



**Hektar Real Estate Investment Trust** | ANNUAL REPORT 2012



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, Muar, Sungai Petani and Kulim with a combined value of RM1.03 billion. The acquisition of the abovementioned shopping centres in Sungai Petani and Kulim were completed in October 2012.

Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006 and has continuously recorded improving performance since its 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., and was formed with a vision to develop world-class shopping centres for Malaysian consumers, based on international best practices.



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## Financial Highlights

FY2012 distribution per unit (DPU) maintained at 10.5 sen

### Financial Year

Ended 31 December

	FY2012 12 months RM '000	FY 2011 12 months RM '000	FY 2010 12 months RM '000	FY 2009 12 months RM '000	FY 2008 12 months RM '000	FY 2007 <sup>1</sup> 13 months RM '000
Gross Revenue	103,232	94,881	90,873	87,712	84,092	78,331
Direct Cost & Property Expenses	39,485	36,585	35,530	34,688	31,377	29,052
Net Property Income (NPI)	63,747	58,296	55,343	53,024	52,715	49,279
Net Income	58,470	86,651	39,184	37,137	60,353	80,524
Earnings Per Unit	17.19 <sup>***</sup>	27.08	12.24	11.61	18.86	25.16
Net Income – Realised	39,758	38,914	38,172	36,737	36,238	36,682
Net Income Per Unit – Realised (sen)	11.69 <sup>***</sup>	12.16	11.93	11.48	11.32	11.46*
Income Distribution	35,777	33,600	32,960	32,960	32,640	34,272
Distribution Per Unit (DPU) (sen)	10.50	10.50	10.30	10.30	10.20	10.71 <sup>**</sup>

### Balance Sheet

as at 31 December

	FY 2012 RM '000	FY 2011 RM '000	FY 2010 RM '000	FY 2009 RM '000	FY 2008 RM '000	FY 2007 <sup>1</sup> RM '000
Total Assets	1,066,267	867,059	782,439	777,125	738,108	587,797
Total Liabilities	469,603	391,906	360,997	360,927	326,407	213,408
Total Borrowings	436,100	363,480	334,000	334,000	301,500	184,000
Gearing Ratio	40.89%	41.92%	42.70%	43.00%	40.80%	31.30%
Net Assets	596,664	475,153	421,462	416,198	411,701	374,389
No. of Units in Circulation (Units)	400,634	320,001	320,001	320,001	320,001	320,001
NAV per Unit (RM)	1.49	1.48	1.32	1.30	1.29	1.17

<sup>1</sup> FY2007 represents a 13-month period from Hektar REIT's listing on 4 December 2006 to 31 December 2007.

\* Annualised Net Income per Unit (Realised) for FY 2007 is 10.58 sen.

\*\* Annualised DPU for FY 2007 is 9.89 sen.

\*\*\* Calculated based on Weighted Average No. of Units in Circulation of 340,159,279.

## Financial Highlights (cont'd)

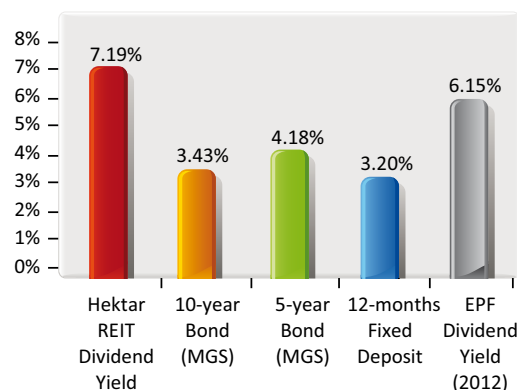
With the completion of the Rights Issue exercise in October 2012, the number of units in circulation was increased from 320,001,000 units to 400,634,117 units. Despite this, Hektar REIT has maintained its DPU at 10.50 sen for FY2012.

