

SUBANG
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H
HEKTAR
REIT

HEKTAR REAL ESTATE INVESTMENT TRUST

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Hektar Real Estate Investment Trust (Hektar REIT) is Malaysia's first retail-focused REIT. Hektar REIT's principal objective is to provide its Unitholders with a defensible income distribution and to enhance the long-term value of the fund.

Hektar REIT invests in income-producing real estate primarily used for retail purposes. Hektar REIT's portfolio currently consists of quality shopping centres situated in Subang Jaya, Melaka and Muar with a combined value of RM713.4 million as of 31 December 2008.

Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006 and has outperformed its forecast in its first two years of listing. The REIT's cornerstone investor is Frasers Centrepoint Trust, part of the Fraser & Neave Group, headquartered in Singapore.

Hektar REIT is managed by Hektar Asset Management Sdn. Bhd., a part of the Hektar Group. The Hektar Group was formed with a vision to develop world-class shopping centres for Malaysian consumers, based on international best practices.

Creating
the places
where
people
love to
shop

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Hektar At-A-Glance

Hektar REIT's strategy is focused on acquiring and managing high quality retail properties throughout Malaysia.

FOCUS

Neighbourhood-class and regional-class shopping centres throughout Malaysia with the objective of providing Malaysian consumers with retail environments based on international best practices.

PORTFOLIO OPTIMISATION

Providing Sustainable Returns and Income Defensibility on Hektar REIT via:

- Active Leasing & Retail Planning – refreshing and aligning the tenancy mix to the needs of the target shoppers
- Advertising & Promotion – aggressive marketing to retain consumer interest and visitor traffic
- Value Creation Initiatives – improvements including asset enhancement and refurbishment designed to improve long-term yields

YIELD-ACCRETIVE ACQUISITIONS

Enhancing the Long-Term Value and Growth of Hektar REIT via Yield-Accretive Acquisitions of:

- Stabilised Properties – assets with sustainable cash flow, requiring selective optimisation
- Turnaround Properties – assets with good fundamentals which are underserving their current market, requiring capital injection and intensive value creation initiatives to 'turnaround' the property, increasing yields in the medium to long term
- Greenfield & Redevelopment Projects – pipeline projects undertaken by the Hektar Group

CAPITAL MANAGEMENT

Optimising the capital structure to fund acquisitions and asset enhancements through a combination of debt and equity within a flexible framework providing a low cost of capital.

FY 2008 Performance & Change from Previous Year

Gross Revenue	RM 84.1 million	+ 7.4%
Earnings Per Unit	11.32 sen	+ 7.0%*
Dividend Per Unit	10.20 sen	+ 3.2%*
Net Asset Value	RM1.26	+ 7.7%

Portfolio
Occupancy
(2008)

95.8%

Property Value
Increase
Since IPO*

+19%

Rental
Reversions
(2008)

+8%

Net Asset
Value Increase
Since IPO*

+10%

* On an Annualised basis

Financial Highlights

Hektar REIT recorded a solid year in 2008, delivering dividend per unit (DPU) growth of 3.2% to unitholders and enhancing the net asset value (NAV) of the trust by 7.7% over the previous year.

Financial Year ended 31 December

	FY 2008 12 months RM'000	FY 2007 ¹ 13 months RM'000	Change
Gross Revenue	84,092	78,331	+7.4%
Property Expenses	(31,377)	(29,052)	+8.0%
Net Property Income (NPI)	52,715	49,279	+7.0%
Net Income - Realised	36,238	36,682	-1.2%
Net Income Per Unit - Realised (sen)	11.32	11.46	-1.2%
Annualised Net Income Per Unit - Realised (sen)	11.32	10.58	+7.0%
Income Distribution	32,640	34,272	-4.8%
Distribution Per Unit (DPU) (sen)	10.20	10.71	-4.8%
Annualised DPU (sen)	10.20	9.89	+3.1%

Balance Sheet as at 31 December

	FY 2008 RM'000	FY 2007 RM'000	Change
Total Assets	738,108	587,797	+ 25.6%
Total Liabilities	336,007	213,408	+ 57.4%
Total Borrowings	301,500	184,000	+ 63.9%
Gearing Ratio	40.8%	31.3%	N/A
Net Assets	402,101	374,389	+ 7.4%
No. of Units in Circulation (Units)	320,001	320,001	N/A
NAV per Unit	1.26	1.17	+ 7.7%

¹ FY 2007 represents a 13-month period from Hektar REIT's listing on 4 December 2006 to 31 December 2007.





Unit Price Statistics (FY 2008)

High	RM1.51
Low	RM0.73
Opening Price (1 January 2008)	RM1.51
Closing Price (31 December 2008)	RM0.77
Change In Price	- 49.0%

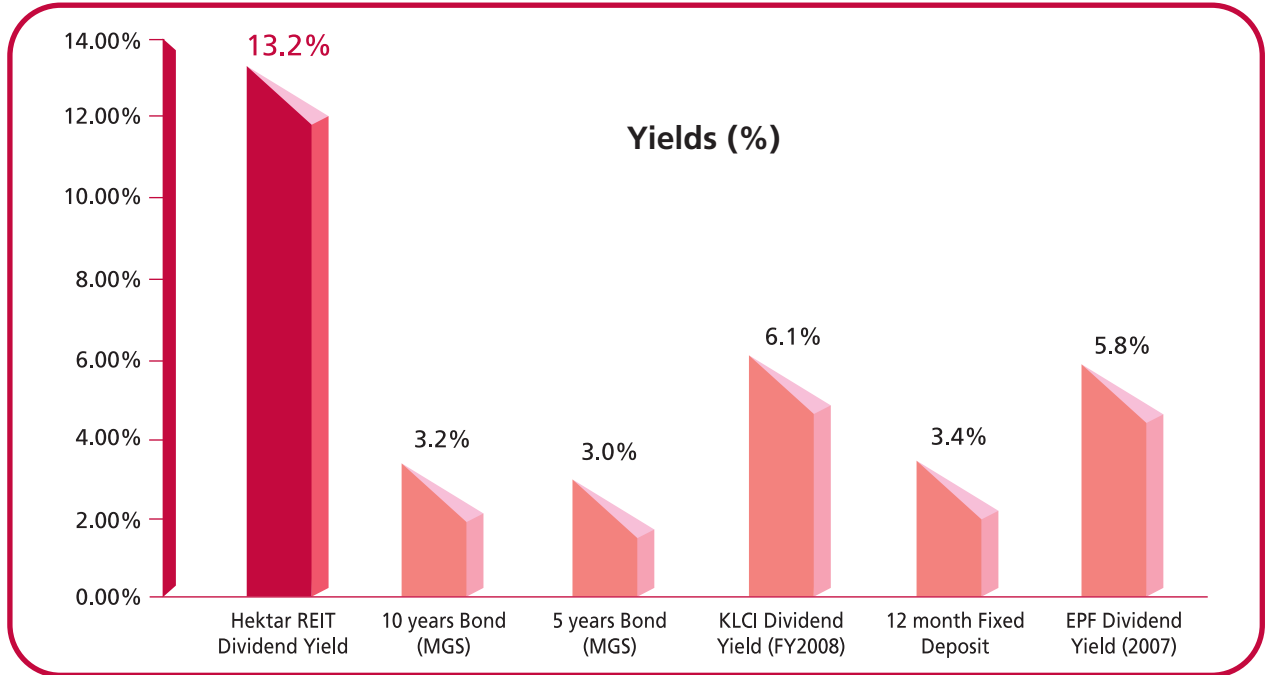
Dividend Distributions (FY 2008)

Interim 1st Quarter DPU (31 March)	2.40 sen
Interim 2nd Quarter DPU (30 June)	2.40 sen
Interim 3rd Quarter DPU (30 September)	2.40 sen
Final 4th Quarter DPU (31 December)	3.00 sen
Total DPU	10.20 sen
DPU Yield*	13.2%



* Based on DPU of 10.20 sen and the closing price of RM0.77 for FY 2008.

Comparative Yields: Hektar REIT*



Source: Bloomberg, KWSP

* Based on DPU of 10.20 sen and the closing price of RM0.77 for FY 2008.



“ Overall, revenue was up, costs under control, financing secure and therefore dividends to unitholders increased on an annualised basis. We are in the business of owning and operating shopping centres and optimising their financial performance in good times and bad times. We manage Hektar REIT’s business for long term wealth creation. ”

“ Secara keseluruhannya, perolehan telah meningkat, kos terkawal, pinjaman adalah terjamin dan agihan dividen meningkat dibandingkan dengan tahun sebelumnya yang dikenakan. Perniagaan kami ialah memiliki dan mengurus pusat membeli-belah dan mengoptimumkan prestasi kewangan pada waktu ekonomi baik mahupun buruk. Kami mengurus perniagaan Hektar REIT untuk mewujudkan kekayaan jangka panjang. ”

“ 總體而言，營業額上升、成本受到控制、融資沒有問題。因此，每年派發給單位信托持有人的股息也增加。我們從事的是擁有及經營購物廣場，無論在好壞的情況下都要盡量地將其財務的績效表現發揮到極至。我們以創造長期財富的理念來經營賀達房地產投資信托基金。 ”





Dear Valued Unitholder of Hektar REIT,

On behalf of the Board of Directors of Hektar Asset Management, manager of Hektar REIT, we are pleased to share with you Hektar REIT's annual report for the financial year, ended 31 December 2008 ("FY 2008").

IN PERSPECTIVE

When Hektar was formed, we aimed at building a business of owning and managing shopping centres in Malaysia. We based our business model on best practices worldwide and we aimed at creating world-class retail environments for Malaysian consumers. When we listed in late 2006, we were and still remain, the first retail-focused Malaysian REIT. At that time, the REIT sector was still in its nascent stage in Malaysia, the world economy was still in ascent.

Today, conditions appear to have changed. The world economy is in descent; the Malaysian stock market has declined in tandem and with it, property stocks and REITs. Political and business leaders around the world are pondering about the state of the economy and what next steps to take. Financial markets are experiencing significant volatility, which are adversely affecting the broader economy. Despite the negative environment, Hektar's vision remains the same – owning and managing world-class retail destinations for Malaysians.

We believe the core fundamentals of our business and long-term prospects of the economy remain positive. Malaysia's population is still growing, young and urbanizing; the economy is developing, diversifying and while still trade-dependent, also supported by valuable commodity exports in the form of petroleum and palm oil. Retail shopping space remains a developing market, especially in the hinterland and secondary cities of the country. Above all, we believe the execution of our business model still allows us to provide a discernible difference in elevating the standard of retail in Malaysia.

My point for emphasizing this positive vision is to reassure our long term unitholders that we do intend to meet our goals over the long term – creating substantial growth and value from our REIT. Provided that the core fundamentals remain positive, we will continue to execute towards achieving these objectives. We are in this for the long run.

In the short term, we will reflect on the current environment and adapt ourselves accordingly. It seems prudent at this time to re-examine our framework for managing risk to support growth in the future. We will continue to move forward on our strategy at a pace that reflects the economic realities of the times. We will elaborate on our strategies further, in this letter.

In summary, our core business did well in 2008, meeting and surpassing its budgets. Portfolio operations remain in the positive territory, financials solid. Only our unit price performance on Bursa Malaysia disappointed. While we understand the concerns about the economy's outlook and potential impact on our business, we believe unitholders should take some comfort in the view that Hektar remains profitable with a defensible income stream and positive cash flow. We have resilient assets and safe dividends.


FINANCIAL PERFORMANCE

For the financial year ended 31 December 2008 (FY2008), Hektar REIT delivered a dividend per unit (DPU) of 10.20 sen. This is approximately 13.2% higher than the forecast provided in the initial public offering ("IPO") prospectus dated 15 November 2006. This is also 3.1% higher than the annualised DPU of 9.89 sen delivered in FY2007 (DPU of 10.71 sen over a 13-month period). Investors, particularly foreign investors, excluding corporates, will also enjoy a reduced withholding tax of 10% for 2009 (2008: 20%).

Net income (realised) per unit, or earnings per unit (EPU) achieved was 11.32 sen, which is 25.6% over our IPO forecast. This is 7.0% higher than compared to the annualised EPU of 10.58 sen achieved in FY2007 (EPU of 11.46 sen over a 13-month period). This was achieved by higher revenues at RM84.1 million and net property income of RM52.7 million, which were respectively 7.4% and 6.9% higher than FY2007.

Since the IPO listing, Hektar REIT's Net Asset Value (NAV) per unit has increased approximately 22% to reach RM1.26. This represents an annualised capital growth of approximately 10%. The property portfolio value has increased to RM713.4 million, up 39% since IPO, in part due to the Muar acquisition, which will be discussed later.

Hektar's financing is secure and done by way of an Al-Murabahah Overdraft, which is actually a fixed-term tenure, annual floating rate debt. The first tranche of RM184 million, drawn at IPO, will expire in 2011, while the second tranche was drawn for the Muar acquisition and will expire in 2013. The weighted average cost is 4.70% reflecting the decline in interest rates in the last year in Malaysia (2007: 4.95%). The total gearing for Hektar REIT as at 31 December 2008 is at 40.8% of Gross Asset Value.



Overall, revenue was up, costs under control, financing secure and therefore dividends to unitholders increased on an annualised basis. These achievements were unfortunately ignored by the stock market. In spite of these positive performance, Hektar REIT's unit price declined by 49% in 2008. In our opinion, the decline of the unit price reflects the conditions in the capital markets, rather than the REIT's performance and prospects. Based on the closing price of RM0.77 on the last trading day of 2008, Hektar's DPU of 10.20 sen represents a compelling value with a trailing dividend yield of 13.2%.

We manage Hektar REIT's business for long term wealth creation. We cannot directly influence the unit price, but we do view it as a benchmark.

In the application of best practices, a useful tool for analysis is benchmarking particularly of non-financial measures. Non-financial measures are operational statistics, which provide useful information on the portfolio of the REIT. Whereas financial performance provides the results of what the REIT has achieved, non-financial performance provides an indication of what the REIT may achieve in the future.

Let us share our non-financial performance, better described as part of our portfolio commentary.

PORTFOLIO COMMENTARY

FY2008's positive financial results were achieved by focused execution at the operational level of the shopping centre. Optimised leasing strategies, design to balance between providing a comprehensive tenant mix to consumers and maximizing rental income are tracked by rental reversions. For 2008, a total of 101 new tenancies and renewals in Hektar's portfolio recorded an average increase in rental rates of approximately 8%. All three shopping centres in the portfolio saw rental rate increases on the average in 2008.

Hektar's expiry profile for FY2009 indicates that roughly 84 tenancies will expire, representing 23% of total monthly rental income for December 2008. This is a manageable number, considering that the standard retail lease tenure in Malaysia is 3 years. We have confidence in our properties to negotiate three-year term leases as it allows us to adjust to the market, particularly in terms of consumer trends. Consumers want the latest retail concepts and offerings, so we are constantly on the lookout to bringing in new retail formats to keep our centres appealing to customers.

As at 31 December 2008, average portfolio occupancy was a relatively high 95.8%, with Subang Parade

registering 99.8% occupancy and Mahkota Parade achieving 96.5% occupancy. Wetex Parade's occupancy stood at 83.1% as at 31 December 2008, representing a current transformation of the tenant mix which is currently in progress. We will elaborate more on Wetex Parade later.

We have a strong, diversified revenue base, consisting of more than 300 tenants in our portfolio. The largest is Parkson, which contributes approximately 11% of monthly rental income. Beyond that, no other retailer contributes more than 3.1% of monthly rental income. Furthermore, in our analysis of our retailers, less than 1/7 of our rental income comes from single store retailers, which are generally considered the most vulnerable in an economic recession. At this point, more than 85% of our tenancy rental income is derived from national chain stores and international brands.

Visitor traffic to the portfolio dipped slightly in 2008, reaching 15.9 million for both Subang Parade and Mahkota Parade, a slight dip of 4.3% compared to 2007. This has been attributed to the initial public reaction to the petrol price increase in June 2008 and the overall reaction towards higher prices in early to mid-2008 – casual shoppers, particularly those most impacted by higher petrol and food costs, stayed at home. While visitor traffic is an important key performance indicator (KPI), it is not directly correlated to shopper spending.

Occupancy Cost

Key to Hektar's leasing strategy is the employment of Turnover Rent and Step-Up Rent provisions. Turnover Rent provisions exist in 74% of all Hektar tenancies and in more than 90% for both Subang and Mahkota Parade. Similarly, Step-Up Rent provisions exist in 63% of all tenancies, portfolio-wide. Since Wetex Parade was acquired in May 2008, all of its tenancies will be converted to include Turnover Rent and/or Step-Up Rent provisions as they are renewed over time. The most important provision is the Turnover Rent component, which as part of the tenancy agreement, compels a retailer to provide Hektar with their monthly turnover. Hektar has now collected close to 2 years of records of turnover for 90% of its tenants in Subang and Mahkota Parade. Implicit in the turnover record is the ability for Hektar management to analyse occupancy cost. Occupancy cost is the measure of rental income over tenancy sales. Based on international benchmarks, once occupancy cost hits above 20%, there is a chance that a retailer becomes unprofitable with further rental increases and this obviously limits their future participation in the mall as well as constrain Hektar's ability to increase rental income. We continue to monitor our portfolio occupancy cost carefully, particularly over the next 12 months.



Muar Acquisition

The Muar acquisition was completed in May 2008, featuring an integrated retail development consisting of Wetex Parade and Classic Hotel. Both the hotel and the shopping mall form part of an integrated development and their internal facilities could not be easily separated in this instance. As a result, we acquired the whole development for RM117.5 million, including the hotel on a sale-leaseback basis. We secured a ten-year net lease for the hotel with the same operator that has been running it over the last decade. The annual lease starts at RM2.15 million for the first year which represents less than 3% of our FY2008 revenue. More importantly, as a net lease, the operator will continue to run the operations profitably as it has done in the past, leaving us to continue focusing exclusively on retail.

Wetex Parade is the leading department-store anchored shopping centre in the Muar district. While smaller than Subang or Mahkota Parade, it still retains a full-fledged tenant mix anchored by The Store and serving a district population of 328,695.

Hektar plans to bring its experience of managing retail to Muar. Even the best shopping centres constantly require attention to ensure that they maintain market share and remain relevant to shoppers. Planning the retail mix therefore, is a key success factor in managing shopping centres. The retail plan is about achieving the balance between selecting the right specialty retailers (i.e. popular), placing them in strategic areas of the mall, while promoting new, up-and-coming retailers and ensuring a comfortable, safe and entertaining environment for shoppers. All this must be balanced against profitability and controlled capital expenditures. There are universal elements in the way people shop, though local culture can play an influence. The Hektar method is to listen to customers, which is why we invest in market research and then combine those findings with our own best practices to produce a product, in this case, a balanced retail mix.

We will manage change at Wetex Parade. The occupancy is currently running at 83.1%, which is appropriate at this stage, as we are slowly replacing old retailers with new formats and just as importantly, we are planning to shift specialty retailers around the shopping centre. We have installed the FootFall system to track shopper visits to the mall and have recorded over 1.9 million visits since last September. This is also in response to our marketing, which we have increased aggressively since moving in last May. We will continue to make improvements to Wetex over the next year.

CHALLENGES AND OUTLOOK

Uncertain economic times tend to bring out the strengths or weaknesses in any organisation. The financial crisis of 2008 and resultant global economic slow-down will have an effect on Malaysia. Most of Malaysia's top export markets, with the exception of China, have reported their economies already in recession. Consequently, this is expected to impact Malaysia over the next 12 months.


The government has taken various measures to mitigate the expected economic slowdown, by lowering interest rates, reducing EPF contributions and a recent RM7 billion fiscal measure to stimulate the economy. Taking these initiatives into account along with the potential impact from the global economic slow-down, it is not clear whether Malaysia's economy will enter or avoid a recession. What is fairly clear is that expectations of a deteriorating economy are rising and we can expect more difficult economic conditions over the next year.

We are not in the business of predicting economic recessions. We are in the business of owning and operating shopping centres and optimising their financial performance in good times and bad times. We have built a successful business model, based on international best practices. Our systems of FootFall, Turnover Rent and our methods of research have enabled us to better understand our key markets and translate that intelligence into practical measures. The result is that this has allowed our portfolio to return positive growth for Hektar REIT since the IPO listing.

Potential for Acquisitions

We are very selective on acquisitions. External growth for the REIT is not programmed, though we have set targets. In 2008, we did look at fair number of retail properties, though we have seen deal flow at a muted pace in the last quarter of the year, as buyers and sellers sat on the side in view of the world-wide financial turmoil.

