

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The approval of the Securities Commission Malaysia ("SC") for the Proposed Issuance to Manager (as defined herein) and the Proposed Authority (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 said 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 as the said proposal falls under the category of 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 trust deed dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) entered into between Hektar Asset Management Sdn Bhd (Company No. 732261-T) and MTrustee Berhad (formerly known as AmTrustee Berhad) (Company No. 163032-V), both of which are companies incorporated in Malaysia under the Companies Act, 1965 and are deemed registered under the Companies Act, 2016)*

**CIRCULAR TO UNITHOLDERS**

**IN RELATION TO THE**

- (I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 61,000,000 NEW UNITS IN HEKTAR REIT ("UNITS") ("RIGHTS UNITS") TO RAISE GROSS PROCEEDS OF UP TO RM75.0 MILLION ("PROPOSED RIGHTS ISSUE");**
- (II) **PROPOSED ISSUANCE OF UP TO 360,000 NEW UNITS TO HEKTAR ASSET MANAGEMENT SDN BHD ("MANAGER") AMOUNTING TO RM520,000 AS PART OF THE ACQUISITION FEE DUE TO THE MANAGER ("PROPOSED ISSUANCE TO MANAGER");**
- (III) **PROPOSED AUTHORITY TO ALLOT AND ISSUE UP TO 13,500,000 NEW UNITS AS PART PAYMENT OF THE MANAGEMENT FEE TO THE MANAGER ("PROPOSED AUTHORITY"); AND**
- (IV) **PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT FROM 400,634,117 UNITS UP TO 475,494,117 UNITS PURSUANT TO THE PROPOSED RIGHTS ISSUE, PROPOSED ISSUANCE TO MANAGER AND PROPOSED AUTHORITY**

**AND**

**NOTICE OF UNITHOLDERS' MEETING**

*Principal Adviser*



**Maybank Investment Bank Berhad** (15038-H)  
*(A Participating Organisation of Bursa Malaysia Securities Berhad)*

The notice of unitholders' meeting ("**Meeting**") of Hektar REIT and the Form of Proxy are enclosed in this Circular. The details of the Meeting are as follows:

- Date and time of the Meeting : Tuesday, 13 June 2017 at 11.00 a.m.
- Venue of the Meeting : Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur
- Last date and time for lodging the Form of Proxy : Sunday, 11 June 2017 at 11.00 a.m.

If you are unable to attend and vote at the Meeting, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must deposit the Form of Proxy at the Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur no later than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

This Circular is dated 26 May 2017

## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

1Segamat Property	:	A land measuring approximately 174,534.21 sqf/16,214.76 sqm on which the Building is erected thereon which forms part of two (2) pieces of leasehold land held under the Master Titles
Acquisition Fee	:	Acquisition fee of 1% of the Purchase Consideration which amounts to RM1.04 million
Act	:	Companies Act, 2016
Board	:	Board of Directors of the Manager
Building	:	A three (3)-storey retail mall building and one (1) basement car park together with a total of four hundred and twelve (412) car park bays (located at the basement, roof top and outdoor parking areas) known as "1Segamat Shopping Centre" (including all on-site fittings, machinery, equipment, fixtures and moveable chattels of any kind which are material to TDSB's current ownership, maintenance, use, leasing, service or operation of the 1Segamat Shopping Centre)
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Car Park Lease Area	:	Such part of land held under Lot 236, in Bandar and Daerah Segamat, Negeri Johor measuring approximately 65,340.00 sqf/6,070.28 sqm
Car Park Rights	:	The rights to operate and maintain a car park operation on the following lease areas: <ul style="list-style-type: none"><li>(i) the Car Park Lease Area pursuant to the lease agreement dated 6 January 2016 between TDSB and Kelab Sukan Kebajikan Majlis Daerah Segamat in relation to the lease of the Car Park Lease Area for a tenure of ten (10) years commencing from 1 March 2014 with an option to renew of one (1) term of five (5) years; and</li><li>(ii) the External Road Reserve pursuant to the lease agreement to be entered into between TDSB and Majlis Daerah Segamat in relation to the lease of the External Road Reserve</li></ul>
CFO	:	Certificate of fitness for occupation
Deed	:	The trust deed constituting Hektar REIT dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) between the Manager and MTrustee
DJAH	:	The personal representative of Dato' Jaafar bin Abdul Hamid (deceased), pursuant to the demise of Dato' Jaafar bin Abdul Hamid on 24 January 2017
EcoFirst	:	EcoFirst Consolidated Bhd
Entitled Unitholder(s)	:	Unitholder(s) whose name(s) appear on the Record of Depositors of Hektar REIT on the Entitlement Date

## DEFINITIONS *(Cont'd)*

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Entitlement Basis	:	The entitlement basis for the Proposed Rights Issue which will be determined by the Board and announced closer to the implementation of the Proposed Rights Issue
Entitlement Date	:	A date to be determined by the Board and announced later on which the names of Unitholders must be registered in the Record of Depositors of Hektar REIT as at 5.00 p.m. in order to be entitled to participate in the Proposed Rights Issue
External Road Reserve	:	Such part of the land comprising in the Master Titles having a total of seventy two (72) car park bays (subject to changes on the car park bays pursuant to the terms and conditions of the SPA)
F&B	:	Food and beverage
FCAM	:	Frasers Centrepoint Asset Management Limited, being the manager of FCT
FCL	:	Frasers Centrepoint Limited
FCT	:	Frasers Centrepoint Trust
FYE	:	Financial year ended/ending, as the case may be
HAMSB or Manager	:	Hektar Asset Management Sdn Bhd, being the manager of Hektar REIT
HBSB	:	Hektar Black Sdn Bhd
Hektar REIT	:	Hektar Real Estate Investment Trust
Henry Butcher	:	Henry Butcher Malaysia (Kluang) Sdn Bhd, the independent valuer appointed by the Manager to undertake the valuation of the 1Segamat Property
Intended Gross Proceeds	:	Gross proceeds of up to RM75.0 million to be raised from the Proposed Rights Issue
Issue Price	:	Issue price for each Rights Unit which will be determined by the Board and announced closer to the implementation of the Proposed Rights Issue
LPD	:	2 May 2017, being the latest practicable date prior to the printing of this Circular
Management Fee Units	:	Up to 13,500,000 new Units to be issued to the Manager pursuant to the Proposed Authority
Manager's Units	:	Up to 360,000 new Units to be issued to the Manager pursuant to the Proposed Issuance to Manager
Market Value of the 1Segamat Property	:	Market value of the 1Segamat Property as at 30 November 2016 of RM105.0 million as duly appraised by Henry Butcher
Master Titles	:	H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor
Maybank IB	:	Maybank Investment Bank Berhad

## DEFINITIONS (Cont'd)

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Meeting	:	Unitholders' meeting
MTrustee or Trustee	:	MTrustee Berhad ( <i>formerly known as AmTrustee Berhad</i> ), the trustee of Hektar REIT
NAV	:	Net asset value
NLA	:	Net lettable area
Price-Fixing Date	:	The date on which the Issue Price will be fixed and the Entitlement Basis will be determined by the Board
Proposals	:	Collectively, the Proposed Acquisition, Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size
Proposed Acquisition	:	Proposed acquisition by MTrustee, on behalf of Hektar REIT, of the Subject Property for the Purchase Consideration, the completion of which is subject to, among others, the implementation of the Proposed Rights Issue and Proposed Increase in Fund Size
Proposed Authority	:	Proposed authority to allot and issue the Management Fee Units as part payment of the management fee to the Manager
Proposed Increase in Fund Size	:	Proposed increase in the existing approved fund size of Hektar REIT from 400,634,117 Units up to 475,494,117 Units pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority
Proposed Issuance to Manager	:	Proposed issuance of the Manager's Units to the Manager amounting to RM520,000 as part of the Acquisition Fee due to the Manager
Proposed Rights Issue	:	Proposed renounceable rights issue of the Rights Units to the Entitled Unitholders to raise gross proceeds of up to RM75.0 million
Purchase Consideration	:	Cash consideration of RM104.0 million
REIT Guidelines	:	Guidelines on Real Estate Investment Trusts issued by the SC
Record of Depositors	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
Rights Units	:	Up to 61,000,000 new Units to be issued to the Entitled Unitholders pursuant to the Proposed Rights Issue
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the Securities Industries (Central Depositories) Act, 1991
SC	:	Securities Commission Malaysia
SPA	:	Conditional sale and purchase agreement dated 10 June 2016 between MTrustee and TDSB for the Proposed Acquisition
sqf	:	Square feet
sqm	:	Square meters
Subject Property	:	Collectively, 1Segamat Property and Car Park Rights

## **DEFINITIONS** *(Cont'd)*

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TDSB or Vendor	:	Tashima Development Sdn Bhd
TERP	:	Theoretical ex-rights price
Unit(s)	:	Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
Valuation Report	:	Valuation report dated 8 June 2016 on the 1Segamat Property prepared by Henry Butcher
VWAMP	:	Volume weighted average market price

## **CURRENCY**

RM and sen	:	Ringgit Malaysia and sen
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All references to “you” in this Circular are to the Unitholders.

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

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

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

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

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**HEKTAR ASSET MANAGEMENT SDN BHD**

*(Company No. 732261-T)*

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

**Registered Office**

Unit 419, Block A  
Kelana Business Centre  
No. 97, Jalan SS7/2  
Kelana Jaya  
47301 Petaling Jaya  
Selangor

26 May 2017

**Board of Directors**

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

**To: Unitholders**

Dear Sir/Madam,

- (I) PROPOSED RIGHTS ISSUE;**
  - (II) PROPOSED ISSUANCE TO MANAGER;**
  - (III) PROPOSED AUTHORITY; AND**
  - (IV) PROPOSED INCREASE IN FUND SIZE**
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**1. INTRODUCTION**

On 10 June 2016, on behalf of the Board, Maybank IB announced that MTrustee had on even date entered into the SPA with TDSB for the Proposed Acquisition. In conjunction with the Proposed Acquisition, it was also announced that the Manager proposes to undertake the Proposed Rights Issue and Proposed Issuance to Manager.

In the same announcement, it was announced that the Manager proposes to undertake the Proposed Authority.

The Manager also proposes to undertake the Proposed Increase in Fund Size to facilitate the increase in the number of Units pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority.

On 5 September 2016, on behalf of the Board, Maybank IB announced that the SC has vide its letter dated 2 September 2016, approved the following subject to the conditions set out in Section 8(i) of this Circular:

- (i) issuance of the Manager's Units and Management Fee Units pursuant to the Proposed Issuance to Manager and Proposed Authority respectively: and
- (ii) listing of and quotation for the Manager's Units and Management Fee Units on the Main Market of Bursa Securities.

