



Date: 19 October 2006

**Board of Directors**  
**Hektor Premier Sdn Bhd**  
Block A-2-4, Plaza Damas  
No. 60, Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur

Dear Sirs,

**REPORT AND VALUATION OF A SHOPPING COMPLEX (EXCLUDING THE ADJACENT 1.918 ACRE LAND) KNOWN AS SUBANG PARADE LOCATED AT NO. 5, JALAN SS 16/1, 47500 SUBANG JAYA, SELANGOR**

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We have been instructed by **Hektor Premier Sdn Bhd** to ascertain the **Market Value** of the subject property for the inclusion in the prospectus in relation to the proposed establishment and listing of Hektor REIT on the Main Board of Bursa Malaysia Securities Bhd

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

The basis of the valuation is the **Market Value**. The **Market Value** is defined as the estimated amount for which an asset 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.


We confirm that we have valued the properties based on the **Investment Method** and Comparison Method of valuation. The **Investment Method** of valuation involves the computation of the estimated Market Rental, which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management 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 indicative capital value. The **Comparison Method** 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 comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.



We certify that, in our opinion, the current **Market Value (MV)** of the unencumbered freehold interest in the subject property in its existing physical condition is :-

**MV - RM 290,000,000 (Ringgit Malaysia : Two Hundred and Ninety Million Only)**

Yours faithfully,  
**HENRY BUTCHER MALAYSIA SDN BHD**

  
**LONG TIAN CHEK**  
Bsc, MRICS, MISM  
Registered Valuer (V-241)



Valuation Certificate

Reference No.	Property Identification	Description	Market Value / Date of Inspections / Valuation
V/R07-05/1277	<p><b>Subang Parade</b></p> <p>The subject property is situated located within the busy commercial area of SS 16 Subang Jaya, approximately 20 kilometres due south west of the Kuala Lumpur City Centre. The subject property is accessible from Federal Highway turning onto Jalan Kewajipan and then onto either Jalan SS16/1 or Jalan Kemajuan, which leads to the subject property. An alternative access is from the Federal Highway turning onto Persiaran Tujuan and Jalan Kemajuan. The completion of the New Pantai Expressway (NPE) further enhances the accessibility of the subject property.</p> <p>The immediate surroundings are characteristically a mix of commercial and residential uses.</p> <p>Surrounding developments within the immediate vicinity comprise a hypermarket, offices, terrace shop-offices, single and double storey terrace houses and apartments.</p> <p>Prominent and established landmarks located within walking distance from the subject property to the east of the subject property include Carrefour Hypermarket, Wisma Consplant, Petaling Land Office. To the north is the KL-Port Klang railway and commuter line. Further to the south east of the property are Subang Jaya Medical Centre, Sheraton Subang and Holiday Villa Hotel.</p> <p>Industrial estates nearby include Temasya Industrial Park and Glenmarie HiCom located to the north across Federal Highway and Subang Hi-Tech located to the west of the subject property.</p>	<p>The subject property comprises a 3 storey shopping complex with 2 basement levels. The commercial / retail complex comprises 3 floors of shopping/commercial area on the ground, second and third floors, one level of basement car parks and another level of basement service tunnel. The building, for this exercise, is assumed to have a total net lettable area of approximately 498,949 sf. (approximately 46,352.36 sq.m ) of which <b>472,077 sf (approximately 43,855.95 sq.m) is retained by Hektar Premier Sdn Bhd</b> together with a basement car park and an outdoor car park area providing approximately 1,390 bays of car park.</p> <p>It is sited on part of Lot 14193 measuring approximately 476,372 sq.ft (after lessing the adjacent 1.918 acre land which will be submitted for sub division).</p> <p>The subject property bears postal address No 5, Jalan SS 16/1, 47500 Subang Jaya, Selangor.</p> <p>Excluded from this valuation exercise are:-</p> <ul style="list-style-type: none"> <li>The retail area already sold</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>The adjacent land parcel ("Vacant Land") measuring approximately 1.918 acres. Both the shopping complex and the Vacant Land portion are currently held under one master title ("Title"). Hektar Premier Sdn Bhd intends to undertake a subdivision exercise for the purpose of obtaining a separate title to the Vacant Land. As per the instruction from Hektar Premier Sdn Bhd, in accordance with the Sale &amp; Purchase Agreement to be entered into between Hektar Premier Sdn. Bhd. and AmTrustee Bhd., the Trustee for the proposed REIT exercise, the Title will be transferred to AmTrustee Bhd (trustee for Hektar REIT) pending issuance of the separate issue document of title to the Vacant Land. However, both parties will acknowledge that the transfer of the Title is made as a means of conveying legal and beneficial title only to Subang Parade and the trustee will disclaim all rights, title and interest to the Vacant Land portion.</li> </ul>	<p><b>RM 290,000,000</b></p> <p>Date of Inspection: July 18, 2005 and April 28, 2006</p> <p>Date of Valuation: May 1, 2006</p> <p>Methods of Valuation: Investment Method and Comparison Method</p> <p>Sources of information: Market transactions, Management's Tenancy List, Client's records.</p>



