

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

- I. PROPOSED ACQUISITION AND LEASE; AND
- II. PROPOSED PLACEMENT

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd ("**Board**"), being the management company of Hektar REIT ("**Manager**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce the following:

- i. MTrustee Berhad, being the trustee of Hektar REIT ("**Trustee**"), had on 11 September 2023 entered into a conditional sale and purchase agreement ("**SPA**") with KYS College Sdn Bhd ("**KCSB**" or the "**Vendor**") for the proposed acquisition of a single, 1 ½, 2 and 3-storey buildings which are categorised into administration, academic, residential and student facilities forming part of the fully residential and co-educational private school known as 'Kolej Yayasan Saad' located at Ayer Keroh, Melaka and erected on part of the leasehold land held under PN 62892, Lot 9808, Mukim of Durian Tunggal, District of Alor Gajah, State of Melaka ("**KYS College**" or the "**Subject Property**") at the purchase consideration of RM150 million ("**Purchase Consideration**").

The Vendor had on 22 June 2023 leased the Property to KYSA Education Sdn Bhd (being the existing operator of KYS College) ("**KESB**" or the "**Lessee**") for a period of 30 years and pursuant to the terms of the SPA, the said lease will be novated to the Trustee upon the completion of the acquisition of the Subject Property by way of a deed of novation to be entered between the Vendor, Trustee and the Lessee ("**Lease**").

The above are referred to as the "**Proposed Acquisition and Lease**"; and

- ii. in order to partially finance the Purchase Consideration, the Board also proposes to undertake a placement of up to 99,757,594 new units in Hektar REIT ("**Unit(s)**") ("**Placement Unit(s)**"), representing up to 20% of the existing issued units ("**Proposed Placement**").

For the purpose of the Proposed Acquisition and Lease, the Board intends to amend the Trust Deed of Hektar REIT to facilitate the Proposed Acquisition and Lease by expanding the real estate portfolio of Hektar REIT, details of which will be announced in due course once the terms have been finalised.

The Proposed Acquisition and Lease is deemed to be a related party transaction ("**RPT**") pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), by virtue of the interests as set out in **Section 9** of this announcement.

Accordingly, Asia Equity Research Sdn Bhd ("**AER**") has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested unitholders of Hektar REIT in relation to the Proposed Acquisition and Lease. In view that the Proposed Acquisition and Lease and Proposed Placement are inter-conditional upon each other, the Independent Adviser has considered the Proposals as a whole in its evaluation.

Further details of the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION AND LEASE

2.1 Information on the Proposed Acquisition

Pursuant to the SPA, the Vendor has agreed to sell and the Trustee on behalf of Hektar REIT has agreed to purchase KYS College and its building system on the basis there is no change to the existing state and condition (fair tear and wear excepted) and free from encumbrances at the Purchase Consideration.

Please refer to **Appendix I** of this announcement for the salient terms of the SPA.

2.2 Information on the Subject Property

Established in 1995, KYS College is a fully residential and co-educational private school which offers secondary school education under Malaysia's New National School Curriculum (KBSM) for students from Form 1 to Form 5. KYS College is situated in the state of Melaka Negeri Bersejarah and within a locality known as Ayer Keroh. It is sited on the left side of Leboh Ayer Keroh travelling from Ayer Keroh towards Melaka city centre.

The KYS College building accommodates the following:

Building	Gross floor area (sq ft)
1) Administration & Academic:	
a) 2-storey administration, resource centre & academic block	43,056
b) 2-storey academic block 2	21,933
c) 2-storey centre for excellence (A-Level) Academic block	20,057
d) 2-storey academic block (boys' and girls' preparation block)	21,352
e) 1.5-storey great hall	16,138
2) Staffs & Students Accommodation:	
a) 4 units of 1-storey detached house	11,123
b) 1.5-storey guest house	7,750
c) 2-storey boys' dormitories	38,246
d) 2-storey girls' dormitories	14,958
e) 4 blocks of 2-storey teachers' apartments	81,391
f) 2 blocks of 3-storey staff apartments	41,866
e) 3.5-storey new girls' hostel	36,247
3) Outbuilding/ Facilities:	
a) 1-storey cafeteria	7,368
b) 1-storey dining hall	9,928
c) 1-storey surau	7,450
d) 1-storey multipurpose hall	8,324
e) 1.5-storey gymnasium & squash court building	3,904
f) Swimming pool complex	5,665
g) Guard house	118
Grand total	396,874

Other facilities located within the Subject Property are tennis court, the field and amphitheatre.

Further details of the Subject Property are set out as follows:

Identification	: PN 62892, Lot 9808, Mukim of Durian Tunggal, District of Alor Gajah, state of Melaka
Registered owner	: KCSB
Tenure	: 99-year leasehold interest expiring on 20.12.2098
Titled land area	: 49.18 hectares (121.526427 acres)
Category of land use	: <i>Bangunan</i>
Existing use	: Occupied by KESB by virtue of the Lease
Express conditions	: <i>Untuk tujuan mendirikan bangunan (Sekolah Yayasan Saad) sahaja</i>
Restriction of interest	: <i>Tanah ini tidak boleh di pindahtanah atau dipajak kecuali dengan kebenaran Pihak Berkuasa Negeri</i>
Encumbrances	: Charged to Malaysia Building Society Berhad (" Existing Chargee "), registered on 04.07.2012 In favour of the purchaser, KCSB has agreed to obtain the consent for sale and redemption statement from the Existing Chargee pursuant to its obligation under the SPA
Endorsements	: No. Pers 0400NB2019001256 Pembedulan 380 - Maklumat Urusan, registered on 11.10.2018
Net lettable area/ Rental rate	: 396,874 sq ft/ RM1.70 per sq ft
Audited net book value	: RM124.85 million
Valuer	: Jones Lang Wootton
Valuation Approach	: Income Approach by way of Investment Method and cross-checked with Cost Approach
Market value/ Date of valuation	: RM150 million/ 22 June 2023

