

All abbreviations used herein shall have the same meaning as those defined in the Definitions page of this Rights Issue Prospectus unless stated otherwise.

THIS RIGHTS ISSUE PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. INVESTORS/UNITHOLDERS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE RIGHTS ISSUE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. All enquiries concerning the Rights Issue should be addressed to the Registrar, **Mega Corporate Services Sdn Bhd (Company No. 187984-H)**, at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur (Tel:+603 2692 4271).

The Documents are only dispatched to the Entitled Unitholders who have a registered address in Malaysia in the records of Bursa Depository or who have provided the Registrar with a registered address in Malaysia in writing not later than 5.00 p.m. on 3 September 2012. The Documents are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdictions other than Malaysia. Entitled Unitholders and/or their renounees (if applicable) who are resident in countries or jurisdictions other than Malaysia should therefore immediately consult their legal or other professional advisers as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Units would result in the contravention of any laws of such countries or jurisdictions. Such Unitholders should also refer to Section 11 of this Rights Issue Prospectus for further information. The Manager, the Trustee, ECM Libra and/or other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Unitholders and/or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the Entitled Unitholders and/or their renounee(s) (if applicable) is resident.

The SC has approved the issue of, offer for subscription or purchase, or issue an invitation to subscribe for or purchase units in respect of the Rights Issue and a copy of this Rights Issue Prospectus has been registered and lodged with the SC. The approval, registration and lodgement of the Rights Issue Prospectus should not be taken to indicate that the SC recommends Hektar REIT and the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Rights Issue Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

Approval for the Rights Issue has been obtained at the Meeting held on 5 July 2012. Approval has been obtained from Bursa Securities on 15 June 2012 for the listing and quotation for the Rights Units on the Main Market of Bursa Securities. The official listing and quotation for the Rights Units will commence after, and among others, receipt of confirmation from Bursa Depository that all the CDS accounts of the successful Entitled Unitholders and/or their renounee(s) (if applicable) have been duly credited and notices of allotment have been dispatched to them. Admission of the Rights Units to the Official List of Bursa Securities and quotation for the Rights Units are in no way reflective of the merits of the Rights Issue. Bursa Securities does not take any responsibility for the correctness of any statement made or opinion expressed in this Rights Issue Prospectus.

The Board has seen and approved all the documentation relating to the Rights Issue, including the Documents and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO THE "RISK FACTORS" COMMENCING ON PAGE 15.



HEKTAR REAL ESTATE INVESTMENT TRUST

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

RENOUNCEABLE RIGHTS ISSUE OF 80,000,250 NEW UNITS IN HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") ("RIGHTS UNITS") ON THE BASIS OF ONE (1) RIGHTS UNIT FOR EVERY FOUR (4) EXISTING UNITS HELD IN HEKTAR REIT AT 5.00 P.M. ON 3 SEPTEMBER 2012, AT AN ISSUE PRICE OF RM1.23 PER RIGHTS UNIT

Manager



HEKTAR ASSET MANAGEMENT SDN BHD
(Company No. 732261-T)

Main Adviser, Managing Underwriter and
Joint Underwriter



ECM LIBRA INVESTMENT BANK BERHAD
A Licensed Merchant Bank (Company No. 682-X)
A Participating Organisation of Bursa Malaysia Securities Berhad

Trustee



AMTRUSTEE BERHAD
(Company No. 163032-V)

Joint Underwriter



KENANGA INVESTMENT BANK BERHAD
A Licensed Merchant Bank (Company No. 15678-H)
A Participating Organisation of Bursa Malaysia Securities Berhad

IMPORTANT RELEVANT DATES AND TIME

Entitlement Date	: Monday, 3 September 2012 at 5.00 p.m.
Last date and time for:	
sale of provisional allotment of Rights Units	: Monday, 10 September 2012 at 5.00 p.m.
transfer of provisional allotment of Rights Units	: Thursday, 13 September 2012 at 4.00 p.m.
acceptance and payment	: Wednesday, 19 September 2012 at 5.00 p.m.*
excess application and payment	: Wednesday, 19 September 2012 at 5.00 p.m.*

*Or such later date and time as the Board, the Trustee and Main Adviser may mutually decide and announce via Bursa Securities' website (<http://www.bursamalaysia.com>) not less than two (2) Market Days before the stipulated date and time.

This Rights Issue Prospectus is dated 3 September 2012

STATEMENTS OF DISCLAIMER

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE MANAGER AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS RIGHTS ISSUE PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS RIGHTS ISSUE PROSPECTUS.

UNITHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE RIGHTS ISSUE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA MALAYSIA SECURITIES BERHAD ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE VALUATION APPROVED OR ACCEPTED BY THE SECURITIES COMMISSION SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE RIGHTS ISSUE SUBMITTED TO AND APPROVED BY THE SC, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTIES FOR ANY OTHER PURPOSE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. THE MANAGER AND THE ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE MALAYSIA. THE MANAGER AND THE ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF HEKTAR REIT'S SECURITIES BASED ON THE DOCUMENTS MAY NOT BE USED FOR AN OFFER FOR SALE OR AN INVITATION TO BUY HEKTAR REIT'S SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. THE MANAGER AND THE ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. THE MANAGER AND THE ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

ECM LIBRA, BEING THE MAIN ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS RIGHTS ISSUE PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE.

UNLESS OTHERWISE STATED, ALL ABBREVIATIONS USED ARE AS DEFINED IN THE DEFINITIONS SECTION OF THIS RIGHTS ISSUE PROSPECTUS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Rights Issue Prospectus:

Act	:	Companies Act, 1965 and any statutory modification, amendment or re-enactment thereof for the time being in force
Acquisitions	:	Collectively, the Central Square Property Acquisition and Landmark Central Property Acquisition
ALSB	:	Awona Land Sdn Bhd (291372-P), the registered proprietor of the Central Square Property
AmTrustee or the Purchaser or the Trustee	:	AmTrustee Berhad (163032-V), the trustee of Hektar REIT
Board	:	Board of Directors of the Manager
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	:	Account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities
Central Square Property Acquisition	:	Acquisition of the Central Square Property by AmTrustee from ALSB for a purchase consideration of RM83,000,000 to be satisfied entirely by cash
Central Square Property	:	One hundred and ten (110) strata parcels (out of a total of two hundred and fifty three (253) strata parcels) within a six (6)-storey mall building comprising a shopping mall known as Central Square Shopping Centre (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85.2% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 car park bays erected on freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah
CIS Prospectus Guidelines	:	SC's Prospectus Guidelines for Collective Investment Schemes, as amended from time to time
Closing Date	:	19 September 2012 at 5.00 p.m., being the last day and time for the acceptance, application and payment for the Rights Units or such later date and time as the Board, Trustee and Main Adviser may mutually decide and announce not later than two (2) Market Days before the stipulated date and time
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof

DEFINITIONS (CONT'D)

Deed	:	The trust deed in respect of the establishment of Hektar REIT dated 5 October 2006 (as amended by the Supplemental Deed dated 20 March 2012) executed between the Manager and AmTrustee
Director(s)	:	Any person occupying the position of a director of a corporation as defined in the Act
Documents	:	The Rights Issue Prospectus together with the NPA and the RSF issued for the purpose of the Rights Issue
DPU	:	Distribution per Unit
ECM Libra or Main Adviser or Managing Underwriter or Joint Underwriter	:	ECM Libra Investment Bank Berhad (682-X)
Entitlement Date	:	5.00 p.m. on 3 September 2012, being the time and date on which Unitholders of Hektar REIT must be registered in the Record of Depositors in order to be entitled to the Rights Issue
Entitled Unitholders	:	Unitholders of Hektar REIT whose names appear on the Record of Depositors of Hektar REIT on the Entitlement Date
EPU	:	Earnings per Unit
Excess Rights Units	:	Rights Units which are not taken up or not validly taken up by the Entitled Unitholders and/or their renounee(s) prior to excess application
Excess Rights Units Application	:	Application for additional Rights Units in excess of the Provisional Rights Units as set out in Section 11 of this Rights Issue Prospectus
Foreign Addressed Unitholder(s)	:	Foreign Unitholders as at Entitlement Date who have not provided an address in Malaysia for the service of the Documents
FYE	:	Financial year(s) ended
HAMSB or the Manager	:	Hektar Asset Management Sdn Bhd (732261-T), being the manager of Hektar REIT
Hektar REIT or the REIT	:	Hektar Real Estate Investment Trust
Hektar REIT Properties	:	Collectively, Subang Parade, Mahkota Parade and Wetex Parade
ITA	:	Income Tax Act, 1967, as amended from time to time and any re-enactment thereof
Increase in Fund Size	:	Increase in the existing approved fund size of Hektar REIT of 320,001,000 Units to 400,634,117 Units pursuant to the Rights Issue and Issuance to the Manager
Independent Valuer	:	Khong & Jaafar Sdn Bhd (31218-T)
Issuance to the Manager	:	Issuance of 632,867 new Units to the Manager equivalent to RM905,000 as part of the acquisition fee due to the Manager
Issue Price	:	RM1.23 per Rights Unit

DEFINITIONS (CONT'D)

Kenanga IB or Joint Underwriter	:	Kenanga Investment Bank Berhad (Company No: 15678-H)
Landmark Central Property Acquisition	:	Acquisition of the Landmark Central Property by AmTrustee from SASB for a purchase consideration of RM98,000,000 to be satisfied entirely by cash
Landmark Central Property	:	All that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) 13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. on which is erected a three (3)-storey mall building (including six hundred and ten (610) car park bays) comprising a shopping mall known as Landmark Central Shopping Centre measuring in total a NLA of 279,291 sq. ft.
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	15 August 2012, being the last practicable date prior to the printing of this Rights Issue Prospectus
Mahkota Parade	:	A leasehold land measuring approximately 570,815 sq. ft. (13.1 acres) in area together with a three (3)-storey shopping complex with one (1) level of basement car park. The commercial/retail complex comprises four (4) floors of shopping/commercial area on the basement, ground, first and second floors having a postal address at No.1, Jalan Merdeka, 75000 Melaka and held under master title PN 28957/Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka and is an existing property of Hektar REIT, save and except for such individual units or lots which have been sold by the developer to various purchasers
Major Shareholder(s)	:	<p>As stated in the Listing Requirements, means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is</p> <p>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or</p> <p>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation.</p> <p>For the purpose of this definition, "interest in shares" has the meaning given in section 6A of the Act</p>
Management Corporation or PPKCS	:	The management corporation of a shopping mall known as Central Square Shopping Centre which was established pursuant to the Strata Titles Act 1985 and is the registered proprietor of all that freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah in an area measuring approximately 118,425 sq. ft. on which is erected Central Square Shopping Centre
Manager's Units	:	632,867 new Units to be issued pursuant to the Issuance to the Manager
Market Day	:	Any day between Monday and Friday, both days inclusive, which is not a public holiday and on which Bursa Securities is open for trading of securities

DEFINITIONS (CONT'D)

Meeting	:	Unitholders' meeting in relation to the Proposals
NAV	:	Net asset value
NLA	:	Net lettable area
NPA	:	Notice of Provisional Allotment in relation to the Rights Issue
Property Management Company	:	Hektar Property Services Sdn Bhd (868376-K)
Proposals	:	Collectively, Acquisitions, Rights Issue, Issuance to the Manager and Increase in Fund Size
Provisional Rights Units	:	Rights Units provisionally allotted to Entitled Unitholders
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository
Registrar	:	Mega Corporate Services Sdn Bhd (187984-H)
REIT Guidelines	:	The Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008 and any subsequent amendment thereto
Reporting Accountants	:	SJ Grant Thornton (AF 0737)
Rights Issue	:	Renounceable rights issue of 80,000,250 Rights Units, on the basis of one (1) Rights Units for every four (4) Units held on the Entitlement Date, at an issue price of RM1.23 per Rights Unit
Rights Issue Prospectus	:	The Rights Issue Prospectus dated 3 September 2012 in relation to the Rights Issue
Rights Unit(s)	:	80,000,250 new Units to be issued pursuant to the Rights Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
RSF	:	Rights Subscription Form
SASB	:	Sri Awona Sdn Bhd (122717-X), the registered proprietor of the Landmark Central Property
SC	:	Securities Commission of Malaysia
SPA(s)	:	Collectively, the conditional sale and purchase agreements both dated 8 December 2011 respectively entered into between the Vendors and AmTrustee pursuant to the Acquisitions
Solicitors or Legal Adviser	:	Zul Rafique & Partners
sq. ft.	:	Square feet
Stakeholders	:	Messrs T.C. Lim & Co., Advocates and Solicitors for the Landmark Central Property Acquisition and Messrs Syarikat Lim Kiam Hoon, Advocates & Solicitors for the Central Square Property Acquisition

DEFINITIONS (CONT'D)

Subang Parade	:	A freehold land measuring approximately 475,021.80 square feet (10.905 acres) in area together with a three (3)-storey shopping complex with two (2) basement levels erected thereon. The commercial/retail complex comprises three floors of shopping/commercial area on the lower ground, ground and first floors, one level of basement car parks and another level of basement service tunnel having a postal address at No.5 Jalan SS 16/1, 47500 Subang Jaya Selangor and held under master title 55365/Lot 14193, Bandar Subang Jaya, District of Petaling, Selangor and is an existing property of Hektar REIT, save and except for such individual units or lots which have been sold by the developer to various purchasers
Subject Properties	:	Collectively, Landmark Central Property and Central Square Property
Substantial Unitholders or Undertaking Unitholders	:	Frasers Centrepoint Trust, Hektar Black Sdn Bhd (593778-H) and Hektar Premier Sdn Bhd (586618-M)
Supplemental Deed	:	Supplemental Deed dated 20 March 2012 executed between the Manager and AmTrustee
Taxation Adviser	:	SJ Grant Thornton (AF 0737)
TERP	:	Theoretical ex-rights price
Total Purchase Price	:	Total purchase consideration of RM181,000,000 for the Subject Properties
Underwriting Agreement	:	The underwriting agreement dated 14 August 2012 entered into between Hektar REIT and ECM Libra and Kenanga IB in relation to the underwriting of 23,025,250 Rights Units which are not covered by the Unitholders' Undertakings
Unit(s)	:	Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
Unitholders' Undertakings	:	Irrevocable and unconditional written undertakings dated 14 August 2012 from the Undertaking Unitholders of the REIT to subscribe in full or procure the subscription in full for their respective entitlements to the Rights Units under the Rights Issue
Vendors	:	Collectively, ALSB and SASB
VWAP	:	Volume weighted average price
Wetex Parade	:	A five-storey shopping complex podium known as Wetex Parade and a 3 star category ten-storey hotel tower with 156 rooms known as Hotel Classic and one level of basement car park erected on freehold land held under HS (D) 19633, No. Lot PTB 10586 & Geran 84560, Lot No. 3675, both located in Bandar Maharani, District of Muar, Johor measuring approximately 52,829 sq. ft. (1.2128 acres) in land area and having a postal address at 69, Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor and is an existing property of Hektar REIT

All references to "you" in this Rights Issue Prospectus are to the Entitled Unitholders.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and

DEFINITIONS (CONT'D)

vice versa. Reference to persons shall include corporations, unless otherwise specified.

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

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

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

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CORPORATE DIRECTORY

BOARD OF DIRECTORS OF THE MANAGER

Name (Designation)	Address	Nationality	Profession
Dato' Jaafar Bin Abdul Hamid <i>(Chairman and Chief Executive Officer)</i>	71 Lake View Bungalow Saujana Resort Seksyen U2 40150 Shah Alam Selangor	Malaysian	Chief Executive Officer
Zalila Binti Mohd Toon <i>(Executive Director and Chief Financial Officer)</i>	No.1 Jalan Putra Bistari 2/1T Putra Heights 47650 Subang Jaya Selangor	Malaysian	Chief Financial Officer
Chew Tuan Chiong <i>(Non-Independent Non-Executive Director)</i>	97 Jalan Dermawan Singapore 669048	Singaporean	Company Director
Christopher Tang Kok Kai <i>(Non-Independent Non-Executive Director)</i>	26 Faber Terrace Singapore 129021	Singaporean	Company Director
Shahril bin Kassim <i>(Non-Independent Non-Executive Director)</i>	No. 16 Jalan SS1/29 Kampung Tunku 47300 Petaling Jaya Selangor	Malaysian	Company Director
Dato' Syed Md Amin Bin Syed Jan Aljeffri <i>(Independent Non-Executive Director)</i>	9 Jalan Langgak Tunku Bukit Tunku 50480 Kuala Lumpur	Malaysian	Company Director
Dato' Robert Lim Git Hooi @ Robert Lim <i>(Independent Non-Executive Director)</i>	12A Hala Raja Dihilir 30350 Ipoh Perak	Malaysian	Company Director
Eng Heng Nee Philip <i>(Independent Non-Executive Director)</i>	53 Jalan Lim Tai See Singapore 268383	Singaporean	Company Director
Lam Juck Ngai <i>(Alternate Director to Christopher Tang Kok Kai)</i>	No. 59 Jalan Kemunting Kebun Teh Park 80250 Johor Bahru Johor	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Syed Md Amin Bin Syed Jan Aljeffri	Chairman	Independent Non-Executive Director
Dato' Robert Lim Git Hooi @ Robert Lim	Member	Independent Non-Executive Director
Eng Heng Nee Philip	Member	Independent Non-Executive Director

EXECUTIVE COMMITTEE

Name	Designation	Directorship
Dato' Jaafar bin Abdul Hamid	Chairman	Chairman and Chief Executive Officer
Zalila binti Mohd Toon	Member	Executive Director and Chief Financial Officer
Chew Tuan Chiong	Member	Non-Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

- Manager** : Hektar Asset Management Sdn Bhd (Company No. 732261-T)
- Manager's Principal Place of Business** : D1-U3-10, Solaris Dutamas
No 1, Jalan Dutamas 1
Sri Hartamas
50480 Kuala Lumpur
Telephone No.: +6 03 6205 5570
Facsimile No.: +6 03 6205 5571
- Registered Office of the Manager** : Unit 419 Block A, Kelana Business Centre
No. 97 Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya, Selangor
- Joint Company Secretaries of the Manager** : Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820)
c/o H&C Consultancy
Unit 419 Block A, Kelana Business Centre
No. 97 Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya, Selangor
Telephone No.: +6 03 7492 7090
Facsimile No.: +6 03 7492 7099
Email: mhnconsult@gmail.com
- Lim Seck Wah (MAICSA 0799845)
c/o Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur
Telephone No.: +6 03 2692 4271
Facsimile No.: +6 03 2732 5388
Email : cindylim@megacorp.com.my
- Trustee** : AmTrustee Berhad
(Company No. 163032-V)
Level 15, Menara AmFIRST
No.1, Jalan 19/3
46300 Petaling Jaya
Telephone No.: +6 03 7954 6862
Facsimile No.: +6 03 7954 3712
Website: www.ambankgroup.com
- Property Management Company** : Hektar Property Services Sdn Bhd
(Company No. 868376-K)
F36, First Floor,
Subang Parade,
No 5, Jalan SS16/1
47500 Subang Jaya,
Selangor Darul Ehsan
Telephone No.: +6 03 5032 9778
Facsimile No.: +6 03 5633 8079
- Main Adviser and Managing Underwriter** : ECM Libra Investment Bank Berhad
(Company No. 682-X)
2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur
Telephone No.: +6 03 2089 1888
Facsimile No.: +6 03 2096 1116
Website: www.ecmlibra.com

CORPORATE DIRECTORY (CONT'D)

- Joint Underwriter(s)** : ECM Libra Investment Bank Berhad
(*Company No 682-X*)
2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur
Telephone No.: +6 03 2089 1888
Facsimile No.: +6 03 2096 1116
Website: www.ecmlibra.com
- Kenanga Investment Bank Berhad
(*Company No. 15678-H*)
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: +6 03 2164 9080
Facsimile No.: +6 03 2161 4990
Website: www.kenanga.com.my
- Solicitors** : Zul Rafique & Partners
D3-3-8, Solaris Dutamas
No 1, Jalan Dutamas 1
50480 Kuala Lumpur
Telephone No.: +6 03 6209 8228
Facsimile No.: +6 03 6209 8221
Website: www.zulrafique.com.my
- Registrar** : Mega Corporate Services Sdn. Bhd.
(*Company No. 187984-H*)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: +6 03 2692 4271
Facsimile No.: +6 03 2732 5388
Website: www.megacorp.com.my
- Auditors and Reporting Accountants** : SJ Grant Thornton
(*Firm No. AF 0737*)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail P.O. Box 12337
50774 Kuala Lumpur
Telephone No.: +6 03 2692 4022
Facsimile No.: +6 03 2732 5119
Website: www.gt.com.my
- Taxation Adviser** : SJ Grant Thornton
(*Firm No. AF 0737*)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail P.O. Box 12337
50774 Kuala Lumpur
Telephone No.: +6 03 2692 4022
Facsimile No.: +6 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
Telephone No.: +6 03 2059 1888
Facsimile No.: +6 03 2301 1377
Website: www.maybank.com

CORPORATE DIRECTORY (CONT'D)

Independent Valuer : Khong & Jaafar Sdn. Bhd.
(Company No. 31218-T)
57-1 Jalan Telawi Tiga
Bangsar Baru
59100 Kuala Lumpur
Telephone No.: +6 03 2282 9699
Facsimile No.: +6 03 2282 9799
Website: www.khongjaafar.com.my

Stock Exchange Listed and Listing Sought : Main Market of Bursa Securities

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

Registered Office:

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

3 September 2012

The Board

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

To: Unitholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 80,000,250 NEW UNITS IN HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") ("RIGHTS UNITS") ON THE BASIS OF ONE (1) RIGHTS UNIT FOR EVERY FOUR (4) EXISTING UNITS HELD IN HEKTAR REIT AT 5.00 P.M. ON 3 SEPTEMBER 2012, AT AN ISSUE PRICE OF RM1.23 PER RIGHTS UNIT

1. INTRODUCTION

On 8 December 2011, ECM Libra had, on behalf of the Board, announced a proposal to undertake, amongst others, the Rights Issue.

On 15 May 2012, ECM Libra had, on behalf of the Board, announced that the SC, via its letter dated 14 May 2012, approved amongst others, the Rights Issue, subject to the conditions set out in Section 10.1(i) of this Rights Issue Prospectus.

On 15 June 2012, ECM Libra had, on behalf of the Board, announced that Bursa Securities via its letter dated 15 June 2012 approved the listing of and quotation for the Rights Units to be issued under the Rights Issue on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to, inter-alia, the conditions set out in Section 10.1(ii) of this Rights Issue Prospectus.

At the Meeting held on 5 July 2012, the Unitholders had, approved the Proposals.

A certified true extract of the ordinary resolutions approving the Proposals at the said Meeting is set out in Appendix I of this Rights Issue Prospectus for your reference.

On 15 August 2012, ECM Libra had, on behalf of the Board, announced the following:

- (i) The entitlement date has been fixed at 5.00 p.m. on 3 September 2012;
- (ii) The issue price has been fixed at RM1.23 per Rights Unit; and

(iii) The Underwriting Agreement has been entered into by the Manager, the Trustee, ECM Libra and Kenanga IB.

No person is authorised to give any information or to make any representation not contained in this Rights Issue Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by ECM Libra or by the Board.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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2. DETAILS OF THE RIGHTS ISSUE

2.1 Details of the Rights Issue

In accordance to the terms of the Rights Issue as approved by the relevant authorities and the Unitholders and subject to the terms of this Rights Issue Prospectus together with the NPA and RSF, the Board will provisionally allot 80,000,250 Rights Units on the basis of one (1) Rights Unit for every four (4) existing Units held on the Entitlement Date.

Unitholders whose names appear in the Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only Entitled Unitholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Rights Issue Prospectus, together with the NPA and RSF.

As an Entitled Unitholder, you are provisionally allotted the Rights Units based on your holding of Units as at the Entitlement Date. The number of Provisional Rights Units allotted to you, for which you may accept or decline, is specified in the NPA.

If you wish to accept the Provisional Rights Units (in full or in part) as specified in the NPA and/or apply for Excess Rights Units, you may do so by completing the RSF. You may also renounce your entitlement to the Rights Units in full or in part. If you do not wish to participate in the Rights Issue, you do not need to take any action.

Rights Units which are not taken up or not validly taken up by the Entitled Unitholders and/or their renounee(s) (if applicable) shall be made available for Excess Rights Units Application. The allocation of the Excess Rights Units (if any) will be determined by the Board at its discretion in a fair and equitable manner on the basis set out in following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lot, calculated based on their rights acceptance; and
- (iii) thirdly, on a pro-rata basis to Entitled Unitholders and/or their transferee(s) and/or their renounee(s) (if applicable) who have applied for the Excess Rights Units, taking into consideration the quantum of their respective excess applications.

Any remaining unsubscribed Rights Units (after allocating the Excess Rights Units in accordance to the above) will be subscribed by the Joint Underwriters in accordance with the terms and conditions of the Underwriting Agreement.

Nevertheless, the Board reserves the right to allot any Excess Rights Units applied for under the RSF in such manner as they deem fit, expedient and in the best interest of Hektar REIT. The Board also reserves the right to accept any Excess Rights Units Application, in full or in part, without assigning any reason.

You should read this Rights Issue Prospectus in its entirety before making a decision.

2.2 Basis of determining the issue price of the Rights Units

The issue price of RM1.23 per Rights Unit was determined by the Board after taking into consideration a discount of 14% to the TERP of RM1.43 per Unit calculated based on the 5-day VWAP of the Units up to and including 14 August 2012 being the last trading day preceding the price-fixing date of RM1.48. The discount of 14% to TERP offers the Entitled Unitholders decent capital gains whilst controlling the dilution impact to the NAV vis-à-vis the issuance of number of units to raise the gross proceeds required.

2.3 Ranking of the Rights Units

The Rights Units shall, upon issue and allotment, rank equally in all respects with the then existing issued and fully paid-up Units, save and except that they will not be entitled to

participate in any distributable income, rights, allotments and/or any other distributions that may be declared prior to the date of allotment of the Rights Units.

2.4 Last date and time for acceptance, excess application and payment

The Closing Date is 5.00 p.m. on Wednesday, 19 September 2012, or such later date and time as the Board, the Trustee and the Main Adviser may mutually decide and announce via Bursa Securities' website (<http://www.bursamalaysia.com>) not less than two (2) Market Days before the stipulated date and time.

2.5 Other corporate exercises

Save for the Rights Issue, and those set out below, Hektar REIT does not have other intended corporate proposal which have been announced but pending completion:

- (i) Acquisitions;
- (ii) Issuance to the Manager; and
- (iii) Increase in Fund Size.

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

3. PURPOSE OF THE RIGHTS ISSUE AND UTILISATION OF PROCEEDS

3.1 Purpose of the Rights Issue

The Rights Issue is undertaken to part-finance the Acquisitions and the defrayment of expenses for the Proposals.

3.2 Utilisation of the proceeds

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

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

Notes:

(1) The balance of the Total Purchase Price is to be financed via bank borrowings of RM87,100,000.

(2) If the actual expenses are less than this estimated amount, the excess cash shall be used by Hektar REIT for working capital purposes. The estimated expenses in relation to the Proposals comprise of the following:

	RM'000
Professional fees	1,210
Acquisition fee to the Manager	905
Managing Underwriter's fee and underwriting commission	566
Fees to authorities	155
Miscellaneous expenses which include printing, postage, marketing and cost incurred for the Meeting	1,664
Total	4,500

Pending the utilisation of the net proceeds from the Rights Issue, such proceeds allocated will be held in interest bearing bank deposits and/or money market financial instruments.

4. DETAILS OF THE ACQUISITIONS

4.1 Details of the Acquisitions

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

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

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

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

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

4.2 Salient terms of the SPAs in relation to the Acquisitions

4.2.1 Settlement of the Total Purchase Price

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

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

As the SPAs have become unconditional on 5 July 2012, the total sum of RM18,100,000 under paragraphs (a) and (b) has been released by the Stakeholders to the Vendors in accordance with the terms and conditions of the SPAs.

4.2.2 Conditions Precedent

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

(a) Landmark Central Property SPA

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

(b) Central Square Property SPA

- (i) the Purchaser shall have obtained the approval from the SC and Unitholders;
- (ii) ALSB shall have obtained the approval of the appropriate authority for the conveyance or the disposal of the Central Square Property by ALSB to the Purchaser (if any);
- (iii) ALSB shall have executed in escrow the duly executed assignment and notices in respect of the existing tenancies, novation agreements and consent letters and deposited the same together with the occupation agreements with ALSB's solicitors who shall have the right to release them to the Purchaser on the completion date;
- (iv) ALSB shall have obtained from Golden Arches Restaurants (M) Sdn Bhd a letter of waiver of their rights to purchase Lot GF-16 and 17 respectively in a form satisfactory to the Purchaser;
- (v) ALSB shall have obtained from The Store Corporation Bhd a letter of waiver of their rights to purchase Lot LG, GF-01, S-1, 2-01, 3-01 and 4-01 respectively in a form satisfactory to the Purchaser;
- (vi) ALSB shall have obtained from Watson's Personal Care Stores Sdn Bhd and Digi Telecommunications Sdn Bhd a letter of waiver of its first right of refusal to

purchase Lot GF-12 and 13 and part of the rooftop in a form satisfactory to the Purchaser;

- (vii) ALSB shall have deposited with the Purchaser all drawings pertaining to the Central Square Property and the building including as built drawings;
- (viii) ALSB shall have delivered to the Purchaser's solicitors the redemption statement from ALSB's financier of the Central Square Property setting out the amount payable for the full redemption of the Central Square Property against the ALSB's financier undertaking to release the original issue document of title to the Central Square Property, deed of receipt and reassignment, the duplicate charge and the discharge of charge, withdrawal of existing caveat, deed of assignment and receipt and reassignment to the Purchaser and to refund the redemption sum received in the event the discharge cannot be registered at the relevant land office or registry for any reason whatsoever;
- (ix) ALSB shall have rectified the title for the parcel held under strata title registration number G145068/M1/5/213, No. Petak 213, Tingkat No. 5, Bangunan M1, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah with the relevant land office for the inclusion of Accessory Parcel A17 and A18 to the said strata title; and
- (x) all the conditions precedent set out in the sale and purchase agreement between SASB and the Purchaser of even date have been fulfilled.

All conditions precedent of the SPAs of the Subject Properties have been fulfilled.

4.3 Information on the Subject Properties

4.3.1 Landmark Central Property

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

SASB is the registered proprietor of all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M)13 459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. on which is erected Landmark Central Property.

A brief description of Landmark Central Property is as follows:

Postal Address	Landmark Central Shopping Centre, No.1 Jalan KLC Satu (1), Kulim, 09000 Kedah Darul Aman			
Land title details	GM 14677, Lot No. 4015 (formerly known as H.S. (M)13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah			
Tenure	Freehold			
Registered owner	SASB			
Category of land use	Building			
Property use	Retail mall			
Age of the building (years)	3			
Gross floor area (sq. ft.)	513,333			
Net lettable area (sq. ft.)	279,291			
Land area (sq.ft.)	291,917			
Date of certificate of completion and compliance	27 July 2009			
No. of car park bays	610			
Historical occupancy rates	Year	2009 (from June 2009)	2010	2011
	(%)	51.0	73.0	77.6
Occupancy rate as at 1 May 2012 (%)	76.7			
Tenancy term	The duration of the tenancies is from one (1) to three (3) years. Generally, an option to renew the tenancy for one (1) to four (4) terms of either two (2) or three (3) years is available to the tenant at rental increments of 10% to 20%.			
Major tenant	GCH Retail (Malaysia) Sdn Bhd (trading under the name of Giant Superstore) <ul style="list-style-type: none"> • Percentage of total NLA: 25.8% • Percentage of annual rental as at 1 November 2011: 14.2% • Tenancy period: Initial term of three (3) years + four (4) 3-year renewal terms • Periodic review: Every three (3) years 			
Audited net book value of SASB as at 30 June 2011 (RM) <small>(1)(2)</small>	40,691,360			
Market value as at 1 November 2011 as appraised by the Independent Valuer (RM)	101,000,000			
Encumbrances	Two (2) charges in favour of Malayan Banking Berhad vide: <ul style="list-style-type: none"> (i) charge presentation no: 225/2008 registered on 29 January 2008; and (ii) charge presentation no: 226/2008 registered on 29 January 2008. 			

Express conditions	The land as described in this title shall only be used as a site for one commercial building (commercial complex site) only.
Restriction in interest	The land owner is prohibited from undertaking any dealings on the land that is to be developed as a residential ⁽³⁾ site unless the land owner has built and maintained the road reserves with proper road surface in compliance with the Public Works Department's specifications and to the full satisfaction of the local enforcement officer and the Public Works Department.

