
1. CORPORATE DIRECTORY

- Manager** : Hektar Asset Management Sdn Bhd
(Company No. 732261-T)
- Manager's Principal Place of Business** : Block A-2-4
Plaza Damas
No. 60, Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur
- Tel: 03 - 6201 1011
Fax: 03 - 6201 0012
Website: www.hektargroup.com
- Manager's Registered Office** : Unit 419, Block A
Kelana Business Centre
No. 97, Jalan SS 7/2
Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
- Tel: 03 - 7492 7090
Fax: 03 - 7492 7099
- Board of Directors of the Manager** : Dato' Jaafar bin Abdul Hamid
Chairman and Chief Executive Officer
- Zalila binti Mohd Toon
Executive Director and Chief Financial Officer
- Shahril bin Kassim
Non-Executive Director
- Dato' Syed Md Amin bin Syed Jan Aljeffri
Independent Non-Executive Director
- Dato' Lim Git Hooi @ Robert Lim
Independent Non-Executive Director
- Company Secretary of the Manager** : Muhammad Hafidz bin Nuruddin (MAICSA No. 7005820)
Unit 419, Block A
Kelana Business Centre
No. 97, Jalan SS 7/2
Kelana Jaya, 47301 Petaling Jaya
Selangor Darul Ehsan
- Tel: 03 - 7492 7090
Fax: 03 - 7492 7099
Email: hafidznco@hafidznco.com
- Registrar** : Mega Corporate Services Sdn Bhd (Company No. 187984-H)
Level 15-2, Faber Imperial Court,
Jalan Sultan Ismail, P.O. Box 12337
50774 Kuala Lumpur
- Tel: 03 - 2692 4271
Fax: 03 - 2732 5388
Website: www.megacorp.com.my

1. CORPORATE DIRECTORY (Cont'd)

- Property Management Company** : Izrin and Tan Properties Sdn Bhd (*Company No. 602338-K*)
1-1 Jalan 5/76B
Desa Pandan
55100 Kuala Lumpur

Tel. 03 - 92839782
Fax. 03 - 92839827
Email: intkl@streamyx.com
- Trustee** : AmTrustee Berhad (*Company No. 163032-V*)
(*a member of AmInvestment Group Berhad*)
17th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Tel: 03 - 2078 2633
Fax: 03 - 2031 3070
Website: www.ambg.com.my
- Auditors/Reporting Accountants** : Shamsir Jasani Grant Thornton (*AF: 0737*)
Level 11
Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

Tel: 03 - 2692 4022
Fax: 03 - 2732 5119
Website: www.gt.com.my
- Principal Banker** : Malayan Banking Berhad (*Company No. 3813-K*)
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Tel: 03 - 2070 8833
Fax: 03 - 2070 7298
Website: www.maybank2u.com
- Solicitors** : Zul Rafique & Partners
Suite 17.01
17th Floor, Menara PanGlobal
8 Lorong P. Ramlee
50250 Kuala Lumpur

Tel : 03 - 2078 8228
Fax : 03 - 2034 1913
Website : www.zulrafique.com.my

1. CORPORATE DIRECTORY (Cont'd)

- Tax Consultants**
- Ernst & Young Tax Consultants Sdn Bhd (*Company No. 179793 – K*)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
- Tel: 03 - 7495 8000
Fax: 03 - 2095 7043
Website: www.ey.com.my
- Independent Property Valuer(s)** :
- Henry Butcher Malaysia Sdn Bhd (*Company No. 160636 - P*)
25, Jalan Yap Ah Shak
50300 Kuala Lumpur
- Tel: 03 - 2694 2212
Fax: 03 - 2694 5543
Website: www.henrybutcher.com.my
- Henry Butcher Malaysia (Malacca) Sdn Bhd (*Company No. 246114 – T*)
323 A & B, Jalan Melaka Raya 1
Taman Melaka Raya
75000 Melaka
- Tel: 06 - 281 2188
Fax: 06 - 281 2189
Website: www.henrybutcher.com.my
- Independent Property Market Consultants**
- MIRP Consult Sdn Bhd (*Company No. 525968 W*)
Block C, 2nd Floor
Unit 209
Damansara Intan
No. 1, Jalan SS20/27
47400 Petaling Jaya
Selangor
- Tel: 03 - 7727 0611
Fax: 03 - 7727 0299
Website: www.mirp.com.my
- Lead Adviser, Co-Financial Adviser, Lead Manager, Joint Bookrunner and Managing Underwriter** :
- Aseambankers Malaysia Berhad (*Company No. 15938-H*)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
- Tel: 03 - 2059 1888
Fax: 03 - 2070 6521
Website: www.aseam.com.my

1. CORPORATE DIRECTORY (Cont'd)

- Co-Financial Adviser,
Joint Bookrunner and
Underwriter** : AmMerchant Bank Berhad (*Company No. 23742 – V*)
(*a member of AmInvestment Group Berhad*)
22nd Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
- Tel: 03 - 2078 2633/44/55
Fax: 03 - 2070 8596
Website: www.ambg.com.my
- Financial Adviser** : KPMG Corporate Advisory Sdn Bhd (*Company No. 567386 – P*)
(*Licensed Investment Adviser*)
Level 8 – 1
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
- Tel: 03 - 2095 3388
Fax: 03 - 2095 2107
Website: www.kpmg.com.my
- Underwriters** : Aseambankers Malaysia Berhad (*Company No. 15938-H*)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
- Tel: 03 - 2059 1888
Fax: 03 - 2070 6521
Website: www.aseam.com.my
- AmMerchant Bank Berhad (*Company No. 23742 – V*)
(*a member of AmInvestment Group Berhad*)
22nd Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
- Tel: 03 - 2078 2633/44/55
Fax: 03 - 2070 8596
Website: www.ambg.com.my
- Issuing House** : Malaysian Issuing House Sdn Bhd (*Company No. 254345 X*)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
- Tel: 03 – 2693 2075
Fax: 03 – 2693 0858
Website: www.mih.com.my
- Listing sought** : Main Board of Bursa Securities

2. SUMMARY INFORMATION

THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION ON HEKTAR REIT AND THE PUBLIC OFFERING, AND IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE OFFER UNITS AND IF NECESSARY, CONSULT YOUR OWN PROFESSIONAL ADVISERS.

YOU SHOULD BE AWARE THAT THE RENTAL YIELDS OF THE SUBJECT PROPERTIES AS WELL AS OTHER REAL ESTATES THAT HEKTAR REIT MAY INVEST IN THE FUTURE ARE NOT EQUIVALENT TO THE YIELD OF THE UNITS AND THAT THE CURRENT RENTAL RECEIPTS AND YIELDS OF THE SUBJECT PROPERTIES MAY NOT BE SUSTAINABLE.

YOU SHOULD ALSO NOTE THAT THE VALUE OF THE SUBJECT PROPERTIES (INCLUDING OTHER INVESTMENTS THAT HEKTAR REIT MAY HAVE IN THE FUTURE), UNIT PRICES AND DISTRIBUTIONS PAYABLE, IF ANY, MAY RISE AS WELL AS FALL.

2.1 Hektar REIT

Hektar REIT, constituted by the Deed dated 5 October 2006, is a REIT formed to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth.

The salient features of the Fund are set out below:

Name of fund	:	Hektar REIT
Fund category	:	REIT
Fund type	:	Growth and income
Investment objectives	:	Our principal investment objective is to invest in income-producing real estate in Malaysia which is primarily used for retail purposes and to provide the Unitholders with a secure income distribution and to enhance the long-term value of the Fund
Investment strategies	:	We aim to achieve the objective of the Fund with the following: <ul style="list-style-type: none">• Invest and manage real estate assets predominantly involved in retail and/or shopping centres;• Acquire and manage future assets which are income-producing properties or possess significant potential for income growth;• Focus on investing under a long-term investment horizon;• Manage and continue to extract synergies and efficiencies from the existing portfolio; and• Finance operations and investments under a conservative but conducive capital structure
Approved size of Fund	:	320,001,000 Units
Authorised investments	:	<ul style="list-style-type: none">• At least 75% of the total assets of Hektar REIT shall be invested in real estate assets, real estate-related assets, single purpose companies or liquid assets;