2.3 Information on the Vendor

i. Incorporation and business activities

KCSB was incorporated in Malaysia on 29 November 2017 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act, 2016 ("**Act**"). KCSB has been principally involved in management of educational institutions.

ii. Share capital

As at 4 September 2023, being the latest practicable date of this announcement ("**LPD**"), KCSB has a total issued share capital of RM25 million, comprising 25 million units of ordinary shares.

iii. Directors and shareholders

As at the LPD, the directors and substantial shareholders of KCSB together with their respective shareholdings are set out as follows:

Name	Designation	Nationality	<-----Direct----->	
			No. of shares	%
Aldela Puspa Binti Nordin	Director	Malaysian	-	-
Dato' Muhammad Hafidz Bin Nuruddin (" Dato Muhd Hafidz ")	Director/ Shareholder	Malaysian	24,999,999	>99.99
Meor Othman Bin Meor Lope (" Meor Othman ")	Shareholder	Malaysian	1	<0.01

iv. Date and original cost of investment

Original cost of investment/ Date of investment : RM42.4 million/ May 1995

2.4 Information on the Lease

A lease agreement is being entered between the Vendor and the Lessee for the Lease ("**Lease Agreement**") and pursuant to the terms of the SPA, the Lease Agreement will be novated to the Trustee by the Vendor upon the completion of the SPA.

The Subject Property will be leased to the Lessee for a period of 30 years commencing from 22 June 2023 ("**Term**") on a quadruple-net lease basis, whereby the Lessee shall be responsible for the operation, maintenance, replacement and repair (including structural repair) of the Subject Property at its own cost and expense.

In return for granting the Lease, the Vendor (as the lessor) shall be entitled to a guaranteed rent of RM8.1 million for the first year of the Term, followed by a 2.5% yearly rental escalation.

Please refer to **Appendix II** of this announcement for the salient terms of the Lease Agreement.

2.5 Information on the Lessee

i. Incorporation and business activities

KESB was incorporated in Malaysia on 17 December 2012 as a private limited company under the Companies Act 1965 and is deemed registered under the Act. KESB has been principally involved in the provision of educational activities.

ii. Share capital

As at the LPD, KESB has a total issued share capital of RM2.5 million, comprising 2.5 million units of ordinary shares.

iii. Directors and shareholders

As at the LPD, the directors and substantial shareholders of KESB together with their respective shareholdings are set out as follows:

Name	Designation	Nationality	←-----Direct-----→	
			No. of shares	%
Dato Muhd Hafidz	Director/ Shareholder	Malaysian	2,499,999	<99.99
Meor Othman	Director/ Shareholder	Malaysian	1	>0.01

2.6 Basis of and justifications of arriving at the Purchase Consideration

The Purchase Consideration of RM150 million was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the market value of the Subject Property of RM150 million using the Income Approach by way of Investment Method carried out by Jones Lang Wootton ("**Valuer**") as at the date of valuation of 22 June 2023.

Further, the Board has also taken into consideration the rationale of the Proposed Acquisition and Lease as well as the prospects of the Subject Property as set out in **Sections 4 and 5.2** of this announcement.

2.7 Mode of settlement of the Purchase Consideration

Pursuant to the terms of the SPA, the Purchase Consideration will be satisfied in the following manner:

Payment terms	Timing of settlement	RM'000	%
Cash Deposit	Upon execution of the SPA	7,500	5.0
Defect Retention Sum ^{*1}	On or before the expiry of the completion period	1,500	1.0
Lease Retention Sum ^{*2}	On or before the expiry of the completion period	13,500	9.0
First Balance Sum	On or before the expiry of the completion period	92,500	61.7
Final Balance Sum ^{*3}	On or before the expiry of the completion period with an automatic extension of 3 months from the expiry of the completion period or such other extended period as may be mutually agreed between the parties	35,000	2.3
Total		150,000	100.0

Notes:

^{*1} The Defect Retention Sum shall be paid directly to the Vendor's Solicitors as stakeholders to hold and deal with.

^{*2} Payment for the Lease Retention Sum shall be set-off with part of the advance rental and the security deposit made for and on behalf of the Lessee under the Lease Agreement ("**Settlement Arrangement**").

^{*3} Payable to the Vendor either in cash and/ or issuance of units of Hektar REIT in lieu of cash through the Proposed Placement, further details as set out in **Section 3.6** of this announcement.

2.8 Source of funding

The Purchase Consideration will be satisfied via cash payment, the Settlement Arrangement and issuance of units to the Vendor (if required). The cash payment is intended to be financed through a combination of borrowings, internal funds and/ or proceeds to be raised from fundraising exercises such as the Proposed Placement.

2.9 Liabilities to be assumed

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SPA and Lease Agreement, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by Hektar REIT arising from the Proposed Acquisition and Lease.

2.10 Additional financial commitment

Save for the Purchase Consideration, there is no additional financial commitment required by Hektar REIT to put the business of KYS College on-stream.

3. DETAILS OF THE PROPOSED PLACEMENT

The Proposed Placement is undertaken with the intention to partially finance the Purchase Consideration in relation to the Proposed Acquisition and Lease.

3.1 Placement size

The Proposed Placement involves the issuance of up to 99,757,594 Placement Units, representing up to 20% of Hektar REIT's total issued capital of 498,787,970 Units as at the LPD.

3.2 Basis and justification of determining the issue price(s) of the Placement Units

The issue price(s) of the Placement Units will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Placement.

The Placement Units will be issued at issue price(s) of not more than 10% discount to the 5-day volume weighted average market price ("**VWAP**") of Hektar REIT Units immediately preceding the price-fixing date(s).

For illustrative purpose, the issue price is assumed at RM0.567 per Placement Unit, which represents a discount of 10% to the 5-day VWAP of Hektar REIT Units up to and including the LPD of RM0.63 per Unit.

3.3 Ranking of the Placement Units

The Placement Units will, upon allotment and issuance, rank equally in all respects with the existing Units, save and except that the holders of new Units shall not be entitled to any distributable income, rights, benefits, entitlements and/ or any other forms of distributions that may be declared, made or paid to unitholders where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the Placement Units.