	<p>Residential neighborhoods nearby include Sections SS12, SS15 and SS 17 and Wangsa Baiduri.</p> <p>Current on-going high-rise residential development nearby the subject property includes The Subang Residency, Jana Towers and Tiara Ville.</p>	<p>A summary of the title details is as follows:</p> <p>Title No. : Geran 55365                  Lot No. : Lot 14193                  Town : Bandar Subang Jaya                  District : Petaling, Selangor                  State : Selangor                  Tenure : Freehold                  Land Area : 52,017 sq.m. (559,925 sq. ft or 12.854 acres)                  (inclusive of both shopping complex and adjacent 1.918 acre land)</p> <p>Annual Land Rent : RM 160,733.00                  Category of Land Use : Bangunan                  Express Condition : Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor.</p> <p>Restrictions In Interest : Not Stated                  Registered Owner : Hektar Premier Sdn Bhd.</p> <p>The Certificate of Fitness for Occupation had been issued by Lembaga Bandaran Petaling Jaya (now known as Majlis Perbandaran Subang Jaya) on February 22, 1988 via Certificate No. 8170</p>	
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**TENANCY DETAILS**

The tenancies at Subang Parade are generally for a term of not more than 3 years, with an option to renew for a similar term. In line with normal market practice, tenancy renewals are generally on the same terms and conditions as the original tenancies except for the rental rate, which generally will be revised to the prevailing market rent.


A brief summary of tenancies as at 1 May, 2006 is as follows:-

Level/ Monthly Gross Rental (RM PSF)	Major and Notable Tenants	% of Total Net Lettable Area	% of Total Annual Rental Income
Basement (100 % Occupied) RM 2.20 psf	<u>Major Tenants:</u> Digital One	4.5 %	2.1 %
Lower Ground Floor ( 96.2% Occupied) RM 3.00 psf to RM 37.00 psf	Parkson Grand	29.8 %	16.0 %
Ground Floor ( 99.4% Occupied) RM 3.00 psf to RM 27.00 psf	HSL Electrical & Electronics OverseasRestaurant	5.2 % 3.1 %	1.7 % 1.8 %
First Floor (99.4% Occupied) RM 2.00 psf to RM 22.00 psf	MPH Bookstores Celebrity Fitness	3.7 % 7.3 %	1.7 % 3.3 %
The overall occupancy rate for Subang Parade is approximately 98.5%	<u>Notable Tenants:</u> McDonalds, Nandos, Pizza Hut, Guardian Pharmacy, TGI Friday's, Coffee Bean & Tea Leaf, Royal Selangor, The Rejects Shop, Secret Recipe Cakes & Café, The Esquire Kitchen	The total gross net lettable area for Subang Parade is 472,077 sq.ft	The total gross annual rental income for Subang Parade is approximately RM 26,383,495



Below is the summary of rates adopted in determining the Market Value of the subject property:-

	Rate (%)
<b>Rental Revenue</b>	
Term	7.25%
Reversion	7.50%
<b>Carpark Revenue</b>	
Term and Reversion	8.00%
<b>Kiosks/Exhibitions Income</b>	
Term and Reversion	8.00%

  
**LONGTIAN CHEK**  
 B. Sc., MRICS, MIS(M)  
 Registered Valuer (V-241)



**HENRY BUTCHER MALAYSIA**

Date: 19 October 2006

**Board of Directors**  
**Hektar Asset Management Sdn Bhd**  
Block A-2-4, Plaza Damas  
No. 60, Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur

Dear Sirs,

**REPORT AND VALUATION OF A SHOPPING COMPLEX KNOWN AS MAHKOTA PARADE  
LOCATED AT NO. 1, JALAN MERDEKA, 75000 MELAKA.**

We have been instructed by **Hektar Black Sdn Bhd** to ascertain the **Market Value** of the subject property for the inclusion in the Prospectus in relation to the proposed establishment and listing of Hektar REIT on the Main Board of Bursa Malaysia Securities Bhd.

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

The basis of the valuation is the **Market Value**. The **Market Value** is defined as the estimated amount for which an asset 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.

We confirm that we have valued the properties based on the **Investment Method** and **Comparison Method** of valuation. The **Investment Method** of valuation involves the computation of the estimated Market Rental, which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management 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 indicative capital value. The **Comparison Method** 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 comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

We certify that, in our opinion, the current **Market Value (MV)** of the unencumbered leasehold interest in the subject property in its existing physical condition is :-

**MV - RM 233,000,000.00 (Ringgit Malaysia : Two Hundred Thirty Three Million Only).**

Yours faithfully,  
**HENRY BUTCHER MALAYSIA (MALACCA) SDN. BHD.**

  
**LIM CHIU WAH**  
Registered Valuer (V-332)



**HENRY BUTCHER MALAYSIA (MALACCA) SDN. BHD.** (246114-T)  
(Formerly known as Henry Butcher, Lim & Long (Malacca) Sdn. Bhd.)