Ultimately, Hektar aims to own retail developments in all key population centres throughout Malaysia. Our preference has been for retail developments in well-populated areas with clearly defined catchment areas. There are more than 34 towns and cities throughout the country with a population over 100,000, suitable to support a decent sized neighbourhood shopping centre. In the long run, strategically, this provides Hektar with a network of malls to promote up-and-coming retailers or to provide bulk-leasing for national chains. In many towns, we have seen old and new retail shopping centres, including some under construction. Before we commit to any new market, we do need to size up the market potential and the competitive landscape. This is one of the reasons why we have said yes to only one acquisition last year, while the rest are still under consideration.



If the economy remains a challenge in 2009, we do see a silver lining. Challenges in the financial markets and broader economy will weed out weaker players, providing us with less competitors when growth returns. We also expect asset owners to be more flexible in their pricing and terms during this cycle.

Financing is Secure

Hektar continues to have access to financing at this time. The Malaysian financial sector, less integrated globally, is less impacted from the world financial crisis. This insulation has allowed Malaysian banks to continue to lend or offer to lend during these current times. In Hektar REIT's scenario, the gearing ratio is currently at 40.8%, which may limit the ability to finance new major acquisitions particularly if the market is not conducive for the issuance of new units to raise equity capital. Nonetheless, when attractive opportunities come along, it would still be possible for the sponsor Hektar Group to privately finance and incubate acquisitions before injecting them into the REIT at an appropriate time.

Raising equity is one of the more expensive forms of capital. It is particularly expensive if it is issued at a dilutive price, typically below a company's net asset value. This is one of the reasons why we are reluctant to issue new units to fund acquisitions. If Hektar's unit price remains below its NAV at RM1.26 per unit, it will be challenging to find acquisitions which are yield accretive. Challenging, but not impossible, as certain retail assets have the potential to be refurbished and enhanced to improve yields over a short period of time.

Neighbourhood Retail is Resilient

The strength of Hektar's portfolio lies in its selection of assets focused on solid population catchment areas. A key attribute of Hektar's properties is each individual shopping centre's focus on their core market. Typically, we denote Hektar properties as more neighbourhood-focused, or neighbourhood malls.

Neighbourhood malls contrast with regional malls, in terms of size and retailer scope. Regional malls are larger, typically 1 million square feet and above and with a tenant mix which emphasizes the one-stop shopping centre. As a result, regional malls tend to have large numbers of retailers, including leisure, entertainment, luxury – featuring retailers appealing to more discretionary consumer spending. Due to their size, regional malls need to attract larger catchment areas, including secondary areas more than 30 minutes' driving distance away. Neighbourhood malls in contrast, tend to focus on their primary catchment usually within 15 minutes' driving distance. Smaller, usually less than 500,000 square feet, neighbourhood malls tend to emphasize retailers serving the needs of the primary catchment.

Hektar's neighbourhood-class malls feature retailers who sell basic necessities, mid-tier food and beverage, groceries, prescriptions and services, which are less affected during economic downturns than tenants who depend on discretionary, high-end purchases. Consequently, we feel neighbourhood malls tend to be more resilient during economic downturns. This is one of the reasons why our strategy is to focus on neighbourhood-class malls.

Maintaining Focus

Retail real estate is a management intensive business. It is no coincidence that the top REITs in the world are strictly focused on retail assets. In fact at this time, the largest REIT in the world is Westfield Trust, based in Australia; the largest REIT in the United States is managed by Simon Property Group and the largest REIT in Singapore is CapitaMall Trust – all of them, strictly focused on retail properties. In Malaysia, Hektar understands retail and will continue to focus on retail.

ACKNOWLEDGEMENTS

We are delighted to have representatives from Frasers Centrepoint Limited to join our board this year. We now have 2 directors nominated by Frasers Centrepoint Limited, Mr. Lim Ee Seng and Mr. Christopher Tang and a new independent director, Mr. Philip Eng. In addition, Christopher Tang also sits on our Executive Committee. We are pleased to have their support and contribution in this past year.

Our achievements and successes revolve around people. At all levels of the group, our people are passionate about what they do, bringing pride and professionalism to their work. I exhort them to approach each day to strive to do everything they can in the form of best practices. If our people continue to delight shoppers and support our retailers, we believe their efforts will ultimately reward our unitholders.

On behalf of the Board of Directors of Hektar Asset Management, I want to thank our people for their dedication and commitment to their work. We are proud to have you as our team. To our unitholders, I wish to thank you again for your continued trust and support in the past year. Last but not least, to our shoppers, thank you for continuing to visit and patronise our shopping centres.

The year ahead is expected to be very challenging. To all stakeholders, unitholders and partners alike, I would like to share a personal maxim of mine for these times: think positive.

DATO' JAAFAR BIN ABDUL HAMID
Chairman & Chief Executive Officer
February 2009

Pemegang Unit Hektar REIT yang dihargai,

Bagi pihak Lembaga Pengarah Hektar Asset Management Sdn Bhd, iaitu pengurus Dana Pelaburan Hartanah Hektar ("Hektar REIT"), kami dengan sukacita ingin berkongsi dengan anda laporan tahunan Hektar REIT bagi tahun kewangan berakhir 31 Disember 2008 ("FY 2008").

DALAM PERSPEKTIF

Sejak diperbadankan, matlamat Hektar ialah membangunkan sebuah perniagaan yang mengkhusus kepada pemilikan dan pengurusan pusat membeli-belah di Malaysia. Model perniagaan kami bersandarkan amalan terbaik antarabangsa dengan tujuan mewujudkan suasana membeli-belah bertaraf dunia untuk pengguna-pengguna di Malaysia.

Sewaktu penyenaian di Papan Utama Bursa Malaysia pada penghujung tahun 2006, kami merupakan REIT pertama di Malaysia yang mengkhusus kepada sektor pusat membeli-belah. Sehingga ke hari ini, pengkhususan kami kekal di sektor ini. Pada tahun Hektar disenaraikan, pertumbuhan sektor REIT masih di tahap awal dan pertumbuhan ekonomi dunia masih meningkat.

Kini, keadaan ekonomi dunia telah berubah. Ekonomi dunia telah mula menunjukkan kemerosotan yang turut menjejaskan pasaran saham dan bersamanya, saham hartanah dan sektor REIT. Pada masa ini, pemimpin-pemimpin politik dan perniagaan seluruh dunia sedang bertungkus-lumus merancang langkah-langkah yang perlu diambil untuk menangani kegawatan ini. Pasaran kewangan sedang mengalami kecelaruan ketara, yang telah memberi kesan buruk kepada ekonomi pada amnya. Namun, di sebalik iklim ekonomi yang tidak memberangsangkan ini, wawasan Hektar tetap sama, iaitu pemilikan dan pengurusan pusat membeli-belah bertaraf antarabangsa untuk pengguna-pengguna Malaysia.

Kami yakin asas ekonomi dan perniagaan di Malaysia kekal positif. Jumlah penduduk Malaysia, yang sebilangan besarnya terdiri daripada golongan muda, masih menokok dan kawasan-kawasan bandarnya semakin pesat berkembang. Ekonomi negara ini masih membangun dan mempunyai kelebihan dari segi kepelbagaian sektornya. Walaupun banyak bergantung kepada sektor perdagangan, Malaysia juga disokong oleh komoditi eksport yang berharga iaitu minyak dan kelapa sawit.

Sektor peruncitan merupakan sebuah pasaran yang terus membangun, terutamanya di kawasan sub-bandar dan kawasan pedalaman. Yang paling utama, kami percaya pelaksanaan model perniagaan kami akan membolehkan kenaikan taraf dan kualiti pusat membeli-belah di Malaysia.

Tujuan saya menekankan wawasan positif ini ialah untuk memberi jaminan kepada pelabur-pelabur jangka panjang Hektar REIT bahawa kami akan mengota janji kami dalam mencapai matlamat jangka panjang, iaitu mewujudkan pertumbuhan jitu dan meningkatkan nilai Hektar REIT. Selagi asas ekonomi negara ini teguh, matlamat ini pasti akan tercapai.

Walaupun bagaimanapun, pada jangka masa pendek ini, kami akan menilai keadaan semasa dan akan merubah strategi kami dengan sewajarnya. Ini adalah masa terbaik untuk meneliti semula rangka kerja kami di dalam menangani risiko bagi membantu pertumbuhan pada masa akan datang. Strategi-strategi kami akan dilaksanakan pada kadar yang mencerminkan keadaan ekonomi semasa. Kami akan menerangkan dengan lebih lanjut strategi-strategi ini di perenggan-perenggan berikutnya.

Secara ringkas, perniagaan asas kami masih kukuh pada tahun 2008, di mana pencapaian sebenar berjaya melangkaui sasaran. Portfolio operasi tetap positif dan kedudukan kewangan masih mantap. Hanya prestasi kami di Bursa Malaysia kurang memberangsangkan. Kami prihatin dengan kebimbangan anda mengenai kegawatan ekonomi yang melanda ini dan kesannya terhadap perniagaan kami. Akan tetapi, kami percaya anda akan terus bersama kami memandangkan Hektar REIT masih menjana keuntungan ekoran dari perolehan yang stabil dan aliran tunai yang positif. Hektar REIT juga memiliki hartanah-hartanah yang mampan ditambah pula dengan kepastian di dalam pengagihan dividen.

PRESTASI KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2008 ("FY2008"), Hektar REIT telah mengisytiharkan dividen seunit (DPU) sebanyak 10.2 sen. Ia adalah 13.2% lebih tinggi dari anggaran yang dibuat di dalam prospektus kami bertarikh 15 November 2006. DPU pada tahun 2008 juga adalah 3.1% lebih tinggi dari DPU 2007 yang digenapkan setahun, iaitu 9.89 sen. (DPU bagi 13-bulan berakhir 2007 ialah 10.71 sen). Pelabur-pelabur, terutamanya pelabur asing (kecuali pelabur asing korporat), akan menikmati cukai penahanan yang lebih rendah, iaitu 10% pada tahun 2009 (2008:20% dan 15%).

Untung bersih (direalisasikan) seunit, atau EPU ialah 11.32 sen, iaitu 25.6% lebih daripada anggaran yang terkandung di dalam prospektus. Keuntungan ini ialah 7% lebih tinggi dari EPU yang digenapkan setahun, iaitu 10.58 sen, yang dicapai pada FY2007 (EPU bagi 13-bulan berakhir 2007 ialah 11.46 sen). Prestasi ini berjaya dicapai ekoran dari perolehan yang lebih tinggi, iaitu RM84.1 juta dan untung hartanah bersih sebanyak RM52.7 juta, yang masing-masing telah melangkaui prestasi FY2007 pada kadar 7.4% dan 6.9%.

Sejak penyenaian di Bursa Malaysia, Nilai Aset Bersih (NAV) seunit telah menokok sebanyak 22% untuk mencecah RM1.26. Ini merupakan pertumbuhan modal tahunan sebanyak 10%. Nilai portfolio hartanah pula meningkat 39% kepada RM713.4 juta. Salah satu sebab kenaikan ini ialah pembelian hartanah di Muar, yang akan dibincangkan kemudian.

Pinjaman bercagar Hektar adalah dalam bentuk overdraf Murabahah, iaitu sejenis instrumen kewangan tetap, dengan kadar semasa. Pinjaman pertama berjumlah RM184 juta, diperolehi ketika penyenaian di Bursa Malaysia, akan tamat tempoh pada tahun 2011. Pinjaman kedua pula, diperolehi untuk pembelian hartanah di Muar, akan tamat tempoh pada tahun 2013. Kos purata ialah 4.7%. Nisbah pinjaman kepada jumlah aset Hektar REIT pula ialah 40.8%.

Secara keseluruhannya, perolehan telah meningkat, kos terkawal, pinjaman adalah terjamin dan agihan dividen meningkat dibandingkan dengan tahun sebelumnya yang digenapkan. Malangnya, prestasi cemerlang ini tidak diambil kira oleh pasaran saham. Di sebalik prestasi cemerlang ini, harga unit Hektar REIT menjunam sebanyak 49% pada tahun 2008. Pada pendapat kami, penurunan mendadak ini mencerminkan keadaan pasaran modal, tetapi bukannya prestasi dan prospek REIT. Berdasarkan harga penutup sebanyak 77 sen pada hari terakhir urusniaga saham bagi tahun 2008, DPU Hektar REIT sebanyak 10.2 sen merupakan nilai yang sangat baik kerana ia memberi kadar pulangan dividen sebanyak 13.2%.

Kami mengurus perniagaan Hektar REIT untuk mewujudkan kekayaan jangka panjang. Kami tidak berupaya untuk mempengaruhi harga unit di pasaran dan hanya menganggapnya sebagai satu tanda ukuran.

Dalam melaksanakan amalan terbaik, satu mekanisme penganalisaan yang berguna ialah teknik penanda ukuran, terutamanya tanda-tanda pengukur yang tidak berkaitan dengan kewangan. Contohnya statistik operasi, yang memberi maklumat berguna mengenai portfolio Hektar REIT. Prestasi kewangan menghuraikan prestasi yang telahpun dicapai Hektar REIT, sementara prestasi bukan kewangan pula memberi panduan prestasi REIT pada masa akan datang.

Sekarang kami akan berkongsi dengan anda prestasi bukan kewangan Hektar REIT, ataupun lebih dikenali sebagai ulasan portfolio.


ULASAN PORTFOLIO

Prestasi kewangan yang positif pada tahun kewangan 2008 berjaya dicapai hasil dari pelaksanaan yang berfokus pada peringkat operasi di pusat membeli-belah. Strategi kami merangkumi penyewaan yang optimum dan reka-bentuk pusat membeli-belah yang seimbang. Imbangan pusat membeli-belah bermaksud menyediakan campuran peruncit yang komprehensif sambil memaksimumkan pulangan sewaan, di pantau oleh kenaikan kadar sewa. Bagi tahun 2008, sejumlah 101 sewaan baru dari peruncit sedia ada dan peruncit baru merakamkan kenaikan purata sewaan sebanyak 8%. Ketiga-tiga pusat membeli-belah di dalam portfolio Hektar REIT menyaksikan kenaikan kadar sewa pada tahun 2008.

Profil tamat-tempoh sewaan Hektar bagi tahun kewangan 2009 menunjukkan bahawa sebanyak 84 kontrak sewaan akan tamat tempoh. Jumlah ini merupakan 23% dari jumlah pendapatan sewaan pada bulan Disember 2008. Peratusan penamatan kontrak ini tidak membimbangkan kerana lazimnya, penamatan tempoh sewaan di Malaysia ialah setiap 3 tahun. Penamatan kontrak sewaan setiap 3 tahun membolehkan kami mengubahsuai campuran peruncit, bagi mencerminkan citarasa semasa pengguna. Oleh kerana pengguna-pengguna sentiasa mahukan peruncit-peruncit yang menyediakan produk dan perkhidmatan terkini, kami sentiasa berusaha mencari dan membawa masuk format runcitan terbaru untuk terus menarik pengunjung ke pusat-pusat membeli-belah kami.

Pada 31 Disember 2008, kadar purata penginapan peruncit bagi kesemua portfolio kami kekal tinggi pada purata 95.8%, kadar penginapan peruncit di Subang Parade ialah 99.8%, manakala Mahkota Parade mencecah 96.5%. Kadar penginapan peruncit di Wetex Parade pula ialah 83.1%. Jika dibandingkan dengan Subang Parade dan Mahkota Parade, kadar penginapan peruncit di Wetex Parade adalah lebih rendah ekoran daripada perubahan besar yang sedang dijalankan di Wetex Parade dari segi campuran runcitan dan reka-bentuk. Kami akan mengulas mengenai perkara ini dengan lebih lanjut kemudian.

Hektar REIT mempunyai asas perolehan yang kukuh dan pelbagai. Kami mempunyai lebih daripada 300 peruncit di dalam portfolio. Peruncit terbesar kami ialah Parkson, yang menyumbang sebanyak 11% dari jumlah sewaan bulanan. Selain itu, tiada peruncit lain yang secara individu menyumbang lebih dari 3.1% dari jumlah sewaan bulanan. Tambahan pula, berdasarkan analisa kami, kurang dari satu pertujuh dari perolehan sewaan datang dari peruncit kecil-kecilan, yang pada amnya dianggap kumpulan yang paling terdedah kepada kemelesatan ekonomi. Pada masa ini, lebih dari 85% dari jumlah sewaan kami terdiri daripada peruncit-peruncit rantaian tempatan dan antarabangsa.



Trafik pengunjung ke pusat-pusat membeli-belah kami pada tahun 2008, mencecah 15.9 juta bagi Subang Parade dan Mahkota Parade. Ini merupakan penurunan kecil sebanyak 4.3% berbanding 2007. Penurunan ini disebabkan oleh reaksi awal orang ramai terhadap kenaikan harga minyak dan harga makanan pada bulan Jun 2008. Sesetengah pengunjung, terutamanya pengunjung kasual yang terjejas dengan kenaikan harga minyak, telah berhenti dari mengunjungi pusat membeli-belah. Walaupun trafik pengunjung adalah salah satu kunci pengukur prestasi, perlu diingatkan bahawa ia tidak berhubung kait secara langsung dengan perbelanjaan sebenar di pusat membeli-belah kami.

Kos Penginapan Peruncit

Kunci kepada strategi sewaan Hektar ialah pelaksanaan dua jenis bayaran sewa yang diperuntukkan di dalam kontrak, iaitu:

- Sewaan berdasarkan Perolehan; dan
- Kenaikan Sewa Berperingkat

Peruntukan Sewaan berdasarkan Perolehan terkandung di dalam 74% dari semua kontrak dengan peruncit-peruncit bagi ketiga-tiga pusat membeli-belah Hektar REIT dan lebih dari 90% bagi Subang Parade dan Mahkota Parade.

Begitu juga dengan peruntukan Kenaikan Sewa Berperingkat; ia terkandung di dalam 63% dari semua kontrak sewaan dengan peruncit bagi ketiga-tiga pusat membeli-belah. Bagi Wetex Parade yang dibeli pada bulan Mei 2008, kesemua kontrak sewaannya akan dipinda untuk memperuntukkan Sewaan berdasarkan Perolehan dan Kenaikan Sewa Berperingkat apabila kontrak-kontrak tersebut diperbaharui.

Peruntukan terpenting ialah komponen Sewaan berdasarkan Perolehan di dalam kontrak sewaan dengan peruncit. Peruntukan ini mengharuskan peruncit membentangkan rekod perolehan bulanan masing-masing. Setakat ini, Hektar telah mendapatkan 90% rekod perolehan peruncit di Subang Parade dan Mahkota Parade untuk 2 tahun. Rekod perolehan peruncit membolehkan Hektar menganalisa kos penginapan peruncit. Kos penginapan dihitung dengan membahagikan kos sewaan yang dibayar peruncit dengan perolehan peruncit. Sekiranya kos penginapan seseorang peruncit melebihi 20%, kemungkinan besar peruncit tersebut akan menanggung kerugian dalam perniagaannya. Ini menghadkan peluang penyertaan peruncit tersebut di pusat membeli-belah Hektar pada masa hadapan kerana ia akan menyekat usaha Hektar meningkatkan kadar sewa. Kami sentiasa memantau kos penginapan di pusat-pusat membeli-belah Hektar dengan teliti, terutamanya dalam 12 bulan yang akan datang.

Pembelian Hartanah di Muar

Pembelian hartanah di Muar, Johor telah disempurnakan pada bulan Mei 2008. Hartanah ini terdiri daripada Wetex Parade dan Hotel Classic. Kedua-dua hotel dan pusat membeli-belah ini merupakan sebuah bangunan bersepadu yang berkongsi kemudahan-kemudahan prasarana. Disebabkan kemudahan-kemudahan prasarana ini tidak boleh dipisahkan, kami membuat keputusan untuk membeli keseluruhan bangunan tersebut dengan harga RM117.5 juta.

Walaupun Hektar REIT memiliki Hotel Classic, ia tidak terlibat secara langsung dalam pengurusannya. Sebaliknya, hotel tersebut disewakan semula kepada penjual untuk jangka masa 10 tahun. Kami berpendapat penyewa ini berkebolehan mengurus hotel ini dengan baik berdasarkan rekod pengurusan cemerlangnya selama satu dekad. Sewa tahunan bermula dari RM2.15 juta, iaitu kurang dari 3% dari jumlah perolehan Hektar REIT pada tahun 2008. Lebih penting lagi, oleh kerana kontrak pengurusan adalah berdasarkan konsep sewa bersih, hotel ini akan terus diurus dengan baik manakala Hektar masih mengekalkan fokusnya terhadap pengurusan pusat membeli-belah.