### Income Distributions FY2012

First Interim DPU	2.60 sen
Second Interim DPU	2.60 sen
Third Interim DPU	2.60 sen
Final DPU	2.70 sen
Total DPU	10.50 sen
DPU Yield*	7.19%

\* Based on DPU of 10.50 sen and the closing unit price of RM1.46 for FY2012. Source: Bloomberg

### Distribution Yield Comparative Yields\*



### Unit Price Statistics FY2012

High	RM1.49
Low	RM1.27
Opening Price (3 January 2012)	RM1.28
Closing Price (31 December 2012)	RM1.46
Change In Price	14.06%

### Unit Price Performance FY2012

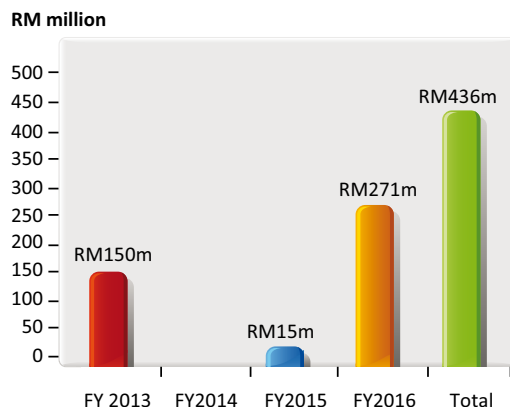


### Debt Structure as at 31 December 2012

Al-Murabahah / Overdraft	
Fixed Term Loan, Annual Floating Rate with Partial Hedging	
Total Debt	RM436 million
Weighted Cost of Debt	4.58%
Gearing Ratio <sup>1</sup>	40.89%
Interest Cover	4.67%

<sup>1</sup> Gearing ratio calculated by total long term liabilities over Gross Asset Value (GAV).

### Debt Expiry Profile as at 31 December 2012



## Financial Highlights (cont'd)

### Portfolio Highlights

Growth in Hektar REIT's portfolio

<b>Net Lettable Area</b>		<b>No. of Properties</b>		<b>Market Valuation</b>	
<u>2011</u> 1.1 mil. sf	<u>2012</u> 1.7 mil. sf	<u>2011</u> 3	<u>2012</u> 5	<u>2011</u> RM 822 mil.	<u>2012</u> RM 1,029 mil.
<b>Market Catchment<sup>1</sup></b>		<b>Visitor Traffic</b>		<b>Number of Tenancies<sup>3</sup></b>	
<u>2011</u> 1.3 mil.	<u>2012</u> 1.9 mil.	<u>2011</u> 22.1 mil.	<u>2012</u> 28.1 mil. <sup>2</sup>	<u>2011</u> 325	<u>2012</u> 506

Data current as at 31 December 2012.

<sup>1</sup> MIRP Surveys (2007-8) and Market Survey 2011

<sup>2</sup> Excluding Central Square and Landmark Central as FootFall System has only been installed in Nov 2012.

<sup>3</sup> NLA Tenants only

### Strategy

Hektar REIT remains focused on acquiring retail properties throughout Malaysia and optimising property yields

#### Focus

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

#### Portfolio Optimisation

Providing Sustainable Returns and Income Defensibility on portfolio by:

- Active Leasing: 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 by acquisition of:

- Stabilised Properties: assets with sustainable cash flow, requiring selective optimisation
- Turnaround Properties: assets with solid fundamentals which are underserving their current market, requiring intensive value creation initiatives to 'turnaround' the property, increasing yields in the long term

### 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.

## Letter To Unitholders

The Year in review

It's that time of the year again for us to share with you the events and activities that have happened in 2012. I am pleased to report that Hektar REIT has successfully continued its track record of encouraging results in 2012. Our portfolio of assets which have been nurtured over the years continued to make solid contributions in delivering positive results for the financial year ended 31 December 2012 (FY2012).

Setahun telah berlalu dan kini tiba masanya untuk kami sekali lagi berkongsi dengan anda peristiwa dan kegiatan yang telah berlaku pada tahun 2012. Sukacita saya ingin melaporkan bahawa tahun 2012 sekali lagi menyaksikan Hektar REIT mencatat keputusan yang menggalakkan. Portfolio aset kami terus membuat sumbangan yang kukuh dalam memberikan keputusan yang positif bagi tahun kewangan berakhir 31 Disember 2012 (FY2012).