323A & B, Jalan Melaka Raya 1, Taman Melaka Raya, 75000 Melaka.

Tel: 606-281 2188, 284 5330, 283 7519 • Fax: 606-281 2189 • Email: hbmalacca@yahoo.com

[www.henrybutchermalaysia.com](http://www.henrybutchermalaysia.com)



Valuation Certificate

Reference No.	Property Identification	Description	Market Value / Date of Inspections / Valuation
<p>V/06/7848/C</p> <p><b>Mahkota Parade</b></p> <p>The subject property comprises a three storey commercial complex together with a basement car park cum shop area known as "Mahkota Parade" and is located on the fringe of Taman Melaka Raya, Melaka. It is sited approximately 1½ kilometers south - east of Malacca Historical Town centre.</p> <p>"Mahkota Parade" fronts onto Jalan Merdeka and is easily accessible from Malacca Historical Town centre via Jalan Munshi Abdullah, Jalan Bendahara and Jalan Laksamana.</p> <p>Sited in the immediate vicinity of the subject property are the 9-storey Mahkota Medical Centre and the ongoing commercial development of "Dataran Pahlawan" comprising a basement level of retail lots cum parking lots and a ground level incorporating a "padang" together with recreational facilities, exhibition hall and a 5-storey commercial complex cum car parks.</p> <p>Taman Melaka Raya and its fringes have undergone rapid development changes with the completion of shophouses, hotels and condominiums. Completed projects include three and four storey shophouses in Prime Point, Prime Square and Plaza Mahkota. Hotel development includes the Century Mahkota Hotel and Equatorial Hotel. Casalago Condominium, Harmony Condominium and Garden City Apartments are also sited in the vicinity of Taman Melaka Raya.</p>	<p>The subject property comprises a 3 storey shopping complex with one basement level. The commercial / retail complex comprises 3 floors of shopping/commercial area on the basement, ground, first and second floors and basement car park. The building, for this exercise is, assumed to have a total gross floor area of approximately 544,475 sq. ft. (approximately 50,583.38 sq.m.) of which 484,948.00 sq. ft. (approximately 45,053.14 sq.m) of total net lettable area is retained by Hektar Black Sdn Bhd together with 355 bays of basement car park and 600 bays of open car park.</p> <p>The Certificate Of Fitness For Occupation (C.F.O.) had been issued for the subject building by the Local Authority of Majlis Bandaraya Melaka Bersejarah vide Certificate No. A 00620/93 dated 4 December 1993.</p> <p>The building is sited on Lot 1337 measuring approximately 53,030 sq. meters (i.e. 570,810.15 sq.ft.)</p> <p>The subject property bears postal address No 1, Jalan Merdeka, 75000 Melaka.</p> <p>Excluded from this valuation exercise are:-</p> <ul style="list-style-type: none"> <li>• The retail area already sold</li> </ul> <p>A summary of the title details is as follows:</p> <p>Title No. : PN 28957 (formerly known as H.S.(D) 49714)                  Lot No. : Lot 1337 (formerly known as P.T. 501)                  Town : Kawasan Bandar XLII                  District : Melaka Tengah                  State : Melaka                  Tenure : 99-year State Lease expiring on 18 July 2101.                  Land Area : 53,030 sq. m. (13.104 acres or 570,810.15 sq. ft.)                  Annual Land Rent : RM 76,464.00                  Category of Land Use : Building                  Express Condition : Untuk bangunan perniagaan sahaja.                  Restrictions In Interest : Tanah ini tidak boleh di pindahkan atau dipajak kecuali dengan kebenaran Pihak Berkuasa Negeri.                  Registered Owner : Hektar Black Sdn Bhd</p>	<p>RM 233,000,000.00</p> <p>Date of Inspection: 1 May 2006</p> <p>Date of Valuation: 1 May 2006</p> <p>Methods of Valuation: Investment Method and Comparison Method</p> <p>Sources of information: Market transactions, Management's Tenancy List, Client's records.</p>	





	<p>"Mahkota Parade" is strategically located near the "Historical Heritage Area" of Malacca Historic City which comprises tourist attractions like "A Famosa", various museums and the "St. Paul's Hill". These tourist attractions had contributed significantly to the rapid growth and demand for commercial properties in Mahkota Parade and Taman Melaka Raya.</p>	
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**Tenancy Details**

The tenancies at Mahkota Parade are generally for a term of not more than 3 years, with an option to renew for a similar term. In line with normal market practice, tenancy renewals are generally on the same terms and conditions as the original tenancies except for the rental rate, which generally will be revised to the prevailing market rent.