Notes:

- (1) Audited net assets in the books of SASB include other assets.
- (2) The audited net book value of SASB of RM37,222,159 as per the announcement dated 8 December 2011 and the circular to Unitholders dated 20 June 2012 is the audited net book value of SASB as at 30 June 2010.
- (3) This is not applicable as the land has not been developed for residential purposes.

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

	Landmark Central Property	
	FYE 30 June 2010	FYE 30 June 2011
Gross property income (RM'000)	5,598	7,517
Outgoings (RM'000)	1,623	1,863
Net property income (RM'000)	3,975	5,654

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

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

4.3.2 Central Square Property

The Central Square Property consists of one hundred and ten (110) strata parcels (out of two hundred and fifty three (253) strata parcels) within a six (6)-storey building known as "Central Square Shopping Centre" comprising a shopping mall together with all the accessory parcels thereto and two (2) levels of basement car park.

ALSB is the registered proprietor of one hundred and ten (110) strata parcels within the building (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represents 85.2%* of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 car park bays.

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

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

Participation in the Management Corporation

Pursuant to the Strata Titles Act 1985, the owner of the majority share units will be able to exert influence on the management of the common property by voting in the Annual General Meeting to elect appropriately experienced and responsible individual owners to be on the council of the Management Corporation. As the intention is to appoint a property manager to effectively manage the building (common property including common areas and facilities), the council will delegate its building management duties to the property manager based on an agreed scope of work and operating budget. The council will therefore not be actively involved in the day to day running of the common property and will most likely only meet periodically (on a monthly or bi-monthly basis) to discuss issues pertaining to the status of the accounts and property management services.

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

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

Postal Address	Central Square Shopping Centre, No.23, Jalan Kampung Baru, Sungai Petani, 08000 Kedah Darul Aman			
Strata title details	G145068/M1/1/18-22, G145068/M1/1/26, G145068/M1/1/34, G145068/M1/1/4, G145068/M1/1/45-50, G145068/M1/1/7-9, G145068/M1/2/100, G145068/M1/2/66, G145068/M1/2/83, G145068/M1/2/86-87, G145068/M1/2/93, G145068/M1/2/98, G145068/M1/3/108-112, G145068/M1/3/117, G145068/M1/3/119-121, G145068/M1/3/129, G145068/M1/3/139-147, G145068/M1/3/153-154, G145068/M1/4/160-166, G145068/M1/4/173-174, G145068/M1/4/180, G145068/M1/4/182, G145068/M1/4/188, G145068/M1/4/191-206, G145068/M1/4/208, G145068/M1/4/210-211, G145068/M1/4/213-227, G145068/M1/5/229-234, G145068/M1/5/236-238, G145068/M1/5/247-253, G145068/M1/B1/2-3, G145068/M1/B2/1			
Tenure	Freehold (stratified)			
Registered owner	ALSB			
Property use	Retail mall			
Age of the building (years)	15			
Gross floor area of the building (sq. ft.)	743,117			
Total strata area of the building (sq. ft.)	557,915			
Total strata area of the building excluding accessory parcels (sq. ft.)	545,041			
Net lettable area of the building (sq. ft.)	401,569			
Total strata area of Central Square Property (sq. ft.)	464,517			
Net lettable area of Central Square Property (sq. ft.)	300,782			
No. of car park bays	488			
Historical occupancy rates	Year	2009	2010	2011
	(%)	99.0	99.0	99.0
Occupancy rate as at 1 May 2012 (%)	99.2			
Tenancy term	The duration of the tenancies are for three (3) years with only a few tenancies that are one (1) to two (2) years. Generally, an option to renew the tenancy for a term of two (2) to three (3) years is available to the tenant at			

	such rent to be mutually agreed upon between the parties.
Major tenant	The Store Corporation Berhad (trading under the name of The Store) <ul style="list-style-type: none"> • Percentage of total NLA: 43.2% • Percentage of annual rental as at 1 November 2011: 29.4% • Tenancy period: Initial term of three (3) years + five (5) 3-year renewal terms • Periodic review: Every three (3) years
Audited net book value as at 31 March 2011 of ALSB (RM) ⁽¹⁾	17,702,675
Market value as at 1 November 2011 as appraised by the Independent Valuer (RM)	84,700,000
Encumbrances	Private caveat and charges
Express conditions	As per the master title of the land, set out below.
Restriction in interest	As per the master title of the land, set out below.

Notes:

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

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

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

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

	Central Square Property		
	FYE 31 March 2009	FYE 31 March 2010	FYE 31 March 2011
Gross property income (RM'000)	8,658	8,295	8,100
Outgoings (RM'000)	2,812	2,776	2,760
Net property income (RM'000)	5,846	5,519	5,340

The Central Square Property tenancy agreements will be assigned or novated, as the case may be, to Hektar REIT in conjunction with the completion of the Proposals.

4.4 Liabilities to be assumed

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

4.5 Source of funding

The Acquisitions will be funded via the proceeds to be raised from the Rights Issue as well as bank borrowings of up to an amount of RM87,100,000. In relation to the bank borrowings, the Trustee had, by virtue of a Letter of Offer dated 1 November 2011 and a Letter of Variation dated 7 December 2011, obtained a Cash Line-i/Murabahah Overdraft Facility of RM54,300,000 from Maybank Islamic Berhad and subsequently by virtue of a Letter of Offer dated 5 April 2012, obtained a further Cash Line-i/Murabahah Overdraft Facility of RM32,800,000 from Maybank Islamic Berhad. Two separate legal charges have been secured against Wetex Parade as security for the said facilities.

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

- (i) Clause 8.37 of the REIT Guidelines stipulates that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50.0% of the total asset value of the fund at the time the borrowings are incurred, unless sanction of the Unitholders by way of an ordinary resolution is obtained. The gearing level of Hektar REIT is approximately 41.9% as at 31 December 2011. If the Acquisitions are funded totally by debt financing, it will increase the gearing level to approximately 51.6% of total asset value, which breaches the 50.0% threshold. The Rights Issue will enable Hektar REIT to raise equity to part finance the Acquisitions and therefore maintain the gearing level below 50.0%;
- (ii) the Rights issue will increase the number of Units in circulation and may improve the trading liquidity of Hektar REIT;
- (iii) financing the Acquisitions purely via the issuance of new Units would cause significant dilution to the NAV and DPU of the REIT; and
- (iv) to allow existing Unitholders to participate in more equity in Hektar REIT.

4.6 Total acquisition cost

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

Estimated total acquisition cost	RM '000
Purchase price for the Subject Properties	181,000
Acquisition fee of 1.0% of the Total Purchase Price due to the Manager	1,810
Estimated expenses for the Proposals (including expenses such as, professional fees, underwriting fees, service tax, charges payable to the related authorities, costs of convening the Meeting and other incidental expenses) ⁽¹⁾	3,595
	186,405

Note:

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

The balance acquisition cost, after taking into consideration the bank borrowings of up to RM87,100,000, will be funded via the gross proceeds from the Rights Issue illustrated in Section 3.2 of this Rights Issue Prospectus.

4.7 Rationale for the Acquisitions

4.7.1 In accordance with investment objectives and strategy

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

The Landmark Central Property is considered to be the only neighbourhood mall in Kulim in addition to having an attractive family entertainment component. It offers shoppers a plethora of retailers including Giant Superstore as well as a large variety of restaurants such as A&W, Secret Recipe, Pizza Hut and KFC. More importantly, two of its anchor tenants are BIG Cinemas and Ole-Ole Superbowl, which are the only cinema and bowling centre in Kulim. This allows the Landmark Central Property to capitalise on its unique selling proposition as an all-encompassing neighbourhood mall. The closest competitor is Summit Bukit Mertajam, another neighborhood mall which is located in the neighbouring town of Bukit Mertajam. There is also a hypermarket and an emporium format departmental mall in the vicinity. As at 1 May 2012, the Landmark Central Property has an occupancy rate of 76.7%. However, a new tenancy agreement was entered into with The Store on 10 April 2012 with a tenancy commencement date of 15 October 2012. As such, on the assumption that the existing tenancies remain status quo, the occupancy of the Landmark Central Property would increase to 99.0% upon commencement of tenancy by The Store.

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

Similarly, completed in 1997, the Central Square Property is the most established retail centre in Sungai Petani and is considered as one of the most recognizable landmarks in the area. Strategically situated in the town centre, the Central Square Property is well-positioned as a neighbourhood mall that caters to its immediate surrounding community. It houses an established mix of national and international brand retailers and has one of the only two cinemas in Sungai Petani. As at 1 May 2012, the Central Square Property has an occupancy rate of 99.2% whilst the average occupancy rate of Hektar REIT's existing portfolio of Subang Parade, Mahkota Parade and Wetex Parade as at 31 March 2012 is 98.2%.

The Manager sees the Central Square Property as an asset that has further potential. It intends to adopt the same successful approach as in the case of Wetex Parade which involved a repositioning exercise, extensive market research to aid its portfolio management and the introduction of best practices management. The Manager's systematic approach has resulted in the increase of Wetex Parade's occupancy rate to 98.6% in FYE 2011 from 83.1% in FYE 2008 and 10.6% increase in property value to RM130,000,000 in FYE 2011 from its acquisition price of RM117,500,000 in May 2008. The revaluation was announced to Bursa Securities on 20 December 2011.

Upon completion, the Manager intends to refurbish the Central Square Property, which has been in operation for approximately 15 years. The refurbishment of both the exterior and interior will update the Central Square Property's already-established profile and will upgrade the property's façade on par with some of the newer shopping malls in Sungai Petani.

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

4.7.2 Competitive strengths of the Subject Properties

Landmark Central Property

Prime Position

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

Hi-Technology Boost

Kulim is a growing township with continuous investment in Kulim Hi-Tech Park and it is one of the destinations planned by the Government to be linked by the Multimedia Super Corridor (MSC) connecting Kulim High-Tech Park, Georgetown and Bertam. As such, the mall is expected to attract locals and expatriates staying and working in the neighbourhood.

The Kulim Hi-Tech Park, located 8 km away from Kulim town and 3.5 km from the Landmark Central Property, officially opened in 1996 as the first and fully integrated high technology industrial park in Malaysia. Foreign multinational companies such as Intel, Fuji Electric, Schenker Logistic, Showa Denko, First Solar, Hoya, Gazzo Food, Entegris, Celestica and SilTerra are located there and have been progressively increasing employment in the area. In addition, German semiconductor giant Infineon Technologies recently announced that it will be pumping in another RM4 billion into its Malaysian operations based in Kulim over the next decade and this has significantly brightened prospects of Kulim's local economy.

Sole Retail Mall

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

Prospective demographic growth

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

Central Square Property

Strategic Spot

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

Prominent tenant mix

The current trade mix in the Central Square Property offers various basic necessities such as groceries, household goods and basic clothing needs. The main anchor tenant for the Central

Square Property is The Store departmental store which occupies approximately 123,000 sq. ft. of net lettable area on (6) levels from Lower Ground Floor to Fourth Floor. The other key tenants are Ampang Superbowl (25,000 sq. ft.) and Golden Screen Cinemas (GSC) (10,590 sq. ft.) both on the Fifth Floor. GSC is an established cinema circuit and currently operates three (3) halls in the Central Square Property.

4.7.3 Geographical and earnings diversification

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

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

5. RISK FACTORS

You should consider, in addition to other information contained in this Rights Issue Prospectus, the following risk factors (which may not be exhaustive) before subscribing for or investing in the Rights Units. There may be additional risk factors, which are not disclosed below, that are not presently known to the Board or that the Board currently deems to be less significant, which may materially and adversely affect Hektar REIT's business, financial condition, results of operations and prospects.

5.1 Risk factors relating to the Rights Issue

5.1.1 Investment risk

The market price of the Units are influenced by, among others, the prevailing market sentiments, the volatility of equity markets, movements in interest rates, and the outlook of the industry in which Hektar REIT operates and its' financial performance. In view of this, there can be no assurance that the Units will trade at or above the issue price of RM1.23 or the TERP upon or subsequent to the listing of quotation for the Rights Units on the Main Market of Bursa Securities.

There is no assurance that the market price of the Rights Units upon or subsequent to the listing of and quotation of the Rights Units will be at a level that meets the specific investment objectives or targets of any holder of the Rights Units.

5.1.2 Capital market risk

The performance of the REIT's local bourse is influenced by external factors such as the performance of the regional and world bourses and flow of foreign funds. Sentiments are also largely driven by internal factors such as, among others, the economic and political conditions of the country, interest rate and foreign exchange policies as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of the Rights Units.

The listing of additional 80,000,250 Units on the Main Market of Bursa Securities pursuant to the Rights Issue is expected to enhance the liquidity and marketability of the Units on the Main Market of Bursa Securities. However, there is no assurance that there will be an improvement in the trading liquidity of the Units, or that there will be a liquid market for the Units on the Main Market of Bursa Securities after the Rights Issue.

5.1.3 Risk of delay in or abortion of the listing of the Rights Issue

There may be a delay in or abortion of the listing of the Rights Units on the occurrence of, amongst others, any or more of the following events:-

- (a) the terms and conditions in the Underwriting Agreement have not been fulfilled;

- (b) the Undertaking Unitholders who have given their irrevocable undertakings to subscribe to their respective legal entitlements under the Rights Issue may not fulfil or may not be able to fulfill their obligations; or
- (c) the occurrence of any force majeure events or circumstances beyond the reasonable control of the Board or the Joint Underwriters arising prior to the completion of the Rights Issue.

In the event the Rights Issue is aborted, the Trustee will return in full without interest, all monies paid in respect of any applications for subscription of the Rights Units accepted.

5.1.4 Potential dilution

Entitled Unitholders who do not accept their Provisional Rights Units will have their proportionate ownership and voting interest in Hektar REIT reduced and the percentage of the enlarged Units in circulation represented by their holdings of Units will also be reduced accordingly.

5.2 Risk factors relating to the Acquisitions

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

- (i) The Subject Properties may be affected by, alongside others, increased competition from other shopping malls and retail properties. For instance, there is an establishment of a new retail mall on the border of Sungai Petani, Kedah which may attract current tenants and visitor traffic away from the Central Square Property;
- (ii) The Subject Properties are also affected by non-renewal of tenancies following expiry, and the Manager's ability to collect rental on a timely basis. The tenants to the Subject Properties may terminate, abandon or vacate the Subject Properties before the expiry of the term. In such event, the security and/or utility deposits of the tenants shall be forfeited. This could, in turn, have an adverse effect on Hektar REIT's financial condition and results of operations;
- (iii) The valuation of the Subject Properties is based on current market assumptions and the price at which Hektar REIT is able to sell the Subject Properties in the future may be different from the appraised value or the initial acquisition price of the Subject Properties;
- (iv) Due diligence on the Subject Properties may not identify all defects, breaches or non-compliance of any applicable laws including by-laws, rules and regulations, requirements of the regulatory authorities and other deficiencies, which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred. The representations, warranties and indemnities made in favour of Hektar REIT by ALSB and SASB may not offer sufficient protection for the costs and liabilities arising from any defect or deficiency;
- (v) Hektar REIT will depend on external financing to part finance the Acquisitions and any future refurbishment of the Subject Properties. Therefore, its ability to pay distributions may be adversely affected by the additional financing being taken out, given that the REIT would have to pay more interest on the additional financing;
- (vi) For the Central Square Property, control and rights to manage the common areas of Central Square Shopping Centre lies with PPKCS, also known as the Management Corporation. Even though Hektar REIT will have 85.2% of the voting rights in PPKCS, some degree of consensus is still required from the minority parcel owners to successfully execute any proposal that requires their financial contribution or cooperation. If the Manager is unable to gain consensus or cooperation from the

minority parcel owners, it may be disabled from executing strategies which it believes are in the best interest of the Central Square Property. The quality, design and condition of the common areas of Central Square Shopping Centre will affect the attractiveness of retail space to potential tenants and shoppers, which could affect rental rates. This may have an adverse effect on Hektar REIT's financial condition and results of operations.

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

5.3 Risk factors relating to Hektar REIT's business

5.3.1 Risk of non-renewal of tenancies

Hektar REIT Properties have a diversified revenue base consisting of more than 300 tenants in its current portfolio of three malls in three different locations, including departmental stores and supermarkets, fashion and footwear, and food and beverage. Currently, Hektar REIT's portfolio tenancy mix is dominated by department stores and supermarkets, which is led by Parkson and The Store, constituting approximately 32.2% of total portfolio NLA. Taking into account the Acquisitions, Hektar REIT's enlarged portfolio consisting of department stores and supermarkets would increase to 36.2% of total portfolio NLA. For the year 2012, a total of 108 tenancies will expire, representing approximately 25% of NLA and 24% of monthly rental income as at 31 December 2011. The typical tenancy terms, as per the current market practice in Malaysia, is three (3) years. Given this short period, there is a risk that the high level of occupancy cannot be sustained going forward. Although the Board and the Manager would continuously take appropriate measures to limit such risks, no assurance can be given that any changes to these factors will not have a material adverse effect on the business operations of Hektar REIT.

5.3.2 Risk of new competition

Hektar REIT faces potential competition from new malls built within the proximities of Hektar REIT Properties which could lure away existing tenants. Whenever competing properties in the vicinity of Hektar REIT Properties are developed or substantially upgraded and refurbished, the attractiveness of the Hektar REIT Properties to prospective tenants may be affected. The rental income and market value of the Hektar REIT Properties will largely depend on the ability of the Hektar REIT Properties to compete against other regional malls in the relevant localities in attracting and retaining tenants. The Manager adopts a turnaround approach which involves a repositioning exercise, extensive market research to aid its portfolio management and the introduction of best practices management. However, there is no assurance that such measures, if implemented, will be successful in the future.

5.3.3 Risk of re-financing

Every REIT faces the risks that it may not be able to refinance its bank borrowings when they become due. Therefore, sharp increases in the cost of debt or the inability to refinance debt when it is due will have a significant impact on Hektar REIT's ability to pay dividends. Hektar REIT's financing is secured by Al-Murabahah overdraft facilities with two (2) tranches of RM150.0 million and RM184.0 million expiring in 2013 and 2016 respectively and a term loan of RM15.0 million expiring in 2015. Except for the RM184.0 million tranche, where Hektar REIT has locked in a fixed interest rate throughout the tenor, the floating rate arrangements of the other tranches mean that the REIT is still exposed to any rising interest rate environment. However, Hektar REIT is expected to have access to refinancing, given the profile of its properties, and its business model.

To mitigate such a risk, the interest rate is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rate.

5.3.4 Ability to retain key management

Hektar REIT's performance depends, in part, upon the continued service and performance of members of the Manager's senior management team and certain key senior personnel. These key personnel may in future leave the Manager or compete with the Manager and Hektar REIT. If the above were to occur, the Manager will need to spend time searching for a replacement and the duties which such key personnel are responsible for may be affected. The loss of any of these individuals, or of one or more of the Manager's key employees could have a material adverse effect on Hektar REIT's financial condition and results of operations.

The majority of the existing management team of the Manager has been with the Manager for more than five (5) years.

5.3.5 Political, regulatory and economic risks

Hektar REIT's operations are closely linked to the economic performance of Malaysia. Any adverse development in the political, regulatory or economic environment and changes in political leadership may materially affect the financial performance of Hektar REIT. Political and economic uncertainties include, but are not limited to, changes in general economic, business and credit conditions, government legislations and policies affecting the real estate industry, inflation, interest rates, taxation, and political or social developments in Malaysia.

In addition, the Malaysian economy is affected by global economic conditions. The global credit markets have experienced, and may continue to experience volatility and liquidity disruption. These and other related events have had significant impact on the global capital markets associated not only with asset-backed securities but also with the global credit and financial markets as a whole. These events could adversely affect Hektar REIT, including but not limited to the following:

- (a) a negative impact on the ability of tenants of Hektar REIT to pay their rents in a timely manner or to continue their tenancies, thus reducing Hektar REIT's revenue and/or cash flows;
- (b) downward pressure/revision of rental rates; and
- (c) depreciation of property value.

5.3.6 Hektar REIT Properties may be revalued downwards

The Hektar REIT Properties will be revalued annually pursuant to Financial Reporting Standard 140 and once in every three (3) years from the date of last valuation pursuant to Clause 10.03 of the REIT Guidelines. There is no assurance that the Hektar REIT Properties will not be subject to any downward revaluations in the future. Factors such as decrease in market rental and occupancy rates, fall in the net property income earned from the Hektar REIT Properties may result in a downward revaluation of the Hektar REIT Properties. Further downward revaluations could negatively impact Hektar REIT's gearing, which in turn could trigger certain breach of the loan covenants and/or impact Hektar REIT's ability to refinance its existing borrowings or its ability to secure additional borrowings.

Adverse business consequences of this impact on borrowings may include:-

- (a) inability to fund capital expenditure requirements in relation to the Hektar REIT Properties;
- (b) inability to fund acquisitions of properties; and
- (c) cash flow shortages which may have an adverse impact on Hektar REIT's ability to make distributions.

5.3.7 Hektar REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the ITA by virtue of, amongst others, tax adjustments or changes in tax laws

Under the current taxation, a REIT is treated as unit trust which is governed principally by Sections 61 and 63C of the ITA. Under Section 61A(1) of the ITA, where in the basis period for a Year of Assessment ("YA"), 90% or more of the total taxable income of the REIT is distributed to the unitholder, the total taxable income of the REIT for that YA shall be exempted from tax.

Where the abovementioned conditions pursuant to Section 61A of the ITA are met, Hektar REIT will be exempted from Malaysian income tax. However, Hektar REIT is required to withhold tax on taxable income distributed to certain Unitholders. The details on the Malaysian withholding tax implications on distributions to investors from a Malaysian REIT which meets the requirements of Section 61A of the ITA is set out in Appendix VIII of this Rights Issue Prospectus.

The Malaysian tax laws may be subject to change. For example, the pre-requisites for tax exemption may become more difficult to meet, such that Hektar REIT would be more likely to be subject to tax or the tax exemption for Malaysian REITs may be removed altogether. Any other tax exemptions, such as stamp duty, which Malaysian REITs currently enjoy, may also be removed in the future.

The current preferential withholding tax rate on taxable income distribution to certain Unitholders by a Malaysian REIT has been extended for another five (5) years until 31 December 2016.

5.3.8 General Risks

Hektar REIT may be subject to other general risks attached to investments in real estates, including, but not limited to:-

- (a) risk of uninsured or underinsured losses;
- (b) increases in property and operating expenses;
- (c) inability of the property managers to provide or procure the provision of adequate maintenance and other services;
- (d) changes in attractiveness of locations of the Hektar REIT Properties or a reduction in tenant demand for particular locations of property in a given market; and
- (e) acts of God and other factors beyond the control of the Manager.

Many of these factors may cause fluctuations in occupancy rates, rent schedules, collection of rental income or operating expenses, causing a negative effect on the value of real estate and income derived from real estate.

5.4 Forward-looking statements

Certain statements in this Rights Issue Prospectus are based on historical data which may not be reflective of expected results, and others which are forward-looking in nature are subject to uncertainties and contingencies. All forward-looking statements contained in this Rights Issue Prospectus are based on estimates and assumptions made by the Manager, unless otherwise stated, and although the Board believes that these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from any results, performance or achievements that are expressed or implied in such forward-looking statement in this Rights Issue Prospectus. In view of this and other uncertainties, the inclusion of any forward-looking statement in this Rights Issue Prospectus should not be regarded as a representation or warranty by us, or the Main Adviser, that plans and objectives will be achieved.

6. INDUSTRY REVIEW, PROSPECTS AND FUTURE PLANS

6.1 Overview of the Malaysian Economy

Despite the challenging international economic environment in 2011, the Malaysian economy recorded a steady pace of growth of 5.1% (2010: 7.2%). Growth was more moderate in the first half of the year, particularly in the second quarter, as the economy was affected by the overall weakness in the advanced economies and the disruptions in the global manufacturing supply chain arising from the disaster in Japan. Although the global economic environment became increasingly more challenging and uncertain in the second half-year, Malaysia's economic growth improved due to stronger domestic demand. Domestic demand registered a higher growth in 2011, driven by both household and business spending, and higher public sector consumption. Private consumption strengthened in 2011, supported by broad-based income growth, following the improvement in the overall labour market conditions. In addition, civil servants benefited from the two half-month bonus payments in the second half of the year, while households in the rural area benefited from the higher rubber and palm oil prices.

The strong expansion in domestic demand was a key factor in driving the overall growth of the domestic-oriented sectors, while firm regional demand provided support to the commodity-related manufacturing industries and the agricultural sector. The services sector grew strongly in 2011 and remained the largest contributor to growth. The robust expansion in private consumption had provided support to the wholesale and retail trade, and accommodation and restaurant sub-sectors.

(Source: Bank Negara Malaysia Annual Report 2011, Bank Negara Malaysia)

Domestic demand continued to provide support to economic activity. Notwithstanding the challenging external environment, growth of the Malaysian economy was sustained at 4.7% (4Q 11: 5.2%). Domestic demand remained firm, supported by both private and public sector economic activity, while exports moderated amid weaker external demand. On the supply side, growth in most major economic sectors moderated in the first quarter, as the more modest growth in export-oriented activity more than offset the sustained growth in domestic oriented activity.

(Source: Quarterly Bulletin, 1st Quarter 2012, Bank Negara Malaysia)

6.1.1 Prospects for 2012

For 2012, GDP growth in Malaysia will be largely domestic driven, due to heightened uncertainties in the global economy. While the outlook for 2012 is affected by the increasingly adverse external environment, strong economic fundamentals coupled with pragmatic macroeconomic policies and implementation of the Economic Transformation Programme will enhance domestic sources of growth. Domestic demand, in particular private sector expenditure is expected to play a more significant role in driving economic expansion in 2012. The public sector will remain supportive of growth with higher capital spending by public enterprises. The Government will continue to provide an enabling environment to facilitate private investment by implementing key initiatives under the National Key Result Areas and National Key Economic Areas. On the external front, increased domestic demand in the region and steady intra-regional trade will provide support for Malaysia's exports. Hence, Malaysia's real GDP growth is expected to be sustained at 5% – 6% in 2012. The projection takes into consideration a modest world economic growth with sustained strong expansion in intra-regional trade, improvement in electrical and electronics exports and firm commodity prices.

(Source: Economic Report 2011/2012, Ministry of Finance, Malaysia)

6.2 Overview of the Kedah Retail Sector

Kedah is situated within the Northern Corridor Economic Region (“**NCER**”). This region encompasses Kedah, Perlis, Penang and Northern Perak. Launched in July 2007, NCER is one of four (4) economic regions identified under the Ninth Malaysia Plan for the promotion of a balanced and equitable national economic development. Investment in the NCER in the first four (4) months of 2011 amounted to RM3.3 billion and is expected to surpass the total investment of RM6.1 billion recorded in 2010. Kedah's gross domestic product showed

favourable growth from -1.8% in 2009 to 4.4% in 2010. This momentum was mainly supported by favourable performances of the services and manufacturing sectors in the state.

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

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

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

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

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

6.3 Prospects of Hektar REIT

Hektar REIT was established on 5 October 2006 and listed on the Main Market of Bursa Securities on 4 December 2006. The principal activity of Hektar REIT is to acquire and invest in income-producing real estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth.

In light of industry competition, the Subject Properties have good prospects due to its' respective strengths as elaborated in Section 4.7 of this Rights Issue Prospectus. There are various opportunities to enhance the retail space of the Subject Properties in view of the fact that usage of some of the lettable areas is not optimised.

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

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

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

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

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

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

The following table sets out the occupancy rate of the Hektar REIT Properties from FYE 31 December 2008 to 2011.

Property	As at 31 Dec 08	As at 31 Dec 09	As at 31 Dec 10	As at 31 Dec 11
Subang Parade	99.8%	100.0%	94.8%	99.9%
Mahkota Parade	96.5%	93.6%	96.1%	94.5%
Wetex Parade	83.1%	90.1%	95.6%	98.6%
Overall⁽¹⁾	95.8%	95.8%	95.5%	97.5%

Note:

(1) Approximate average, weighted by NLA

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

The simple average occupancy rate of Hektar REIT Properties has been steady for the last four years as Hektar REIT has continuously refurbished and renovated its malls on a timely basis. The successful implementation of its asset enhancement initiatives have improved Hektar REIT's overall occupancy rate from 95.5% in FYE 2010 to 97.5% in FYE 2011. The Manager also actively strives to build up a stable and yield accretive portfolio of assets to add value through acquisitions.

Upon completion of the Acquisitions, it is the Manager's intention to refurbish and upgrade the malls to generate improvements in income. The Board believes that acquiring the Subject Properties will immediately grow Hektar REIT's asset base, net income base and will provide Hektar REIT with a steady and secure income stream. The Manager believes that the long term earnings prospects of the Subject Properties will be beneficial to Hektar REIT which in turn will contribute positively to the future performance of Hektar REIT.

Premised on the above, the prospects of Hektar REIT in the next twelve months are expected to remain positive.

Rental yield on real estates held by the REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. Value of the real estates may rise as well as fall.

7. EFFECTS OF THE RIGHTS ISSUE

The Rights Issue (which will lead to the Increase in Fund Size) is expected to have the following financial effects:

7.1 Units in Circulation

	No. of Units
Existing as at 31 December 2011	320,001,000
To be issued pursuant to the Rights Issue	80,000,250
To be issued pursuant to the Issuance to the Manager	632,867
Enlarged unitholders' capital	400,634,117

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7.2 Substantial Unitholders' Unitholdings

Based on the Record of Depositors of Hektar REIT as at the LPD, the proforma effects of the Rights Issue on the unitholdings of the Substantial Unitholders assuming all the rights units are fully subscribed by the Entitled Unitholders are as follows:

Unitholders	As at the LPD		After Rights Issue		After Issuance to the Manager			
	Direct		Indirect		Direct		Indirect	
	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%
Fraser's Centrepoint Trust	99,400,000	31.06	-	-	124,250,000	31.01	-	-
Hektar Premier Sdn Bhd	87,800,000	27.44	-	-	109,750,000	27.39	-	-
Hektar Black Sdn Bhd	40,700,000	12.72	-	-	50,875,000	12.70	-	-
Dato' Jaafar bin Abdul Hamid	-	-	130,700,700	40.84	163,375,875	40.84 ⁽¹⁾	164,008,742	40.94 ⁽¹⁾
Fraser's Centrepoint Ltd	-	-	99,400,000	31.06	124,250,000	31.06 ⁽²⁾	124,882,867	31.17 ⁽²⁾

Notes:

(1) Deemed interested by virtue of his substantial shareholdings of more than 15.0% in Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and the Manager pursuant to Section 6A of the Act and his wife and son Latipah Binti M Atan and Jazelan Firhan bin Jaafar respectively who collectively own 2,200,700 Units.

(2) Deemed interested by virtue of its' substantial unitholdings of more than 15.0% in Fraser's Centrepoint Trust and by virtue of its' substantial shareholdings of more than 15.0% in the Manager pursuant to Section 6A of the Act.

7.3 Earnings and Distributable Income

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

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

	Audited FYE 31 December 2011	After the Rights Issue	After the Acquisitions and Issuance to the Manager⁽¹⁾
Total comprehensive income (RM'000)	86,651	86,651	92,542
Net realised income (RM'000)	38,914	38,914	44,805
Number of Units in circulation ('000)	320,001	400,001	400,634
EPU – Total (sen)	27.08	21.66	23.10
EPU – Realised (sen)	12.16	9.73	11.18

Notes:

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

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

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

7.4 Distribution Policy

The distribution policy of Hektar REIT is to distribute at least 90% of the distributable income to Unitholders in cash. Hektar REIT will distribute such distributable income on a quarterly basis or such other intervals as the Manager may determine to Unitholders.

7.5 NAV and Gearing

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

	Audited as at 31 Dec 2011	After the Rights Issue⁽¹⁾	After the Acquisitions and Issuance to the Manager⁽²⁾
	RM'000	RM'000	RM'000
Unitholders' Capital	328,137	426,537	425,233
Undistributed Income	147,017	147,017	147,017
NAV	475,154	573,554	572,250
No. of Units in circulation ('000)	320,001	400,001	400,634
NAV per Unit (RM)	1.48	1.43	1.43
Total Borrowings	363,480	363,480	436,100
Total Assets	867,059	965,459	1,036,775
Gearing (%) ⁽³⁾	41.92	37.65	42.06

Notes:

- (1) After taking into consideration gross proceeds raised from the Rights Issue
- (2) After taking into consideration the following:
 - (i) the acquisitions of the Subject Properties totaling to RM181,000,000;
 - (ii) borrowings of RM87,100,000 to part-fund the Acquisitions (out of which RM14,480,000 was drawn down in December 2011 for part payment of the 10% deposit); and expenses of RM4,500,000 to be netted off from proceeds raised from the Rights Issue relating to the Proposals of which an estimated RM2,291,000 is to be capitalized.
- (3) Gearing is calculated as total borrowings divided by total assets.