Wetex Parade merupakan sebuah pusat membeli-belah utama di daerah Muar. Walaupun lebih kecil dari Subang Parade dan Mahkota Parade, ia mempunyai campuran peruncit yang baik disokong oleh peruncit utama, iaitu The Store. Wetex Parade menawarkan kemudahan dan keselesaan membeli-belah kepada penduduk daerah Muar yang jumlahnya lebih dari 300,000 orang.

Kami bercadang untuk menggunakan pengalaman kami untuk mengurus Wetex Parade. Setiap pusat membeli-belah yang baik memerlukan perhatian yang penuh untuk memastikan ketahanannya dalam mengekalkan kongsi pasaran, di samping terus kekal relevan di mata pengguna-pengguna.

Perancangan campuran peruncit adalah kunci faktor kejayaan dalam pengurusan pusat membeli-belah. Rancangan peruncitan terperinci termasuk pemilihan peruncit-peruncit khas yang popular, menempatkan mereka di lokasi-lokasi strategik, mempromosi peruncit-peruncit yang baru dan memastikan suasana membeli-belah yang selamat, selesa dan meriangkan untuk pengunjung-pengunjung. Kesemua rancangan ini harus diimbangkan dengan keuntungan dan kawalan perbelanjaan modal. Terdapat unsur-unsur tertentu bagaimana pengunjung membeli-belah, walaupun terdapat sedikit pengaruh budaya tempatan. Strategi Hektar di dalam menepati kehendak pengguna ialah melalui kaedah penyelidikan. Gabungan keputusan kaji selidik tersebut bersama dengan amalan terbaik kami telah menghasilkan sebuah produk, iaitu campuran peruncit-peruncit yang seimbang.



Kami akan membawa perubahan kepada Wetex Parade. Kadar penginapan peruncit sebanyak 83.1%, masih memadai pada peringkat awal ini. Dalam masa yang sama, kami sedang mengganti peruncit-peruncit lama dengan yang baru. Kami juga bercadang untuk menempatkan semula peruncit-peruncit khas ke tempat-tempat yang lebih strategik di dalam pusat membeli-belah kami. Kami telah memasang sistem "Footfall", yang berfungsi menjejak jumlah lawatan pengunjung-pengunjung. Sistem ini telah mencatatkan seramai 1.9 juta kunjungan sejak September tahun lalu.

Terdapat juga tindakbalas positif terhadap aktiviti-aktiviti pemasaran yang kami perkenalkan secara agresif semenjak pengambil-alihan Wetex Parade bulan Mei lepas. Kami akan terus membawa pembaharuan positif kepada Wetex Parade pada tahun-tahun yang akan datang.

CABARAN DAN HARAPAN MASA DEPAN

Keadaan ekonomi yang tidak menentu selalunya akan memperlihatkan kekuatan atau kelemahan sesebuah organisasi. Malaysia tidak terkecuali daripada dilanda krisis kewangan dunia 2008. Hampir kesemua pasaran eksport utama Malaysia, kecuali China, telah mengumumkan ekonomi yang telah meleset. Akibatnya, Malaysia dijangka akan mengalami ekonomi yang lembap pada 12 bulan yang akan datang.

Kerajaan telah mengambil beberapa langkah untuk meringankan beban ekonomi semasa, antaranya, mengurangkan kadar faedah, mengurangkan sumbangan KWSP dan baru-baru ini, mengumumkan rancangan fiskal sebanyak RM7 bilion untuk merangsang ekonomi. Setakat ini, tiada kepastian sama ada langkah-langkah tersebut mampu mengelakkan ekonomi Malaysia daripada kesan kemelesetan ekonomi. Apa yang pasti ialah ramalan yang kuat menyatakan ekonomi akan terus menurun. Kami jangka keadaan ekonomi akan menjadi lebih tidak menentu pada tahun depan.

Perniagaan kami bukanlah meramal kemelesetan ekonomi. Perniagaan kami ialah memiliki dan mengurus pusat membeli-belah dan mengoptimumkan prestasi kewangan pada waktu ekonomi baik mahupun buruk. Kami telah berjaya membina sebuah model perniagaan yang berkesan, berdasarkan amalan terbaik bertaraf dunia. Sistem-sistem "Footfall", Sewaan berdasarkan Perolehan dan kaedah-kaedah penyelidikan telah membolehkan kami memahami pasaran-pasaran utama dan seterusnya menterjemahkan maklumat-maklumat ini kepada langkah-langkah praktikal. Hasilnya ialah pulangan pertumbuhan yang positif oleh Hektar REIT dibandingkan ketika penyenaiaannya di Bursa Malaysia.

Potensi untuk Pembelian Baru

Kami mempunyai kriteria-kriteria yang ketat sebelum membuat keputusan untuk membeli sesebuah pusat membeli-belah. Walaupun tiada program pertumbuhan khusus yang perlu dicapai, sasaran kasar telah dibuat. Pada tahun 2008, kami telah meneliti beberapa pusat membeli-belah, walaupun aliran urusniaga menurun pada suku terakhir 2008, kerana penjual dan pembeli membuat keputusan untuk "tunggu-dan-lihat" ekoran kemelut kewangan dunia.


Pada dasarnya, Hektar bermatlamat untuk memiliki pusat-pusat membeli-belah di semua daerah di Malaysia yang mempunyai jumlah penduduk yang sederhana tinggi. Keutamaan diberi kepada daerah-daerah yang mempunyai tadahan penduduk yang jelas. Terdapat lebih dari 34 bandar-bandar kecil dan besar di seluruh negara yang mempunyai jumlah penduduk melebihi 100,000 orang. Bilangan ini sangat sesuai untuk menampung sebuah pusat membeli-belah bercirikan kejiranan. Strategi jangka panjang Hektar ialah untuk menawarkan rangkaian pusat membeli-belah yang mempromosikan peruncit-peruncit baru di samping menyediakan perkhidmatan kedai-kedai rantaian tempatan. Banyak bandar-bandar kecil mempunyai pusat membeli-belah yang baru dan lama, sesetengahnya sedang dibangunkan. Sebelum memasuki kawasan baru, kami perlu menganalisa potensi pasaran tersebut dan saingannya. Itulah sebabnya kami membeli hanya satu pusat membeli-belah tahun lepas, dan selebihnya masih dalam pertimbangan.

Kami percaya Hektar akan mendapat manfaat tidak langsung sekiranya ekonomi kekal menurun pada tahun 2009. Ini adalah kerana cabaran di pasaran kewangan dan ekonomi secara keseluruhannya akan menyebabkan kejatuhan pesaing-pesaing yang lemah, sekaligus meletakkan Hektar di tahap yang lebih baik apabila ekonomi kembali pulih. Kami juga menjangka pemilik-pemilik hartanah akan lebih fleksibel dalam menawarkan harga dan terma mereka di dalam iklim ekonomi yang lembap ini.

Sokongan Kewangan Masih Teguh

Disebabkan sektor kewangan Malaysia tidak bersepadu penuh dengan kegiatan kewangan global, kesan krisis kewangan dunia di Malaysia adalah terhad. Setakat ini, bank-bank di Malaysia masih memberi pinjaman kepada perniagaan perniagaan di negara ini.

Sokongan institusi kewangan terhadap Hektar terus kukuh. Namun, nisbah pinjaman Hektar REIT sebanyak 40.8%, telah menghadkan keupayaannya untuk membeli pusat membeli-belah baru melalui pinjaman penuh dari bank. Pada masa ini, Hektar REIT juga tidak boleh membeli pusat membeli-belah baru dengan meraih dana kerana keadaan pasaran modal yang lemah.



Walau bagaimanapun, sekiranya terdapat peluang baik untuk membeli hartanah yang bermutu, penaja Hektar REIT, iaitu Kumpulan Hektar akan membeli dan mengurusnya terlebih dahulu melalui syarikat persendirianya. Hartanah tersebut kemudian akan disuntik ke dalam Hektar REIT pada masa yang sesuai.

Kos meraih dana ekuiti adalah lebih tinggi berbanding pinjaman bank. Ia akan menjadi semakin tinggi sekiranya harga ekuiti yang ditawarkan kurang dari nilai aset bersih sesebuah syarikat. Ini adalah salah satu sebab mengapa kami membuat keputusan untuk tidak menerbitkan unit-unit baru bagi tujuan pembelian hartanah. Sekiranya harga unit Hektar kekal di bawah nilai aset bersihnya, ia akan menjadi sukar bagi kami untuk membeli hartanah yang memberi kadar pulangan yang positif. Sukar, tetapi tidak mustahil, kerana terdapat hartanah aset yang, sekiranya dipulihara dan diperbaiki, akan meningkatkan kadar pulangan dalam jangka masa yang pendek.

Pusat membeli-belah Bercirikan Kejiranan Lebih Mampan

Kekuatan portfolio Hektar ialah pemilihan hartanah yang memfokus kepada tadahan penduduk yang padat. Ciri utama hartanah-hartanah Hektar ialah fokusnya terhadap pasaran asas.

Pusat membeli-belah bercirikan kejiranan berbeza dibandingkan dengan pusat membeli-belah bercirikan kedaerahan dari segi saiz dan skop peruncit. Saiz pusat membeli-belah bercirikan kedaerahan adalah lebih besar, iaitu lebih dari satu juta kaki persegi, dan mempunyai campuran peruncit yang menekankan aspek "semua-ada-dibawah-satu-bumbung". Berdasarkan aspek ini, pusat membeli-belah bercirikan kedaerahan mempunyai peruncit-peruncit yang ramai, yang menawarkan produk dan perkhidmatan berbentuk hiburan, senggaman dan kemewahan. Peruncit-peruncit berkenaan menarik pengguna-pengguna untuk berbelanja mengikut budi bicara masing-masing.

Disebabkan oleh saiznya, pusat membeli-belah bercirikan kedaerahan memerlukan tadahan penduduk yang lebih padat dari pusat membeli-belah bercirikan kejiranan. Ia juga memerlukan pasaran sekunder, iaitu pengguna-pengguna yang tinggal lebih dari 30 minit (jarak panduan kereta) dari pusat membeli-belah berkenaan.

Pusat membeli-belah bercirikan kejiranan menfokus kepada pasaran asas, iaitu pengunjung-pengunjung yang tinggal lebih kurang 15 minit (jarak panduan kereta) dari pusat membeli-belah berkenaan. Saiz pusat ini ialah kurang dari 500,000 kaki persegi dan peruncit-peruncitnya menekankan keperluan penduduk-penduduk kawasan tadahan.

Pusat membeli-belah bercirikan kejiranan milik Hektar REIT terdiri daripada peruncit-peruncit yang menjual keperluan-keperluan asas, barang makanan dan restoran bertaraf sederhana, barangan dapur, ubat-ubatan dan perkhidmatan yang tidak banyak dijejaskan oleh kelembapan ekonomi. Oleh yang demikian, kami

berpendapat pusat membeli-belah bercirikan kejiranan adalah lebih mampan daripada pusat membeli-belah bercirikan kedaerahan. Ini adalah salah satu sebab mengapa strategi kami memfokus kepada pusat membeli-belah bercirikan kejiranan.

Mengekalkan fokus

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Tahun ini dijangka akan lebih mencabar. Kepada semua pemegang-pemegang unit dan rakan-rakan perniagaan, saya ingin berkongsi satu pegangan peribadi saya dalam menangani keadaan semasa ini: Sentiasa berfikir positif.

DATO' JAAFAR BIN ABDUL HAMID

Pengerusi dan Ketua Pegawai Eksekutif
Februari 2009

尊貴的賀達房地產投資信託基金持有人，

我們謹代表賀達資產管理董事局、賀達房地產投資信託基金（Hektar REIT）經理，欣然與您分享截至2008年12月31日為止，賀達房地產投資信託基金2008的財政年度報告。

概況

賀達成立時，我們旨在建立擁有及管理馬來西亞購物廣場的事業。我們依據全球最佳的商業模式，全力為馬來西亞消費者打造世界級的購物環境。當我們在2006年底上市掛牌時，我們已經是、同時現在依然是馬來西亞首個專注于購物廣場的房地產投資信託基金（REIT）。當時，房地產投資信託基金在馬來西亞還處在非常初期的階段，全球經濟依然呈現上漲的趨勢。

今天，情況已經改變。世界經濟下跌；馬來西亞股市跟着滑落，這包括房地產股及房地產投資信託基金。全球政治和商業領袖正在思考整個經濟的局面，以及採取怎樣的步驟來解決困境。金融市場正在經歷非常嚴重的反覆無常現象，對宏觀經濟產生不良的影響。儘管整個經濟環境呈現負面，賀達的愿景依然保持不變，即為馬來西亞人民擁有及管理世界級的購物環境。

我們相信我們事業的核心基礎與長期經濟展望依然樂觀。馬來西亞的人口仍然在成長，而且年輕及都市化；經濟持續在發展、多元化，而且仍然以貿易為主，由出口價值不菲的石油及棕油作支撐。國內的零售購物空間仍然是一個正在發展的市場，尤其在沿海地區和次級城市。此外，我們相信我們的商業模式操作依舊可以讓我們提供一個與眾不同的方式來提升馬來西亞零售商業的水平。

我強調這個積極樂觀愿景的理由是要對我們的長期單位信託基金持有人給予再度的保證，長期而言，我們依然打算透過我們的REIT來創造實質的成長及價值，以達到我們的目標。只要核心基礎仍舊保持樂觀，我們將持續邁向這些目標。我們長久以來就是為此努力不懈。

短期而言，我們將跟隨目前的環境作調適。此時，也正是謹慎重新檢討我們的風險管理架構，為未來成長作好準備。我們將會繼續依照我們的策略根據當前的經濟環境穩健邁前。我們將會在此信函內進一步地詳盡闡述我們的策略。

總的來說，我們的核心事業在2008年發展得很好，達到并超越預定的目標。投資組合的運作也在優良的狀況之內，財務穩定。只是我們在馬來西亞股市的單位價格表現有些令人失望。我們明白人們對整個經濟概況的關注，以及對我們事業的潛在影響，我們相信單位信託持有人應該放心地看待，因為賀達仍然從鞏固的收入來源獲得盈利及擁有優良的現金流動。我們擁有彈性的資產及穩健的股息。

財務績效表現

在截至2008年12月31日為止2008年的財政年度，賀達房地產投資信託基金派發的單位股息為10.20 sen。這已經比志期2006年11月15日的初期公開招股書內所列的高出大約13.2%。同時，也比2007財政年度派發的單位股息9.89 sen（為期13個月的單位股息為10.71 sen）高出3.1%。投資者，尤其是外國投資者，唯不包括公司機構，也將在2009年享獲調低10%的扣繳稅（2008年：20%）。

每單位所取得的淨利為11.32 sen，比我們初期公開招股書所預測的高出25.6%；比起2007財政年度的10.58 sen（為期13個月的單位淨利為11.46 sen）高出7.0%。這是由于我們達到較高的營業額RM8千410萬及房地產淨利RM5千270萬，分別比2007財政年度高出7.4%及6.9%。

自從初期公開招股上市后，賀達房地產投資信託基金的每單位淨資產值大約已經上升22%，RM1.26。這意味着每年的資本成長約為10%。我們的房地產投資組合從初期公開招股至今已增加了39%，達到RM7億1千340萬，其中原因是麻坡收購事件，隨后再討論。

賀達的融資是透過Al-Murabahah透支方式取得。這是一種定期的、利率每年浮動的債務。在初期公開招股時提出RM1億1千840萬第一部分的債務，將在2011年到期，第二部分提出用來作麻坡收購用途的則在2013年到期。其加權平均成本為4.70%，反映出去年馬來西亞利率下跌的結果（2007年：4.95%）。截至2008年12月31日為止，賀達房地產投資信託基金的財務比率占總資產值的40.8%。

總體而言，營業額上升、成本受到控制、融資穩固。因此，每年派發給單位信託持有人的股息也增加。可惜的是，這些成果都被股票市場忽略了。儘管賀達房地產投資信託基金取得這些良好表現，其單位價格在2008年卻滑落了49%。我們認為，單位價格下跌反映了資本市場的狀況，而非房地產投資信託基金的表現及展望。根據2008年最後一個交易日賀達的閉市價為RM0.77，而其每單位股息為10.20 sen，即派息率為13.2%，表示這是一個強迫價位。

我們以創造長期財富的理念來經營賀達房地產投資信託基金。雖然我們不能直接影響其單位價格，但是我們把它視作一項標準來看待。

在最佳守則應用方面，一項非常實用的分析工具就是採用基準評價，特別是對於非財務性質的評估。非財務性質的評估為營運統計資料，為房地產投資信託基金投資組合提供有用的資訊。鑒於財務性質的表現可以提供房地產投資信託基金已經達到的成果，非財務性質的表現可以提供房地產投資信託基金未來可能達到成果的提示。

讓我們在投資組合評論與您分享非財務性質的表現。

投資組合評論

2008財政年的良好財務成果是由專注的執行方式來經營購物廣場所取得。擴大租賃率的策略、在提供綜合性租戶與消費者之間想方設法去取得平衡、并且利用續租來獲得最多的租金收入。在2008年，賀達總共有101項新的租約及續約，租金方面平均增加大約8%。在2008年，所投資的全部3間購物廣場的租金都取得平均成長。

賀達在2009財政年到期的租約名單約有84項租約將到期，租金收入佔2008年12月份總租金收入的23%。以馬來西亞零售商業標準租約為期3年，這是一項可以掌控的數據。我們有信心為我們的房地產成交為期3年的租約，由此也讓我們去適應市場，尤其是在消費者趨勢方面。消費者要求最新的零售商業理念及安排，因此我們持續不斷地出外尋覓，引進最新的零售商業概念，讓我們的購物廣場對消費者保持無限魅力。

截至2008年12月31日為止，我們的平均租用率相當地高，約95.8%。當中首邦百利廣場的租用率為99.8%，而馬六甲皇冠百利廣場則為96.5%。截至2008年12月31日為止，麻坡威德百利廣場的租用率達到83.1%，表示當前綜合租戶轉型過程正在進行中。我們在隨后再討論威德百利廣場。

我們擁有穩健、多元化的營業收入基礎。在我們投資中包括超過300多家租戶，當中最大的租戶是百盛，大約佔每月租金收入的11%。除此之外，再沒有其他的零售商戶在我們每月的租金收入貢獻超過3.1%。此外，在我們的零售商戶分析當中，我們的租金收入不超過七分之一是來自單一零售商戶，因為這一類型的商戶被認為是經濟衰退時最致命的弱點。目前，超過85%的租金收入來自于全國性的連鎖商店及國際品牌。

2008年到我們購物廣場的游客人次稍微下跌，首邦百利廣場及馬六甲皇冠百利廣場的游客人次為1千590萬，比2007年稍微下跌4.3%。這是因為2008年6月份油價上漲時人們的初期反應，以及2008年初至年中商品漲價的整體反應所造成。那些深受高油價及食物價格影響的顧客，寧願待在家里，不要外出。雖然游客人次是一項重要的關鍵績效指標，但是它并非直接與購物者的消費有關。

租賃成本

賀達租賃策略的主要關鍵在于招納按營業額訂定租金及漸增式租金的規定。在賀達的所有租賃合約方面，有74%按營業額訂定租金的租戶，當中在首邦百利廣場及馬六甲皇冠百利廣場則超過90%。同樣地，漸增式租金在所投資的全部購物廣場當中佔63%。自從麻坡威德百利廣場剛在2008年5月被收購以來，所有到期的租約將會轉換到含按營業額訂定租金及/或漸增式租金的規定。租約當中最重要的條款是按營業額訂定租金的部分，迫使商戶向賀達提供其營業收入。如今，賀達已經向首邦百利廣場及馬六甲皇冠百利廣場的90%租戶收取將近2年的營業收入。營業收入記錄能協助賀達管理層分析租賃成本。租賃成本可以計算出租賃業務的租金收入。根據國際標準，一旦租賃成本超過20%，若再增加租金可能會致使商戶毫無盈利，這也就明顯地限制他們未來在廣場的參與，同時也束縛了賀達增加租金收入的能力。我們將繼續謹慎地監督我們的租賃成本，特別是在未來的12個月。

麻坡收購事件

有關麻坡收購事件于2008年5月完成，包括威德百利廣場和古典酒店的綜合性零售商業發展計劃。由于距離相近，有關酒店及購物廣場形成一個綜合性發展計劃，其內部的設施無法輕易地被分隔開來。因此，我們以RM1億1千750萬的代價收購整個發展計劃，包括以“售后回租”為原則的酒店。我們已經取得為期10年的酒店淨租賃，租給過去10年來酒店的經營者。首年度租賃收入從RM215萬開始，不及我們2008財政年度營業額的3%。更重要

的是，由于淨租賃，有關經營者將繼續如同以往般地經營及獲利，讓我們可以繼續特別專注在零售商業方面。

威德百利廣場是麻坡地區著名的購物廣場。雖然略小于首邦百利廣場及馬六甲皇冠百利廣場，它依然擁有全方位的綜合性租戶，且其主要租戶為環球購物中心，為當地328,695的人口提供服務。