The rent reserved in each tenancy in Mahkota Parade is inclusive of service charges, the latter being payment of the tenant's contribution to all outgoings, costs and expenses of the Landlord paid or payable by the Landlord for the provision of services and facilities therein

A brief summary of the tenancies as at 1 May 2006 is as follows :-

Floor	Occupancy (%)	Monthly Rental (RM p.s.f.)	Major and Notable Tenants	% of Total Net Lettable Area	% of Total Monthly Rental Income
<b>Basement</b>	100	2.00	(i) Parkson Corporation S/B (ii) GCH Retail Malaysia S/B	4.12 4.54	2.11 2.32
	99.77	2.00 to 19.00	(i) Parkson Corporation S/B (ii) Kamdar (South) S/B (iii) Guardian Pharmacy (M) S/B (iv) KFC (M) S/B (v) Bata (Malaysia) S/B (vi) Pizza Restaurants S/B (vii) MPH Bookstores S/B (viii) OSIM (M) S/B (ix) England Optical (M) S/B	8.53 5.35	4.37 3.76
<b>First</b>	100.00	2.00 to 17.00	(i) Parkson Corporation S/B (ii) Daisheng (M) S/B	8.65 1.30	4.43 1.33
	98.27	1.95 to 4.50	(i) Golden Screen Cinemas S/B (ii) Royal Department Store S/B (iii) Food Court (iv) Aussino Malaysia S/B	2.70 6.90 6.86 2.92	2.07 3.97 1.51 2.02



Below are some of the salient valuation assumptions or rates adopted in determining the Market Value of the Subject Property :-

Total Lettable Area (sq. feet)	Occupancy (%)	Yield Rate (%)	Reversion Yield Rate (%)
532,357	98.27%	Rental Revenue and Service Charge for Shop Lots 7.25 (Term) 2.50 (Annual Sinking Fund)	7.75%
		Car Park Revenue 7.50 (Term) 2.50 (Annual Sinking Fund)	Managed By Landlord
		Kiosks/Exhibitions an other income 7.50 (Term) 2.50 (Annual Sinking Fund)	Managed By Landlord



  
LIM CHOW WAH

Registered Valuer (V-332)

## Shamsir Jasani Grant Thornton

Chartered Accountants

### REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET AS AT ITS DATE OF ESTABLISHMENT

Date: 18 October 2006

The Board of Directors  
Hektar Asset Management Sdn. Bhd.  
("Hektar Asset Management")  
Block A-2-4, Plaza Damas  
No. 60, Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur

Dear Sirs

#### **Hektar Real Estate Investment Trust Reporting accountants' letter on the proforma balance sheet as at its date of establishment**

We have reviewed the presentation of the proforma balance sheet of Hektar Real Estate Investment Trust ("Hektar REIT") as at its date of establishment, which have been prepared for illustrative purposes only and have been stamped for the purpose of identification, for which the Directors are solely responsible, as set out in the attachment for the purpose of inclusion in the Prospectus to be dated 15 November 2006 in connection with the following transactions:

- i. Establishment of Hektar REIT principally involves the establishment of a real estate investment trust to acquire and invest in income-producing real estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with distribution of income and potential capital growth.
  - a) Issuance of the promoter's units  
  
In conjunction with the Establishment of Hektar REIT, 1,000 units issued to the Manager at RM1.00 per unit;
  - b) Appointment of Hektar Asset Management as the manager of Hektar REIT; and
  - c) Appointment of AmTrustee Berhad as the trustee of Hektar REIT
- ii. Acquisitions of Subang Parade and Mahkota Parade ("Acquisitions of the Subject Properties") for a total purchase consideration of RM512,000,000. The Acquisitions of the Subject Properties are to be financed by part proceed from the public offering of RM167,500,000, issuance of 160,500,000 units at an issue price of RM1.00 per unit and borrowings of RM184,000,000.

#### **Shamsir Jasani Grant Thornton** (AF:0737)

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Member of Grant Thornton International

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**APPENDIX II - REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET**  
**(Cont'd)**

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**Shamsir Jasani Grant Thornton** 

<b>Vendors</b>	<b>Subject Properties</b>	<b>Considerations RM</b>
Hektar Premier Sdn. Bhd. ("HPSB")	Subang Parade (as defined in the prospectus)	280,000,000
Hektar Black Sdn. Bhd. ("HBSB")	Mahkota Parade (as defined in the prospectus)	232,000,000

iii. Public offering of 159,500,000 units in Hektar REIT for subscription which comprise of the following:-

- 10,000,000 units available for application by the Malaysian public at the retail price of RM1.05 per unit under the retail offering;
- 6,000,000 units available for application by eligible employees, directors and business associates of Hektar Group at the retail price of RM1.05 per unit under the retail offering; and
- 143,500,000 units available for application by institutional and selected investors at an illustrative institutional price of RM1.11 per unit under the institutional offering.

The final retail price will equal the lower of:-

- (a) the retail price of RM1.05 per unit; or
- (b) 95% of the institutional price, subject to rounding adjustments.

iv. Listing of 320,001,000 units in Hektar REIT on the Main Board of Bursa Malaysia Securities Berhad which includes the units highlighted in Note (i), (ii) and (iii) above.