7.6 Convertible Securities

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

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working Capital

The Board is of the opinion that after taking into consideration the cash in hand, funds generated from Hektar REIT's operations, banking facilities available to Hektar REIT, as well as the proceeds to be raised from the Rights Issue, Hektar REIT will have sufficient working capital for a period of twelve (12) months from the date of this Rights Issue Prospectus.

8.2 Borrowings

As at the LPD, Hektar REIT has total borrowings as follows:

	RM'000
Secured:-	
Current liabilities (amounts due in less than a year):	
Murabahah overdraft 2 (" MOD 2 ")	150,000
Non - current liabilities (amounts due in more than a year):	
Murabahah overdraft 1 (" MOD 1 ")	184,000
Murabahah overdraft 3 (" MOD 3 ") ⁽¹⁾	14,480
Term loan (" Term Loan ")	15,000
	363,480

Note:

(1) Overdraft facility of up to RM54,300,000 for the purposes of part-funding the Acquisitions

The MOD 1, MOD 2 and MOD 3 are secured by way of fixed charges over Subang Parade, Mahkota Parade and Wetex Parade respectively. The Murabahah overdrafts have tenor of up to five (5) years from the first disbursement of which MOD 1 and MOD 3 are due for repayment in 2016 and MOD 2 is due for repayment in 2013. The Term Loan is secured by way of fixed charge over Mahkota Parade. The Term Loan has a five (5)-year tenor whereby the principal amount is repayable via a bullet repayment at the end of the five (5)-year tenor in 2015.

Pursuant to the Acquisitions, the REIT will be drawing down on the remaining balance of RM39,820,000 under MOD 3 and a further RM32,800,000 under Murabahah Overdraft 4 ("**MOD 4**").

As at LPD, Hektar REIT's total outstanding borrowings are denominated in RM.

As at LPD, Hektar REIT does not have any non-interest bearing borrowings.

Other than disclosed above, Hektar REIT does not have any other borrowings (including foreign borrowings). There has not been any default in payments of interest and/or principal sums on any of the above borrowings during FYE 31 December 2011 and up to the LPD.

8.3 Contingent Liabilities

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

8.4 Material Commitments

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

9. UNITHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

9.1 Unitholders' Undertakings

The Undertaking Unitholders have provided irrevocable and unconditional written undertakings to subscribe in full or procure the subscription in full for their respective entitlements to the Rights Units.

The Undertaking Unitholders' entitlement under the Rights Issue based on their unitholdings in Hektar REIT as at the LPD are set out below:-

	As at the LPD		Rights Units entitlement under the Rights Issue	
	No. of Units	%	No. of Units	%
Frasers Centrepoint Trust	99,400,000	31.06	24,850,000	31.06
Hektar Premier Sdn Bhd	87,800,000	27.44	21,950,000	27.44
Hektar Black Sdn Bhd	40,700,000	12.72	10,175,000	12.72
Total	227,900,000	71.22	56,975,000	71.22

Pursuant to the Unitholders' Undertakings, the Undertaking Unitholders have confirmed in their respective undertaking letters dated 14 August 2012 that they have sufficient financial resources to subscribe in full for their respective entitlements under the Rights Issue and will make full payment for their respective entitlements to the Rights Units.

9.2 Underwriting arrangement

The Rights Issue will not be undertaken under a minimum subscription level.

For the remaining Rights Units not covered by the Unitholders' Undertaking, the Manager and the Trustee have entered into the Underwriting Agreement with ECM Libra and Kenanga IB for the underwriting of 23,025,250 Rights Units, representing 28.8% of the total Rights Units ("Underwritten Rights Units").

The Managing Underwriter's fee is 0.25% of the value of the Underwritten Rights Units whilst the underwriting commission to each Joint Underwriter is 1.85% of the value of the Underwritten Rights Units. The Managing Underwriter's fee and underwriting commission for the Underwritten Rights Units and all other costs in relation to the underwriting arrangement will be fully borne by Hektar REIT.

The Managing Underwriter's fee is the fee payable for the services of the Managing Underwriter for the management and coordination of the Rights Issue which includes, inter-alia, assessment of market conditions, advising the acceptable issue price to the market and negotiating on the underwriting terms which are generally in line with market terms. The underwriting commission is payable to the Joint Underwriters for performing its underwriting services for the Underwritten Rights Units.

9.3 Salient terms of the Underwriting Agreement

The following is an extract of the salient terms contained in the Underwriting Agreement:

- 9.3.1 In consideration of the underwriting commission to be paid to the Joint Underwriters and relying upon each of the warranties and undertakings of the Manager and the Trustee, the Joint Underwriters have severally and not jointly agreed to underwrite and to apply or procure applications to the extent that the Underwritten Rights Units are not taken up or duly applied for by 5.00 p.m. on the Closing Date after allocation of the Excess Units in the proportions as set out below (the "**Agreed Proportions**"):

	Joint Underwriters	Agreed Proportions	Maximum no. of Rights Units underwritten
(a)	ECM Libra	50%	11,512,625
(b)	Kenanga IB	50%	11,512,625

In the event of fractional allocations, the Board shall be entitled (at its absolute discretion) to round-up or round-down the fractional allocations of the Underwritten Rights Units. Notwithstanding anything to the contrary, the actual number of Underwritten Rights Units to be taken up by each of the Joint Underwriters shall not exceed the number of Rights Units set out in the third column of the table above.

- 9.3.2 The obligations of the respective Joint Underwriters under this Underwriting Agreement are several and not joint and no Joint Underwriter shall be responsible for any failure by the other Joint Underwriter to meet its respective obligations thereunder nor shall such failure relieve such other Joint Underwriter of its respective obligations thereunder.
- 9.3.3 The underwriting obligations of the Joint Underwriters are subject to the conditions precedent as set out in Section 9.3.4 below which must be satisfied on or prior to the date of the Underwriting Agreement and/or the Closing Date.
- 9.3.4 The conditions precedent includes the following:
- (a) there not having been, on or prior to the Closing Date, any adverse change or development reasonably and likely to involve a prospective adverse change, of or in the condition (financial or otherwise) of Hektar REIT from that set forth in the Rights Issue Prospectus which is material in the context of the Rights Issue, nor the occurrence of force majeure under clause 8.1(b) of the Underwriting Agreement or any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the Underwriting Agreement and in the Rights Issue Prospectus as though they have been given or made on such date;
 - (b) save for clause 4.1(k) of the Underwriting Agreement, there shall not have occurred, on or prior to the Closing Date, any material breach of and/or failure to perform any of the undertakings contained in clause 4 of the Underwriting Agreement;
 - (c) the registration with the SC and if required, the lodgment with the Companies Commission of Malaysia of the Rights Issue Prospectus in its final form in accordance with the requirements of the Act and CMSA;
 - (d) the offering and/or subscription of the Rights Units under the Rights Issue in accordance with the provisions thereof 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);
 - (e) the procurement of the irrevocable undertaking letters from Frasers Centrepoint Trust, Hektar Black Sdn Bhd (593778-H) and Hektar Premier Sdn Bhd (586618-M) to subscribe in full their respective entitlements under the Right Issue;

- (f) the Underwriting Agreement having been duly executed by all parties and stamped;
- (g) the SPAs have not been terminated; and
- (h) all other necessary approvals and consents required in relation to the Rights Issue (including but not limited to Unitholders and regulatory approvals) having been obtained and being in full force and effect.

9.3.5 If any of the conditions set forth in clause 9.3.4 is not satisfied by the Closing Date, any of the Joint Underwriters shall, save as provided in this clause 9.3.5, be entitled to terminate the Underwriting Agreement by notice given to the Manager not later than the Closing Date, and in that event (except for the liability of the Manager for the payment of the expenses as provided in clause 7 of the Underwriting Agreement, and any right and/or liability of the Manager and/or the Underwriters under clauses 4 or 5 of the Underwriting Agreement), the parties shall be released and discharged from their respective obligations, provided that the Joint Underwriters may at their respective discretion waive compliance with any provision of this clause 9.3.5 in which case any condition so waived shall be deemed to have been satisfied in relation to it.

9.3.6 Notwithstanding anything therein contained in the Underwriting Agreement, if in the reasonable opinion of the Joint Underwriters that:

- (a) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control which in the opinion of the Joint Underwrites may or is likely to have a material adverse effect on the business or the operation of Hektar REIT or the success of the Rights Issue;
- (b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Joint Underwriters by reason of force majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of Hektar REIT or the success of the Rights Issue, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms. In this clause, "Force Majeure" means an event or cause which is unpredictable and beyond the reasonable control of the party claiming the same, and which could not have been avoided or prevented by reasonable foresight, planning and/or implementation, and includes (without limitation) war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage, crimes, and acts of God;
- (c) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;
- (d) any change in any law, regulation, directive, policy or ruling in any relevant jurisdiction which in the opinion of the Joint Underwriters may or is likely to have a material adverse affect on the business or the operations of Hektar REIT or the success of the Rights Issue, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms;
- (e) any relevant government requisition or occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of Hektar REIT or the success of the Rights Issue;
- (f) HAMS B has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement, the breach of which is either incapable of remedy or if capable of remedy, HAMS B has failed to remedy such breach within a period of fourteen (14) days from the date of a notice in writing by the Joint Underwriters notifying HAMS B of such breach and requiring HAMS B to remedy the same which would prejudice materially the success of the Rights Issue;

- (g) the Company withholds any information of a material nature from the Underwriters which,
 - (i) would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of Hektar REIT or the success of the Rights Issue; or
 - (ii) if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from HAMSB, and would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of Hektar REIT or the success of the Rights Issue;
- (h) the listing and quotation for the Right Units on the Main Market of Bursa Securities does not take place within sixty (60) days from the date of the Underwriting Agreement;
- (i) a petition is presented or an order is made or a resolution is passed for the winding up of HAMSB or Hektar REIT;
- (j) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of HAMSB or Hektar REIT;
- (k) HAMSB or Hektar REIT becomes insolvent or is unable to pay its/their debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;
- (l) the Company or Hektar REIT ceases/cease or threatens to cease to carry on the whole or any substantial part of its business;
- (n) the FTSE Bursa Malaysia falling below and remaining below 1,380 points for three (3) consecutive Market Days.

then the Underwriters may, after consultation with HAMSB, by notice in writing to HAMSB terminate the Underwriting Agreement before 5.00 p.m. on the Closing Date, and thereupon the parties shall (except for the liability of HAMSB for the payment of costs and expenses referred to in clauses 6.2 and 7 of the Underwriting Agreement incurred prior to and/or in connection with such termination) be released and discharged from their respective obligations thereunder.

10. APPROVALS AND CONDITIONS

10.1 Approvals and conditions

- (i) The SC, via its letter dated 14 May 2012, approved amongst others, the Rights Issue, subject to the following conditions:

Conditions	Status of Compliance
1. HAMS B and its Main Adviser are required to inform the SC prior to the listing of the New Units, the date of the issuance of the New Units and the date of listing of and the quotation for the New Units on the Main Market of Bursa Securities.	To be complied
2. The issuance of the New Units and the listing of the New Units on the Main Market of Bursa Securities must be completed within 6 months from the date of the SC's approval. The approval is deemed to lapse if HAMS B fails to do so within the stipulated time frame.	To be complied
3. A prospectus in relation to the Rights Issue must be issued and is to be registered by the SC.	Complied

- (ii) Bursa Securities via its letter dated 15 June 2012 approved the listing of and quotation for the Rights Units to be issued under the Rights Issue on the Main Market of Bursa Securities, subject to the following conditions:

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

The conditions imposed by Bursa Securities will be complied with during and, where applicable, after the implementation of the Rights Issue.

10.2 Reliefs granted by the SC

The SC had, vide its letter dated 13 August 2012, granted the following reliefs in respect of compliance with the CIS Prospectus Guidelines:

No	Relevant sections of the CIS Prospectus Guidelines	Details of the reliefs granted
(1)	Part II – Listed Funds, Clause 1.10	Variation sought to issue the summary advertisement in English and to publish the summary advertisement in an English newspaper only.
(2)	Part II – Listed Funds, Clause 4.03	Variation sought to set out the following relevant dates to a rights issue exercise, in the Rights Issue Prospectus: (a) Sale of provisional allotment of rights; (b) Transfer of provisional allotment of rights; (c) Acceptance and payment; and (d) Excess application and payment.
(3)	Part II – Listed Funds, Clause 5.01 to 5.04	Exemption sought from providing a key data/information summary section in the Rights Issue Prospectus.
(4)	Part II – Listed Funds, Clause 9.01 to 9.02	Exemption sought from disclosing and including the following in the Rights Issue Prospectus:- (i) Disclosure and explanation on the cost of investing in the fund; (ii) Description of fees that will be incurred (directly or indirectly) by investors when investing in the fund.
(5)	Part II – Listed Funds, Clause 9.03 to 9.04	Exemption sought from disclosing the details of the additional form of remuneration which the Manager and/or any related party may derive as well as the details of expenses to be incurred by Hektar REIT.
(6)	Part II – Listed Funds, Clause 12.01	Exemption sought from disclosing salient terms of the Deed.
(7)	Part II – Listed Funds, Clause 14.04	Exemption sought from disclosing the details of direct and indirect interests of the directors and substantial shareholders of the Manager in other corporations carrying on similar business.
(8)	Part II – Listed Funds, Clause 20.04	Exemption sought from disclosing key data/information summary section which includes brief details on real estate, revaluation policy, gearing policy and summary financial information.
(9)	Part II – Listed Funds, Clause 20.07(a)(ii)	Variation sought to set out only the particulars of the tenancies for Landmark Central Property and Central Square Property (Subject Properties) in the Rights Issue Prospectus.

No	Relevant sections of the CIS Prospectus Guidelines	Details of the reliefs granted
(10)	Part II – Listed Funds, Clause 20.07(a)(iii)	Variation sought to set out only the details of incomes and expenditure of Hektar REIT's existing properties and the Subject Properties, in the Rights Issue Prospectus. The details include: <ul style="list-style-type: none"> (1) Gross rental income; (2) Outgoings; (3) Net income; and (4) Major capital expenditures likely to be incurred in the immediate future.
(11)	Part II – Listed Funds, Clause 20.23 to 20.28 and 20.31 to 20.32	Exemption sought from providing the details on future financial information of Hektar REIT which includes, inter-alia, profit estimates/forecasts, Directors' analysis of estimates/forecasts and commentary as well as distribution estimate/forecast.
(12)	Part II – Listed Funds, Clause 20.35 to 20.45	Exemption sought from including an accountant's report in the Rights Issue Prospectus.
(13)	Part II – Listed Funds, Clause 20.46	Exemption sought from disclosing the list of expenses for Hektar REIT including the fees payable to the property manager.
(14)	Part IV – Registration and Lodgement of a Prospectus, Clause 3.03	Variation sought to submit the registration file to the SC six (6) market days prior to the registration date of the Rights Issue Prospectus.
(15)	Part IV – Registration and Lodgement of a Prospectus, Clause 3.05	Exemption sought from complying with the requirement to publish the registrable prospectus on SC website for public comments (prospectus exposure).
(16)	Part IV – Registration and Lodgement of a Prospectus, Sub-clause 3.10(b)	Variation sought to issue the Rights Issue Prospectus in English Language only.
(17)	Part IV – Registration and Lodgement of a Prospectus, Sub-clause 3.10(o)	Variation sought to issue the application form in English Language only.
(18)	Part IV – Registration and Lodgement of a Prospectus, Sub-clause 3.10(q)	Variation sought to publish the summary advertisement of the Rights Issue Prospectus in English newspaper only.
(19)	Part IV – Registration and Lodgement of a Prospectus, Sub-clause 4.04(b)	Variation sought to lodge the printed Rights Issue Prospectus and its application form in English only.

11. PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS UNITS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEES (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR RENOUNCEES (IF APPLICABLE) WISH TO DISPOSE OF ALL OR ANY PART OF YOUR ENTITLEMENTS AS WELL AS FOR EXCESS RIGHTS UNITS APPLICATION ARE SET OUT IN THE RSF. YOU ARE ADVISED TO READ THIS RIGHTS ISSUE PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS RIGHTS ISSUE PROSPECTUS.

ACCEPTANCE, APPLICATION AND/OR PAYMENT WHICH DO NOT CONFORM STRICTLY TO THE TERMS OF THIS RIGHTS ISSUE PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF HEKTAR REIT.

11.1 General

As you are an Entitled Unitholder, your CDS Account will be duly credited with the number of Rights Units, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this Rights Issue Prospectus, the NPA notifying you of the crediting of such provisional Rights Units into your CDS Account and a RSF to enable you to subscribe for such Rights Units that you have been provisionally allotted as well as apply for additional Rights Units under Excess Rights Units if you choose to do so. The RSF is also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

11.2 Last date and time for acceptance and payment

The last date and time for acceptance of the Rights Units and payment for the subscription of the Rights Units is at **5.00 pm on Wednesday, 19 September 2012** or such later date and time as the Board, Trustee and Main Adviser may mutually decide and announce not less than two (2) Market Days before the stipulated date and time, if applicable.

11.3 Procedures for full acceptance

If you wish to accept your entitlements provisionally allotted to you in full or in part, please complete Part I (A) and Part II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** in the official envelope provided to the Registrar at the following address, entirely at your own risk:

Mega Corporate Services Sdn. Bhd.
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: +6 03 2692 4271
Facsimile No.: +6 03 2732 5388
Website: www.megacorp.com.my

so as to arrive no later than **5.00 pm on Wednesday, 19 September 2012** being the last date and time for acceptance and payment, or such later date and time as the Board, Trustee and Main Adviser may mutually decide and announce not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies of the RSF from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>) or the Registrar or the Manager's registered address at Unit 419, Block A, Kelana Business Centre, No.97, Jalan SS 7/2 Kelana Jaya, 47301 Petaling Jaya, Selangor.

One (1) RSF can only be used for acceptance of provisionally allotted Rights Units standing to credit one (1) CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights Units standing to credit of more than one (1) CDS Accounts. If successful, the Rights Units subscribed by you will be credited into the respective CDS Accounts where the Provisional Rights Units are standing to the credit.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Units accepted in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "**HEKTAR REIT RIGHTS ISSUE ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and your CDS Account number. The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other mode of payments are not acceptable.

If acceptance of the Rights Units and payment for the Rights Units under your Rights Units in the manner specified in the RSF (whether in full or in part, as the case may be) are not received by the Registrar by **5.00 pm on Wednesday, 19 September 2012** or such later date and time as the Board, Trustee and Main Adviser may mutually decide and announce not less than two (2) Market Days before the stipulated date and time, if applicable, being the last date and time for acceptance and payment, the said Rights Units to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. The Board will then have the right to allot such Rights Units in the manner set out in Section 2.1 of this Rights Issue Prospectus.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS UNITS.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH THE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

11.4 Procedures for part acceptance

Entitled Unitholders are entitled to accept part of their entitlements that can be subscribed / applied for. In determining an Entitled Unitholder's entitlement to the Rights Units, any fractional entitlement of the Rights Units shall be disregarded. Fractional entitlement, if any, shall be dealt with in such a manner as the Board in its absolute discretion deems fit or expedient and in the best interest of Hektar REIT. However, applicants should take note that a trading board lot comprises of 100 Rights Units.

Entitled Unitholders have to complete Part I(A) of the RSF by specifying the number of Rights Unit which the Entitled Unitholder is accepting and deliver the completed RSF together with the relevant payment to the Registrar, in the same manner as set out in Section 11.3 of this Rights Issue Prospectus.

ENTITLED UNITHOLDERS ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED HEREIN.

The portion of the Rights Units that has not been accepted will be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Rights Unit and the

balance, if any, will be allotted to applicants applying for Excess Rights Units.

11.5 Procedures for sale/transfer of the provisional allotment of the Rights Units

The Rights Issue is renounceable in full or in part. Accordingly, as an Entitled Unitholder, you may wish to sell or transfer all or part of your entitlement to the Rights Units to one (1) or more person, you may do so through your stockbroker without first having to request for a split of the provisional allotment of your Rights Units standing to the credit of your CDS Accounts. To sell/transfer all or part of your provisional entitlements to the Rights Units, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository.

IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENT OF RIGHTS UNITS, YOU NEED NOT DELIVER ANY DOCUMENT, INCLUDING THE RSF, TO YOUR STOCKBROKER. HOWEVER, YOU MUST ENSURE THAT YOU HAVE SUFFICIENT PROVISIONAL ALLOTMENT OF RIGHTS UNITS STANDING TO THE CREDIT OF YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

The purchaser/transferee/renouncee may obtain a copy of the Rights Issue Prospectus and the RSF for the acceptance of his rights from their stockbrokers or the Registrar or at HAMSB's registered office. The Rights Issue Prospectus and the RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

If you have sold or transferred only part of your entitlements of the Rights Units, you may still accept the balance of your entitlements to the Rights Units by completing Parts I(A) and II of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights Units accepted to the Registrar in accordance with the procedures of acceptance and payment as described under Section 11.3 above.

ENTITLED UNITHOLDERS AND/OR YOUR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

11.6 Procedures for Excess Rights Units Application

If you wish to apply for additional Rights Units in excess of those provisionally allotted to you, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II of the RSF) and forwarding it together with a **separate** remittance for the full amount payable in respect of the Excess Rights Units applied for to the Registrar, so as to arrive not later than **5.00 pm Wednesday, 19 September 2012** or such later date and time as the Board, the Trustee and Main Adviser in their absolute discretion may mutually decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment for the Excess Rights Units applied for should be made in the same manner described in Section 11.3 above except that the Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia should be made payable to "**HEKTAR REIT EXCESS RIGHTS ISSUE ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and your CDS Account number. The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or any other mode of payment are not acceptable.

The Board reserves the right to allot any Excess Rights Units applied under the RSF in such manner as it deems fit and expedient in the best interest of Hektar REIT. The Board also reserves the right to accept any Excess Rights Units application, in full or in part, without assigning any reason.

It is the intention of the Board to allot the Excess Rights Units in the following priority:

- (i) firstly, to minimise the incidence of odd lots;

- (ii) secondly, for allocation to Entitled Unitholders who have applied for the Excess Rights Units on a pro-rata basis and in board lot, calculated based on their rights acceptance; and
- (iii) thirdly, on a pro-rata basis to Entitled Unitholders and/or their transferee(s) and/or their renounee(s) (if applicable) who have applied for the Excess Rights Units, taking into consideration the quantum of their respective excess applications.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPACHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS UNITS.

APPLICANTS ARE NOT ALLOWED TO WITHDRAW THE RSF AND PAYMENT ONCE THEY HAVE BEEN LODGED WITH THE REGISTRAR.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS UNITS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND DESPACHED TO THE APPLICANT AT HIS OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE OF APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS UNITS.

11.7 Procedures for acceptance by renounees

A renounee who wishes to accept the provisionally allotted Rights Units renounee to him must obtain a copy of the RSF from his stockbroker or the Registrar or at the registered office, or on Bursa Securities' website (<http://www.bursamalaysia.com>). He must complete the RSF, submit the same together with the requisite remittance in accordance with the notes and instructions printed therein.

The procedures for application, acceptance and payment as well as sale/transfer applicable to the Entitled Unitholders as set out in Section 11 of this Rights Issue Prospectus also apply to renounees who wish to accept the renouneed Rights Units.

RENOONEES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

11.8 CDS Account

The acceptance of the Rights Units by you or the renounee shall mean consent to receiving such Rights Units as deposited securities which will be credited directly into the respective CDS Accounts.

If you have more than one (1) CDS Account, which were credited with the provisional allotted Rights Units, you are required to use separate RSFs to make an application for acceptance for each CDS Account. You may not request for the Rights Units accepted/ applied for acceptance for in a particular CDS Account to be credited into more than one (1) CDS Account.

No physical Rights Units' certificates will be issued to the Entitled Unitholders and/or their renounee(s) (if applicable) under the Rights Issue. The Rights Units will be credited directly into the respective CDS Accounts of successful Entitled Unitholders and/or their renounee(s) (if applicable) and notices of allotment shall be despatched to them at their own risk to their addresses maintained with Bursa Depository within eight (8) Market Days after the last date of application and payment for the Rights Units.

11.9 Foreign Addressed Unitholders

This Rights Issue Prospectus, together with the NPA and RSF will not be registered under or made to comply with the laws of any country or jurisdiction other than Malaysia. Accordingly, this Rights Issue Prospectus, NPA and RSF have not been (and will not be) lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction.

This Rights Issue Prospectus, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Rights Issue Prospectus relates is only available to persons receiving this Rights Issue Prospectus and RSF or otherwise within Malaysia.

Accordingly, this Rights Issue Prospectus and the accompanying NPA and RSF relating to the Rights Issue will not be sent to Entitled Unitholders who do not have a registered address in Malaysia as stated in the Record of Depositors on the Entitlement Date. However, if you are a Foreign Addressed Unitholder, you may collect this Rights Issue Prospectus including the accompanying documents from the Registrar, in which event, the Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue.

Hektar REIT will not make or bound to make any enquiry as to whether you have a registered address in Malaysia other than as stated in the Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept an liability whether or not any enquiry or investigation is made in connection therewith. The Board will assume the Rights Issue and the acceptance thereof by you would not be in breach of the laws of any jurisdiction. The Board will further assume that you have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

You and/or your renounee(s) may only accept or renounce all or any part of your entitlement and exercise any other rights in respect of the Rights Issue to the extent that it would be lawful to do so, and Hektar REIT, the Board and officers of HAMSB, ECM Libra and/or other experts ("**Parties**"), in connection with the Rights Issue, would not be in breach of the laws of any jurisdiction or country to which that you and/or your renounee(s) is or might be subject to. You and/or your renounee(s) shall be solely responsible to seek advice from your legal and/or professional advisers as to the laws of the countries or jurisdictions to which you and/or your renounee(s) are or might be subject to. The Parties shall not accept any responsibility and liability whatsoever to any party in the event that any acceptance or renunciation made by you and/or renounee(s) is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

By signing any of the forms accompanying this Rights Issue Prospectus, you and/or your renounee(s) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that Foreign Addressed Entitled Unitholders and/or their renounee(s) are or may be subject to;
- (ii) you and/or your renounee(s) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) you and/or your renounee(s) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or might be subject;

- (iv) you and/or your renounee(s) are aware that the Rights Units can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) you and/or your renounee(s) have received a copy of this Rights Issue Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to representatives of the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Units; and
- (vi) you and/or your renounee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Units, and are and will be able, and are prepared to bear economic and financial risks of investing in and holding the Rights Units.

Persons receiving this Rights Issue Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Rights Issue Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he/she/it/they must not seek to accept the offer unless he/she/it/they has/have complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward this Rights Issue Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and the Board reserves the right to reject a purported acceptance of the Rights Units from any such application by the Foreign Addressed Entitled Unitholder and/or his renounee(s) in any jurisdiction other than Malaysia.

The Board reserves the right, in absolute discretion, to treat any acceptance as invalid if the Board believes that such acceptance may violate any applicable legal or regulatory requirements.

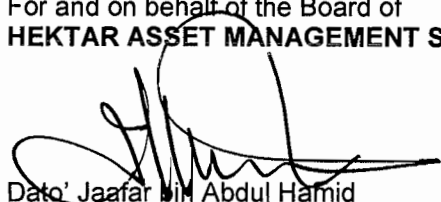
12. TERMS AND CONDITIONS

The offer of the Rights Units pursuant to the Rights Issue is governed by the terms and conditions set out in this Rights Issue Prospectus and the accompanying NPA and RSF.

13. ADDITIONAL INFORMATION

Unitholders are advised to refer to the attached Appendices for further information.

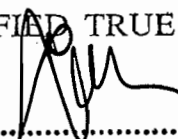
Yours faithfully,
For and on behalf of the Board of
HEKTAR ASSET MANAGEMENT SDN. BHD.



Dato' Jaafar bin Abdul Hamid
Chairman and Chief Executive Officer

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS IN RELATION TO THE PROPOSALS PASSED AT THE MEETING HELD ON 5 JULY 2012

CERTIFIED TRUE COPY



HEKTAR REAL ESTATE INVESTMENT TRUST

Secretary

LIM SECK WAH

15 AUG 2012

MAICSA NO: 0799845

Extract Minutes of the Extraordinary General Meeting of Unitholders of Hektar Real Estate Investment Trust (Hektar REIT) held on Thursday, 5 July 2012 at 11.00 a.m. at the Ballroom, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

1. PROPOSED ACQUISITIONS OF LANDMARK CENTRAL PROPERTY AND CENTRAL SQUARE PROPERTY – ORDINARY RESOLUTION 1

- 1.1 The following motion was duly proposed by Raziff Shaaban (unitholder) and seconded by Yu Chooi Choo (proxy holder) and was put to vote by show of hands:-

“THAT the acquisitions of Landmark Central Shopping Centre for a purchase consideration of RM98,000,000 and Central Square Shopping Centre for a purchase consideration of RM83,000,000 from Sri Awona Sdn Bhd and Awona Land Sdn Bhd, respectively, be and are hereby approved”.

- 1.2 The Q & A of the above resolution is as per Appendix I attached.
- 1.3 The decision was unanimous. The Chairman declared that the resolution on the Proposed Acquisitions was unanimously carried.

2. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 93,000,000 NEW UNITS – ORDINARY RESOLUTION 2

- 2.1 The following motion was duly proposed by Loke Yoon Hoe (unitholder) and seconded by Chew Guat Cheng (unitholder) and was put to vote by show of hands:-

“That the Renounceable Rights Issue of up to 93,000,000 new units to the entitled unitholders be and is hereby approved”.

- 2.2 The Q & A of the above resolution is as per Appendix I attached.
- 2.3 The decision was unanimous. The Chairman declared that the resolution on the Renounceable Rights Issue was unanimously carried.

3. PROPOSED ISSUANCE OF UP TO 853,773 NEW HEKTAR REIT UNITS TO THE MANAGER AMOUNTING TO RM905,000 AS PART OF THE ACQUISITION FEE DUE TO THE MANAGER - ORDINARY RESOLUTION 3

- 3.1 As Dato' Jaafar and Frasers Centrepoint Limited are deemed to be interested in the Proposed Issuance to the Manager, they have undertaken to ensure that they and persons connected to them shall abstain from voting in respect of their direct and/or indirect unitholdings on the resolution pertaining to the Proposed Issuance to the Manager at this EGM.
- 3.2 The following motion was duly proposed by Sze Kok Sing (unitholder) and seconded by Lim Guat See (proxy holder) and was put to vote by show of hands:-

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS IN RELATION TO THE PROPOSALS PASSED AT THE MEETING HELD ON 5 JULY 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST
Minutes of the Extraordinary General Meeting held on 5 July 2012

"That the issuance of up to 853,773 new Hektar REIT units to the Manager amounting to RM905,000 as part of the acquisition fee due to the Manager be and is hereby approved".

- 3.3 The decision was unanimous. The Chairman declared that the resolution on the issuance of up to 853,773 new Hektar REIT units to the Manager amounting to RM905,000 as part of the acquisition fee due to the Manager was unanimously carried.

4. PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT OF 320,001,000 UNITS TO UP TO 413,854,773 UNITS – ORDINARY RESOLUTION 4

- 4.1 The following motion was duly proposed by Koay Chew Bin (unitholder) and seconded by Loke Yoon Hoe (unitholder) and was put to vote by show of hands:-

"That the increase in the existing approved fund size of Hektar REIT of 320,001,000 units to up to 413,854,773 units be and is hereby approved".

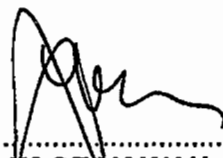
- 4.2 The decision was unanimous. The Chairman declared that the resolution on the increase in the existing approved fund size of Hektar REIT of 320,001,000 units to up to 413,854,773 units was unanimously carried.

We hereby certify that the above to be a true extract of the Minutes of the Unitholders' Meeting.