On 9 January 2017, on behalf of the Board, Maybank IB announced that TDSB has yet to fulfil the condition precedent of the SPA which requires TDSB to obtain the issuance of the Subdivided Titles from Pentadbir Tanah Daerah, Pejabat Tanah Segamat with the terms of the express conditions and restrictions-in-interest no worse off than the Master Titles as at 9 January 2017, being the last day of the Conditional Period (as defined herein). Pursuant to the terms and conditions of the SPA, TDSB is entitled to an automatic extension of six (6) months from the expiry of the Conditional Period or such other extended period as the parties may mutually agree. Accordingly, the Conditional Period was extended from 10 January 2017 up to 9 July 2017. The status of the Conditions Precedent is set out in Section 2.1.2.3 of this Circular.

On 22 May 2017, on behalf of the Board, Maybank IB announced that Bursa Securities has vide its letter dated 18 May 2017, approved the listing and quotation of the Rights Units, Manager's Units and Management Fee Units on the Main Market of Bursa Securities subject to the conditions as set out in Section 8(ii) of this Circular.

**The purpose of this Circular is to provide you with the details of the Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size and to seek your approval for the resolutions pertaining to the Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size to be tabled at the forthcoming Meeting. The Notice of Meeting and the Form of Proxy are enclosed in this Circular. Information on the Proposed Acquisition as set out in Section 2.1 of this Circular is for information purposes only as the Proposed Acquisition is not subject to your approval.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED RIGHTS ISSUE, PROPOSED ISSUANCE TO MANAGER, PROPOSED AUTHORITY AND PROPOSED INCREASE IN FUND SIZE TO BE TABLED AT THE FORTHCOMING MEETING.**

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Acquisition

#### 2.1.1 Information on the 1Segamat Property and Car Park Rights

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

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

<u>Details</u>	<u>Description</u>
Postal address	: Jalan Kolam Air, 85000 Segamat, Johor Darul Takzim
Land title <sup>(1)</sup>	: H.S.(D) 37321 No. PTD 1468, Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 37323 No. PTB 1283, Bandar and Daerah Segamat, Negeri Johor
Tenure	: Leasehold 99 years expiring on 4 July 2100 (i.e. an unexpired term of about 84 years remaining)
Registered owner	: TDSB
Category of land use	: Building
Property use	: Retail mall
Approximate age of building as at the LPD	: 5.5 years
Gross floor area (sqf/sqm)	: 486,788.99/45,224.18
NLA (sqf/sqm)	: 223,438.71/20,758.14
Land area (sqf/sqm)	: 267,752.26/24,875.00 (as per Master Titles) 174,534.21/16,214.76 (as per Pelan Kebenaran Merancang dated 30 December 2015) <sup>(1)</sup>
Date of CFO	: 2 December 2011
Occupancy rate as at the LPD (%)	: 96.21
Tenancy term	: Two (2) to three (3) years
Major tenants (more than 10% of total NLA)	: UO Superstore and Lotus Five Star Cinema
Net property income for the FYE 31 May 2016 (RM'000)	: 8,007
Audited net book value as at 31 May 2016 (RM'000)	: 101,601
Market Value of the 1Segamat Property (RM'000)	: 105,000
Encumbrances as per land search dated 23 May 2017	: Two (2) encumbrances in favour of Amanah International Finance Sdn Bhd vide: (i) caveat presentation no.: 4/2014 registered on 1 January 2014; and (ii) charge presentation no.: 703/2014 registered on 6 January 2014.

Details	Description
Express conditions of the Master Titles as per land search dated 23 May 2017	<p>(i) <i>"Tanah ini hendaklah digunakan untuk Bangunan Bertingkat bagi tujuan Komersil dan Hotel, dibina mengikut pelan yang diluluskan oleh pihak Berkuasa Tempatan yang berkenaan."</i> This land shall be used for a multi-storey building for commercial and hotel purposes, constructed according to the plan approved by relevant Local Authority.</p> <p>(ii) <i>"Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan."</i> All waste and pollution resulting from this activity shall be transmitted/disposed to the location designated by the Relevant Authority.</p> <p>(iii) <i>"Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa kesemasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi."</i> Every policy and condition that have been prescribed and enforced from time to time by the Relevant Authority shall be complied with.</p>
Restrictions-in-interest of the Master Titles as per land search dated 23 May 2017	<p>(i) <i>"Tuanpunya tanah tidak dibenarkan menawar atau menjual unit-unit (parcels) bangunan yang akan dibina tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Majlis Daerah Segamat Utara."</i> The proprietor of the land shall not offer or sell any units (parcels) of the building that is to be constructed on the land save and except where the construction of the building has commenced according to the plan approved by Majlis Daerah Segamat Utara.</p> <p>(ii) <i>"Hakmilik tanah ini apabila dipecahkan kepada hakmilik "strata" pecahan hakmilik strata tersebut apabila sahaja bertukar hakmilik kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekaipun kepada orang yang bukan Bumiputera/Syarikat Bukan Bumiputera tanpa persetujuan Penguasa Negeri."</i> When this title of the land is subdivided into "strata" titles, such strata titles, after being transferred to a Bumiputera/Bumiputera Company, shall not be sold, leased, charged or transferred in any way whatsoever to a Non-Bumiputera/Non-Bumiputera Company without consent from the State Authority.<sup>(2)</sup></p> <p>(iii) <i>"Pecahan hakmilik strata daripada hakmilik ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada Bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri."</i> The strata titles from this title shall not be sold or transferred in any way whatsoever to a non-citizen/foreign company without consent from the State Authority.<sup>(2)</sup></p>

**Notes:**

- (1) *As a condition precedent of the SPA (as set out in Section 2.1.2.3(ii) of this Circular), the Vendor shall obtain the issuance of separate issue documents of title (“Subdivided Titles”) for the land from the appropriate authority with the terms of the express conditions and restrictions-in-interest being no worse off than the Master Titles.*
- The Vendor has on 31 May 2016 submitted an application for the subdivision of the Master Titles for the purpose of the issuance of the Subdivided Titles for the land to the Pejabat Tanah Daerah Segamat. As at the LPD, the Subdivided Titles for the land have yet to be issued by the Pejabat Tanah Daerah Segamat.*
- (2) *The 1Segamat Property is not a strata mall.*

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

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

## **2.1.2 Salient terms of the SPA**

### **2.1.2.1 Agreement to sell and purchase the Subject Property**

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

### **2.1.2.2 Payment of the Purchase Consideration**

The Purchase Consideration shall be settled in the following manner:

- (i) refundable earnest deposit of RM2,080,000, equivalent to 2% of the Purchase Consideration (“**Earnest Deposit**”) which has been paid to TDSB’s solicitors as stakeholders (“**Stakeholders**”) prior to the execution of the SPA, and which shall be applied towards the Purchase Consideration upon completion of the SPA;
- (ii) a further sum of RM8,320,000, equivalent to 8% of the Purchase Consideration (“**Balance Deposit**”) which has been paid to the Stakeholders upon signing of the SPA. The Earnest Deposit and Balance Deposit are collectively referred to as “**Deposit**”; and

- (iii) the balance of the Purchase Consideration of RM93,600,000 shall be paid in cash to TDSB or the Stakeholders within thirty (30) days after the date on which all the conditions precedent to the Proposed Acquisition as set out in the SPA (“**Conditions Precedent**”) have been fulfilled and with an extension of thirty (30) days therefrom, if applicable, with interest.

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

### 2.1.2.3 Conditions Precedent

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

No.	Condition Precedent	Status
(i)	TDSB shall have obtained the approval from its shareholders and the appropriate authority (if any) for the conveyance or the disposal of the Subject Property by TDSB to the Trustee	Fulfilled
(ii)	TDSB shall have obtained issuance of the Subdivided Titles from the Pentadbir Tanah Daerah Pejabat Tanah Segamat with the terms of the express conditions and restrictions-in-interest no worse off than the Master Titles and delivered a duly executed memorandum of transfer	To be fulfilled. The approval of the Pejabat Tanah Segamat for the subdivision and issuance of the Subdivided Titles have been obtained on 4 April 2017.
(iii)	TDSB shall have secured the leases from Kelab Sukan Kebajikan Majlis Daerah Segamat and Majlis Daerah Segamat in relation to the Car Park Lease Area and External Road Reserve upon terms acceptable between the Trustee and TDSB	To be fulfilled
(iv)	TDSB shall have deposited with the Trustee all drawings pertaining to the Subject Property including as-built, civil and structural, mechanical and electrical plans and drawings as per the list set out in the SPA	To be fulfilled

No.	Condition Precedent	Status
(v)	TDSB shall have procured and delivered to the Trustee's solicitors (i) the redemption statement from the Existing Chargee setting out the amount payable for the full redemption of the Subject Property against the Existing Chargee's undertaking to release the original Subdivided Titles, the duly executed and stamped duplicate charge and the duly executed discharge of charge to the Trustee or Trustee's solicitors upon receipt of the redemption sum and to refund the redemption sum received in the event the discharge cannot be registered at the Pendaftar Tanah Negeri Johor or registry for any reason whatsoever; and (ii) the redemption statement from Orix Credit Malaysia Sdn Bhd (" <b>Orix</b> ") in respect of the sum of money outstanding and owing by TDSB to Orix pursuant to the hire purchase agreement dated 7 April 2015 granted by Orix to TDSB	To be fulfilled
(vi)	TDSB shall, at its own cost and expense, rectify, repair, replace and/or make good the defects in accordance with the manner set out in the SPA	To be fulfilled
(vii)	TDSB shall have deposited with its solicitors the original copy of the certificate of fitness for the Building	Fulfilled
(viii)	TDSB shall have achieved an average tenancy rental and car park collection of not less than RM1,050,000 only per month for the last three (3) months prior to the expiry of the Conditional Period or Second Extended Conditional Period (as defined herein), whichever is later	To be fulfilled
(ix)	TDSB shall have executed in escrow the duly executed assignment and notices in respect of the existing tenancies, novation agreements and consent letters and deposited the same together with the occupation agreements with TDSB's solicitors who shall have the right to release them to the Trustee on the completion date of the SPA (" <b>Completion Date</b> ")	To be fulfilled
(x)	TDSB shall have settled all the sums owing to Lim Nyuk Wah @ Ng Peng Wah and Lim Kim Bee (" <b>Claimants</b> ") under the settlement agreement dated 22 February 2016 entered into between TDSB and the Claimants (" <b>Settlement Agreement</b> ") and a deed of revocation is duly entered and stamped between the parties thereof	Fulfilled
(xi)	the Trustee shall have obtained the approval of the SC, Bursa Securities and the Unitholders in relation to the equity funding exercise and acquisition of the Subject Property	Fulfilled (save for the Unitholders' approval)

No.	Condition Precedent	Status
(xii)	the Trustee or its agent is in receipt of the proceeds raised from any equity funding exercise and/or loan/financing agreement between the Trustee and the Trustee's financiers for the debt facilities to part-finance the Proposed Acquisition have been duly executed	To be fulfilled

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

In the event TDSB is unable to fulfil the condition stipulated in Section 2.1.2.3(ii) above within the Conditional Period, TDSB is entitled to an automatic extension of six (6) months or such other extended period as may be mutually agreed between the Trustee and TDSB ("**First Extended Conditional Period**"), subject to payment by TDSB to the Trustee of an interest at 6% per annum on the Deposit calculated on a daily basis in accordance with the terms of the SPA. In addition, the Trustee is entitled to an automatic extension of two (2) months from the expiry of the Conditional Period or the First Extended Conditional Period, whichever is later, or such other extended period as may be mutually agreed between the Trustee and TDSB ("**Second Extended Conditional Period**") to fulfil its Conditions Precedent.