2. SUMMARY INFORMATION (*Cont'd*)

Authorised investments (<i>cont'd</i>)	<ul style="list-style-type: none">• At least 50% of the total assets of Hektar REIT must be invested in real estate assets or single purpose companies; and• The balance 25% of the total assets of Hektar REIT may be invested in any other authorised investments.
Retail Price	: RM1.05 per Offer Unit. The Final Retail Price will be determined upon the fixing of the Institutional Price and will be the lower of RM1.05 or 95% of the Institutional Price. We will refund the differences if the Final Retail Price is lower than RM1.05 per Unit.
Institutional Price	: To be determined via the bookbuilding process with agreement between the Joint Bookrunners and the Manager
Financial period	: Financial year ended / ending 31 December
Distribution policy	: Semi-annually or at such other intervals as determined by us at our discretion in arrears, at least 90% of the distributable income of Hektar REIT. Barring any unforeseen circumstances, for the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE 2009, we intend to distribute RM30.810 million, RM28.829 million and RM29.713 million respectively or 90% of the distributable income of Hektar REIT, whichever is higher
Borrowing limitations	: Up to 50% of the total asset value of the Fund at the time the borrowing is incurred Upon completion of the Public Offering, Hektar REIT will have an initial gearing of approximately RM184 million representing 34.79% of its total asset value of the Fund upon completion of the Acquisitions
Revaluation policy	: The real estates shall be revalued at least once every three (3) years from the date of the last valuation
Redemption policy	: Unitholders have no right to request us to repurchase their Units while the Units are listed
Minimum initial investment	: Minimum of 100 Units
Minimum additional investment	: Multiples of 100 Units
Investor profile	: Suitable for investors who understand the risks related to the real estate industry, in particular retail complexes and expect to benefit from the periodic distribution of income and long-term growth of the Fund
Form	: The Units will be issued in registered form and the Fund shall be constituted by the Deed
Board lot	: 100 Units per board lot
Quotation	: Main Board of Bursa Securities

For further details on the salient terms of the Fund, please refer to Section 7 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.2 Key Information On The Subject Properties

On completion of the Public Offering, Hektar REIT will acquire Subang Parade and Mahkota Parade which shall form the initial investments of the REIT for a total purchase consideration of RM512 million. Brief information on the Subject Properties is set out below:

2.2.1 Subang Parade

<i>Postal Address</i>	:	No. 5, Jalan SS 16/1, 47500 Subang Jaya, Selangor Darul Ehsan
<i>Description</i>	:	Part of the Master Land measuring approximately 475,021.80 square feet (10.905 acres) in area (excluding HPSB's Land) together with a three-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 with total NLA of 472,709 sq ft (approximately 43,916 sq m) as at 30 September 2006 (excluding individual lots which have already been sold prior to the date of the SPAs)
<i>Category of land use</i>	:	Building
<i>Year of completion of the acquisition of Subang Parade by the Vendor</i>	:	2003
<i>Tenure</i>	:	Freehold
<i>Existing use</i>	:	Shopping complex
<i>Tenants Background</i>	:	As at 30 September 2006, Subang Parade had approximately 119 tenants. The top three (3) tenants on the basis of NLA is Parkson, Toys "R" Us and HSL Electrical and Electronics.
<i>Purchase price</i>	:	RM280,000,000
<i>Appraised value</i>	:	RM290,000,000 (based on valuation performed by the Independent Property Valuers)
<i>Date of valuation by Independent Property Valuers</i>	:	1 May 2006
<i>Registered interests and Encumbrances</i>	:	Currently charged to MBB under presentation number 52524/2003, 81295/2004 and 80317/2005 respectively.
<i>Restrictions in interest</i>	:	Nil

2. SUMMARY INFORMATION (Cont'd)

2.2.2 Mahkota Parade

Postal Address	: No. 1, Jalan Merdeka, 75000 Melaka
Description	: A piece of leasehold land held under PN 28957, Lot 1337 (formerly known as H.S.(D) 49714, P.T. 501), Kawasan Bandar XLII, Daerah Melaka Tengah, Negeri Melaka, measuring approximately 53,030 sq m (13.1 acres) together with a three-storey shopping complex with one level of basement car park. The commercial/retail complex comprises 3 floors of shopping/commercial area on the basement, ground, first and second floors and basement car parks with total NLA of 471,417 sq ft (approximately 43,796 sq m) as at 30 September 2006 (excluding individual lots which have already been sold prior to the date of the SPAs)
Category of land use	: Building
Year of completion of the acquisition of Mahkota Parade by the Vendor	: 2004
Tenure	: 99-year State Lease from Malacca State Government expiring on 18 July 2101
Existing use	: Shopping complex
Tenants Background	: As at 30 September 2006, Mahkota Parade had approximately 102 tenants. The top three (3) tenants on the basis of NLA is Parkson, Golden Bowl and Giant.
Purchase price	: RM232,000,000
Appraised value	: RM233,000,000 (based on valuation performed by the Independent Property Valuers)
Date of valuation by Independent Property Valuers	: 1 May 2006
Registered interests and Encumbrances	: Currently charged to MBB under presentation number 6033/2004 and 10389/2005 respectively.
Restrictions in interest	: The land cannot be transferred or leased without the approval of the State Authority

The total forecasted gross rental income of the Subject Properties for the thirteen (13) months financial period ending 31 December 2007 is RM74.58 million.

For further details on the Subject Properties, please refer to Section 9 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.3 Fees And Charges

There are fees and charges involved and you are advised to consider the fees and charges before investing in Hektar REIT.

An investor or Unitholder may incur the following fees and charges upon the purchase, sale and holding of his/her investment in Hektar REIT.

A summary of all fees and charges of the Fund are shown below.

2.3.1 Payable by the Unitholders

The table below describes the fees that you may incur on the sale and purchase of the Units:

Bursa Securities clearing fee	0.04% of the transaction value, subject to a maximum of RM500 per transaction.
Brokerage	A percentage of the transaction value prescribed by the ADAs subject to a minimum of RM12 per transaction.
Stamp duty	0.1% of the transaction value as stated in the contract notes, subject to a maximum of RM200 per transaction.

For further information on the charges you may incur from the trading of Units on Bursa Securities, you may refer to its website at www.bursamalaysia.com.

2.3.2 Payable by Hektar REIT

Hektar REIT shall incur the following expenses:

Annual Manager's fee:	
(i) Base Fee	Up to 1.0% per annum of the GAV of the Fund, payable monthly in arrears, excluding GST. For the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE 2009, the base fee shall be 0.25% per annum of the GAV of the Fund, excluding GST.
(ii) Performance Fee	Up to 5.0% per annum of the NPI, before deducting the PMC's fee, payable monthly in arrears, excluding GST. For the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE 2009, the performance fee shall be 3.5% per annum of the NPI, before deducting the PMC's fee, excluding GST.
(iii) Acquisition Fee	Up to 1.0% of the acquisition value of any Hektar REIT's assets being the real estate or any unlisted company whose principal assets are real estate, purchased by the Trustee for the Fund.
(iv) Divestment Fee	Up to 0.5% of the disposal value of any Hektar REIT's assets being real estate or unlisted company whose principal assets are real estate, sold or diversified by the Trustee. For further details on the annual Manager's fee, please refer to Section 11.8 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

Annual Trustee's Fee	<p>Up to 0.1% per annum of the NAV of the Fund, including the manager's fees, payable annually in arrears, excluding GST.</p> <p>For the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE 2009, the Trustees fees shall be 0.035% per annum of the NAV of the Fund, including the manager's fees, excluding GST.</p> <p>For further details on the annual Trustee's fee, please refer to Section 13.6 of this Prospectus.</p>
Annual PMC's Fee	<ul style="list-style-type: none">• 5.0% per annum of the gross rental income on the first RM30,000;• 3.0% per annum of the gross rental income on the residue up to RM100,000; and• 2.0% per annum on the gross rental income on the residue over RM100,000. <p>Payable monthly in arrears (excluding GST), with no further additional claims charged.</p> <p>For further details on the annual PMC's fee, please refer to Section 12.7 of this Prospectus.</p>
Other Fund Expenses	<ul style="list-style-type: none">• Auditor's fees;• Valuation fees;• Other relevant professional fees;• Interest expense;• Printing, posting and general expenses that are directly related and necessary for the administration of the Fund; and• Property operating expenses.

2.4 Financial Information

2.4.1 Proforma Historical Income Statement

As Hektar REIT is a newly established fund, save for the Subject Properties to be acquired, it does not have any portfolio of real estates and there is no historical financial information prepared since its establishment. We have prepared the proforma historical income statement of Hektar REIT based on the information extracted from the Vendors' audited financial statements for the four (4) months financial period ended 31 December 2003, FYE 2004, FYE 2005 and for the eight (8) months financial period ended 31 August 2006, as shown below, have been prepared for illustrative purposes only based on the representation of our directors, assuming that Hektar REIT has been in existence since end of August 2003. The revenue and expenses stated below are directly related to the operation of the Subject Properties.

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2. SUMMARY INFORMATION (Cont'd)

	Four (4) months financial period ended 31 December 2003 ¹	FYE 2004 ²	FYE 2005	Eight (8) months financial period ended 31 August 2006
	RM'000	RM'000	RM'000	RM'000
Gross rental income				
Revenue from tenancy	9,815	45,427	55,549	40,514
Car park income	1,142	4,390	5,219	3,824
	10,957	49,817	60,768	44,338
Less: Direct cost [*]				
Assessment, quit rent and insurance cost	405	2,622	3,079	2,078
Other operating expenses	3,671	13,939	16,578	12,354
	4,076	16,561	19,657	14,432
NPI	6,881	33,256	41,111	29,906

Notes:

- * *The direct cost above is extracted based on expenses directly related to the operation of the Subject Properties.*
- 1 *Consists of approximately four (4) months results of Subang Parade since the date of acquisition by HPSB in end of August 2003.*
- 2 *Consists of twelve (12) months results of Subang Parade and approximately nine (9) months result of Mahkota Parade since the date of acquisition by HBSB in early April 2004.*
- 3 *The information on the proforma historical income statement prior to acquisition of the Subject Properties by the Vendors are not disclosed in the aforesaid as the previous owner of the Subject Properties has not consented to disclose the financial information on the Subject Properties during their tenure.*

For further details on the proforma historical income statement, please refer to Section 15.1 of this Prospectus.