The proforma balance sheet has been prepared for the above purposes and should not be relied on for any other purposes.

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**APPENDIX II - REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET**  
**(Cont'd)**


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**Shamsir Jasani Grant Thornton** 

In our opinion,

- (i) the proforma balance sheet has been properly compiled on the basis of preparation stated;
- (ii) such basis is consistent with the accounting policies to be adopted by Hektar REIT as disclosed in Note 1.1 of Appendix I; and
- (iii) the adjustments are appropriate for the purposes of the proforma balance sheet.

Yours faithfully,

  
SHAMSIR JASANI GRANT THORNTON  
NO. AF: 0737  
CHARTERED ACCOUNTANTS

  
DATO' N. K. JASANI  
NO: 708/03/08(J/PH)  
PARTNER

**APPENDIX II - REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET**  
*(Cont'd)*

**Appendix I**

**Hektar Real Estate Investment Trust ("Hektar REIT")**

**Proforma balance sheet as at its date of establishment**

The proforma balance sheet of Hektar REIT as at its date of establishment as set out below are provided for illustrative purposes only and incorporate the transactions referred to in the notes as if they were effected on the date of Establishment.

		<b>As at Establishment Date (Unaudited) RM'000</b>	<b>Proforma I RM'000</b>
<b>Non-current assets</b>	<b>Note</b>		
Investment properties	2.2 (i)	-	514,922
<b>Current assets</b>			
Cash and cash equivalents		<u>1</u>	<u>14,980</u>
		<u>1</u>	<u>14,980</u>
<b>Current liabilities</b>			
Tenancy and other deposits	2.2 (v)	<u>-</u>	<u>16,316</u>
		<u>-</u>	<u>16,316</u>
Net current assets/(liabilities)		<u>1</u>	<u>(1,336)</u>
		<u>1</u>	<u>513,586</u>
<b>FINANCED BY:-</b>			
Unitholders' fund		1	336,586
Less: Establishment and issue expenses	2.2 (iv)	<u>-</u>	<u>(7,000)</u>
	3	1	329,586
<b>Non-current liabilities</b>			
Borrowings	2.2 (ii)	<u>-</u>	<u>184,000</u>
		<u>1</u>	<u>513,586</u>
Net asset value (RM'000)		1	329,586
Units in issue ('000)		1	320,001
Net asset value per unit (RM)		1.00	1.03

Stamped for the purpose of identification on:  
**18 OCT 2006**  
 Shamsir Jasani Grant Thornton

NOTES TO THE PROFORMA BALANCE SHEET

1. Basis of preparation

1.1 The proforma balance sheet of Hektar REIT has been prepared based on the balance sheet as at its date of establishment. It is prepared for illustrative purposes and based on a basis consistent with applicable approved accounting standards in Malaysia and the following accounting policies will be adopted by Hektar REIT:-

(i) Basis of accounting

The financial statements of Hektar REIT will be prepared under the historical cost convention, unless otherwise indicated in the other significant accounting policies.

(ii) Investment properties

Investment properties consist of land and buildings held for investment and rental. Investment properties are stated at fair value in accordance with the fair value model of Financial Reporting Standards ("FRS") 140 - Investment Property.

Under FRS 140, investment properties are measured initially at cost, including transaction costs and costs incurred subsequently to add to, replace part of, or service a property if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Fair value represents the amount at which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Gains and losses arising from changes in the fair value of investment properties will be recognised in the current year income statement.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economics benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

(iii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(iv) Liabilities

Borrowings are recorded at the amount of proceeds received, net of transaction cost. Other payables are stated at cost.

Stamped for the purpose of identification on: <b>18 OCT 2008</b> Shamsir Jasani Grant Thornton
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**NOTES TO THE PROFORMA BALANCE SHEET (CONT'D)**

**2. Proforma balance sheets of Hektar REIT**

**2.1 Proforma balance sheet as at establishment date**

The proforma balance sheet as at establishment date includes 1,000 initial units issued to Hektar Asset Management Sdn Bhd as promoter units at RM1.00 per unit to facilitate the initial constitution of Hektar REIT.

**2.2 Proforma I**

Proforma I incorporates the transactions/adjustments in conjunction with the followings:

**(i) Acquisitions of the Subject Properties**

Acquisitions of the Subject Properties for a total purchase consideration of RM512,000,000.

<b>Vendors</b>	<b>Subject Properties</b>	<b>Considerations RM</b>
Hektar Premier Sdn. Bhd.	Subang Parade	280,000,000
Hektar Black Sdn. Bhd.	Mahkota Parade	232,000,000

The Acquisitions of the Subject Properties will be settled by the following:-

	<b>RM '000</b>
Proceeds from the public offering as detailed in Note 2.2 (iv)	167,500
Issuance of 160,500,000 units at an issue price of RM1.00 per unit pursuant to the Acquisitions of the Subject Properties	160,500
Borrowings	184,000
	<u>512,000</u>

In addition, Hektar REIT will defray an amount of RM2.92 million to HBSB for refurbishment work at Mahkota Parade. The refurbishment work was undertaken by HBSB on behalf of Hektar REIT immediately prior to the disposal of Mahkota Parade. The cost incurred will be recognised as investment properties.