TDSB agrees that upon termination where:

- (i) TDSB fails to satisfy the Conditions Precedent under Section 2.1.2.3(ii) or 2.1.2.3(iii) above by the expiry of the First Extended Conditional Period and the Trustee is not agreeable to extend the First Extended Conditional Period; or
- (ii) the Trustee fails to satisfy the Conditions Precedent under Section 2.1.2.3(xi) above or fails to obtain proceeds raised from any equity funding exercise under the first part of Section 2.1.2.3(xii) above due to economic downturn or force majeure circumstance or material adverse overall market condition which are beyond the control of the Trustee and not caused or contributed by the Trustee by the expiry of the Conditional Period or the Second Extended Conditional Period, as the case may be,

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

#### **2.1.2.4 Anti-competition**

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

#### **2.1.2.5 Default and Termination**

(i) Default by Trustee

In the event:

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

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

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

For the avoidance of doubt, a fundamental breach is:

- (i) any breach which results in damages of an amount of more than RM10,400,000.00; or
- (ii) any breach which is not capable of being remedied.

(ii) Default by TDSB

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

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

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

For the avoidance of doubt, a fundamental breach is:

- (i) any breach which results in damages of an amount of more than RM10,400,000.00;
- (ii) any breach which is not capable of being remedied; or
- (iii) a breach of TDSB's warranty that no units of retail space within the Building or any part thereof has been sold, assigned, transferred or disposed by TDSB to any person as at the date the SPA becomes unconditional and the Completion Date.

### 2.1.2.6 Non-Registration of Transfer

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

### 2.1.3 Basis and justification for the Purchase Consideration

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

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

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

The valuation certificate and the updated valuation certificate in respect of the 1Segamat Property prepared by Henry Butcher are set out in **Appendix II(A)** and **Appendix II(B)** of this Circular respectively.

### 2.1.4 Source of funding

The Purchase Consideration will be financed via proceeds from the Proposed Rights Issue and bank borrowings. Based on the Intended Gross Proceeds of RM75.0 million, the Purchase Consideration will be fully satisfied via the net proceeds from the Proposed Rights Issue of RM71.9 million and bank borrowings of RM32.1 million.

### **2.1.5 Liabilities to be assumed**

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

However, there will be lease payments to be made for the Car Park Rights as set out in Section 2.1.1 of this Circular.

### **2.1.6 Background information on TDSB**

TDSB was incorporated in Malaysia on 28 May 1993 under the Companies Act, 1965 and is deemed registered under the Act. As at the LPD, the share capital and number of issued shares of TDSB is RM2,800,000 and 2,800,000 shares.

The principal activity of TDSB is property development and property investment. TDSB is a wholly-owned subsidiary of EcoFirst which is listed on the Main Market of Bursa Securities.

The directors of TDSB as at the LPD are Dato' Tiong Kwing Hee and Sani bin Shukor.

## **2.2 Proposed Rights Issue**

### **2.2.1 Basis and quantum**

The Proposed Rights Issue entails the issuance of new Units for subscription by the Entitled Unitholders to raise the Intended Gross Proceeds. The Rights Units will be provisionally allotted to the Entitled Unitholders. The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Unitholders can subscribe for and/or renounce their entitlements to the Rights Units in full or in part.

The Entitlement Basis and the Issue Price have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Units and consequently, the number of Rights Units to be issued.

Notwithstanding, the Intended Gross Proceeds have been determined upfront to provide an indication to the Unitholders with respect to the maximum estimated capital outlay required to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Intended Gross Proceeds with their respective unitholdings in Hektar REIT. For illustration purposes only, based on the Intended Gross Proceeds and 400,634,117 Units in issue as at the LPD, the estimated capital outlay required from an Entitled Unitholder holding 1,000 Units who wishes to fully subscribe for his/her entitlement is approximately RM187.20.

The actual capital outlay required by the Entitled Unitholders to fully subscribe for their entitlements under the Proposed Rights Issue will depend on the Issue Price and the Entitlement Basis to be determined by the Board and announced on the Price-Fixing Date, which date can only be decided after all the Conditions Precedent have been met. The Issue Price and the Entitlement Basis will be determined after taking into consideration, among others:

- (i) the Intended Gross Proceeds;
- (ii) the then prevailing market condition;
- (iii) the then prevailing market price of the Units;

- (iv) the impact to the NAV per Unit and distribution per Unit;
- (v) the TERP of the Units based on the five (5)-day VWAMP of the Units immediately preceding the Price-Fixing Date; and
- (vi) a discount ranging from 15% to 20% to the TERP of the Units immediately preceding the Price-Fixing Date (rounded up to the nearest whole sen).

Based on the illustrative issue price of RM1.31 per Rights Unit, the number of Rights Units to be issued to raise the Intended Gross Proceeds of up to RM75.0 million is 57,233,445 Units where the indicative Entitlement Basis for the Proposed Rights Issue will be 1 Rights Unit for every 7 existing Units held. Based on the five (5)-day VWAMP of the Units up to and including the LPD of RM1.60, the illustrative TERP of the Units is RM1.56. The illustrative issue price of RM1.31 represents a discount of approximately 16.03% to the illustrative TERP of the Units of RM1.56.

The abovementioned discount is intended to provide Unitholders with an equal and attractive opportunity to increase their participation in Hektar REIT at a discount to the prevailing market price of the Units and to reward Unitholders for their continuous support to Hektar REIT. The final basis and justification for the discount to the TERP will be announced together with the Issue Price on the Price-Fixing Date.

The 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 such that the Intended Gross Proceeds will be raised. It is also the intention of the Board to fix an Entitlement Basis which will minimise the occurrence of odd lots and fractional entitlements.

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

The Rights Units which are not taken up or validly taken up shall be made available for excess applications by the Entitled Unitholders and/or their renounees. It is the intention of the Board to allocate the excess Rights Units to the Entitled Unitholders and/or their renounees who have applied for excess Rights Units based on their respective unitholdings in Hektar REIT as at the Entitlement Date in a fair and equitable manner.

### **2.2.2 Ranking of the Rights Units**

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

### **2.2.3 Listing of the Rights Units**

The Rights Units will be listed and quoted on the Main Market of Bursa Securities. Bursa Securities had vide its letter dated 18 May 2017 approved the listing and quotation of the Rights Units on the Main Market of Bursa Securities.

## 2.2.4 Unitholders' undertakings and underwriting arrangement

The Proposed Rights issue is intended to be undertaken on a full subscription basis.

HBSB and FCT have on 3 May 2017 provided their respective written irrevocable undertakings ("**Undertakings**") to subscribe in full their entitlements under the Proposed Rights Issue based on their unitholdings in Hektar REIT as at the Entitlement Date. Pursuant to the Undertakings, HBSB and FCT have confirmed that they have sufficient financial resources to subscribe in full their respective entitlement under the Proposed Rights Issue and such confirmations have been verified by Maybank IB.

The remaining portion of the Rights Units for which no undertaking has been obtained will be fully underwritten where the underwriting arrangements are expected to be in place prior to the implementation of the Proposed Rights Issue. The underwriting commission will be borne by Hektar REIT. 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.

For illustrative purposes only, the table below sets out the subscription amount to be paid by FCT and HBSB pursuant to the Undertakings based on the illustrative issue price of RM1.31 per Rights Unit:

	Direct unitholding as at the LPD		Subscription amount
	No. of Units	%	RM
FCT	124,892,950	31.17	23,372,824
HBSB	160,625,000	40.09	30,059,821
<b>Total</b>	<b>285,517,950</b>	<b>71.26</b>	<b>53,432,645</b>

## 2.2.5 Utilisation of proceeds

Based on the Intended Gross Proceeds of RM75.0 million, the proceeds are proposed to be utilised in the following manner:

Details of utilisation	Expected timeframe for utilisation from the listing of the Rights Units	RM million
Part-finance the Proposed Acquisition	Within 3 months	(1)71.9
Defray estimated expenses in relation to the Proposals <sup>(2)</sup>	Within 3 months	3.1
<b>Total</b>		<b>75.0</b>

### Notes:

(1) Assuming only RM32.1 million in bank borrowings are raised to part-finance the Proposed Acquisition.

(2) The estimated expenses in relation to the Proposals comprise of the cash portion of the Acquisition Fee, professional fees, underwriting commission, fees payable to the authorities, printing costs and other incidental expenses. In the event the actual expenses in relation to the Proposals are lower than RM3.1 million, the excess shall be utilised for working capital purposes.

The actual gross proceeds to be raised cannot be determined at this juncture as it would depend on the Issue Price and the Entitlement Basis. Any excess between the actual gross proceeds raised and the Intended Gross Proceeds will be utilised for working capital purposes.

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

#### **2.2.6 Foreign addressed Entitled Unitholders**

The prospectus and its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue (“**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 Entitled Unitholders who have not provided an address in Malaysia for the service of Documents as at the Entitlement Date. Foreign addressed Entitled Unitholders who wish to provide their address in Malaysia should inform their respective stockbrokers as well as Hektar REIT’s unit registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur (Tel. No. : +603 2692 4271) to effect the change of address prior to the Entitlement Date.

Foreign addressed Entitled Unitholders 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 foreign addressed Entitled Unitholders may be subject to. The foreign addressed Entitled Unitholders shall be solely responsible to seek advice as to the laws of any jurisdiction which they may be subject to and participation by the foreign addressed Entitled Unitholders in the Proposed Rights Issue shall be on the basis of a warranty by the foreign addressed Entitled Unitholders 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 Entitled 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.