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2. SUMMARY INFORMATION (Cont'd)

2.4.2 Proforma Balance Sheet

The following is a summary of the proforma balance sheet of Hektar REIT as at the date of establishment, prepared for illustrative purposes only, to show the effects of the Public Offering and Acquisitions.

	Proforma 1 As at the date of establishment of Hektar REIT RM'000	Proforma 2 After Proforma 1, the Public Offering and Acquisitions RM'000
Non-Current Assets		
Investment properties	-	514,922*
Current Assets		
Cash and cash equivalents	1	14,980
Current Liabilities		
Tenancy and other deposits	-	16,316
Net current asset / (liability)	1	(1,336)
	1	513,586
Financed by:		
Unitholders' Fund	1	336,586
Establishment and issue expenses	-	(7,000)
	1	329,586
Long Term Liabilities		
Borrowings	-	184,000
	1	513,586
NAV	1	329,586
No. of Units in issue	1,000	320,001,000
NAV per Unit (RM)	1.00	1.03

The proforma balance sheet has been prepared based on the principal bases and assumptions set out in Appendix II of this Prospectus (Reporting Accountant's Letter on the proforma balance sheet as at its date of establishment). We advise you to read Appendix II together with the proforma balance sheet set out above.

Note:

- * Includes the capital expenditure of RM2.92 million in relation to the reconfiguration of former Lot G79 which was converted from a large, low-yielding lot into 11 smaller, higher-yielding lots, resulting in a NLA decrease of 13,531 sq ft.

2. SUMMARY INFORMATION (Cont'd)

2.4.3 Highlights of Profit Forecast and Projections

Barring any unforeseen circumstances, our Board forecasts and projects that the distribution to Unitholders for the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE 2009 will be as follows:

	Forecast	←----- Projections ----->	
	Thirteen (13) months financial period ending 31 December 2007 ⁵	FYE 2008	FYE 2009
	RM'000	RM'000	RM'000
Gross rental income	74,580	70,236	72,247
Net income before tax ¹	30,810	28,829	29,713
Net income after tax ¹	30,810	28,829	29,713
Distribution to Unitholders	30,810	28,829	29,713
Distribution Yield (%) ² - Retail	8.47 ⁶	8.58	8.84
Distribution Yield (%) ³ - Institutional	8.01 ⁶	8.12	8.37
MER (%) ⁴	1.05 ⁶	1.09	1.10

Notes:

- 1 The figure for net income before and after tax is the same for the thirteen (13) months financial period ending 31 December 2007, FYE 2008 and FYE2009 pursuant to Section 61A of the Malaysian Income Tax Act, 1967. For the year of assessment 2006, the REIT will be exempted from income tax on the amount of the total income distributed to Unitholders in the basis period for the year of assessment. The REIT is only liable to tax on that portion of its total income that is not distributed to Unitholders in the basis period. From the year of assessment 2007, it was proposed that the total income of REIT will be exempted from income tax provided 90% or more of its total income is distributed to Unitholders.*
- 2 Based on Retail Price of RM1.05 per Unit.*
- 3 Based on illustrative Institutional Price of RM1.11 per Unit.*
- 4 The MER provides a measure by which investors can assess and compare the fee and administration expenses incurred by the Fund.*
- 5 Commencing from December 2006 to December 2007.*
- 6 Annualised for twelve (12) months.*

The profit forecast and projections have been prepared based on the principal bases and assumptions set out in Appendix III and IV of this Prospectus. We advise you to read Appendix III and IV of this Prospectus together with the profit forecast and projections set out above.

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2. SUMMARY INFORMATION (Cont'd)

2.5 Principal Statistics Relating To The Issuance Of Units

	Units
<i>Fund size approved by the SC</i>	320,001,000
<i>Units in circulation as at the date of this Prospectus</i> 1,000 Units issued to us as promoters units	1,000
<i>To be issued pursuant to the Acquisitions</i>	160,500,000
<i>To be issued pursuant to the Public Offering</i>	159,500,000
	320,001,000
<i>Forecast NAV per Unit upon listing</i>	RM1.03*

Note:

* Based on the forecast NAV, after deducting the estimated listing expenses of RM7 million, of RM329.586 million as at 31 December 2007, divided by the enlarged number of Units to be issued by Hektar REIT.

There is only one class of Units in Hektar REIT. The Offer Units, provided that application monies are paid in full, will rank pari passu in all respects with the other existing offered Units of Hektar REIT and the Units will be entitled to all distributions that may be declared subsequent to the date of this Prospectus. For further details on the Public Offering, please refer to Section 3 of this Prospectus.

2.5.1 Utilisation of Proceeds

The total indicative gross proceeds to Hektar REIT arising from the Public Offering is approximately RM176,085,000. These proceeds will be utilised as follows:

	Application of proceeds RM'000	Timeframe for utilisation from date of receipt of proceeds
Part funding for the Acquisitions	167,500	within one (1) month
Estimated listing expenses	7,000	within six (6) months
Working capital	1,585	within twenty-four (24) months
Total Proceeds	<u>176,085</u>	

For further information on the use of proceeds, please refer to Section 3.7 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.6 Unitholdings Of The Vendors, Our Substantial Unitholders, Our Directors And Our Key Personnel

Prior to the date of this Prospectus, there are only 1,000 Units in circulation, all of which are held by us as promoter units. We will dispose of all of these units immediately upon listing of Hektar REIT.

The interests of the Vendors, our substantial Unitholders, directors and key personnel in Hektar Asset Management after the Public Offering and the Acquisitions are as follows:

	Proforma after the Public Offering and the Acquisitions			
	<-----Direct----->		<-----Indirect----->	
	No of Units	%	No of Units	%
Substantial Unitholders:				
HBSB	72,700,000	22.72	-	-
HPSB	87,800,000	27.44	-	-
Dato' Jaafar bin Abdul Hamid	2,050,000 [^]	0.64	160,500,000 ¹	50.16
Executive Directors:				
Dato' Jaafar bin Abdul Hamid	2,050,000 [^]	0.64	160,500,000 ¹	50.16
Zalila binti Mohd Toon	350,000 [^]	0.11	-	-
Non-Executive Directors:				
Shahril bin Kassim	250,000 [^]	0.08	-	-
Other Key Personnel:				
Christopher Angus Mears	350,000 [^]	0.11	-	-
Zarina Halim	100,000 [^]	0.03	-	-
Raziff Suhairi bin Shaaban	100,000 [^]	0.03	-	-

Notes:

[^] Including their allocation pursuant to the allocation to eligible directors, employees and business associates of Hektar Group.

¹ Deemed interested by virtue of his substantial shareholdings of more than 15% in HBSB and HPSB pursuant to Section 6A of the Act.

2.7 Risk Factors

An investment in the Offer Units to be listed on the Main Board of Bursa Securities involves a certain degree of risk. You should therefore rely on your own evaluation and are advised to carefully consider the risk factors (which may not be exhaustive) of investing in the Units of Hektar REIT before applying for the Offer Units. These would broadly include the following:

- **Risks relating to Hektar REIT's organisation and operations;**
- **Risks relating to Real Estate Assets; and**
- **Risks relating to an investment in the Units.**

For further details of the pertinent risks of investing in and applying for the Offer Units, please refer to Section 4 of this Prospectus.

3. THE PUBLIC OFFERING

3.1 Opening And Closing Of Applications

Applications for the Public Offering will be accepted from 10.00 a.m. on 15 November 2006 and will remain open until 5.00 p.m. on 22 November 2006 or such period or periods as our Board and the Managing Underwriter at our absolute discretion may mutually decide.

We will not accept any late applications.

The following events are intended to take place on the following tentative dates:

Event	Tentative Dates
Opening date of the Public Offering	15 November 2006
Closing date of the Public Offering	22 November 2006
Tentative balloting date	24 November 2006
Tentative allotment date	29 November 2006
Tentative listing date of Hektar REIT	4 December 2006

Should the closing date of the Public Offering be changed, the dates for the balloting, allotment of Offer Units and the listing would be changed accordingly (where relevant). Any change to the closing date of the Public Offering will be published in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia.

3.2 Details Of The Public Offering

The Public Offering is subject to the terms and conditions of this Prospectus, and upon acceptance, shall be allocated in the manner described below.

- (a) Retail Offering at the Retail Price of RM1.05 per Unit where:
- (i) 10,000,000 Units will be made available for application by the Malaysian citizens, companies, societies, co-operatives and institutions by way of balloting. At least 30% of these Units will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions; and
 - (ii) 6,000,000 Units will be made available for application by the eligible directors, employees and business associates of Hektar Group to be allocated in the following manner: -
 - 5,772,000 Units will be allocated to eligible directors and employees of the Hektar Group based on seniority, ranking and length of services; and
 - 228,000 Units will be allocated to business associates of the Hektar Group who have contributed significantly to the success of the Hektar Group.

