

HEKTAR REAL ESTATE INVESTMENT TRUST (“HEKTAR REIT”)

- (I) PROPOSED ACQUISITION OF THE SUBJECT PROPERTY (AS DEFINED HEREIN) FROM TASHIMA DEVELOPMENT SDN BHD FOR A CASH CONSIDERATION OF RM104.0 MILLION;
 - (II) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW UNITS IN HEKTAR REIT (“UNITS”) TO RAISE GROSS PROCEEDS OF UP TO RM75.0 MILLION;
 - (III) PROPOSED ISSUANCE OF NEW UNITS TO HEKTAR ASSET MANAGEMENT SDN BHD AS PART OF THE ACQUISITION FEE (AS DEFINED HEREIN) DUE TO THE MANAGER;
 - (IV) PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS FOR PART PAYMENT OF THE MANAGEMENT FEE TO THE MANAGER IN THE FORM OF NEW UNITS; AND
 - (V) PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF HEKTAR REIT
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1. INTRODUCTION

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd (“**HAMSB**” or “**Manager**”) (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that AmTrustee Berhad (“**Trustee**”), being the trustee of Hektar REIT, had on 10 June 2016 entered into a conditional sale and purchase agreement with Tashima Development Sdn Bhd (“**TDSB**” or “**Vendor**”), a wholly-owned subsidiary of EcoFirst Consolidated Bhd (“**EcoFirst**”) which is listed on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), for the proposed acquisition of the following for a cash consideration of RM104.0 million (“**Purchase Consideration**”) (“**SPA**”) (“**Proposed Acquisition**”):

- (i) the 1Segamat Property (as defined in Section 2.1.1 of this Announcement); and
- (ii) the Car Park Rights (as defined in Section 2.1.2 of this Announcement).

(The 1Segamat Property and Car Park Rights are collectively referred to as “**Subject Property**”)

In conjunction with the Proposed Acquisition, the Manager proposes to undertake the following:

- (i) renounceable rights issue of new Units (“**Rights Units**”) to the unitholders of Hektar REIT (“**Unitholders**”) on an entitlement date to be determined later (“**Entitled Unitholders**”) to raise gross proceeds of up to RM75.0 million (“**Intended Gross Proceeds**”) to part-finance the Proposed Acquisition (“**Proposed Rights Issue**”); and
- (ii) issuance of new Units to the Manager as part of the Acquisition Fee (as defined herein) due to the Manager (“**Manager’s Units**”) (“**Proposed Issuance to Manager**”).

The Manager also proposes to seek authority to allot and issue new Units for part payment of the management fee to the Manager in the form of new Units (“**Management Fee Units**”) (“**Proposed Authority**”).

Pursuant to the foregoing, the Manager proposes to increase the existing approved fund size of Hektar REIT to facilitate the increase in the number of Units pursuant to the Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority (“**Proposed Increase in Fund Size**”).

(The Proposed Acquisition, Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size are to be collectively referred to as “**Proposals**”)

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on the Subject Property

2.1.1 Information on the 1Segamat Property

The subject property is a land measuring approximately 174,534.21 square feet (“**sqf**”) / 16,214.76 square meters (“**sqm**”) (“**Land**”) on which a three (3)-storey retail mall building and one (1) basement car park together with a total of four hundred and twelve (412) car park bays (located at the basement, roof top and outdoor parking areas) (“**Building**”) known as “1Segamat Shopping Centre” (including all on-site fittings, machinery, equipment, fixtures and moveable chattels of any kind which are material to TDSB’s current ownership, maintenance, use, leasing, service, or operation of the 1Segamat Shopping Centre (“**Relevant Assets**”)) is erected thereon which forms part of two (2) pieces of leasehold land held under master title H.S.(D) 37321 No. PTD 1468 in Mukim Gemereh, Daerah Segamat, Negeri Johor and master title H.S.(D) 37323 No. PTB 1283 in Bandar and Daerah Segamat, Negeri Johor (“**1Segamat Property**”).

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

<u>Details</u>	<u>Description</u>
Postal address	: Jalan Kolam Air, 85000 Segamat, Johor Darul Takzim
Land title ⁽¹⁾	: H.S.(D) 37321 No. PTD 1468, Mukim Gemereh, Daerah Segamat, Negeri Johor and H.S.(D) 37323 No. PTB 1283, Bandar and Daerah Segamat, Negeri Johor (“ Master Titles ”)
Tenure	: Leasehold 99 years expiring on 4 July 2100 (i.e. an unexpired term of about 84 years remaining)
Registered owner	: TDSB
Category of land use	: Building
Property use	: Retail mall
Approximate age of building as at 2 May 2016	: 4 years and 5 months
Gross floor area (sqf/sqm)	: 486,788.99/45,224.18
Net lettable area (“ NLA ”) (sqf/sqm)	: 223,438.71/20,758.14
Land area (sqf/sqm)	: 267,752.26/24,875.00 (as per Master Titles) 174,534.21/16,214.76 (after subdivision of Master Titles: as per Pelan Kebenaran Merancang dated 30 December 2015) ⁽¹⁾
Date of certificate of fitness for occupation (“ CF ”)	: 2 December 2011
Occupancy rate as at 2 May 2016 (%)	: 96.35
Tenancy term	: Two (2) to three (3) years
Major tenants (more than 10% of total NLA)	: UO Superstore and Lotus Five Star Cinemas
Net property income for the financial year ended (“ FYE ”) 31 May 2015 (RM’000)	: 5,943
Audited net book value as at 31 May 2015 (RM’000)	: 118,031