### **2.3 Proposed Issuance to Manager**

Based on Clause 15.1.2 of the Deed, any acquisition fee due to the Manager for the acquisition of real estate is to be computed based on up to 1% of the purchase consideration of such acquisition. The Manager’s entitlement to the Acquisition Fee of RM1.04 million, representing 1% of the Purchase Consideration, is proposed to be satisfied in the following manner:

- (i) RM520,000 to be paid in cash by the Trustee to the Manager from the Intended Gross Proceeds; and
- (ii) the balance of RM520,000 to be paid via the issuance of the Manager’s Units.

The issue price of the Manager’s Units will be determined based on the TERP of the Units and the corresponding number of Manager’s Units to be issued will be determined thereafter.

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

#### **2.4 Proposed Authority**

The Proposed Authority entails the allotment and issuance of up to 13,500,000 Management Fee Units as part payment of the management fee to the Manager. Subject to the approval of the Unitholders, the Proposed Authority provides the Board with the flexibility to allot and issue the Management Fee Units at any time to the Manager as part payment of the management fee provided that, among others, the aggregate number of Management Fee Units does not exceed 13,500,000 new Units. Such authority shall be in force from the date of the approval of the Unitholders until all 13,500,000 Management Fee Units have been fully issued but no later than 5 years from the date of the approval of the Unitholders. Thereafter, Hektar REIT would have to seek the approval of the Unitholders for future allotments and issuances of new Units as part payment of the management fee to the Manager.

The issue price of the Management Fee Units will be determined based on the five (5)-day VWAMP of the relevant period in which the management fee accrues. The Manager will make the relevant announcement disclosing the number of Management Fee Units issued and the issue price of the Management Fee Units as and when they are issued as part payment of the management fee to the Manager.

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

#### **2.5 Proposed Increase in Fund Size**

Pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority, the Manager proposes to increase the existing approved fund size of Hektar REIT by the total number of Rights Units, Manager's Units and Management Fee Units.

### **3. RATIONALE AND BENEFITS OF THE PROPOSALS**

#### **3.1 Proposed Acquisition**

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

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

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

The 1Segamat Property is well-positioned to cater to all age groups from children to families, as well as a broad spectrum of income levels from the lower-middle to the upper-income group with its diverse offering of F&B, fashion, daily necessities, services and entertainment options. The 1Segamat Property, with an occupancy rate of 96.21% as at the LPD, houses an established mix of retailers which includes UO Superstore, Lotus Five Star Cinema, Watsons and Guardian, as well as F&B offerings such as Old Town White Coffee, Big Apple Donuts and Coffee, Tutti Frutti and Kentucky Fried Chicken. In terms of tenancy mix, the 1Segamat Property has the widest range of merchandise vis-à-vis other retail centres in Segamat, mainly grocery and convenience shopping.

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

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

### **3.2 Proposed Rights Issue**

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

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

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

### **3.3 Proposed Issuance to Manager**

The Proposed Issuance to Manager would allow Hektar REIT to part satisfy the Acquisition Fee due to the Manager via the issuance of the Manager's Units, instead of entirely via cash which would enable Hektar REIT to better manage its cash outflow.

The Manager's Units would also ensure that the interests of the Manager continues to be aligned with Hektar REIT after the Proposed Acquisition.

### **3.4 Proposed Authority**

The Proposed Authority will provide flexibility to Hektar REIT to make payments of the management fee (either via cash, new Units or a combination thereof) as well as to further strengthen the alignment of the Manager's interests with Hektar REIT.

### **3.5 Proposed Increase in Fund Size**

The Proposed Increase in Fund Size is required to facilitate the increase in the number of Units pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority.

## **4. RISK FACTORS**

The Board does not foresee any material change to the risk profile of Hektar REIT as a result of the Proposed Acquisition as the profiles of the property portfolio of Hektar REIT and the 1Segamat Property are similar. Notwithstanding, there are additional risks associated with the Proposed Acquisition, which are by no means exhaustive as follows:

### **(i) Completion risk**

The Proposed Acquisition is subject to completion risk as the Proposed Acquisition is conditional upon the fulfilment and/or waiver (as the case may be) of the Conditions Precedent or occurrence of any of the termination events as set out in Section 2.1.2.5 of this Circular. There can be no assurance that the Conditions Precedent will be satisfied and/or waived (as the case may be) or that any of the termination events will not occur.

Nevertheless, the Manager together with the Trustee shall use its best endeavour to fulfil all the Conditions Precedent within its control in a timely manner and mitigate the occurrence of any of the termination events as set out in Section 2.1.2.5(i) of this Circular to ensure the completion of the Proposed Acquisition.

### **(ii) Competition risk**

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

**(iii) Non-renewal/termination of key tenancies**

Based on the committed leases of the retail lots as at the LPD, the top five (5) tenants of the 1Segamat Property (in terms of contribution to gross rental income) accounted for approximately 38.5% of the gross rental income of the 1Segamat Property. In the event one or more of these key tenants decide not to renew their tenancies and/or decide to terminate their leases early, there may be a material and adverse impact to the net property income of the 1Segamat Property.

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

**(iv) Due diligence risk**

The due diligence on the 1Segamat Property may not identify all defects, deficiencies, breaches and/or non-compliances of any relevant laws, regulations, rules and requirements governing the 1Segamat Property which could result in unpredictable business interruption and additional expenses on material repairs and rectifications being incurred. To mitigate this, there are various representations and warranties relating to the breaches and non-compliances with the relevant laws and the conditions of the 1Segamat Property made in favour of Hektar REIT by the Vendor for any losses incurred by Hektar REIT arising from the breach of such representations and warranties via the SPA.

**(v) Financing risk**

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

**(vi) Operational risk**

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

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

## **5. INDUSTRY OVERVIEW AND PROSPECTS**

### **5.1 Overview of the Johor retail sector**

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

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

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

### **5.2 Prospects of the 1Segamat Property**

As mentioned in Section 2.1.1 of this Circular, the 1Segamat Property is strategically located with good traffic flow and easy accessibility to the main bus terminal of Segamat and the Segamat railway station, and is within close proximity to two (2) tertiary institutions. Furthermore, Segamat is a fast-developing town which is expected to experience increasing population.

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

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

*(Source : Management of HAMSB and independent market research report prepared by RNDC Retail Solutions Sdn Bhd)*

## 6. EFFECTS OF THE PROPOSALS

The Proposed Increase in Fund Size will not have any effect on the Unitholders' capital, substantial unitholders' unitholdings, NAV per Unit, gearing, distributable income and EPU of Hektar REIT.

For illustration purposes only, the proforma effects of the Proposed Acquisition, Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority have been illustrated based on the illustrative issue price of RM1.31 per Rights Unit, where the number of Rights Units to be issued to raise the Intended Gross Proceeds of up to RM75.0 million is 57,233,445 Units such that:

- (i) the indicative Entitlement Basis for the Proposed Rights Issue will be 1 Rights Unit for every 7 existing Units held. Based on the five (5)-day VWAMP of the Units up to and including the LPD of RM1.60, the illustrative TERP of the Units is RM1.56; and
- (ii) 333,333 Manager's Units will be issued at the illustrative issue price of RM1.56 per Manager's Unit, being the TERP of the Units based on the five (5)-day VWAMP of the Units up to and including the LPD of RM1.60.

### 6.1 Unitholders' capital

	<b>No. of Units</b>	<b>RM</b>
As at the LPD	400,634,117	425,738,255
To be issued pursuant to the Proposed Rights Issue	57,233,445	74,975,813
	<b>457,867,562</b>	<b>500,714,068</b>
To be issued pursuant to the Proposed Issuance to Manager	333,333	520,000
<b>Enlarged Unitholders' capital</b>	<b>458,200,895</b>	<b>501,234,068</b>

The quantum of the increase in Unitholders' capital as a result of new Units to be issued under the Proposed Authority will depend on the quantum of management fee which will be satisfied in the form of new Units and the issue price which will be determined based on the five (5)-day VWAMP of the Units for the relevant period in which the management fee accrues.

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## 6.2 Substantial Unitholders' unitholdings

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

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

Name	(I)				(II)							
	As at the LPD		After the Proposed Rights Issue <sup>(1)</sup>		After (I) and the Proposed Issuance to Manager		After (I) and the Proposed Issuance to Manager					
	Direct	*Indirect	Direct	*Indirect	Direct	*Indirect	Direct	*Indirect				
No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%			
FCT	124,892,950	31.17	-	-	142,734,800	31.17	-	-	142,734,800	31.15		
HBSB	160,625,000	40.09	-	-	183,571,429	40.09	-	-	183,571,429	40.06		
DJAH	-	-	<sup>(2)</sup> 162,185,867	40.48	-	-	<sup>(2)</sup> 185,355,277	40.48	-	-	<sup>(2)</sup> 185,688,610	40.53
FCL	-	-	<sup>(3)</sup> 125,525,817	31.33	-	-	<sup>(3)</sup> 143,458,077	31.33	-	-	<sup>(3)</sup> 143,791,410	31.38

### Notes:

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

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

(2) Deemed interest by virtue of his shareholding of more than 15.0% in HBSB and the Manager, and his son, Jazelan Firhan bin Jaafar, who owns 928,000 Units.

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

### 6.3

#### NAV per Unit and gearing

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

	Audited as at 31 December 2016	(I) Proposed Rights Issue	(II) After (I) and the Proposed Acquisition	(III) Proposed Issuance to Manager	After (I) and the Proposed Issuance to Manager
	RM'000	RM'000	RM'000	RM'000	RM'000
Unitholders' capital	425,738	500,714	(1)498,795	499,315	499,315
Undistributed income – realised	43,476	43,476	43,476	43,476	43,476
Undistributed income – unrealised	116,254	116,254	116,254	116,254	116,254
<b>NAV</b>	<b>585,468</b>	<b>660,444</b>	<b>658,525</b>	<b>659,045</b>	<b>659,045</b>
No. of Units in circulation ('000)	400,634	457,868	457,868	458,201	458,201
NAV per Unit (RM)	1.46	(2)1.44	1.44	1.44	1.44
Total borrowings	508,200	508,200	(3)540,324	540,324	540,324
Total assets	1,130,809	1,205,785	1,235,990	1,236,510	1,236,510
Gearing ratio (times) <sup>(4)</sup>	0.45	0.42	0.44	0.44	0.44

#### Notes:

- (1) After taking into consideration the cash portion of the estimated expenses in relation to the Proposals of approximately RM3.1 million, of which RM1.9 million is set-off against the Unitholders' capital and the remaining RM1.2 million is capitalised into investment properties.
- (2) The reduction in NAV per Unit is attributable to the issuance of the Rights Units at a discount to the NAV per Unit.
- (3) After taking into consideration bank borrowings of RM32.1 million to part-finance the Proposed Acquisition.
- (4) Computed as interest-bearing borrowings over total assets.

