exceed RM905,000 in value.

**THAT** the Manager’s Units shall, upon allotment and issuance, rank equally in all aspects with the existing Hektar REIT units save and except that the Manager shall not exercise the voting rights with respect to the Manager’s Units in any Unitholders’ meeting as per Clause 4.15.2 of the Deed and not be entitled to any dividend, rights, allotment and/or other distribution, in respect of which the entitlement date is before the allotment date of the Manager’s Units;



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**AND THAT** in order to implement, complete and give full effect to the Proposed Issuance to the Manager, approval be and is hereby given to the Board of HAMS B to do or to procure to be done all acts, deeds and things, to execute, sign and deliver on behalf of Hektar REIT, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Issuance to the Manager.

#### ORDINARY RESOLUTION 4

#### **PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT OF 320,001,000 UNITS TO UP TO 413,854,773 UNITS PURSUANT TO THE PROPOSED RIGHTS ISSUE AND PROPOSED ISSUANCE TO THE MANAGER (“PROPOSED INCREASE IN FUND SIZE”)**

**THAT** subject to the passing of Ordinary Resolutions 1, 2 and the relevant approvals being obtained, the approved fund size of Hektar REIT be and is hereby increased from 320,001,000 to up to 413,854,773 units by the creation of up to 93,853,773 units;

**AND THAT** the Board and Trustee (on behalf of Hektar REIT) be and are hereby authorised to give effect to the aforesaid Proposed Increase in Fund Size with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in the manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Increase in Fund Size.

By Order of the Board  
HEKTAR ASSET MANAGEMENT SDN BHD  
(Company No: 732261-T)

Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820)  
Lim Seck Wah (MAICSA 0799845)  
Joint Company Secretaries  
Kuala Lumpur  
20 June 2012

#### Notes:

1. For the purpose of determining a unitholder who shall be entitled to attend, speak and vote at the Meeting, a Record of Depositors shall be requested as at 29 June 2012. Only a depositor whose name appears on the Record of Depositors as at 29 June 2012 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. Every unitholder entitled to attend and vote at the Meeting shall be entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote. The proxy appointed need not be a unitholder.
3. If the unitholder is an authorised nominee, it may appoint at least one (1) proxy in respect of each Account it holds. If a unitholder appoints two (2) proxies, the appointment will be invalid unless the unitholder specified the proportions of his holdings to be represented by each proxy.
4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. The instrument appointing a proxy must be deposited at the business office of AmTrustee Berhad’s business office at Level 15, Menara AmFIRST, No.1, Jalan 19/3, 46300 Petaling Jaya, Malaysia not less than forty-eight (48) hours before the time appointed for the Meeting or at any adjournment thereof.





**HEKTAR REAL ESTATE INVESTMENT TRUST**

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**FORM OF PROXY**

I/We

.....  
*(Full Name in Capital Letters)*

of.....  
*(Full Address)*

being a unitholder(s) of **HEKTAR REIT** hereby appoint

**Name of proxy, NRIC No. & Address** **No. of units to be represented by proxy**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_

or failing \*him/her, the Chairman of the meeting as \*my/our proxy, to vote for \*me/us and on \*my/our behalf at the unitholders' Meeting to be held at the Ballroom, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Thursday, 5 July 2012 at 11.00 am or at any adjournment thereof.

\*My/Our proxy is to vote as indicated below:

		<b>FOR</b>	<b>AGAINST</b>
<b>Ordinary Resolution 1</b>	Proposed Acquisitions		
<b>Ordinary Resolution 2</b>	Proposed Rights Issue		
<b>Ordinary Resolution 3</b>	Proposed Issuance to the Manager		
<b>Ordinary Resolution 4</b>	Proposed Increase in Fund Size		

Please indicate with an "X" how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Dated this.....day of.....2012

.....  
Signature/Common Seal of Unitholder(s)

(\*Strike out whichever not applicable)

**Notes:**

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- 3. If the unitholder is an authorised nominee, it may appoint at least one (1) proxy in respect of each Account it holds. If a unitholder appoints two (2) proxies, the appointment will be invalid unless the unitholder specified the proportions of his holdings to be represented by each proxy.
- 4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- 6. The instrument appointing a proxy must be deposited at the business office of AmTrustee Berhad's business office at Level 15, Menara AmFIRST, No.1, Jalan 19/3, 46300 Petaling Jaya, Malaysia not less than forty-eight (48) hours before the time appointed for the Meeting or at any adjournment thereof.



Fold this flap for sealing

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Then fold here

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AFFIX  
STAMP

**HEKTAR REAL ESTATE INVESTMENT TRUST**  
c/o AmTrustee Berhad  
Level 15, Menara AmFIRST,  
No.1, Jalan 19/3  
46300 Petaling Jaya  
Malaysia

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