3.4 Listing and quotation for the Placement Units

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

3.5 Allocation to placees

The Placement Units is intended to be placed out to third party investors to be identified where such investors will be persons falling under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

3.6 Allocation to the Vendor

In the event that the proceeds from the Proposed Placement is insufficient to settle the Final Balance Sum of RM35 million, Hektar REIT may issue and allot new units from the Proposed Placement to the Vendor to satisfy the Final Balance Sum in lieu of cash. Strictly for illustrative purpose, assuming the issue price at RM0.567 per Placement Unit (which represents a discount of 10% to the 5-day VWAP of Hektar REIT Units up to and including the LPD of RM0.63 per Unit), a total of up to 61,728,396 Placement Units may be issued to the Vendor to settle the remaining balance of the Purchase Consideration ("**Proposed Issuance to KCSB**"). Please refer to **Section 2.3** of this announcement for details on the Vendor.

In relation to the Proposed Issuance to KCSB, a specific resolution will be tabled to the unitholders at an extraordinary general meeting to be convened ("**EGM**") to seek their approval in compliance with Paragraph 6.06(1) of the Listing Requirements.

Pursuant to the terms of the SPA, the parties agree and acknowledge that in the event of issuance of units of Hektar REIT to the Vendor in lieu of cash to meet the payment of Final Balance Sum, such issuance of the units shall not in any event trigger the mandatory take-over obligations under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia ("**Rules**") in respect of the units to be issued to the Vendor. Therefore, the Proposed Issuance to KCSB is not expected to trigger any mandatory offer obligation under the Rules.

3.7 Utilisation of proceeds

Based on the indicative issue price of RM0.567 per Placement Unit, the Proposed Placement is expected to raise gross proceeds of up to RM56.56 million. The proceeds are intended to be utilised by Hektar REIT in the manner set out below:

Details	Timeframe for utilisation	RM'000
Final Balance Sum ^{*1}	Within 12 months from unconditional date of the SPA	35,000
Working capital ^{*2}	Within 12 months from completion	19,563
Estimated expenses ^{*3}	Upon completion	2,000
Total		<u>56,563</u>

Notes:

^{*1} Pursuant to the SPA, the Final Balance Sum is to be settled on or before the expiry of the completion period with an automatic extension of 3 months from the expiry of the completion period or such other extended period as may be mutually agreed between the parties. In the event that the proceeds from the Proposed Placement is insufficient to settle the Final Balance Sum of RM35 million, Hektar REIT may issue and allot new units from the Proposed Placement to the Vendor to satisfy the Final Balance Sum in lieu of cash.

^{*2} To fund daily operations, general administrative and other operating expenditure of Hektar REIT's existing portfolio of properties as well as capital expenditure for asset enhancement initiatives for its properties. This is subject to Hektar REIT's operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

^{*3} Estimated expenses include professional fees, placement fees, regulatory fees and other incidental expenses in relation to the Proposals. Any variation in the actual expenses will be adjusted against the proceeds allocated for working capital.

The actual gross proceeds to be raised from the Proposed Placement is dependent on the eventual issue price(s) and the number of Placement Units to be issued. Any variance in the actual gross proceeds raised will be adjusted against the amount allocated for working capital.

Pending the actual utilisation of proceeds from the Proposed Placement, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital of Hektar REIT.

3.8 Other fundraising exercises in the past 12 months

Hektar REIT has not undertaken any other fund-raising exercises in the 12 months prior to the date of this announcement.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

The Proposed Acquisition and Lease is in line with the key investment objective of the Manager to continuously pursue assets that are income-producing and are able to contribute to the long-term growth of Hektar REIT:

i. Quality addition of asset to Hektar REIT's portfolio

The Lease Agreement which has a quadruple-net lease arrangement will provide Hektar REIT with fixed rental payments from the Lessee, whilst property-related expenses such as quit rent, insurance, upkeep and maintenance of KYS College are at the obligations of the Lessee. This will provide Hektar REIT with stable income over the 30 years tenure, and less influenced by the performance of the retail sector in Malaysia.

ii. Increased strength and geographical diversification

The Proposed Acquisition and Lease will improve the diversity of Hektar REIT's overall property mix with lesser reliance on the retail sector. This will enlarge the net lettable area of Hektar REIT by 396,874 sq ft or 20% from the existing size of 2 million sq ft. The total asset value of Hektar REIT will also increase by RM150 million or 12% from RM1,206 million as at 31 December 2022.

iii. Accretion to earnings and distribution per Unit ("DPU")

Pursuant to the Proposed Acquisition and Lease, KYS College will provide Hektar REIT with a stable and sustainable income stream for a committed lease period of 30 years, with a guaranteed rent of RM8.1 million for the first year augmented by a rental escalation of 2.5% every year. Accordingly, the Board believes that the Proposed Acquisition and Lease will help to improve the earnings of Hektar REIT and DPU to unitholders over the long-term as and when the anticipated benefits are realised.

Despite the unit dilution on existing unitholders, the Board opines that the partial settlement of the Purchase Consideration via the proceed raised from the Proposed Placement is in the best interest of Hektar REIT, as it will allow the Manager to maintain a healthy gearing ratio, while keeping a sufficient level of cash reserves to navigate operational headwinds.

5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

5.1 Overview and outlook for the Malaysian economy

The global gross domestic product ("GDP") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth and trade. Therefore, the Government has taken various holistic and comprehensive measures to help the rakyat and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)

5.2 Overview and outlook for the private education sector in Malaysia vis-à-vis the future prospects of the Subject Property

Private education is offered in Malaysia on all levels from nursery schools up to tertiary education. The demand for private education has been increasing substantially during the last 15 years.

The private school education is also viewed as a platform for furtherance of education overseas as the syllabus for all the private schools are internationally structured to be globally competitive, especially in the last few years with the introduction of IB (International Baccalaureate) Diploma, an educational programme that has global recognition and provides a gateway qualification recognised and valued by Ivy League Universities worldwide. There are now 35 IB schools in Malaysia.