賀達計劃將其管理零售商業的經驗帶到麻坡去。儘管是最好的購物廣場也需要經常引人注目，確保它們維持市場的占有率及有關的購物者。因此，規劃綜合性的零售商業是成功管理購物廣場的關鍵因素。零售商業計劃就是要在選擇正確的、專賣的零售商戶（例如：著名的）及置放它們在購物廣場的策略性地點，同時在推廣新的、即將開業的商戶方面達到平衡，以及確保購物者擁有舒適、安全和充滿樂趣的購物環境。對於取得盈利的能力及控制資本開銷，以上所述的一切必須取得平衡。雖然本地文化會影響，但是這些都是全球人們購物的通用原則。賀達之道就是聆聽客戶的心聲，這也是我們投資市場調查的原因，然后再結合市調意見付諸實行，結果，就形成了均衡的綜合性零售商業。

我們將會為麻坡威德百利廣場改頭換面。目前，其租用率為83.1%。由于我們正在利用新的模式逐漸替換舊的商戶，同樣重要的是，我們正在計劃為購物廣場引進多家專賣零售商戶，所以這個數據是恰當的。我們已經裝置了客流量系統來記錄到來購物廣場的人次。自去年9月以來，已經錄得超過190萬的人次。這也是我們的行銷策略奏效的緣故，自去年5月我們收購以後，客流量已經逐步上升。明年我們將持續改善威德百利廣場。

挑戰及展望

經濟不明朗的時際將突顯出所有機構的長處及短處。2008年的金融危機及全球經濟衰退結果將會影響到馬來西亞。除了中國之外，馬來西亞的主要出口市場大部分都已經宣布它們的經濟進入蕭條時期。因此，可以預期在未來的12個月，馬來西亞將會受到衝擊。

政府已經採取各種不同的方法，包括降低利率、減少繳交公積金及最近宣布的70億救市配套來刺激經濟，緩和預期的經濟衰退。考量到政府採取這些積極的步驟，以及全球經濟衰退可能帶來的衝擊，馬來西亞是否會進入或能夠避免經濟蕭條真是個未知數。但是清楚擺在我們面前的是預期的經濟惡化情況正在加劇，我們可以預期明年的經濟情況會更加糟糕。

我們并非從事預測經濟蕭條的事業。我們從事的是擁有及經營購物廣場，無論在好壞的情況下都要盡量地將其財務的績效表現發揮到極至。我們已經依據國際的最佳守則打造了一個成功的商業模式。我們的客流量系統、按營業額訂定租金及我們的研究方法已經使得我們更加了解我們的主要市場，并且將這些智慧導入實際的操作營運。其結果是讓賀達房地產投資信託基金從初期公開招股上市以後都呈現積極的成長。

收購的可能性

我們對收購非常挑剔。由于無法計劃地產投資信託基金的外在成長，我們唯有自行設定目標。在2008年，我們有注意零售商業的合理數據，雖然我們有看到在去年最后一季有交易靜悄悄地進行，但是許多的買家與賣家都只在靜觀全球金融風暴的影響。

賀達的最終目的是在全馬所有人口密集的主要市鎮擁有自己的零售商業計劃。我們的優先計劃是在人口匯聚的地區發展零售商業。在全馬擁有超過34個市鎮的人口超過10萬人，適合支撐一家規模合適的社區購物廣場。對於長期性策略來說，這將提供賀達能夠在遍布全國建立一個連鎖性的購物廣場網絡來推廣即將來臨的零售商業或提供大型的租賃。在許多市鎮，我們看到許多舊的與新的零售購物中心，包括一些正在興建中的。當我們正式進入任何新的市場之前，我們都必須估計其市場潛能，以及其競爭情勢。這就是為什麼去年我們只完成一項收購活動，而其他的還在考慮當中。

如果2009年的經濟情況依然充滿挑戰，我們還是可以在黑暗中看到曙光。在金融市場及宏觀經濟的挑戰將會除去羸弱的對手，所以當成長回歸時，我們將面對較少的競爭者。同時，我們也希望在這環節期間，資產擁有者在其價格及條件方面能夠更具彈性。

獲得融資

此際，賀達繼續爭取融資。馬來西亞金融領域與全球連貫較少、遭受世界金融風暴打擊的機會也較少。這項隔離讓馬來西亞銀行可以在目前的情況下繼續借貸或獻議借貸活動。賀達房地產投資信託基金目前的資產與負債比例為40.8%，可能導致新的主要收購活動的融資能力受到限制，尤其是當前市場無助於發出新單位來募集股本。但是，如果出現難得的機會，還是可能從其保證人賀達集團取得私自融資及醞釀收購活動，在適當的時際再將它們打入房地產投資信託基金。

募股是其中一項最昂貴的資金募集方法。它特別昂貴之處是如果以攤薄價格發行，一般來說都會低於公司的淨資產價值。這是其中一項理由為何我們反對發行新單位來融資收購活動。如果賀達的單位價格依然低於其每單位淨資產價值RM1.26，那麼想要利用收購來增值就并非易事。當中雖然充滿挑戰，但并非不可能成事，有些特定的零售商業資產具有重新翻修的潛能，同時可以在短期內增加收入。

社區零售商業充滿回彈力

賀達投資組合的強項在於其所選擇的資產都集中在人口密集的地區。賀達資產的一項主要特性是每個獨立的購物廣場都專注於其核心市場。一般上，我們指稱賀達資產趨向於專注社區服務或社區購物廣場。

無論在規模或零售種類方面，社區性購物廣場與區域性購物廣場都有差別。區域性購物廣場規模比較大，一般上面積達到一百萬平方尺及以上，而且擁有各類不同的綜合性租戶，強調一站式購物中心。因此，區域性購物廣場趨向於擁有大量的零售商，包括休閒的、娛樂的、高檔的，以便吸引消費者消費更多。由於規模較大，區域性購物廣場必須囊括更多人口密集的地區，包括車程超過30分鐘的次級地區。社區性購物廣場卻不一樣，比較專注於其主要的人口匯聚區，其車程通常都在15分鐘之內。其規模也較小，面積通常少於五十萬平方尺，社區性購物廣場比較傾向於為其主要的人口匯聚區提供日常所需。

賀達的社區級購物廣場集合銷售日常必需品、中層階級的飲食餐館、雜貨、藥物及提供服務的零售商。在經濟不景氣時，與那些依靠隨意、高檔買賣的租戶比較，他們比較不受影響。因此，我們覺得社區性購物廣場在經濟不景氣時更有回彈力。這是其中一項理由為何我們的策略專注於發展社區級購物廣場。

持續專注

零售商業房地產是一項管理密集的事業。全世界頂尖的房地產投資信託基金都專注於零售商業資產并非偶然的事。事實上，現在全世界最大的房地產投資信託基金是澳洲的西田信託（Westfield Trust）；美國最大的房地產投資信託基金是由西蒙房地產集團（Simon Property Group）管理；新加坡最大的房地產投資信託基金是嘉茂信託（CapitaMall Trust）——他們全部都僅專注於零售商業房地產。在馬來西亞，賀達熟悉零售商業，也會繼續專注於零售商業。

鳴謝

我們很高興來自新加坡Fraser's Centrepoint Limited的代表在今年加入我們的董事局。目前，我們有2位由星獅地產有限公司（Fraser's Centrepoint Limited）指派的董事，林怡勝先生和鄧國佳先生，以及一位新的獨立董事Mr. Philip Eng。此外，鄧國佳先生也是我們的執行委員會成員之一。我們非常高興獲得他們的支持及貢獻。

我們的成就及成功來自於我們周圍支持我們的人們。在我們集團里所有階層的員工都很專業、充滿熱誠和成就感。我勉勵他們每天都要盡心盡力把工作做得最好。只要我們的員工繼續令購物者感到愉悅、全力支援我們的零售商戶，我們深信他們的努力結果最終將回饋予我們的單位信託持有人。

我，謹代表賀達資產管理董事局，感謝我們的員工努力不懈、全力以赴地獻身事業。同時，我們也非常榮幸有您的參與。至於我們的單位信託持有人，我再次感謝您們在過去一年來的持續信賴與支持。最後，我也非常感謝蒞臨我們購物廣場的購物者，謝謝您們的持續光臨及惠顧。

新的一年將會充滿挑戰。此際，我希望與所有的信託保管人、單位信託持有人及伙伴們分享我個人的座右銘：樂觀、積極地看待每一件事。

DATO' JAAFAR BIN ABDUL HAMID 啟
主席兼首席執行長
2009年2月

Manager's Report

The Board of Directors of Hektar Asset Management Sdn Bhd, the Manager of Hektar REIT is pleased to submit their report to the Unitholders of Hektar REIT together with the audited financial statements of Hektar REIT for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

Hektar REIT was established on 5 October 2006 and listed on Bursa Malaysia Securities Berhad on 4 December 2006. The principal activity of Hektar REIT is to invest primarily in shopping centres with the objective of achieving an attractive level of return from rental income as well as for long-term capital growth.

REVIEW OF PERFORMANCE

	As at 31 December 2008 RM	As at 31 December 2007 RM
Total Net Asset Value	402,101,236	374,388,604
Units in Circulation (Units)	320,001,000	320,001,000
Net Asset Value per unit	1.2566	1.1700
Market Value per Unit	0.77	1.51
Highest Traded Price during the respective year	1.51	1.80
Lowest Traded Price during the respective year	0.73	0.94

OPERATING RESULTS

	FYE 31 December 2008 RM	FYE 31 December 2007 RM
Total Gross Income	84,276,401	78,454,333
Total Property Expenses	(31,376,978)	(29,052,074)
Fair Value Adjustment on Investment Properties	24,114,645	43,841,617
Total Non-Property Expenses	77,014,068 (16,661,334)	93,243,876 (12,719,876)
Net Income before taxation	60,352,734	80,524,000
Net Income before taxation - realised	36,238,089	36,682,383
Net Income before taxation - unrealised	24,114,645	43,841,617
Net Income after taxation	60,352,734	80,524,000
Earnings per Unit after Tax (sen)	18.86	25.16
Realised Earnings per Unit after Tax (sen)	11.32	11.46
Distribution per Unit ("DPU") (sen)	10.20	10.71

* FYE 2007 comprised a 13-month period

The Manager is pleased to report that for the financial year ended 31 December 2008, the total revenue of Hektar REIT was RM84,276,401 comprising gross rental income of RM84,092,285, interest income of RM171,797 and other income of RM12,319.



The realised net profit FYE 2008 of RM36,238,089 is lower than FYE 2007 by RM444,294, or 1.2%, because FYE 2007 comprised a 13-month result (December 2006-December 2007). If FYE 2007 is annualized to 12 months, the realised net profit FYE 2008 would surpass FYE 2007 by RM2,377,428, or 7%.

The Manager has recommended and AmTrustee Berhad ("Trustee") has approved a total income distribution of 10.2 sen per unit (equivalent to 90% of income before tax) totaling RM32,640,102 for the year ended 31 December 2008.

The total income distribution of RM32,640,102 for FYE 2008 surpassed the forecast published in the initial public offering prospectus dated 15 November 2006 by 13%. It also surpassed the annualized FYE 2007 income distribution by RM1,004,311, or 3.1%.

INCOME DISTRIBUTION

The schedule of the income distributions are as follows :

Dividend payment	Period covered	Income Distribution (RM)	Remarks
First interim dividend	Jan 08 - Mar 08	7,680,024	Paid in May 2008
Second interim dividend	Apr 08 - Jun 08	7,680,024	Paid in September 2008
Third interim dividend	Jul 08 - Sep 08	7,680,024	Paid in December 2008
Final dividend	Oct 08 - Dec 08	9,600,030	To be paid in March 2009
Total		32,640,102	

DIRECTORS OF THE MANAGER

Directors who are currently serving on the Board of Hektar Asset Management Sdn Bhd are:

Dato' Jaafar Bin Abdul Hamid
Lim Ee Seng*
Christopher Tang Kok Kai*
Zalila Binti Mohd Toon
Shahril Bin Kassim
Dato' Syed Amin Aljeffri
Dato' Robert Lim Git Hooi
Philip Eng Heng Nee*

* Note: The three new directors, Mr Lim Ee Seng, Mr Christopher Tang Kok Kai and Mr Philip Eng Heng Nee were appointed to the Board of Hektar Asset Management Sdn Bhd on 17 April 2008.

DIRECTORS BENEFITS

For the financial year ended 31 December 2008, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by Hektar REIT or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for note 23 as explained under the Notes to the Financial Statements.

There were no arrangements during the financial year ended 2008, which had the objective of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of the Trust or any other corporate body.

MANAGER'S FEE

For the financial year ended 31 December 2008, the Manager's fee comprised the following:

- 1) Base fee of RM1,710,199, which is calculated at 0.25% of Gross Asset Value
- 2) Performance fee of RM1,901,951, which is calculated at 3.5% of Net Property Income

the Manager's total management fee of RM3,612,150 represents 0.90% per annum of the Net Asset Value ("NAV") of Hektar REIT.

The Manager also received RM1,188,900 in acquisition fees during this period, being commission for the acquisition of Wetex Parade as well as two sold lots in Subang Parade.

Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Trust.

CORPORATE DEVELOPMENTS

Partnership with Frasers Centrepoint Limited

On 5 March 2008, Hektar Klasik Sdn Bhd ("HKSB") signed a Joint Venture Agreement ("JV Agreement") with Frasers Centrepoint Asset Management (Malaysia) Pte. Ltd. ("FCAMM") for both parties to participate jointly in the management of Hektar REIT through their participation as shareholders of Hektar Asset Management Sdn Bhd ("Hektar AM"). The JV Agreement regulates their relationship with each other and sets out their respective rights, duties and obligations and mutual covenants relating to their relationship inter se as shareholders of Hektar AM. FCAMM is a wholly owned subsidiary of Frasers Centrepoint Limited ("FCL").

The signing of the JV Agreement fulfills the final condition under the Sale and Purchase Agreement between HKSB, the holding company of Hektar AM and FCL for FCL to acquire 400,000 ordinary shares of RM1.00 each comprising 40% of the issued and paid up share capital in Hektar AM for a total cash consideration of RM500,000.00 ("Sale and Purchase Agreement").

On 26 March 2008, an announcement was made to Bursa Malaysia to inform that the Sale and Purchase Agreement has been completed.

Pursuant to the JV Agreement, two new directors nominated by FCAMM, Mr Lim Ee Seng and Mr Christopher Tang Kok Kai were appointed to the Board of the Manager on 17 April 2008. A third Independent Director, Mr Philip Eng Heng Nee was also appointed to the Board on 17 April 2008. With the new appointments, the Board of the Manager has been increased to eight members.

Public Spread

As at 31 January 2009, the public spread for Hektar REIT was 21.80% in the hands of 736 public unit holders holding not less than 100 units each. Under Clause 8.15 of Bursa Malaysia's Listing Requirements, a public-listed entity is required to have at least 25% of its total listed units in the hands of a minimum of 1,000 public unit holders holding not less than 100 units each.

In relation to this, on 4 December 2008, the Manager has announced that Bursa Malaysia, in its letter dated 2 December 2008 has granted the Manager an extension of time of 6 months, until 31 May 2009 to comply with this requirement.

The Manager is continuing to exercise its best endeavors to rectify the public spread number by continuing its active promotion of Hektar REIT to the public via its various activities – investment roadshows, conferences, presentations to analysts and investors, participation in the Investor Relations Incentive Programme ("IRIP") and the Capital Market Development Fund ("CMDf") Bursa Research Scheme ("CBRS") and press-related activities.



Acquisition of Sold Lot

In the financial year ended 31 December 2008, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into Sale & Purchase Agreements (“SPAs”) to acquire the following retail spaces at Subang Parade, at the respective purchase prices.

Lot No.	Purchase Price	Date of SPA
LG25, Lower Ground Floor	RM880,000	31 March 2008
F10, First Floor	RM850,000	18 June 2008
F18, First Floor	RM650,000	5 June 2008
LG02, Lower Ground Floor	RM1,100,000	9 October 2008
LG03-06, Lower Ground Floor	RM3,500,000	31 December 2008

Lots LG25, F10, F18, LG02 and LG03-06 were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Subang Parade by Hektar REIT.

The acquisitions of Lots LG25, F10, F18 and LG02 have been completed while the transaction for lots LG03-06 is currently ongoing.

Due to the scarcity of space at Subang Parade and the attractive rental returns derived from the tenancies there, it has always been the Manager’s strategy to look at the potential of repurchasing any sold lots which is yield accretive to Hektar REIT that is being offered for sale. The acquisition of sold lots will increase the rental income of Hektar REIT which in turn will enhance the overall revenue of Hektar REIT.

Acquisition of Wetex Parade and Classic Hotel in Muar, Johor

On 18 February 2008, AmTrustee Berhad acting for and on behalf of Hektar REIT entered into a Sale & Purchase Agreement (“S&P Agreement”) with Wetex Realty Sdn Bhd (“Wetex Realty”) to acquire a five (5) storey building comprising a shopping mall known as Wetex Parade and a hotel known as Classic Hotel in Muar, Johor at the total purchase price of RM117,500,000.

Pursuant to the S&P Agreement, AmTrustee Berhad had on 25 April 2008, also entered into a Lease Agreement (“Lease Agreement”) with Wetex Realty to grant a ten (10) years fixed term lease of Classic Hotel to Wetex Realty upon the terms and conditions contained in the Lease Agreement. The ten (10) years lease back of Classic Hotel has accounted for only 1.7% of the revenue for the financial year ending 31 December 2008. Therefore, Hektar REIT is maintaining its primary focus on retail properties.

The acquisition of Wetex Parade and Classic Hotel was completed on 30 April 2008.

As the Manager aims to provide the unitholders of Hektar REIT with stable distribution and to enhance the value of Hektar REIT’s property portfolio over time through, inter-alia, selectively acquiring retail properties that meet the Manager’s investment criteria, the acquisition of Wetex Parade and Classic Hotel, a stabilized asset with potential for growth in the interim, is yield-accretive to Hektar REIT’s income and provided for an increase in income for the financial year ended 31 December 2008 as well as an improved income/asset diversification for Hektar REIT.

GEARING

Debt Facilities

In the financial year ended 31 December 2008, Hektar REIT has increased its borrowings from RM184,000,000 to RM301,500,000. The additional loan RM117,500,000 was obtained to acquire Wetex Parade. The total borrowings of RM301,500,000 are long term and secured.

Gearing Capacity

As at 31 December 2008, Hektar REIT had a gearing ratio (external borrowings to total assets) of 41%. Based on the GAV of RM738,108,456 as at 31 December 2008, there is capacity to borrow an additional RM67,554,228 before reaching the 50% limit permitted under the SC Guidelines on REITs.

UNITS IN ISSUE

The total number of units in issue of Hektar REIT as at 31 December 2008 is 320,001,000.

INVESTMENTS OF THE TRUST

Total Investments as at 31 December 2008 was RM713,400,000.

	Value as at 1 January 2008	Refurbish./ Acquisition of Sold Lot (RM' mil)	Total (RM' mil)	Revaluation (RM' mil)	Unrealised gain (RM' mil)
Subang Parade	311.4	8.4	319.8	331.4	11.6
Mahkota Parade	248.0	0.5	248.5	252.0	3.5
Wetex Parade & Classic Hotel	–	121.0	121.0	130.0	9.0
Total	559.4	129.9	689.3	713.4	24.1

NET ASSET VALUE OF HEKTAR REIT

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2008 is RM1.257 per unit.

This concludes the Manager's Report with a resolution of the Board of Directors.

DATO' JAAFAR BIN ABDUL HAMID
Chairman & Chief Executive Officer

ZALILA BINTI MOHD TOON
Executive Director & Chief Financial Officer

Kuala Lumpur
February 2009

Portfolio Performance

PROPERTY PROFILES

Hektar REIT's portfolio consists of three well-established retail destinations – Subang Parade, located in Selangor, Mahkota Parade, located in Melaka and Wetex Parade & Classic Hotel, located in Muar, Johor. The properties benefit from strategic locations, currently serving more than 1.3 million people in their collective target catchments across three states. The retail centres consist of a consumer-focused tenant mix, featuring a diverse set of retailers mainly focused on non-discretionary consumer spending.