Details	Description
Market value as at 2 May 2016 as appraised by Henry Butcher Malaysia (Kluang) Sdn Bhd (“ Independent Valuer ”) (“ Market Value ”) (RM’000)	: 105,000
Encumbrances as per land search dated 2 June 2016	: Two (2) encumbrances in favour of Amanah International Finance Sdn Bhd (“ Existing Chargee ”) vide: <ul style="list-style-type: none"> (i) caveat presentation no.: 4/2014 registered on 1 January 2014 (“Existing Caveat”); and (ii) charge presentation no.: 703/2014 registered on 6 January 2014 (“Existing Charge”).
Express conditions of the Master Titles as per land search dated 2 June 2016	: (i) <i>“Tanah ini hendaklah digunakan untuk Bangunan Bertingkat bagi tujuan Komersil dan Hotel, dibina mengikut pelan yang diluluskan oleh pihak Berkuasa Tempatan yang berkenaan.”</i> This land shall be used for a multi-storey building for commercial and hotel purposes, constructed according to the plan approved by relevant Local Authority. <ul style="list-style-type: none"> (ii) <i>“Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.”</i> All waste and pollution resulting from this activity shall be transmitted/ disposed to the location designated by the Relevant Authority. (iii) <i>“Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa kesemasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.”</i> Every policy and condition that have been prescribed and enforced from time to time by the Relevant Authority shall be complied with.
Restrictions-in-interest of the Master Titles as per land search dated 2 June 2016	: (i) <i>“Tuanpunya tanah tidak dibenarkan menawar atau menjual unit-unit (parcels) bangunan yang akan dibina tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Majlis Daerah Segamat Utara.”</i> The proprietor of the land shall not offer or sell any units (parcels) of the building that is to be constructed on the land save and except where the construction of the building has commenced according to the plan approved by Majlis Daerah Segamat Utara.

Details**Description**

- (ii) "Hakmilik tanah ini apabila dipecahkan kepada hakmilik "strata" pecahan hakmilik strata tersebut apabila sahaja bertukar hakmilik kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekaipun kepada orang yang bukan Bumiputera/Syarikat Bukan Bumiputera tanpa persetujuan Penguasa Negeri." When this title of the land is subdivided into "strata" titles, such strata titles, after being transferred to a Bumiputera/ Bumiputera Company, shall not be sold, leased, charged or transferred in any way whatsoever to a Non-Bumiputera/ Non-Bumiputera Company without consent from the State Authority.⁽²⁾
- (iii) "Pecahan hakmilik strata daripada hakmilik ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada Bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri." The strata titles from this title shall not be sold or transferred in any way whatsoever to a non-citizen/ foreign company without consent from the State Authority.⁽²⁾

Notes:

- (1) As a condition precedent of the SPA (as set out in the Section 2.2.3(ii) of this Announcement), the Vendor shall obtain the issuance of separate issue documents of title ("**Subdivided Titles**") for the land from the appropriate authority with the terms of the express conditions and restrictions-in-interest being no worse off than the Master Titles.

The Vendor has on 31 May 2016 submitted an application for the subdivision of the Master Titles for the purpose of the issuance of the Subdivided Titles for the land to the relevant authorities.

- (2) The 1Segamat Property is not a strata mall.

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

2.1.2 Information on the Car Park Rights

The car park rights are the rights to operate and maintain a car park operation on the following lease area ("**Car Park Rights**"):

- (i) such part of land held under Lot 236, in Bandar and Daerah Segamat, Negeri Johor measuring approximately 65,340.00 sqf/6,070.28 sqm ("**Car Park Lease Area**") pursuant to the lease agreement dated 6 January 2016 between TDSB and Kelab Sukan Kebajikan Majlis Daerah Segamat in relation to the lease of the Car Park Lease Area ("**Car Park Lease Agreement**"); and
- (ii) such part of the land comprising in the Master Titles having a total of seventy two (72) car park bays (subject to changes on the car park bays pursuant to the terms and conditions set out in the SPA) ("**External Road Reserve**") pursuant to the lease agreement to be entered into between TDSB and the relevant authority in relation to the lease of the External Road Reserve ("**External Road Reserve Lease Agreement**").