The changing mind set of parents in term of placing their children at private school, various international private school institutions have ventured into Malaysia to cater for this increasing demand. Accordingly, this has seen numerous private schools and colleges being established in various locations primarily focus at location where the population based is within the middle to higher income bracket. Interesting to note that enrolments in public schools have fallen by 1% due to the growing importance of English Language.

KYS College is operated by KESB and is also presently owned by KCSB (collectively referred to as the "**KYS Group**"). KYS Group is unlocking this fixed real estate asset from their balance sheet and to focus primarily on education. The intended disposal is on sale and lease back with the purchaser and eventual lessor being the Trustee on behalf of Hektar REIT. KESB will be the lessee.

The new owner/ lessor as an investor will own an income generating asset yielding long term and sustainable rental income relative to other real estate investments such as in retails and offices sectors which are acutely in oversupply and facing challenges from virtual economy. Given the steady growth in quality educational need there is without doubt potential for capital gain moving forward. Based on kenresearch.com, private primary school market size is expected to grow at CAGR (compound annual growth rate) of ~ 7% and secondary schools by ~ 6.5%.

KYS Group as lessee cum school operator, relieving the asset off the balance sheet is then able to focus primarily on their core strength and improving their brand - the quality of education by investing on the staff, facilities, safety and compliance. The school only accepts scholars who demonstrate merit. Students are admitted based on stringent selection process factoring their academic standing, leadership potential and extracurricular engagements; in other words, an all-rounder. Being residential college with enabling facilities, the school prides itself in developing able independent learners and future leaders of industries.

(Source: Jones Lang Wootton)

6. RISKS OF THE PROPOSED ACQUISITION AND LEASE

Unitholders should consider the following risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition and Lease:

6.1 Inability of the Lessee to make timely rental payments

The ability of the Lessee to make timely rental payments to Hektar REIT may be affected due to, amongst others, the outbreak of infectious diseases, unfavourable changes in statutory laws, regulations or government policies, general downturn in the global and Malaysian economy, bankruptcy, insolvency or downturn in the operations of the Lessee. The Manager will closely monitor and assess any late or decline in rental payments caused by the above factors. If the Lessee fails to pay the rental payments under the Lease Agreements, Hektar REIT shall amongst others, be entitled to interest on any amount due and payable to Hektar REIT pursuant to Lease Agreement, at the rate of 10% per annum on the basis of a year of 365 days, calculated from the due date until the full payment of such outstanding sum, with such interest to be paid together with the outstanding sum, and notwithstanding the lawful termination of Hektar REIT and Lessee. Please refer to **Appendix I** of this announcement for the salient terms of the SPA.

6.2 Financing risks

Hektar REIT intends to fund the Proposed Acquisition and Lease through bank borrowings, and hence may incur additional interest expenses. In view that interest expenses are subject to prevailing interest rates, Hektar REIT may potentially be exposed to interest rate fluctuation that can adversely affect its cash flows and profitability, as well as its ability to make distributions to unitholders. The Manager will take all reasonable steps to prevent the failure of Hektar REIT to fulfil its payment obligations including close monitoring of cash flows and gearing level, which are currently at a healthy level and thereby mitigating the risks of default.

6.3 Delay or non-completion of the Proposed Acquisition and Lease

The completion of the Proposed Acquisition and Lease is conditional upon the fulfilment of the Conditions Precedent as set out in **Appendix I** of this announcement. There is no assurance that the Proposed Acquisition and Lease can be completed within the time period permitted under the SPA. If the Conditions Precedent are not fulfilled within the stipulated time period, the agreements may be terminated and the Proposed Acquisition and Lease will not proceed. The Manager will ensure that all reasonable steps will be taken to ensure that the Conditions Precedent within its responsibility are met, and that every effort is made to obtain all necessary approvals to give effect to the completion of the Proposed Acquisition and Lease.

6.4 The proforma income distribution and DPU are not a guarantee of the actual financial results

Hektar REIT's proforma income distribution and DPU as set out in **Section 8.3** of this announcement demonstrate the effects of the Proposals based on certain assumptions of the Manager including the assumption that the Proposals were completed on 1 January 2022 (being the beginning of the financial year ended/ ending ("FYE") December 2022). No assurance is given that the assumptions used by the Manager will be realised. Further, the actual financial results of Hektar REIT may differ from the proforma results set out in this announcement.

7. EFFECTS OF THE PROPOSALS

7.1 Issued unit capital

The Proposed Acquisition and Lease will not have any effect on the unit capital of Hektar REIT, while the pro forma effects of the Proposed Placement are set out below:

	No. of Units	RM
As at the LPD	498,787,970	514,625,014
Proposed Placement	99,757,594	56,562,556 ^{*1}
Enlarged unit capital	598,545,564	571,187,570

Note:

^{*1} Based on the indicative issue price of RM0.567 per Placement Unit.

For the avoidance of doubt, Hektar REIT does not have any convertible units as at the date of this announcement.

7.2 Substantial unitholders' unitholdings

The Proposed Acquisition and Lease will not have any effect on the unitholdings of the substantial unitholders. However, in the event the proceeds raised from the Proposed Placement is insufficient to settle the Final Balance Sum of RM35 million, and assuming the illustrative issue price at RM0.567 per Placement Unit, a total of up to 61,728,396 Placement Units may be issued to KCSB (Vendor) to settle the remaining balance of the Purchase Consideration.

Based on the above assumption, the pro forma effects of the Proposed Placement are set out below:

Unitholders	Unitholdings as at the LPD				After the Proposed Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of units	%	No. of units	%	No. of units	%	No. of units	%
Frasers Centrepoint Trust	154,458,326	31.0	-	-	154,458,326	25.8	-	-
Hektar Black Sdn Bhd (" Hektar Black ")	126,714,507	25.4	648,653 ^{*1}	0.1	126,714,507	21.2	648,653 ^{*1}	0.1
KCSB (Vendor)	-	-	-	-	61,728,396	10.3	-	-
Placee(s)	-	-	-	-	38,029,198	6.4	-	-

Note:

^{*1} Deemed interested pursuant to Section 8 of the Act via its interest in Hektar Green Sdn Bhd.