Chairman


:
DATO' JAAFAR BIN ABDUL HAMID

Secretary


:
LIM SECK WAH
MAICSA NO. 0799845

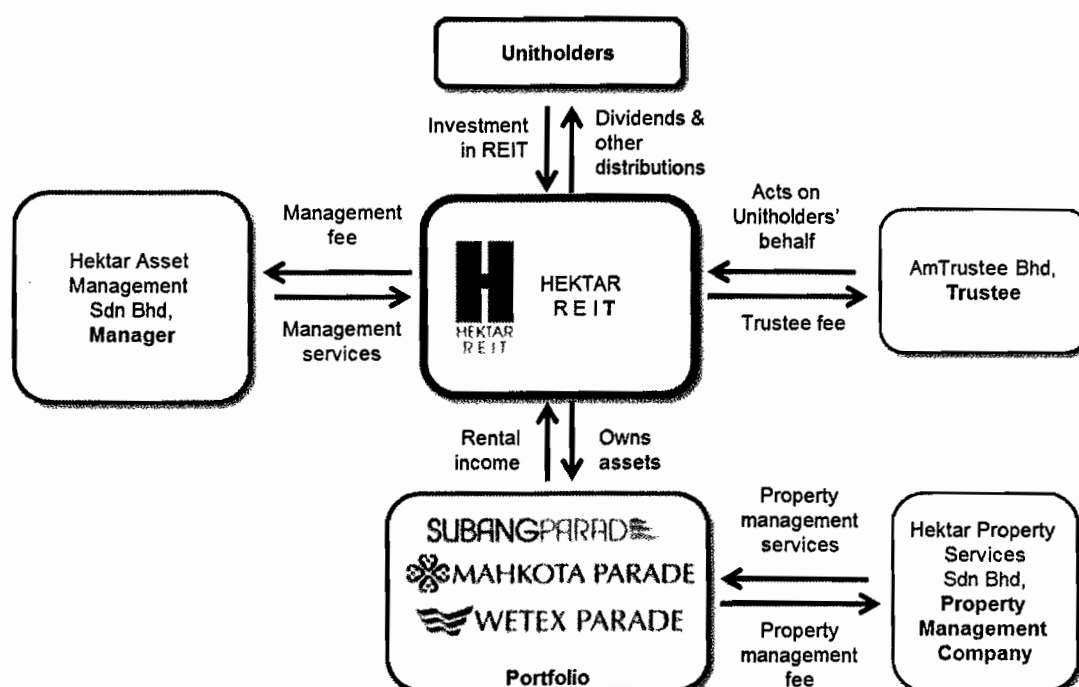
INFORMATION ON HEKTAR REIT

1. HISTORY AND PRINCIPAL ACTIVITIES

Hektar REIT was listed on the Main Market of the Bursa Malaysia Securities Berhad on the 4th December 2006. Subang Parade and Mahkota Parade were acquired in December 2006 in conjunction with the listing exercise, and Wetex Parade was later acquired in May 2008.

Hektar REIT is managed by HAMSMB, and AmTrustee Berhad, as its trustee.

For the FYE 31 December 2011, the REIT paid a gross dividend of 10.5 sen per unit, being at least 90% of its distributable income. In the previous year, the REIT distributed dividends of 10.3 sen per unit being 90% of its distributable income as well.



INFORMATION ON HEKTAR REIT (CONT'D)

2. INVESTMENT OBJECTIVE, OVERALL STRATEGIES AND PERMITTED INVESTMENTS AND INVESTMENT LIMITS
2.1 Investment objective

The Manager's principal investment objective is to invest in income-producing real estate in Malaysia, which is primarily used for retail purposes. The Manager also strives to provide Unitholders with a secure income distribution and to enhance the long-term value of the REIT.

Should there be any material changes to the primary investment objectives of the REIT, the prior approval of the Unitholders is required by way of a resolution of not less than two-thirds (2/3) of all Unitholders, given (or such other majority as may be required under the REIT Guidelines) at a meeting duly convened and held.

2.2 Overall strategies

The Manager aims to achieve Hektar REIT's primary objectives which are to invest in real estate assets predominantly involved in retail and/or shopping centres, to provide Unitholders with a secure income distribution and to enhance the long-term value of the REIT's property portfolio. The Manager's three key strategies to achieve Hektar REIT's investment objectives are as below:

- (i) Portfolio strategy;
- (ii) Investment strategy; and
- (iii) Capital management strategy.

2.2.1 Portfolio strategy

Portfolio strategy or operating strategy, involves the optimisation of the financial performance on the Subject Properties to achieve optimal returns through the combination of increasing gross revenue and minimising operating expenses to generate organic or internal growth. The Manager has developed a framework known as the 'Hektar Retail Management System', which is benchmarked against international best practices and covers the activities as described below:

- (a) **Consumer-focused tenant mix:** The Manager ensures the relevance of Hektar REIT Properties tenant mix and amenities to its respective customer base by periodically performing studies of the consumers within the surrounding trade area. The Manager also periodically studies and analyses the traffic footfall report, competition review of competing shopping centres and third-party market research on consumer trends as they pertain to the Hektar REIT Properties market position. In turn, these studies and their various analyses allow the Manager to review the respective Hektar REIT Properties tenant, trade sector, and diversity mix.
- (b) **Active leasing:** The Manager continuously aims to maximise occupancy, minimise vacancy allowance, mitigate rent arrears risk and maintain occupancy rental rate growth by employing a leasing review system designed to assist management decision-making in leasing activities. The leasing review involves analysis of the tenants' credit-worthiness, business plan, projections review, concept and layout review, occupancy costs, history of turnover performance and so forth. As per typical practices in Malaysia, tenancy rates are fixed in advance for the tenure of the tenancy term, with the typical term extending to three (3) years. The Manager ensures that rent reviews and negotiations are opened prior to the expiry of the lease, or typically within six (6) months of tenancy expiry.
- (c) **Leasing provisions – step-up and turnover rent:** The Manager uses step-up provisions, which include a negotiated fixed quantum base rent increase at specified

INFORMATION ON HEKTAR REIT (CONT'D)

periods over the tenancy term, usually every year. This ensures that the tenant pays an increasing rent over the term of the tenancy agreement and overall, provides the Subject Properties with gradual increases in rental income. In addition, the Manager uses a turnover rent provision in the tenancy agreement in addition to the base rent. The turnover rent is typically fixing a percentage of a tenant's monthly or periodic sales turnover, usually with a specified sales threshold, also known as the break-even point and requires that the tenant provide monthly turnover sales reports. Turnover rent reporting is an effective real-time management tool in gauging tenant performance, market conditions and future rent reviews. The competitive advantage of turnover rent is that successful implementation allows us the opportunity of increasing rental income without increasing base rental rates.

- (d) **Tenant coordination services:** The Manager recognises tenants as partners and considers strong tenant relationships as a key attribute towards building a successful shopping centre in the long term. The Manager has practised a set of tenant coordination strategies designed to promote tenants' interests over the long term. These tenant support services include but are not necessarily limited to training, education on service standards and finance. From time to time, the Manager offers consultation and advice to tenants to improve their performance or adopt mutually-beneficial promotions and marketing campaigns which may tie in with the tenant's offerings.
- (e) **Retailer relationships** The Manager recognises that refreshing the tenant mix is an important element in maintaining the consumer relevancy over time. The Manager will continue to establish relationships with over six hundred (600) national and international retailers and will constantly look for retailers, nationally and worldwide, with innovative and different retailing concepts. In addition, the Manager maintains an open door policy to third parties and franchise agents to collaborate on new retailing concepts.
- (f) **Asset enhancement:** The Manager has continuously looked into improving the Hektar REIT Properties and actively assesses opportunities for asset enhancement which may range from rehabilitation to refurbishment (modernisation or reconfiguration to original plan). Typical asset enhancement projects include the creation of additional or new rental space from common areas, the reconfiguration of large low-yielding lots and spaces into smaller, higher yielding lots or the refurbishment of lot space to provide for desired amenities. Asset enhancement also includes tenant relocation to facilitate improvements in customer traffic distribution throughout the property or sector re-zoning to increase the trade segment appeal.
- (g) **Marketing:** The Manager carries out marketing campaigns to improve Hektar REIT Properties' profile, brand, customer traffic and tenant turnover. The Manager has developed customised marketing plans for each of the Hektar REIT Properties to reflect the respective Subject Properties' trade area, tenant mix and specific market characteristics. These marketing plans may include promotional activities such as product exhibitions, prize competitions, live entertainment, community events, charitable campaigns and special events.

INFORMATION ON HEKTAR REIT (CONT'D)

2.2.2 Investment strategy

The Manager's investment strategy is to study the external investment opportunities with the potential to generate overall growth prospects or improvements of the long-term value of the REIT.

- (a) **Acquisition:** The Manager will actively study acquisition opportunities for shopping centres and properties designed primarily for retail purposes. The Manager seeks to acquire assets, which provide for yield accretion potential and for increasing the overall growth prospects of the REIT. The preferred holding period for investment properties is for the long term. The process of acquiring acquisition candidates would include but not be limited to, the identification of value-creation opportunities for the target property (potential asset enhancement), the analysis of forecast financials, the overall risk assessment and the impact analysis on the existing portfolio. The criteria for acquisitions candidates would include, but not limited to:
- (i) Location characteristics and catchment potential;
 - (ii) Prospective net yield with the potential to exceed the REIT's weighted average cost of capital;
 - (iii) The facilities' condition and their specifications with respect to building and zoning codes as well as their value to replacement cost;
 - (iv) Occupancy and average rental rates relative to prevailing market conditions;
 - (v) Redevelopment potential and unutilised plot ratio;
 - (vi) Synergistic potential to the existing portfolio;
 - (vii) Quality real estates, which are temporarily below, market value, which will result in NAV improvements within the medium to long-term periods.
- (b) **Divestments:** The Manager intends to hold the Hektar REIT Properties and the Subject Properties for the long-term. From time to time, the Manager may contemplate divestment of an asset of property if it is decided that a property has matured to a stage where growth prospects are limited and will consider a sale if the then present market condition are conducive. In the event of a divestment, the Manager may use the portion of the proceeds to invest in new real estate or other acquisition with better yield and growth potential. The remaining portion of the proceeds attributable to the capital gains due to the disposal may be distributed to the Unitholders.

2.2.3 Capital management strategy

The Manager's capital management strategy is to provide funding for the REIT's operations and investment under an optimal structure and cost of capital.

- (a) **Debt Gearing and Structure:** The Manager aims to create a debt structure which provides flexibility for the REIT in terms of funding operations, acquisitions, future capital expenditures and other liquidity requirements. The Manager will strive to structure the debt at the best prevailing rates and optimise on the security collateral, restrictive covenants and conditions.
- (b) **Risk Management:** The Manager adopts a proactive risk management review system to monitor market conditions and manage risks associated with changes of interest rates and other economic factors over the short to long term. The review tracks variable and total debt exposure of the REIT and monitors its respective variable and fixed debt exposure with respect to market conditions and its relative cost competitiveness.

INFORMATION ON HEKTAR REIT (CONT'D)

2.3 Permitted Investments and Investment Limits

Under the Deed and subject to the provisions of the REIT Guidelines, Hektar REIT is allowed to invest in any of the following:

- (a) Real estate;
- (b) Single-purpose companies being unlisted companies whose principal assets comprise real estate;
- (c) Real estate-related assets which include units of other real estate investment trusts, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies and mortgage backed securities;
- (d) Liquid assets which includes cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits, or any other instrument capable of being converted into cash within seven (7) days as approved by the Trustee;
- (e) Non-real estate-related assets being listed shares issued by non-property companies;
- (f) Asset-backed securities; and
- (g) Any other investment not covered by items (a) to (f) above but specified as a permissible investment in the REIT Guidelines or as otherwise permitted by the SC.

Hektar REIT invests primarily in retail properties and will continue to look for opportunities in these types of properties.

In the event Hektar REIT diversifies its investment portfolio to other authorised investments (other than real estate assets), the basis of valuation of such investment shall be carried out in accordance with the provisions of the Deed and the REIT Guidelines.

As prescribed by the REIT Guidelines, Hektar REIT's investments are limited to the following:

- (a) At least 50% of Hektar REIT's total asset value must be invested in real estate and/or single-purpose companies at all times; and
- (b) Hektar REIT's investment in non-real estate-related assets and/or cash, deposit and money market instruments must not exceed 25% of Hektar REIT's total asset value,

provided that investments in both real estate-related assets and non-real estate-related assets are limited as follows:

- (a) The value of Hektar REIT's investments in securities issued by any single issuer must not exceed 5% of Hektar REIT's total asset value;
- (b) The value of Hektar REIT's investment in securities issued by any group of companies must not exceed 10% of Hektar REIT's total asset value;
- (c) Hektar REIT's investment in any class of securities must not exceed 10% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the REIT Guidelines or the Deed.

INFORMATION ON HEKTAR REIT (CONT'D)

2.4 Investor Profile

Investment in real estate investment trusts is generally less risky than direct investments in real estate, investment in shares and investments in financial derivatives. Investments in REITs are generally riskier than investments in bonds of fixed deposits. REITs may appeal to a conservative to moderate investor with a long-term investment horizon who seeks regular distribution of income and long-term capital growth.

3. DISTRIBUTION POLICY AND GEARING LIMIT**3.1 Distribution policy**

The distribution policy of Hektar REIT states that Hektar REIT's distributions will be made on at least a semi-annual basis or such other intervals as the Manager shall determine.

The Manager intends to distribute at least 90% of the distributable income for each financial year.

3.2 Gearing limit

In accordance with the Deed and the REIT Guidelines, the total borrowings of Hektar REIT shall not exceed 50% of the total asset value of the REIT (or such other level permitted under the REIT Guidelines from time to time) at the time of borrowing are incurred. However, Hektar REIT's total borrowings may exceed this limit with the prior approval of the Unitholders by way of an ordinary resolution.

INFORMATION ON HEKTAR REIT (CONT'D)

4. BRIEF INFORMATION ON THE PROPERTIES OF HEKTAR REIT AND THE REVALUATION POLICY

As at the LPD, Hektar REIT has three (3) properties in its current investment portfolio as set out in the table below:-

	Subang Parade	Mahkota Parade	Wetex Parade
Location	Subang Jaya	Bandar Melaka	Muar
Title	Freehold	Leasehold (2101)	Freehold
Type of building	Retail mall	Retail mall	Retail mall
Primary Trade Area**	833,538 (within 15 minutes' drive)	350,000 (within 15 minutes' drive)	154,000 (10 kilometres radius)
Year opened	1988	1994	1996
Year acquired	December 2006	December 2006	May 2008
Net lettable area (sq. ft.)	494,541	461,067	155,921
No. of car park	1,250	1,079	178
Occupancy*	99.9%	94.5%	98.6%
Year refurbished	2006-7, 2011	2009-10	2010-11
Visitor traffic FYE 2011 (million visitors)	8.0	8.2	5.9
Gross revenue FYE 2011 (RM million)	44.4	37.1	12.2
Outgoings (RM million)	16.2	15.6	4.8
Net Property Income (NP I) (RM million)	28.2	21.5	7.4
Acquisition cost (RM million)	280.0	232.0	117.5
Market value (RM million)*	385.0	307.0	130.0
Net book value (RM million)*	385.0	307.0	130.0

INFORMATION ON HEKTAR REIT (CONT'D)

	Subang Parade	Mahkota Parade	Wetex Parade
Revaluation surplus/deficit as compared to the previous valuation (RM million)	18.6	22.1	7.0
Date of valuation/revaluation	20 December 2011	20 December 2011	20 December 2011
Encumbrances	1 st , 2 nd , 3 rd & 4 th Legal Charges registered in favour of Maybank Islamic Berhad	1 st Legal Charge registered in favour of Maybank Islamic Berhad and 2 nd Legal Charge registered in favour of Malayan Banking Berhad	(i) 1 st and 2 nd Legal Charge registered in favour of Maybank Islamic Berhad (ii) Lease registered in favour of Wetex Realty Sdn Bhd
Restriction in interest	Nil	The land cannot be transferred or leased unless with the consent of the State Authority	The land proprietor is not permitted to sell the parcel units which are to be built on this land unless the building has been built in accordance with the plan approved by the local authorities. In the event the subsidiary titles have been subdivided and transferred to a Bumiputera, the said title cannot subsequently be sold, leased charged or transferred in any manner to a non-Bumiputera without the consent from the State Authority The subdivided subsidiary title cannot be sold or transferred in any manner to a non-citizen without the consent from the State Authority.

Notes:

* Annual Report FYE 31 December 2011

** Malaysia Census, MIRP (Independent Research)(2007-08)

Revaluation Policy

Hektar REIT Properties are revalued annually pursuant to Financial Reporting Standard 140 and once every three (3) years from the last valuation date pursuant to Clause 10.03 of the REIT Guidelines. The Manager has yet to decide on the exact date for the next full revaluation for the Hektar REIT Properties, but in any event, such valuation may be carried out before the end of FYE 31 December 2012 in accordance with Hektar REIT's revaluation policy.

INFORMATION ON HEKTAR REIT (CONT'D)

5. APPROVED FUND SIZE AND MOVEMENTS IN TOTAL UNITS IN CIRCUCLATION

The details of the approved size of fund and issued Units in circulation as at the LPD are as follows:

	No. of Units
Total Units in circulation	320,001,000
Approved fund size	400,634,117

There has been no change in Hektar REIT's total Units in circulation since its listing up to the LPD. The total Units in circulation will be increased to 400,634,117 Units upon allotment and issuance of Rights Units and Manager's Units.

6. SUBSTANTIAL UNITHOLDERS

Based on the Record of Depositors of Hektar REIT as at LPD, the proforma effects of the Rights Issue on the Substantial Unitholders' unitholdings are illustrated in Section 7.2 in the Rights Issue Prospectus.

7. PROFIT AND DIVIDEND RECORD

The following table summarises the audited results of Hektar REIT for the FYE 31 December 2009, 31 December 2010 and 31 December 2011 and the unaudited financial statements of Hektar REIT for the six (6)-month financial period ended ("FPE") 30 June 2012.

Statement of Comprehensive Income (All in RM million)	Audited 31.12.09	Audited 31.12.10	Audited 31.12.11	Unaudited 6-month FPE 30.06.12
Gross Revenue	87.71	90.87	94.88	48.76
Property expenses	(34.69)	(35.53)	(36.58)	(19.10)
Net Property Income	53.02	55.34	58.30	29.66
Interest income	0.12	0.16	0.16	0.08
Reversal of impairment loss on trade receivables	-	-	0.08	-
Fair value adjustment on investment properties	0.41	1.01	47.74	-
Other income	0.02	0.02	0.01	0.12
Total Income	53.57	56.53	106.29	29.86
Trust Expenses	(4.49)	(7.20)	(6.87)	(3.75)
Interest expenses	(11.94)	(10.15)	(12.77)	(7.11)
Total Expenses	(16.43)	(17.35)	(19.64)	(10.86)
Net income before taxation	37.14	39.18	86.65	19.00
Taxation	-	-	-	-
Net income for the year/period	37.14	39.18	86.65	19.00
Net income for the year/period is made up as follows:				
Realised	36.74	38.17	38.91	19.00
Unrealised	0.41	1.01	47.74	-
EPU (RM sen)	11.61	12.24	27.08	5.94
DPU (RM sen) - Declared	10.30	10.30	10.50	5.20
No. of Units in circulation (million)	320.00	320.00	320.00	320.00
NAV (million)	416.20	421.46	475.15	476.24
NAV per Unit (RM)	1.30	1.32	1.48	1.49

INFORMATION ON HEKTAR REIT (CONT'D)

Past performance of Hektar REIT is not an indication of its future performance.

Commentary:

Financial year ended 31 December 2011

For the FYE 31 December 2011 (“**FYE 2011**”), gross revenue reached RM94.9 million, up approximately 4.4% from the previous year, while Net Property Income (“**NPI**”) reached RM58.3 million, also up 5.3% from the preceding FYE 31 December 2010. Net income reached RM86.7 million, significantly higher by 121.2% over FYE 2010 at the back of the RM 47.7 million gains on fair value adjustment on investment properties. Hektar REIT’s realised net income increased by 1.9% to RM 38.9 million in FYE 2011.

In summary, gross revenue was higher whilst costs of operation had remained under control despite the inflationary push in 2011 generated from the pull back of government fuel subsidies. Following these results, the portfolio’s assets were revalued upwards and are now collectively valued at RM822.0 million. As a result, Hektar REIT’s NAV has also increased to RM1.48 per Unit.

Financial year ended 31 December 2010

For the FYE 31 December 2010 (“**FYE 2010**”), revenue reached RM90.9 million, up approximately 3.6% from the previous year, while NPI reached RM55.3 million, also up 4.4% from FYE 2009. Net income reached RM39.2 million, higher by 5.5% over FYE 2009. In terms of EPU, FYE 2010 EPU hit 12.24 sen compared with an EPU of 11.61 sen for FYE 2009. Following these results, the portfolio’s assets were revalued upwards and are valued at a collective RM752.0 million. As a result, Hektar REIT’s NAV per Unit also increased to RM1.32.

Financial year ended 31 December 2009

For the FYE 31 December 2009 (“**FYE 2009**”), revenue reached RM87.7 million, an increase of 4.3% from FYE 31 December 2008 (“**FYE 2008**”) while NPI reached RM53.0 million, an increase of 0.6% from FYE 2008. Overall, Hektar REIT’s net income reached RM37.1 million, which was 38.6% lower than FYE 2008’s net income of RM60.4 million. This is attributed to the lower unrealised gain of RM0.4 million from fair valuation adjustment of investment properties in FYE 2009 compared to RM24.1 million in FYE 2008. The NAV per Unit of Hektar REIT increased from RM1.29 in FYE 2008 to RM1.30 in FYE 2009.

Unaudited six (6)-month financial period ended 30 June 2012

For the cumulative quarter ended 30 June 2012, Hektar REIT generated total revenue of RM48.97 million comprising rental income of RM48.76 million, interest income of RM85,619 and other income of RM120,087. Revenue of RM48.76 million was higher than the preceding year’s corresponding period by 4.7%, principally due to improvement in rentals and car park income. Property operating expenses of RM19.10 million was higher than the preceding year’s mainly due to higher electricity tariff.

INFORMATION ON HEKTAR REIT (CONT'D)

8. HISTORICAL UNIT PRICES

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

	High RM	Low RM
2011		
August	1.35	1.28
September	1.31	1.22
October	1.31	1.23
November	1.35	1.29
December	1.37	1.29
2012		
January	1.35	1.32
February	1.39	1.34
March	1.38	1.35
April	1.42	1.38
May	1.43	1.37
June	1.42	1.38
July	1.45	1.38
Last transacted market price of the Units on 7 December 2011, being the last trading day prior to the date of announcement of the Proposals		1.37
Last transacted market price of the Units on 15 August 2012, being the LPD		1.49
Last transacted market price of the Units on 28 August 2012, being the day prior to the ex-date		1.46

(Source: Bloomberg)

9. EXECUTIVE COMMITTEE

An Executive Committee is appointed by the Board to, among other things:

- (i) make decisions in relation to investments to be made or expenditure to be incurred by Hektar REIT;
- (ii) make decisions in relation to operations and management of Hektar REIT; and
- (iii) carry out and undertake such other functions as may be determined by the Board by unanimous resolution and to act in accordance with the instructions of the Board.

The executive committee comprises of the following three directors:

Name	Designation	Directorship
Dato' Jaafar bin Abdul Hamid	Chairman	Chairman and Chief Executive Officer
Zalila binti Mohd Toon	Member	Executive Director and Chief Financial Officer
Chew Tuan Chiong	Member	Non-Independent Non-Executive Director

The executive committee ordinarily meets at least once a financial quarter with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. For the year ended 31 December 2011, the executive committee met on

INFORMATION ON HEKTAR REIT (CONT'D)

four (4) occasions, where it deliberated upon and considered a variety of matters including Hektar REIT's financial results and strategic and major investment decisions.

10. POLICIES AND PROCEDURES BY THE MANAGER TO AVOID MONEY LAUNDERING ACTIVITIES

In dealing with tenants, prior to offering or accepting any new prospective tenants for Hektar REIT Properties, the Manager requires the property manager or other property agents ("**Agents**") to obtain from and verify prospective tenants' identity including but not limited to proof of identity, registered address, occupation or nature of business, if applicable. Unless satisfactory information is received, the Manager and its Agents have the discretion to refuse the acceptance of the tenancy from prospective tenants. The Manager and its Agent shall request additional information, if necessary, including the identity of any prospective tenants as may be required to support the verification of information on the prospective tenants. The Manager periodically updates tenant's records and retains the records for the duration that is required.

There is no money laundering policy and/or procedure particularly for the Rights Issue. As the Entitled Unitholders for the Rights Issue are those Unitholders whose names appear in the Record of Depositors of Hektar REIT as at the Entitlement Date, the Manager is guided by the fact that the investors/Unitholders will have to appoint a participating organisation and its remiser to act on his/her behalf. The participating organisations are regulated by Bursa Securities and the SC and are required by the SC to have rigorous Anti-Money Laundering and Anti-Terrorism Financing Act 2001 policy and framework in place.

INFORMATION ON THE MANAGER

1. THE MANAGER

HAMSB was incorporated in Malaysia under the Act on 3 May 2006 as a private limited company under the name of Impiland Sdn Bhd. Its name was later changed to the present name on 2 August 2006. As at the LPD, it has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, out of which 2,000,000 have been issued and fully paid-up. The principal activity of HAMSB is to manage and administer the REIT. HAMSB is 60% owned by Hektar Klasik Sdn Bhd and 40% owned by Frasers Centrepoint Asset Management (Malaysia) Pte. Ltd.

HAMSB is the management company of Hektar REIT since its listing on the Main market of Bursa Securities on 4 December 2006. As at LPD, the Manager has a total of eighteen (18) employees. The profiles of the Directors and the key personnel of HAMSB are set out in Sections 2 and 3 of this Appendix III.

As at the LPD, the Manager only manages one fund, namely, Hektar REIT.

2. THE BOARD OF HAMSB

The principal role of the Board is to ensure that the management and administration of the REIT is managed in a proper and efficient manner for the benefit of the Unitholders. The Board sets strategic direction by making recommendations to the Trustee pertaining to acquisitions, divestments or enhancement of the assets to enhance the performance of the REIT in line with its overall strategy. Further, the Board ensures proper corporate governance is observed at all times in conducting the business as Manager. Board meetings shall be held formally once every quarter of the year and more frequently should circumstances require so.

The particulars of the Directors as at the LPD are as follows:

Name	Profession	Nationality	Age	Address
Dato' Jaafar Bin Abdul Hamid <i>(Chairman and Chief Executive Officer)</i>	Chief Executive Officer	Malaysian	59	71 Lake View Bungalow Saujana Resort Seksyen U2 40150 Shah Alam Selangor
Zalila Binti Mohd Toon <i>(Executive Director and Chief Financial Officer)</i>	Chief Financial Officer	Malaysian	52	No.1 Jalan Putra Bistari 2/1T Putra Heights 47650 Subang Jaya Selangor
Chew Tuan Chiong <i>(Non-Independent Non-Executive Director)</i>	Company Director	Singaporean	55	97 Jalan Dermawan Singapore 669048
Christopher Tang Kok Kai <i>(Non-Independent Non-Executive Director)</i>	Company Director	Singaporean	52	26 Faber Terrace Singapore 129021

INFORMATION ON THE MANAGER (CONT'D)

Shahril bin Kassim (<i>Non-Independent Non-Executive Director</i>)	Company Director	Malaysian	59	No. 16 Jalan SS1/29 Kampung Tunku 47300 Petaling Jaya Selangor
Dato' Syed Md Amin Bin Syed Jan Aljeffri (<i>Independent Non- Executive Director</i>)	Company Director	Malaysian	65	9 Jalan Langgak Tunku Bukit Tunku 50480 Kuala Lumpur
Dato' Robert Lim Git Hooi @ Robert Lim (<i>Independent Non- Executive Director</i>)	Company Director	Malaysian	74	12A Hala Raja Dihilir 30350 Ipoh Perak
Eng Heng Nee Philip (<i>Independent Non- Executive Director</i>)	Company Director	Singaporean	66	53 Jalan Lim Tai See Singapore 268383
Lam Juck Ngai (<i>Alternate Director to Christopher Tang Kok Kai</i>)	Company Director	Malaysian	43	No. 59 Jalan Kemunting Kebun Teh Park 80250 Johor Bahru Johor

Further information on the Directors is set out in the ensuing paragraphs.

Dato' Jaafar bin Abdul Hamid is the Chairman and Chief Executive Officer of HAMSB. Dato' Jaafar is the founder and principal shareholder of the Hektar Group of companies and provides leadership for the overall strategic direction of the group. Previously, he was the Managing Director of United Engineers Malaysia Berhad ("UEM"), a public-listed corporation listed on the Main Board of Bursa Malaysia Securities Berhad. During his tenure at the helm of the UEM group of companies, he was responsible for undertaking numerous privatisation projects including the North-South Expressway (Plus), the Malaysia-Singapore Second Crossing (Linkedua), Integrated Schedule Waste Management (Kualiti Alam) and the National Sports Complex. After his UEM stint, he assumed the chairmanship of an international engineering and construction group, Costain Group PLC until 2000 and was involved in its re-listing exercise on the London Stock Exchange.

Dato' Jaafar holds a Bachelor of Science (Hons) in Engineering Production from the University of Birmingham, United Kingdom. The Kuala Lumpur Malay Chamber of Commerce awarded him with the "Entrepreneur of the Year Award" in 2011 in recognition of his success in entrepreneurship.

Zalila binti Mohd Toon is the Executive Director and Chief Financial Officer of HAMSB. Zalila is responsible for the financial matters of Hektar REIT and the overall financial performance. She was instrumental in listing Hektar REIT. Her current portfolio in Hektar Asset Management includes Strategy, Finance, Legal, Investor Relations and Corporate Affairs. Prior to joining the Hektar Group in 2004, she was with the UEM Group for 23 years, out of which 20 years was with the Cement Industries of Malaysia Berhad. Her primary achievements include spearheading various programmes which include the issuance of private debt securities and the acquisition of Negri Sembilan Cement Industries Sdn Bhd. Subsequently, she was also involved in the reverse take-over exercise of Park May Berhad before leaving for a brief stint in UEM Environment Sdn Bhd, a holding company of Kualiti Alam Sdn Bhd.

Zalila holds a Master of Business Administration (Finance) from the University of Nottingham. She is the Honorary Treasurer and a member of the Executive Committee of the Malaysian REIT Managers Association

INFORMATION ON THE MANAGER (CONT'D)

Dr. Chew Tuan Chiong is the Non-Independent Non-Executive Director of HAMSMB. He is the Chief Executive Officer of Frasers Centrepoint Asset Management, the manager of Frasers Centrepoint Trust. Previously, Dr Chew was the Chief Executive of Science Centre Singapore, a government statutory board, from 1995 to 2009. He has also been an Associate Professor with the National University of Singapore, and a Research Scientist with Daimler Benz in Germany and British Gas PLC in the UK, and an Adjunct Professor with the Singapore Management University. Dr Chew is a Chartered Engineer and a Fellow of the Institution of Engineers Singapore.

A former government scholar, Dr Chew holds a doctorate from University of Cambridge, an M Eng from the National University of Singapore, and a B Eng (1st Class Hons) from Monash University. Dr Chew has been awarded the Sugden Award by the Combustion Institute (UK) and the Public Administration Medal (Silver) (Singapore).

Christopher Tang Kok Kai is the Non-Independent Non-Executive Director for HAMSMB. He is the Chief Executive Officer of Frasers Centrepoint Commercial, the FCL division which is responsible for commercial property investment, development and management, fund and asset management. He is concurrently the Chief Executive Officer of Greater China, overseeing FCL's property interests in China. Mr Tang has over 20 years of experience in asset management, investment management, marketing and operations in the real estate and manufacturing industries. Prior to joining the Fraser & Neave Group in 2001, he held senior positions with DBS Bank, DBS Land and British Petroleum. He is presently a director of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust and Frasers Centrepoint Asset Management (Commercial) Ltd, the manager of Frasers Commercial Trust. Mr Tang holds a Masters in Business Administration and a Bachelor of Science Degree from the National University of Singapore.

Shahril bin Kassim is the Non-Independent Non-Executive Director. He holds a degree in Electronics Engineering from Salford University, United Kingdom. He has had over twenty (20) years of experience with IBM Malaysia and Mesiniaga Berhad in various capacities such as sales, marketing, management, and executive education for the government sector. During the course of his career, he has also been involved in organising, designing and facilitating executive strategy development for organisations to align their business strategy with Information and Communication Technology (ICT). He left IBM in 1999 and was a consultant to HeiTech Padu Berhad, a local ICT solutions provider until 2003.