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

## 6.4 Distributable income and EPU

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

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

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

		(I)	(II)	(III)
	Audited as at 31 December 2016	After the Proposed Rights Issue	After (I) and the Proposed Acquisition	After (II) and the Proposed Issuance to Manager
Net realised income (RM'000)	41,546	41,546	<sup>(2)</sup> 49,553	49,553
No. of Units in circulation ('000)	<sup>(1)</sup> 410,841	457,868	457,868	458,201
EPU – realised (sen)	10.11	9.07	10.82	10.81

**Notes:**

- (1) After taking into consideration the bonus element in respect of the Proposed Rights Issue in accordance with the Malaysian Financial Reporting Standard 133 – Earnings per Share.
- (2) After taking into account the net property income of the 1Segamat Property based on the audited financial statements for the FYE 31 May 2016.

## 6.5 Convertible securities

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

## 7. HISTORICAL UNIT PRICES

The monthly high and low closing market prices of the Units as traded on the Main Market of Bursa Malaysia Securities Berhad for the last twelve (12) months from May 2016 to April 2017 are as follows:

	<u>High</u>	<u>Low</u>
	RM	RM
<b>2016</b>		
May	1.52	1.48
June	1.52	1.50
July	1.56	1.51
August	1.68	1.53
September	1.57	1.55
October	1.67	1.58
November	1.70	1.60
December	1.61	1.55
<b>2017</b>		
January	1.66	1.57
February	1.67	1.59
March	1.65	1.60
April	1.64	1.59

Last transacted market price of the Units on 9 June 2016, being the last full trading day prior to the announcement of the Proposals on 10 June 2016

1.52

Last transacted market price of the Units as at the LPD

1.59

*(Source: Bloomberg)*

## 8. APPROVALS REQUIRED

The Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size are subject to the following approvals being obtained:

- (i) the SC, which was obtained vide its letter dated 2 September 2016 for the following:
  - (a) issuance of the Manager's Units and Management Fee Units pursuant to the Proposed Issuance to Manager and Proposed Authority respectively; and
  - (b) listing of and quotation for the Manager's Units and Management Fee Units on the Main Market of Bursa Securities,

subject to the following condition:

<u>Condition</u>	<u>Status of compliance</u>
The SC shall be informed of the actual number of Manager's Units and Management Fee Units issued, the date of issuance of the Manager's Units and Management Fee Units and the date of the listing of and quotation for the Manager's Units and Management Fee Units on the Main Market of Bursa Securities.	To be complied

- (ii) Bursa Securities, which was obtained vide its letter dated 18 May 2017 for the listing and quotation of the Rights Units, Manager's Units and Management Fee Units on the Main Market of Bursa Securities, subject to, among others, the following conditions:

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

(iii) the Unitholders at the forthcoming Meeting; and

(iv) any other relevant authorities and/or parties, if required.

The Proposed Acquisition does not require the approval of the Unitholders as the Proposed Acquisition is not a related party transaction under Chapter 9 of the REIT Guidelines.

The Proposed Acquisition and Proposed Rights Issue are inter-conditional upon each other. The Proposed Issuance to Manager is conditional upon the Proposed Acquisition.

The Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority are conditional upon the Proposed Increase in Fund Size.

The Proposed Authority is not inter-conditional with the Proposed Acquisition, Proposed Rights Issue and Proposed Issuance to Manager.

Save as disclosed above, the Proposals are not conditional upon any other corporate exercise/scheme announced by Hektar REIT but pending completion.

For the implementation of the Proposals, the Proposed Rights Issue will be implemented first, followed by the Proposed Acquisition and Proposed Issuance to Manager, while the Proposed Authority will be implemented as and when payment of the management fee to the Manager is in the form of Management Fee Units.

## 9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and major shareholders of the Manager, major Unitholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Fund Size, save for their respective entitlements to subscribe for the Rights Units (including any excess Rights Units which are not taken up or not validly taken up) as Entitled Unitholders, for which all other Entitled Unitholders are also entitled to.

Save as disclosed below, none of the Directors and major shareholders of the Manager, major Unitholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Issuance to Manager and Proposed Authority:

**(a) Directors of the Manager**

- (i) Dato' Hisham bin Othman, the Executive Director and Chief Executive Officer of the Manager;
- (ii) Zalila binti Mohd Toon, the Executive Director and Chief Financial Officer of the Manager;
- (iii) Dr Chew Tuan Chiong, the Non-Independent Non-Executive Director of the Manager, who is also the Chief Executive Officer, Executive and Non-Independent Director of FCAM;
- (iv) Christopher Tang Kok Kai, the Non-Independent Non-Executive Director of the Manager, who is also a Non-Executive and Non-Independent Director of FCAM;
- (v) Philip Eng Heng Nee, the Independent Non-Executive Director of the Manager, who is also the Chairman, Non-Executive and Non-Independent Director of FCAM;
- (vi) Alex Chia Soon Ren, the alternate Director to Dr Chew Tuan Chiong, who is also the Head, Investment of FCAM; and
- (vii) Tay Hwee Pio, the alternate Director to Christopher Tang Kok Kai, who is also the Financial Controller of FCAM.

(Dato' Hisham bin Othman, Zalila binti Mohd Toon, Dr Chew Tuan Chiong, Christopher Tang Kok Kai, Philip Eng Heng Nee, Alex Chia Soon Ren and Tay Hwee Pio are collectively referred to as "**Interested Directors**")

**(b) Major shareholders of the Manager**

- (i) FCL is an indirect major shareholder of the Manager by virtue of its interest in Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, which in turn is a direct major shareholder of the Manager. In addition, FCL is also an indirect major Unitholder by virtue of its interest in FCT, which is a direct major Unitholder; and
- (ii) DJAH is an indirect major shareholder of the Manager by virtue of his interest in Hektar Klasik Sdn Bhd, which is a direct major shareholder of the Manager. In addition, he is also an indirect major Unitholder by virtue of his interest in HBSB, which is a direct substantial Unitholder and a direct major Unitholder respectively.

(Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, FCL, Hektar Klasik Sdn Bhd and DJAH are collectively referred to as "**Interested Major Shareholders of the Manager**")

**(c) Major Unitholders**

- (i) FCL is an indirect major Unitholder by virtue of its interest in FCT, which is a direct major Unitholder. In addition, FCL is also an indirect major shareholder of the Manager by virtue of its interest in Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, which in turn is a direct major shareholder of the Manager; and
- (ii) DJAH is an indirect major Unitholder by virtue of his interest in HBSB, which is a direct substantial Unitholder and a direct major Unitholder respectively. In addition, he is also an indirect major shareholder of the Manager by virtue of his interest in Hektar Klasik Sdn Bhd, which is a direct major shareholder of the Manager.

(FCT, FCL, HBSB and DJAH collectively referred to as “**Interested Major Unitholders**”)

(Interested Directors, Interested Major Shareholders of the Manager and Interested Major Unitholders are collectively referred to as “**Interested Parties**”)

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant meetings of the Board in relation to the Proposed Issuance to Manager and Proposed Authority.

The Interested Parties will abstain from voting in respect of their direct and/or indirect unitholdings in Hektar REIT, if any, on the resolutions pertaining to the Proposed Issuance to Manager and Proposed Authority at the forthcoming Meeting. The Interested Parties have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings in Hektar REIT, if any, on the resolutions pertaining to the Proposed Issuance to Manager and Proposed Authority at the forthcoming Meeting.

As at the LPD, the direct and indirect unitholdings of the Interested Parties in Hektar REIT are as follows:

	Direct		*Indirect	
	No. of Units	%	No. of Units	%
Dato' Hisham bin Othman	-	-	-	-
Zalila binti Mohd Toon	-	-	-	-
Dr Chew Tuan Chiong	-	-	-	-
Christopher Tang Kok Kai	-	-	-	-
Alex Chia Soon Ren	-	-	-	-
Tay Hwee Pio	-	-	-	-
Frasers Centrepoint Asset Management (Malaysia) Pte Ltd	-	-	-	-
FCL	-	-	<sup>(1)</sup> 125,525,817	31.33
FCT	124,892,950	31.17	-	-
DJAH	-	-	<sup>(2)</sup> 162,185,867	40.48
HBSB	160,625,000	40.09	-	-

**Notes:**

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

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

(2) Deemed interest by virtue of his shareholding of more than 15.0% in HBSB and the Manager, and his son, Jazelan Firhan bin Jaafar, who owns 928,000 Units.

## **10. DIRECTORS' RECOMMENDATION**

The Board, having considered all relevant aspects of the Proposed Rights Issue and Proposed Increase in Fund Size, including the rationale, benefits and effects of the Proposed Rights Issue and Proposed Increase in Fund Size, is of the opinion that the Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Fund Size are in the best interest of Hektar REIT. Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposed Rights Issue and Proposed Increase in Fund Size to be tabled at the forthcoming Meeting.

The Board (save for the Interested Directors), having considered all relevant aspects of the Proposed Issuance to Manager and Proposed Authority, including the rationale and effects of the Proposed Issuance to Manager and Proposed Authority, is of the opinion that the Proposed Issuance to Manager and Proposed Authority are in the best interest of Hektar REIT. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposed Issuance to Manager and Proposed Authority to be tabled at the forthcoming Meeting.

## **11. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposals, there are no other corporate exercise/scheme which have been announced by Hektar REIT but pending completion as at the LPD.

## **12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to your approval for the Proposals being obtained, the Proposals (save for the issuance of the Management Fee Units pursuant to the Proposed Authority) are expected to be completed by the 3<sup>rd</sup> quarter of 2017.

## **13. MEETING**

The Meeting will be held at Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 13 June 2017 at 11.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions pertaining to the Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size. You are advised to refer to the Notice of Meeting and the Form of Proxy which are enclosed in this Circular.