2.2 Salient terms of the SPA

2.2.1 Agreement to sell and purchase the Subject Property

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

2.2.2 Payment of the Purchase Consideration

The Purchase Consideration shall be settled in the following manner:

- (i) refundable earnest deposit of RM2,080,000, equivalent to 2% of the Purchase Consideration ("**Earnest Deposit**") which has been paid to TDSB's solicitors as stakeholders ("**Stakeholders**") prior to the execution of the SPA, and which shall be applied towards the Purchase Consideration upon completion of the SPA;
- (ii) a further sum of RM8,320,000, equivalent to 8% of the Purchase Consideration ("**Balance Deposit**") which has been paid to the Stakeholders upon signing of the SPA. The Earnest Deposit and Balance Deposit are collectively referred to as "**Deposit**"; and
- (iii) the balance of the Purchase Consideration of RM93,600,000 shall be paid in cash to the Vendor or the Stakeholders within thirty (30) days after the date on which all the conditions precedent to the Proposed Acquisition as set out in the SPA ("**Conditions Precedent**") have been fulfilled and with an extension of thirty (30) days therefrom, if applicable, with interest.

TDSB may deliver to the Trustee a valid "on demand" unconditional and irrevocable bank guarantee in favour of the Trustee to guarantee the sum of RM10,978,286.00 (being the sum equivalent to the Deposit, a fifteen (15) month bank guarantee interest, Earnest Deposit interest and differential interest) in exchange for the release of the Deposit together with the interest earned on the Deposit to TDSB by the Stakeholders.

2.2.3 Conditions Precedent

The Proposed Acquisition is conditional upon the following Conditions Precedent being fulfilled within 7 months from the date of the SPA (“**Conditional Period**”):

- (i) TDSB shall have obtained the approval from its shareholders and the appropriate authority (if any) for the conveyance or the disposal of the Subject Property by TDSB to the Trustee;
- (ii) TDSB shall have obtained issuance of the Subdivided Titles from the appropriate authority with the terms of the express conditions and restrictions-in-interest no worse off than the Master Titles and delivered a duly executed memorandum of transfer;
- (iii) TDSB shall have secured the leases from the relevant state authorities in relation to the Car Park Lease Area and External Road Reserve under the SPA upon terms acceptable between the Trustee and TDSB;
- (iv) TDSB shall have deposited with the Trustee all drawings pertaining to the Subject Property including as-built, civil and structural, mechanical and electrical plans and drawings as per the list set out in the SPA;
- (v) TDSB shall have procured and delivered to the Trustee’s solicitors (i) the redemption statement from the Existing Chargee setting out the amount payable for the full redemption of the Subject Property against the Existing Chargee’s undertaking to release the original Subdivided Titles, the duly executed and stamped duplicate charge and the duly executed discharge of charge to the Trustee or Trustee’s solicitors upon receipt of the redemption sum and to refund the redemption sum received in the event the discharge cannot be registered at the relevant land office or registry for any reason whatsoever; and (ii) the redemption statement from Orix Credit Malaysia Sdn Bhd (“**Orix**”) in respect of the sum of money outstanding and owing by TDSB to Orix pursuant to the hire purchase agreement dated 7 April 2015 granted by Orix to TDSB;
- (vi) TDSB shall, at its own cost and expense, rectify, repair, replace and/or make good the defects in accordance with the manner set out in the SPA;
- (vii) TDSB shall have deposited with its solicitors the original copy of the certificate of fitness for the Building;
- (viii) TDSB shall have achieved an average tenancy rental and car park collection of not less than RM1,050,000 only per month for the last three (3) months prior to the expiry of the Conditional Period or Second Extended Conditional Period (as defined herein), whichever is later;
- (ix) TDSB shall have executed in escrow the duly executed assignment and notices in respect of the existing tenancies, novation agreements and consent letters and deposited the same together with the occupation agreements with TDSB’s solicitors who shall have the right to release them to the Trustee on the completion date of the SPA (“**Completion Date**”);
- (x) TDSB shall have settled all the sum due and owing to the claimants under the settlement agreement dated 22 February 2016 entered into between TDSB and the claimants (“**Settlement Agreement**”) and a deed of revocation is duly entered and stamped between the parties thereof;

- (xi) the Trustee shall have obtained the approval of the Securities Commission Malaysia (“**SC**”), Bursa Securities and the Unitholders in relation to the equity funding exercise and acquisition of the Subject Property; and
- (xii) the Trustee or its agent is in receipt of the proceeds raised from any equity funding exercise and/or loan/financing agreement between the Trustee and the Trustee’s financiers for the debt facilities to part-finance the Proposed Acquisition have been duly executed.

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

In the event TDSB is unable to fulfil the condition stipulated in Section 2.2.3(ii) above within the Conditional Period, TDSB is entitled to an automatic extension of six (6) months or such other extended period as may be mutually agreed between the Trustee and TDSB (“**First Extended Conditional Period**”), subject to payment by TDSB to the Trustee of an interest at 6% per annum on the Deposit calculated on a daily basis in accordance with the terms of the SPA. In addition, the Trustee is entitled to an automatic extension of two (2) months from the expiry of the Conditional Period or the First Extended Conditional Period, whichever is later, or such other extended period as may be mutually agreed between the Trustee and TDSB (“**Second Extended Conditional Period**”) to fulfil its Conditions Precedent.