又來到與你們分享2012年的活動與成就的時刻。我很榮幸要在此報告賀達房地產投資信託基金，在2012年成功取得持續且振奮人心的業績。我們的資產組合在過去幾年逐步卓有成效，持續地做出了鞏固的貢獻，對我們截至2012年12月31日止財政年提供了良好業績。



Dato' Jaafar Bin Abdul Hamid  
Chairman and Chief Executive Officer

## Letter To Unitholders (cont'd)

The Year in review

### Dear Valued Unitholders of Hektar REIT,

It's that time of the year again for us to share with you the events and activities that have happened in 2012. I am pleased to report that Hektar REIT has successfully continued its track record of encouraging results in 2012. Our portfolio of assets which have been nurtured over the years continued to make solid contributions in delivering positive results for the financial year ended 31 December 2012 (FY2012).

FY2012 was indeed a busy year for us as the acquisition exercise of Central Square Shopping Centre in Sungai Petani and Landmark Central Shopping Centre in Kulim, collectively known as "Kedah Malls", came into fruition. On 2 October 2012, Hektar REIT officially became the new proprietor of the Kedah Malls, which increased its portfolio from three (3) to five (5) shopping malls, strategically located across Peninsular Malaysia.

It's still early days for the Kedah Malls and we anticipate an even busier year in 2013 as we extensively plan and execute the improvements for the Kedah Malls and replicate the success of our other three malls. Among other things, we will undertake asset enhancement initiatives in the form of tenancy remixing and relocation thus increasing the presence of relevant national and international retail chains to give both shopping malls a fresher look to serve deserving Malaysian consumers. The repositioning and refurbishment measures are expected to take about a year and we expect to complete the exercise by end of 2013. Upon completion, we foresee that the Kedah Malls' performance will soar as the malls reap the benefits from our application of proven international best practices in retail and shopping centre design and operations.

### OPERATING ENVIRONMENT

The nation's rating agency, Malaysian Rating Corporation Bhd ("MARC") had reported that Malaysia's economy is expected to expand at a pace of 5.3% in 2012. Domestic demand, built largely by private and public sector spending, played a pivotal role in sustaining the growth momentum despite the tough external environment vis-à-vis the sovereign debt crisis in Europe and the gloomy US economic outlook. Looking forward, the implementation of the Economic Transformation Program (ETP) by the government could provide the stimulus to boost economic growth amidst the global economic slowdown. Having successfully ridden out the global financial crisis of 2008 and 2009, Malaysia's economy appeared to be well placed to continue its progress into 2013.

Notwithstanding the uncertainties in the economic environment, Hektar REIT remains confident in its business model – owning and managing world class retail destinations for Malaysians. The overall business fundamentals are still positive to support our business plan. The prolonged uncertainties of the external economies have not severely dampened the domestic

retail industry in 2012. The Malaysia Retailers Association (MRA) reported that they are expecting the Malaysian retail sales to continue its growth albeit at a slower pace of 6% compared to the 8% growth rate last year.

To cater for the young and vibrant Malaysian population, the total retail shopping space has been expanding throughout the country. New and exciting shopping malls have emerged in many areas with strong catchments such as in the Klang Valley and in smaller towns across Malaysia. On a more positive note, shopping malls particularly in prime locations have commanded good valuations as evidenced by the past two years of successful listings of retail REITs.

### FINANCIAL PERFORMANCE

#### Sustainable Financial Performance

Hektar REIT entered 2012 with the realization that borrowings costs have increased quite substantially (an average increase of 50 basis points). Furthermore, an increase in electricity tariff hike in mid-2011 was an added obstacle in our effort to sustain Hektar REIT's performance.

For FY2012, gross revenue reached RM103 million, up approximately 9% from the previous year, while Net Property Income (NPI) reached RM64 million, also up 9% from the preceding financial year ended 31 December 2011 (FY2011). Despite the challenge of rising cost, Hektar REIT's Realised Net Income of RM39.8 million, managed to be 2% higher than FY2011. This is due to improved revenue from our three older malls, as well as contributions from the Kedah Malls for the last 3 months of 2012.