Dato' Syed Md Amin bin Syed Jan Aljeffri is the Independent Non-Executive Director of HAMSMB. Dato' Syed's extensive work experience includes stints with Esso in Malaysia and the United States of America, Touche Ross Canada and his own public accounting and consulting practices, AljeffriDean. He also sits on the board of LBI Capital Berhad, Golden Horse Palace Berhad, RAM Holdings Berhad, Asas Serba Sdn Bhd and several other private limited companies.

He is an Economics graduate from the University of Malaya, a Chartered Accountant with the Malaysian Institute of Accountants and the Canadian Institute of Chartered Accountants, a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore, a Fellow Certified Practising Accountant with Certified Practising Accountant Australia, a Fellow Chartered Certified Accountants with the Association of Chartered Certified Accountants UK, a Certified Financial Planner with the Financial Planning Association of Malaysia and a Fellow of the Malaysian Institute of Taxation. He is a member of the Board of the Islamic Science University of Malaysia, owned by the Malaysian Government. He is currently the President of the Kuala Lumpur Malay Chamber of Commerce and Secretary General of the ASEAN Business Advisory Council. He is also a Council Member of the Malaysia-China Business Council and the East Asia Business Council. He is the Malaysian Honorary Council for the Federal Democratic Republic of Ethiopia. He was formerly the Secretary General of the ASEAN Chamber of Commerce and Industry.

Dato' Lim Git Hooi @ Robert Lim is the Independent Non-Executive Director of HAMSMB. Dato' Lim was previously a partner in Ernst & Young and is also an Independent Non-Executive

INFORMATION ON THE MANAGER (CONT'D)

Director of Gopeng Berhad and YNH Property Berhad, all of which are listed on Bursa Malaysia Securities Berhad. He also holds directorship in several other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Philip Eng Heng Nee is the Independent Non-Executive Director of HAMSMB. He was appointed Independent Chairman of Frasers Centrepoint Asset Management Ltd in April 2009 and has been a Board member since April 2006. He is Non-Executive Chairman of mDR Limited and Executive Deputy Chairman of Hup Soon Global Corporation Limited. He is Director of several local and regional companies. Philip is also Singapore's Non-Resident Ambassador to Greece and High Commissioner to Cyprus. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

Philip graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

Lam Juck Ngai is the Alternate Director to Christopher Tang. He is currently General Manager (Investment & Business Development) in the commercial properties division of Frasers Centrepoint Limited. Up to July 2011, he was the Deputy Chief Executive Officer and Head, Investment of Frasers Centrepoint Asset Management Ltd, which manages Frasers Centrepoint Trust listed in Singapore. Juck Ngai has over 18 years of experience in the Singapore and regional property markets, spanning a variety of roles in investment, asset management, advisory and research. He has also been involved in REIT management since the industry's inception in Singapore in 2002.

Juck Ngai holds a Master of Business Administration in Finance (with Distinction) from the University of Leeds, UK, and a Bachelor Degree in Engineering (Civil) from the National University of Singapore.

3. KEY PERSONNEL OF HAMSMB

The particulars of the key personnel of HAMSMB are as follows:

Raziff Suhairi bin Shaaban is responsible for the finances of Hektar REIT and provides support in areas of accounting, taxation, corporate finance and treasury. He joined Hektar in 2005 and was extensively involved in the REIT IPO listing. Previously he served in Renong Berhad (now United Engineers Malaysia Berhad) for 5 years from 1997, mainly handling the privatisation exercise of Keretapi Tanah Melayu Berhad. Subsequent to that, he served in Park May Berhad for 2 years as the Manager of Group Finance and Corporate Affairs. In addition to his role in operational finance, he was also involved in various corporate asset divestment programmes as well as the reverse take-over exercise of a public-listed company. In 2004, he joined TIME Engineering Berhad (TIME) as the Manager of Corporate Finance. He was involved in the issuance of the world's first RM2.5 billion Sukuk Musyarakah Asset-Backed Securities Programme. He also initiated the refinancing exercise of TIME's RM550 million term loan, as well as overseeing RM400 million worth of trade finance activities with regard to TIME's project with the Ministry of Education.

Raziff holds a Bachelor of Commerce (Accounting and Finance) degree from the University of Queensland, Australia. Raziff also holds a Certificate of Investor Relations from the IR Society (UK).

Zarina Halim has been with the Hektar Group of Companies since 2002 and was part of the management team responsible for the listing of Hektar REIT on Bursa Malaysia in December 2006. She is responsible for corporate affairs, of which legal and secretarial make up the main areas and includes regulatory compliance. She was formerly with the United Engineers Malaysia Berhad ("UEM") Group of Companies for 9 years where during the first few years in UEM, she was involved in project management at Faber Hotels Holdings which culminated in the conversion of a series of Faber owned properties under the "Merlin" brand name to

INFORMATION ON THE MANAGER (CONT'D)

"Sheraton". She was Head of Corporate Affairs and Business Development in Prolink Development Sdn Bhd, the UEM Group's subsidiary responsible for the development of Malaysia's Singapore Second Crossing (MSSC) township, Bandar Nusajaya. Her notable experience at Prolink included the implementation of corporate land sales to the value of over RM1 billion and the successful restructuring of Prolink's debt obligations under Danaharta. She then moved on to head the Business Development unit at OptixLab Sdn Bhd which was mainly responsible for the sourcing and implementation of information and communications technology related investments as well as the company's strategic marketing initiatives.

Zarina holds two Honours degrees in separate disciplines. She graduated from the University of Manchester, United Kingdom with a Bachelor's degree in Accounting and Finance and also holds a Bachelor of Laws degree from the University of London.

Nubly Zainuham bin Ambotang is responsible for Hektar REIT's strategic planning, investor relations, business development, research and analysis. He joined Hektar REIT in 2011. Nubly was formerly with UEM Group for 5 years where during his stint there he was involved in the formation of UEM Group's new International Business Division which was set up with the prime objective of exploring and securing new business opportunities for the Group in the Middle East and North Africa region. Prior to this he was with Cement Industries of Malaysia Berhad ("CIMA") heading the Corporate Affairs department managing CIMA's investor relation, corporate finance, corporate communication and business development activities.

Nubly graduated with a Bachelor's Degree in Accounting from the University of Hull, UK and also holds a post graduate qualification of Master of Professional Accounting from the University of Queensland, Australia.

Martin Chen provides support in the areas of legal and secretarial compliance in relation to the portfolio of Hektar REIT. He was formerly in legal practice as a legal associate with the firms Jeyaratnam & Chong and subsequently Zul Rafique & Partners. While in legal practice, he was responsible for handling and providing advice in property development, sale & purchase, tenancy and lease transactions involving various types of property products (including residential, commercial and agricultural properties) in Malaysia. He also handled consumer and corporate banking documentation work from a wide array of banks and financial institutions in Malaysia and provided advisory services to property developers in relation to property development projects within the Klang Valley.

Martin graduated from the University of Sheffield, United Kingdom with a Bachelor of Laws (LLB) degree and holds a Certificate in Legal Practice (CLP) from the Legal Qualifying Board, Malaysia. He was called to the Malaysian Bar as an advocate and solicitor in November 2002. Martin is currently a member of the Malaysian Corporate Counsel Association.

4. DUTIES AND RESPONSIBILITIES OF THE MANAGER

HAMSB has general powers to manage the assets of Hektar REIT. HAMSB's main responsibility is to manage the assets of Hektar REIT in accordance with HAMSB's stated investment strategy for the benefit of the Unitholders. In particular, HAMSB is responsible for the day-to-day management of the assets held by Hektar REIT and shall at HAMSB's discretion make recommendations to the Trustee on the management and operation of the assets and the annual budget.

HAMSB is subject to the provisions of the Deed to carry out all activities as may be deemed necessary for the management of the REIT and its business.

HAMSB is functionally independent of the Trustee and possesses the skills and resources to discharge its functions in relation to Hektar REIT effectively and responsibly.

HAMSB's general functions, duties and responsibilities include, but are not limited to the following:-

INFORMATION ON THE MANAGER (CONT'D)

- (i) To determine the investment policies of the REIT;
- (ii) To formulate the strategic direction of the REIT;
- (iii) To develop business plans for investment in the short, medium and long-term and the budgets of the REIT;
- (iv) To determine optimal and efficient capital structure to fund the investment, management and operations of the REIT;
- (v) To formulate the REIT's risk management policies;
- (vi) To recommend acquisition, divestment or asset management of the assets of the REIT to the Trustee;
- (vii) To devise the leasing strategies, managing tenants and devising asset management strategies of the real estate assets and other assets of the REIT;
- (viii) To maintain communication and public relations with investors and Unitholders of the REIT as well as relevant authorities;
- (ix) To manage Hektar REIT's assets and liabilities for the benefit of Unitholders;
- (x) To carry out the activities in relation to the assets of Hektar REIT in accordance with the provisions of the Deed;
- (xi) To issue an annual report of Hektar REIT; and
- (xii) To ensure that Hektar REIT is managed within the ambit of the Deed, the Listing Requirements, the REIT Guidelines, the CMSA and other applicable laws at all times.

5. FINANCIAL POSITION

The table below sets out a summary of HAMS B's audited financial performance for the past three (3) FYE 31 December 2009, 2010 and 2011:-

FYE 31 December	2009	2010	2011
	RM'000	RM'000	RM'000
Issued and paid-up capital	2,000	2,000	2,000
Shareholders' funds	1,035	1,236	1,465
Turnover	3,851	5,528	5,761
Profit/(Loss) before tax	(959)	226	347
Profit/(Loss) after tax	(965)	201	229

INFORMATION ON THE MANAGER (CONT'D)

6. MANAGER'S FEE

Pursuant to the Deed, the Manager's annual fees consist of the following:-

- (i) **Base fee:** Up to 1.0% per annum of the Gross Asset Value ("GAV") of the Trust, payable monthly in arrears

For the financial year ended 31 December 2011 and ending 31 December 2012, the base fee shall be 0.35% per annum of the GAV of the Trust.

- (ii) **Performance fee:** Up to 5.0% per annum of the Net Property Income ("NPI"), before deducting the property management fee, payable monthly in arrears.

For the financial year ended 31 December 2011 and ending 31 December 2012, the performance fee shall be 5.0% per annum of the NPI, before deducting the property management fee.

7. ISSUANCE TO THE MANAGER

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

- (i) RM905,000 to be paid in cash by the Trustee to the Manager from the proceeds of the Rights Issue; and
- (ii) The balance of RM905,000 to be paid by way of Manager's Units.

The final number of Manager's Units is determined as follows:

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

Clause 15.1.2 of the Deed states the following:

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

However, Clause 4.15.1 of the Deed states the following:

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

In this respect, the said Clause 4.15.1 may be modified by the Trustee and the Manager if the Trustee and Manager undertake, pursuant to Clause 22.2.1 of the Deed, the following:

- (a) Certification to the SC

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

INFORMATION ON THE MANAGER (CONT'D)

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

In this regard, the Manager and the Trustee has amended the Deed by way of a Supplemental Deed to incorporate the following to allow for the Issuance to the Manager:

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

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

Basis of the issue price of the Manager's Units

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

The issue price of the Manager's Units will be priced at RM 1.43 and the final number of Manager's Units is 632,867.

Status and ranking of the Manager's Units

The Manager's Units shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up units, save and except that the Manager shall not exercise the voting rights with respect to the Manager's Units in any Unitholders' meeting as per Clause 4.15.2 of the Deed and that they will not be entitled to participate in any distributable income, rights, allotments and/or any other distributions that may be declared prior to the date of allotment of the Manager's Units.

8. EXISTING AND/OR POTENTIAL RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

There is no existing or potential related-party transactions and/or conflict of interest situations or other subsisting contracts of arrangements, involving Hektar REIT, the Manager and/or persons connected to them as at the LPD.

The Landmark Central Property and Central Square Property will be purchased from SASB and ALSB respectively, pursuant to the SPAs. The Board is not aware of any related party transactions or conflict of interest situation in relation to the Acquisitions.

9. INTEREST OF THE DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER AND MAJOR UNITHOLDERS IN THE PROPOSALS

Dato' Jaafar bin Abdul Hamid ("**Dato' Jaafar**") is an indirect major unitholder of the REIT by virtue of his interest in Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd and is also an indirect major shareholder of the Manager through his interest in Hektar Klasik Sdn Bhd which

INFORMATION ON THE MANAGER (CONT'D)

holds 60.0% interest in the Manager. The shares held by Dato' Jaafar in Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Hektar Klasik Sdn Bhd are as follows:

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

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

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

Therefore, the Substantial Unitholders of Hektar REIT have abstained from voting in respect of their direct and/or indirect unitholdings on the resolution pertaining to the Issuance to the Manager, which was tabled at the Meeting.

Save as disclosed above, none of the directors of HAMSMB, Major Shareholders of HAMSMB, major Unitholders of Hektar REIT and persons connected to them have any interest, direct or indirect beyond their respective entitlements as Unitholders of Hektar REIT for the Rights Issue, which is the same as all other Unitholders of Hektar REIT.

10. POLICY IN DEALING WITH CONFLICT OF INTEREST SITUATION

All transactions carried out for or on behalf of Hektar REIT are to be executed on terms that are the best available for the REIT and with terms that are no less favourable than on an arm's length transaction between independent parties.

The Deed provides that:

- (i) The Manager and any of its delegates should avoid conflicts of interest. Should a conflict of interest arises, the Manager ensure that such a transaction would not disadvantage the REIT;
- (ii) Any event or transaction in which a conflict of interest arise or could arise should be adequately disclosed in this Rights Issue Prospectus and/or reports of the REIT;
- (iii) Cash or other liquid assets of Hektar REIT may only be placed in a current or deposit account with any party related to HAMSMB or the Trustee or any of their delegates if the party is a licensed institution or other institution licensed or approved to accept deposits and the terms of the deposit are the best available for the REIT and are no less favourable than an arm's length transaction between independent parties. In this context, "related" refers to a relationship where there is one common director and/ or shareholder in both entities;
- (iv) Except as permitted under the Deed and the relevant laws, HAMSMB may not act as principals in the sale and purchase of real estate, securities and any other assets to and from the REIT. 'Acting in principal' includes a reference to dealing or entering into a transaction on behalf of a person associated with us, acting on behalf of a corporation in which the Manager has a controlling interest in or us acting on behalf of a corporation in

INFORMATION ON THE MANAGER (CONT'D)

which HAMSB's interest and the interests of its directors together constitute a controlling interest;

- (v) HAMSB must not, without the prior approval of the Trustee, invest any monies available for investment under the Deed in any securities, real estate or other assets in which HAMSB or any of its officers have a financial interest or from which HAMSB or any of its officers derives a benefit;
- (vi) HAMSB must not make improper use of its position in managing Hektar REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of the Unitholders;
- (vii) The appointment or renewal of appointment of any delegate who is a related party must be made on terms which are the best available for the REIT and which are no less favourable to the REIT than an arm's length transaction between independent parties and be approved by HAMSB's independent directors;
- (viii) HAMSB or the Trustee or any delegate thereof shall not retain any rebate from, or otherwise share in commission with, any broker/dealer in consideration for directing dealings in assets of the REIT. Accordingly, any such rebates or share commissions shall be directed to the account of the REIT;
- (ix) Notwithstanding point (viii), goods and services ("soft commissions") from any broker may be retained by HAMSB or any delegate thereof, but only if the goods and services are of demonstrable benefit to the Unitholders and:
 - (a) Dealings by the broker/dealer for the REIT are executed on terms which are the best available for the REIT ("best execution basis");
 - (b) HAMSB's or its delegate's intention to, or practice of, retaining soft commissions is adequately disclosed in the Rights Issue Prospectus; and
 - (c) HAMSB's or its delegate's soft commission practices are adequately disclosed in the Prospectus and reports of the REIT and in the case of the latter, shall include a description of the goods and services received.

Presently, the Board consists of three (3) independent members, and shall be maintained at a minimum ratio of at least one-third independent member at all times. For matters in which any Director or persons connected to him/her has an interest, whether directly or indirectly, the aforesaid Director will abstain from voting.

11. POLICY ON REBATES AND SOFT COMMISSIONS

It is HAMSB's policy to channel all rebates or soft commissions arising from direct dealings in the investments of Hektar REIT directly to the REIT's account.

Notwithstanding the above, HAMSB or any of its delegates may retain goods and services ("soft commissions") from any broker, where the soft commissions are of demonstrable benefit to the Unitholders and the dealings are executed on terms which are best available for the REIT.

There are fees involved and investors are advised to consider them before investing in the REIT.

INFORMATION ON THE MANAGER (CONT'D)

12. DELEGATION OF REGISTRAR FUNCTION

HAMSB had on 10 November 2006 entered into an agreement with Mega Corporate Services Sdn Bhd to delegate the function of registrar to Mega Corporate Services Sdn Bhd.

The Registrar was incorporated in Malaysia under the Act on 13 October 1989 as a private limited company under its present name. The present authorised share capital of the Registrar is RM10,000 comprising 10,000 ordinary shares of RM1.00 each. The Registrar is principally involved in the provision of corporate secretarial and share registration services.

The Registrar has twenty-two (22) years of experience in the capital market industry; serving close to fifty (50) clients, listed on Bursa Securities.

The principal services being provided to Hektar REIT by the Registrar shall comprise, inter-alia, the following:-

- (i) Processing and registering of transfer subject to the satisfaction of the requirements of Bursa Securities, cancellation of transferred certificates, preparing, sealing, signing, auditing, and despatching duly registered certificates to transferees or lodging stockbrokers (if applicable);
- (ii) Maintenance of the register and keeping the same updated in compliance with the SC Act and/or any other relevant laws and in accordance with the provisions in the Deed entered into between HAMSB and the Trustee;
- (iii) Attending to relevant correspondences and enquiries from the Unitholders and any other interested parties pertaining to the register which include changes of names and addresses, replacement of lost certificates (if applicable), distribution statements, registration of powers of attorneys, letters of administration, grant of probate, indemnities, court orders, and any other matters ancillary thereto;
- (iv) Preparing, verifying and despatching of distribution statements and reconciling the distribution accounts unless surrendered to the Registrar of Unclaimed Moneys in accordance with the Unclaimed Moneys Act 1965;
- (v) Auditing of all transfer, duly issued certificates (if applicable), cancelled certificates, and distribution statements;
- (vi) Mailing of notices, circulars and annual/interim reports to Unitholders;
- (vii) Liaising with Bursa Depository to facilitate depositing of Units, access to the Record of Depositors, statistics for Unitholders' information and for the purposes of General Meetings or any other corporate actions, in compliance with the Securities Industry (Central Depositories) Act 1991, as amended from time to time;
- (viii) Providing where applicable, information to the Depository on relevant dates for book closure and payment;
- (ix) Providing information for disclosure purposes, which shall include the analysis of Unitholders by size and type and list of thirty (30) largest Unitholders; and
- (x) Providing services for other corporate exercises (bonus/rights issues and distribution payment), which shall include the provision of information on the following:-
 - (a) Successful allotment list (in the case of rights issue); and
 - (b) Successful allotment list.

INFORMATION ON THE MANAGER (CONT'D)

13. DIRECTORS' AND KEY PERSONNEL'S UNITHOLDINGS

As at the LPD, the Directors of the Board, key personnel of HAMSMB and their respective unitholdings in Hektar REIT as well as the proforma effects of the Rights Issue on the directors' unitholdings in Hektar REIT assuming all the Rights Units are fully subscribed by the Entitled Unitholders are as follows:-

Directors and key personnel of HAMSMB	As at the LPD				After Rights Issue				After Issuance to the Manager						
	Direct		Indirect		Direct		Indirect		Direct		Indirect				
	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%			
Dato' Jaafar bin Abdul Hamid	-	-	130,700,700	40.84	(1)	-	-	163,375,875	40.84	(1)	-	-	164,008,742	40.94	(1)
Zaila Binti Mohd Toon	246,000	0.08	-	-	307,500	0.08	-	-	-	-	307,500	0.08	-	-	-
Faziff Suhairi Shaaban	19,000	0.01	-	-	23,750	0.01	-	-	-	-	23,750	0.01	-	-	-
Zarina Halim	50,000	0.02	-	-	62,500	0.02	-	-	-	-	62,500	0.02	-	-	-
Martin Chen Kuok Yeow	5,000	0.00	35,000	0.01	(2)	6,250	0.00	43,750	0.01	(2)	6,250	0.00	43,750	0.01	(2)

Notes:

(1) Deemed interested by virtue of his substantial shareholdings of more than 15.0% in Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and the Manager pursuant to Section 6A of the Act and his wife and son Latifah Binti M Atan and Jazelan Firhan bin Jaafar respectively who collectively own 2,200,700 Units.

(2) Deemed interested by virtue of the unitholdings of his wife, Ng Morn Foon and mother, Chia Mee Lin respectively who collectively own 35,000 Units.

INFORMATION ON THE TRUSTEE

1. BACKGROUND INFORMATION

The Trustee has been appointed to act as the Trustee of Hektar REIT, The Trustee was incorporated on 28 July 1987 under the Act, and is registered as a trust company under the Trust Companies Act, 1949. The Trustee commenced operations on 28 July 1987, and is engaged in the provision of corporate trustee services.

As at LPD, the Trustee has an authorised share capital of RM1,000,000 made up of 100,000 ordinary shares of RM10.00 each. The issued and paid-up share capital is RM500,000 made up of 100,000 ordinary shares of RM5.00 each. This is in accordance with Section 3(c) Trust Companies Act 1949. As at the LPD, the Trustee has staff strength of thirty two (32) experienced personnel comprising twenty seven (27) executives and five (5) non-executives.

2. THE TRUSTEE'S EXPERIENCE IN MANAGING FUNDS

The Trustee has more than fifteen (15) years of experience in handling unit trust matters. As at the LPD, the Trustee has twenty-two (22) unit trust funds and five (5) REITs including Hektar REIT under its trusteeship.

3. BOARD OF DIRECTORS OF THE TRUSTEE

As at the LPD, the board of directors of the Trustee is as follows:

Name	Designation
Pushparani d/o A Moothathamby	Chairman (Non-Independent Director)
En. Shaharuddin Bin Hassan	Director (Non-Independent Director)
Hj Mohamad Sabirin Bin Haji A Rahman	Director (Non-Independent Director)
Datuk Hj Mohd Idris Bin Hj Mohd Isa	Independent Director
Dato' Ng Mann Cheong	Independent Director

4. KEY MANAGEMENT TEAM

The profiles of the key management team of the Trustee are as follows:

Mr Tan Kok Cheeng, Chief Executive Officer of the Trustee

Mr Tan Kok Cheeng has been appointed as the Chief Executive Officer of AmTrustee Berhad with effect from 1 October 2010. Prior to joining AmTrustee Berhad, he served as the Chief Internal Auditor, Internal Audit Department, AmBank Group then elevated as Internal Audit Advisor, AmBank Group. He has been with AmBank for more than 25 years.

Ms Nurizan binti Jalil, Head – Trustee Business

Ms Nurizan joined AmTrustee Berhad in November 2001. She graduated with a LLB (Hons) from the University of Huddersfield, United Kingdom and is a holder of the Certificate of Legal Practice from the Legal Qualifying Board, Malaysia. Prior to joining AmTrustee Berhad, she was with Citibank Berhad. She is currently responsible for the overall legal and compliance affairs of AmTrustee Berhad.

Ms Sharon Khaw Cheng Sim, Senior Manager- Business Development

Ms Sharon Khaw joined AmTrustee Berhad in July 1997 Prior to her appointment at AmTrustee Berhad, she was the Head of Share Margin Trading Unit at United Overseas Bank (M) Bhd and before that, as Operation Assistant Manager at Inter-Pacific Securities Sdn Bhd. She is responsible for the customer relationship management business development and marketing services of AmTrustee Berhad.

INFORMATION ON THE TRUSTEE (CONT'D)

Mr Anderson Ng, Senior Manager – Client Services & Operations

Mr Anderson has been appointed as Manager of AmTrustee Bhd in January 2011. He has been with AmBank Group since 1993 having served as Marketing and Credit Officer in Arab-Malaysian Credit and Arab-Malaysian Finance. He joined Internal Audit of AmBank Group in January 2005 before taking up the current position.

Mr Hafizul Hassan, Manager – Legal

Mr Hafizul Hassan joined AmTrustee Berhad in January 2004. He graduated with a LLB (Hons) from International Islamic University Malaysia. He completed his pupillage with Ms Kadir Andri Aidham & Partners and was successfully admitted to High Court of Malaya as an Advocate & Solicitor on 2003. He was in legal practice prior to joining AmTrustee Berhad. He is currently assisting Ms. Nurizan for the overall legal affairs of AmTrustee Berhad.

Ms Sufiah binti Ahmad, Manager – Compliance

Ms Sufiah joined AmTrustee Berhad in September 2006. She graduated with a LLB (Hons) from National University of Malaysia (UKM). She completed her pupillage with M/s Alan & Co. and was successfully admitted to High Court of Malaya as an Advocate & Solicitor on 2003. She was in legal practice for three years prior to joining AmTrustee Berhad. She has wide range of experience in corporate trust. She is currently assisting Ms Nurizan for the overall compliance of AmTrustee Berhad.

5. FINANCIAL POSITION

The following is a summary of the past performance of the Trustee based on its audited accounts for the past three (3) financial years ended 31 March 2010 to 2012:-

FYE 31 March	2010 RM'000	2011 RM'000	2012 RM'000
Issued and paid-up capital	500	500	500
Shareholders' funds	6,580	8,144	5,438
Turnover	4,995	5,936	6,944
Profit before tax	1,037	1,786	2,110
Profit after tax	848	1,564	1,644

6. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of Hektar REIT's NAV, including the Manager's fees (excluding GST) in accordance with the Deed and payable monthly in arrears. Effective 1 January 2012, the Trustee's fee is 0.08 % per annum of Hektar REIT's NAV, including the Manager's fees.

7. DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

The Trustee's duties and responsibilities are set out in the Deed. The general duties and responsibilities of the Trustee include, but are not limited to, the following:

- (i) the Trustee shall ensure that the REIT has at all times an appointed management company;
- (ii) the Trustee shall exercise all due diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of the Unitholders;
- (iii) the Trustee shall take custody and control, of all the securities, properties and assets of the REIT and hold it in trust for the unit holder in accordance with the provisions of the Act and all applicable securities laws and regulations made thereunder;

INFORMATION ON THE TRUSTEE (CONT'D)

- (iv) the Trustee shall ensure that the management company does not make improper use of its position in managing the REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders of such Fund;
- (v) the Trustee shall keep or cause to be kept proper books of accounts in relation to the investments and properties of the REIT;
- (vi) the Trustee shall ensure that proper records are kept of all transactions, dividends, interest and income received and distributed in respect of the REIT;
- (vii) the Trustee shall cause the accounts referred to in paragraph (v) to be audited at the end of each financial year by an approved company auditor appointed by the Trustee;
- (viii) the Trustee jointly with the management company shall safeguard the interest of the Unitholders; and
- (ix) the Trustee jointly with the management company shall ensure that for the duration of the REIT, there is a registered deed in force at all times.

The Trustee has covenanted in the Deed that it will exercise due diligence and vigilance in carrying out its duties and responsibilities, and in safeguarding the rights and interests of the Unitholders.

8. DELEGATION OF TRUSTEE'S FUNCTION

As at LPD, none of the Trustee's function has been delegated.

INFORMATION ON THE PROPERTY MANAGEMENT COMPANY

1. BACKGROUND INFORMATION

The Manager had on 1 June 2011 appointed Hektar Property Services Sdn Bhd as the Property Management Company. Its office is located at Lot F36, First Floor, Subang Parade Shopping Centre, No. 5, Jalan SS6/1, 47500 Subang Jaya, Selangor.

The Property Management Company is licensed by the Board of Valuers Malaysia and it complies with the requirements of the Valuers, Appraisal, and Estate Agents Act ("VAEA Act 1981") to practice property management, property valuation and real estate agency under the registration number VE (1) 0252. Its authorised share capital is RM100,000 and its issued and paid-up share capital is RM50,000 comprising of 50,000 ordinary share of RM1 each.

The Property Management Company's principal areas of practice include:

- (i) Valuation services;
- (ii) Real estate agency;
- (iii) Property management; and
- (iv) Property consultancy.

The Property Management Company is wholly owned by two registered valuers, Vasantha Kumar Tharmalingam and Puan Khatijah binti Razali who are the shareholders and directors of the Property Management Company. As at LPD, the Property Management Company has a total of a hundred and sixty-nine (169) employees.

2. ROLE AND EXPERIENCE OF THE PROPERTY MANAGEMENT COMPANY

The property management company specialises in the provision of shopping centre management.

The Property Management Company has positioned itself to provide a one-stop solution to facilitate management of properties which includes the following services:-

- (i) Crafting effective leasing strategies to ensure optimal returns to Hektar REIT - this includes, among other things, sourcing for prospective and relevant tenants, planning of tenancy mix, tenant negotiation and execution of tenancy agreements;
- (ii) Provision of promotional and advertising activities to sustain shopper traffic;
- (iii) Timely rental collection for and on behalf of the Trustee, of all monies due for payment in respect of Hektar REIT Properties and the Subject Properties including but not limited to monthly rental from each tenant and deposit into the Trustee's account held; – this includes initiating legal actions for non-payments from tenants;
- (iv) Prepare and plan annual maintenance and upgrading/refurbishment budget of Hektar REIT Properties and the Subject Properties;
- (v) Timely preparation of payments, for and on behalf of the Trustee, to local authorities, utility companies, insurance, contractors and suppliers;
- (vi) Manage and monitor the upgrading, refurbishment, retrofitting and renovation works of Hektar REIT Properties and the Subject Properties;

INFORMATION ON THE PROPERTY MANAGEMENT COMPANY (CONT'D)

- (vii) Manage, supervise, co-ordinate and monitor all the works of the building services contractors to ensure that such works are competently carried out to the expected global standards and best practices;
- (viii) Maintenance and management of the electrical, mechanical, civil and structural systems of the building;
- (ix) Managing the security and safety of the building; and
- (x) Cleaning services.

The directors of the Property Management Company are two of the industry's seasoned property consultants, who together offer a wealth of over fifty (50) years of real estate and property management experiences.

3. PROPERTIES UNDER THE PROPERTY MANAGEMENT COMPANY

The Property Management Company currently manages Subang Parade, Mahkota Parade and Wetex Parade with a total NLA of approximately 1.1 million sq. ft.

The primary objective of property management is to ensure effective planning and implementation of leasing and promotional activities, maintain the pristine condition of the building and its property and thereby improving its capital value over time.

4. DIRECTORS AND KEY PERSONNEL

The profiles of the directors and key personnel of the Property Management Company are as follows:

Vasantha Kumar Tharmalingam is a Director of the Property Management Company. Mr. Kumar is a graduate from the College of Estate Management, London School of Economics with a B.Sc in Real Estate from University of London. He is a Fellow of the Royal Institution of Chartered Surveyors. He is a registered valuer with the Board of Valuers' & Estate Agents Malaysia.

He established the First Malaysian Property Trust (FMPT), a joint venture between the Bank of Commerce and Austwide, Australia in 1987. Subsequently he left in 1990 to establish the MBF Unit Trust. From 1992 to 1998 he was Executive Director of Taiping Consolidated Berhad (TCB) and was part of the team which built the J.W. Marriott Hotel and Starhill Shopping Centre in Kuala Lumpur. He also originated Sentul Raya for the same company, a joint venture with KTM Berhad to develop 270 acres of an inner city brown field project. In 1998 he left TCB and became Chairman of Hall Chadwick Asia Sdn. Bhd. which specializes in the origination of property assets for Pension Funds, Private Equity Funds and Real Estate Investment Trusts (REITs).

Mr. Kumar is the Chairman of the Investment Committee for Aseana Properties Limited, a London AIMs listed Malaysian conglomerate which has property investment, construction and development in Vietnam and Malaysia. Mr. Kumar is also an Investment Committee Member on AmanahRaya REIT and an independent Director on the Board of Sime Darby Property Berhad.

Khatijah Razali is a Director of the Property Management Company. Puan Khatijah, a Registered Valuer and Estate Agent has been attached to the Valuation & Property Services department under the Ministry of Finance spanning over 25 years and serving in various capacities and locations. She began her career as a Valuation Officer and moved her way up to

INFORMATION ON THE PROPERTY MANAGEMENT COMPANY (CONT'D)

her present position, prior to her retirement with the government sector as Director (Privatisation & Investment Sector) of the Valuation and Property Services department.

Prior to her appointment as Director of Hektar Property Services, Puan Khatijah was serving with a private registered valuation company, Fadzilah & Fikri Sdn Bhd.