TDSB agrees that upon termination where:

- (i) TDSB fails to satisfy the Conditions Precedent under Section 2.2.3(ii) or 2.2.3(iii) of this Announcement by the expiry of the First Extended Conditional Period and the Trustee is not agreeable to extend the First Extended Conditional Period; or
- (ii) the Trustee fails to satisfy the Conditions Precedent under Section 2.2.3(xi) of this Announcement or fails to obtain proceeds raised from any equity funding exercise under the first part of Section 2.2.3(xii) of this Announcement due to economic downturn or force majeure circumstance or material adverse overall market condition which are beyond the control of the Trustee and not caused or contributed by the Trustee by the expiry of the Conditional Period or the Second Extended Conditional Period, as the case may be,

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

2.2.4 Anti-competition

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

2.2.5 Default and Termination

(i) Default by Trustee

In the event:

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

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

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

For the avoidance of doubt, a fundamental breach is:

- (i) any breach which results in damages of an amount of more than Ringgit Malaysia Ten Million and Four Hundred Thousand Only (RM10,400,000.00); or
- (ii) any breach which is not capable of being remedied.

(ii) Default by TDSB

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

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

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

For the avoidance of doubt, a fundamental breach is:

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

2.2.6 Non-Registration of Transfer

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

2.3 Basis and justification for the Purchase Consideration

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

The Independent Valuer had, in its valuation report on the 1Segamat Property dated 8 June 2016 ("**Valuation Report**"), adopted the investment approach as the principal valuation methodology in arriving at the Market Value of the 1Segamat Property and had counter-checked against the comparative approach.

The investment approach entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net annual income at an appropriate current market yield to arrive at the market value. As a check, the comparative approach is adopted in which recent transactions and asking prices of similar properties within the same location or other comparable localities are analysed for comparison purposes, with adjustments made for differences in location, factor of time, size of NLA, quality of the building, number of car parks and other relevant characteristics to arrive at the market value.

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

2.4 Source of funding

The Purchase Consideration will be financed via proceeds from the Proposed Rights Issue and bank borrowings. For illustrative purposes, assuming the Intended Gross Proceeds raised is RM74.8 million, the Purchase Consideration will be fully satisfied via the net proceeds from the Proposed Rights Issue of RM71.2 million and bank borrowings of RM32.8 million.

2.5 Liabilities to be assumed

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

2.6 Background information on TDSB

TDSB was incorporated in Malaysia on 28 May 1993 under the Companies Act, 1965 (“**Act**”). As at 27 May 2016, being the latest practicable date prior to this Announcement (“**LPD**”), the authorised share capital of TDSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each (“**TDSB Shares**”), of which 2,800,000 TDSB Shares have been issued and credited as fully paid-up.

The principal activity of TDSB is property development and property investment. TDSB is a wholly-owned subsidiary of EcoFirst.

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

3. DETAILS OF THE PROPOSED RIGHTS ISSUE

3.1 Basis and quantum

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

The entitlement basis for the Proposed Rights Issue (“**Entitlement Basis**”) and the issue price for the Rights Units (“**Issue Price**”) have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Units and consequently, the number of Rights Units to be issued.

Notwithstanding the above, the Intended Gross Proceeds have been determined upfront to provide an indication to the Unitholders with respect to the maximum estimated capital outlay required to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Intended Gross Proceeds with their respective unitholdings in Hektar REIT. For illustration purposes only, based on the Intended Gross Proceeds and 400,634,117 Units in issue as at the LPD, the estimated capital outlay required from an Entitled Unitholder holding 1,000 Units who wishes to fully subscribe for his/her entitlement is approximately RM186.20.

The actual capital outlay required by the Entitled Unitholders to fully subscribe for their entitlements under the Proposed Rights Issue will depend on the Issue Price and the Entitlement Basis to be determined by the Board and announced closer to the implementation of the Proposed Rights Issue after obtaining all relevant approvals for the Proposed Rights Issue (“**Price-Fixing Date**”). The Issue Price and the Entitlement Basis will be determined after taking into consideration, among others:

- (i) the Intended Gross Proceeds;
- (ii) the then prevailing market condition;
- (iii) the then prevailing market price of the Units;
- (iv) the impact to the Net Asset Value (“**NAV**”) per Unit and distribution per Unit; and
- (v) the theoretical ex-rights price (“**TERP**”) of the Units based on the five (5)-day volume weighted average market price (“**VWAMP**”) of the Units immediately preceding the Price-Fixing Date.

The Issue Price is expected to be at a discount of not less than 15% to the TERP of the Units immediately preceding the Price-Fixing Date (rounded up to the nearest whole sen).

The Entitlement Basis and the corresponding number of Rights Units to be issued can only be determined in conjunction with the fixing of the Issue Price such that the Intended Gross Proceeds will be raised. It is also the intention of the Board to fix an Entitlement Basis which will minimise the occurrence of odd lots and fractional entitlements.