	Subang Parade	Mahkota Parade	Wetex Parade & Classic Hotel ¹
State	Selangor	Melaka	Johor
Title	Freehold	Leasehold (2101)	Freehold
Primary Trade Area ²	705,000	287,273	328,695
NLA	473,611 sq ft	466,527 sq ft	173,725 sq ft
Tenants	126	109	74
Occupancy ³	99.8%	96.5%	83.1%
Traffic	7.6 million	8.3 million	2.0 million ⁴
Purchase Price (RM)	280.0 million	232.0 million	117.5 million
Market Valuation (RM)	311.4 million	252.0 million	130.0 million
Revenue (RM)	40.9 million	36.0 million	7.1 million ⁵
Net Property Income (RM)	26.1 million	22.2 million	4.5 million

¹ Wetex Parade & Classic Hotel were acquired in May 2008 - financial results are for 8 months only

² Malaysian Census, MIRP (Independent Research)

³ As at 31 December 2008

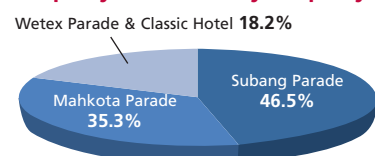
⁴ Footfall system for Wetex Parade was installed in September 2008 – traffic figures are for approximately 4 months only

⁵ Revenue consists of RM5.7 million for Wetex Parade and RM1.4 million for Classic Hotel on a fixed net lease

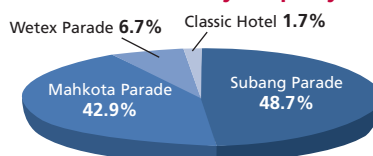
Diversified Portfolio

For the financial year ended 31 December 2008, Subang Parade was the largest contributor to the portfolio, providing 46% of the property valuation, 48.7% of revenue and 49.5% of net property income.

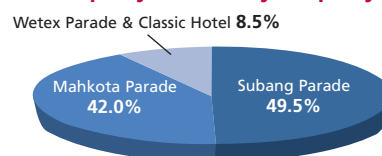
Property Valuation By Property



Gross Revenue By Property



Net Property Income By Property



Portfolio Occupancy

Portfolio occupancy reached 95.8% as at 31 December 2008. Both Subang Parade and Mahkota Parade occupancies remain above 90%. Wetex Parade was acquired in May 2008 and is currently undergoing selective tenant remixing and refurbishment, resulting in the dip to 83.1%.

Property	As at 31 Dec 08	As at 31 Dec 07	As at 31 Dec 06
Subang Parade	99.8%	99.9%	98.5%
Mahkota Parade	96.5%	93.9%	98.5%
Wetex Parade	83.1%		
Overall*	95.8%	96.9%	96.7%

* Approximate average, weighted by Net Lettable Area.

Visitor Traffic

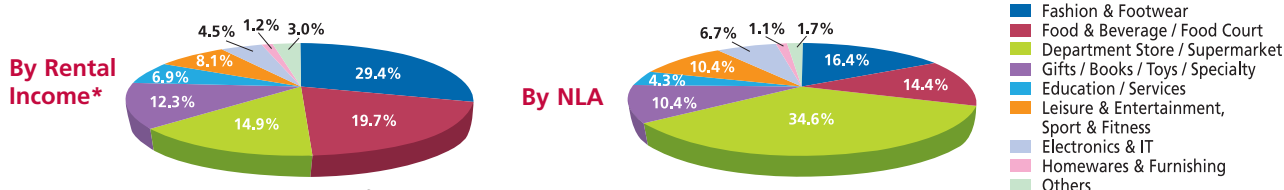
Visitor traffic is measured by Footfall, a computerised video-based traffic monitoring system. Visits to Subang Parade and Mahkota Parade dipped slightly by 4.3% in 2008. Overall, the portfolio received 17.9 million visits, including 2 million visits recorded for the last 4 months of 2008 for Wetex Parade.

Property	2008	2007	2006
Subang Parade	7.6 million	7.8 million	5.9 million
Mahkota Parade	8.3 million	8.8 million	8.6 million
Wetex Parade	2.0 million*	–	–
Total	17.9 million	16.6 million	14.5 million

* Recorded for last four months of 2008.

Portfolio Tenancy Mix

The portfolio tenancy mix is dominated by department store and supermarkets, which led by Parkson and The Store, constitute approximately 34.6% of total portfolio NLA. In terms of rental income, the largest segment remains fashion and footwear, which contributes approximately 29.4% of monthly rental income for December 2008.



* Based on Monthly rental income for December 2008.

Portfolio Top Ten Tenants

The top ten tenants in the portfolio contribute approximately 27.5% of total monthly rental income, underscoring a diversified revenue base. Aside from the top tenant, Parkson, which contributes approximately 11% of monthly rental income, no other tenant contributes more than 3.1% of total monthly rental income.

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store/Supermarket	254,009	22.8%	11.0%
2 The Store	Department Store/Supermarket	91,357	8.2%	3.1%
3 Bata	Fashion & Footwear	8,409	0.8%	2.1%
4 McDonald's	Food & Beverage	12,946	1.2%	1.9%
5 The Reject Shop	Fashion & Footwear	17,695	1.6%	1.9%
6 Ampang Superbowl	Leisure & Entertainment	36,717	3.3%	1.6%
7 World Of Sports	Fashion & Footwear	10,796	1.0%	1.5%
8 Kenny Rogers Roasters	Food & Beverage	7,096	0.6%	1.5%
9 B.U.M. City	Fashion & Footwear	16,078	1.4%	1.5%
10 Celebrity Fitness	Leisure & Entertainment	34,317	3.1%	1.4%
Top 10 Tenants (By Monthly Rental Income)		489,420	43.9%	27.5%
Other Tenants		624,443	56.1%	72.5%
Total		1,113,863	100.0%	100.0%

* Based on Monthly rental income for December 2008.



Portfolio Rental Reversions

For the year ended 31 December 2008, the portfolio recorded 101 new and renewed tenancies, with average rental rate increases of 8%. All three shopping centres recorded average positive rental reversions for the year.

Full Year 2008 (12 months) (Ended 31 Dec)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	% Increase / (Decrease) Over Previous Rent Rates
Subang Parade	42	270,646	57%	8%
Mahkota Parade	41	214,214	46%	5%
Wetex Parade	18	14,048	8%	66%
Total / Average*	101	498,908	45%	8%

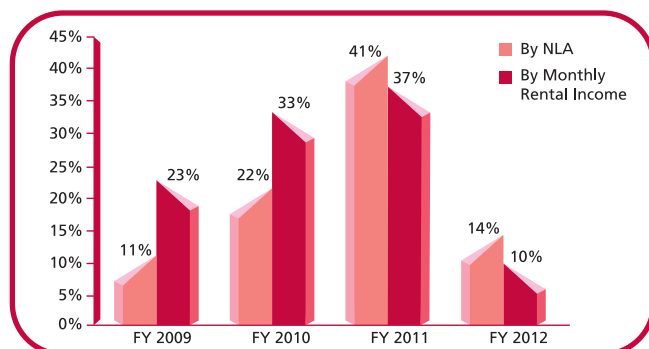
* Approximate average, weighted by Net Lettable Area. Figures as of 31 December 2008.

Portfolio Tenancy Expiry Profile

For the year 2009, a total of approximately 84 tenancies will expire, representing 11% of NLA and 23% of monthly rental income as at 31 December 2008. This is in line with typical tenancy terms of 3 years, as per the current market practice in Malaysia.

Portfolio For Year Ending 31 December	No. of Tenancies Expiring	NLA of tenancies expiring (sq ft)	NLA of tenancies expiring as % of total NLA	% of Total Monthly Rental Income*
FY 2009	84	118,758	11%	23%
FY 2010	101	245,300	22%	33%
FY 2011	98	460,975	41%	37%
FY 2012	12	157,704	14%	10%

* Based on Monthly rental income for December 2008.

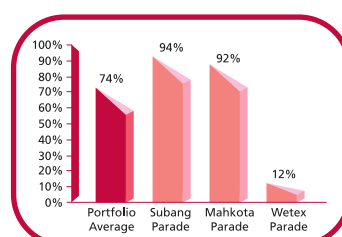


Portfolio Tenancy Provisions

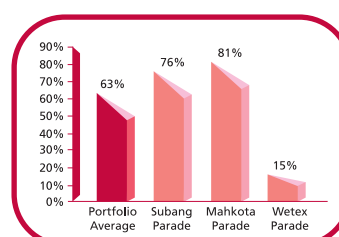
As at 31 December 2008, turnover rent provisions were present in approximately 74% of the tenancies in the portfolio, with Subang Parade and Mahkota Parade recording both in excess of 90%. Step-up rent provisions were present in approximately 63% of tenancies within the portfolio. Wetex Parade was acquired in May 2008 and its tenancies are currently being reviewed.

A turnover rent provision allows for rent calculated as a proportion of annual turnover of the tenant's business. Turnover rent is paid to the REIT if it exceeds the base rent specified in the tenancy agreement on an annual basis. A step-up rent provision is specified in tenancy agreements as a pre-determined increase in rent at defined intervals during a tenancy agreement, typically each year and forms the base rent of any tenancy agreement.

TURNOVER RENT PROVISIONS



STEP-UP RENT PROVISIONS



SUBANG PARADE

Subang Parade was the first 'regional' shopping centre in Selangor when it was opened in 1988, offering half a million sq ft of retail space. The centre is located in Subang Jaya, a township accessible 15 minutes by car from Shah Alam and Petaling Jaya, 25 minutes from Kuala Lumpur and 45 minutes from Kuala Lumpur International Airport (KLIA).



Today, Subang Parade's positioning strategy and tenant mix is community-focused within its primary trade area and receives the bulk of its visitors from its immediate vicinity. The emphasis on the end-consumer provides the centre with a captive consumer base, whose primary retail needs are driven by value, convenience and proximity.

Subang Parade's recent refurbishment was recognised by the International Council of Shopping Centers (ICSC) with a Silver Award for Development & Design at the recent 2008 ICSC Asia Pacific Awards.



SUBANG PARADE

Location	No. 5 Jalan SS 16/1 Subang Jaya 47500 Petaling Jaya Selangor MALAYSIA
Title	Freehold
Primary Trade Area	705,000
Gross Floor Area	1.2 million sq ft
Net Lettable Area	473,611 sq ft
Car Park	1,390
Valuation	RM331.4 million
Tenants*	126
Key Tenants	Parkson, HSL, Toys R Us, MPH, Celebrity Fitness
Occupancy	99.8%
Visitor Traffic	7.6 million
Year Opened	1988
Year Acquired	2003
Year Refurbished	2006-7

Data as of 31 December 2008.

* Only NLA Lots

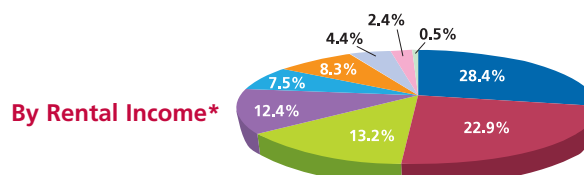
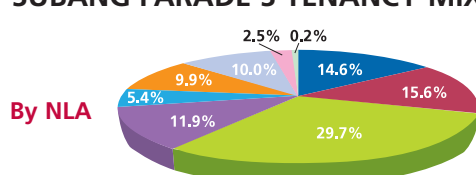


SUBANG PARADE'S TOP TEN TENANTS BY RENTAL INCOME

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store/Supermarket	140,620	29.7%	13.2%
2 Celebrity Fitness	Leisure & Entertainment	34,317	7.2%	3.0%
3 Digital One	Electronics & IT	21,361	4.5%	2.4%
4 Toys R Us	Gifts/Books/Toys/Specialty	21,981	4.6%	2.3%
5 Bata	Fashion & Footware	4,597	1.0%	2.3%
6 Kenny Rogers Roasters	Food & Beverage	3,610	0.8%	2.0%
7 World Of Sports	Fashion & Footware	5,769	1.2%	2.0%
8 The Reject Shop	Fashion & Footware	9,192	1.9%	1.9%
9 Voir	Fashion & Footware	4,387	0.9%	1.9%
10 TGI Friday's	Food & Beverage	5,655	1.2%	1.9%
Top 10 Tenants (By Monthly Rental Income)		251,489	53.1%	32.9%
Other Tenants		222,122	46.9%	67.1%
Total		473,611	100.0%	100.0%

* Based on Monthly rental income for December 2008.

SUBANG PARADE'S TENANCY MIX

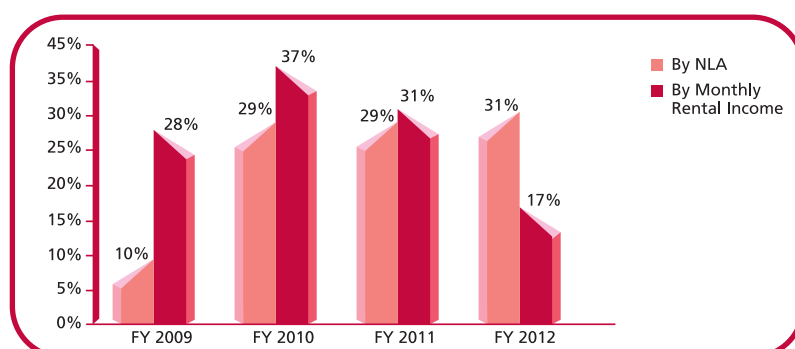


* Based on Monthly rental income for December 2008.

SUBANG PARADE'S EXPIRY PROFILE

Subang Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of tenancies expiring (sq ft)	NLA of tenancies expiring as % of total NLA	% of Total Monthly Rental Income*
FY 2009	29	45,155	10%	28%
FY 2010	45	136,777	29%	37%
FY 2011	44	138,548	29%	31%
FY 2012	5	146,097	31%	17%

* Based on Monthly rental income for December 2008.





MAHKOTA PARADE



MAHKOTA PARADE

Location	No. 1 Jalan Merdeka 75000 Bandar Melaka Melaka MALAYSIA
Title	Leasehold (Until 2101)
Primary Trade Area	287,273
Gross Floor Area	1.1 million sq ft
Net Lettable Area	466,527 sq ft
Car Park	955
Valuation	RM252.0 million
Tenants	109*
Key Tenants	Parkson, Golden Bowl, Giant, Golden Screen Cinemas
Occupancy	96.5%
Visitor Traffic	8.3 million
Year Opened	1994
Year Acquired	2004
Year Refurbished	Currently in Phases

Data as of 31 December 2008.

* Only NLA Lots

Mahkota Parade was the first 'regional' shopping centre in Melaka when it was opened in 1994, offering over half a million square feet of retail space. The complex is located within Mahkota Melaka, the commercial and tourist centre of Melaka, situated in the heart of Melaka town.

Mahkota Parade is positioned as a prime shopping centre for metropolitan Melaka. The centre serves as the premier one-stop destination centre in the region, featuring a full array of dining, fashion and specialty offerings and entertainment, including a bowling alley, cinema and gaming arcade. The centre also serves as a key venue for major promotional events and community gatherings.



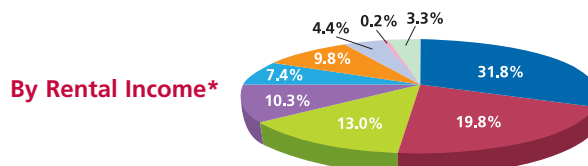
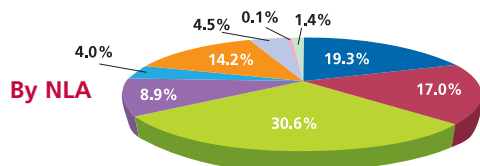


MAHKOTA PARADE'S TOP TEN TENANTS BY RENTAL INCOME

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store/Supermarket	113,389	24.3%	11.0%
2 Ampang Superbowl	Leisure & Entertainment	36,717	7.9%	3.9%
3 B.U.M. City	Fashion & Footware	13,918	3.0%	3.0%
4 KFC	Food & Beverage	5,403	1.2%	2.5%
5 The Reject Shop	Fashion & Footware	8,503	1.8%	2.3%
6 McDonald's	Food & Beverage	5,942	1.3%	2.1%
7 Bata	Fashion & Footware	2,572	0.6%	2.0%
8 Giant	Department Store/Supermarket	24,143	5.2%	2.0%
9 Golden Screen Cinemas	Leisure & Entertainment	14,376	3.1%	1.8%
10 F.O.S.	Fashion & Footware	5,748	1.2%	1.6%
Top 10 Tenants (By Monthly Rental Income)		230,711	49.5%	32.2%
Other Tenants		235,816	50.5%	67.8%
Total		466,527	100.0%	100.0%

* Based on Monthly rental income for December 2008.

MAHKOTA PARADE'S TENANCY MIX

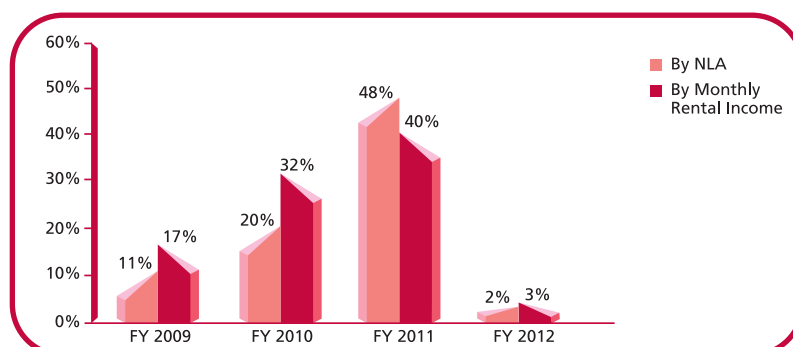


* Based on Monthly rental income for December 2008.

MAHKOTA PARADE'S EXPIRY PROFILE

Mahkota Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of tenancies expiring (sq ft)	NLA of tenancies expiring as % of total NLA	% of Total Monthly Rental Income*
FY 2009	23	50,739	11%	17%
FY 2010	40	95,285	20%	32%
FY 2011	38	222,930	48%	40%
FY 2012	7	11,607	2%	3%

* Based on Monthly rental income for December 2008.





WETEX PARADE

Wetex Parade and Classic Hotel is an integrated retail development in Muar, Johor. The complex is situated within the commercial district of the town. Wetex Parade is the key department-store anchored shopping centre in the town centre and serves as the premier retail destination for the Muar district.

Classic Hotel, which is partially situated on top of Wetex Parade is one of the leading hotels in town and is fully managed by Wetex Realty Sdn Bhd, which has been operating the hotel for the past decade. Hektar REIT has secured a 10-year net lease with the operator as part of the terms of the acquisition in May 2008.



WETEX PARADE

Location	69 Jalan Ali Off Jalan Sulaiman 84000 Muar Johor MALAYSIA
Title	Freehold
Primary Trade Area	328,695
Gross Floor Area	290,000 sq ft
Net Lettable Area	178,742 sq ft
Car Park	190
Valuation	RM130.0 million
Tenants	74*
Key Tenants	The Store, McDonald's, Watson's
Occupancy	83.1%
Visitor Traffic	1.9 million (Sep-Dec 2008)
Year Opened	1996
Year Acquired	2008
Year Refurbished	Currently in Phases

Data as of 31 December 2008.

* Only NLA Lots. Classic Hotel is a separate building adjacent to the shopping centre.



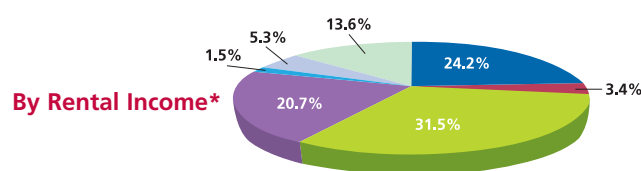
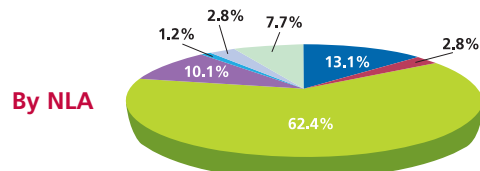


WETEX PARADE'S TOP TEN TENANTS BY RENTAL INCOME

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store/Supermarket	91,357	52.6%	31.5%
2 Watson's	Others	3,051	1.8%	5.0%
3 Silverho	Gifts/Books/Toys/Specialty	3,178	1.8%	3.4%
4 McDonald's	Food & Beverage	2,489	1.4%	2.7%
5 Tanjongmas Bookstore	Gifts/Books/Toys/Specialty	4,136	2.4%	2.5%
6 B.U.M. City	Fashion & Footware	2,160	1.2%	2.0%
7 England Optical	Gifts/Books/Toys/Specialty	806	0.5%	1.9%
8 Bata	Fashion & Footware	1,240	0.7%	1.8%
9 Fitness Concept	Others	796	0.5%	1.8%
10 Poh Kong	Gifts/Books/Toys/Specialty	1,159	0.7%	1.7%
Top 10 Tenants (By Monthly Rental Income)		110,372	63.5%	54.4%
Other Tenants		63,353	36.5%	45.6%
Total		173,725	100.0%	100.0%

* Based on Monthly rental income for December 2008.