Tadashi Tanaka is the Chief Executive Officer of the Property Management Company. Tanaka has had over thirty years of experience in management and development of shopping centres. He was attached with the Jusco group for over 28 years and was responsible for the development strategy, market research and cost analysis of shopping centers from 1974 to 1994 in Japan and from 1984 to 1995 in other parts of Asia.

In 1995, he was appointed the Chief Executive Director of Taiwan Jusco Co. He left the Jusco group in 1999 and started his career as a consultant to a Taiwanese company in 2000 and then with the Ministry of Economic Affairs, Republic of China on the development of shopping centers. He was also a frequent speaker at various organizations and universities in Japan and Taiwan and so far has written 4 books on shopping centre development and management.

His vast experience in shopping center development and management comes from countries such as Malaysia, Thailand, Hong Kong, China, Taiwan and particularly Japan. His extensive work experience in shopping centres has gained him many accreditations by developers, professors and the Ministry of Economic Affairs Republic of China in Taiwan.

Tanaka graduated from Takasaki City University of Japan majoring in Economics.

Anthony Dylan is the Chief Operating Officer of the Property Management Company. Anthony Dylan, a Sarawakian, has been with the Hektar group of companies since 2003. Anthony assumed the position of Leasing and Marketing Manager and thereafter, as a Centre Manager for Subang Parade Shopping Centre. In 2008, he was given the responsibility to be the Senior General Manager.

In June 2011, Anthony assumed the position of Chief Operating Officer of Hektar Property Services Sdn Bhd, a property management and consultancy company, tasked with managing Hektar REIT's portfolio of properties. This included Subang Parade, Mahkota Parade and Wetex Parade. Anthony was instrumental in the Asset Enhancement Initiatives for Subang Parade, Mahkota Parade and Wetex Parade. His efforts led to the winning of the International Council of Shopping Centres (ICSC) award for the refurbishment works of Subang Parade. In his time, Mahkota Parade and Wetex Parade also won the Marketing Awards from the ICSC. Anthony has an MBA (Euro-Asian Mgmt) from Universiti Putra Malaysia / Universite Aix-Marseille. He also holds a Bachelor Commerce (Marketing) from Curtin University of Technology, Australia. Anthony was also top 5 in the graduating class of the Property Council Australia: Diploma in Shopping Centre Management and Marketing. Prior to The Hektar Group, Anthony began his career in shopping centre management in 1996 with The Lion Group where he began as a Marketing Executive.

5. PROPERTY MANAGEMENT COMPANY'S FEE

The Property Management Company is entitled to receive the following fee for managing Hektar REIT Properties:

- (i) In respect of the first RM30,000 of the gross annual rental income from Hektar REIT Properties, 5% per annum of such gross annual income;
- (ii) In respect of the residue up to RM100,000 of the gross annual rental income from Hektar REIT Properties, 3% per annum of such gross rental income; and
- (iii) In respect of the residue over RM100,000 of the gross annual rental income from Hektar REIT Properties, 2% per annum of such gross annual rental income.

INFORMATION ON THE PROPERTY MANAGEMENT COMPANY (CONT'D)

The above fee is payable monthly in arrears by Hektar REIT to the Property Management Company. The cost of the provision of on-site staff at Hektar REIT Properties by the Property Management Company will also be borne by Hektar REIT.

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INFORMATION ON THE PROPERTY MANAGEMENT COMPANY (CONT'D)

6. UNITHOLDINGS OF THE PROPERTY MANAGEMENT COMPANY

As at the LPD, the Directors of the Board, key personnel of the Property Management Company and their respective unitholdings in Hektar REIT as well as the proforma effects of the Rights Issue on the directors' and key personnel's unitholdings in Hektar REIT assuming all the Rights Units are fully subscribed by the Entitled Unitholders are as follows:-

	As at the LPD		After Rights Issue		After Issuance to the Manager	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Key Personnel of the Property Management Company	No. of Units	%	No. of Units	%	No. of Units	%
Anthony Dylan Anak Frankie Jurem	12,000.00	0.00	-	-	15,000.00	0.00
					15,000	0.00
					-	-

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES



KHONG & JAAFAR SDN BHD (31218-T)

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



benchmark
IN QUALITY
ISO 9001:2000



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

57-1 Jalan Telawi Tiga, Bangsar Baru, 59100 Kuala Lumpur, Malaysia Tel : +6 03 2282 9699 Fax : +6 03 2282 9799
Email : khongja@po.jaring.my Website : www.khongjaafar.com.my
Twitter : twitter.com/khongjaafar Facebook : facebook.com/khongjaafar

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

5 December 2011

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

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

Dear Sir

VALUATION CERTIFICATE

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

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

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

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

Reference No	: MV(K) 875/2011 (A)
Date of Inspection	: On several occasions in October 2011 and on 1 November 2011
Date of Valuation	: 1 November 2011
Identification of Property:	The Property is held under 110 individual strata titles, and based on the strata plans, the Property has a combined strata title area of 464,517 square feet and another 12,884 square feet as accessory parcels (i.e. the promotional kiosks).
Lot No.	: Lot 134, Section 56
Strata Title Details	: G145068/M1/1/18-22, G145068/M1/1/26, G145068/M1/1/34, G145068/M1/1/4, G145068/M1/1/45-50, G145068/M1/1/7-9, G145068/M1/2/100, G145068/M1/2/66, G145068/M1/2/83, G145068/M1/2/86-87, G145068/M1/2/93, G145068/M1/2/98, G145068/M1/3/108-112, G145068/M1/3/117, G145068/M1/3/119-121, G145068/M1/3/129, G145068/M1/3/139-147, G145068/M1/3/153-154, G145068/M1/4/160-166, G145068/M1/4/173-174, G145068/M1/4/180, G145068/M1/4/182, G145068/M1/4/188, G145068/M1/4/191-206, G145068/M1/4/208, G145068/M1/4/210-211, G145068/M1/4/213-227, G145068/M1/5/229-234, G145068/M1/5/236-238, G145068/M1/5/247-253, G145068/M1/B1/2-3 & G145068/M1/B2/1
Locality	: Bandar Sungai Petani, District of Kuala Muda, Kedah Darul Aman

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

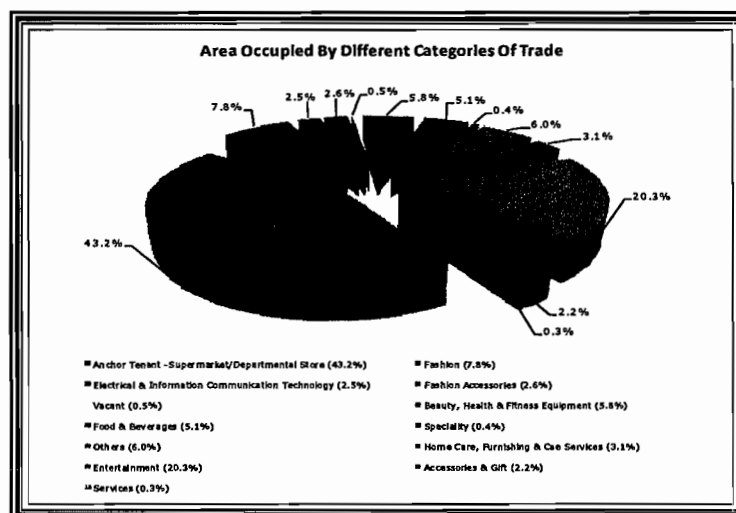
The Complex has been issued with a Certificate of Fitness for Occupation by the Majlis Perbandaran Sungai Petani bearing reference number 75/97(P) dated 22 December 1997.

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

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

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

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

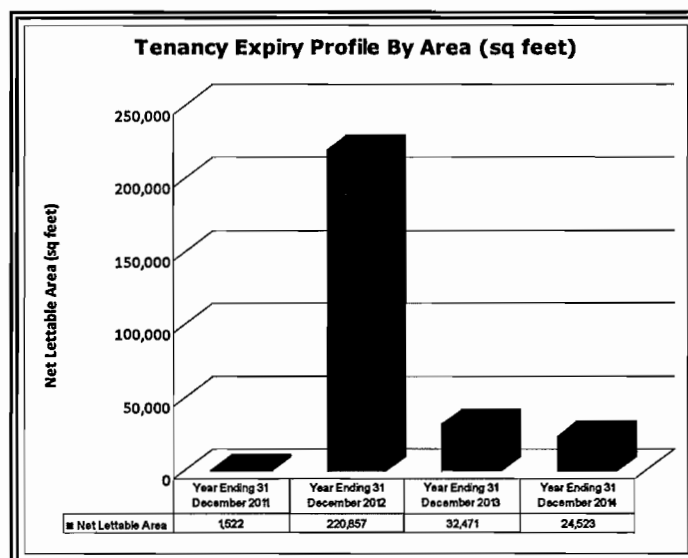


The tenancy term – generally, the duration of the tenancies are for 3 years with only a few tenancies that are for 1 to 2 years.

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)



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

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

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

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

Market Value:

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

Income Approach to Value

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value
Cont'd :**

The parameters of this approach are as follows:-

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

Market Value
Cont'd :

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

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

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

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

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value
Cont'd :**

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

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

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

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

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

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

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

Source : Khong & Jaafar Research

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value
Cont'd:**

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

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

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

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

Comparison Approach to value

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value:
Cont'd:**

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

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

Reconciliation of Values:-

Valuation Approach	Derivation of Values
Investment Approach To Value	RM84,700,000
Comparison Approach To Value	RM84,100,000

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

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

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

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

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

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

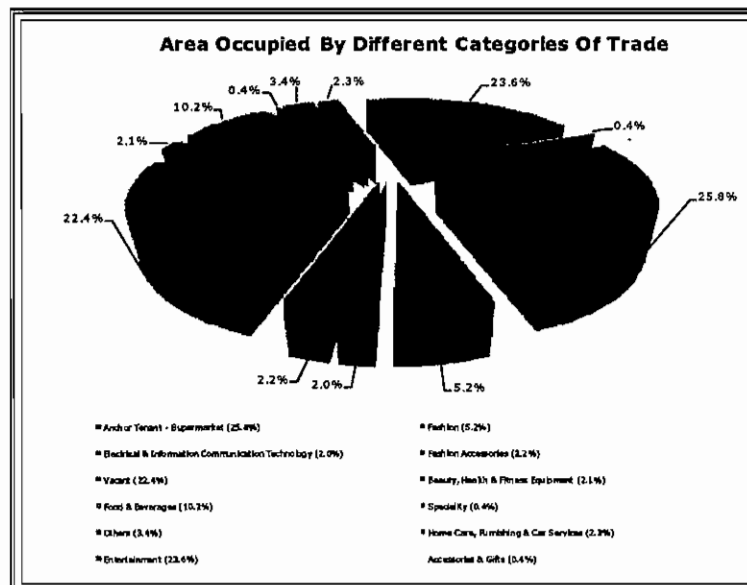
The car parks are presently managed by Metro Parking (M) Sdn Bhd.

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

Existing Tenancies:

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

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

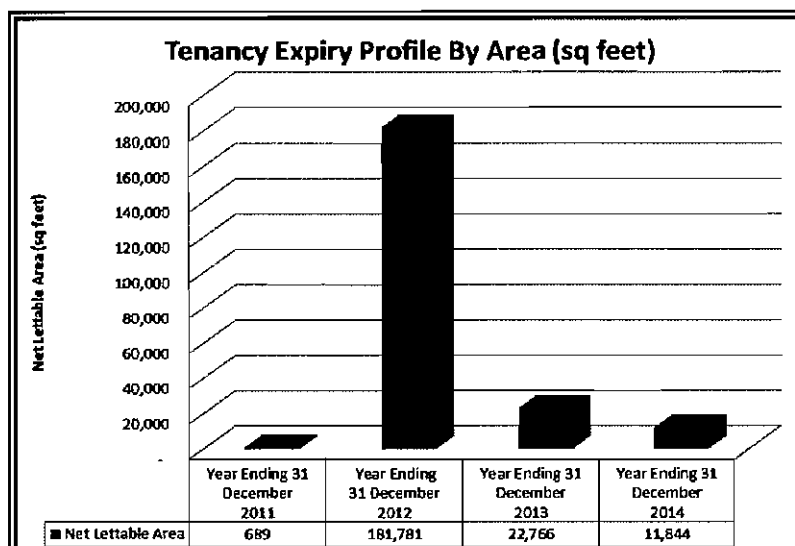


The tenancy term – generally, the duration of the tenancies are from 1 to 3 years.

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)



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

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

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

Source: Sri Awona Sdn Bhd

Historical operating performance is as follows:-

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

Source: Sri Awona Sdn Bhd

Market Value:

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

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

The parameters of this approach are as follows:-

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

Market Value
Cont'd :

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

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

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

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

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

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value
Cont'd :**

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

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

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

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

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

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

Source : Khong & Jaafar Research

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

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

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

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

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

**Market Value
Cont'd :**

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

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

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

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

Comparison Approach to Value

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

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

The following adjustments were made to this comparable to arrive at an indicative value for the Property under consideration:-

	Comparable No. 1	Comparable No. 2	Comparable No. 3	Comparable No. 4
Description	Sunway Carnival Shopping Mall located on Lots 5497, 5498 and 5499, all in Mukim 1, District of Seberang Perai Tengah, Penang.	Mahkota Parade located on Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka.	Alor Star Mall located on Lot 10538, Mukim of Pengkalan Kundor, District of Kota Setar, Kedah	East Coast Mall located on Lot PT 92050, Bandar Kuantan, District of Kuantan, Pahang
Source	IPO by Sunway REIT dated 15 June 2010 and Bursa Malaysia's General Announcement dated 8 July 2010.	Bursa Malaysia's General Announcement dated 17 February 2011	Bursa Malaysia's General Announcement dated 13 December 2007	Bursa Malaysia's General Announcement dated 14 June 2011
Type	A 5-storey shopping mall	A 3-storey shopping mall	A 2-storey shopping complex	A 4-storey shopping mall
Location	Within Pusat Bandar Seberang Jaya	Jalan Merdeka, Bandar Hilir Melaka	Within Kawasan Perusahaan Tandop Baru, Alor Setar	Jalan Putra Square 6, Putra Square, Kuantan
Date of Transaction/Valuation	8 July 2010 (Date of Completion)	31 October 2010	13 December 2007	14 June 2011
Tenure	Leasehold (99 years)	Leasehold (99 years)	Freehold	Leasehold (99 years)
Net Lettable Area	41,999 square metres (452,072 square feet)	42,834.53 square metres (461,067 square feet)	8,290 square metres (89,233 square feet)	41,002 square metres (441,342 square feet)
Occupancy Rate	94.80%	94.40%	86.90%	97.00%
Consideration	RM231,742,000	RM283,000,000	RM130,000,000	RM310,000,000
Analysis of the transaction	RM513 per square foot	RM61.4 per square foot	RM438 per square foot	RM702 per square foot
Adjustment	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable has a diversified mix of tenants), car park ratio (this comparable is better) and occupancy rate (this comparable is higher). An upward adjustment is made for tenure (this comparable is a 99-year leasehold).	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable is well managed), and occupancy rate (this comparable is higher). Upward adjustments are made for quality and age of building (the approximate age of this building is 16 years) and tenure (this comparable is a 99-year leasehold)	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable is well managed), and occupancy rate (this comparable is higher). An upward adjustment is made for car park (the Property is better)	Downward adjustments are made for location and accessibility (this comparable is better located), tenant mix (this comparable is well managed), car park (this comparable is better) and occupancy rate (this comparable is higher). An upward adjustment is made for tenure (this comparable is a 99-year leasehold)
Adjusted value (RM per sq. ft.)	RM359.10 psf	RM368.40 psf	RM350.40 psf	RM351.00 psf

VALUATION CERTIFICATE ON THE SUBJECT PROPERTIES (CONT'D)

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

Cont'd:

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

Reconciliation of Values:-

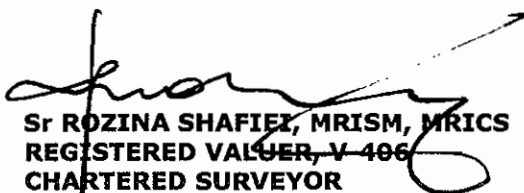
Valuation Approach	Derivation of Values
Investment Approach To Value	RM101,000,000
Comparison Approach To Value	RM98,500,000

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

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

Yours faithfully

For and on behalf of
KHONG & JAAFAR SDN BHD



Sr ROZINA SHAFIQ, MRISM, MRICS
REGISTERED VALUER, V 406
CHARTERED SURVEYOR
DIRECTOR

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



Grant Thornton

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The Board of Directors
Hektar Asset Management Sdn Bhd
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15 August 2012

Dear Sirs

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

We have reviewed the presentation of the proforma statements of financial position of Hektar REIT as at 31 December 2011, together with the notes and assumptions thereto, as set out in the accompanying statements (which we have stamped for the purpose of identification), prepared for inclusion in the Rights Issue Prospectus in connection with the proposed renounceable rights issue of 80,000,250 new Hektar REIT units (“**Rights Units**”) on the basis of one (1) Rights Unit for every four (4) existing units held in Hektar REIT at 5.00 p.m. on Monday, 3 September 2012 at an issue price of RM1.23 per Rights Unit. to part-fund the proposed acquisitions of the following properties:

- (i) all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. on which is erected a three (3)-storey mall building (including six hundred and ten (610) car park bays) comprising a shopping mall known as “Landmark Central Shopping Centre” measuring in total a NLA of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd (“**Proposed Landmark Central Property Acquisition**”); and
- (ii) one hundred and ten (110) strata parcels (out of a total of two hundred and fifty three (253) strata parcels) within a six (6)-storey mall building comprising a shopping mall known as “Central Square Shopping Centre” (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 car park bays erected on freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd (“**Proposed Central Square Property Acquisition**”);

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

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



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

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

In our opinion,

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

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

Yours faithfully,

SJ GRANT THORNTON
NO: AF 0737
CHARTERED ACCOUNTANTS

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

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

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

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

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

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

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

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

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

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

		Audited as at 31 December 2011	Proforma 1 After Proposed Rights Issue	Proforma II After Proforma I, Proposed Acquisitions and Proposed Issuance to Manager RM
	Note	RM	RM	RM
LIABILITIES				
Non-current liabilities				
Borrowings	8	363,480,000	363,480,000	436,100,000
Current liabilities				
Trade payables		266,763	266,763	266,763
Other payables and accruals		28,158,957	28,158,957	28,158,957
Total current liabilities		<u>28,425,720</u>	<u>28,425,720</u>	<u>28,425,720</u>
Total liabilities		<u>391,905,720</u>	<u>391,905,720</u>	<u>464,525,720</u>
Total unitholders' funds and liabilities		<u>867,059,016</u>	<u>965,459,324</u>	<u>1,036,775,324</u>
NET ASSETS VALUE ("NAV")				
		<u>475,153,296</u>	<u>573,553,604</u>	<u>572,249,604</u>
Number of units in issue	7	320,001,000	400,001,250	400,634,117
NAV per unit (RM)		1.48	1.43	1.43

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

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

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

NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION

1. BASIS OF PREPARATION

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

2. PROPOSALS

The Proposals comprise the following:-

- (i) Proposed renounceable rights issue of 80,000,250 new Hektar REIT units ("**Rights Units**") on the basis of one (1) Rights Unit for every four (4) existing units held in Hektar REIT at 5.00 p.m. on Monday, 3 September 2012 at an issue price of RM1.23 per Rights Unit. to part-fund the proposed acquisitions of the following properties:
- a. all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly Kulim, State of Kedah measuring approximately 291,917 sq. ft. on which is erected a three (3)-storey mall building (including six hundred and ten (610) car park bays) comprising a shopping mall known as "Landmark Central Shopping Centre" measuring in total a NLA of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd ("**Proposed Landmark Central Property Acquisition**"); and
 - b. one hundred and ten (110) strata parcels (out of a total of two hundred and fifty three (253) strata parcels) within a six (6)-storey mall building comprising a shopping mall known as "Central Square Shopping Centre" (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 car park bays erected on freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd ("**Proposed Central Square Property Acquisition**");

(collectively referred to as the "**Proposed Acquisitions**")

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

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

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

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

2. (cont'd)

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

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

- (ii) Proposed issuance of new Hektar REIT units ("**Manager's Units**") to Hektar Asset Management Sdn Bhd (the "**Manager**") amounting to RM905,000 as part of the acquisition fee due to the Manager ("**Proposed Issuance to the Manager**"); and
- (iii) Proposed increase in the existing approved fund size of Hektar REIT of 320,001,000 units to up to 400,634,117 units pursuant to the Proposed Rights Issue and Proposed Issuance to the Manager.

(hereinafter referred to as the "**Proposals**").

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

The Proforma Statements of Financial Position have been prepared solely for illustrative purposes and on the basis consistent with both format of the financial statements and accounting policies previously adopted and disclosed by Hektar REIT in its audited financial statements for the financial year ended 31 December 2011, based on the following assumption:

It is assumed that 80,000,250 Rights Units are issued on the basis of one (1) Rights Unit for every four (4) existing units held in Hektar REIT at 5.00 p.m. on Monday, 3 September 2012 at an issue price of RM1.23 per Rights Unit.

Total expenses for the Proposals are estimated at RM5,405,000 in which RM4,500,000 is to be settled in cash and RM905,000 is to be settled by the issuance of 632,867 Manager's Units are issued at Theoretical Ex-Rights Price of RM1.43 per new unit, after taking into consideration 5-day Volume Weighted Average Price ("VWAP") of Hektar REIT units up to 14 August 2012 of RM1.48 per unit, the resultant theoretical ex-rights price and the maximum number of units to be issued by Hektar REIT to maintain the distribution per unit after the Proposed Acquisitions.

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

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

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

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

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

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

3.1 Proforma I

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

3.2 Proforma II

Proforma II incorporates the effects of the Proforma I and the effects of acquisitions of the Subject Properties totalling RM181,000,000, borrowings of RM87,100,000 to part finance the Proposed Acquisitions, Proposed issuance of up to 632,867 Manager's Units to the Manager and expenses of RM4,500,000 to be netted off from the proceeds raised from the Proposed Rights Issue relating to the Proposals of which an estimated RM2,291,000 is to be capitalised.

4. Investment Properties

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

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

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

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

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

4. Investment Properties (cont'd)

- (a) Acquisition fee of RM1,810,000 represent 1% of the total purchase price of the Proposed Acquisitions of RM181,000,000 due to the Manager out of which RM905,000 is to be settled by the issuance of 632,867 Manager's Units and the balance of RM905,000 is to be settled in cash from the proceeds of the Proposed Rights Issue.
- (b) The incidental expenses for the Proposed acquisitions comprise:-

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

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

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

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

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

5. Other Receivables, Deposits and Prepayments

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

6. Cash and Bank Balances

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

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

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

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

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

7. Unitholders' Capital

	Number of units	RM
Audited as at 31 December 2011	320,001,000	328,136,711
Rights Units to be issued pursuant to the Proposed Rights Issue	<u>80,000,250</u>	<u>98,400,308</u>
As per Proforma I	400,001,250	426,537,019
Manager's units to be issued to satisfy 50% of the acquisition fee due to the Manager (Note 4 (a))	632,867	905,000
Incidental expenses for the Proposed Acquisitions(Note 4(b))	<u>-</u>	<u>(2,209,000)</u>
As per Proforma II	<u>400,634,117</u>	<u>425,233,019</u>

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

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

8. Borrowings (Non-current)

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

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TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS



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Our ref : SJGT/T/CTK (SSY)

15 August 2012

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2) **AmTrustee Berhad**
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Dear Sirs,

TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT") AND UNIT HOLDERS PURSUANT TO THE RIGHTS ISSUE OF 80,000,250 NEW UNITS IN HEKTAR REIT

This letter has been prepared for inclusion in Hektar REIT's Rights Issue prospectus in connection to the renounceable Rights Issue of 80,000,250 new units in Hektar REIT ("Rights Units") on the basis of one (1) Rights Unit for every four (4) existing units held in Hektar REIT as at 5.00 p.m. on Monday, 3 September 2012.

The taxation of income for both the Hektar REIT and the unit holders are subject to the provisions of the Malaysian Income Tax Act 1967 ("the Act"). The main provisions are contained in Sections 61 and 61A of the Act, which deals specifically with the taxation of trust bodies in Malaysia as well as guidelines issued by the tax authorities specifically on the real estate investment trust ("REIT").

The following comments and tax advice are wholly based on information provided by Hektar REIT.

1. BACKGROUND

On 8 December 2011, ECM Libra Investment Bank Berhad ("ECM Libra") on behalf of the Board of Directors ("Board") of Hektar Asset Management Sdn Bhd ("HAMSB"), had announced to undertake the renounceable Rights Issue of 80,000,250 new units in Hektar REIT on the basis of one (1) Rights Unit for every four (4) existing units held at 5.00 p.m. at an entitlement date to be determined later.

**TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS
(CONT'D)**



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We understand that Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 15 June 2012, approved the listing of and quotation for the Rights Units to be issued under the Rights Issue on the Main Market of Bursa Securities. The approval is subject to the compliance of conditions imposed by Bursa Securities as set out in Section 10.1(ii) of the Rights Issue Prospectus which HAMSMB will comply with during and, where applicable, after the implementation of the Rights Issue.

On 5 July 2012, the unit holders had approved the following :

- (i) Acquisitions ;
- (ii) Rights Issue ;
- (iii) Issuance to the Manager ; and
- (iv) Increase in Fund Size.

On 15 August 2012, ECM Libra, on behalf of the Board of HAMSMB, announced that the issues price for the Rights Units has been fixed at RM1.23 per Rights Units and the entitlement date for the Rights Issue has been fixed at 5.00p.m. on 3 September 2012.

2. TAXATION OF HEKTAR REIT

2.1 Taxation of income of Hektar REIT

Hektar REIT is regarded as Malaysian resident for Malaysian income tax purposes since AmTrustee Berhad, the trustee of Hektar REIT is a resident in Malaysia.

The incomes of Hektar REIT, which consist mainly of rental, interest (other than interest which is exempted from income tax) and other investment income derived from or accruing in Malaysia (after deducting tax allowable expenses), will be chargeable to tax at the corporate tax rate of 25%.

Nevertheless, pursuant to Section 61A(1) of the Act, where in a basis period for a year of assessment 90% or more of the amount of total income of the REIT is distributed to the unit holders, the total income of the REIT for that year of assessment shall be exempt from tax.

If less than 90% of the REIT's total income is distributed in a year of assessment, Section 61A(1) of the Act would not apply and the total income of Hektar REIT will be subjected to a corporate tax rate of 25%. Income which has been taxed at Hektar REIT will have tax credit attached when subsequently distributed to unit holders.

Dividend income received by Hektar REIT, if any, may have tax credit attached, representing tax deduction at source at the corporate rate of 25%. Such tax credit will be available for set off either wholly or partly against the tax liability of Hektar REIT. Any excess of the tax credit over the tax liability will be refundable to Hektar REIT by the Inland Revenue Board of Malaysia.

**TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS
(CONT'D)**


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Exempt income received by Hektar REIT can be declared as exempt distributions to unit holders. Incomes which are exempted from tax include interest or discount income from the following investments :

- (a) Securities or bonds issued or guaranteed by the Government ;
- (b) Debentures or Islamic securities, other than convertible loan stocks, approved by the SC ;
- (c) Bon Simpanan Malaysia issued by Bank Negara Malaysia ;
- (d) Interest income from Islamic securities originated in Malaysia, other than convertible loan stocks issued in any currency other than Ringgit and approved by the SC or Labuan Offshore Financial Services Authority ; and
- (e) Bond issued by Pengurusan Danaharta Nasional Berhad within and outside Malaysia.

2.2 Real Property Gains Tax ("RPGT")

Gain on disposal of investments by a REIT is regarded as capital gain and hence, will not be subjected to income tax. However, where the investment represents real properties and shares in real property companies, such gain will be subjected to RPGT.

With effect from 1 January 2012, any gains on disposal of real properties or shares in real properties companies would be subjected to RPGT at the following rates ;-

<u>Disposal time frame</u>	<u>Rates</u>
Disposal within 2 years of acquisition	10%
Disposal after 2 years and within 5 years of acquisition	5%
Disposal after 5 years of acquisition	0%

2.3 Stamp Duty

All instruments of transfer and deeds of assignment relating to the purchase of real property between Hektar REIT and the disposer are exempted from stamp duty.

**TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS
(CONT'D)**


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3. TAX IMPLICATION IN RELATION TO THE RIGHTS ISSUE

The proceeds raised from the Rights Issue will not give rise to any tax implications to Hektar REIT as such proceeds will be treated as injection of capital sum by the unit holders.

As for the unit holders, the subscription of the Rights Units in relation to the Rights Issue will be regarded as the purchase of new units in Hektar REIT, hence will not give rise to any tax implications to the unit holders.

4. TAXATION OF UNIT HOLDERS

The taxation of unit holders will depend on the tax residency status of the unit holders, percentage of total income as well as type of income distributed by the REIT.

4.1 REIT distributes 90% or more of total income

Where 90% or more of Hektar REIT's total income is distributed, distributions to unit holders will be subjected to the following tax rates :-

<u>Income distributed to :</u>	<u>Tax treatment</u>
Resident individuals	Withholding tax at 10%
Non-resident individuals	Withholding tax at 10%
Resident institutional investors	Withholding tax at 10%
Non-resident institutional investors	Withholding tax at 10%
Resident companies	Tax at 25% (No withholding tax)
Non-resident companies	Withholding tax at 25%

The withholding tax is a final tax and resident individuals and institutional unit holders will not be required to declare the income received from Hektar REIT in their Malaysian tax returns.

With regards to resident companies, withholding tax is not applicable on distributions from REIT as a resident company reports the distribution received in its normal corporate tax return and bring the taxable REIT distributions to tax at the corporate tax rate of 25%.

**TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS
(CONT'D)**


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4.2 REIT distributes less than 90% of total income

Where less than 90% of Hektar REIT's total income is distributed, Hektar REIT would have paid taxes on the total income for that year of assessment. The distribution made by Hektar REIT from such taxed income will have tax credit attached. The tax treatment for unit holders are as follows:-

- Resident individuals will be subject to tax at their own marginal rates on the distributions and be entitled to tax credit representing tax already paid by Hektar REIT.
- Resident companies to report the distribution received from Hektar REIT in their corporate tax returns and bring such income to tax at the corporate tax rate of 25%. Tax credits attached representing tax already paid by Hektar REIT can be set off against the resident companies' tax on such distributions.
- No further taxes or withholding taxes would be applicable to non-resident individuals or companies. Non-resident individuals or companies may be subjected to tax in their respective countries as well as entitled to any tax credits. However, these would be dependent on their home country's tax legislation.

4.3 REIT distributes tax exempt income

Distributions representing specific exempt income or gain on disposal of investments at Hektar REIT's level will not be subject to further income tax or withholding tax when distributed to all unit holders.

5. DISPOSAL OF UNITS (INCLUDING RIGHTS UNITS) BY UNIT HOLDERS

Gain on disposal of the Units (including the Rights Units) by unit holders (including individuals and companies) which are held for long-term investment purposes will be considered as capital in nature and will not be subjected to income tax.

However, gain arising from the sale of these Units (including the Rights Units) will be considered as business income and be subjected to income tax if the Units (including the Rights Units) are held as trading assets of a trade or business carried on in Malaysia. Examples include dealers in securities and financial institutions (e.g. insurance companies and banks).

As for foreign dealers and financial institutions with no business presence or permanent establishment in Malaysia, gain arising from the sale of these Units (including the Rights Units) will not be subjected to Malaysian income tax. However, such gain may still be subjected to tax in each foreign unit holders' respective home jurisdictions.

**TAXATION ADVISER'S LETTER ON TAXATION OF HEKTAR REIT AND UNITHOLDERS
(CONT'D)**

**Grant Thornton**

An instinct for growth™

Should Hektar REIT winds up, the gain received in the form of cash or residual distribution can be considered as capital gain or normal business income. Unit holders (including individuals and companies) holding Units (including the Rights Units) for long term investment purposes will not be taxed as such gain are seen to be capital in nature, whilst investment traders and financial institutions with business presence in Malaysia may be taxed accordingly as stated in Paragraph 4 above.

Should Hektar REIT be permitted to distribute income in the form of new Units and unit holders electing to receive their income distribution by way of new Units, it will be regarded as having purchased the new Units out of their income distribution.

Unit splits issued by REIT are not taxable in the hands of the unit holders.