Realised Earnings Per Unit is 11.69 sen, slightly lower than 2011's 12.16 sen. This dilution is mainly due to the increase in the number of units in circulation arising from the rights issue exercise.

Hektar REIT's Total Assets have increased with the acquisition of the Kedah Malls and are now collectively valued at RM1.1 billion. As a result, Net Asset Value (NAV) has also increased to approximately RM1.49 per unit despite the increase in the number of units in circulation from the rights issue to part finance the acquisition of the Kedah Malls.

#### Fair Value Adjustment

Fair value adjustment is a non-cash item and is part of the Financial Reporting Standards (FRS) guidelines adopted on the valuation adjustment for Hektar REIT's property portfolio on an annual basis. Valuations are conducted by independent valuers whose reports are made objectively to determine the market value of a property at that time. Asset managers constantly look for ways to enhance or refurbish properties to improve their income generating potential and ultimately increasing their property values.



## Letter To Unitholders (cont'd)

The Year in review

The 25% increase in valuation of the properties in FY2012 to RM1.03 billion (FY2011- RM822 million) reflected the increase in the portfolio size from the acquisition of the Kedah Malls as well as the portfolio's income-generating capability. The various planned asset enhancement and tenant remixing exercises during the year had achieved the desired results envisioned by the asset manager. Please read on for more details on our asset enhancement activities executed during the year.

### Income Distribution and Accounting Policy

Hektar REIT announced a distribution per unit (DPU) of 10.50 sen for FY2012 maintaining the payout made in FY2011. As communicated in our previous unitholders meeting in 2012, we are committed to at least maintain the DPU rate of 10.5 sen notwithstanding that we are expecting to focus our resources and harness them for the asset enhancement initiatives that we have planned for in FY2013.

We have maintained a policy of paying out at least 90% of our distributable net income in four quarterly dividend payments throughout the year. We should clarify that distributable net income is net income excluding non-cash items, such as fair value adjustments (usually attributed to property value increases) and items under FRS 117, an accounting standard implemented in FY2010 (see the notes to the accounts for more details). As a result, the FY2012 distributable net income is lower than the net income. After paying 90% of the distributable net income, Hektar REIT retains the remaining 10% for future asset enhancements of the properties and potential acquisitions of sold lots throughout the Hektar REIT portfolio.

### Positive Track Record

In terms of revenue, NPI, NAV and asset value, Hektar has continuously recorded improvements every year since its initial public offering (IPO) in 2006. The stock market took cognizant of these records and has rewarded Hektar REIT unitholders with a fair valuation of the units in circulation. In spite of the dilution impact from the issuance of the 80.0 million new units to fund the Kedah Malls acquisitions, Hektar REIT's unit price closed at RM1.46, an increase of approximately 14.1% from RM1.28 at the beginning of the year.

If you have invested in Hektar REIT units in the beginning of 2011 at RM1.28 and remained a unitholder till the year end, you would have received four distribution payments totaling 10.5 sen per unit, representing a dividend yield of 7.2% and capital gain on the unit price of 14.1% (based on the initial investment entry price at RM1.28). Your total return on Hektar REIT for FY2012 would be approximately 22.3%.

### Refinancing in 2012

The overnight policy rate (OPR) rate has remained unchanged since the last 25 basis points hike in the month of May 2012 to 3%. Despite the weakening external sector of the economy, Bank Negara Malaysia has resisted pressures to lower the OPR. MARC reported in its paper that it expected the monetary policy to remain unchanged unless the economic growth momentums were to decline significantly in 2013.