Stamped for the purpose of identification on:  <b>18 OCT 2006</b>  Shamsir Jasani Grant Thornton
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**NOTES TO THE PROFORMA BALANCE SHEET (CONT'D)**

**2. Proforma balance sheets of Hektar REIT (cont'd)**

**2.2 Proforma I (cont'd)**

**(ii) Borrowings**

A Murabahah Overdraft facility will be secured to part finance the Acquisitions of the Subject Properties. The profit sharing on the borrowings of RM184 million will be based on cost of funds of the lender bank plus 0.50% to 0.75% per annum.

**(iii) Public Offering**

Public offering of 159,500,000 units in Hektar REIT for subscription which comprise of the followings:-

- 10,000,000 units available for application by the Malaysian public at the retail price of RM1.05 per unit under the retail offering;
- 6,000,000 units available for application by eligible employees, directors and business associates of Hektar Group at the retail price of RM1.05 per unit under the retail offering; and
- 143,500,000 units available for application by institutional and selected investors at an illustrative institutional price of RM1.11 per unit under the institutional offering.

**(iv) Utilisation of Proceeds from the Public Offering Units**

The proceeds from the public offering units of RM176,085,000 will be utilised as follows:

	<b>RM'000</b>
Part finance the Acquisitions of the Subject Properties as detailed in Note 2.2(i)	167,500
Working capital	1,585
Estimated listing expenses	7,000
	<hr/>
	176,085
	<hr/>

A breakdown of the estimated listing expenses is set out below:

	<b>RM'000</b>
Professional fees	1,400
Regulatory fees	140
Underwriting, brokerage and bookbuilding fees	3,400
Advertisement and printing expenses	600
Incidental costs for the acquisition of the Subject Properties	920
Issuing house	150
Miscellaneous	390
	<hr/>
	7,000
	<hr/>

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APPENDIX II - REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET  
(Cont'd)

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Appendix I

NOTES TO THE PROFORMA BALANCE SHEET (CONT'D)

2. Proforma balance sheets of Hektar REIT (cont'd)

2.2 Proforma I (cont'd)

(v) Transfer of Tenancy and Other Deposits

All the tenancy and other deposits received of RM16,316,047 from the Subject Properties as at 31 August 2006 will be transferred to Hektar REIT.

A breakdown of the tenancy and other deposits received from tenants is set out below:-

	RM'000
Subang Parade	8,698
Mahkota Parade	7,618
	<hr/>
	16,316
	<hr/>

3. The movement in unitholders' fund is as follows:-

3.1 Unitholders' funds

	Unitholders' funds RM'000
As at date of establishment	1
Add: Proforma I – Creation of new units	336,585
– Establishment and issue expenses	<hr/> (7,000)
	<hr/>
	329,586
	<hr/>

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## Shamsir Jasani Grant Thornton

Chartered Accountants

### REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST FOR THE 13 MONTHS FINANCIAL PERIOD ENDING 31 DECEMBER 2007

Date: 18 October 2006

The Board of Directors  
Hektar Asset Management Sdn. Bhd.  
("Hektar Asset Management")  
Block A-2-4, Plaza Damas  
No. 60, Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur

Dear Sirs,

We have reviewed the profit forecast of Hektar Real Estate Investment Trust ("Hektar REIT") for the 13 months financial period ending 31 December 2007 as set out in the accompanying statement (which we have stamped for the purposes of identification) in accordance with the Standard on Auditing (AI 3400: the Examination of Prospective Financial Information) applicable to the review of forecast. The profit forecast have been prepared for the purpose of inclusion in the Prospectus to be dated 15 November 2006 in connection with the following transactions: -

- i. Establishment of Hektar REIT principally involves the establishment of a real estate investment trust to acquire and invest in income-producing real estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with distribution of income and potential capital growth.
  - a) Issuance of the promoter's units  
  
In conjunction with the Establishment of Hektar REIT, 1,000 units issued to the Manager at RM1.00 per unit;
  - b) Appointment of Hektar Asset Management as the manager of Hektar REIT; and
  - c) Appointment of AmTrustee Berhad as the trustee of Hektar REIT
- ii. Acquisitions of Subang Parade and Mahkota Parade ("Acquisitions of the Subject Properties") for a total purchase consideration of RM512,000,000. The Acquisitions of the Subject Properties are to be financed by part proceed from the public offering of RM167,500,000, issuance of 160,500,000 units at an issue price of RM1.00 per unit and borrowings of RM184,000,000.