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

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

3.2 Ranking of the Rights Units

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

3.3 Listing of the Rights Units

The Rights Units will be listed and quoted on the Main Market of Bursa Securities. An application will be made to Bursa Securities for the listing of and quotation for the Rights Units on the Main Market of Bursa Securities.

3.4 Unitholders' undertakings and underwriting arrangement

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

The Manager intends to procure irrevocable undertakings from the major Unitholders, namely Frasers Centrepoint Trust ("**FCT**"), Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd, to subscribe in full for their respective entitlements under the Proposed Rights Issue based on their unitholdings in Hektar REIT as at the Entitlement Date ("**Undertakings**").

The remaining portion of the Rights Units for which no undertaking has been obtained will be fully underwritten where the underwriting arrangement will be in place prior to the implementation of the Proposed Rights Issue.

3.5 Utilisation of proceeds

Assuming the Intended Gross Proceeds is RM74.8 million, the utilisation of proceeds will be as follows:

<u>Details of utilisation</u>	<u>Expected timeframe for utilisation from the listing of the Rights Units</u>	<u>RM million</u>
Part-finance the Proposed Acquisition	Within 12 months	(1)71.2
Defray estimated expenses in relation to the Proposals ⁽²⁾	Within 3 months	3.6
Total		74.8

Notes:

- (1) *Assuming only RM32.8 million bank borrowings are raised to part-finance the Proposed Acquisition.*
- (2) *The estimated expenses in relation to the Proposals comprise of the cash portion of the Acquisition Fee (as defined herein), professional fees, underwriting commission, fees payable to the authorities, printing costs and other incidental expenses. In the event the actual expenses in relation to the Proposals are lower than RM3.6 million, the excess shall be utilised for working capital purposes.*

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

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

3.6 Foreign addressed Entitled Unitholders

The prospectus and its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue (“**Documents**”) are not intended to comply with the laws of any jurisdiction other than Malaysia and will not be lodged, registered or approved under applicable securities legislation of any foreign jurisdiction. Accordingly, the Proposed Rights Issue will not be offered for subscription in countries or jurisdictions other than Malaysia.

The Documents will not be sent to the Entitled Unitholders who have not provided an address in Malaysia for the service of Documents as at the Entitlement Date. Foreign addressed Entitled Unitholders who wish to provide their address in Malaysia should inform their respective stockbrokers as well as Hektar REIT’s unit registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur (Tel. No.: +603 2692 4271) to effect the change of address prior to the Entitlement Date.

Foreign addressed Entitled Unitholders may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so and the Manager and/or its advisers would not be in breach of the laws of any jurisdictions to which the foreign addressed Entitled Unitholders may be subject to. The foreign addressed Entitled Unitholders shall be solely responsible to seek advice as to the laws of any jurisdiction which they may be subject to, and participation by the foreign addressed Entitled Unitholders in the Proposed Rights Issue shall be on the basis of a warranty by the foreign addressed Entitled Unitholders that they are allowed to do so lawfully without the Manager and/or its advisers being in breach of the laws of any jurisdiction.

Foreign addressed Entitled Unitholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Units under the laws and jurisdictions to which they are subject to, will have no claims whatsoever against the Manager and/or its advisers in respect of their rights entitlements or any proceeds arising from the Proposed Rights Issue.

4. DETAILS OF THE PROPOSED ISSUANCE TO MANAGER

Based on Clause 15.1.2 of the trust deed constituting Hektar REIT dated 5 October 2006 (as amended by a supplemental trust deed dated 20 March 2012) (“**Deed**”), the Manager’s entitlement to the acquisition fee of a maximum of 1% of the Purchase Consideration, which amounts to RM1.04 million (“**Acquisition Fee**”), is proposed to be satisfied in the following manner:

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

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

An application for the listing of and quotation for the Manager’s Units on the Main Market of Bursa Securities will be made to Bursa Securities.

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

5. DETAILS OF THE PROPOSED AUTHORITY

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

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

An application for the listing of and quotation for the Management Fee Units on the Main Market of Bursa Securities will be made to Bursa Securities.

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

6. DETAILS OF THE PROPOSED INCREASE IN FUND SIZE

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

7. RATIONALE AND BENEFITS OF THE PROPOSALS

7.1 Proposed Acquisition

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

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

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

The 1Segamat Property is well-positioned to cater to all age groups from children to families, as well as a broad spectrum of income levels from the lower-middle to the upper-income group with its diverse offering of food and beverage (“**F&B**”), fashion, daily necessities, services and entertainment options. The 1Segamat Property, with an occupancy rate of 96.35% as at 2 May 2016, houses an established mix of retailers which includes UO Superstore, Lotus Five Star Cinema, Watsons and Guardian, as well as F&B offerings such as Old Town White Coffee, Big Apple Donuts and Coffee, Tutti Frutti and Kentucky Fried Chicken. In terms of tenancy mix, the 1Segamat Property has the widest range of merchandise vis-à-vis other retail centres in Segamat, mainly grocery and convenience shopping.