Hektar REIT's financing is secured by Al-Murabahah overdraft facilities with 4 tranches worth RM184 million, RM15 million, RM150 million and RM87 million expiring in 2016, 2015, 2013 and 2016 respectively. Hektar REIT's gearing ratio is 41% of gross asset value which is well within the 50% limit set by the authorities and the weighted average cost of financing as at end FY2012 is 4.6%. The financing cost during FY2012 increased by 25% compared to FY2011 mainly due to the rise of the interest rates in response to the hike in OPR in 2011/12 and higher borrowings taken for the acquisition of the Kedah Malls. Despite the increase in financing cost, the rise in the revenue is more than sufficient to cover the rise in financing cost.

The 4th tranche of the debt of RM87 million which was utilized to part fund the acquisition of the Kedah Malls has a tenor of 5 years and will expire in October 2016.

As a precautionary measure against possible further interest rate hikes, the Board has decided to hedge about 42% of the total borrowings of RM436 million via an Islamic Profit Rate Swap ("IPRS") instrument. The 5-year IPRS rate is 4.85%.

### PORTFOLIO PERFORMANCE

Hektar REIT's portfolio consists of Subang Parade in Subang Jaya, Mahkota Parade in Melaka, Wetex Parade in Muar, Central Square in Sungai Petani and Landmark Central in Kulim. Collectively, these properties serve a market catchment of more than 2.5 million Malaysians. The shopping malls are located in relatively dense population catchment areas, not only enjoying high loyalty rate from locals but also increasing visitorship from all walks of life. As a result, more than 506 tenancies representing a spectrum from retail to entertainment are present in Hektar REIT's retail properties.

### The Shopping Centre Experience

Hektar REIT's motto is about "Creating The Places Where People Love to Shop" and the business model employs international standard best practices. Our team constantly researches and reviews best practices through training and conferences around the world.

## Letter To Unitholders (cont'd)

The Year in review

Over the years, one of the shifts in retailing is the revitalisation of the shopping centre as a communal place. Shopping centres continue to emerge as a 'favourite meeting place' in this part of the world. Our overall strategy is focused on ensuring that Hektar REIT's properties remain as prime points of communal gatherings.

Let us examine our strategy in the context of our portfolio performance in 2012 below.

### Subang Parade's Challenges & Opportunity

Last year, we had reported that a major strategy was formulated to address the increase in the level of competition in the Subang Jaya city centre area. One of our strategic moves was introducing a cinema in Subang Parade to cater for the entertainment need of the surrounding neighborhood. The new cineplex offers 8-screens including the latest 3-D and 2-D screens technology. Subang Parade is now the only shopping centre with a cineplex in the Subang Jaya township. The successful launch of MBO Cinemas in mid September 2011, has reinforced Subang Parade's appeal as a 'favourite meeting place', serving a diverse array of retail offerings that include entertainment for family, young couples and teenagers.

The participation of international fast food chains such as Starbucks, Carl's Jr Charbroil Burgers, Subway Restaurant and Sunshine Kebabs is a culmination of an aggressive tenant remixing exercise to capture the new prime retail space created at various locations in proximity to the cinema. The increase in traffic generated by the cinemagoers has improved rental rates for these locations.

Other than the development of a cineplex on the first floor, 2012 also saw Subang Parade introducing other new food and beverage (F&B) space known as the Market Place located on the lower ground floor. The Market Place hosts local favorites such as Capricciosa Pasta & Pizza, JM Bariani, Rosie and Kafe Bawang Merah. Other favourite F&B brands the likes of Chatime and Latte Mei from Taiwan, and Krispy Kreme have also made their way into Subang Parade, offering more variety and choices to shoppers.

Apple products have been the rave in recent times. To ride on this wave of popularity, Subang Parade now boasts a new Apple premium reseller outlet at the main entrance of the mall strengthening the numerous retail outlets offering smart phones and tablets.

We are pleased to report that the occupancy rate in Subang Parade has remained extremely high for the second year running at 99.8% in FY2012. With the launching of the new aforementioned initiatives, Subang Parade visitor traffic was up at a healthy rate of 44% to 11.4 million visits in FY2012 when compared with the previous year. We are extremely delighted with the reception given by our shoppers and look forward to experience another year of healthy impact on the rental reversions in 2013.