If you are unable to attend and vote in person at the Meeting, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you should complete and deposit the Form of Proxy at the business office of MTrustee Berhad (*formerly known as AmTrustee Berhad*) at Level 15, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor by Sunday, 11 June 2017 at 11.00 a.m. or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

**14. FURTHER INFORMATION**

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

Yours faithfully

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

**MICHAEL LIM HEE KIANG**

Independent Non-Executive Chairman

PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



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

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

**SJ Grant Thornton** (AF:0737)  
Level 11 Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
T +603 2692 4022  
F +603 2691 5229  
www.grantthornton.com.my

23 May 2017

Dear Sirs,

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

We have reviewed the presentation of the proforma statement of financial position of Hektar REIT as at 31 December 2016, together with the notes and assumptions thereto, as set out in the accompanying statements (which we have stamped for the purpose of identification), prepared for inclusion in the Circular to Unitholders to be dated 26 May 2017 in connection with the following:-

- i. Proposed Renounceable Rights Issue of up to 61,000,000 new units in Hektar REIT to raise gross proceeds of up to RM75.0 million ("Proposed Rights Issue") to part-finance the proposed acquisition of a land measuring approximately 174,534.21 square feet/16,214.76 square meters on which a three (3)-storey retail mall building and one (1) basement car park with a total of four hundred and twelve (412) car park bays known as "1Segamat Shopping Centre" (including all relevant assets) erected hereon which forms part of two (2) pieces of leasehold land held under master title H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and master title H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor and car park rights ("Subject Property") for a purchase consideration of RM104,000,000 from Tashima Development Sdn Bhd, being a wholly-owned subsidiary of Ecofirst Consolidated Bhd ("Proposed Acquisition").
- ii. Proposed issuance of up to 360,000 new units to Hektar Asset Management Sdn Bhd ("Manager") amounting to RM520,000 as part of the acquisition fee due to the Manager ("Proposed Issuance To Manager");
- iii. Proposed authority to allot and issue up to 13,500,000 new units as part payment of the management fee to the Manager ("Proposed Authority"); and
- iv. Proposed increase in the existing approved fund size of Hektar REIT from 400,634,117 units up to 475,494,117 units pursuant to the Proposed Rights Issue, Proposed Issuance To Manager and Proposed Authority.

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

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON** *(Cont'd)*



**The Board of Directors of the Manager Responsibility**

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

**Reporting Accountants’ Responsibilities**

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

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

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

**Reporting Accountants’ Opinion**

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

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

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

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

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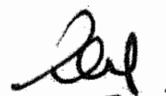
**Reporting Accountants' Opinion (Cont'd)**

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

Yours faithfully,



SJ GRANT THORNTON  
NO. AF: 0737  
CHARTERED ACCOUNTANTS



NG CHEE HOONG  
Approval Number: 2278/10/18(J)  
Chartered Accountant

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

Stamped for the purpose of identification on  
 23 MAY 2017  
 SJ Grant Thornton

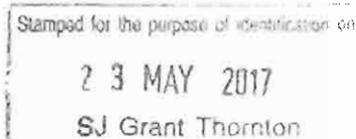
**HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")**  
 (Established in Malaysia)

**PROFORMA STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2016**

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

	Note	Audited as at 31 December 2016 RM'000	Proforma I Proposed Rights Issue RM'000	Proforma II After Proforma I and Proposed Acquisition RM'000	Proforma III After Proforma II and the Proposed Issuance to Manager RM'000
<b>ASSETS</b>					
<b><u>Non-current assets</u></b>					
Investment properties	4	1,092,450	1,092,450	1,197,631	1,198,151
Capital work in progress		162	162	162	162
Fixed deposits with a licensed bank		665	665	665	665
<b>Total non-current assets</b>		<b>1,093,277</b>	<b>1,093,277</b>	<b>1,198,458</b>	<b>1,198,978</b>
<b><u>Current assets</u></b>					
Trade receivables		5,751	5,751	5,751	5,751
Other receivables, deposits and prepayments		17,221	17,221	17,221	17,221
Cash and bank balances	5	14,560	89,536	14,560	14,560
<b>Total current assets</b>		<b>37,532</b>	<b>112,508</b>	<b>37,532</b>	<b>37,532</b>
<b>TOTAL ASSETS</b>		<b>1,130,809</b>	<b>1,205,785</b>	<b>1,235,990</b>	<b>1,236,510</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>					
<b><u>Unitholders' funds</u></b>					
Unitholders' capital	6	425,738	500,714	498,795	499,315
Undistributed income- realised		43,476	43,476	43,476	43,476
Undistributed income- unrealised		116,254	116,254	116,254	116,254
<b>Total unitholders' funds</b>		<b>585,468</b>	<b>660,444</b>	<b>658,525</b>	<b>659,045</b>

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



**HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")**

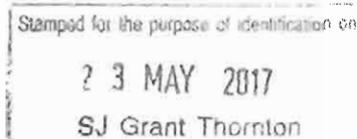
(Established in Malaysia)

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

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

		Audited	Proforma I	Proforma II	Proforma III
	Note	as at 31 December 2016 RM'000	Proposed Rights Issue RM'000	After Proforma I and Proposed Acquisition RM'000	After Proforma II and the Proposed Issuance to Manager RM'000
<b><u>Non-current liabilities</u></b>					
Other payables and accruals		12,280	12,280	12,280	12,280
Bank borrowings	7	493,200	493,200	525,324	525,324
Derivative financial instrument		814	814	814	814
		506,294	506,294	538,418	538,418
<b><u>Current liabilities</u></b>					
Trade payables		938	938	938	938
Other payables and accruals		23,109	23,109	23,109	23,109
Bank borrowings		15,000	15,000	15,000	15,000
		39,047	39,047	39,047	39,047
<b>Total current liabilities</b>		39,047	39,047	39,047	39,047
<b>Total liabilities</b>		545,341	545,341	577,465	577,465
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>		1,130,809	1,205,785	1,235,990	1,236,510
<b>NET ASSETS VALUE ("NAV")</b>		585,468	660,444	658,525	659,045
Number of Units in issue ('000)	6	400,634	457,868	457,868	458,201
NAV per Unit (RM)		1.46	1.44	1.44	1.44
<b>TOTAL BORROWINGS (RM'000)</b>		508,200	508,200	540,324	540,324
<b>GEARING RATIO (Times)</b>		0.45	0.42	0.44	0.44

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



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

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

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

**1. BASIS OF PREPARATION**

The proforma statement of financial position have been prepared for illustrative purpose only and are based on the audited financial statements of Hektar REIT for the financial year ended 31 December 2016.

**2. PROPOSALS**

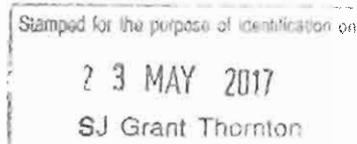
- (i) Proposed renounceable rights issue of up to 61,000,000 new Hektar REIT units (**“Right Units”**) to raise gross proceeds of up to RM75.0 million (**“Proposed Rights Issue”**) to part-finance the proposed acquisition of a land measuring approximately 174,534.21 square feet/16,214.76 square meters on which a three (3)-storey retail mall building and one (1) basement car park with a total of four hundred and twelve (412) car park bays known as “1Segamat Shopping Centre” (including all relevant assets) erected hereon which forms part of two (2) pieces of leasehold land held under master title H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and master title H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor and car park rights (**“Subject Property”**) for a purchase consideration of RM104,000,000 from Tashima Development Sdn Bhd, being a wholly-owned subsidiary of Ecofirst Consolidated Bhd (**“Proposed Acquisition”**).

The balance of the Proposed Acquisition of RM32,124,187 will be financed by a Cash Line-i/Murabahah Overdraft Facility from a financial institution by the virtue of a letter of offer (Note 7).

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

- (ii) Proposed issuance of up to 360,000 new Hektar REIT units (**“Manager’s Unit”**) to Hektar Asset Management Sdn Bhd (**“Manager”** or **“HAMSB”**) amounting to RM520,000 as part of the acquisition fee due to the Manager (**“Proposed Issuance to the Manager”**);
- (iii) Proposed authority to allot and issue up to 13,500,000 new Hektar REIT units as part payment of the management fee to the manager (**“Proposed Authority”**); and

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



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

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

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

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

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

(hereinafter referred to as the “Proposals”).

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

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

It is assumed that 57,233,445 Rights Units are issued on the basis of 1 Rights Units for every 7 existing units held in Hektar REIT at 2 May 2017 at an issue price of RM1.31 per Rights Unit.

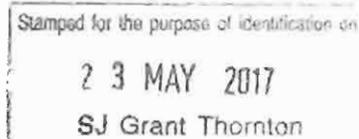
Total expenses for the Proposals are estimated at RM3,620,000 of which RM3,100,000 is to be settled in cash and RM520,000 is to be settled by the issuance of 333,333 Manager’s Units are issued at Theoretical Ex-Rights Price of RM1.56 per new unit, after taking into consideration 5-day Volume Weighted Average Price (“VWAP”) of Hektar REIT units up to 2 May 2017 of RM1.60 per unit, the resultant theoretical ex-rights price and the maximum number of units to be issued by Hektar REIT to maintain the distribution per unit after the Proposed Acquisition.

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

**3.1 Proforma I**

Proforma I incorporates the effects of the Proposed Rights Issue of 57,233,445 Rights Units.

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



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

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

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

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

**3.2 Proforma II**

Proforma II incorporates the effects of the Proforma I and the effects of the borrowings of RM32,124,187 to part finance the Proposed Acquisition, the effects of acquisition of the Subject Property totaling RM104,000,000 and expenses of RM3,100,000 to be netted off from the proceeds raised from the Proposed Rights Issue relating to the Proposals of which an estimated RM1,181,000 is to be capitalised.

**3.3 Proforma III**

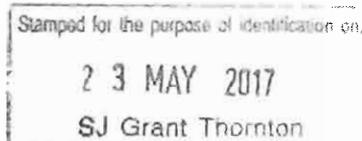
Proforma III incorporates the effects of the Proforma II and the effects of proposed issuance of up to 333,333 Manager's Units to the Manager for part settlement of acquisition fee to the Manager.

**4. Investment Properties**

	<b>RM'000</b>
Audited as at 31 December 2016/Proforma I	1,092,450
Purchase price for Subject Property	104,000
Estimated expenses for the Proposals (Note (b))	1,181
	<hr/>
As Per Proforma II	1,197,631
Acquisition fee due to the Manager (Note (a))	520
	<hr/>
As per Proforma III	<u>1,198,151</u>

(a) Acquisition fee of RM1,040,000 represent 1% of the total purchase price of the Proposed Acquisition of RM104,000,000 due to the Manager out of which RM520,000 is to be settled by the issuance of 333,333 Manager's Units and the balance of RM520,000 is to be settled in cash from the proceeds of the Proposed Rights Issue.