7.3 Earnings and distributable income

The Proposals are not expected to have any material effect on the earnings and distributable income of Hektar REIT for the FYE 31 December 2023 since the transactions are only expected to be completed in the second quarter of 2024. The Manager believes that the income generated from the Lease is expected to contribute positively to the future earnings and distributable income of Hektar REIT.

The issuance of new Units pursuant to the Proposed Placement will initially dilute the earnings per Unit ("**EPU**") and DPU of Hektar REIT, given the enlarged number of Units in circulation. However, after taking into consideration the additional rental income from the Subject Property, the Proposals are expected to increase the EPU and DPU of Hektar REIT over the long-term.

Assuming that the Proposals were completed on 1 January 2022 (being the beginning of the FYE 31 December 2022):

	Audited FYE 31 December 2022 RM'000	Subsequent events up to the LPD^{*1} RM'000	After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
Realised profit/ distributable income	36,389	36,389	36,389	36,389
Add:				
Rental for the first year	-	-	-	8,096
(Less):				
Additional Interest expense	-	-	-	(2,100)
Additional Manager and Trustee fees	-	-	-	(2,550)
Estimated expenses of the Proposals	-	-	-	(2,000)
Adjusted	36,389	36,389	36,389	37,835
Number of Units in issue ('000)	471,260	498,787	598,545	598,545
DPU (sen)	7.72	7.30	6.08	6.32

Note:

^{*1} After adjusting for the issuance of 27,527,792 units pursuant to the income distribution reinvestment plan applicable to the 2022 final income distribution.

7.4 Net asset value ("NAV") per Unit and gearing

Based on the latest audited statements of financial position of Hektar REIT as at 31 December 2022, the pro forma effects of the Proposals on the NAV per Unit and gearing are set out as follows:

	Audited as at 31 December 2022 RM'000	Subsequent events up to the LPD ^{*1} RM'000	After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
Unit capital	496,732	514,625	571,188	571,188
Undistributed income	101,230	94,146	94,146	92,146 ^{*2}
NAV	597,962	608,771	665,334	663,334
Number of Units in issue ('000)	471,260	498,787	598,545	598,545
NAV per Unit (RM)	1.27	1.22	1.11	1.11
Total borrowings	551,444	551,444	551,444	591,444 ^{*3}
Total asset value	1,235,507	1,228,423	1,228,423	1,378,423 ^{*4}
Gearing (times)	0.45	0.45	0.45	0.43

Notes:

^{*1} After adjusting for the 2022 final income distribution of RM24.98 million and the issuance of 27,527,792 units pursuant to the income distribution reinvestment plan applicable to the 2022 final income distribution.

^{*2} After deducting estimated expenses of RM2 million in relation to the Proposals.

^{*3} Assuming the drawdown of up to RM40 million borrowings to partly finance the Purchase Consideration.

^{*4} After consolidating the market value of KYS College amounting to RM150 million.

8. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from:

- i. unitholders of Hektar REIT at the EGM;
- ii. Bursa Securities for the listing of and quotation for up to 99,757,594 Placement Units on the Main Market;
- iii. state authority for the transfer of the Subject Property by the Vendor to the Trustee and for the lease of the Subject Property by the Trustee to the Lessee;
- iv. Existing Chargee for the sale of the Subject Property to Hektar REIT; and
- v. any other relevant authority and/ or party, if required.

The Proposed Acquisition and Lease and the Proposed Placement are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by Hektar REIT.

The highest percentage ratio applicable to the Proposed Acquisition and Lease pursuant to Paragraph 10.02(g) of the Listing Requirements is 12.1% of the total asset value of Hektar REIT as at 31 December 2022.

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

The Proposed Acquisition and Lease is a RPT pursuant to Paragraph 10.08 of the Listing Requirements by virtue of (i) Tan Sri Halim Saad being the founder of KYS College; and (ii) his daughter, Nor Sabrina Binti Halim's directorship in Hektar Black which in turn is a major unitholder of Hektar REIT.

Save for Hektar Black (being the "**Interested Major Unitholder**"), none of the other Directors, major shareholders of the Manager, major unitholders of Hektar REIT and/ or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition and Lease. As at the LPD, Hektar Black holds 25.4% direct interest and 0.1% indirect interest in Hektar REIT.

The Interested Major Unitholder will abstain from voting and will ensure that persons connected with it will also abstain from voting in respect of their direct and/ or indirect unitholdings on the resolutions pertaining to the Proposals at the EGM.

The Manager is prohibited under the Listed REIT Guidelines from exercising the voting rights attached to the units it holds or the units held by its nominees in any unitholders' meeting. Hence, the Manager will abstain from voting on all resolutions in connection with the Proposals to be tabled at the EGM.

10. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

There has been no transaction entered into by Hektar REIT with the interested parties for the 12 months preceding the date of this announcement.

11. ADVISERS

UOBKH has been appointed as the Principal Adviser for the Proposals, and the Placement Agent for the Proposed Placement.

12. INDEPENDENT ADVISER

The Proposed Acquisition and Lease is deemed as a RPT in view of the interest of the Interested Parties. As such, AER has been appointed by the Manager to act as the Independent Adviser to undertake the following in relation to the Proposed Acquisition and Lease:

- i. Comment as to:
 - a. whether the Proposed Acquisition and Lease is fair and reasonable in so far as the non-interested Directors and non-interested unitholders of Hektar REIT are concerned; and
 - b. whether the Proposed Acquisition and Lease is to the detriment of the non-interested unitholders of Hektar REIT,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- ii. Advise the non-interested unitholders of Hektar REIT whether they should vote in favour of the Proposed Acquisition and Lease; and
- iii. Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

13. DIRECTORS' STATEMENT

The Board (save for Richard Ng, Philip Eng Heng Nee and Dr Chew Tuan Chiong (referred to as the "**Abstaining Directors**") who have abstained from voting on the Proposals), having considered all aspects of the Proposals, including but not limited to the rationale and justifications, the terms and conditions of the SPA and Lease Agreement, the basis and justifications of arriving at the Purchase Consideration, the prospects of the Subject Property and the effects of the Proposals, is of the opinion that they are in the best interest of Hektar REIT and that the terms and conditions of the agreement are fair and reasonable.