### Mahkota Parade Revival

Located at the heart of Melaka town, Mahkota Parade was positioned as the first "regional" shopping mall when it opened its doors way back in 1994. Mahkota Parade is still one of the premier shopping destinations strategically located in the tourist section of the historical town of Melaka.

In order to remain relevant in a highly competitive retail market, we had embarked on a major refurbishment exercise in 2009 and Mahkota Parade was re-launched in May 2010. Asset enhancement initiatives to further support Mahkota's revival has continued in 2012. We have expanded Mahkota Parade's offering on entertainment with the entry of Mixx Club. Mixx Club's unique multi room facilities offers combination of F&B, Club and Live Band entertainment destinations for locals and tourists alike.

The RM30 million spent on capital expenditure for refurbishment and the tenant remixing exercise have revived Mahkota Parade as one of the leading shopping centre destination in Melaka. I am pleased to report that not only has its rental income improved over the years but the occupancy rates have stabilized as well.

Identical to last year's performance, Mahkota Parade is enjoying high occupancy rate of 96% in FY2012. The 2009-2010 refurbishments had initially impacted visitor traffic but Mahkota Parade had since recaptured the lost traffic in 2012. Traffic had increased by a healthy 35% to 11.0 million footfalls in 2012 as compared to 8.2 million recorded in 2011.

The positive responses by retailers are testimony to the successful revitalization of Mahkota Parade. They gave validation that our refurbishment was the right move, ensuring Mahkota Parade maintained its position as a leading shopping mall in the city centre of Melaka. Mahkota Parade already boasts a stable of quality international and national brands tenants. The entry of Daiso, Old Town White Coffee, East India Company, Timberland, Converse and Hush Puppies further reinforces Mahkota Parade's quest for a balanced retail mix. We look forward to another year of positive overall rental reversions from Mahkota Parade moving forward.

### Wetex Parade's Leading Position in Muar

Wetex Parade is an integrated retail complex located in the middle of the business and commercial area of Muar town. It enjoys a prominent position as a premier retail destination as Wetex Parade is the only purpose built shopping mall in Muar serving the catchment. It enjoyed another year of solid performance in 2012 with increasing rental rates whilst maintaining high occupancy rate of 98%. Wetex Parade's rental reversions had recorded another year of overall positive increases in 2012 reflecting the leading position in the local retail market share which it currently enjoys.

## Letter To Unitholders (cont'd)

The Year in review

'The Quadrix' located on the fourth floor was launched in late 2010 as a new concept of retailing in Muar. New tenants were introduced upon the completion of our asset enhancement initiatives to embark on remodeling and refurbishing the top floor retail space. The Quadrix is now anchored by The Music Bank, a family-style karaoke centre while the rest of the floor features lifestyle retailers that include fashion, novelties and communication outlets. Other international and national brands that have made their way into Wetex Parade in 2012 are favorites such as Hush Puppies and Shihlin Taiwan Street Snacks. The management will continue to place high emphasis on the tenancy remixing in Wetex Parade and manage change proactively. We will diligently monitor the progress of the strategy of replacing old retailers with new formats. It is a careful process which requires strategic planning but over the long term period this effort is expected to improve Wetex Parade's performance.

Visitor traffic to Wetex Parade experienced a slight dip in 2012, reaching 5.7 million as compared to 5.9 million visits in 2011, a drop of about 4%. While visitor traffic as measured by the FootFall system is an important performance indicator, it is not directly correlated to shoppers spending. In 2012, Wetex Parade has recorded yet another year of increase in shoppers spending of approximately 7% as compared to 2011.

### Central Square and Landmark Central – realizing potential

The acquisition of the two Kedah malls were completed in October 2012. Both malls are located in major catchment areas in Sungai Petani and Kulim. Sungai Petani is a thriving township with a large population size of more than 400,000 residents. Central Square Shopping Centre has been around for the last 15 years and it has remained a favorite destination for the locals. However, the age of the shopping malls presents opportunities for us to turnaround the malls by implementing asset enhancement initiatives.