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

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

7.2 Proposed Rights Issue

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

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

As at 31 December 2015, Hektar REIT’s gearing level stood at 44.3%. If the Proposed Acquisition is fully funded by debt, this will increase its gearing level to 49.0% of its total assets, which is close to the 50% threshold as stipulated under Clause 8.37 of the Guidelines on Real Estate Investment Trusts issued by the SC, limiting its flexibility to fund future acquisitions.

7.3 Proposed Issuance to Manager

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

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

7.4 Proposed Authority

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

7.5 Proposed Increase in Fund Size

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

8. RISK FACTORS

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

- (i) The Proposed Acquisition is subject to completion risk as the Proposed Acquisition is conditional upon the fulfilment and/or waiver (as the case may be) of the Conditions Precedent or occurrence of any of the termination events as set out in Section 2.2.5 of this Announcement. There can be no assurance that the Conditions Precedent will be satisfied and/or waived (as the case may be) or that any of the termination events will not occur.

Nevertheless, the Manager shall use its best endeavours to fulfil all the Conditions Precedent within its control in a timely manner and mitigate the occurrence of any of the termination events which are within its control to ensure the completion of the Proposed Acquisition;

- (ii) The 1Segamat Property may be affected by, among others, increased competition from other shopping malls and retail properties including any new proposed commercial development involving retail/shopping centres in Segamat with higher quality specifications, diminished attractiveness as the building ages, non-renewal of tenancies following expiry of tenancy agreements and the Manager's ability to collect rental on a timely basis, which in turn may have a material and adverse effect on Hektar REIT's financial position, results of operations and prospects;
- (iii) Based on the committed leases of the retail lots as at the LPD, the top five (5) tenants of the 1Segamat Property (in terms of contribution to gross rental income) accounted for approximately 34% of the gross rental income of the 1Segamat Property. In the event one or more of these key tenants decide not to renew their tenancies and/or decide on early termination of their leases, this may have a material and adverse impact on the revenue of the 1Segamat Property.

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

- (iv) The due diligence on the 1Segamat Property may not identify all defects, deficiencies, breaches and/or non-compliance of any relevant laws, regulations, rules and requirements governing the 1Segamat Property, which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred. In addition, the representations, warranties and indemnities made in favour of Hektar REIT by the Vendor may not offer sufficient protection for the costs and liabilities arising from any defects or deficiencies;
- (v) Hektar REIT will raise debt financing to part-finance the Proposed Acquisition. As such, its ability to pay distributions to the Unitholders in the future may be affected by interest rate fluctuations as a result of the additional debt; and
- (vi) The 1Segamat Property may need to undergo renovation or asset enhancement works from time to time to retain its competitiveness and attractiveness, as well as unforeseen maintenance in respect of defects or problems that may develop from time to time. In addition, the renovation and maintenance costs tend to increase over time as the building ages.

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

9. PROSPECTS OF THE 1SEGAMAT PROPERTY

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

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

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

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

10. EFFECTS OF THE PROPOSALS

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

For illustration purposes only, the proforma effects of the Proposed Acquisition, Proposed Rights Issue, Proposed Issuance to Manager and Proposed Authority have been illustrated based on the following assumptions:

- (i) 60,095,118 Rights Units will be issued at the illustrative issue price of RM1.245 per Rights Unit, representing a discount of 15.12% to the TERP of the Units of RM1.47 (based on the five (5)-day VWAMP of the Units up to the LPD of RM1.50), raising gross proceeds of RM74.8 million;
- (ii) the indicative Entitlement Basis for the Proposed Rights Issue of 3 Rights Units for every 20 existing Units; and
- (iii) 353,741 Manager's Units will be issued at the illustrative issue price of RM1.47 per Manager's Unit, being the TERP of the Units based on the five (5)-day VWAMP of the Units up to the LPD of RM1.50.

10.1 Unitholders' capital

	No. of Units	RM
As at the LPD	400,634,117	425,738,255
To be issued pursuant to the Proposed Rights Issue	60,095,118	74,818,421
	460,729,235	500,556,676
To be issued pursuant to the Proposed Issuance to Manager	353,741	520,000
Enlarged Unitholders' capital	461,082,976	501,076,676

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

10.2 NAV per Unit and gearing

For illustration purposes only, based on the audited statement of financial position of Hektar REIT as at 31 December 2015 and on the assumption that the Proposed Rights Issue and Proposed Issuance to Manager had been completed on that date, the proforma effects of the Proposed Rights Issue and Proposed Issuance to Manager on the NAV per Unit and gearing of Hektar REIT are as follows:

	(I)	(II)	(III)	
	Audited as at 31 December 2015	After the Proposed Rights Issue	After (I) and the Proposed Acquisition	After (II) and the Proposed Issuance to Manager
	RM'000	RM'000	RM'000	RM'000
Unitholders' capital	425,738	500,556	⁽¹⁾ 498,749	499,269
Undistributed income – realised	43,997	43,997	43,997	43,997
Undistributed income – unrealised	114,642	114,642	114,642	114,642
NAV	584,377	659,195	657,388	657,908
No. of Units in circulation ('000)	400,634	460,729	460,729	461,083
NAV per Unit (RM)	1.46	1.43	1.43	1.43
Total borrowings	494,215	494,215	⁽²⁾ 526,987	526,987
Total assets	1,116,315	1,191,133	1,222,098	1,222,618
Gearing ratio (times) ⁽³⁾	0.44	0.42	0.43	0.43