For information purpose, the Abstaining Directors have voluntarily abstained from voting on the Proposals at the board meeting in view that (a) Richard Ng and Philip Eng Heng Nee are representative directors of Frasers Centrepoint Asset Management Ltd ("**FCAM**"), (b) Dr Chew Tuan Chiong was formerly a chief executive officer of FCAM, (c) FCAM is a manager of Frasers Centrepoint Trust, being a substantial shareholder of Hektar REIT; and (d) Frasers Centrepoint Trust is a developer-sponsored retail REIT that principally focuses on retail portfolio such as retail malls. Therefore, the Abstaining Directors have opted to abstain from voting on the Proposals (which relates to investment in education asset class) in line with FCAM's investment mandate. For avoidance of doubt, the Abstaining Directors are not related parties of the Vendor.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Manager (save for Dr Chew Tuan Chiong who has abstained from voting on the Proposals), after taking into consideration the Manager's investment objectives and having considered all aspects of the Proposals, including the market value of KYS College, rationale and financing effects and the opinion of the Independent Adviser, is of the opinion that the Proposed Acquisition and Lease is:

- i. in the best interest of Hektar REIT;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested unitholders of Hektar REIT.

In forming its views, the Audit Committee has taken into consideration, amongst others, the following:

- i. the rationale and justifications for the Proposed Acquisition and Lease;
- ii. the terms and conditions of the SPA and Lease Agreement;
- iii. the basis and justifications of arriving at the Purchase Consideration;
- iv. the prospects of the Subject Property; and
- v. the effects of the Proposed Acquisition and Lease.

15. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals is expected to be made within a period of 2 months from the date of this announcement.

16. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed in the second quarter of 2024.

17. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and Lease Agreement will be made available for inspection at the Business Office of the Trustee at Level 15, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor during normal business hours on Monday to Friday (excluding public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 12 September 2023.

APPENDIX I - SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

1. Agreement for Sale and Purchase

Subject to the terms and conditions contained in the SPA, the Vendor agreed to sell and the Trustee agreed to purchase the Subject Property together with the building system at the Purchase Consideration.

2. Conditions of Sale and Purchase

The Subject Property together with the building system are sold:

- (a) free from any encumbrances;
- (b) with legal possession subject to the Lease and the tenancies continuing;
- (c) with all attached or accrued rights and benefits which the Vendor enjoys in relation to the Subject Property as an owner to the Subject Property;
- (d) on the basis there is no change to the state and condition of the Subject Property (fair tear and wear excepted) as at the date of the SPA; and
- (e) that each of the Vendor's warranties remains true and accurate in all respects.

3. Manner of payment of the Purchase Consideration

- (a) Upon the execution of the SPA, the Trustee shall pay the cash deposit to the Vendor's solicitors as stakeholders.
- (b) On or before the expiry of the completion period, the Trustee shall pay the balance sum of the Purchase Consideration in the following manner:
 - i. subject to the settlement of the Vendor's Differential Sum (as defined below) by the Vendor (if any), defect retention sum shall be paid directly to the Vendor's solicitors as stakeholders;
 - ii. subject to the settlement of the Vendor's Differential Sum by the Vendor (if any), lease retention sum shall be set off with the advance rental and security deposit which the Vendor acknowledges the payment is made for and on behalf of the Lessee under the Lease Agreement;
 - iii. first balance sum to be paid as follows:
 - A. subject to the settlement of the Vendor's Differential Sum by the Vendor (if any), a sum equivalent to first balance sum shall be paid to the existing charge towards the redemption sum; and
 - B. subject to the receipt by the Trustee of the original Vendor's loan documents and duly stamped discharge documents, the remaining first balance sum (if any) shall be paid to the Vendor's solicitors as stakeholder; and

APPENDIX I - SALIENT TERMS OF THE SPA (CONT'D)

- iv. final balance sum shall be paid to the Vendor's solicitors as stakeholder, failing which the Vendor shall grant the Trustee an automatic extension of time of three (3) months from the expiry of the completion period or such other extended period as may be mutually agreed between the parties to pay the final balance sum free of interest by issuance of units of Hektar REIT to the Vendor in lieu of cash.

The parties agree and acknowledge that in the event of issuance of units of Hektar REIT to the Vendor in lieu of cash to meet the payment of Final Balance Sum, such issuance of the units shall not in any event trigger the mandatory take-over obligations under the Rules in respect of the units to be issued to the Vendor.

4. Adjustment of the Purchase Consideration

- (a) The parties agreed and acknowledged that the Purchase Consideration and the valuation report conducted on the Subject Property are subject to the approval by Bursa Securities and/ or any other relevant authorities and if Bursa Securities and/or any other relevant authorities determine that the value of the Subject Property is less than the Purchase Consideration, an adjustment shall be made to the Purchase Consideration by reducing the same to the determined value. For the avoidance of doubt, no adjustment shall be made if the determined value of the Subject Property by Bursa Securities and/or other relevant authorities is higher than the Purchase Consideration.
- (b) Any adjustment to the Purchase Consideration shall first be made to the payment made for lease retention sum and thereafter first balance sum and final balance sum of the SPA. The Vendor shall procure the Lessee to pay the shortfall of the advance rental and security deposit under the Lease Agreement to the Trustee on or prior to the completion date.