WETEX PARADE'S TENANCY MIX

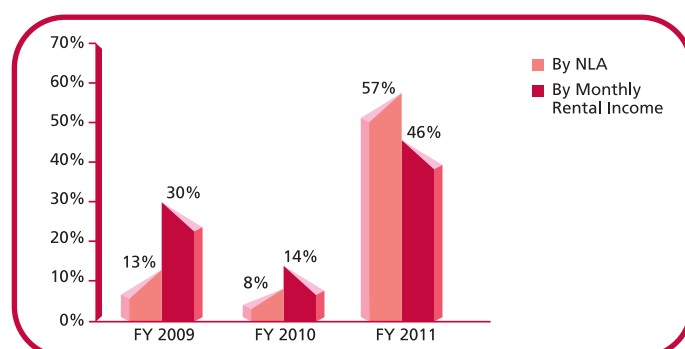


* Based on Monthly rental income for December 2008.

WETEX PARADE'S EXPIRY PROFILE

Wetex Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of tenancies expiring (sq ft)	NLA of tenancies expiring as % of total NLA	% of Total Monthly Rental Income*
FY 2009	32	22,864	13%	30%
FY 2010	16	13,238	8%	14%
FY 2011	16	99,497	57%	46%

* Based on Monthly rental income for December 2008.





The Board of Directors



*Standing From Left to Right:
Dato' Syed Amin Aljeffri, Zalila binti Mohd Toon, Lim Ee Seng, Dato' Jaafar bin Abdul Hamid,
Philip Eng Heng Nee, Shahril bin Kassim, Christopher Tang Kok Kai, Dato' Lim Git Hooi @ Robert Lim*

DATO' JAAFAR BIN ABDUL HAMID Chairman and Chief Executive Officer

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



LIM EE SENG

Non-Executive Director

Ee Seng, PBM, is the Chief Executive Officer and a director of Frasers Centrepoint Limited ("FCL"), part of the Fraser and Neave Group headquartered in Singapore. He joined FCL in October 2004 as its Chief Executive Officer and is responsible for the management and performance of the FCL group of companies' entire portfolio of real estate business both in Singapore and overseas. These include property development, property investment, REIT management, and an international chain of serviced apartments. Ee Seng is Chairman of Frasers Property (China) Ltd (a Hong Kong listed property company) and also Chairman of Frasers Centrepoint Asset Management Limited, the manager of Frasers Centrepoint Trust, a Retail REIT listed on the Singapore Exchange Securities Trading Limited. Ee Seng has more than 28 years of experience in the real estate industry. From 1996 to October 2004, he was the Managing Director of MCL Land Limited. From 1989 to 1996, he was the General Manager of the property division of First Capital Corporation Ltd. Ee Seng holds a Masters degree in Project Management and a Bachelors degree in Civil Engineering from the National University of Singapore. His other appointments include: a Board member of the Building & Construction Authority of Singapore, a council member of the Singapore Chinese Chamber of Commerce & Industry (from 2000 to 2004), the current 2nd Vice President of the Real Estate Development Association of Singapore and a Fellow of the Institute of Directors, Singapore.

CHRISTOPHER TANG KOK KAI

Non-Executive Director

Christopher is Chief Executive Officer and director of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust. He is also the Chief Executive Officer of Frasers Centrepoint Commercial, the FCL division which is responsible for commercial property investment, development and management, fund and asset management. Christopher has over 19 years of experience in asset management, investment management, marketing and operations in the real estate and manufacturing industries. Prior to joining the Fraser & Neave Group in 2001, he held senior positions with DBS Bank, DBS Land and British Petroleum. Christopher is a member of the Management Board of Asian Public Real Estate Association (APREA), the representative body for the publicly traded real estate sector in Asia. He also holds directorships in various companies including Frasers Property (China) Limited, Frasers Centrepoint Asset Management (Commercial) Ltd (the manager of Frasers Commercial Trust, an office REIT listed in Singapore), and China Dairy Group Ltd. Mr Tang holds a Masters in Business Administration and a Bachelor of Science Degree from the National University of Singapore.

ZALILA BINTI MOHD TOON

Executive Director & Chief Financial Officer

Zalila is responsible for the financial and strategic matters of Hektar REIT and the overall financial performance. Zalila spent twenty years with Cement Industries of Malaysia Berhad ("CIMA"), a subsidiary of UEM Group, a public-listed corporation listed on Bursa Malaysia Securities Berhad. In CIMA, she was in charge of both operational and corporate finance. During her tenure, she spearheaded various major corporate finance initiatives, including the issuance of Private Debt Securities ("PDS") and the acquisition of Negri Sembilan Cement Industries Sdn Bhd. She was also involved in the collaboration with JP Morgan to internationalise the company's market. Subsequently, whilst in Park May Berhad, she arranged for the issuance of PDS to refinance the existing high interest-bearing loans resulting in substantial savings to the company. She was also involved in the reverse take-over exercise of Park May Berhad before leaving for a brief stint in UEM Environment Sdn Bhd, a holding company of Kualiti Alam Sdn Bhd. She holds a Master of Business Administration (Financial Studies) from the University of Nottingham, United Kingdom and a Company Secretarial Licence from the Companies Commission of Malaysia. She is also a member of Malaysian Institute of Corporate Governance.

SHAHRIL BIN KASSIM

Non-Executive Director

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

**DATO' SYED AMIN ALJEFFRI**

Independent Non-Executive Director

Dato' Syed's extensive work experience includes stints with Esso in Malaysia and the United States of America, Touche Ross Canada and his own public accounting and consulting practices, AljeffriDean. He also sits on the board of LBI Capital Berhad, Seloga Holdings Berhad, Golden Horse Palace Berhad, RAM Holdings Berhad and several other private limited companies. He is an Economics graduate from the University of Malaya, a Chartered Accountant with the Malaysian Institute of Accountants and the Canadian Institute of Chartered Accountants, a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore, a Fellow Certified Practising Accountant with Certified Practising Accountant Australia, a Fellow Chartered Certified Accountants with the Association of Chartered Certified Accountants UK, a Certified Financial Planner with the Financial Planning Association of Malaysia and a Fellow of the Malaysian Institute of Taxation. He is a member of the Board of the Islamic Science University of Malaysia, owned by the Malaysian Government. He is currently the President of the Kuala Lumpur Malay Chamber of Commerce and formerly the Chairman of the ASEAN Business Advisory Council. He is also a Council Member of the Malaysia-China Business Council and the East Asia Business Council and the Board of the Small and Medium Industries Development Corporation ("SMIDEC"). He is the Malaysian Honorary Council for the Federal Democratic Republic of Ethiopia. He was formerly the Secretary General of the ASEAN Chamber of Commerce and Industry.

DATO' LIM GIT HOOI @ ROBERT LIM

Independent Non-Executive Director

Dato' Lim was previously a partner in Ernst & Young and is also an Independent Non-Executive Director of Gopeng Berhad, YNH Property Berhad and Seloga Holdings Berhad, all of which are listed on Bursa Malaysia Securities Berhad. He also holds directorship in several other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

PHILIP ENG HENG NEE

Independent Non-Executive Director

Philip is the Deputy Chairman of MCL Land Limited, a position he has held since 1 March 2005. He is also Non-Executive Chairman of mDR Limited and Orchard Energy Pte Ltd, as well as Director of several companies including NTUC Income, Frasers Centrepoint Asset Management Ltd, OPenNet Pte Ltd, Chinese Development Assistance Council and Commissioner of PT Adira Dinamika Multi Finance, Tbk, Indonesia. He is also Singapore's Ambassador to Greece. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director. Philip graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

The Management Team

DATO' JAAFAR BIN ABDUL HAMID

Chief Executive Officer & Chairman

Please refer to Dato' Jaafar's profile under the section on The Board of Directors.

ZALILA BINTI MOHD TOON

Chief Financial Officer & Executive Director

Please refer to Zalila's profile under the section on The Board of Directors.

CHRISTOPHER ANGUS MEARS

Executive Vice President, Asset Management

Christopher leads the asset management and investment activities. He is responsible for formulating business and asset enhancement plans for Hektar REIT's portfolio and for evaluating investment initiatives for Hektar REIT in Malaysia. He possesses over 20 years of comprehensive property management, leasing and marketing experience at regional shopping centres, office buildings and community shopping centres ranging in size from 11,000 sqm to 65,000 sqm in Australia and Asia. He is very familiar with the Malaysian retailing scene, having been directly responsible for a development portfolio in Malaysia including mixed-use developments with a focus on retail and office, and hotel and serviced apartment concepts for over 8 years. Previously, he was with Stockland Properties, a public-listed Limited Property Trust in Australia. He holds a Bachelor of Arts (Communication and Public Relations) degree from the University of Canberra, Australia. He also holds an Advanced Certificate in Property Agency from Technical and Further Education (TAFE) College and is a Senior Certified Shopping Centre Manager (SCSM) of International Council of Shopping Centres (ICSC).

LIM YE JHEN

General Manager, Strategy

Ye Jhen is responsible for Hektar REIT's strategic planning, investor relations, industry research and analysis. He has presented at real estate conferences and investment seminars throughout Malaysia, Singapore, Hong Kong and the Middle East. Previously, he was Assistant Vice-President of the Investment & Business Advisory division of Henry Butcher Malaysia, consulting for real estate organisations. Prior to this, he was with Global Asset Capital LLC, a private equity firm based in San Francisco, USA, where he was responsible for investments and working with portfolio companies in North America. He was also involved in setting up their investment fund in 2000. Previously, he worked with PwC Management Consulting Services (now part of IBM), working on behalf of various entities including public-listed, private companies and government entities. He graduated with a Bachelor's Degree in Finance from the Stern School of Business at New York University, New York, USA.

ZARINA HALIM

Senior Manager, Legal and Secretarial

Zarina is responsible for the legal and secretarial portfolio of Hektar REIT and provides support in the areas of secretarial compliance. She was formerly with the United Engineers Malaysia Berhad ("UEM") Group of Companies for 9 years. She was Head of Corporate Affairs and Business Development in Prolink Development Sdn Bhd, the UEM Group's subsidiary responsible for the development of Malaysia's Singapore Second Crossing (MSSC) township, Bandar Nusajaya. Her notable experience at Prolink included the implementation of corporate land sales to the value of over RM1 billion and the successful restructuring of Prolink's debt obligations under Danaharta. She then moved on to head the Business Development unit at OptixLab Sdn Bhd which was mainly responsible for the sourcing and implementation of Information and communications technology related investments as well as the company's strategic marketing initiatives. She graduated from the University of Manchester, United Kingdom with a Bachelor's Degree in Accounting and Finance.

RAZIFF SUHAIRI BIN SHAABAN

Senior Manager, Finance

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



The management of Hektar REIT is governed by a Trust Deed executed on 5 October 2006 between the Manager and the Trustee. The Deed, inter alia, details out the roles, duties, obligations and power of the Manager and the Trustee. Essentially, the Trustee and the Manager play countervailing roles against each other to ensure that the REIT is managed with efficiency and integrity.

The Board of the Manager views corporate governance in four key concepts:

- good performance
- accountability
- transparency
- integrity

The Board has the responsibility to ensure that the abovementioned concepts were rigorously observed throughout the year ended 31 December 2008. In formulating the corporate governance framework, the Manager applied the principles and best practices as set out in Parts 1 and 2 respectively of the Malaysian Code of Corporate Governance (“the Code”) and Bursa Malaysia’s Listing Requirements. (“LR”)

THE BOARD OF DIRECTORS

The Board of the Manager is responsible for the overall corporate governance of Hektar REIT, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The role and function of the Board, as well as the differing roles of the Executive Directors and Non-Executive Directors, are clearly documented in the Operations Manual.

EXECUTIVE COMMITTEE

An Executive Committee, which convened its first meeting on 27 November 2008, is delegated by the Board to, among other things:

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

The committee comprises three Directors, namely, Dato’ Jaafar bin Abdul Hamid as Chairman, Christopher Tang Kok Kai and Zalila binti Mohd Toon.

AUDIT COMMITTEE

An Audit Committee, which was formed on 4 February 2009 and comprises the three Independent Directors with Dato’ Syed Amin Aljeffri as Chairman, is delegated by the Board to undertake, among other things, the following duties and responsibilities:

- Review and deliberate on Hektar REIT’s Financial Performance
- Review and deliberate on the Quarterly Report to Bursa Malaysia
- Receive and deliberate on the report issued by the internal auditor

BOARD MEETINGS

The Board ordinarily meets at least once a financial quarter with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. For the year ended 31 December 2008, the Board met on 5 occasions, where it deliberated upon and considered a variety of matters including Hektar REIT’s financial results and strategic and major investment decisions.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass both qualitative and quantitative factors so that informed decisions can be made. All proceedings from the Board meetings are minuted.



BOARD BALANCE

As at the date of this statement, the Board consists of eight (8) members, comprising one (1) Executive Chairman, one (1) Executive Director, three (3) Non-Executive, Non-Independent Directors and three (3) Independent Non-Executive Directors. More than 1/3 of Directors are considered independent which complies and exceeds the directors' independence requirements set out under paragraph 15.02 of Bursa Malaysia's LR which requires that at least one-third of the Board to be Independent Directors. A brief profile of each Director is presented in the Board of Directors section of this annual report.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Section 1.01 of Bursa Malaysia's LR.

The Directors, with their varied backgrounds and areas of expertise, collectively bring with them a wide range of experience and expertise in areas such as strategy, finance, corporate affairs, legal, marketing and operations. The Executive Directors are responsible for implementing policies and decisions of the Board, overseeing operations as well as coordinating the development and implementation of business and corporate strategies. The Independent Directors bring objective and independent judgment to the decision making of the Board and provide a review and challenge on the performance of management. As such, there is proper balance in the Board because of the presence of Independent Directors of the caliber necessary to carry sufficient weight in Board decisions.

The Board is satisfied that the current Board composition fairly reflects the interest of Hektar REIT's minority unitholders.

SUPPLY OF INFORMATION

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, all Directors have full and unrestricted access to any information pertaining to Hektar REIT.

The Chairman plays a key role in ensuring that all Directors have full and timely access to information relevant to matters that will be deliberated at the Board meeting. The agenda and set of Board papers are circulated in advance of the Board meetings. A comprehensive balance of financial and non-financial information is encapsulated in the papers covering strategic, operational, financial, regulatory and marketing issues.

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board believes that the current Company Secretary is capable of carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit the removal and appointment by the Board as a whole.

UNITHOLDERS

The Manager recognizes the importance of being accountable to investors of Hektar REIT and as such maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with Hektar REIT's investors, stakeholders and public generally. This is achieved principally through quarterly reports, interim reports and annual reports.

The Manager also holds periodic briefings for fund managers, analysts and institutional investors. Press conferences are held when required, to brief members of the media on Hektar REIT's strategic direction, performance and key events.

While the Manager endeavours to provide as much information possible to Hektar REIT's unitholders, it is mindful of the legal and regulatory frameworks governing the release of material and price-sensitive information.



FINANCIAL REPORTING

It is the Board's commitment to provide a balanced and meaningful assessment of Hektar REIT's financial performance and prospects at the end of the financial year, primarily through annual financial statements, quarterly and half yearly announcements of results to unitholders as well as the Chairman's statement in the annual report.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of Hektar REIT as at the end of the accounting period and of their profit & loss and cash flows for the period ended. In preparing the financial statements, the Directors endeavour to ensure that applicable approved accounting standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 are applied.

In preparing the financial statements, the Directors endeavour to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Hektar REIT and to prevent and detect fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

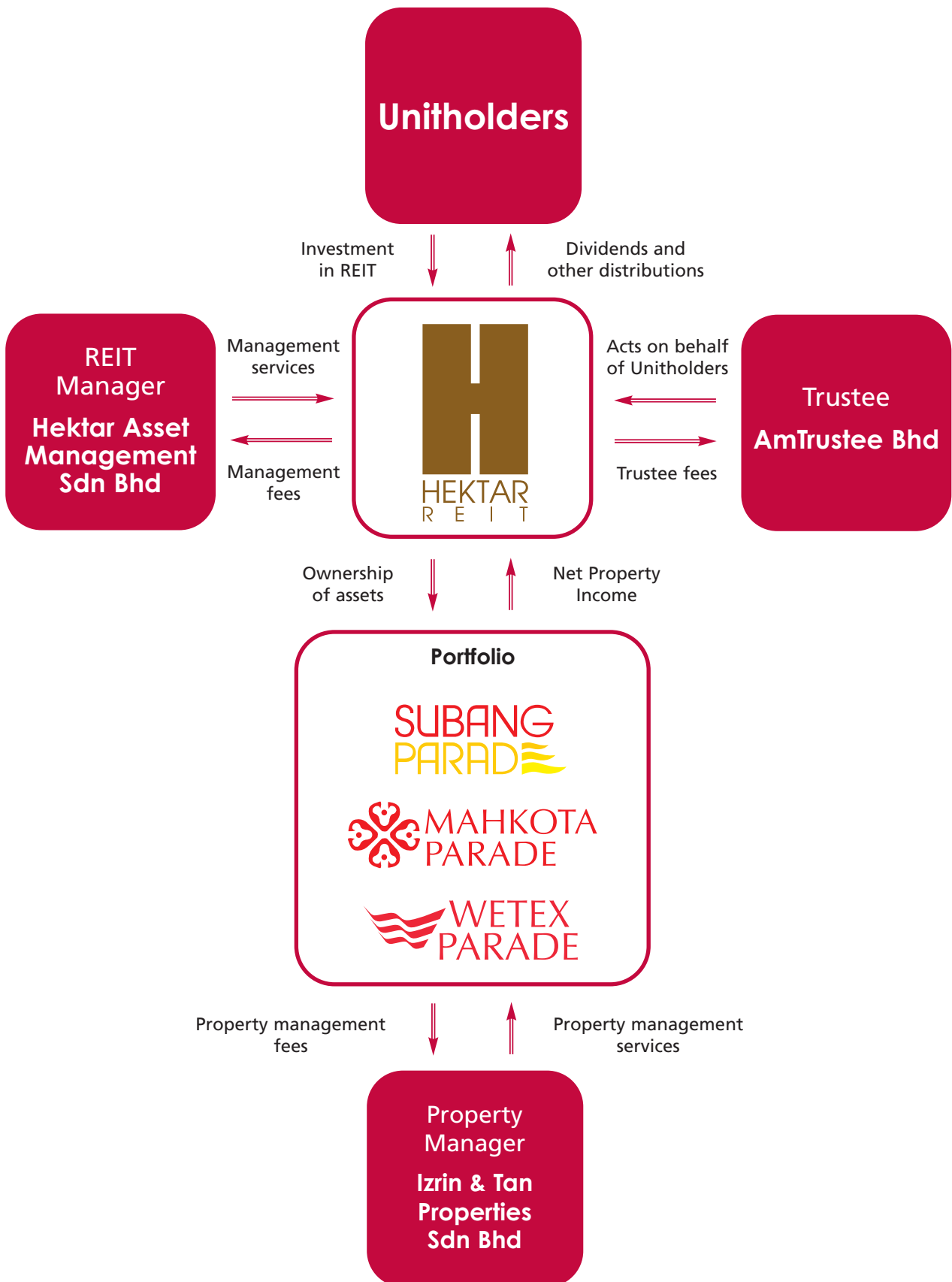
The Board acknowledges its responsibilities for maintaining sound internal control systems to safeguard unitholders' interest and Hektar REIT's assets and for reviewing the adequacy and integrity of these systems. Due to the limitations that are inherent in any system of internal control, the system currently employed is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provide for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority coupled with the publication of an Employees Handbook. There are also established procedures for planning, capital expenditure and for monitoring Hektar REIT's business and performance.

These procedures provide for continuous assurance to be given at increasingly higher levels of management, and finally, the Board.

The Chairman/Chief Executive Officer reports to the Board on significant changes in the business and external environment. The Chief Financial Officer provides the Board with quarterly financial information, which includes key financial indicators. This includes, among others, the monitoring of results against budget, with variances being followed up and management action taken, where necessary.