**Shamsir Jasani Grant Thornton** (AF:0737)  
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Member of Grant Thornton International

**APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST FOR THE THIRTEEN (13) MONTHS FINANCIAL PERIOD ENDING 31 DECEMBER 2007**  
(Cont'd)

**Shamsir Jasani Grant Thornton** 

<b>Vendors</b>	<b>Subject Properties</b>	<b>Considerations RM</b>
Hektar Premier Sdn. Bhd. ("HPSB")	Subang Parade (as defined in the prospectus)	280,000,000
Hektar Black Sdn. Bhd. ("HBSB")	Mahkota Parade (as defined in the prospectus)	232,000,000
iii. Public offering of 159,500,000 units in Hektar REIT for subscription which comprise of the following:-		
<ul style="list-style-type: none"> <li>• 10,000,000 units available for application by the Malaysian public at the retail price of RM1.05 per unit under the retail offering;</li> <li>• 6,000,000 units available for application by eligible employees, directors and business associates of Hektar Group at the retail price of RM1.05 per unit under the retail offering; and</li> <li>• 143,500,000 units available for application by institutional and selected investors at an illustrative institutional price of RM1.11 per unit under the institutional offering.</li> </ul>		
The final retail price will equal the lower of:-		
(a) the retail price of RM1.05 per unit; or		
(b) 95% of the institutional price, subject to rounding adjustments.		
iv. Listing of 320,001,000 units in Hektar REIT on the Main Board of Bursa Malaysia Securities Berhad which includes the units highlighted in Note (i), (ii) and (iii) above.		

The forecast have been prepared for the above purposes and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the profit forecast is, in all material aspects, properly prepared on the basis of the assumptions made by the Directors of Hektar Asset Management and is presented on a basis consistent with accounting policies to be adopted by Hektar REIT and complies with generally accepted accounting principles. The Directors of Hektar Asset Management are solely responsible for the preparation and presentation of the profit forecast and the assumptions on which the profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which Hektar Asset Management expects to take place and the actions which Hektar Asset Management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

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**APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST FOR THE THIRTEEN (13) MONTHS FINANCIAL PERIOD ENDING 31 DECEMBER 2007**  
*(Cont'd)*


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**Shamsir Jasani Grant Thornton** 


Subject to the above:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of Hektar Asset Management, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecast; and
- (ii) in our opinion, the profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors of Hektar Asset Management and is presented on a basis consistent with applicable approved accounting standards to be adopted by Hektar REIT as disclosed in Note 21 of Appendix I.

Yours faithfully,



SHAMSIR JASANI GRANT THORNTON  
NO. AF: 0737  
CHARTERED ACCOUNTANTS



DATO N. K. JASANI  
NO: 708/03/08(J/PH)  
PARTNER

**APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST FOR THE THIRTEEN (13) MONTHS FINANCIAL PERIOD ENDING 31 DECEMBER 2007**  
*(Cont'd)*

**Appendix I**

**Hektar Real Estate Investment Trust ("Hektar REIT")**

The Directors of Hektar Asset Management forecast that in the absence of unforeseen circumstances, the net income after taxation of Hektar REIT for the 13 months financial period ending 31 December 2007 will be as follows:

	<b>2007 RM'000</b>
Revenue	<u>74,580</u>
Net income before taxation	30,810
Taxation	<u>-</u>
Net income after taxation	<u>30,810</u>

The principal bases and assumptions made by the Directors of Hektar Asset Management upon which the profit forecast has been prepared are set out below:

**Revenue**

1. Rental income is recognised in the income statement when it accrues and it is based on the assumption that there is no forfeiture of existing tenancy agreements and that all of the tenancy agreements expiring in the forecast year will be renewed upon expiry. Rental income is derived based on forecasted average occupancy rate of approximately 99% for Subang Parade and Mahkota Parade for the 13 months financial period ending 31 December 2007.
2. The tenancy agreements are generally committed for a period of 3 years. Upon expiry of existing tenancy agreement, the rental rates are expected to be revised upward ranging from 0% to 13%.
3. Income from casual tenants and exhibition for the 13 months financial period ending 31 December 2007 is forecasted at approximately RM7,433,000.
4. The operation of beverage concessionaire in Mahkota Parade will be outsourced to HBSB for a proposed rental of approximately RM329,000 for the 13 months financial period ending 31 December 2007 based on the computation of 30% per annum of the gross beverage revenue of the beverage concessionaire.

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**Hektar Real Estate Investment Trust ("Hektar REIT")**

**Revenue (cont'd)**

5. Car park collection income for the 13 months financial period ending 31 December 2007 is forecasted at approximately RM6,164,000.