3. THE PUBLIC OFFERING (Cont'd)

Details of the allocation to the directors of Hektar Group are as follows:-

Name of Directors	Company	Units allocated in Hektar REIT			
		<-----Direct----->		<-----Indirect----->	
		No of Units	%	No of Units	%
Dato' Jaafar bin Abdul Hamid	Hektar Asset Management, HKSB, HPSB and HBSB	2,050,000	0.64	160,500,000 ¹	50.16
Zalila binti Mohd Toon	Hektar Asset Management	350,000	0.11	-	-
Shahril bin Kassim	Hektar Asset Management, HKSB, HPSB and HBSB	250,000	0.08	-	-
Puteri Shariza binti Noordin Omar	HKSB, HPSB and HBSB	250,000	0.08	-	-
Michael Lim Hee Kiang	HKSB, HPSB and HBSB	250,000	0.08	-	-

Note:

¹ Deemed interested by virtue of his substantial shareholdings of more than 15% in HBSB and HPSB pursuant to Section 6A of the Act.

Any Units not subscribed by the eligible directors, employees and business associates of Hektar Group will be made available for application by the Malaysian Public as described in paragraph (i) above.

- (b) Institutional offering of 143,500,000 Units at the Institutional Price to be determined by way of bookbuilding, which will be made available for application by institutional and selected investors.

The Public Offering shall raise gross proceeds of at least RM176.085 million, which is the minimum proceeds required, to part finance the Acquisitions as well as to cover the incidental expenses of the Listing and to meet the working capital requirement.

If the Retail Offering and the Institutional Offering are not completed and/or less than RM176.085 million proceeds is being raised from the Public Offering, your money paid for the application will be returned within ten (10) Market Days from the date we become liable to do so, without interest. Thereafter, the Fund shall be terminated in accordance to the Deed.

Investors may apply for Units under the Retail Offering or indicate an interest for Units under the Institutional Offering, **but not under both**. Investors may only receive Units under either the Institutional Offering or the Retail Offering. The Institutional Offering will involve the selective marketing of Units to the institutional and selected investors anticipated to have a sizeable demand for such Units. Institutional and selected investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities.

3. THE PUBLIC OFFERING (Cont'd)

Allocation of the Units pursuant to the Institutional Offering will be determined by the Joint Bookrunners and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, its Offer Units after the Listing on a basis which would lead to the establishment of a solid Unitholder base to the benefit of Hektar REIT and the Unitholders as a whole.

Allocation of the Offer Units to applicants under the Retail Offering will be based solely on the level of valid applications received under the Retail Offering. The basis of allocation may vary, depending on the number of Offer Units validly applied for, but, subject to that, will be made on a pro-rata basis, although the allocation of Offer Units could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Offer Units, and those applicants who are not successful in the ballot may not receive any Offer Units. Please refer to Appendix VIII of this Prospectus on the procedures for application and acceptance for the Offer Units under the Retail Offering.

Selected investors who express interest for the Units under the Institutional Offering should comply with the procedures set out in accordance with the separate instructions specified by the Joint Bookrunners.

3.3 Clawback and Reallocation

The allocation of Units between the Retail Offering and the Institutional Offering is subject to adjustments by the Underwriters and the Joint Bookrunners.

In the event the Retail Offering is over-subscribed and there is an under-subscription in the Institutional Offering, Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering. In the event the Institutional Offering is over-subscribed and there is an under-subscription in the Retail Offering, Units may be clawed back from the Retail Offering and reallocated to the Institutional Offering. Any such reallocation is subject to the agreement among the Underwriters, the Joint Bookrunners and the Manager, which approval shall not be unreasonably withheld or delayed.

3.4 Purposes Of The Public Offering

The purposes of the Public Offering are as follows:

- (a) to raise proceeds in order to part finance the Acquisitions;
- (b) to provide an alternative investment instrument that comprises a portfolio of real estates under a REIT that ensures stable contribution of income and potential appreciation of its value to the Unitholders in the future, as the Acquisitions are at a discount of approximately 2.1% to its appraised value; and
- (c) to obtain listing status on the Main Board of Bursa Securities so that the Units are readily tradable and hence more liquid compared to the underlying Subject Properties.

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3. THE PUBLIC OFFERING (Cont'd)

3.5 Issuance Of Units

	Units
<i>Fund size approved by the SC</i>	320,001,000
<i>Units in circulation as at the date of this Prospectus</i>	1,000
1,000 Units issued to us as promoters units	
<i>To be issued pursuant to the Acquisitions</i>	160,500,000
<i>To be issued pursuant to the Public Offering</i>	159,500,000
	320,001,000
<i>Forecast NAV per Unit upon listing</i>	RM1.03*

Note:

* Based on the forecasted NAV, after deducting the estimated listing expenses of RM7 million, of RM329.586 million as at 31 December 2007, divided by the enlarged number of Units to be issued by Hektar REIT.

There is only one class of Unit in Hektar REIT. The Offer Units, provided that application monies are paid in full, will rank pari passu in all respects with the other existing Units of Hektar REIT and the Units will be entitled to all distributions that may be declared subsequent to the date of this Prospectus.

At any meeting of Unitholders of the Fund, each Unitholder shall be entitled to vote in person or by proxy. On a show of hands, every person present who is a Unitholder, a representative or proxy of a Unitholder, shall have one vote, whereas on a poll, every Unitholder present in person or by proxy shall have one vote for each Unit held by him. A proxy need not be a Unitholder. However, we and any party related to us shall not exercise our voting rights in any Unitholders' meeting, unless otherwise permitted by the SC and/or any other relevant authorities.

3.6 Basis Of Arriving At The Final Retail Price And The Refund Mechanism

The Retail Price will be determined after the Institutional Price is fixed and may be subject to adjustments, where the Final Retail Price will be the lower of either RM1.05 or 95% of the Institutional Price (subject to rounding adjustments). The Institutional Price can only be determined after the completion of the bookbuilding exercise by agreement between the Joint Bookrunners and us on the price determination date.

We will announce the Final Retail Price and the Institutional Price in a Bahasa Malaysia and English daily newspaper circulating generally in Malaysia within two (2) Market Days after the price determination date. We will also send all successful applicants a written notice of the Final Retail Price and Institutional Price in the notices of allotment.

If an application is successful and the Final Retail Price is lower than the Retail Price, a refund of the difference will be made without any interest and despatched by ordinary mail to the addresses of the successful applicants within ten (10) Market Days of the final ballot of the applications at the applicants' own risk.

3. THE PUBLIC OFFERING (Cont'd)

3.7 Utilisation Of Proceeds

The total indicative gross proceeds arising from the Public Offering of RM176.085 million based on the Retail Price of RM1.05 and the illustrative Institutional Price of RM1.11, will accrue entirely to the Fund and shall be used in the following manner:

	Application of proceeds RM '000	Timeframe for utilisation from date of receipts of proceeds
Part funding for the Acquisitions	167,500	within one (1) month
Estimated listing expenses ⁽¹⁾ :		
- Professional fees	1,400	} within six (6) months
- Regulatory fees	140	
- Underwriting fees, brokerage fees and bookbuilding fees	3,400	
- Advertisement and printing expenses	600	
- Incidental cost for the Acquisitions	920	
- Issuing House	150	
- Miscellaneous	390	
Working capital	1,585	within twenty-four (24) months
Total Proceeds	176,085	

Notes:

- 1 Any unutilised amount shall be used for working capital purposes of Hektar REIT. Any shortfall will be met from proceeds set aside for working capital purposes.
- 2 In the event that the Final Retail Price is higher/lower than the Retail Price, there will be corresponding increase/decrease in the provision for working capital.

3.8 Brokerage And Commissions

(a) Brokerage

Brokerage relating to the 10,000,000 Units made available for application by the Malaysian Public (as described in Section 3.2(a)(i)) under the Retail Offering is payable by the Fund at the rate of 1.0% of the Final Retail Price in respect of successful applications which bear the stamps of Aseambankers, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association or the Issuing House.

(b) Commissions

Aseambankers and AmMerchant as the underwriters have agreed to underwrite the 16,000,000 Units to be issued pursuant to the Retail Offering, at the rate of 1.6% of the Final Retail Price, payable by the Fund. A managing underwriter's commission at the rate of 0.2% based on the Final Retail Price for the 16,000,000 Units to be issued under the Retail Offering, is also payable to Aseambankers as the Managing Underwriter.

3. THE PUBLIC OFFERING (Cont'd)

The Fund shall also bear the selling fee payable to the Joint Bookrunners at the rate of up to 1.85% of the Institutional Price for the 143,500,000 Units to be issued under the Institutional Offering. The Lead Manager will also be subject to a commission at the rate of 0.2% based on the Institutional Price for the 143,500,000 Units to be issued under the Institutional Offering.

3.9 Salient Terms Of The Underwriting Agreement

The Underwriting Agreement was entered into between us, Aseambankers as the Managing Underwriter and AmMerchant as the Underwriter on 18 October 2006 to severally but not jointly underwrite 16,000,000 Units under the Retail Offering (“Underwritten Units”) subject to the clawback and reallocation as mentioned in Section 3.3 above, for the underwriting commission rates of 1.6% of the Final Retail Price multiplied by the Underwriters’ respective portion of the Underwritten Units. Further, under the Underwriting Agreement, we will pay the Managing Underwriter a managing underwriting fee of 0.2% of the Final Retail Price multiplied by the 16,000,000 Units offered under the Retail Offering.