5. Vendor's Differential Sum

In the event the first balance sum is not sufficient to redeem the Subject Property, the Vendor shall, within fourteen (14) business days of the date of notice from the Trustee's solicitors, make available the difference between the redemption sum and the first balance sum to be paid to the existing chargee ("**Vendor's Differential Sum**"). The parties agreed that such part of the Purchase Consideration received by Vendor or Vendor's solicitors less the defect retention sum and lease retention sum shall only be utilised by the Vendor and/or Vendor's solicitors to redeem the Subject Property from the existing chargee only if the Vendor and/or Vendor's solicitors is able to pay and/ or make available the Vendor's Differential Sum to the existing chargee.

6. Conditions Precedent

The completion of the sale and purchase of the Subject Property pursuant to the terms and subject to the conditions set out in the SPA will in all respects be conditional upon the following conditions precedent being fulfilled/obtained or waived (as the case may be) by the cut-off date:

- (a) the Vendor having obtained, at its own cost and expense, the following consents:
 - i. the consent of the state authority to transfer the Subject Property by the Vendor to the Trustee;
 - ii. the consent of the state authority for the lease of the Subject Property by the Trustee to the Lessee; and
 - iii. the consent of the state authority for the charge of the excluded land by the Vendor in favour of the Trustee (if any);

APPENDIX I - SALIENT TERMS OF THE SPA (CONT'D)

- (b) the Vendor having obtained, the approval from its shareholders and board of directors for the disposal of the Subject Property by the Vendor to the Trustee and the creation of the charge of the excluded land by the Vendor in favour of the Trustee;
- (c) the Vendor having obtained the consent from the existing chargee for the sale of the Subject Property by the Vendor in accordance with the terms of the SPA and that the existing chargee will not exercise any of its right under the Vendor's loan documents that may impede the sale herein including foreclosure on the master land and the Subject Property;
- (d) the Vendor shall have procured and delivered to the Trustee a valid redemption statement and undertaking in respect of the Subject Property from the existing chargee and addressed to the Trustee, setting out the amount payable for the full redemption of the Subject Property against the existing chargee's undertaking to release the original master title, the Vendor's loan documents and the discharge documents to the Trustee upon receipt of the redemption sum and to refund the redemption sum received in the event the discharge documents cannot be perfected for any reason whatsoever;
- (e) the Vendor shall sign in escrow a charge in favour of the Trustee over the excluded land under section 242 of the National Land Code 1965 and upon terms acceptable to the Trustee and deposit the same with the Trustee's solicitors who shall have the right to release the same to the Trustee on the completion date to effect the charge;
- (f) the Vendor shall and shall procure the Lessee to sign in escrow the deed of novation of the Lease Agreement upon terms acceptable to the Trustee for the purpose of novation of all the rights, benefits, interests, obligations and liabilities of the Vendor under the existing Lease and shall deposit the same together with the original copy of the Lease Agreement with the Trustee's solicitors who shall have the right to release them to the Trustee on the completion date to register the Lease;
- (g) the Vendor shall have executed in escrow the master deed of assignment and notices upon terms acceptable to the Trustee for the purpose of assigning, novating, transferring all the rights, benefits, interests, obligations and liabilities of the Vendor under the existing tenancies (other than the security deposits and income revenue) and deposited the same together with the original copies of the tenancy agreements with the Trustee's solicitors who shall have the right to release them to the Trustee on the completion date;
- (h) the Vendor shall have deposited with the Trustee all drawings pertaining to the Subject Property including as-built, civil and structural (C&S) and mechanical and electrical (M&E) plans and drawings as per the list as set out in the SPA;
- (i) the Trustee shall have obtained Bursa Malaysia Securities Berhad's approval or clearance of the Purchase Consideration and the valuation report for the Subject Property in accordance with the Main Market Listings Requirements;
- (j) the Trustee shall have obtained the approvals of the Board of Directors of Hektar Asset Management Sdn Bhd and unitholders of Hektar REIT in relation to the diversification of the investment objectives of Hektar REIT, the amendment to the Amended and Restated Trust Deed of Hektar REIT, and the acquisition of the Subject Property and the Lease;
- (k) the Trustee having carried out and completed the legal and financial due diligence review over the master land and the Subject Property as well as on the Lessee's and Vendor's financial capability to meet their obligations respectively under the SPA and the Lease Agreement and the results of the due diligence review are satisfactory to the Trustee;
- (l) the parties having obtained any other approvals of any authorities as may be deemed necessary by the parties and agreed in writing; and

APPENDIX I - SALIENT TERMS OF THE SPA (CONT'D)

- (m) the parties having carried out and completed the joint inspection on the Subject Property to identify the defects to be repaired and made good by the Vendor prior to the completion date.

7. Lease and Lease Agreement

- (a) Simultaneously with the execution of the SPA, the Vendor shall and shall procure the Lessee to execute the deed of novation of the Lease Agreement and shall deposit the same together with the original copy of the Lease Agreement with the Purchaser's Solicitors as stakeholder who are authorised to deal with the same in accordance with the terms of the SPA.
- (b) Where applicable, the Purchaser's Solicitors shall and are hereby authorised to effect registration of the Lease in favour of the Purchaser simultaneously with the registration of the Transfer (i.e. execution of Memorandum of Transfer in respect of the Subject Property in favour of the Purchaser) upon the completion of the SPA.

8. Termination and Breach**(a) Vendor's rights to terminate**

If the Trustee defaults in the satisfaction of any part of the Purchase Consideration as and when it becomes due in accordance with the provisions of the SPA, or there is any breach by the Trustee of any of its representations, warranties, covenants, undertakings or obligations under the SPA which is not capable of remedy or capable of remedy but is not remedied within fourteen (14) days from the date of receiving a written notice from the Vendor requiring the same to be remedied, the Vendor will be entitled at any time prior to completion, to terminate the SPA by notice in writing to the Trustee.

(b) Trustee's right to terminate

If the Vendor fails, neglects or refuses to complete the sale in accordance with the provisions of this SPA, there is any breach by the Vendor of any of its representations, warranties, covenants, undertakings or obligations under the SPA which is not capable of remedy or capable of remedy but is not remedied within fourteen (14) days from the date of receiving a written notice from Trustee requiring the same to be remedied, the Trustee will be entitled at any time prior to completion, to terminate the SPA by notice in writing to the Vendor.