6. STAMP DUTY

Stamp duty payable by unit holders on the purchase of Units (including the Rights Units) that are approved by Bursa Securities are exempted under the First Schedule of the Stamp Act, 1949.

We hereby confirm that the statements made in this report are in accordance to the existing tax laws applicable in Malaysia and the contents of it are in relation to the general taxation of REIT and unit holders in Malaysia in conjunction with the Rights Issue by Hektar REIT. This report however should not serve as a specific advice to any unit holders. Unit holders are to seek independent advice on tax issues associated with their investments in Hektar REIT should the need arises.

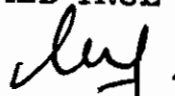
Thank you.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'J. S. S. S.', written over a horizontal line.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS**

CERTIFIED TRUE COPY


.....
NG CHEE HOONG
Partner

HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2011

SJ GRANT THORNTON
CHARTERED ACCOUNTANTS
Member of Grant Thornton International

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2011

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**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

CORPORATE INFORMATION

MANAGER	Hektar Asset Management Sdn. Bhd.
MANAGER'S PRINCIPAL PLACE OF BUSINESS	D1-U3-10, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur
MANAGER'S REGISTERED OFFICE	Unit 419, Block A Kelana Business Centre No. 97, Jalan SS 7/2 Kelana Jaya 47301 Petaling Jaya Selangor
BOARD OF DIRECTORS OF THE MANAGER	Dato' Jaafar Bin Abdul Hamid Zalila Binti Mohd Toon Dr Chew Tuan Chiong Christopher Tang Kok Kai Shahril Bin Kassim Dato' Syed Md Amin Bin Syed Ian Aljeffri Dato' Lim Git Hooi @ Robert Lim Eng Heng Nee Philip Lam Juck Ngai (Alternate Director to Christopher Tang Kok Kai)
SECRETARIES OF THE MANAGER	Muhammad Hafidz Bin Nuruddin Lim Seck Wah
TRUSTEE	AmTrustee Berhad 17 th Floor, Bangunan Ambank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)**CORPORATE INFORMATION (CONT'D)**

PROPERTY MANAGER	Hektar Property Services Sdn. Bhd. Lot F36, First Floor Subang Parade No 5, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan
PRINCIPAL BANKER	Malayan Banking Berhad
AUDITORS	SJ Grant Thornton Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
REGISTRAR	Mega Corporate Services Sdn. Bhd. Level 15-2, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad - Main Market

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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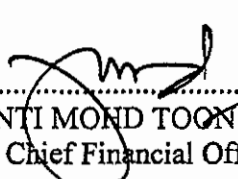
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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)**STATEMENT BY MANAGER**

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the accompanying financial statements are drawn up in accordance with the provisions of the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of Hektar Real Estate Investment Trust ("Hektar REIT") as at 31 December 2011 and of the results and cash flows of Hektar REIT for the financial year then ended.

Signed on behalf of the Board of the Directors of the Manager in accordance with a resolution of the Board of Directors dated 13 February 2012.


.....
DATO' JAAFAR BIN ABDUL HAMID
Chairman and Chief Executive Officer
.....
ZALILA BINTI MOND TOON
Director and Chief Financial Officer

Kuala Lumpur
13 February 2012

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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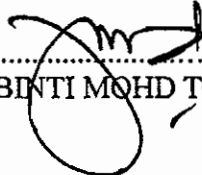
HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

STATUTORY DECLARATION

I, Zalila Binti Mohd Toon, being the Director of Hektar Asset Management Sdn. Bhd. primarily responsible for the financial management of Hektar Real Estate Investment Trust, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Shah Alam in
Selangor Darul Ehsan this day of
13 February 2012

)
)
)
).....
ZALILA BINTI MOHD TOON



Before me:



Commissioner for Oaths



10-2, Jalan Opera 'C'
Taman TTDI Jaya,
40150 Shah Alam, Selangor.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)**

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") for the financial year ended 31 December 2011. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd., the Manager, has managed Hektar REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed dated 5 October 2006 ("the Deed"), the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and other applicable laws during the financial year then ended.

We have also ensured the following:-

- (a) the procedures and processes employed by the Manager to value and price the units of Hektar REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and
- (b) the creation of units are carried out in accordance with the Deed and other regulatory requirements.

We confirm that the income distributions declared and paid during the financial year ended are in line with and are reflective of the objectives of the Trust. Four distributions have been declared and paid during the financial year ended 31 December 2011 as follows:-

1. Final dividend of 2.8 sen for the financial year ended 31 December 2010 paid on 18 March 2011;
2. First interim dividend of 2.5 sen for the financial year ended 31 December 2011 paid on 15 June 2011;
3. Second interim dividend of 2.5 sen for the financial year ended 31 December 2011 paid on 23 September 2011; and
4. Third interim dividend of 2.5 sen for the financial year ended 31 December 2011 paid on 12 December 2011.

For and on behalf of the Trustee,
AmTrustee Berhad



.....
TAN KOK CHEENG

Kuala Lumpur
13 February 2012

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
HEKTAR REAL ESTATE INVESTMENT TRUST**
(Established in Malaysia)

SJ Grant Thornton (AF:0737)
Level 11, Faber Imperial Court
Jalan Sultan Ismail
P. O. Box 12337
50774 Kuala Lumpur, Malaysia
T +603 2692 4022
F +603 2691 5229
www.gt.com.my

Report on the Financial Statements

We have audited the financial statements of Hektar Real Estate Investment Trust ("the Trust") which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 44.

Directors of the Manager's Responsibility for the Financial Statements

The Directors of the Manager of the Trust are responsible for the preparation of financial statements that gave a true and fair view in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

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

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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**Report on the Financial Statements (cont'd)***Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Trust as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

Other Matters

This report is made solely to the Unitholders of the Trust, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read "SJ Grant Thornton".

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

Kuala Lumpur
13 February 2012

A handwritten signature in black ink, appearing to read "NG Chee Hoong".

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

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM	2010 RM
ASSETS			
Non-current assets			
Investment properties	4	822,000,000	752,000,000
Capital work in progress	5	-	552,911
Fixed deposits with a licensed bank	6	2,338,995	2,268,626
Total non-current assets		824,338,995	754,821,537
Current assets			
Trade receivables	7	3,002,686	1,930,843
Other receivables, deposits and prepayments	8	20,451,827	1,016,401
Cash and bank balances		19,265,508	24,670,518
Total current assets		42,720,021	27,617,762
Total assets		867,059,016	782,439,299
Current liabilities			
Trade payables	9	266,763	565,158
Other payables and accruals	9	28,158,957	26,412,118
Borrowings	10	-	184,000,000
Total current liabilities		28,425,720	210,977,276
Non-current liabilities			
Bank borrowings	10	363,480,000	150,000,000
Total liabilities		391,905,720	360,977,276
Net assets		475,153,296	421,462,023
Unitholders' funds and reserve			
Unitholder's capital	11	328,136,711	328,136,711
Undistributed income-realised		29,910,936	23,956,870
Undistributed income-unrealised		117,105,649	69,368,442
Total Unitholders' funds and reserve		475,153,296	421,462,023
Number of units in circulation	11	320,001,000	320,001,000
Net asset value ("NAV") per unit (RM)			
- As at 31 December		1.48	1.32
- before income distribution during the financial year		1.59	1.42

The accompanying notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
Gross revenue	12	94,881,213	90,873,188
Property expenses	13	(36,585,339)	(35,530,023)
Net property income		58,295,874	55,343,165
Reversal of impairment loss on trade receivables		82,962	-
Interest income		163,928	159,748
Other income		13,306	15,296
Change in fair value of investment properties	4	47,737,207	1,011,661
Total income		106,293,277	56,529,870
Manager's fees	14	5,760,527	5,507,331
Trustee's fee	15	149,733	145,907
Auditors' remuneration:			
- current year		87,000	40,000
- underprovision in prior year		8,000	-
Tax agent's fees			
- current year		10,000	12,000
- underprovision in prior year		1,500	-
Valuation fees		120,000	25,000
Professional fees		512,673	1,232,908
Allowance for impairment loss		52,250	99,808
Administration expenses		168,375	105,002
Interest expense		12,771,843	10,149,317
Bad debts written off		-	28,707
Total expenses		(19,641,901)	(17,345,980)
Income before tax		86,651,376	39,183,890
Tax expense	16	-	-
Income for the financial year, representing total comprehensive income for the financial year		86,651,376	39,183,890
Total comprehensive income for the financial year is made up as follows:-			
Realised		38,914,169	38,172,229
Unrealised - Change in fair value of investment properties		47,737,207	1,011,661
		86,651,376	39,183,890
Earnings per unit (sen)	17	27.08	12.24

The accompanying notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	Note	2011 RM	2010 RM
Earnings per unit (total)			
- After manager's fees (sen)	17(a)	27.08	12.24
- Before manager's fees (sen)	17(b)	<u>28.88</u>	<u>13.97</u>
Earnings per unit (Realised)			
- After manager's fees (sen)	17(c)	12.16	11.93
- Before manager's fees (sen)	17(d)	<u>13.96</u>	<u>13.65</u>
Net income distribution			
- Interim distribution of 7.5 sen (2010: 7.5 sen) per unit		24,000,075	24,000,075
- Final distribution of 2.8 sen in respect of financial year ended 31 December 2010 (31 December 2009: 3.1 sen)		<u>8,960,028</u>	<u>9,920,031</u>
		<u>32,960,103</u>	<u>33,920,106</u>
Interim income distribution per unit			
- Gross (sen)	18	7.50	7.50
- Net (sen)	18	<u>7.50</u>	<u>7.50</u>
Final income distribution per unit			
- Gross (sen)	18	2.80	3.10
- Net (sen)	18	<u>2.80</u>	<u>3.10</u>

The accompanying notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Unrealised RM	Unitholders' Funds RM
At 1 January 2010					
As previously reported		328,136,711	9,784,716	68,356,781	406,278,208
Effect of FRS 110		-	9,920,031	-	9,920,031
As restated		328,136,711	19,704,747	68,356,781	416,198,239
Operations for the financial year ended 31 December 2010					
Net income for the financial year		-	38,172,229	1,011,661	39,183,890
Increase in net assets resulting from operations		-	38,172,229	1,011,661	39,183,890
Unitholders' transactions					
Distribution to Unitholders		-	(33,920,106)	-	(33,920,106)
Decrease in net assets resulting from Unitholders' transactions		-	(33,920,106)	-	(33,920,106)
Balance at 31 December 2010		328,136,711	23,956,870	69,368,442	421,462,023
At 1 January 2011		328,136,711	23,956,870	69,368,442	421,462,023
Operations for the financial year ended 31 December 2011					
Net income for the financial year		-	38,914,169	47,737,207	86,651,376
Increase in net assets resulting from operations		-	38,914,169	47,737,207	86,651,376
Unitholders' transactions					
Distribution to Unitholders		-	(32,960,103)	-	(32,960,103)
Decrease in net assets resulting from Unitholders' transactions		-	(32,960,103)	-	(32,960,103)
Balance at 31 December 2011		328,136,711	29,910,936	117,105,649	475,153,296

The accompanying notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	86,651,376	39,183,890
Adjustments for:-		
Reversal of impairment loss on trade receivables	(82,962)	-
Bad debt written off	-	28,707
Change in fair value of investment properties	(47,737,207)	(1,011,661)
Interest expense	12,771,843	10,149,317
Interest income	(163,928)	(159,748)
Allowance for impairment loss	52,250	99,808
	<u>51,491,372</u>	<u>48,290,313</u>
Operating profit before working capital changes		
Changes in working capital:		
Payables	1,448,444	50,167
Receivables	(20,476,557)	1,132,157
	<u>32,463,259</u>	<u>49,472,637</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure for enhancement of investment properties	-	(203,855)
Proceeds from disposal of investment property	-	4,027,122
Expenditure for refurbishment and enhancement of investment properties incurred	(21,709,882)	(21,162,432)
Interest received	100,659	81,035
Placement of fixed deposits	(7,100)	(48,900)
	<u>(21,616,323)</u>	<u>(17,307,030)</u>
Net cash used in investing activities		

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)**

	Note	2011 RM	2010 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(12,771,843)	(10,149,317)
Drawdown of borrowings		29,480,000	-
Distribution to Unitholders		(32,960,103)	(33,920,106)
Net cash used in financing activities		(16,251,946)	(44,069,423)
CASH AND CASH EQUIVALENTS			
Net changes		(5,405,010)	(11,903,816)
Brought forward		24,670,518	36,574,334
Carried forward	A	19,265,508	24,670,518

NOTE TO THE STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following items in the statement of financial position:-

	2011 RM	2010 RM
Cash and bank balances	19,265,508	24,670,518
Fixed deposits with a licensed bank	2,338,995	2,268,626
	21,604,503	26,939,144
Less: Fixed deposits pledged	(2,338,995)	(2,268,626)
	19,265,508	24,670,518

As disclosed in Note 6 to the Financial Statements, the fixed deposits have been pledged to a licensed bank for bank guarantee granted to the Trust and hence, are not available for general use.

The accompanying notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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HEKTAR REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

1. GENERAL INFORMATION

Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") was constituted on 5 October 2006 pursuant to a trust deed dated 5 October 2006 ("the Deed") between Hektar Asset Management Sdn. Bhd. ("the Manager") and AmTrustee Berhad ("the Trustee").

Hektar REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 4 December 2006.

The principal activity of Hektar REIT is to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth.

There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the Manager consist of managing and administering the Fund for Hektar REIT and other management services. The Manager, incorporated in Malaysia, is a subsidiary of Hektar Klasik Sdn. Bhd..

The Manager's registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at D1-U3-10, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of directors on 13 February 2012.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Trust have been prepared in accordance with the provisions of the Deed dated 5 October 2006, the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trust and Financial Reporting Standards issued by the Malaysian Accounting Standards Board ("MASB").

**AUDITED FINANCIAL STATEMENTS OF HEKTAR REIT FOR THE FYE 31 DECEMBER 2011
TOGETHER WITH THE AUDITORS' REPORTS (CONT'D)**

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2. BASIS OF PREPARATION (CONT'D)**2.2 Basis of Measurement**

The financial statements of the Trust are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

2.3 Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Trust's functional and all values are rounded to the nearest RM except when otherwise stated.

2.4 Adoption of Revised FRSs, Amendments/Improvements to FRSs, IC Interpretations ("IC Int") and Amendments to IC Int.

The following Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int have been adopted by the Trust for the current financial year:-

Effective for annual financial period beginning 1 March 2010:

Amendments to FRS 132	-	Financial Instruments: Presentation.
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Effective for annual financial period beginning 1 July 2010:Revised FRSs

FRS 1	-	First-time Adoption of Financial Reporting Standards (Revised)
FRS 3	-	Business Combinations (Revised)
FRS 127	-	Consolidated and Separate Financial Statements (Revised)
IC Int 12	-	Service Concession Arrangements
IC Int 17	-	Distributions of Non-cash Assets to Owners

Amendments/Improvements to FRSs

FRS 2	-	Share-Based Payment
FRS 5	-	Non-Current Assets Held for Sale and Discontinued Operations
FRS 138	-	Intangible Assets

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2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Revised FRSs, Amendments/Improvements to FRSs, IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

The following Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int have been adopted by the Trust for the current financial year (cont'd):-

Amendments to IC Int

- | | | |
|-----------|---|---|
| IC Int 9 | - | Reassessment of Embedded Derivatives |
| IC Int 16 | - | Hedges of a Net Investment in a Foreign Operation |

Effective for annual financial period beginning 1 January 2011:

Amendments/Improvements to FRSs

- | | | |
|---------|---|--|
| FRS 1 | - | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters |
| FRS 1 | - | First-time Adoption of Financial Reporting Standards |
| FRS 1 | - | Additional Exemptions for First-time Adopters |
| FRS 2 | - | Group Cash-settled Share-based Payment Transactions |
| FRS 3 | - | Business Combinations |
| FRS 7 | - | Financial Instruments: Disclosures |
| FRS 7 | - | Improving Disclosures about Financial Instruments |
| FRS 101 | - | Presentation of Financial Statements |
| FRS 121 | - | The Effects of Changes in Foreign Exchange Rates |
| FRS 128 | - | Investments in Associates |
| FRS 131 | - | Interests in Joint Ventures |
| FRS 132 | - | Financial Instruments : Presentation |

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2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Revised FRSs, Amendments/Improvements to FRSs, IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

The following Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int have been adopted by the Trust for the current financial year (cont'd):-

Amendments/Improvements to FRSs (cont'd)

FRS 134	-	Interim Financial Reporting
FRS 139	-	Financial Instruments : Recognition and Measurement

Amendment to IC Int

IC Int 13	-	Customer Loyalty Programmes
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New IC Int

IC Int 4	-	Determining whether an arrangement Contains a Lease
IC Int18	-	Transfers of Assets from Customers

IC Interpretation 12 and 16 are not expected to be relevant to the operations of the Trust.

Adoption of the above relevant FRSs and IC Int has no significant impact on the financial statements of the Trust except for the following:-

IC Interpretation 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Trust should measure the dividend payable at the fair value of the assets to be distributed when the dividend is appropriately authorised and is no longer at the discretion of the Trust. On settlement of the dividend, the difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss. If the dividend remains unpaid at the end of the financial year end, the dividend payable carrying amount is reviewed with any changes recognised in equity.

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2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, the Trust does not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for the financial period beginning on or after 1 January 2012.

Below are the lists of MFRSs and IC Int issued but not yet effective and have not been early adopted by the Trust:

MFRSs effective on 1 January 2012:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans

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2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards (cont'd)

Below are the lists of MFRSs and IC Int issued but not yet effective and have not been early adopted by the Trust (cont'd):

MFRSs effective on 1 January 2012 (cont'd):

MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interest in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 15	Agreements for the Construction of Real Estate
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 107	Introduction of the Euro
IC Int 110	Government Assistance – No Specific Relation to Operating Activities
IC Int 112	Consolidation – Special Purpose Entities
IC Int 113	Jointly controlled Entities – Non – Monetary Contribution by Ventures

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2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards (cont'd)

Below are the lists of MFRSs and IC Int issued but not yet effective and have not been early adopted by the Trust (cont'd):

MFRSs effective on 1 January 2012 (cont'd):

- IC Int 115 Operating Leases – Incentives
- IC Int 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC Int 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC Int 129 Service Concession Arrangements: Disclosures
- IC Int 131 Revenue – Barter Transactions Involving Advertising Services
- IC Int 132 Intangible Assets – Web Site Costs

MFRSs effective on 1 July 2012:

- MFRS 101 Presentation of Financial Statement
Amendments in Relation to Presentation of Items of Other Comprehensive Income

MFRSs effective on 1 January 2013:

- MFRS 9 Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (International Accounting Standard ("IAS") 19 as amended by IASB in June 2011)
- MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in 2011)
- IC Int 20 Stripping Costs in the Production Phase of a Surface Mine

The Trust has not selected which optional exemption from the retrospective application to be applied under MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. As such, the Directors are unable to anticipate the effects of the adoption of these new MFRSs and IC Int on the financial statements.

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2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Trust's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.6.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Income tax/Deferred tax liabilities

The Trust is exposed to income taxes. Significant judgement is involved in determining the Trust's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Trust recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of loans and receivable

The Trust assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Trust considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Trust's loans and receivables at the end of the reporting period is summarised in Notes 7 and 8 to the financial statements.

2.6.2 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Investment properties**

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Trust.

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statement of financial position at their open market value. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within change in fair value of investment property.

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

3.2 Capital work in progress

Capital work in progress represents refurbishment work undertaken to enhance the value of the properties which will be transferred to investment properties upon the completion of the work.

3.3 Tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.3.1 Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3.3.2 Deferred tax

Deferred tax liabilities and assets are provided for under the liability method in respect of all taxable temporary differences at the end of the reporting period between the carrying amount of an asset or liability in the financial position and its tax base including unused tax losses and capital allowances.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.3 Tax expense (cont'd)****3.3.2 Deferred tax (cont'd)**

Deferred tax liabilities are recognised for all temporary differences, except:-

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward unused tax credits and unused tax losses can be utilised except :

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period. If it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.3 Tax expense (cont'd)****3.3.2 Deferred tax (cont'd)**

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4 Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.4.1 Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- (a) loans and receivables;
- (b) financial assets at fair value through profit or loss;
- (c) held to maturity investments; and
- (d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.4 Financial instruments (cont'd)****3.4.1 Financial assets (cont'd)**

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Trust commit to purchase or sell the asset.

As at reporting date, the Trust only carried loans and receivables on its statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Trust's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.4.2 Financial liabilities

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss or other financial liabilities measure at amortised cost using the effective interest method.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.2 Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished, discharged, cancelled or expired, or through amortisation process. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Other financial liabilities

The Trust's financial liabilities include borrowings, trade and other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.5 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimate reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Trust can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.6 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, bank balances, short-term demand deposits, bank overdraft and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Cash and cash equivalents (cont'd)

Bank overdrafts are shown in current liabilities in the statement of financial position.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Trust incurred in connection with the borrowing of funds.

3.8 Impairment of financial assets

The Trust assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

3.8.1 Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Trust considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Trust's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.8 Impairment of financial assets (cont'd)****3.8.1 Trade and other receivables and other financial assets carried at amortised cost (cont'd)**

When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.9 Impairment of non-financial assets

At each end of the reporting period, the Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or groups of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

An impairment loss is recognised as an expense in the profit or loss immediately, except for the assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.10 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.10.1 Rental income

Rental income receivable under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of lease, except where an alternative basis is more representative of pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. The aggregate cost of incentives provided to leases is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amount received.

3.10.2 Carpark income

Carpark income is recognised in the statement of comprehensive income on accrual basis.

3.10.3 Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the year to maturity, when it is determined that such income will be accrued.

3.11 Expenses

- (i) Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust. Property management fees are recognised on an accrual basis using the applicable formula as stated in Property Management Agreement.
- (ii) Manager's fees are recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iii) Trustee's fee is recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iv) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Equity instruments

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently. Dividends to unitholders are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as deduction from equity, net of tax, from the proceeds.

3.13 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs such that outflow is probable and can be measured reliably, they will then be recognised as a provision.

4. INVESTMENT PROPERTIES

	2011 RM	2010 RM
At Fair Value		
At 1 January	752,000,000	720,000,000
Transferred from capital work in progress (Note 5)	22,262,793	35,015,461
Disposal	-	(4,027,122)
Change in fair value	<u>47,737,207</u>	<u>1,011,661</u>
At 31 December	<u>822,000,000</u>	<u>752,000,000</u>

Details of the above are as follows:-

Description of property	Tenure of land	Location	Existing use	Acquisition cost as at 31 December 2011 RM	Valuation as at 31 December 2011 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	385,000,000	81
2. Mahkota Parade	Leasehold	Melaka	Commercial	232,000,000	307,000,000	65
3. Wctex Parade & Classic Hotel	Freehold	Muar	Commercial	117,500,000	130,000,000	27
				<u>636,480,000</u>	<u>822,000,000</u>	

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4. INVESTMENT PROPERTIES (CONT'D)

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade & Classic Hotel were issued on 31 October 2011 by Messrs. Henry Butcher Malaysia Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison and the investment methods of valuation.

The leasehold land for Mahkota Parade expires in 2101.

Subang Parade, Mahkota Parade and Wetex Parade have been pledged as security for borrowings as disclosed in Note 10 to the Financial Statements.

5. CAPITAL WORK IN PROGRESS

	2011 RM	2010 RM
At 1 January	552,911	14,202,085
Additions	21,709,882	21,366,287
Transferred to investment properties (Note 4)	<u>(22,262,793)</u>	<u>(35,015,461)</u>
At 31 December	<u>-</u>	<u>552,911</u>

6. FIXED DEPOSITS WITH A LICENSED BANK

The weighted average interest rate of deposits with a licensed bank of the Trust is 2.78% (2010: 2.29%).

The maturities of deposits with a licensed bank of the Trust is 30 days. The fixed deposits have been pledged to a licensed bank for bank guarantee granted to the Trust.

7. TRADE RECEIVABLES

	2011 RM	2010 RM
Trade receivables	3,290,219	2,256,332
Less: Impairment loss		
At 1 January	(325,489)	(225,681)
Addition	(52,250)	(99,808)
Reversal	82,962	-
Written off	7,244	-
At 31 December	<u>(287,533)</u>	<u>(325,489)</u>
	<u>3,002,686</u>	<u>1,930,843</u>

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7. TRADE RECEIVABLES (CONT'D)

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 12% to 18% (2010: 12% to 18%) per annum will be imposed on overdue amount.

Trade receivables that are past due and not impaired are creditworthy debtors with good payment records with the Trust. None of the Trust's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The ageing analysis of these trade receivables is as follows:

	Gross RM	Individually impaired RM	Net RM
2011			
Not past due	2,492,699	-	2,492,699
Past due 0-30 days	413,296	-	413,296
Past due 31-60 days	31,559	-	31,559
More than 60 days	352,665	(287,533)	65,132
	<u>3,290,219</u>	<u>(287,533)</u>	<u>3,002,686</u>
2010			
Not past due	1,375,444	-	1,375,444
Past due 0-30 days	417,454	-	417,454
Past due 31-60 days	35,691	-	35,691
More than 60 days	427,743	(325,489)	102,254
	<u>2,256,332</u>	<u>(325,489)</u>	<u>1,930,843</u>

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 RM	2010 RM
Other receivables	1,234,430	278,513
Deposits	18,499,348	207,900
Prepayments	718,049	529,988
	<u>20,451,827</u>	<u>1,016,401</u>

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8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Included in the other receivables, deposits and prepayments are deposits paid for acquisition of two Kedah Malls amounting to RM18,290,218 (2010: Nil) and receivables of RM1,161,931 (2010: RM273,713) due from companies related to the Manager. The earnest deposit and balance deposit of 2 % and 8% of the purchase price respectively is currently being held by the vendors' solicitors as stakeholders and the total sum including all accrued interest will only be released to the vendors upon fulfillment of certain conditions under the Sale and Purchase Agreements.

In the event the purchaser failed to fulfill the conditions precedent (CPs) under its responsibility, the vendors shall be entitled to forfeit the earnest deposit of 2 % forthwith and all other monies paid by the purchaser towards the purchase price shall be refunded to the purchaser with accrued interests within 14 days of such termination.

In the event the vendors failed to fulfill the CPs under its responsibility, the vendors shall within 14 days of such termination refund to the purchaser all monies paid towards the purchase price with accrued interests together with a further sum equivalent to 2% of the purchase price.

The amounts due from companies related to the Manager are trade in nature, interest free and repayable on demand.

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables

Trade payables are non-interest bearing and the normal credit term granted by trade payables to the Trust are generally from 30 to 60 days (2010: 30 to 60) days.

Other payables and accruals

	2011 RM	2010 RM
Other payables	132,865	172,128
Accruals	4,550,608	3,623,033
Advance received	1,025,249	1,100,924
Deposits received from tenants	22,450,235	21,516,033
	<u>28,158,957</u>	<u>26,412,118</u>

Included in other payables and accruals are the following amounts:-

	2011 RM	2010 RM
Amount owing to Manager	546,772	452,188
Amount owing to Property Manager	165,696	152,157
Amount owing to Trustee	12,418	12,190

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9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONT'D)

Other payables and accruals (cont'd)

Amount owing to Manager, Property Manager and Trustee are unsecured, interest free and repayable monthly in arrears.

Included in deposits received from tenants is RM1,534,782 (2010: RM1,045,832) representing the difference between the fair value and the amount of deposits received carried in the statement of financial position as a result of the initial recognition of the said deposits at fair value in compliance with the requirements of FRS 139 Financial Instruments: Recognition and Measurement.

10. BANK BORROWINGS

	2011 RM	2010 RM
Secured:-		
Current liabilities:		
Murabahah overdrafts ("MOD")	-	184,000,000
Non-current liabilities:		
- MOD 1	184,000,000	-
- MOD 2	150,000,000	150,000,000
- MOD 3	14,480,000	-
- Term loan	15,000,000	-
	<u>363,480,000</u>	<u>334,000,000</u>

The MOD 1, MOD 2 and MOD 3 are secured by way of fixed charge over Subang Parade, Mahkota Parade and Wetex Parade respectively. The MOD have a tenure of 5 years from the first disbursement of which MOD 1 and MOD 3 are due for repayment in 2016 and MOD 2 is due for repayment in 2013.

MOD 1 and MOD 2 bear interest rate of cost of funds plus 75 basis points (2010: cost of fund plus 75 basis points) whereas MOD 3 bears interest rate of cost of fund plus 75 basis points for first and second year and cost of fund plus 100 basis points for third year onwards. The effective interest rate on MOD are 3.65% (2010: 3.04%) per annum.

The term loan is secured by way of fixed charge over Mahkota Parade. The term loan has a 5-year tenure whereby the principal amount is repayable via a bullet repayment at the end of the 5-year tenure in 2016. The term loan bears interest rate of cost of funds plus 75 basis points and interest is to be serviced monthly in arrears. The average interest rate on the term loan is 4.12% (2010: Nil) per annum.

The carrying amount of the borrowings approximate the fair value.

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11. UNITHOLDERS' CAPITAL

	Trust	
	2011 No. of units	2010 No. of units
Authorised and issued: At 1 January/31 December	320,001,000	320,001,000
	RM	RM
Issued and fully paid:- At 1 January/31 December	328,136,711	328,136,711

As at 31 December 2011, the Manager did not hold any units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:-

	2011 No. of units	% of total units
Manager's Directors' Direct Unitholdings in Hektar REIT:-		
Under Mayban Nominees (Tempatan) Sdn. Bhd.		
1. Zalila Binti Mohd Toon	246,000	0.09
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-		
1. HSBC Nominees (Asing) Sdn. Bhd. for Frasers Centrepoint Trust (As Trustee)	99,400,000	31.06
2. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	40,700,000	12.72
3. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	87,800,000	27.44
The Manager's related parties' Direct Unitholdings in Hektar REIT:-		
1. Hektar Premier Sdn. Bhd.	87,800,000	27.44
2. Hektar Black Sdn. Bhd.	40,700,000	12.72

12. GROSS REVENUE

	2011 RM	2010 RM
Rental income	85,973,224	82,744,200
Carpark income	8,440,631	7,693,713
Other income	467,358	435,275
	94,881,213	90,873,188

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13. PROPERTY EXPENSES

	2011	2010
	RM	RM
Assessment and quit rent	3,291,542	3,282,218
Marketing and promotions	3,086,382	3,412,010
Property management fee	1,879,427	1,791,581
Property maintenance	15,765,924	15,439,348
Utilities	11,907,833	11,007,569
Insurance	654,231	597,297
	<u>36,585,339</u>	<u>35,530,023</u>

Property management fee of RM769,634 (2010: RM1,791,581) and RM1,109,793 (2010: RMNil) was incurred to Izrin & Tan Properties Sdn. Bhd. and Hektar Property Services Sdn. Bhd. respectively in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

14. MANAGER'S FEES

Pursuant to the Deed, the Manager's annual fees consist of the following:-

(i) Base fee

Up to 1.0% per annum of the Gross Asset Value ("GAV") of the Trust payable monthly in arrears.

For the financial year ended 31 December 2011 and ending 31 December 2012, the base fee shall be 0.35% (2010: 0.35%) per annum of the GAV of the Trust.

(ii) Performance fee

Up to 5.0% per annum of the Net Property Income ("NPI"), before deducting the property management fee, payable monthly in arrears.

For the financial year ended 31 December 2011 and ending 31 December 2012, the performance fee shall be 5.0% (2010: 5.0%) per annum of the NPI, before deducting the property management fee.

15. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee is entitled to receive a fee up to 0.1% per annum of the NAV of the Trust, including the Manager's fees, payable annually in arrears.

For the financial year ended 31 December 2011 and ending 31 December 2012 the Trustee's fee shall be 0.035% (2010: 0.035%) per annum of the NAV of the Fund, including the Manager's fees.

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16. TAX EXPENSE

Taxation of the Real Estate Investment Trust ("REIT")

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Hektar REIT will not incur any tax exposure during the financial year as it will distribute more than 90% of its realised income available for distribution for the financial year ended 31 December 2011 which translates to more than 90% of its total taxable income.

	2011 RM	2010 RM
Current financial year's provision	-	-

A reconciliation of income tax expense on income before tax for the REIT with the applicable statutory income tax rate is as follows:-

	2011 RM	2010 RM
Income before tax	86,651,376	39,183,890
Income tax at 25%	21,662,844	9,795,973
Tax effects in respect of:-		
Non-allowable expenses	136,856	402,326
Income not subject to tax	(12,234,956)	(252,915)
Effect of income distribution exempted from tax	(9,564,744)	(9,945,384)
Total tax expense	-	-

Taxation of the Unitholders

Pursuant to Section 109D(2) of Income Tax Act, 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unit holders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individual and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	25%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 25%.