We have made several representations, warranties and undertakings under the Underwriting Agreement to and for the benefit of the Underwriters. Upon any misrepresentation or breach of such warranties of failure to perform the undertakings set out in the Underwriting Agreement, the Underwriters shall be entitled (but not bound) at their absolute discretion without prejudice to any other right or remedy which it may have, by notice to us to elect to treat such misrepresentation or breach or failure to perform as releasing and discharging us from our obligations under the Underwriting Agreement.

The salient terms of the Underwriting Agreement are set out below:-

- (a) The Underwriting Agreement is conditional upon the fulfillment of several conditions on or before the last day for the acceptance and payment for the Offer Units under the Public Offering or such other date as may be extended from time to time as may be determined and announced by us and the Managing Underwriter (“Closing Date”), which include the following main conditions:-
- (i) Bursa Securities having agreed in principle to the Listing within six (6) weeks from the date of the Prospectus (or such longer period as may be specified by the SC);
 - (ii) the Underwriters being satisfied that the Listing will be granted two (2) clear Market Days after the submission to Bursa Securities of the requisite documents;
 - (iii) the issue and offer of the Offer Units under the Public Offering have been approved by the SC and any other relevant authority;
 - (iv) the public shareholding spread as required pursuant to Bursa Securities LR being met;
 - (v) there has not been, as at any time hereafter up to and including the Closing Date, any adverse change, or any development involving a prospective adverse change, in the business, financial condition or prospect of the Manager, Hektar REIT and Hektar Group other than as set out in this Prospectus, nor has any event occurred or any fact discovered which will render inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in Clause 3.1 of the Underwriting Agreement if they are repeated on and as of the Closing Date;

3. THE PUBLIC OFFERING *(Cont'd)*

- (vi) the issue, offering and subscription of the Offer Units is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (vii) the registration and lodging with the SC of a copy of this Prospectus in accordance with the requirements of the SCA;
- (viii) the delivery to the Underwriters, if required, prior to the date of registration of this Prospectus with the SC, of a copy certified as a true copy by an authorised officer of the Manager of all the resolutions of the Board and the shareholders in general meeting approving the Underwriting Agreement, this Prospectus and authorising the execution of the Underwriting Agreement, the issue and offer of the Offer Units and this Prospectus under the Public Offering;
- (ix) this Prospectus being issued not later than two (2) months from the date of the Underwriting Agreement or such date we and the Underwriters may agree in writing;
- (x) the delivery to the Underwriters on the Closing Date a certificate in the agreed form signed by a duly authorised officer of the Manager dated the Closing Date, to the effect that the person who provides such certificate has carefully examined the Underwriting Agreement and that:
 - (aa) that there shall not have occurred, on or prior to the Closing Date, any event rendering untrue, inaccurate or incorrect any of the representations, warranties and undertakings herein and the representations, warranties and undertakings herein are true, accurate and not misleading in all respects on and as of the Closing Date as though they had been given and made on the Closing Date and we have complied with all the terms of the Underwriting Agreement and satisfied all the conditions on our part under the Underwriting Agreement to be performed and satisfied on or prior to the Closing Date;
 - (bb) since the date of the Underwriting Agreement, there has been no change or development that may adversely affect the business or financial, condition or prospect of the Hektar Group save as disclosed in this Prospectus nor the occurrence of any event nor the discovery of any fact or circumstance rendering untrue or incorrect in any material adverse respect as at the Closing Date of any representations, warranties or undertakings contained in Clause 3.1 of the Underwriting Agreement; and
 - (cc) the issue of the Offer Units under the Public Offering are not being prohibited by any statutes or regulations promulgated or issued by any legislative or regulatory body in Malaysia;
- (xi) the Underwriters having been reasonably satisfied that we have in relation to the issue of the Offer Units complied with all policies, guidelines and requirements of the relevant authorities of Malaysia and all revisions, amendments and/or supplements thereto;
- (xii) the successful completion of the Institutional Offering; and
- (xiii) the Bookbuilding Agreement shall become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof.

3. THE PUBLIC OFFERING (Cont'd)

- (b) If any of the conditions precedent is not satisfied on or before the Closing Date, the Underwriters may terminate the Underwriting Agreement by written notice to us.
- (c) The Underwriters may by notice in writing to us given at any time before the Closing Date terminate, cancel and withdraw their commitments to underwrite the underwritten Units if:-
 - (i) there is any breach by us of any of the representations, warranties or undertakings contained in Clause 3.1 of the Underwriting Agreement;
 - (ii) we withhold any material information from the Underwriters, which, in the opinion of the Underwriters may or is likely to have an adverse effect on the business, operation, financial condition or prospect of the Hektar Group or the success of the Public Offering;
 - (iii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the Hektar Group or the success of the Public Offering or which is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:-
 - (aa) war (whether war declared or not), acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war, hijacking, terrorism;
 - (bb) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
 - (cc) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning tempest, accident or other Acts of God.
 - (iv) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriters may or is likely to have a material adverse effect on the business, operation, financial condition or prospect of the Hektar Group or the success of the Public Offering;
 - (v) any adverse change or development involving a prospective change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriters may or is likely to have a material adverse effect on the business, operation, financial condition or prospect of the Hektar Group taken as a whole or the success of the Public Offering or the distribution or sale of the Offer Units (whether in the primary market or in respect of dealings in the secondary market);
 - (vi) trading of securities on Bursa Securities has been suspended for three (3) consecutive Market Days or more;
 - (vii) any change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriters may prejudice the success of the Public Offering or which may or is likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

3. THE PUBLIC OFFERING (Cont'd)

- (viii) the Institutional Offering is stopped or delayed for any reason whatsoever;
- (ix) the Bookbuilding Agreement has not been executed or is terminated or rescinded for any reason whatsoever; or
- (x) the Listing does not take place within three (3) months after the date of the Underwriting Agreement.

3.10 Bookbuilding Agreement

Due to the nature of the bookbuilding exercise and that the Institutional Price can only be determined after the completion of the bookbuilding exercise, the allocations for the Units under the Institutional Offering will only be made after the completion of the bookbuilding exercise and the determination of the Institutional Price in accordance with Section 3.6 of this Prospectus.

In this respect, the SC has granted a waiver for arrangements for the Units under the Institutional Offering to be entered into only after the completion of the bookbuilding exercise. Please refer to Section 14.3(i) for further details on the aforesaid waiver from the SC.

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4. RISK FACTORS

Risk Factors

You should rely on your own evaluation and carefully consider the following risk factors, in addition to other information contained elsewhere in this Prospectus, before applying for the Offer Units. The risk factors set out below, which may not be exhaustive, may have a significant impact on the future performance of and operations of Hektar REIT. Additional risks, whether known or unknown, may in the future have a material adverse effect on Hektar REIT or the price of the Units.

As an investment in a collective investment scheme is meant to produce returns over the long-term, you should not expect to obtain short-term gains.

You should be aware that the price of the Units may fall or rise. You should also note that you may not fully or at all recoup your original investment.

4.1 Risks Relating to Hektar REIT's Organisation and Operations

(a) Potential conflicts of interest between Hektar REIT and Hektar Group relating to acquisitions and disposals

Dato' Jaafar bin Abdul Hamid and Shahril bin Kassim are common directors and common shareholders of HKSB, HBSB and HPSB. Puteri Noor Shariza binti Noordin Omar and Michael Lim Hee Kiang are the common directors of HKSB, HBSB and HPSB. HKSB is our holding company, dealing in property investment and management. Both HBSB and HPSB are also involved in property investment and management.

HPSB and HBSB have granted the Fund a five (5) year right of first refusal to acquire additional assets from them, provided that, amongst others, we remain as the Manager for Hektar REIT during the entire five (5) year period and HPSB and HBSB collectively hold a total unitholding of at least 50% in Hektar REIT. Please refer to section 7.2.2 (b) of this Prospectus for further details. We may, on behalf of Hektar REIT, acquire such assets from HPSB and HBSB in the future if they pose attractive investments for Hektar REIT. Accordingly, potential conflict of interests may arise from such acquisition(s). In such cases, we intend to obtain appraisals from independent parties and comply with all other requirements applicable to such transactions under the SC Guidelines on REITs and the Bursa Securities LR. In addition, please refer to Section 11.15 of this Prospectus for our policy on dealing with conflict of interest situations. Alternatively, in varying its portfolio of properties, Hektar REIT may in the future dispose of properties to Hektar Group.

As a result, the strategies and activities of Hektar REIT may be influenced by the overall interest of Hektar Group. There can be no assurance that conflicts of interest will not arise between Hektar REIT and Hektar Group in the future, which may include acquisitions of properties as well as competition for tenants.