Notes:

- (1) After taking into consideration the estimated expenses in relation to the Proposals of approximately RM3.6 million, out of which RM1.8 million is set off against the unitholders' capital and the remaining RM1.8 million is capitalised into investment properties.
- (2) After taking into consideration bank borrowings of RM32.8 million to part-finance the Proposed Acquisition.
- (3) Computed as interest-bearing borrowings over total assets.

Any issuance of new Units pursuant to the Proposed Authority is expected to improve the NAV per Unit, the extent of which would depend on the total number of new Units to be issued and the issue price which will be determined based on the five (5)-day VWAMP of the relevant period in which the management fee accrues. Further, any issuance of new Units pursuant to the Proposed Authority will result in a decrease in the gearing, the extent of which would depend on the total borrowings of Hektar REIT.

10.3 Substantial Unitholders' unitholdings

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

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

Name	As at the LPD				(I) After the Proposed Rights Issue ⁽¹⁾				(II) After (I) and the Proposed Issuance to 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	%
FCT	124,892,950	31.17	-	-	143,626,893	31.17	-	-	143,626,893	31.15	-	-
Hektar Premier Sdn Bhd	30,051,000	7.50	-	-	34,558,650	7.50	-	-	34,558,650	7.50	-	-
Hektar Black Sdn Bhd	130,574,000	32.59	-	-	150,160,100	32.59	-	-	150,160,100	32.57	-	-
Dato' Jaafar bin Abdul Hamid	-	-	(2)162,185,867	40.48	-	-	(2)186,513,747	40.48	-	-	(2)186,867,488	40.53
Frasers Centrepoint Limited ("FCL")	-	-	(3)125,525,817	31.33	-	-	(3)143,721,823	31.19	-	-	(3)144,075,564	31.25

Notes:

- * For illustrative purposes, the deemed interests are ascertained by extending the application of Section 6A of the Act to the Units.
- (1) Assuming all the Entitled Unitholders fully subscribe for their entitlements under the Proposed Rights Issue.
- (2) Deemed interest by virtue of his shareholdings of more than 15.0% in Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and the Manager, and his son, Jazelan Firhan bin Jaafar, who owns 928,000 Units.
- (3) Deemed interest by virtue of its unitholding of more than 15.0% in FCT and by virtue of its shareholding of more than 15.0% in the Manager.

10.4 Distributable income

The Proposals are not expected to have any material effect on the distributable income of Hektar REIT for the financial year ending 31 December 2016 as the Proposals are only expected to be completed by the first (1st) quarter of 2017. Notwithstanding, the Proposed Acquisition is expected to contribute positively (after taking into account additional interest expense arising from the new bank borrowings) to the distributable income of Hektar REIT. The decision to declare and pay any distributable income in the future would depend on the performance and cash flow position of Hektar REIT and the then market condition.

10.5 Convertible securities

As at the LPD, Hektar REIT does not have any convertible security.

11. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) the SC for the following:
 - (a) valuation of the 1Segamat Property;
 - (b) issuance of the Rights Units, Manager's Units and Management Fee Units, and the corresponding increase in fund size pursuant to the Proposed Increase in Fund Size; and
 - (c) listing of and quotation for the Rights Units, Manager's Units and Management Fee Units on the Main Market of Bursa Securities;
- (ii) Bursa Securities for the listing of and quotation for the Rights Units, Manager's Units and Management Fee Units on the Main Market of Bursa Securities;
- (iii) the Unitholders at a meeting of the Unitholders ("**Unitholders' Meeting**") to be convened for the Proposed Rights Issue, Proposed Issuance to Manager, Proposed Authority and Proposed Increase in Fund Size; and
- (iv) any other relevant authorities and/or parties, if required.

The Proposed Acquisition does not require the approval of the Unitholders as the Proposed Acquisition is not a related party transaction under Chapter 9 of the Guidelines on Real Estate Investment Trust issued by the SC.

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

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

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

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

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

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

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

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

(a) Directors of the Manager

- (i) Dato' Jaafar bin Abdul Hamid, the Non-Independent Non-Executive Chairman of the Manager, by virtue of his interest in Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd. In addition, he is an indirect major shareholder of the Manager through his interest in Hektar Klasik Sdn Bhd;
- (ii) Dato' Hisham bin Othman, the Executive Director and Chief Executive Officer of the Manager;
- (iii) Zalila binti Mohd Toon, the Executive Director and Chief Financial Officer of the Manager;
- (iv) Dr Chew Tuan Chiong, the Non- Independent Non-Executive Director of the Manager, who is also the Executive Director and Chief Executive Officer of Frasers Centrepoint Asset Management Limited ("**FCAM**");
- (v) Christopher Tang Kok Kai, the Non-Independent Non-Executive Director of the Manager, who is also a Non-Executive Director of FCAM;
- (vi) Jack Lam Juck Ngai, the alternate Director to Christopher Tang Kok Kai, who is also the General Manager (Investment and Business Development) in the commercial properties division of FCL; and
- (vii) Alex Chia Soon Ren, the alternate Director to Dr Chew Tuan Chiong, who is also the Head, Investment of FCAM.