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17. EARNINGS PER UNIT

- (a) The calculation of earnings per unit after manager's fee is based on net income for the financial year of RM86,651,376 (2010: RM39,183,890) to the number of units in circulation during the financial year of 320,001,000 (2010: 320,001,000).
- (b) The calculation of earnings per unit before Manager's fee is based on net income for the financial year of RM92,411,903 (2010: RM44,691,221) after adding back manager's fee and number of units in circulation during the financial year of 320,001,000 (2010: 320,001,000).
- (c) The calculation of earnings per unit (realised) after manager's fee is based on realised net income for the financial year of RM38,914,169 (2010: RM38,172,229) to the number of units in circulation during the financial year of 320,001,000 (2010: 320,001,000).
- (d) The calculation of earnings per unit (realised) before manager's fee is based on realised net income for the financial year of RM44,674,696 (2010: RM43,679,560) after adding back manager's fees and the number of units in circulation during the financial year of 320,001,000 (2010: 320,001,000).

18. INCOME DISTRIBUTION

Distribution to Unitholders are from the following sources:-

	2011	2010
	RM	RM
Net rental income	58,295,874	55,343,165
Other income	13,306	15,296
Interest income	163,928	159,748
Reversal of impairment loss on trade receivables	82,962	-
	<u>58,556,070</u>	<u>55,518,209</u>
Less: Expenses	<u>(19,641,901)</u>	<u>(17,345,980)</u>
	<u>38,914,169</u>	<u>38,172,229</u>
Gross provision for distribution per unit (sen):		
-Interim	7.50	7.50
-Final	2.80	3.10
	<u>10.30</u>	<u>10.60</u>
Net provision for distribution per unit (sen): **		
-Interim	7.50	7.50
-Final	2.80	3.10
	<u>10.30</u>	<u>10.60</u>

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18. INCOME DISTRIBUTION (CONT'D)

** Withholding tax will be deducted for distributions made to the following types of Unitholders:-

	YA 2011	YA 2010
Resident individual	10%	10%
Non-resident individual	10%	10%
Resident institutional investors	10%	10%
Non-resident institutional investors	10%	10%
Non-resident companies	25%	25%

19. PORTFOLIO TURNOVER RATIO

	2011	2010
Portfolio Turnover Ratio ("PTR")(times)	-	0.01

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Hektar REIT to the average net asset value for the financial year calculated on a quarterly basis.

20. MANAGEMENT EXPENSE RATIO

	2011	2010
Management Expense Ratio ("MER")(%)	1.59	1.74

The calculation of MER is based on the total fees and expenses of Hektar REIT incurred, including Manager's fees, Trustee's fee, auditors' remuneration, tax agent's fees, allowance for impairment loss and administrative expenses, to the average NAV during the financial year. Since the NAV is calculated on a quarterly basis, comparison of the MER of Hektar REIT with other REITs which uses different basis of calculation may not be comparable.

21. CAPITAL COMMITMENT

Capital expenditure in respect of the following has not been provided for in the financial statements:-

	2011 RM	2010 RM
Authorised but not contracted for:-		
Refurbishment of investment properties	-	4,690,635
Authorised and contracted for:-		
Refurbishment of investment properties	-	15,732,092

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22. TRANSACTION WITH A PARTY RELATED TO THE MANAGER

	2011 RM	2010 RM
Commission and service charges received - Hektar Black Sdn. Bhd.	<u>251,087</u>	<u>232,042</u>

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risks

Hektar REIT's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the REIT's business whilst managing its risks. Hektar REIT operates within clearly defined guidelines as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts ("the Guidelines"). These Guidelines seek to provide a regulatory framework that would protect the interests of the investing public. Hektar REIT's risk management policies, which ensure compliance with the spirit of the Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

(a) Interest rate risk

Hektar REIT's exposure to changes in interest rates are primarily due to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rate.

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

2011	Not later than 1 year RM	2 to 5 years RM	Total RM	Effective annual interest rate during the financial year %
Financial asset				
Fixed deposit with a licensed bank	-	2,338,995	2,338,995	2.55-3.06
Financial liabilities				
Murabahah overdrafts	-	348,480,000	348,480,000	3.65
Term loan	-	15,000,000	15,000,000	4.12

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

(a) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments:

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increase/(decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2011	Profit for the year		Equity	
	+ 50 bp RM	- 50 bp RM	+ 50 bp RM	- 50 bp RM
Floating rate instruments	(1,817,400)	1,817,400	(1,817,400)	1,817,400
2010				
Floating rate instruments	(1,670,000)	1,670,000	(1,670,000)	1,670,000

(b) Credit risk

The Trust controls credit risk by the application of credit approvals, limit and monitoring procedure.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the statement of financial position.

Hektar REIT has no significant concentration of credit risk with any single counterparty.

As at 31 December 2011, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

(c) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due due to shortage of funds.

In managing its exposures to liquidity risk arising principally from its various payables, loans and borrowings, the Trust maintains a level of cash and cash equivalents and bank facilities deemed adequate by the manager to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONT'D)**

Financial risks (cont'd)

(c) Liquidity risk (cont'd)

As at reporting date, none of the Trust's borrowings will be maturing in the next twelve months based on the carrying amount reflected in Note 10 to the financial statements.

Following are the areas where the Trust is exposed to liquidity risk:

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

2011	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total RM
Financial liabilities				
Secured:				
Term loan	-	-	15,000,000	15,000,000
Murabahah overdrafts	-	198,480,000	150,000,000	348,480,000
Unsecured:				
Trade and other payables	28,425,720	-	-	28,425,720
Total undiscounted financial liabilities	28,425,720	198,480,000	165,000,000	391,905,720

24. CAPITAL MANAGEMENT

The Trust's objectives when managing capital is to maintain a strong capital base and safeguard the Trust's ability to continue as a going concern, so as to maintain stakeholders and market confidence and to sustain future development of the Trust.

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2011.

The manager monitors capital using a gearing ratio pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts ("SC Guideline"). As per the SC Guideline, the total borrowings of a Trust should not exceed 50% of the total asset value of the Trust at the time the borrowings are incurred.

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24. CAPITAL MANAGEMENT (CONT'D)

	2011 RM
Non-current assets	42,720,021
Current assets	824,338,995
Total asset value	<u>867,059,016</u>
 Total borrowings	 363,480,000
 Gearing ratio	 <u>41.92%</u>

25. SEGMENTAL REPORTING

The principal activity of the Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium to long terms capital growth. Hence, no segmental reporting is presented.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012
HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	As at 30.6.2012 RM (Unaudited)	As at 31.12.2011 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	822,000,000	822,000,000
Capital work in progress	1,124,333	-
Fixed deposit with a licensed bank	2,582,146	2,338,995
	<u>825,706,479</u>	<u>824,338,995</u>
<u>CURRENT ASSETS</u>		
Trade receivables	2,763,273	3,002,686
Other receivables, deposits and prepayments	21,432,463	20,451,827
Cash and bank balances	18,064,284	19,265,508
	<u>42,260,020</u>	<u>42,720,021</u>
TOTAL ASSETS	<u>867,966,499</u>	<u>867,059,016</u>
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	213,480,000	363,480,000
<u>CURRENT LIABILITIES</u>		
Trade payables	272,098	266,763
Other payables and accruals	4,812,431	5,708,722
Tenancy deposits	23,165,261	22,450,235
Bank borrowings	150,000,000	-
	<u>178,249,790</u>	<u>28,425,720</u>
TOTAL LIABILITIES	<u>391,729,790</u>	<u>391,905,720</u>
NET ASSET VALUE	<u>476,236,709</u>	<u>475,153,296</u>
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	30,994,350	29,910,936
– unrealised	117,105,649	117,105,649
TOTAL UNITHOLDERS' FUND	<u>476,236,709</u>	<u>475,153,296</u>
NET ASSET VALUE PER UNIT (RM)		
-as at 30 June 2012/31 December 2011	1.49	1.48
-before distribution for the cumulative quarter	1.54	1.59
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,774,309 (2011:RM1,534,782) which is discounted to present value in compliance with FRS 139 as per note A14.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2012 (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2012 RM	Preceding Year Corresponding Quarter 30.6.2011 RM	Current YTD 30.6.2012 RM	Preceding YTD 30.6.2011 RM
Revenue	24,308,503	23,257,797	48,764,409	46,597,832
Property operating expenses	(9,588,042)	(9,129,942)	(19,105,948)	(18,077,637)
Net property income	14,720,461	14,127,855	29,658,461	28,520,195
Interest Income	51,402	57,028	85,619	83,914
Other Income	86,453	2,152	120,087	6,465
Trust expenses	(1,924,589)	(1,627,891)	(3,750,686)	(3,291,619)
Borrowing costs	(3,655,504)	(3,157,347)	(7,110,012)	(5,973,797)
Income before taxation	9,278,223	9,401,797	19,003,469	19,345,158
Taxation	-	-	-	-
Net income for the period	9,278,223	9,401,797	19,003,469	19,345,158
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	9,278,223	9,401,797	19,003,469	19,345,158
Earnings per unit (sen)	2.90	2.94	5.94	6.05

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2012 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2012</u>	328,136,711	29,910,936	117,105,649	475,153,296
<u>Operation for the cumulative quarter ended 30 June 2012</u>				
Total comprehensive income for the period	-	19,003,469	-	19,003,469
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(17,920,056)	-	(17,920,056)
Balance at 30 June 2012	<u>328,136,711</u>	<u>30,994,349</u>	<u>117,105,649</u>	<u>476,236,709</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2011 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2011</u>	328,136,711	23,956,870	69,368,442	421,462,023
<u>Operation for the cumulative quarter ended 31 December 2011</u>				
Total comprehensive income for the year	-	38,914,169	47,737,207	86,651,376
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(32,960,103)	-	(32,960,103)
Balance at 31 December 2011	<u>328,136,711</u>	<u>29,910,936</u>	<u>117,105,649</u>	<u>475,153,296</u>

The Condensed Statement of Changes in Net Assets Value should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)
HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT
**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2012**

	Current YTD 30.6.2012 RM	Preceding YTD 30.6.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	19,003,469	19,345,159
Adjustments for :-		
Interest income	(85,619)	(83,914)
Interest expense	7,110,012	5,973,797
Rental under FRS 117	129,467	(403,461)
Impairment loss on trade receivables	75,000	75,000
Reversal of impairment loss on trade receivables	(30,233)	-
Operating profit before working capital changes	<u>26,202,096</u>	<u>24,906,581</u>
Change in working capital :-		
Receivables	(915,457)	(389,579)
Payables	(175,930)	(609,385)
Net cash from operating activities	<u>25,110,709</u>	<u>23,907,617</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Refurbishment of investment properties	(1,124,333)	(10,192,228)
Interest income	85,619	83,914
Placement of fixed deposits	(243,151)	(37,115)
Net cash used in investing activities	<u>(1,281,865)</u>	<u>(10,145,429)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(7,110,012)	(5,973,797)
Bank borrowings	-	8,155,259
Distribution to Unitholders	(17,920,056)	(16,960,053)
Net cash used in financing activities	<u>(25,030,068)</u>	<u>(14,778,591)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,201,224)	(1,016,403)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,265,508	24,670,518
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>18,064,284</u>	<u>23,654,115</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2012 PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134, 117 & 139**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR

The auditors have expressed an unqualified opinion on Hektar REIT's financial statements for the year ended 31 December 2011 in their report dated 13 February 2012.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of Hektar REIT is not affected by material, seasonal or cyclical factors.

A4 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

A5 CHANGES IN ESTIMATES

There were no changes in estimates that have had material effect in the current quarter.

A6 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 INCOME DISTRIBUTION

There will be a Second Interim Distribution of 2.6 sen per unit, amounting to RM8,320,026 to be made on 14 September 2012.

A8 SEGMENT INFORMATION

The principal activity of Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium-to-long term growth. Hence, no segmental reporting is presented.

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties were last valued on 31 October 2011.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim period.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A11 CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes to the composition of Hektar REIT during the current quarter and the fund size stands at 320,001,000 units.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A13 RENTAL INCOME FROM TENANCIES (FRS 117)

Rental income receivable under tenancy agreements is recognized on a straight-line basis over the term of the lease. Meanwhile, gross turnover rental is recognized as income in the accounting period on a receipt basis.

A14 TENANCY DEPOSITS (FRS 139)

Included in the tenancy deposit received from tenants is RM1,774,309 representing the difference between the fair value and the amount of deposits carried in the statement of financial position as a result of the recognition of the said deposits at fair value in compliance with the requirements of FRS 139 financial instruments.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BHD'S MAIN MARKET OF LISTING REQUIREMENTS
B1 REVIEW OF PERFORMANCE

For the cumulative quarter ended 30 June 2012, Hektar REIT generated total revenue of RM48,970,115 comprising rental income of RM48,764,409, interest income of RM85,619 and other income of RM120,087.

Revenue of RM48,764,409 was higher than the preceding year's corresponding period by 4.7%, principally due to improvement in rentals and car park income.

Property operating expenses of RM19,105,948 was higher than the preceding year's mainly due to higher electricity tariff.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.6.2012 RM	Preceding Quarter Ended 30.6.2011 RM
Income before taxation	9,278,223	9,401,797

The individual second quarter's net income of RM9,278,223 is 1.3% lower than the previous corresponding period of 2011 mainly due to higher borrowing cost.

B3 PROSPECTS

New mall openings in Malaysia have created a more challenging environment. However, Hektar is well positioned to compete effectively as it has a proven track record over the last 5 years with timely refurbishment of its malls.

B4 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B5 TAX EXPENSE

Pursuant to the introduction of the new tax regime for Real Estate Investment Trust ("REIT"), a REIT will be fully exempted from income tax provided at least 90% of its income is distributed to unitholders with effect from the year of assessment 2007.

Barring unforeseen circumstances, there will be no tax payable as Hektar REIT intends to distribute at least 90% of the distributable income to unitholders for the year ending 31 December 2012.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B6 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the quarter.

B7 QUOTED INVESTMENTS

There were no purchases or disposal of quoted investments during the quarter.

B8 CORPORATE PROPOSAL AND DEVELOPMENTS
Status of Corporate Proposals – Acquisition of Landmark Central Shopping Centre and Central Square Shopping Centre

The following corporate proposals have been announced but not completed.

The Proposed Acquisitions (as announced in the Annual Report 2011 and 1st Quarter 2012 report) are currently ongoing and the Manager has, on 5 July 2012, announced that all the resolutions (as set out in the Notice of the Unitholders' Meeting of Hektar REIT ("Meeting") dated 20 June 2012), have been approved by the Unitholders of Hektar REIT as tabled at the Meeting held on 5 July 2012.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 3rd quarter of 2012.

Government Land Acquisition

Further to the announcements dated 10 May 2010, 4 August 2010, 3 November 2010, 17 February 2011, 11 May 2011, 17 August 2011, 4 November 2011, 13 February 2012, 25 May 2012 and 29 June 2012, the Manager announced that the sealed copy of the High Court order dated 29 September 2011 granting additional compensation amounting to RM282,332.00 to be paid by the Pentadbir Tanah Daerah Petaling ("PTD") to AmTrustee Berhad (for and on behalf of Hektar REIT) ("AmTrustee") in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor, has been received on 28 June 2012.

The salient points of the High Court order include the following :-

- i) the PTD to pay interest at the rate of eight percent (8%) from the date of the Form K dated 23 June 2009 until the date of payment of the additional sum is fully paid;
- ii) the PTD to pay the additional compensation sum within a period of three (3) months from the date of presentation of the sealed court order to the PTD (which will be presented to the PTD in due course);
- iii) the deposit amounting to RM3,000.00 paid by AmTrustee be refunded to AmTrustee; and
- iv) the PTD and AmTrustee to each pay RM250.00 to the independent valuers appointed by the High Court as costs for the hearing, with PTD paying to the private valuer and AmTrustee paying to the government valuer, within a period of one (1) month from the date of the order.

The Manager has decided not to make any further appeal against the decision of the High Court.

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM363,480,000 comprise:

1. Current liability of RM150,000,000; and
2. Non-current liability of RM213,480,000.

Both loans are secured.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at date of reporting.

B12 MATERIAL LITIGATION

There was no material litigation as at date of reporting.

B13 SOFT COMMISSION

For the quarter ended 30 June 2012, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B14 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a second interim distribution of 2.6 sen per unit, amounting to RM8,320,026 for the Second Quarter ended 30 June 2012. The withholding tax rate imposed on the recipients of income distribution is as follows:

Resident individual	Withholding tax at 10%
Non-resident individual	Withholding tax at 10%
Resident institutional investors	Withholding tax at 10%
Non-resident institutional investors	Withholding tax at 10%
Resident companies	No withholding tax. Subject to corporate tax at 25% for year of assessment 2012
Non-resident companies	Withholding tax at 25% for year of assessment 2012

UNAUDITED QUARTERLY RESULTS OF HEKTAR REIT FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2012 (CONT'D)

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 30.6.2012	Preceding Quarter Ended 30.6.2011
Income before tax	9,278,223	9,401,797
Provision for income distribution	8,320,026	8,000,025
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	2.90	2.94
Distribution per unit (sen)	2.60	2.50

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with FRS 110, 134, 117, 139 and 140 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Hektar REIT as at 30 June 2012 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorized for release by the Board of the Manager on 10 August 2012.

By Order of the Board
HEKTAR ASSET MANAGEMENT SDN BHD
 (as the Manager of Hektar Real Estate Investment Trust)

Dato' Muhammad Hafidz Nuruddin (MAICSA 7005820)
Lim Seck Wah (MAICSA 0799845)

Joint Company Secretaries
 Kuala Lumpur
 10 August 2012

DIRECTORS' REPORT



HEKTAR ASSET MANAGEMENT

Registered Office:

Unit 419, Block A
 Kelana Business Centre
 No.97, Jalan SS 7/2
 Kelana Jaya
 47301 Petaling Jaya
 Selangor Darul Ehsan

Date: 22 AUG 2012

To: The Entitled Unitholders of Hektar Real Estate Investment Trust ("Hektar REIT" or the "REIT")

Dear Sir/ Madam,

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd (the "Board"), I wish to report that, after making due enquiries in relation to Hektar REIT during the period between 31 December 2011, being the date on which the latest audited consolidated financial statements have been made up to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Rights Issue Prospectus) that:-

- (a) the business of Hektar REIT has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the REIT which have adversely affected the trading or the value of the assets of Hektar REIT;
- (c) the current assets of the REIT appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there is no other material contingent liabilities which have arisen by reason of any guarantee or indemnity given by the REIT;
- (e) since the last audited financial statements of the REIT, the Board is not aware of any default or any known event that could give rise to a default situation, on payment of either interest and/or principal sums in relation to any borrowings in the REIT; and
- (f) save as disclosed in this Rights Issue Prospectus, there have been no material change in the published reserves or any unusual factor affecting the profits of the REIT since the last audited financial statements of the REIT.

Yours faithfully,

For and on behalf of the Board of
HEKTAR ASSET MANAGEMENT SDN. BHD.
 (Company No: 732261-T)

DATO' JAAFAR BIN ABDUL HAMID
 Chairman and Chief Executive Officer

HEKTAR ASSET MANAGEMENT SDN BHD (732261-T)

D1-U3-10, Block D1 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia.

Tel: +6 03-6205 5570 Fax: +03-6205 5571

FURTHER INFORMATION

1. UNITS IN CIRCULATION

- (i) Save for the Issuance to the Manager, no securities will be allotted or issued on the basis of this Rights Issue Prospectus later than twelve (12) months after the date of issue of this Rights Issue Prospectus.
- (ii) As at the date of this Rights Issue Prospectus, there is only one (1) class of Units all of which rank pari passu with one another.
- (iii) Save for the Rights Issue and Issuance to the Manager, no securities of the REIT have been issued or proposed to be issued, as fully or partly paid-up in cash or otherwise than in cash, within the two (2) years immediately preceding the date of this Rights Issue Prospectus.
- (iv) As at the date of this Rights Issue Prospectus and save for the Rights Units, no person has been or is entitled to be given an option to subscribe for any Units of the Company.

2. REMUNERATION OF DIRECTORS

The provisions in HAMSB's Articles of Association in relation to the remuneration of the Directors are as follows:

Article 111 of the Articles of Association of HAMSB

The fees payable to the non-executive Directors shall be determined by the Company in general meeting whilst the remuneration of the executive Directors shall be determined by the Board of Directors.

Article 138 of the Articles of Association of HAMSB

The remuneration of a Chief Executive Officer shall be subject to any contract between him and the Company be fixed by the Directors and may be by way of fixed salary or commission or a combination of both.

3. MATERIAL CONTRACTS

There is no other material contract entered into outside the ordinary course of business by the REIT within the two (2) years preceding the date of this Rights Issue Prospectus, save for the following:

- (i) The SPAs entered into between the Trustee and the Vendors for the Total Purchase Price of the Subject Properties to be satisfied in cash as mentioned in Section 4.1 of this Rights Issue Prospectus;
- (ii) The Supplemental Deed dated 20 March 2012 executed between the Manager and AmTrustee; and
- (iii) Underwriting Agreement dated 14 August 2012 between HAMSB, the Trustee and the Joint Underwriters.

FURTHER INFORMATION (CONT'D)

4. MATERIAL LITIGATION**4.1 Hektar REIT**

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

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

On 29 September 2011, the High Court of Shah Alam has granted an order against the PTD to pay to AmTrustee additional compensation in the amount of RM282,332 together with interest at a rate of 8% to be calculated from 23 June 2009 being the date of the Borang K, in relation to the land acquisition. The sealed copy of the court order was received on 28 June 2012.

4.2 The Manager

As at the LPD, HAMS B is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against HAMS B or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of HAMS B.

4.3 The Trustee

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

AmTrustee Berhad was served with a writ and statement of claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("**Meridian**") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("**Meridian Suit**").

AmTrustee was served on 24 March 2006 with a writ and statement of claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("**MAA**") for alleged loss and damages amounting to RM19,640,178 together with interest and costs ("**MAA Suit**"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of the insurance funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit.

FURTHER INFORMATION (CONT'D)

In the MAA Suit, AmTrustee filed a third party notice against Meridian on 6 November 2006 seeking indemnification/contribution from Meridian. Meridian in turn filed a counter claim against AmTrustee over AmTrustee's Third Party Notice which in essence introduced the same argument and claim as in their Meridian Suit.

Parties have filed several interim applications in the Meridian Suit amongst which was an application by Meridian to add another subsidiary of the Banking Group, namely AmInvestment Bank Berhad as 2nd Defendant in the Meridian Suit and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. The High Court dismissed Meridian's application to add AmInvestment Bank Berhad as a party to the Meridian's Suit ("Decision") but allowed Meridian's application to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

As Meridian did not file any appeal against the Decision, no litigation is pending today against AmInvestment Bank Berhad by Meridian.

On 16 September 2008, both the Meridian Suit and MAA Suit were ordered to be heard together in the same trial pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

Meanwhile, AmTrustee filed an application for a stay of proceedings of both the MAA Suit and Meridian Suit (the "**Stay Application**") pending the full and final disposal of a criminal proceeding involving an ex-employee of Meridian at the Sessions Court. The Stay Application was dismissed by the High Court on 1 December 2010. AmTrustee's appeal to the Court of Appeal against the dismissal of the Stay Application was allowed with costs on 24 May 2011 and with the granting of the stay order by the Court of Appeal, both the Meridian Suit and the MAA Suit are now stayed pending the disposal of the criminal proceeding ("**Stay Order**").

AmTrustee's solicitors informed that on 12 December 2011, the Sessions Court found the Meridian's ex-employee guilty and sentenced him to a total of six and a half years imprisonment. The Meridian's ex-employee has since filed an appeal against the Sessions Court's custodial sentence. The criminal appeal of the Meridian's ex-employee has been fixed for case management on 5 July 2012 and no hearing date for the appeal has been fixed as of to date ("**Criminal Proceeding**").

When the Meridian Suit and the MAA Suit came up for case management in the High Court on 12 January 2012, AmTrustee's solicitors had sought clarification from the High Court Registrar on the Stay Order granted for both civil suits before taking any further steps in the civil proceedings given that if the Stay Order continues to apply until all appeals in the Criminal Proceeding have been disposed of, to proceed with the civil suits would tantamount to a contempt of court. The High Court Registrar directed parties to seek direction from the High Court managing Judge and adjourned the case management to 8 March 2012. The High Court managing Judge on 8 March 2012 directed AmTrustee's solicitors to seek clarification on the Stay Order from the Court of Appeal instead. AmTrustee's solicitors subsequently filed a formal application to the Court Of Appeal for clarification which was heard on 18 June 2012. At the said hearing, the Court of Appeal did not clarify the Stay Order and instead directed parties to seek an audience with the High Court Judge presiding over the civil suits for the parties to submit their respective views on the Stay Order. The Court of Appeal further ordered the said presiding High Court Judge to decide on the interpretation of the Stay Order and to proceed accordingly.

Meanwhile, at the case management of the civil suits on 25 June 2012, parties updated the High Court Registrar on the outcome of the Court of Appeal's directions on the Stay Order. The High Court Registrar informed parties that both the Meridian Suit and the MAA Suit will be presided by Yang Arif Hamid Sultan Abu Backer ("**YA Hamid**") and the civil suits were fixed for case management before the High Court Judge on 3 August 2012.

FURTHER INFORMATION (CONT'D)

At the case management on 3 August 2012, the parties informed the High Court of the Court of Appeal's direction on 18 June 2012 and following that YA Hamid has interpreted the Stay Order to mean without including any appeal and that it is limited to the Criminal Proceeding at the Sessions Court. As a result of the High Court's ruling, AmTrustee's solicitors informed the High Court that AmTrustee would apply for further stay of the civil suits pending the outcome of the appeal in the Criminal Proceeding which was rejected by YA Hamid. Instead, the High Court Judge proceeded to fix trial dates from 8 October 2012 to 12 October 2012. For trial purpose, YA Hamid directed parties to exchange witness statements by 30 August 2012 failing which pleadings would be struck off.

Parties attended subsequent case management on 15 August 2012 for both Meridian Suit and the MAA Suit and the High Court Judge gave the following directions:

- (i) the Court would hear the Meridian Suit first and followed by the MAA Suit;
- (ii) Parties to file bundle of pleadings, common bundle of documents, statement of agreed facts, statement of issues to be tried and witness statements on or before 24 September 2012; and
- (iii) case management for both suits has been fixed on 24 September 2012.

Meanwhile, MAA's application to amend its Statement of Claim had been dismissed by the High Court on 13 August 2012 following AmTrustee's objection to the said application.

AmTrustee's solicitors are of the view that AmTrustee has a good defence in both the Meridian Suit and the MAA Suit based on documentary evidence and witnesses statements in their possession.

Neither material financial loss nor operational impact on the Group is expected as a result of the writs and statements of claim filed by Meridian and MAA against AmTrustee.

5. GENERAL

- (i) The nature of Hektar REIT's business is set out in Appendix II of this Rights Issue Prospectus. Save as disclosed in Appendix II of this Rights Issue Prospectus, there are no corporations that are deemed to be related to the REIT by virtue of Section 6 of Act as at the date of this Rights Issue Prospectus.
- (ii) The total estimated expenses of the Proposals of approximately RM4.5 million will be borne by the REIT as disclosed under Section 3.2 of this Rights Issue Prospectus.
- (iii) There is no existing or proposed service contract entered into or to be entered into by the Directors and the REIT, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Rights Issue Prospectus.
- (iv) The Board is not aware of any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of the REIT increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure of the REIT;
 - (c) unusual, infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had, or that the REIT reasonably expects

FURTHER INFORMATION (CONT'D)

will have, a material favourable or unfavourable impact on revenues or operating income.

- (v) any material information including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of Hektar REIT.
- (vi) Unitholders are able to keep track of the market price per Unit and the NAV per Unit as announced by the Manager through Bursa Securities' website (www.bursamalaysia.com) and daily newspapers (both in English and Bahasa Malaysia). Hektar REIT also provides the Unitholders with an annual report and quarterly reports each year on its performance, which will also include information on the NAV per unit.
- (vii) If you require any assistance on Hektar REIT, you may contact HAMSMB at:-

D1-U3-10, Solaris Dutamas
 No 1, Jalan Dutamas 1
 Sri Hartamas
 50480 Kuala Lumpur
 Telephone No.: +6 03 6205 5570
 Facsimile No.: +6 03 6205 5571

6. DECLARATION OF CONFLICT OF INTEREST

6.1 ECM Libra

ECM Libra is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Main Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue.

6.2 Kenanga IB

Kenanga IB is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Joint Underwriter for the Rights Issue. However, Kenanga IB is in the midst of acquiring ECM Libra from ECM Libra Financial Group Berhad which is expected to be completed by the 4th quarter of 2012.

6.3 Zul Rafique & Partners

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

6.4 SJ Grant Thornton

SJ Grant Thornton is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Reporting Accountants, Auditors and Taxation Adviser for the Rights Issue.

6.5 Khong & Jaafar Sdn Bhd

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

FURTHER INFORMATION (CONT'D)

7. CONSENTS

The written consents of the Main Adviser, Joint Underwriter, Legal Adviser, Registrar, Joint Company Secretaries of HAMSB, Principal Banker and Property Management Company for the inclusion in this Rights Issue Prospectus of their names and all references thereto in the form and context in which they appear have been given before the issuance of this Rights Issue Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion in this Rights Issue Prospectus of their names, letter and report relating to the proforma statement of financial position of Hektar REIT as at 31 December 2011 and the audited financial statements of Hektar REIT for the FYE 31 December 2011 in the form and context in which they appear before the issuance of this Rights Issue Prospectus and have not subsequently been withdrawn.

The written consent of the Taxation Adviser for the inclusion in this Rights Issue Prospectus of their names, letter and report relating to the Taxation Adviser's letter on the taxation of Hektar REIT and Unitholders, and all reference thereto in the form and context in which they appear have been given before the issuance of the Rights Issue Prospectus and have not subsequently been withdrawn.

The Independent Valuer has given and has not subsequently withdrawn its written consent to the inclusion in this Rights Issue Prospectus of its name and valuation certificate of the Subject Properties in the form and context in which it appears.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Registered Office of the Manager at Unit 419 Block A, Kelana Business Centre, No. 97 Jalan SS 7/2, Kelana Jaya 47301 Petaling Jaya, Selangor during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Rights Issue Prospectus:

- (i) the Deed and the Supplemental Deed;
- (ii) the certified true extract of the ordinary resolution passed at the Meeting in respect of the Rights Issue set out in Appendix I of this Rights Issue Prospectus;
- (iii) the Reporting Accountants' letter on the proforma statement of financial position as at 31 December 2011 thereon referred to in Appendix III of this Rights Issue Prospectus;
- (iv) audited financial statements of Hektar REIT and HAMSB for the past three (3) FYE 31 December 2009, 2010 and 2011 and the unaudited financial statements of Hektar REIT for the six (6)-month financial period ended 30 June 2012;
- (v) the Valuation Certificate referred to in Appendix VI of this Rights Issue Prospectus together with the Valuation Reports;
- (vi) the material contracts referred to in Section 3 of this Appendix;
- (vii) the relevant cause papers in relation to the material litigations referred to in Section 4 in this Appendix;
- (viii) the letters of consent referred to in Section 7 above;
- (ix) the irrevocable undertaking letters from Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Frasers Centrepoint Trust dated 14 August 2012 referred to in Section 9.1 of this Rights Issue Prospectus;
- (x) the Underwriting Agreement;

FURTHER INFORMATION (CONT'D)

- (xi) the Taxation Adviser's letter on taxation of Hektar REIT and Unitholders referred to in Appendix VII of this Rights Issue Prospectus; and
- (xii) Market Report on Landmark Central in Kulim and Central Square in Sungai Petani prepared by Hektar Property Services Sdn Bhd.

9. RESPONSIBILITY STATEMENT

The Documents have been seen and approved by the Board and they individually and collectively accept full responsibility for the accuracy of the information given and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

AmTrustee, being the Trustee of Hektar REIT, to the best of the Trustee's knowledge based on the information and documentation made available by the Manager, the advisers and all relevant parties, the Rights Issue has been carried out in accordance with the Deed, the REIT Guidelines and other regulatory requirement to ensure that the interest and benefits of both Hektar REIT and the Unitholders are upheld at all times during the implementation of the Rights Issue.

ECM Libra, being the Main Adviser for the Rights Issue, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Rights Issue Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.

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