Corporate Organisation





MANAGER

Hektar Asset Management Sdn Bhd
(Company No. 732261-T)

Manager's Principal Place of Business
Block C-0-5, Plaza Damas
No.60 Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur.
Tel : +6 03 6201 1011
Fax : +6 03 6201 0012
Web: www.HektarREIT.com

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

BOARD OF DIRECTORS OF THE MANAGER

Dato' Jaafar Bin Abdul Hamid
Chairman and Chief Executive Officer

Lim Ee Seng
Non-Executive Director

Christopher Tang Kok Kai
Non-Executive Director

Zalila Binti Mohd Toon
Executive Director and Chief Financial Officer

Shahril Kassim
Non-Executive Director

Dato' Syed Md Amin Aljefri
Independent Non-Executive Director

Dato' Robert Lim Git Hooi
Independent Non-Executive Director

Philip Eng Heng Nee
Independent Non-Executive Director

JOINT COMPANY SECRETARIES OF THE MANAGER

Muhammad Hafidz Bin Nuruddin
(MAICSA 7005820)

Lim Seck Wah
(MAICSA 0799845)

TRUSTEE

AmTrustee Berhad
(Company No. 163032-V)
(a member of AmInvestment Group Berhad)
17th Floor, Bangunan Ambank
55 Jalan Raja Chulan
50200 Kuala Lumpur

PROPERTY MANAGER

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

PRINCIPAL BANKER OF THE FUND

Malayan Banking Berhad
(Company No. 3813-K)
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

AUDITOR

SJ Grant Thornton (AF : 0737)
Level 11 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

TAX AGENT

SJ Grant Thornton (AF : 0737)
Level 11 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

REGISTRAR

Mega Corporate Services Sdn Bhd
(Company No. 187984-H)
Level 15-2 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

STOCK EXCHANGE LISTING

BURSA MALAYSIA MAIN BOARD
Short Name: HEKTAR
Stock Code: 5121

Investor Communications

Hektar Asset Management is committed to building and developing relationships with long-term investors by ensuring transparent and timely disclosure to the investment community.

In order to improve the investment community's understanding of Hektar REIT's strategy and performance, the Manager is focused on developing quality disclosures and delivering them via various channels, including the web, email alerts and media releases.

Hektar REIT's website provides a comprehensive and simple channel of accessing the latest financial information and developments. The website contains detailed information on the REIT's strategy, organisation, manager and portfolio. The investor information section offers previous quarterly presentations, annual and interim reports, press releases and announcements, in downloadable Portable Document Format (PDF). An email alert system sends out the latest news and announcements to ensure that registered users receive timely updates.

The Manager continues to maintain regular communications to sell-side analysts / research houses, individual & institutional investors and the media. The Manager conducts one-to-one and group meetings, conference calls and has arranged site visits to the portfolio properties. Since listing, the Manager has participated in remisier briefings, equity conferences, industry seminars, investor & media outreach programmes throughout Malaysia, Singapore, Hong Kong and the Middle East.

Hektar REIT retains significant support among institutional and high net worth investors. Excluding the sponsor and cornerstone investor, as at 31 January 2009, more than 91% of Hektar REIT's float is held by institutions and high-net worth individuals (defined as holding more than 100,000 units). Approximately 42.6% of Hektar REIT's units are held by foreign institutions.

Currently, quarterly and strategic updates are delivered to more than 150 institutions around the world, including Singapore, Hong Kong, Switzerland, Australia, The Netherlands, Japan, U.K. and the U.S.

Hektar Asset Management will continue to improve the quality of investment disclosure for Hektar REIT to strengthen relationships with the investment community.

For more information on Hektar REIT, please visit our website at www.HektarREIT.com, or contact:

THE MANAGER

Investor Relations & Corporate Communications
Hektar Asset Management Sdn Bhd
Block C-0-5, Plaza Damas
No.60 Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur
MALAYSIA

Tel : +6 03 6201 1011
Fax : +6 03 6201 0012
Email: ir@HektarREIT.com
Web: www.HektarREIT.com

THE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
MALAYSIA

Tel : +6 03 2692 4271
Fax : +6 03 2732 5388

FINANCIAL YEAR CALENDAR

	2009*	2008
Full Year Results Announcement	4 February 2009	4 February 2008
Annual Report	February 2009	February 2008
Final Dividend Distribution	5 March 2009	4 March 2008
First Quarter Results Announcement	May 2009	16 May 2008
First Quarter Dividend Distribution	June 2009	3 June 2008
Second Quarter Results Announcement	August 2009	25 August 2008
Second Quarter Dividend Distribution	September 2009	9 September 2008
Third Quarter Results Announcement	November 2009	5 November 2008
Third Quarter Dividend Distribution	December 2009	5 December 2008

* Dates are tentative and subject to change

Our Shoppers Speak

"We really like to shop in Subang Parade and even the friendly receptionists know us as they see us every other day or so. The facilities are great and they even make sure to cater for the needs of the handicapped, babies and nursing mothers!"

Wong Lei Kuen & Husband



"I've been very impressed by the recent makeover of Subang Parade including the brightly-lit carparks and friendly security guards. It has been a very comfortable and safe shopping experience for me and that is why I've been frequenting Subang Parade more! Why travel far when everything is just in my neighbourhood?"

Chuah Ai Jou with Family & Friends



"We always meet here because we can do everything here from shopping, bowling, watching our favourite movies and also karaoke. Mahkota Parade definitely meets everyone's needs and expectations."

Zarina Zahairudin & Friends



"We often come here to hang out on the weekends. Normally, we come to shop around, hang out with friends, groceries from Giant, coffee from Starbucks. We are satisfied with the new management and with the well managed security in the parking lots. We hope for a good outcome from Mahkota Parade Melaka in future!"

Balwinder Raj Chawla & Friend



"I love Subang Parade as I've been coming here since young. It has a very comfortable and cosy feeling."

Diana Abdullah & Friend



"Most of my trips to Subang Parade is to dine with my family. There's a range of restaurants to choose from at one place"

Muhammad Shahril & Family



"We always come to Mahkota Parade for the wide choices of sport items. Being students, buying stationery and school related materials is also very convenient for us."

Mohd Azrul & Friends



"Mahkota Parade is a one-stop shopping haven that offers a variety of goods and services that fulfill your daily needs. It is complemented by the impressive decorations according to the various festive seasons that create the ambience and excitement of the season. Furthermore, it showcases quality performances that promote various cultures in Melaka – Truly Malaysia!"

Ronald Hendriks & Family

Our Retailers Speak

"The Chicken Rice Shop has been a tenant in Subang Parade for the past 7 years and we have had the privilege to witness the transformation of Subang Parade to what it is today. The entire management team is extremely proactive in working together with tenants and is ever ready to assist tenants in enhancing their brand and image. We are proud to be part of Subang Parade".

Wong Kah Lin, Director
TCRS Restaurants Sdn Bhd
[The Chicken Rice Shop]



"Kenny Rogers ROASTERS is pleased with the recent asset enhancement and creative marketing campaigns carried out by the management. The increased traffic flow has provided increase of sales and awareness. As our partnership continues to strengthen we look forward to greater business growth".

Luis Daniel
General Manager
Berjaya Roasters (M) Sdn Bhd
[Kenny Rogers ROASTERS]

"Johnson Fitness is glad to be one of the tenants of Hektar REIT. We have an enjoyable working relationship with the management and marketing team. We truly look forward for more attractive events and activities in the mall to attract more potential customers in the near future".

Joey Yang Cheng
Managing Director
Johnson Fitness Malaysia
[Johnson Fitness Store]



"Working with Hektar REIT has been a highly positive and rewarding business experience for us. They have an excellent advertising and promotion team which works relentlessly to plan a series of exciting stage activities and promotions to attract shoppers to Subang Parade".

Terry Ngeow
Chief Executive Officer
A-Look Eyewear Sdn Bhd
[A-Look Eyewear]

"Royal Sporting House has been operating in Mahkota Parade from 1993. Since the time Hektar has come in command, we have an excellent relationship as we find that we have a landlord who responds quickly to our needs and understand specific nature of the different retailers. In fact, we are very happy to work with Hektar as our landlord and we have a wonderful tenant - landlord relationship".

Om Prakash Gupta
Chief Executive Officer
RSH (Malaysia) Sdn Bhd
[Royal Sporting House]



"With over 20 The Manhattan FISH MARKET outlets in Malaysia which are located predominantly in shopping complexes, I must say that the management of Subang Parade is helpful to our needs and quick to respond to our requests with professionalism and diligence. Since our renovation in November 2008, we have experienced an incremental of sales over the past year."

Dr. Jeffrey Goh
Executive Director
MFM Restaurants Sdn Bhd
[Manhattan Fish Market]

"The exciting and non-stop programs and aggressive events organized by the management throughout the year has played an important role in the growth of our business. We have benefited from the higher traffic flow and a constantly crowded retail environment. We look forward to strengthen our partnership with Hektar Group in future".

Teh Dick Erh, Director
Pinang Medical Supplies
Sdn Bhd [Crocs]



"We have worked with the Hektar team on many occasions and found them to be dynamic, professional, understanding and creative in their approach. We are impressed by the proactive management of the tenant mix at the mall, various asset enhancement works undertaken, coupled with the strong emphasis in marketing activities, have given shoppers a refreshing and vibrant shopping experience. We look forward to work in tandem with Hektar Group to grow our business".

Marcel Gan Boo Kheng
Chief Operating Officer
Embung Elit Sdn Bhd
[Himalaya]

Statement by the Manager



In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 49 to 67 are drawn up in accordance with the provisions of the Deed dated 5 October 2006, Securities Commission Act, 1993, Securities Commission's Guidelines on Real Estate Investment Trusts and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of Hektar Real Estate Investment Trust ("Hektar REIT") as at 31 December 2008 and of the results and cash flows of Hektar REIT for the financial period from 1 January 2008 to 31 December 2008.

Signed on behalf of the Board of the Directors of the Manager in accordance with a resolution of the Board of Directors dated 12 February 2009.

Signed on behalf of the Board
of Directors of the Manager

DATO' JAAFAR BIN ABDUL HAMID

ZALILA BINTI MOHD TOON

Kuala Lumpur
12 February 2009



Statutory Declaration

I, Zalila Binti Mohd Toon, being the Director of Hektar Asset Management Sdn. Bhd. primarily responsible for the financial management of Hektar Real Estate Investment Trust, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

ZALILA BINTI MOHD TOON

Subscribed and solemnly declared by the
abovenamed at Shah Alam in
the State of Selangor this day of 12 February 2009

Before me:

ROSMAH BINTI OSMAN (B260)
Commissioner for Oaths

Shah Alam, Selangor

Trustee's Report

To The Unitholders of Hektar Real Estate Investment Trust (Established in Malaysia)



We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT") for the financial period ended 31 December 2008. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd., the Manager has managed Hektar REIT in accordance with the limitation imposed on the investment powers of the Manager and the Trustee under the Deed dated 5 October 2006 ("the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission Act, 1993 and other applicable laws during the financial period ended 31 December 2008.

We have also ensured the following:-

- (a) the procedures and processes employed by the Manager to value and price the units of Hektar REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and
- (b) the creation of units are carried out in accordance with the Deed and other regulatory requirements.

We confirm that the income distributions declared and paid for the financial year ended are in line with and are reflective of the objective of the Trust. Four distribution have been declared for the financial year ended 31 December 2008 are as follows:-

- 1. First interim dividend of 2.4 sen paid on 3.6.2008
- 2. Second interim dividend of 2.4 sen paid on 9.9.2008
- 3. Third interim dividend of 2.4 sen paid on 5.12.2008; and
- 4. Proposed final distribution of 3.0 sen payable on 5.3.2009

For and on behalf of the Trustee,
AmTrustee Berhad

RAJA AMIR SHAH BIN RAJA ABDUL AZIZ
Chief Executive Officer

Kuala Lumpur
12 February 2009



Independent Report of the Auditors

To The Unitholders of Hektar Real Estate Investment Trust (Established in Malaysia)

We have audited the financial statements of Hektar Real Estate Investment Trust, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in net asset value and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 67.

Directors' Responsibilities for the Financial Statements

The directors of the Trust are responsible for the preparation and fair presentation of these financial statements in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and applicable Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and applicable Financial Reporting Standards so as to give a true and fair view of the financial position of the Trust as of 31 December 2008 and of its financial performance and cash flows for the financial year then ended.

Other Matters

This report is made solely to the unitholders of the Trust, as a body, in accordance with Securities Commission's Guidelines on Real Estate Investment Trust in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON
(NO. AF : 0737)
CHARTERED ACCOUNTANTS

DATO' N.K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/10(J/PH))

Kuala Lumpur
12 February 2009

Balance Sheet

As at 31 December 2008

	Note	2008 RM	2007 RM
UNITHOLDERS' CAPITAL	4	328,136,711	328,136,711
UNDISTRIBUTED INCOME-REALISED		6,008,263	2,410,276
UNDISTRIBUTED INCOME-UNREALISED		67,956,262	43,841,617
Total Unitholders' funds		402,101,236	374,388,604
Represented by:-			
ASSETS			
Investment properties	5	713,400,000	559,400,000
Capital work in progress		106,234	2,755,559
Fixed deposit with a licensed bank	6	1,767,432	1,278,529
Trade receivables	7	471,741	915,562
Other receivables, deposits and prepayments	8	4,142,252	5,350,886
Cash and bank balances		18,220,797	18,096,940
Total assets		738,108,456	587,797,476
LIABILITIES			
Trade payables		188,183	134,968
Other payables and accruals	9	24,719,007	18,041,869
Provision for income distribution	10	9,600,030	11,232,035
Borrowings	11	301,500,000	184,000,000
Total liabilities		336,007,220	213,408,872
NET ASSET VALUE ("NAV")		402,101,236	374,388,604
Number of units in circulation	4	320,001,000	320,001,000
Net asset value ("NAV") per unit (RM)			
- before income distribution		1.36	1.28
- after income distribution		1.26	1.17

The accompanying notes form an integral part of the financial statements.

Income Statement

For the financial year ended 31 December 2008

	Note	01.01.2008 to 31.12.2008 RM	05.10.2006 to 31.12.2007 RM
Gross revenue	12	84,092,285	78,330,975
Property expenses	13	(31,376,978)	(29,052,074)
Net rental income		52,715,307	49,278,901
Interest income		171,797	121,858
Fair value adjustment on investment properties		24,114,645	43,841,617
Other income		12,319	1,500
Total income		77,014,068	93,243,876
Manager's fees	14	3,612,149	3,258,055
Trustee's fees	15	134,239	128,118
Audit fees		40,000	40,000
Tax agent's fees		19,040	10,000
Valuation fees		12,000	60,000
Professional fees		1,111,475	600,965
Allowance for doubtful debts		108,473	79,844
Administration expenses		228,101	218,085
Interest expenses		11,395,857	8,324,809
Total Expenses		16,661,334	12,719,876
Net income before taxation		60,352,734	80,524,000
Taxation	16	-	-
Net income for the financial year/period		60,352,734	80,524,000
Net income for the financial year/period is made up as follows:-			
Realised		36,238,089	36,682,383
Unrealised - Fair value adjustment on investment properties		24,114,645	43,841,617
		60,352,734	80,524,000
Earnings per unit (sen)		18.86	25.16

The accompanying notes form an integral part of the financial statements.



	Note	2008 RM	05.10.2006 to 31.12.2007 RM
Earnings per unit			
- After manager's fees (sen)	17(a)	18.86	25.16
- Before manager's fees (sen)	17(b)	19.99	26.18
Earnings per unit (Realised)			
- After manager's fees (sen)	17(c)	11.32	11.46
- Before manager's fees (sen)	17(d)	12.45	12.48
Net income distribution	18		
- Interim distribution of 7.2 sen (2007: 7.2 sen) per unit		23,040,072	23,040,072
- Proposed final distribution of 3.0 sen (2007: 3.51 sen) per unit payable on 5.3.2009 (2007: 4.3.2008)		9,600,030	11,232,035
		32,640,102	34,272,107
Interim income distribution per unit			
- Gross (sen)		7.20	7.20
- Net (sen)*		7.20	7.20
Final income distribution per unit			
- Gross (sen)		3.00	3.51
- Net (sen)*		3.00	3.51

* Withholding tax will be deducted for distributions made to the following types of unitholders:-

	YA* 2008	YA* 2009
Resident individual	15%	10%
Non-resident individual	15%	10%
Resident institutional investors	20%	10%
Non-resident institutional investors	20%	10%
Non-resident companies	26%	25%

* YA - Year of Assessment

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Net Asset Value

For the financial year ended 31 December 2008

	Note	Unitholders' capital RM	Undistributed income		Total unitholders' fund RM
			Realised RM	Unrealised RM	
Balance at date of establishment		1,000	–	–	1,000
Operations for the financial period ended 31 December 2007					
- Net income for the financial period		–	36,682,383	43,841,617	80,524,000
Increase in net assets resulting from operations		1,000	36,682,383	43,841,617	80,525,000
Unitholders' transaction					
Creation of units		336,585,000	–	–	336,585,000
Distribution to unitholders		–	(34,272,107)	–	(34,272,107)
Listing expenses	19	(8,449,289)	–	–	(8,449,289)
Increase in net assets resulting from unitholders' transactions		328,135,711	(34,272,107)	–	293,863,604
Balance at 31 December 2007		328,136,711	2,410,276	43,841,617	374,388,604
At 1 January 2008		328,136,711	2,410,276	43,841,617	374,388,604
Operations for the financial year ended 31 December 2008					
- Net income for the financial year		–	36,238,089	24,114,645	60,352,734
Increase in net assets resulting from operations		328,136,711	38,648,365	67,956,262	434,741,338
Unitholders' transaction					
Distribution to unitholders		–	(32,640,102)	–	(32,640,102)
Decrease in net assets resulting from unitholders' transactions		–	(32,640,102)	–	(32,640,102)
Balance at 31 December 2008		328,136,711	6,008,263	67,956,262	402,101,236

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

For the financial year ended 31 December 2008

	2008 RM	05.10.2006 to 31.12.2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	60,352,734	80,524,000
Adjustments for :-		
Fair value adjustments on investment properties	(24,114,645)	(43,841,617)
Interest expenses	11,395,857	8,324,809
Interest income	(171,797)	(121,858)
Allowance for doubtful debts	108,473	79,844
Operating income before working capital changes:-	47,570,622	44,965,178
Payables	6,730,353	(6,346,292)
Receivables	1,543,982	18,176,837
Cash generated from operations	55,844,957	56,795,723
Interest paid	(11,395,857)	(8,324,809)
Interest received	171,797	121,858
Net cash generated from operating activities	44,620,897	48,592,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties	(120,980,000)	(351,500,000)
Expenditure for enhancement of investment properties incurred	(4,062,299)	(3,558,383)
Expenditure for refurbishment of investment properties incurred	(2,193,731)	(2,755,559)
Placement of fixed deposits	(488,903)	(1,278,529)
Net cash used in investing activities	(127,724,933)	(359,092,471)

The accompanying notes form an integral part of the financial statements.



	2008 RM	05.10.2006 to 31.12.2007 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of units	–	176,085,000
Drawdown of borrowings	117,500,000	184,000,000
Distribution to unitholders	(34,272,107)	(23,040,072)
Listing expenses	–	(8,449,289)
Net cash generated from financing activities	83,227,893	328,595,639

CASH AND CASH EQUIVALENTS

Net changes	123,857	18,095,940
At beginning of the financial year/period	18,096,940	1,000
At end of the financial year/period	18,220,797	18,096,940

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-

	2008 RM	05.10.2006 to 31.12.2007 RM
Cash and bank balances	18,220,797	18,096,940

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

As of 31 December 2008

1. GENERAL INFORMATION

Hektar Real Estate Investment Trust ("Hektar REIT") was constituted on 5 October 2006 pursuant to a trust deed dated 5 October 2006 ("the Deed") between Hektar Asset Management Sdn. Bhd. ("the Manager") and AmTrustee Berhad ("the Trustee").

Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006.

The principal activity of Hektar REIT is to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth. There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the Manager consist of managing and administering the Fund for Hektar REIT and other management services. The Manager, incorporated in Malaysia is a wholly-owned subsidiary of Hektar Klasik Sdn. Bhd.

The Manager's registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at Block C-0-5, Plaza Damas, No. 60, Jalan Sri Hartamas 1, Sri Hartamas, 50480 Kuala Lumpur.

2. FINANCIAL RISK MANAGEMENT POLICIES

Hektar REIT's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the REIT's business whilst managing its risks. Hektar REIT operates within clearly defined guidelines as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts ("the Guidelines"). These Guidelines seek to provide a regulatory framework that would protect the interests of the investing public. Hektar REIT's risk management policies, which ensure compliance with the spirit of the Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

(a) Interest rate risk

Hektar REIT's exposures to changes in interest rates are primarily due to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rate.

(b) Credit risk

The Trust controls credit risk by the application of credit approvals, limits and monitoring procedures.

(c) Liquidity and cash flow risks

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Hektar REIT's operations and mitigate the effects of fluctuations in cash flows.

In addition, the Manager also monitors and observes the Guidelines concerning limits on total borrowing.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise indicated in the other significant accounting policies) and complied with the applicable provisions of the Deed, the provisions of the Securities Commission Act, 1993, the Guidelines and the applicable Financial Reporting Standards.