(c) Consequences of termination by Vendor

If a notice terminating the SPA is duly given by the Vendor, then within fourteen (14) days of the giving of the notice, if the Vendor elects not to pursue the remedies set out in the SPA, the deposit will be absolutely forfeited in favour of the Vendor and the Vendor must within seven (7) days thereof return all moneys received by them as part of the Purchase Consideration and held by them as at that date less the deposit, to the Trustee or to the Trustee's solicitors, free from interest, and in exchange with the Vendor's simultaneous compliance with the provisions of sub-paragraph (a), the Trustee shall re-deliver to the Vendor possession of the Subject Property and any documents delivered, if the same has been delivered to the Trustee.

APPENDIX I - SALIENT TERMS OF THE SPA (CONT'D)

(d) Consequences of termination by Trustee

If a notice terminating the SPA is duly given by the Trustee, then within fourteen (14) days of the giving of the notice, if the Trustee elects not to pursue the remedies set out in the SPA, the Vendor must within seven (7) days thereof return all moneys received by them as part of the Purchase Consideration and held by them as at that date, to the Trustee or to the Trustee's solicitors, free from interest together with an additional sum equivalent to the deposit as agreed liquidated damages to the Trustee, and in exchange with the Vendor's simultaneous compliance with the provisions of sub-paragraph (a), the Trustee shall re-deliver to the Trustee possession of the Subject Property and any documents delivered, if the same has been delivered to the Trustee.

(e) Specific performance

The Vendor and the Trustee will be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the sale and purchase of the Subject Property in accordance with the provisions of the SPA (in which respect the alternative remedy of monetary compensation will not be regarded as compensation or sufficient compensation for any default of the said party in the performance of the terms and conditions of the SPA) and for damages for the said party's breach of the SPA.

9. Real Subject Property Gains Tax

The parties hereby acknowledge that the Vendor is exempted from payment of real Subject Property gain tax in relation to the disposal of the Subject Property pursuant to Real Subject Property Gains Tax (Exemption) (No. 4) Order 2003. In the event that the Vendor is not exempted from payment of real Subject Property gain tax, the Vendor hereby agrees and undertakes to pay for the tax due and payable in respect of the disposition of the Subject Property in compliance with the Real Subject Property Gain Tax Act, 1976 within sixty (60) days from the date of the SPA and shall forward a copy of the receipt to the Trustee.

10. Delivery of legal possession and condition of the Subject Property

- (a) Legal possession of the Subject Property together with the building system, free from all encumbrances and claims whatsoever, will be deemed delivered to the Trustee by the Vendor on the completion date.
- (b) On such date to be mutually agreed by the Parties on or before the completion date, the parties shall conduct a joint inspection of the Subject Property to determine the state and condition of the Subject Property.
- (c) The Vendor shall deliver the Subject Property to the Trustee in the same state and condition as at the date of the SPA with the defects being rectified by the Vendor to the satisfaction of the Trustee.

APPENDIX II - SALIENT TERMS OF THE LEASE AGREEMENT

The salient terms of the Lease Agreement are as follows:

Nature of Lease	:	This Lease is a quadruple-net fixed term lease where the Lessee shall be responsible for the operation, maintenance, replacement and repair (including structural repair) of the Subject Property and the Lessor's Subject Property at its own cost and expense and pay for the outgoings. In return for granting the Lease, the Lessor shall be entitled to a guaranteed rent.
Term	:	The Term begins on the commencement date of 22 June 2023 and ends on the expiry date i.e. 21 June 2053. Unless otherwise as specified, neither party shall have the right to terminate the Lease Agreement before the expiry of the Term created.
Guaranteed Rent	:	In consideration of the Lessor granting the Lease to the Lessee, subject to rental in advance under the Lease Agreement, the Lessee shall pay the guaranteed rent to the Lessor on a quarterly payments in advance free of all deduction and set-off, with the first payment of the rental in advance commencing on or before the commencement date and thereafter the guaranteed rent shall be payable on the first (1st) day of the nineteenth (19th) month of the Term and at each and every succeeding three (3) months after the nineteenth (19th) month of the Term (Rent Day). Where applicable, the final payment shall be prorated accordingly.
Adjustment of the Guaranteed Rent	:	The guaranteed rent shall be revised upwards (step up) on an annual basis at the rate of two point five per centum (2.5%) of the preceding guaranteed rate. The parties agreed to reflect the revision of guaranteed rate by way of an exchange of letter between the parties recording such revision.
Other salient terms of the Lease Agreements	:	The Principal Lease Period shall be 30 years from the commencement date, subject always to the provisions of the Lease Agreement, with an option to renew granted to both parties for a Secondary Lease Period of 30 years (at the expiry of the Principal Lease Period) and a Tertiary Lease Period of fifteen (15) years, five (5) months, and twenty eight (28) days commencing from the expiry of the Secondary Lease Period. The commencement date of the Lease Agreement is 22 June 2023. The option to renew shall be subject to lease rental to be mutually agreed between the Lessor and the Lessee before the commencement of the Secondary Lease Period or the Tertiary Lease Period (as the case may be) of which the lease rental shall be based on the prevailing market rate not less than the last guaranteed rent payable failing which the lease rental shall be of the prevailing market rate and not more than ten percentum (10%) of the last guaranteed rent payable. The Lessor may by a notice in writing to the Lessee or a forfeiture notice in writing pursuant to Section 235 of the National Land Code 1965 issued to the Lessee (as applicable) terminate the Lease Agreement as from the date of service of that notice after the Lessee defaults by serving a notice terminating the Lease Agreement on the Lessee, or instituting proceedings for possession of the Subject Property against the Lessee. Save and except for the force majeure and the compulsory acquisition as prescribed in the Lease Agreement, the Lessee shall, on the termination of the Lease Agreement arising from the default of the Lessee, pay to the Lessor an accelerated lump sum payment of all quarterly guaranteed rent payable by the Lessee for the unexpired Term.