In accordance with the Deed, the prior approval of the Trustee and, if required, the Unitholders will be sought for such acquisitions or disposals and a qualified valuer will be appointed to appraise the value of the properties for such acquisitions and disposals. Our related corporations, associated persons and us will not vote on such transactions. *Related corporation* shall have the meaning given in Section 6 of the Act and associated persons shall have the meaning given in Section 3 of the Securities Industry Act, 1983.

4. RISK FACTORS (Cont'd)

(b) Risks associated with bank borrowings

Upon completion of the Acquisitions, Hektar REIT is expected to have borrowings of RM184 million to part finance the Acquisitions. The borrowing represents approximately 34.79% of total asset value of the Fund upon completion of the Acquisitions. The borrowings will be secured against one of the Subject Properties, i.e. Subang Parade.

If Hektar REIT is unable to meet its payment obligations under the terms of the borrowings, i.e. the interest payments, Subang Parade may be foreclosed by the lenders with a consequent loss of income and asset value to Hektar REIT. The ability of Hektar REIT to meet its future payment obligations and payment of distributions will be dependent on its future financial performance and operational cash flows.

Hektar REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise affect its operations and ability to make distributions to Unitholders. Such covenants may restrict Hektar REIT's ability to acquire properties or undertake other capital expenditures or may require it to set aside funds for maintenance or repayment of security deposits.

In addition, the fluctuation in interest rates may adversely affect the cash flows position of Hektar REIT and dividend distribution to the Unitholders.

For future bank borrowings, if Hektar REIT is unable to make payment obligations, properties of Hektar REIT that are charged to secure such borrowings may be foreclosed by the lenders or subject to a forced sale which may be conducted at an undesirable value. In addition, Hektar REIT may also be subject to refinancing risks. It may not be able to refinance its existing borrowings or the terms of such refinancing may not be as favourable as the terms of its existing borrowings.

We will endeavour to maintain the cash flows of the Fund at a manageable level, taking into account the cash flows, level of debts and distributions to Unitholders.

(c) Limitations on borrowings

Under the SC Guidelines on REITs, Hektar REIT is only permitted to borrow up to 50% of its total asset value at the time the borrowing is incurred. However, the Fund's total borrowings may exceed this limit with the prior approval of the Unitholders. Based on the intended borrowings (as set out in Section 4.1(b) above), the borrowings represents approximately 34.79% of total asset value of the Fund upon completion of the Acquisitions. Depending on the quantum of future borrowings that Hektar REIT may require, its ability to incur further borrowings will depend on:

- (i) the risks of borrowings to the Fund and the Unitholders; and
- (ii) the impact of borrowings on the financial position of the Fund.

Limitation on borrowings may have the following business consequences:

- (i) an inability to fund capital expenditure requirements by bank borrowings in relation to Hektar REIT's future acquisitions of properties;
- (ii) cash flows shortage which Hektar REIT might otherwise be able to resolve by borrowing funds; and
- (iii) a decline in the total asset value of the Fund may cause the borrowing limit to be exceeded thus affecting the Fund's ability to incur further borrowings.

4. RISK FACTORS (Cont'd)

Notwithstanding the above, we may source other means of funding such as internally generated funds or through new issuance of Units. In addition, a portion of the distributable income of Hektar REIT may be set aside for contingency purposes. Our directors are of the opinion that the working capital raised from the Public Offering will be sufficient for Hektar REIT for a period of 24 months from the date of the Listing.

(d) Limited operating history

Hektar REIT was established on 5 October 2006 and we were incorporated on 3 May 2006. Whilst several of our directors and key management personnel have been managing the Subject Properties previously, the Manager in itself has no operating history or past performances, which may be evaluated by investors to assess their likely future performance.

Notwithstanding the above, Hektar REIT is being managed by an experienced, professional and capable management team, which aims to achieve the investment objectives of Hektar REIT by applying sound investment policies and strategies. The profiles of our directors and management team are set out in Section 11 of this Prospectus.

(e) Dependence on key personnel

The success of Hektar REIT will depend to a significant extent upon the continued service and performance of our directors and key management team. The loss of any key member in our Board or key management may affect Hektar REIT's business, results of operations and financial conditions and results.

Notwithstanding the above, we have set up an operation manual that governs the administration of Hektar REIT. In addition, we have put in place a management succession plan to ensure business continuity.

(f) Investment policies of Hektar REIT may change

Upon completion of the Public Offering, the investment portfolio of Hektar REIT shall only consist of the Subject Properties. Hektar REIT may change its investment policies in future subject to the provisions of the Deed. There is no assurance that the new investment policies will result in a better distribution of income to Unitholders and no assurance of capital growth in such investment. Nevertheless, the investment policies of the Fund will at all times be subject to the requirements as set out in Section 7 of this Prospectus, which outlines the guidelines on limits and types of investment to be undertaken by Hektar REIT.

(g) Competition may affect the implementation of the investment strategies of Hektar REIT

Our investment strategy is to invest in a portfolio of strategically located shopping complexes tenanted to established retail companies in Malaysia with the primary objective to achieve long-term growth in NAV per Unit. Although we will endeavour to attain such objective, there is no assurance that the investment strategy can be implemented successfully. We may not be able to implement our strategy if there is a limited availability of such real estates for sale, increased competition amongst potential buyers of such real estates, changes to law or regulations which may adversely affect the operating environment or if we are unable to source financing at favourable terms.

The Manager may not be able to effectively execute the strategies and hence, Hektar REIT's investments may not be able to compete effectively. This could result in loss of tenants and unsuccessfulness in implementing asset enhancements by Hektar REIT. In addition, there is also the risk that future projects may not be implemented as planned.

4. RISK FACTORS (Cont'd)

(h) Changes in laws, regulations, guidelines and Government policies in Malaysia

Hektar REIT may be affected by revisions and changes in the laws and regulations governing real estate including but not limited to those governing zoning, usage, tax, statutory dues and government policies in Malaysia. These revisions may lead to unforeseen capital expenditures and/or increased management expenses to ensure compliance.

(i) Changes in accounting standards

The audited financial statements of Hektar REIT will be prepared in compliance with the provisions of the Deed, SC Guidelines on REITs, the SCA and applicable approved accounting standards in Malaysia. The Malaysian Accounting Standards Board ("MASB"), as part of its programme to fully converge with international financial reporting standards to date, has introduced a number of Malaysia Financial Reporting Standards or revised MASB Standards ("FRS"), which are effective for accounting periods beginning on or after 1 January 2006.

The above changes as well as any further changes to MASB Standards may result in significant changes in the preparation of Hektar REIT's financial results in the future. In Section 8 of this Prospectus, Distributable Income has been defined to address the significant proposed changes so far, which may potentially impact Hektar REIT's financial results. However, there can be no assurance that future changes to accounting standards will not affect the ability of Hektar REIT to make distributions to Unitholders or that such distributions will be in line with the forecasted and projected distributions of Hektar REIT as set out in Section 15 of this Prospectus.

(j) Valuation of the Subject Properties

The valuation reports of the Subject Properties dated 15 June 2006 stated that the Independent Property Valuers had not sighted a building surveyor or engineer's report or inspected any unexposed or inaccessible portions of the premises. Hence, their valuation of the Subject Properties does not take into account the structural integrity, defect, rot or infestation that may or may not effect the current valuation placed on the Subject Properties.

4.2 Risks Relating To Real Estate Assets

(a) Risks relating to the property market, economic, political and regulatory conditions in Malaysia

Hektar REIT's Subject Properties are located in Malaysia and as such are exposed to the performance of the property industry and to a larger extent, the economic performance of Malaysia. Hektar REIT's operations and future growth could be adversely affected by deterioration in the economic condition in Malaysia. Additionally, any adverse development in the political and regulatory conditions in Malaysia may also materially and adversely affect the financial performance of Hektar REIT. Such political and economic uncertainties include the risks of war, changes in general economic, business and credit conditions, changes in the Government's policies and the introduction of new regulations affecting the industry, inflation, interest rates, taxation, fluctuation in foreign exchange rates and political or social development in Malaysia. These factors may affect on open market value of the Subject Properties.

4. RISK FACTORS (Cont'd)

(b) Competition in the retail business

Hektar REIT's Subject Properties are used for retail purposes and may compete with properties of a similar type and quality. Increased competition may adversely affect the income and the market value of the Subject Properties. The rental income received by the Subject Properties is largely dependent on the ability of the Subject Properties to compete against other retail properties in attracting and retaining tenants. Important factors, which affect the ability to retain and attract tenants, include but are not limited to the quality of the building's infrastructure, existing tenant mix or surrounding area demographics.

The Subject Properties face competition from a variety of retail formats including hypermarkets, outlet malls and other retail formats. If competing properties of a similar type are built, or existing properties refurbished, near the location of the Subject Properties, then the income and the market value of the Subject Properties may be adversely affected.

(c) Risk of tenancy renewals

The majority of the tenancy agreements for the Subject Properties are for tenancy tenures of up to three (3) years, as per the typical market practice in Malaysia. As a result, each of the Subject Properties experience lease cycles in which a significant number of tenancies expire each year. As a result, the high concentration of renewal rates exposes Hektar REIT to certain vacancies, which may reduce the occupancy levels.

