

Type : **Announcement**
Subject : **Hektar Real Estate Investment Trust ("Hektar REIT")**
- Revaluation of Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Landmark Central

Contents :

Please note that this announcement supersedes an earlier announcement dated 17 December 2015 following management's decision to conduct another valuation update for Subang Parade and Mahkota Parade based on tenancy information dated 31 December 2015 following changes in the aforementioned tenancies.

1. INTRODUCTION

Hektar Asset Management Sdn Bhd ("HAMS B"), the Manager of Hektar REIT, hereby announces that it has carried out a revaluation exercise on the following properties:

- (i) Name of Property : Subang Parade
- Address : No.5 Jalan SS 16/1, 47500 Subang Jaya Selangor
Geran 55365/Lot 14193, Bandar Subang Jaya, District of Petaling, Selangor
- Description : A freehold land measuring approximately 475,021.80 square feet (10.905 acres) in area together with a three-storey shopping complex with two basement levels. The commercial/retail complex comprises three floors of shopping/commercial area on the ground, second and third floors, one level of basement car parks and another level of basement service tunnel.
- (ii) Name of Property : Mahkota Parade
- Address : No.1, Jalan Merdeka, 75000 Melaka
PN 28957/Lot 1337, Kawasan Bandar XLII, District of Melaka Tengah, Melaka
- Description : A leasehold land measuring approximately 570,815 square feet (13.1 acres) in area together with a three-storey shopping complex with one level of basement car park. The commercial/retail complex comprises four floors of shopping/commercial area on the basement, ground, second and third floors.

- (iii). Name of Property : Wetex Parade
- Address : 69, Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor HS (D) 19633, No. Lot PTB 10586 & Geran 84560, Lot No. 3675, both located in Bandar Maharani, District of Muar, Johor
- Description : A freehold land measuring approximately 52,829 square feet (1.2128 acres) in area with a five-storey shopping complex podium known as “Wetex Parade” and a 3 star category ten-storey hotel tower with 156 rooms known as “Hotel Classic” and one level of basement car park
- (iv). Name of Property : Central Square
- Address : 23, Jalan Kampung Baru, Sungai Petani, Kedah Darul Aman, Geran G 145068, Lot 134, Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, Kedah
- Description : A land measuring approximately 118,425 square feet (2.72 acres) in area with a six-storey retail mall complete with two levels of basement car park
- (v). Name of Property : Landmark Central
- Address : 1, Jalan KLC Satu (1), Kulim, Kedah Darul Aman, Geran GM 14677, Lot No 4015, Seksyen 44, Bandar Kulim, District of Kulim, Kedah
- Description : A land measuring approximately 291,917 square feet (6.7 acres) in area with a three-storey retail mall

(hereinafter referred to as “Revaluation”).

2. RATIONALE FOR REVALUATION

The Revaluation was conducted to determine the current market values of Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Landmark Central for accounting purposes as per Financial Reporting Standard (“FRS”) 140. Based on the fair value method from FRS 140, the fair value of the investment property shall reflect market conditions at the balance sheet date. This necessitates the revaluation of investment properties on an annual basis.

Since it has adopted the fair value method from FRS 140, Hektar REIT will undertake an annual revaluation of all investment properties under its portfolio.

Pursuant to the amended Clause 10.03 of the Securities Commission (“SC”)’s revised Guidelines on Real Estate Investment Trust (“REIT Guidelines”) which was updated on 13 July 2011, the Revaluation must be conducted by an independent valuer and in accordance with the Malaysian Valuation Standards or other applicable valuation standards. A copy of the Revaluation report must be submitted to the SC, together with the annual report of the fund as required pursuant to clause 10.10(c) (ii) of the REIT Guidelines.

An announcement was made on the revaluation of the 5 malls on 17 December 2015 based on tenancy information as at 30 September 2015. Following this, the Management has decided to conduct another valuation for Subang Parade and Mahkota Parade, based on tenancy information dated 31 December 2015, following changes in the aforementioned malls’ tenancies.

3. REVALUATION SURPLUS

The details of the revaluation surplus are set out below.

Name of Property	Audited book/Market value as at 1 Jan 2015	Capital Expenditure (1 Jan 2015 to 31 Dec 2015)	Unaudited book value as at 31 Dec 2015	Latest market valuation	Revaluation Surplus/(Deficit)
	RM ('000)	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Subang Parade	417,700	3,761	421,461	426,380	4,919
Mahkota Parade	318,032	38,538*	356,570	320,000	(36,570)
Wetex Parade	135,000	81	135,081	135,000	(81)
Central Square	85,500	23,334	108,834	94,000	(14,834)
Landmark Central	104,500	68	104,568	111,200	6,632
Total	1,060,732	65,782	1,126,514	1,086,580	(39,934)

*Out of the RM35.6 million, RM21 million was spent to acquire 7 individual lots measuring a total of 6,167 sq ft.

4. EFFECTS ON THE NET ASSET VALUE

The total revaluation of Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Landmark Central represents a deficit of 3.7% over the unaudited net book value of RM1.126 million as at 31 December 2015 (before revaluation).

The reasons for the deficit are as follows:

- a) For Mahkota Parade, the reason of deficit is:
 - i. There is also increasingly stiff competition from the surrounding area which led to rental rate compression, resulting in lower market value. The deficit is slightly mitigated by the market value of individual lots acquired during the year.

- b) For Central Square, the deficit is due to a major spending on Asset Enhancement Initiative (“AEI”). The gestation period to realise the positive impact of the AEI is expected to be in the medium term, as rental reversions are staggered over a few years.

Based on the unaudited results as at 31 December 2015, the net asset value per unit drop to RM1.4586 upon incorporation of the revaluation deficit of RM39.9 million or equivalent to 10 sen per unit.

5. NAME OF VALUER

The valuations of Subang Parade, Mahkota Parade and Wetex Parade were carried out by independent professional valuers, Messrs. Henry Butcher Malaysia Sdn Bhd, Henry Butcher Malaysia (Malacca) Sdn Bhd and Henry Butcher Malaysia (Muar) Sdn Bhd respectively. The valuations of Central Square and Landmark Central were carried out by independent professional valuers, Messrs. Khong & Jaafar Sdn Bhd.

6. DATES OF VALUATION

For Wetex Parade, Central Square and Landmark Central, the cut-off date for the Revaluation is 30 November 2015 and the valuation reports are dated 2 December 2015. For Subang Parade and Mahkota Parade, the cut-off date for the Revaluation is 31 December 2015 and the valuation reports are dated 21 January 2016.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The valuation reports in relation to the Revaluation are available for inspection at the management office of HAMS B at D1-U3-10, Block D1, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 29 January 2016.