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



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

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

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

**4. Investment Properties (Cont'd)**

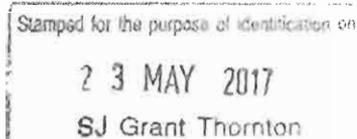
(b) The incidental expenses for the Proposed Acquisition comprise:-

	<b>RM'000</b>
(i) Part settlement of acquisition fee to the Manager	520
(ii) Incidental expenses capitalised into investment properties	1,181
(iii) Incidental expenses setoff against unitholders' capital	1,919
	<u>3,620</u>

**5. Cash and Bank Balances**

	<b>RM'000</b>
Audited as at 31 December 2016	14,560
Proceeds from Proposed Rights Issue	<u>74,976</u>
As per Proforma I	89,536
Debt funding from a financial institution to part finance the Proposed Acquisition	32,124
Settlement of incidental expenses for the Proposed Acquisition	(3,100)
Part settlement of purchase price of the Subject Property	<u>(104,000)</u>
As Per Proforma II/III	<u>14,560</u>

**PROFORMA STATEMENT OF FINANCIAL POSITION OF HEKTAR REIT AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



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

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

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

6. **Unitholders' Capital**

	Number of units	RM'000
Audited as at 31 December 2016	400,634	425,738
Rights Units to be issued pursuant to the Proposed Rights Issue	57,234	74,976
As per Proforma I	457,868	500,714
Incidental expenses for the Proposed Acquisition (Note 4(b))	-	(1,919)
As per Proforma II	457,868	498,795
Manager's units to be issued to satisfy 50% of the acquisition fee due to the Manager (Note 4(a))	333	520
As per Proforma III	458,201	499,315

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

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

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

	RM'000
Audited as at 31 December 2016/Proforma I	493,200
Cash Line-i/Murabahah Overdraft Facility to be obtained from a financial institution to part-finance the Proposed Acquisition	32,124
As per Proforma II/III	525,324

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

**HENRY BUTCHER MALAYSIA**

International Asset Consultants

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

June 8, 2016

**THE DIRECTORS**

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

Dear Sirs

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

We have been instructed by Hektar Asset Management Sdn Bhd, as the Manager of Hektar Real Estate Investment Trust to ascertain the Market Value of the Subject Property for the purpose of submission for approval to the Securities Commission Malaysia ("SC") in conjunction with the proposed acquisition of the Subject Property ("Proposed Acquisition"). This valuation certificate has been prepared for inclusion in the circular to the shareholders of Hektar Real Estate Investment Trust in relation to the proposed acquisition. The full details of the valuation are included in our Valuation Report bearing reference no. V/J (KS) – 03 – 2016/0012 dated June 8, 2016.

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

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

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

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

**HENRY BUTCHER MALAYSIA (KLUANG) Sdn Bhd (237629-M)**

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

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

Property Description

Property Type/  
Interest Valued

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

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

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

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

Name and Address of  
the Subject Property

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

Location

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

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

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

Age of Building

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

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

Building Description

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

Existing Use Of The Subject Property

Retail mall

Occupancy Rate

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

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

(Source: Management of the 1Segamat Shopping Centre)

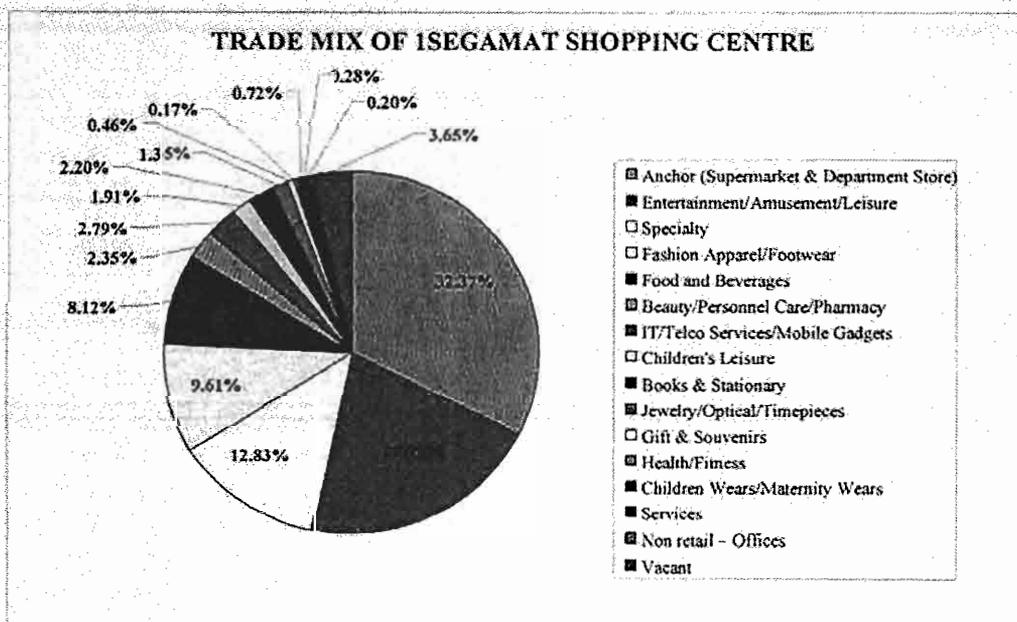
\* The occupancy rate as at May 2, 2016 does not include the units where rental offer letters have already been issued to the potential new tenants. The occupancy rate would increase to 97.13% if the potential new tenants are included.

Term of Tenancy

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

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

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



(Source : Management of the 1Segamat Shopping Centre)

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

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

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

**Title Particulars**

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

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

**Category of land use** Building (*Bangunan*)

**Land Area<sup>(1), (2)</sup>** An aggregate area of 267,752.26 sq. ft. (24,875 sq. m.).

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

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

**Floor Area**

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

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

**No. of Car Park Bays** 412

**Registered Owner** Tashima Development Sdn. Bhd.

**Notes:**

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

(2) The Subject Property is not a strata mall.

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

**Planning Approvals**

Planning Approval

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

Date of Certificate of Fitness for Occupation

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

**Rental Incomes**

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

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

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

**Outgoings**

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

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

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

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

**BASIS OF VALUATION**

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

**INVESTMENT METHOD**

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

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

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

**A) Rental Revenue**

Description	Retail lots	Remark
Average Gross Term Rental	RM3.29 per sq. ft.	We have adopted current passing rent. *Note: Exclusive of car park revenue, promotion revenue and other revenue.

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

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

**B) Others**

**Car Park Revenue**

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

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

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

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

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

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

**Promotion Revenue**

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

Year	2015	2014	2013
Rental Per Annum	RM904,701.08	RM584,342.55	RM434,824.60

(Source : Management of the 1Segamat Shopping Centre)

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

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

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

**Other Revenue**

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

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

(Source : Management of the 1Segamat Shopping Centre)

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

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

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

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

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

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

**COMPARISON APPROACH**

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

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

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

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

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

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

**Investment Method**

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

**Comparison Method**

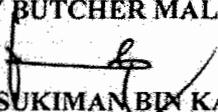
RM108,000,000 (RM487 per sq. ft over NLA)

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

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

Yours faithfully,

**HENRY BUTCHER MALAYSIA ( KLUANG ) SDN. BHD.**

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



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



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

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

December 7, 2016

**THE DIRECTORS**

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

Dear Sirs

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

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

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

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

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

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

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

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

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



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

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**TERMS OF REFERENCE**

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

**TITLE PARTICULARS**

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

**GENERAL DESCRIPTION**

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

**OCCUPATION**

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

**MARKET CONDITION**

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

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

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

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

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**MARKET VALUE****Investment Method**

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

**Comparison Method**

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

**Reconciliation of Value**

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

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

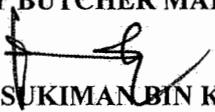
The current market value has remained unchanged as compared to the last valuation.

**VALUATION**

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

Yours faithfully,

**HENRY BUTCHER MALAYSIA (KLUANG) SDN. BHD.**

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



**FURTHER INFORMATION**

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**1. RESPONSIBILITY STATEMENT**

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

Information relating to the Vendor has been obtained from the Vendor and the sole responsibility of the Board is limited to ensuring that such information has been accurately reproduced in this Circular.

**2. CONSENT AND CONFLICT OF INTEREST****2.1 Maybank IB**

Maybank IB has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Malayan Banking Berhad and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for Hektar REIT and/or its affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of Hektar REIT, its Unitholders and/or their affiliates and/or any other entity or person, hold long or short positions in securities issued by Hektar REIT and/or its affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of Hektar REIT and/or its affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of Hektar REIT. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities to Hektar REIT amounting to approximately RM531.1 million. The said credit facilities has been extended by the Maybank Group in its ordinary course of business. Notwithstanding this, Maybank IB has confirmed that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as the Principal Adviser to the Manager for the Proposals as:

- (i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the total outstanding amount owed by Hektar REIT to the Maybank Group is not material when compared to the audited NA of the Maybank Group as at 31 December 2016 of RM68.5 billion.

**FURTHER INFORMATION** (Cont'd)

Maybank IB has also confirmed that it is not aware of any conflict of interest that exists or is likely to exist in its capacity as Principal Adviser to the Manager for the Proposals.

**2.2 MTrustee**

MTrustee has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

**2.3 SJ Grant Thornton**

SJ Grant Thornton has given and has not subsequently withdrawn its written consent to the inclusion of its name, Reporting Accountants' letter on the proforma statement of financial position of Hektar REIT as at 31 December 2016 and all references thereto in the form and context in which they appear in this Circular.

SJ Grant Thornton has also confirmed that it is not aware of any conflict of interest that exists or is likely to exist in its capacity as the Reporting Accountants for the Proposals.

**2.4 Henry Butcher**

Henry Butcher has given and has not subsequently withdrawn its written consent to the inclusion of its name, valuation certificate in respect of the 1Segamat Property and all references thereto in the form and context in which they appear in this Circular.

Henry Butcher has also confirmed that it is not aware of any conflict of interest that exists or is likely to exist in its capacity as the independent valuer for the 1Segamat Property.

**2.5 RNDC Retail Solutions Sdn Bhd**

RNDC Retail Solutions Sdn Bhd has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

**3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****3.1 Material commitments**

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by Hektar REIT which may have a material impact on the financial position of Hektar REIT:

	<u>Amount</u>
	RM
<b>Approved and contracted for:</b>	
Refurbishment of investment properties	21,260,124

**3.2 Contingent liabilities**

As at the LPD, the Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of Hektar REIT.