If a significant number of tenants do not renew their tenancies in a year of high tenancy expiries, it could have an adverse material impact on the Subject Properties and Hektar REIT's income. Furthermore, tenancy renewals may be agreed at rates less than favorable to current tenancies.

(d) Increase in operating and other expenses

Hektar REIT's ability to make distributions to the Unitholders could be affected if its operating and other expenses increase without a corresponding increase in revenue or tenant reimbursements of operating and other costs.

Factors, which could increase operating and other costs, include, amongst others:

- (i) inflation;
- (ii) increases in property taxes and other statutory dues;
- (iii) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- (iv) increases in property management cost and management fee;
- (v) increase in insurance premiums; and
- (vi) defects affecting the properties, which need to be rectified, leading to unforeseen capital expenditure.

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4. RISK FACTORS *(Cont'd)*

(e) Insurance coverage

The Subject Properties could suffer physical damage caused by fire, flood, earthquake or other causes or Hektar REIT may suffer public liability claim, which may result in losses (including loss of rent), and may not be fully compensated by insurance. In addition, certain types of risks (such as war risk and terrorist acts) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, Hektar REIT could lose capital invested in the affected property as well as anticipated future revenue from that property. Hektar REIT would also remain liable for any debt or other financial obligation related to that property.

(f) General risks in the ownership and management of commercial real estate

The Subject Properties are exposed to general risks in investments in commercial real estate property. The performance of Hektar REIT can be affected by a variety of factors including but not limited to:-

- (i) tenants failing to comply with the terms and conditions of the commitments of the tenancy;
- (ii) vacancies following expiry or termination of tenancies, leading to reduced occupancy levels and subsequent reduction in rental income;
- (iii) loss of key tenants or tenants seeking bankruptcy protection, resulting in delays in the payment and/or the loss of rental income; and
- (iv) oversupply in the retail market, leading to a reduction of demand for space.

(g) Asset enhancement and development efforts may disrupt the operation of the Subject Properties

As Subang Parade was opened in 1988 and Mahkota Parade was opened in 1993, the Subject Properties may undergo renovation and asset enhancement work from time to time. During the period of such work, the business and operation of the Subject Properties may be adversely affected through the loss of customer traffic and the inability to collect rental income from tenancies disrupted by the renovation works.

In addition, development work or improvement works conducted on properties adjacent or near to the Subject Properties may also cause disruption to the operations of the Subject Properties in a similar manner as above.

(h) Compulsory acquisitions by the government

Pursuant to the provisions of the Land Acquisition Act, 1960, the State Authority (i.e. the Ruler or the Yang di-Pertua Negeri of the State, as the case may be) has the power to acquire any land, whether in whole or in part, (including the Subject Properties) which is needed:

- (i) for any public purpose;
- (ii) by any person or corporation for any purpose which in the opinion of the State Authority is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or
- (iii) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

4. RISK FACTORS *(Cont'd)*

The amount of compensation assessed to be awarded pursuant to any acquisitions is based on the following considerations:

- (i) the market value as determined in accordance with section 1 of the First Schedule of the Land Acquisition Act, 1960;
- (ii) any increase, which shall be deducted from the total compensation, in the value of the other land of the person interested likely to accrue from the use to which the land acquired will be put;
- (iii) the damage, if any, sustained or likely to be sustained by the person interested at the time the Land Administrator takes possession of the land, by reason of the acquisitions injuriously affecting his other property, whether movable or immovable, in any other manner;
- (iv) if, in consequence of the acquisitions, the person interested is or will be compelled to change his residence or place of business, the reasonable expenses, if any, incidental to such change; and
- (v) where only part of the land is to be acquired, any undertaking by the State Authority, or by the Government, person or corporation on whose behalf the land is to be acquired, for the construction or erection of roads, drains, walls, fences or other facilities benefiting any part of the land left unacquired provided that the undertaking is clear and enforceable.

The amount of such compensation may be:

- (i) less than the market price of the Subject Properties upon the sale of the Subject Properties in the open market; and
- (ii) less than the purchase consideration of the Subject Properties to be satisfied by the Trustee.

As at the LPD, none of the Vendors have received any notice of intended acquisitions in relation to the Subject Properties or any part thereof.

If any of the Subject Properties becomes affected by any notice of acquisitions or intended acquisitions under the Land Acquisition Act, 1960 before the date of completion of the Acquisitions, the Vendors must give notice thereof to the Trustee within two (2) business days of receipt of such written notice and in such an event, the Trustee has the option, within fourteen (14) days of receipt of such written notice, to either terminate or proceed with the SPAs.

If the Trustee terminates the SPAs, the Trustee shall redeliver / deliver legal possession of the Subject Properties, the duly executed notices for withdrawal of any private caveat lodged and other relevant documents to the Vendors and thereafter the SPAs shall be null and void and be of no further effect and neither party shall have any further claims against the other party, save for any antecedent breach. In the event that the Trustee elects to proceed with the purchase of the Subject Properties, the Vendors shall immediately notify the relevant authority of the Trustee's interest in respect of the relevant Subject Property and subject to the Trustee satisfying the purchase consideration for the Subject Properties, all compensation awarded and paid on such acquisitions will be paid to or held in trust by the Vendors for the Trustee.

4. RISK FACTORS (Cont'd)

(i) Non-approval of the application for Partition of the Master Land to Subang Parade

Pursuant to the terms of the Sale and Purchase Agreement for Subang Parade, 84.84% of the undivided share in the Master Land representing Hektar REIT's interest in Subang Parade will be transferred to the Trustee upon full payment of the purchase consideration which will take place after the Listing on the Main Board of Bursa Securities and HPSB undertakes to apply to the relevant authority for approval to Partition the Master Land and for the issue of the separate document of title to Subang Parade upon receipt of written notification that the Master Land has been duly registered in the joint name of HPSB and the Trustee as co-proprietors. Currently, the process of an application for Partition takes about 12 to 24 months. Hence, it is envisaged that the Master Land will remain in the joint name of HPSB and the Trustee as co-proprietors for a period of up to 12 to 24 months from the date of the registration of the statutory form of transfer instrument in accordance with the terms and conditions of the SPA.

In considering the application for Partition, the relevant authority will take into account various factors and it is possible for the said authority to reject or disallow such application. In such an event, the Trustee will remain a co-proprietor of the master title holding 84.84% of the undivided share being the majority share in the Master Land.

To mitigate the risk of HPSB's creating a charge over 15.16% undivided share in the Master Land (representing its interest in HPSB's Land) or to deal with its share in such manner to the detriment of the Trustee or Hektar REIT, HPSB under the terms of the Sale and Purchase Agreement has covenanted with the Trustee that it will not at any time after the date of execution of the Sale and Purchase Agreement until the issuance of the separate document of title to Subang Parade, subject the master title or any part thereof to any encumbrances or to deal with the master title or any part thereof in such other manner without the prior approval of the Trustee. Further, it is provided in the Sale and Purchase Agreement that the Trustee is entitled to retain the master title save for circumstances where the master title is required to be deposited with the relevant financial institution as security for repayment of the facilities granted to the Trustee/Hektar REIT.

(j) Non-registration of the transfer and discharge of charge of the Subject Properties

Pursuant to the terms of the Sale and Purchase Agreement for Subang Parade, HPSB will execute and deliver to the Trustee the statutory form of transfer instrument for the purpose of effecting the transfer of 84.84% of the undivided share in the Master Land in favour of the Trustee upon execution of the Sale and Purchase Agreement. The said transfer instrument will be presented at the relevant land registry/land office for registration upon full payment of the purchase consideration, which will take place after the Listing on the Main Board of Bursa Securities, in accordance with the terms of the SPA.

Pursuant to the terms of the Sale and Purchase Agreement for Mahkota Parade, HBSB will execute and deliver to the Trustee the statutory form of transfer instrument upon execution of the Sale and Purchase Agreement. The said transfer instrument and the discharge of charge will be presented at the relevant land registry/land office for registration upon full payment of the purchase consideration and which will take place after the Listing on the Main Board of Bursa Securities, in accordance with the terms of the SPA.

While every effort will be made to ensure that the transfer instruments and the discharge of charge in respect of the Subject Properties are fit for registration and that there are no evident restraints on dealings with the Subject Properties prior to the presentation of the transfer instruments and the discharge of charge in order to minimise any risk of non-registration, there is no conclusive evidence or proof that the Subject Properties have been transferred to the Trustee until the issue documents of title to the Subject Properties are duly endorsed with

4. RISK FACTORS (Cont'd)

the name of the Trustee as transferee and such titles are returned by the relevant land registry/land office.

Currently, the registration process for any type of land dealings at the land registry/land office could take a number of months to complete with the issue documents of title duly returned. However, the date of registration of the change of ownership of the Subject Properties would be the date of presentation of the instrument of transfer at the relevant land registry/land office, regardless of when the issue documents of title are eventually returned.

Given the nature of property transactions in Malaysia, the risk of non-registration is not unique to REITs.

To mitigate the risk of non-registration of the Subject Properties in favour of the Trustee, the SPAs provide that upon completion, the Vendors will hold the Subject Properties as bare trustee for the Trustee and will do all such acts and things to give effect to any dealings with the Subject Properties by the Trustee as beneficial owner, including granting the Trustee a power of attorney in order to effectively deal with the said buildings as the owner in accordance with applicable laws. The Trustee will also be entitled to all rental income generated by the Subject Properties and any rental income received by the Vendors will be held by the Vendors in trust for the Trustee and immediately paid over to the Trustee.