These financial statements are presented in Ringgit Malaysia (RM), which is the Trust's functional and presentation currency.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors on 12 February 2009.

(b) Adoption of Revised Financial Reporting Standards ("FRSs")

(a) The amendments to published standards and IC Interpretations to existing standards effective for the Trust for the financial period beginning on or after 1 January 2008 are as follows:-

- | | |
|-------------------------|--|
| 1) Amendment to FRS 121 | - The Effects of Changes in Foreign Exchange Rates
- Net Investment in a Foreign Operation |
| 2) IC Interpretation 1 | - Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| 3) IC Interpretation 2 | - Members' Shares in Co-operative Entities and Similar Instruments |
| 4) IC Interpretation 5 | - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| 5) IC Interpretation 6 | - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment |
| 6) IC Interpretation 7 | - Applying the Restatement Approach under FRS 1292004 - Financial Reporting in Hyperinflationary Economies |
| 7) IC Interpretation 8 | - Scope of FRS 2 |
| 8) FRS 107 | - Cash Flow Statements |
| 9) FRS 111 | - Construction Contracts |
| 10) FRS 112 | - Income Taxes |
| 11) FRS 118 | - Revenue |
| 12) FRS 120 | - Accounting for Government Grants and Disclosure Government Assistance |
| 13) FRS 134 | - Interim Financial Reporting |
| 14) FRS 137 | - Provision, Contingent Liabilities and Contingent Assets |

The adoption of the above FRS, amendments to FRS and Interpretations with have no impact on the financial statements of the Trust.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Adoption of Revised Financial Reporting Standards ("FRSs") (cont'd)

(b) The following are the Standards and IC Interpretations that are not yet effective and have not been early adopted by the Trust:-

- (i) FRS 139 - Financial Instruments: Recognition and Measurement

The Trust is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

- (ii) FRS 4 - Insurance Contracts
- (iii) FRS 7 - Financial Instrument: Disclosures
- (iv) FRS 8 - Operating Segments
- (v) IC Interpretation 9 - Reassessment of Embedded Derivatives
- (vi) IC Interpretation 10 - Interim Financial Reporting and Impairment

The above standards and IC Interpretations shall be effective for accounting period beginning on or after 1 January 2010 except for FRS 8 - Operating Segments, which shall apply to accounting period beginning on or after 1 July 2009.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Trust's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised and in any future financial years affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 5 to the Financial Statements.

(d) Investment properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose.

Investment properties are stated at fair value, which reflects market condition at the balance sheet date. The fair value is based on market value, which is the price at which the properties could be exchanged between knowledgeable, willing parties in an arm length transaction. Gain or losses arising from changes in the fair values of investment properties are included in the income statement in the financial year in which they arise.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the financial year of retirement or disposal.

(e) Capital work in progress

Capital work in progress represents refurbishment work undertaken to enhance the value of the properties which will be transferred to investment properties upon the completion of the work.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted by the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(g) Receivables

Known bad debts are written off and specific allowance is made to debts which are considered doubtful of collection.

(h) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Provision for liabilities

Provisions are recognised when there is a present obligation legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

Provision for income distribution is recognised when any distribution declared, determined or publicly recommended by the Directors of the Manager and approved by the Trustee but not distributed at the balance sheet date.

(j) Cash and cash equivalents

Cash comprises of cash and bank balances, short-term demand deposits and bank overdraft. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(k) Borrowing

Interest bearing borrowing is recorded at the amount of proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets

At each balance sheet date, Hektar REIT reviews the carrying amounts of its assets (except for investment properties that are measured at fair value) which are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future financial years to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

(m) Revenue recognition

- (i) Rental income is recognised in the Income Statement on accrual basis.
- (ii) Carpark income is recognised in the Income Statement on accrual basis.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the year to maturity, when it is determined that such income will be accrued.

(n) Expenses

- (i) Property expenses consist of property management fees, quit rent and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust. Property management fees are recognised on an accrual basis using the applicable formula as stated in Property Management Agreement.
- (ii) Manager's fees are recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iii) Trustee's fee is recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iv) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred.

4. UNITHOLDERS' CAPITAL

	Trust	
	2008 No. of units	2007 No. of units
Authorised:		
At beginning of financial year/period	320,001,000	320,001,000
Issued and fully paid:-		
At beginning of financial year/period	320,001,000	1,000
Issue of new units:-		
- Units issued for acquisition of investment properties	-	160,500,000
- Initial Public Offering		
(i) retail offering	-	16,000,000
(ii) institutional offering	-	143,500,000
At end of financial year/period	320,001,000	320,001,000

	2008 RM	2007 RM
Issued and fully paid:-		
At beginning of financial year/period	328,136,711	1,000
Issue of new units:-		
- Units issued for acquisition of investment properties	-	160,500,000
- Initial Public Offering		
(i) retail offering	-	16,800,000
(ii) institutional offering	-	159,285,000
- Listing expenses	-	(8,449,289)
At end of financial year/period	328,136,711	328,136,711

As at 31 December 2008, the Manager did not hold any Units in Hektar REIT. However, the Directors of the Manager and their related parties held Units in Hektar REIT as follows:-

	2008 No. of units	% of total units
Manager's Directors' Direct Unitholdings in Hektar REIT:-		
Under Mayban Nominees (Tempatan) Sdn. Bhd.		
1. Dato' Jaafar Bin Abdul Hamid	344,700	0.11%
2. Zalila Binti Mohd Toon	300,000	0.09%

Substantial Unitholders' Direct Unitholdings in Hektar REIT:-

1. HSBC Institutional Trust Services (Singapore) Limited for Frasers Centrepoint Trust (As Trustee)	99,400,000	31.06%
2. Hektar Black Sdn. Bhd.		
- Pledged securities account for Hektar Black Sdn. Bhd.	40,700,000	12.72%
3. Hektar Premier Sdn. Bhd.	300,000	0.09%
- Pledged securities account for Hektar Premier Sdn. Bhd.	87,500,000	27.34%
4. HSBC - FS For Arisaig Asean Fund Limited	19,855,000	6.20%

4. UNITHOLDERS' CAPITAL (cont'd)

	2008 No. of units	% of total units
The Manager's related parties' Direct Unitholdings in Hektar REIT:-		
1. Hektar Premier Sdn. Bhd.	87,800,000	27.44%
2. Hektar Black Sdn. Bhd.	40,700,000	12.72%

5. INVESTMENT PROPERTIES

	2008 RM	2007 RM
At beginning of financial year/period	559,400,000	–
Acquisition	120,980,000	512,000,000
Additions	8,905,355	3,558,383
Fair value adjustment	24,114,645	43,841,617
At end of financial year/period	713,400,000	559,400,000

Details of the above are as follows:-

Description of property	Tenure of land	Location	Existing Use	Acquisition cost as at 31 December 2008 RM	Valuation as at 31 December 2008 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	283,400,000	331,400,000	82%
2. Mahkota Parade	Leasehold	Melaka	Commercial	232,000,000	252,000,000	63%
3. Wetex Parade and Classic Hotel	Freehold	Muar	Commercial	117,500,000	130,000,000	32%
				632,900,000	713,400,000	

The valuations of Subang Parade, Mahkota Parade, Wetex Parade and Classic Hotel were carried out on 30 November 2008 by Messrs. Henry Butcher Malaysia Sdn. Bhd., Henry Butcher Malaysia (Malacca) Sdn. Bhd. and Henry Butcher Malaysia (Muar) Sdn. Bhd. respectively, the independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison and the investment methods of valuation.

The leasehold land for Mahkota Parade is expiring on 2101.

Subang Parade and Mahkota Parade have been pledged as security for borrowings under Note 11 of the Notes to the Financial Statements.

6. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit has been pledged to a licensed bank for bank guarantee granted to the Trust.

7. TRADE RECEIVABLES

	2008 RM	2007 RM
Trade receivables	660,058	995,406
Less: Allowance for doubtful debts	(188,317)	(79,844)
	471,741	915,562

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the other receivables, deposits and prepayments are receivables of RM3,056,351 (2007: RM2,480,074) due from companies related to the Manager which are trade in nature, interest free and have no fixed terms of repayments and also deposit of RM350,000 (2007: RM2,350,000) paid upon for the proposed acquisition of properties.

9. OTHER PAYABLES AND ACCRUALS

Included in payables and accruals are amounts owing to the Manager and Trustee of RM156,206 (2007: RM255,148) and RM Nil (2007: RM9,970) respectively, which are unsecured, interest free and payable monthly in arrears and also the deposits received from tenants amounting to RM20,255,544 (2007: RM16,082,588).

10. PROVISION FOR INCOME DISTRIBUTION

	2008 RM	2007 RM
At beginning of financial year/period	11,232,035	–
Provision during the financial year/period	32,640,102	34,272,107
Payment made during the financial year/period	(34,272,107)	(23,040,072)
At end of financial year/period	9,600,030	11,232,035

11. BORROWINGS

	2008 RM	2007 RM
Secured:-		
Murabahah Overdraft ("MOD")	301,500,000	184,000,000

The MOD is secured by way of fixed charge over Subang Parade and Mahkota Parade. The MOD has a tenor of 5 years and is subject to interest rate of cost of funds plus 75 basis points (2007: cost of funds plus 50 basis points).



12. GROSS REVENUE

	2008 RM	5.10.2006 to 31.12.2007 RM
Rental income	76,725,364	71,254,059
Car park income	7,226,373	6,900,129
Other income	140,548	176,787
	84,092,285	78,330,975

13. PROPERTY EXPENSES

	2008 RM	5.10.2006 to 31.12.2007 RM
Assessment and quit rent	2,836,210	2,990,125
Marketing and promotions	3,081,020	3,087,029
Property management fee	1,683,446	1,568,168
Property maintenance	13,704,551	12,095,502
Utilities	9,566,094	8,844,535
Others	505,657	466,715
	31,376,978	29,052,074

Property management fee of RM1,683,446 (2007: RM1,568,168) was incurred to Izrin & Tan Properties Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

14. MANAGER'S FEES

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

Manager's annual fee:-

(i) Base fee

Up to 1.0% per annum of the Gross Asset Value ("GAV") of the Trust payable monthly in arrears, excluding GST.

For the financial year ended 31 December 2008 and ending 31 December 2009, the base fee shall be 0.25% per annum of the GAV of the Trust (2007: 0.25%).

(ii) Performance fee

Up to 5.0% per annum of the Net Property Income ("NPI"), before deducting the property management fee, payable monthly in arrears, excluding GST.

For the financial year ended 31 December 2008 and ending 31 December 2009, the performance fee shall be 3.5% per annum of the NPI, before deducting the property management fee (2007: 3.5%).

15. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee is entitled to receive a fee up to 0.1% per annum of the NAV of the Trust, including the Manager's fees, payable annually in arrears, excluding GST.

For the financial year ended 31 December 2008 and ending 31 December 2009 the Trustee's fee shall be 0.035% (2007: 0.035%) per annum of the NAV of the Fund, including the Manager's fees but excluding GST.

16. TAXATION

	2008 RM	5.10.2006 to 31.12.2007 RM
Current financial year's provision	–	–

A reconciliation of income tax expense on income before taxation for the REIT with the applicable statutory income tax rate is as follows:-

	2008 RM	5.10.2006 to 31.12.2007 RM
Income before taxation	60,352,734	80,524,000
Income tax at 26% (2007: 27%)	15,691,711	21,741,480
Tax effects in respect of:-		
Non-allowable expenses	360,884	261,330
Income not subject to tax	(6,269,808)	(11,837,237)
Change in tax rate	–	3,347
Effect of income distribution exempted from tax	(9,782,787)	(10,168,920)
Total tax expenses	–	–

17. EARNINGS PER UNIT

- The calculation of earnings per unit after manager's fee is based on net income for the financial year/period of RM60,352,734 (2007: RM80,524,000) to the number of units in circulation during the financial year/period of 320,001,000 (2007: 320,001,000).
- The calculation of earnings per unit before manager's fee is based on net income for the financial year/period of RM63,964,883 after adding back manager's fee (2007: RM83,782,055) and number of units in circulation during the financial year/period of 320,001,000 (2007: 320,001,000).
- The calculation of earnings per unit after manager's fee (realised) is based on realised net income for the financial year/period of RM36,238,089 (2007: RM36,682,383) to the number of units in circulation during the financial year/period of 320,001,000 (2007: 320,001,000).
- The calculation of earnings per unit before manager's fee (realised) is based on realised net income for the financial year/period of RM39,850,238 after adding back manager's fees (2007: RM39,940,438) and the number of units in circulation during the financial year/period of 320,001,000 (2007: 320,001,000).

18. INCOME DISTRIBUTION

Distribution to Unitholders is from the following sources:-

	2008 RM	5.10.2006 to 31.12.2007 RM
Net rental income	52,715,307	49,278,901
Other income	12,319	1,500
Interest income	171,797	121,858
	52,899,423	49,402,259
Less: Expenses	(16,661,334)	(12,719,876)
	36,238,089	36,682,383
Gross provision for distribution per unit (sen)	10.20	10.71
Net provision for distribution per unit (sen)**	10.20	10.71

** Withholding tax will be deducted for distributions made to the following types of unitholders:-

	YA* 2008	YA* 2009
Resident individual	15%	10%
Non-resident individual	15%	10%
Resident institutional investors	20%	10%
Non-resident institutional investors	20%	10%
Non-resident companies	26%	25%

* YA - Year of Assessment

19. LISTING EXPENSES

	2008 RM	5.10.2006 to 31.12.2007 RM
Brokerage and commissions	–	3,274,583
Professional fees	–	2,617,108
Miscellaneous expenses	–	2,557,598
	–	8,449,289

The expenses were deducted directly against the Unitholders' funds. Included in the professional fees were non-audit fees paid and payables to the auditors of Hektar REIT amounting to RM Nil (2007: RM108,000) for acting as independent reporting accountant with respect to the issuance and placement of Units in Hektar REIT.

20. PORTFOLIO TURNOVER RATIO

	2008 RM	5.10.2006 to 31.12.2007 RM
Portfolio Turnover Ratio ("PTR")(times)	0.32	1.49

The calculation of PTR is based on the average of total acquisition and total disposal of investment in Hektar REIT to the average net asset value for the financial year calculated on a quarterly basis.

21. MANAGEMENT EXPENSE RATIO

	2008 RM	5.10.2006 to 31.12.2007 RM
Management Expense Ratio ("MER")(%)	1.37	1.28

The calculation of MER is based on the total fees and expenses of Hektar REIT incurred, including Manager's fees, Trustee's fee, auditors' remuneration, tax agent's fees, allowance for doubtful debts and administrative expenses, to the average NAV during the financial year. Since the NAV is calculated on a quarterly basis, comparison of the MER of Hektar REIT with other REITs which uses different basis of calculation may not be an accurate comparison.

22. CAPITAL COMMITMENT

Capital expenditure in respect of the following has not been provided for in the financial statements:-

	2008 RM	2007 RM
Authorised but not contracted for:-		
Acquisition of investment properties	3,150,000	115,150,000
Refurbishment of investment properties	–	1,567,481
	3,150,000	116,717,481

Authorised and contracted for:-

Refurbishment of investment properties	–	827,560
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23. TRANSACTION WITH A COMPANY RELATED TO THE MANAGER

	2008 RM	5.10.2006 to 31.12.2007 RM
Commission and service charges received - Hektar Black Sdn. Bhd.	209,607	247,771



24. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

	Within 1 year RM	2 to 5 years RM	Total RM	Effective interest rate during the financial year
2008				
<u>Financial asset</u>				
Fixed deposit with a licensed bank	-	1,767,432	1,767,432	2.90% - 3.10%
<u>Financial liability</u>				
Borrowings	-	301,500,000	301,500,000	4.95%
2007				
<u>Financial asset</u>				
Fixed deposit with a licensed bank	-	1,278,529	1,278,529	2.90%
<u>Financial liability</u>				
Borrowings	-	184,000,000	184,000,000	4.75%

(b) Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheet.

Hektar REIT has no significant concentration of credit risk with any single counterparty.

As at 31 December 2008, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

(c) Fair values

The carrying amounts of financial assets and liabilities of Hektar REIT at the balance sheet date approximated their fair values.

25. COMPARATIVE INFORMATION

The comparative information is for the period from 5 October 2006 (date of establishment) to 31 December 2007. Consequently, the comparative figures in the income statement, cash flow statement, statement of changes in net asset value and related notes are not comparable.

Analysis of Unitholders

TOP 30 UNITHOLDERS AS AT 31 JANUARY 2009 (As per Record of Depositors)

No.	Name of Unitholders	No. of Units	%
1	AMSEC Nominees (Asing) Sdn Bhd HSBC Institutional Trust Services (Singapore) Limited For Frasers Centrepoint Trust (As Trustee)	99,400,000	31.06
2	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Hektar Premier Sdn Bhd (SFD)	47,500,000	14.84
3	AMMB Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad For Hektar Black Sdn Bhd (BK-HEK000)	40,700,000	12.72
4	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hektar Premier Sdn Bhd (564726100452)	40,000,000	12.50
5	HSBC Nominees (Asing) Sdn Bhd HSBC-FS For Arisaig Asean Fund Limited	19,855,000	6.20
6	HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	7,948,200	2.48
7	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	7,000,000	2.19
8	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Enhanced Bond Fund	5,603,400	1.75
9	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Mellon Bank (ABNAMRO Mellon)	3,566,400	1.11
10	Firstwide Trade Sdn Bhd	3,000,000	0.94
11	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For American International Assurance Berhad	2,550,000	0.80
12	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Funds Malaysia	2,221,800	0.69
13	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL NON-PAR)	2,000,000	0.62
14	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad For Pacific Dividend Fund (UT-PM-DIV)	1,935,300	0.60
15	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Par Fund)	1,533,500	0.48
16	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Non-par Fund)	1,533,000	0.48
17	BHLB Trustee Berhad TA Small Cap Fund	1,490,700	0.47
18	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Far-East Property & Resorts Fund	1,382,000	0.43
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Prudential Equity Income Fund (4801)	1,356,000	0.42
20	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Life Par Fund)	1,335,000	0.42



TOP 30 UNITHOLDERS AS AT 31 JANUARY 2009 (As per Record of Depositors) (cont'd)

No.	Name of Unitholders	No. of Units	%
21	Citigroup Nominees (Asing) Sdn Bhd UBS AG	1,138,500	0.36
22	Amsec Nominees (Tempatan) Sdn Bhd AmLife Insurance Berhad (FM-AMAB-LNP)	979,300	0.31
23	Malaysian Assurance Alliance Berhad As Beneficial Owner (Balanced Fund)	948,700	0.30
24	Jazelan Firhan Bin Jaafar	928,000	0.29
25	Latifpah Binti M Atan	928,000	0.29
26	Universal Trustee (Malaysia) Berhad Alliance Optimal Income Fund	900,000	0.28
27	Amsec Nominees (Tempatan) Sdn Bhd AmLife Insurance Berhad (FM-AMAB-LF)	856,000	0.27
28	Malaysian Assurance Alliance Berhad As Beneficial Owner (Income Fund)	725,500	0.23
29	Amsec Nominees (Tempatan) Sdn Bhd AMG Insurance Berhad (FM-AMAB-GF)	712,000	0.22
30	HSBC Nominees (Asing) Sdn Bhd BNY LUX For International Opportunities Fund - Malaysia Equity	668,800	0.21

BREAKDOWN OF UNITHOLDERS AS AT 31 JANUARY 2009

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	4	0.53	200	0.00
100 to 1,000	131	17.46	108,800	0.03
1,001 to 10,000	390	52.00	2,277,000	0.71
10,001 to 100,000	155	20.67	5,424,700	1.70
100,001 to less than 5% of Issued Units	65	8.67	64,735,300	20.23
5% and above of Issued Units	5	0.67	247,455,000	77.33
Total	750	100.00	320,001,000	100.00

CLASSIFICATION OF UNITHOLDERS AS AT 31 JANUARY 2009

Category of Unitholders	No. of Holders			No. of Units			% of Units		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	63	434	10	2,115,900	7,535,000	427,100	0.66	2.35	0.13
2 Body Corporate									
a. Bank/Finance Companies		4			1,573,200			0.49	
b. Investments trusts / foundations / charities		2			22,000			0.01	
c. Other types of Companies	6	8		4,864,200	2,219,200		1.52	0.69	
3 Government agencies / institutions									
4 Nominees	142	59	22	150,149,000	15,245,700	135,849,700	46.92	4.76	42.45
5 Others									
Total	211	507	32	157,129,100	26,595,100	136,276,800	49.10	8.31	42.59

SUBANG
PARADE

MAHKOTA
PARADE

WETEX
PARADE