**FURTHER INFORMATION (Cont'd)**

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**4. MATERIAL LITIGATION**

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

**Writ of summons by Mahkota Parade Joint Management Body (“MPJMB”)**

On 27 November 2015, MPJMB has filed a writ of summons against the Trustee, the Manager and Hektar Property Services Sdn Bhd, the property manager of Hektar REIT (collectively referred to as “**Defendants**”), seeking, among others, the following:

- (i) a declaration for the determination of “common area” within Mahkota Parade as defined under the Strata Management Act 2013 (“**SMA**”);
- (ii) a declaration that the areas such as, among others, the concourse, lobby, corridor, staircase and car parks are included in the definition of “common area” under the SMA;
- (iii) an order to compel the Defendants to surrender the Building Maintenance Account, the original approved as-built plan for Mahkota Parade, the original approved strata plan for Mahkota Parade, the list of names and details of the tenants occupying the disputed common areas, and the control and ownership of the common areas;
- (iv) an order to compel the Defendants to produce the audited statement of accounts showing the total revenue and rent collection from the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the parking fee collected from the car parks at Mahkota Parade for the period from 1 June 2012 to the date of judgment; and
- (v) an order to compel the Defendants to pay to MPJMB the total revenue and rent collection from the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the parking fee collected from the car parks at Mahkota Parade for the period from 1 June 2012 to the date of judgment.

In the event the High Court of Malaya in Melaka (“**Melaka High Court**”) decides that the ownership of the movable and fixed kiosks at the main entrance, balcony, concourse, lobby, corridor, below the staircase and the car park bays at Mahkota Parade belongs to Hektar REIT, MPJMB is claiming for payment of alleged outstanding maintenance charges, sinking fund and late payment interest on the “disputed common areas” totaling a sum of RM12,148,962.12 as at 31 August 2015.

In addition, in the event the Melaka High Court decides that the car park bays (both at the basement level and the external open space) belong to Hektar REIT, MPJMB is also making an alternative claim of a monthly payment of RM428,395.20 in accordance with the monthly maintenance charge rate of RM1.20 per sqf commencing from 1 September 2015. The Melaka High Court had heard the case on 20 March 2017 and 29 March 2017, and subsequently the hearing was concluded on 19 May 2017. At the conclusion of the hearing, the court had directed parties to file in written submissions by 23 June 2017 and judgement is expected to be delivered on 24 July 2017.

**FURTHER INFORMATION** (Cont'd)

On 28 November 2016, Hektar REIT has filed its claim against the MPJMB and 8 other defendants at the Strata Management Tribunal (“**Tribunal**”) to invalidate the previous annual general meeting held on 26 January 2016. On 18 April 2017, the Tribunal heard and dismissed Hektar REIT’s interlocutory application to refrain the MPJMB from calling the 5<sup>th</sup> annual general meeting scheduled on 19 April 2017 until the disposal of Hektar REIT’s claim in the case. During the same hearing, the Tribunal dismissed MPJMB’s lawyer’s interlocutory application to strike out Hektar REIT’s claim. On 8 May 2017, MPJMB’s lawyer’s interlocutory application to nullify his subpoena to appear as a witness was allowed by the Tribunal. The Tribunal then set 23 May 2017 as the next case management date and 22 June 2017 for the hearing in relation to the claim made on 28 November 2016.

Based on legal advice obtained from Hektar REIT’s solicitors, the management is of the view that MPJMB’s claims are unjustified and will continue to take all necessary action to fully defend Hektar REIT’s rights and interest in this litigation.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the business office of MTrustee at Level 15, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming Meeting:

- (i) the Deed;
- (ii) audited financial statements of Hektar REIT for the past two (2) FYEs 31 December 2015 and 31 December 2016;
- (iii) the Undertakings;
- (iv) Reporting Accountants’ letter on the proforma statement of financial position of Hektar REIT as at 31 December 2016 enclosed as **Appendix I** of this Circular;
- (v) valuation certificate and updated valuation certificate in respect of the 1Segamat Property enclosed as **Appendix II(A)** and **Appendix II(B)** of this Circular respectively and the Valuation Report;
- (vi) independent market research report prepared by RNDC Retail Solutions Sdn Bhd;
- (vii) letters of consent referred to in Section 2 of this Appendix; and
- (viii) cause papers for the material litigations referred to in Section 4 of this Appendix.



### HEKTAR REAL ESTATE INVESTMENT TRUST

*(Established in Malaysia under the trust deed dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) entered into between Hektar Asset Management Sdn Bhd (Company No. 732261-T) and MTrustee Berhad (formerly known as AmTrustee Berhad) (Company No. 163032-V), both of which are companies incorporated in Malaysia under the Companies Act, 1965 and are deemed registered under the Companies Act, 2016)*

**NOTICE IS HEREBY GIVEN THAT** a meeting of unitholders ("**Meeting**") of Hektar REIT ("**Hektar REIT**") will be held at Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 13 June 2017 at 11.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing the following resolutions:

#### **ORDINARY RESOLUTION 1**

#### **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 61,000,000 NEW UNITS IN HEKTAR REIT ("UNITS") ("RIGHTS UNITS") TO RAISE GROSS PROCEEDS OF UP TO RM75.0 MILLION ("PROPOSED RIGHTS ISSUE")**

**"THAT** subject to the passing of Ordinary Resolution 4 and the relevant approvals being obtained, approval be and is hereby given to the Board of Directors of Hektar Asset Management Sdn Bhd ("**HAMSB**") ("**Board**") to allot (provisionally or otherwise) by way of a renounceable rights issue of 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 HAMSB, 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;

**THAT** the Board 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 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 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 set out in Section 2.2.5 of the Circular dated 26 May 2017, and the Board 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 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 to do or 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 2**

### **PROPOSED ISSUANCE OF UP TO 360,000 NEW UNITS TO HEKTAR ASSET MANAGEMENT SDN BHD AMOUNTING TO RM520,000 AS PART OF THE ACQUISITION FEE DUE TO THE MANAGER (“PROPOSED ISSUANCE TO MANAGER”)**

“**THAT** subject to the passing of Ordinary Resolution 4 and the relevant approvals being obtained, approval be and is hereby given to the Board to allot and issue new Units to the Manager (“**Manager’s Units**”) as part of the acquisition fee due to the Manager provided that the number of new Manager’s Units must not exceed RM520,000 in value;

**THAT** the Manager’s Units shall, upon allotment and issuance, rank equally in all aspects with the existing Units, except that the Manager shall not exercise the voting rights with respect to the Manager’s Units in any Meeting as per Clause 4.15.2 of the Deed and 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 Manager’s Units;

**AND THAT** in order to implement, complete and give full effect to the Proposed Issuance to Manager, approval be and is hereby given to the Board to do or 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 Manager.”

## **ORDINARY RESOLUTION 3**

### **PROPOSED AUTHORITY TO ALLOT AND ISSUE UP TO 13,500,000 NEW UNITS AS PART PAYMENT OF THE MANAGEMENT FEE TO THE MANAGER IN THE FORM OF NEW UNITS (“PROPOSED AUTHORITY”)**

“**THAT** subject to the passing of Ordinary Resolution 4 and the relevant approvals being obtained, approval be and is hereby given to the Board to allot and issue new Units to the Manager (“**Management Fee Units**”) as part of the management fee due to the Manager provided that the aggregate number of new Management Fee Units must not exceed 13,500,000 Units over a period of five (5) years;

**THAT** the Management Fee Units shall, upon allotment and issuance, rank equally in all aspects with the existing Units, except that the Manager shall not exercise the voting rights with respect to the Management Fee Units in any Meeting as per Clause 4.15.2 of the Deed and 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 Management Fee Units;

**AND THAT** in order to implement, complete and give full effect to the Proposed Authority, approval be and is hereby given to the Board to do or 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 Authority.”

## **ORDINARY RESOLUTION 4**

### **PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT FROM 400,634,117 UNITS UP TO 475,494,117 UNITS (“PROPOSED INCREASE IN FUND SIZE”)**

“**THAT** the approved fund size of Hektar REIT be and is hereby increased by such number of new Rights Units, Manager’s Units and Management Fee Units pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority;

**AND THAT** in order to implement, complete and give full effect to the Proposed Increase in Fund Size, approval be and is hereby given to the Board to do or 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 Increase in Fund Size.”

**BY ORDER OF THE BOARD  
HEKTAR ASSET MANAGEMENT SDN BHD**

**Dato' Muhammad Hafidz bin Nuruddin** (MAICSA 7005820)  
**Lim Seck Wah** (MAICSA 0799845)  
Company Secretaries

26 May 2017

**Notes:**

1. *A unitholder who is entitled to attend, speak and vote at the Meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.*
2. *Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the Meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.*
3. *Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) 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 appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.*
6. *The instrument appointing a proxy shall be deposited at the Registrar’s Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.*
7. *Only unitholders registered in the Record of Depositors as at 6 June 2017 shall be entitled to attend, speak and vote at the Meeting or appoint proxy(ies) to attend on his behalf.*



**HEKTAR REAL ESTATE INVESTMENT TRUST**

(Established in Malaysia under the trust deed dated 5 October 2006 (as amended by the supplemental trust deed dated 20 March 2012 and the second supplemental trust deed dated 23 November 2016) entered into between Hektar Asset Management Sdn Bhd (Company No. 732261-T) and MTrustee Berhad (formerly known as AmTrustee Berhad) (Company No. 163032-V), both of which are companies incorporated in Malaysia under the Companies Act, 1965 and are deemed registered under the Companies Act, 2016)

**PROXY FORM**

(Before completing this form please refer to the notes below)

CDS Account No.	
No. of Units Held	

I/We \_\_\_\_\_ (Full name in block letters)

I.C No./Co. No.: \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (full address) being a unitholder(s) of

HEKTAR REIT hereby appoint the following person(s):

	Name of proxy, NRIC No. & Address	No. of units to be represented by proxy
1.	_____	_____
2.	_____	_____

As my/our proxy to attend on my/our behalf at the unitholders' Meeting to be held at Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 13 June 2017 at 11.00 a.m. or any adjournment thereof. My/our proxy is to vote as indicated below:

NO.	RESOLUTION	FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
1.	Ordinary Resolution 1 – Proposed Rights Issue				
2.	Ordinary Resolution 2 – Proposed Issuance to Manager				
3.	Ordinary Resolution 3 – Proposed Authority				
4.	Ordinary Resolution 4 – Proposed Increase in Fund Size				

Dated this.....day of....., 2017

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

**Notes:**

- A unitholder who is entitled to attend, speak and vote at the Meeting is entitled to appoint not more than 2 proxies to attend instead of him.. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
- Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the Meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
- Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
- The instrument appointing a proxy shall be deposited at the Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- Only unitholders registered in the Record of Depositors as at 6 June 2017 shall be entitled to attend, speak and vote at the Meeting or appoint proxy(ies) to attend on his behalf.

Fold this flap for sealing

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AFFIX  
STAMP

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

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