(k) Strata Titles on Subject Properties not issued

The strata titles to the Subject Properties have yet to be issued by the relevant authorities.

Pursuant to the terms of the Sale and Purchase Agreements, the Vendors undertake at their own cost and expense to submit, on behalf of the Trustee the application to the relevant authorities for the issuance of the strata titles for the individual units or lots already sold pursuant to the requirements of the STA and in accordance with provisions of the respective Sale and Purchase Agreements. Under the terms of the Sale and Purchase Agreement for Subang Parade, HPSB undertakes to submit the strata title application within 6 months from the date of issuance of the separate document of title to Subang Parade or such extended period as the parties may mutually agree in writing. Under the terms of the Sale and Purchase Agreement for Mahkota Parade, HBSB undertakes to submit the strata title application within 6 months from the date of completion of the sale and purchase i.e. the date of full payment of the consideration for such extended period as the parties may mutually agree in writing.

The Vendors further undertake to indemnify the Trustee for any fines, penalties or other payment levied by the relevant authorities as a result of the delay by the Vendors in their application to the relevant authorities for the issuance of strata title or as a result of any non-compliance by the Vendors in relation to the Subject Properties pursuant to the STA.

(l) Subsequent disposal of the Subject Properties

The consideration paid for the Subject Properties was arrived at based on a discount to their respective appraised values as determined by the Independent Property Valuers. The methods of valuation of the real estate generally may include a subjective determination of certain factors relating to the relevant real estate, such as their relative market positions, their financial and competitive strengths and their physical conditions. The appraised values of the Subject Properties determined by the Independent Property Valuers do not guarantee a scale for any part or the whole of the Subject Properties at their appraised value at present or in the future. The price at which Hektar REIT may sell any part or the whole of the Subject Properties in the future may be lower than their purchase price.

Mahkota Parade is subject to a restriction in interest clause endorsed on the document of title, which requires the proprietor of the land to obtain prior consent of the State Authority for the purpose of transfer and lease.

4. RISK FACTORS (Cont'd)

It is not uncommon for the State Authority to reject any application for consent to transfer and lease. Hence, there may be a risk that any subsequent disposal by the Trustee will be disallowed by the State Authority.

(m) Loss of control and rights to manage common properties of the Subject Properties

Legal ownership, control and rights to manage the common properties comprised in the Subject Properties remain with the Trustee as co-registered proprietor/legal owner prior to application for partitioning and issuance of strata titles to the Subject Properties. Upon partitioning and issuance of strata titles, the common properties shall be owned, managed and controlled by a management corporation established under the STA.

The registered proprietors and purchasers of the sold lots comprised in the Subject Properties have entered into contractual arrangements to provide for the proper maintenance of the common properties before a management corporation is established for the Subject Properties. The contractual arrangements provide that the purchasers of the sold lots in the Subject Properties have rights and liberties in common with the registered proprietor to use and enjoy the common properties. Pursuant to the terms of the SPAs, upon completion of the Acquisitions, the aforementioned contractual obligation will be novated to the Trustee. Hence, upon issuance of the strata titles, Hektar REIT will not in itself have direct or indirect control over the common properties and the management of the common properties will be taken over by the management corporation.

4.3 Risks Relating to an Investment in the Units

(a) Distributions to Unitholders will be subject to cash availability

The net operating profit that Hektar REIT earns from its real estate investments depends on, amongst other factors, the amount of rental income received, and the amount of property, operating and other expenses incurred. If the Subject Properties or other real estate, which Hektar REIT may invest in, does not generate sufficient net operating profit and cash flows, Hektar REIT's ability to make distributions will be adversely affected.

We will continue to maintain the existing status of rental collection within the first seven (7) days of the month. Expenses are monitored according to budgets and future acquisitions of real estates are appraised carefully to ensure increase in Hektar REIT's cash availability for distribution to Unitholders.

(b) No prior market for Units

Prior to the Public Offering, there has been no public market for the Units. There can be no assurance that an active market for the Units will develop upon the Listing or, if it develops, that such a market will be sustained. There is also no assurance that the market price of the Units will not decline below the Final Retail Price. The market price of the Units could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Units in the market, the general market conditions, the property industry and broad market fluctuations.

It may be difficult to assess Hektar REIT's performance against either domestic or international benchmarks. There can be no assurance that an active market for REITs will develop in Malaysia.

4. RISK FACTORS (Cont'd)

(c) Market price of Units after the Public Offering

The Final Retail Price may not be indicative of the market price of the Units after completion of the Public Offering. The market price of the Units after the Public Offering may trade at prices below the Final Retail Price.

The market price of the Units after the Public Offering will depend on many factors including:

- (i) the perceived prospects of Hektar REIT's business and investments and Malaysia's requirements for shopping malls and retail outlets;
- (ii) significant differences between Hektar REIT's audited financial results and those set out in Section 15 of this Prospectus;
- (iii) analysts' recommendations or projections;
- (iv) interest rates;
- (v) yield on risk-free securities, alternative investments or savings instruments;
- (vi) liquidity of the Units;
- (vii) market value of Hektar REIT's assets;
- (viii) the future size and liquidity of the Malaysian REIT market; and
- (ix) market sentiment.

(d) No redemption of Units

Unitholders have no right to request us to redeem their Units while the Units are listed on Bursa Securities and not suspended for more than ninety (90) consecutive Market Days. It is intended that Unitholders may only deal in their listed Units through trading on Bursa Securities.

(e) Future dilution of the NAV of the Units

The Deed provides that we shall determine the unit price of any new issues of Units based on market-based principles, i.e. the issue price of new Units may be at or below the then current NAV of Hektar REIT. In the event that new Units are issued at less than NAV, the NAV of existing Units may be diluted.

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4. RISK FACTORS (Cont'd)

(f) Failure or delay in the Listing

The Listing is exposed to the risk that it may fail or be delayed should the following events occur:

- (i) the Underwriters exercise their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder; or
- (ii) the gross proceeds of less than RM176.085 million being raised; or
- (iii) the Fund is unable to meet the public spread requirement of at least 25% of the Offer Units of the Fund being held by a minimum of 1,000 public Unitholders holding not less than 100 Units each; or
- (iv) the failure or delay in the fulfillment of any condition precedent as set out in the SPA.

(g) Effects of possible sale of a substantial number of Units by Vendors

Following the Public Offering, Hektar REIT will have 320,001,000 Units listed on the Main Board of Bursa Securities, of which 160,500,000 Units will be held by HBSB and HPSB, the Vendors of Subject Properties respectively. These Units, which form part of the purchase consideration for the Subject Properties, are not subject to any moratorium period.

If the Vendors sell or are perceived as intending to sell a substantial amount of Units, the market price of the Units may be adversely affected.

(h) Taxation

REIT is exempted from tax on income distributed to unitholders in the same basis period in order to intensify efforts to convert illiquid assets into liquid assets, thereby enabling real estate companies to utilise the income from the sale of existing real estate for the development of new projects. In the recent Malaysia 2007 Budget announcement on the taxation of REIT, it was proposed that the total income of a REIT will be exempted from income tax provided 90% or more of its total income is distributed to unitholders. If less than 90% of its total income is distributed, the portion of its total income that is not distributed to unitholders will be subject to income tax. This is effective from year of assessment 2007 onwards.

The tax treatment granted allows Malaysian tax resident individuals or Malaysian tax resident incorporated companies to receive their distributions free of tax deducted at source but taxed subsequently at their prevailing income tax rates on such income. For non-resident unitholders, the tax payable at 28% will be withheld by the REIT. However, the recent Malaysia 2007 Budget announcement proposed that the corporate tax rate be reduced to 27% for year of assessment 2007. It was further proposed for a withholding tax mechanism in respect of distributions by a REIT and a reduction of tax rates on distributions for year of assessment 2007 wherein resident and non-resident individuals and non-corporate unitholders be taxed at 15%, non-resident corporates be taxed at 27%, resident institutional investors be taxed at 15% and non-resident institutional investors be taxed at 20%.

However, the tax ruling introduced, either in part or in a whole, may be revoked or amended in the future.

4. RISK FACTORS (Cont'd)

(i) Profit forecast and projections and forward-looking statements

This Prospectus contains profit forecast and projections prepared by the Board that are based on assumptions which are deemed to be reasonable at this point in time. However, there can be no assurance that the profit forecast and projections contained herein will be realised. As the actual results may be materially differ from those forecast and projections, you are advised to read and understand the assumptions and uncertainties underlying the profit forecast and projections.

In addition, certain forward-looking statements regarding the Fund are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. The inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by our advisers or us that the plans and objectives of the Fund will be achieved.

(j) Distribution forecast and projections

The distributions forecast and projections have been prepared based on assumptions, which are deemed by our directors to be reasonable at this point in time. However, there can be no assurance that the actual distribution to Unitholders will be the same as the forecast and projected distributable income presented in this Prospectus.

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