**Direct Costs**

6. Assessment and quit rent are forecasted at approximately RM3,333,000 for the 13 months financial period ending 31 December 2007.
7. Insurance and utilities are forecasted at approximately RM9,072,000 for the 13 months financial period ending 31 December 2007.
8. Pursuant to the property management agreement to be entered into between the Manager and Izrin and Tan Properties Sdn Bhd, the Property Management Company, the marketing and promotion expenses will be incurred by the Property Management Company on behalf of Hektar REIT and will be reimbursed from the Manager. Marketing and promotion expenses are forecasted at approximately RM2,773,000 for the 13 months financial period ending 31 December 2007.
9. Pursuant to the property management agreement, the Subject Properties will be managed by the Property Management Company at a fixed operating cost of approximately RM11,991,000 per annum or 16% of the gross revenue, whichever is higher for 13 months financial period ending 31 December 2007.
10. The property management fee is in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 and will be payable at the following rates based on the property management agreement:-

Scale based on annual gross revenue:-

- 5% of first RM30,000
- 3% of residue up to RM100,000
- 2% of residue over RM100,000

A 5% government service tax on the property management fee will be payable.

11. Allowance for doubtful debts of RM100,000 per year is provided for both Mahkota Parade and Subang Parade for the 13 months financial period ending 31 December 2007.

**Trust Expenses**

12. The manager's base fee and performance fee are at rate of 0.25% per annum of the gross asset value and 3.50% per annum of net property income before deduction of property management fee. A 5% government service tax on the base fee and performance fee will be payable.

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**APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST FOR THE THIRTEEN (13) MONTHS FINANCIAL PERIOD ENDING 31 DECEMBER 2007**  
**(Cont'd)**

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**Appendix I**

**Hektar Real Estate Investment Trust ("Hektar REIT")**

**Trust Expenses (cont'd)**

13. The Trustee's fees are based on 0.035% per annum of the net asset value including the manager's fee. A 5% government service tax on the trustee's fees will be payable.

**Property Value**

14. Hektar REIT will adopt the fair value model stipulated in Financial Reporting Standard ("FRS") 140: Investment Property. Under the fair value model of FRS 140, the fair value of the investment property shall reflect market conditions at the balance sheet date (i.e. the investment property is revalued every year). Any surplus or deficit will be recognised in the current year income statement. The fair value of the Subject Properties as at 31 December 2007 is assumed to be the same as the purchase consideration.

**Borrowings and Borrowings Cost**

15. A Murabahah Overdraft facility is expected to be secured to part finance the Acquisitions of the Subject Properties. The profit sharing on the borrowings of RM184 million is at the rate of cost of fund of the lender bank plus 0.50% per annum. The profit rate is assumed at 5.85% per annum. It is assumed that the profit rate will remain at this rate and the facility will be available throughout the forecast year.

**Other Assumptions**

16. The listing scheme and the establishment of Hektar REIT are assumed to be completed in December 2006.
17. The public offering of 159,500,000 units is assumed to be at the retail price of RM1.05 per unit for 16,000,000 units available for application by the Malaysian public, eligible employees, directors and business associates of Hektar Group and at an illustrative institutional price of RM1.11 per unit for 143,500,000 units available for application by institutional and selected investors.
18. An estimated listing expense of RM7million incurred in relation to the listing scheme and the establishment of Hektar REIT to be paid out of the proceeds from the Public Offering and will be written off against the unitholders' fund.
19. The entire forecasted distributable income for the 13 months financial period ending 31 December 2007 will be distributed to unitholders. The distributable income excludes the fair value adjustments in the income statements, if any. In accordance with the Income Tax Act, 1967, all distributable income that is distributed to unitholders in the same basis period will not be subjected to tax to the Hektar REIT.

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Hektar Real Estate Investment Trust ("Hektar REIT")

Other Assumptions (cont'd)

20. There will be no stamp duty expenses to be incurred by Hektar REIT in relation to the Acquisitions of the Subject Properties. Pursuant to Stamp Duty (Exemption) (No. 4) Order 2004, all instruments of transfer of real property to a REIT approved by the Securities Commission are exempted from stamp duty.
21. The profit forecast of Hektar REIT has been prepared on a basis consistent with applicable approved accounting standards in Malaysia. The following accounting policies will be adopted by Hektar REIT:-
- (i) Revenue - rental income
- Revenue from rental of properties is recognised on the accrual basis unless collectibility is in doubt, in which case, they are recognised on a receipt basis.
- (ii) Expenses
- All expenses, including interest and other costs incurred in connection with borrowings, are expensed as incurred.
22. There will be no material contingent liabilities during the forecast year which may materially affect the forecast. Hektar REIT will not be subjected to any material litigation or proceedings which could have a material adverse impact on Hektar REIT's business, operating results and financial condition.
23. There will be no material changes in present legislation or government regulations which will adversely affect the operations of Hektar REIT.
24. Hektar REIT will not be affected by industrial disputes or any other abnormal factors of changes affecting operations or its planned operations.
25. There will be no adverse economic, political and property market conditions which will materially affect the activities of Hektar REIT.
26. There will be no material changes in the planned accounting, management and operational policies of Hektar REIT.
27. There will be no material changes in the current principal activities, composition and structure of Hektar REIT.
28. There will be no significant changes in the rate of inflation.
29. The first financial period end is assumed to be fixed at 31 December 2007.

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