(Dato' Jaafar bin Abdul Hamid, Dato' Hisham bin Othman, Zalila binti Mohd Toon, Dr Chew Tuan Chiong, Christopher Tang Kok Kai, Jack Lam Juck Ngai and Alex Chia Soon Ren are collectively referred to as "**Interested Directors**")

(b) Major shareholders of the Manager

- (i) FCL is an indirect major shareholder of the Manager by virtue of its interest in Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, which in turn is a direct major shareholder of the Manager. In addition, FCL is also an indirect major Unitholder by virtue of its interest in FCT, which is a direct major Unitholder; and
- (ii) Dato' Jaafar bin Abdul Hamid is an indirect major shareholder of the Manager by virtue of his interest in Hektar Klasik Sdn Bhd, which is a direct major shareholder of the Manager. In addition, he is also an indirect major Unitholder by virtue of his interest in Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd, both of which are direct major Unitholders.

(Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, FCL, Hektar Klasik Sdn Bhd and Dato' Jaafar bin Abdul Hamid are collectively referred to as "**Interested Major Shareholders of Manager**")

(c) Major Unitholders

- (i) FCL is an indirect major Unitholder by virtue of its interest in FCT, which is a direct major Unitholder. In addition, FCL is also an indirect major shareholder of the Manager by virtue of its interest in Frasers Centrepoint Asset Management (Malaysia) Pte Ltd, which in turn is a direct major shareholder of the Manager; and
- (ii) Dato' Jaafar bin Abdul Hamid is an indirect major Unitholder by virtue of his interest in Hektar Premier Sdn Bhd and Hektar Black Sdn Bhd, both of which are direct major Unitholders. In addition, he is also an indirect major shareholder of the Manager by virtue of his interest in Hektar Klasik Sdn Bhd, which is a direct major shareholder of the Manager.

(FCT, FCL, Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Dato' Jaafar bin Abdul Hamid collectively referred to as "**Interested Major Unitholders**")

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

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

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

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

	Direct		*Indirect	
	No. of Units	%	No. of Units	%
Dato' Jaafar bin Abdul Hamid	-	-	⁽¹⁾ 162,185,867	40.48
Dato' Hisham bin Othman	-	-	-	-
Zalila binti Mohd Toon	-	-	-	-
Dr Chew Tuan Chiong	-	-	-	-
Christopher Tang Kok Kai	-	-	-	-
Jack Lam Juck Ngai	-	-	-	-
Alex Chia Soon Ren	-	-	-	-
Frasers Centrepoint Asset Management (Malaysia) Pte Ltd	-	-	-	-
FCL	-	-	⁽²⁾ 125,525,817	31.33
Hektar Klasik Sdn Bhd	-	-	-	-
FCT	124,892,950	31.17	-	-
Hektar Premier Sdn Bhd	30,051,000	7.50	-	-
Hektar Black Sdn Bhd	130,574,000	32.59	-	-

Notes:

- * *For illustrative purposes, the deemed interests are ascertained by extending the application of Section 6A of the Act to the Units.*
- (1) *Deemed interest by virtue of his shareholding 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 son, Jazelan Firhan bin Jaafar, who owns 928,000 Units.*
- (2) *Deemed interest by virtue of its unitholding of more than 15.0% in FCT and by virtue of its shareholding of more than 15.0% in the Manager pursuant to Section 6A of the Act.*

13. DIRECTORS' STATEMENT

The Board, having considered all relevant aspects of the Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Fund Size, including the basis and justification for the Purchase Consideration, the rationale, benefits and effects of the Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Fund Size, is of the opinion that the Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Fund Size are in the best interest of Hektar REIT.

The Board (save for the Interested Directors), having considered all relevant aspects of the Proposed Issuance to Manager and Proposed Authority, including the rationale and effects of the Proposed Issuance to Manager and Proposed Authority, is of the opinion that the Proposed Issuance to Manager and Proposed Authority are in the best interest of Hektar REIT.

14. SUBMISSION TO THE RELEVANT AUTHORITIES

The applications to the relevant authorities in relation to the Proposals are expected to be made within five (5) months from the date of this Announcement.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the first (1st) quarter of 2017 assuming that the First Extended Conditional Period is not required.

16. ADVISER

Maybank IB has been appointed as Principal Adviser to the Manager for the Proposals.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the principal place of business of HAMSB at D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement:

- (i) the SPA;
- (ii) the Valuation Report; and
- (iii) the independent market research report prepared by RNDC Retail Solutions Sdn Bhd.

This Announcement is dated 10 June 2016.