Kulim town is regarded as the feeder to the successful Kulim Hi-Tech Park that resides many of the world's biggest technology companies such as Intel, Fuji and First Solar to name a few. In Kulim, Landmark Central Shopping Centre is the only purpose built shopping mall serving the immediate catchment of more than 250,000 residents. It was opened for business in 2009.

Hektar REIT will bring its experience of managing retail malls to the two Kedah Malls. Even the best shopping malls constantly require attention to remain significant. Planning the retail mix therefore, is a key success factor in managing shopping malls.

Armed with our experience in applying international best practices in designing and managing retail mix for shopping malls, our main motivation will be to ensure that the Kedah Malls remain relevant to the shoppers.

As practiced in the past, we have embarked on detailed market and household survey studies for the two catchment areas. The lessons from the studies will guide us as to the requirements and preferences of the locals. The FootFall system to track shopper traffic is already in place at both shopping malls. The results from these combined efforts will go a long way toward making sound management decisions. We have earmarked several asset enhancement initiatives and these initiatives will be executed in due course. 2013 will be a busy year for the team as we execute the plans for the Kedah Malls in our quest for better property yields.

### Potential for Acquisitions Update

We foresee that there will be no new major acquisitions in 2013 as we are focusing our effort on the two Kedah Malls. Notwithstanding, we will continue to explore other acquisition potential as the opportunity arise. In the period of compressed capitalization rate, our mode of expansion shall be opportunistic, targeting potentials that offer property yields that are yield accretive.

Unique to REIT, any future proposed acquisition would require additional issuance of Hektar REIT units as well as additional borrowing. This is due to the fact that Malaysian REITs' in general are structured in such a manner that the REIT would have to distribute at least 90% of its distributable income in any given year to enjoy special tax incentives. Based on Hektar REIT's current trading price range, which remains above NAV and combined with access to affordable bank financing, we are confident of our ability to finance yield-accretive acquisitions moving forward.

### Acknowledgements

On behalf of the Board of Directors, I wish to thank our team at Hektar for their continued commitment and dedication to their work. Our appreciation is also extended to our retailers, shoppers, vendors and business partners. Your contributions and support ensure that Hektar REIT remains a defensible, safe investment for our investors.

To the shoppers at our portfolio of shopping malls, we thank you for your continued support and the Hektar team will work towards ensuring that the portfolio of malls will remain vibrant and relevant and remain as your choice destination.

### DATO' JAAFAR BIN ABDUL HAMID

Chairman and Chief Executive Officer

# Perutusan Pengerusi

## Ulasan Tahun

### Pemegang-pemegang Unit Hektar REIT yang dihargai,

Setahun telah berlalu dan kini tiba masanya untuk kami sekali lagi berkongsi dengan anda peristiwa dan kegiatan yang telah berlaku pada tahun 2012. Sukacita saya ingin melaporkan bahawa tahun 2012 sekali lagi menyaksikan Hektar REIT mencatat keputusan yang menggalakkan. Portfolio aset kami terus membuat sumbangan yang kukuh dalam memberikan keputusan yang positif bagi tahun kewangan berakhir 31 Disember 2012 (FY2012).

Sesungguhnya FY2012 merupakan tahun yang sibuk bagi kami ekoran pembelian Central Square Sungai Petani dan Landmark Central Kulim, secara kolektif dikenali sebagai “Kedah Malls”. Pada 2 Oktober 2012, Hektar REIT secara rasminya menjadi pemilik baru Kedah Malls, sekaligus meningkatkan portfolionya daripada tiga (3) kepada lima (5) pusat membeli belah yang terletak di lokasi strategik di seluruh Semenanjung Malaysia.

Adalah masih terlalu awal untuk mengulas tentang Kedah Malls. Secara ringkas kami jangka tahun 2013 akan lebih sibuk disebabkan perancangan dan pelaksanaan kenaikan taraf Kedah Malls, seperti yang kami telah lakukan sebelum ini kepada tiga pusat membeli belah kami. Salah satu rancangan kami ialah proses pengubahan dan penyusunan semula para penyewa. Inisiatif tersebut sekali gus dapat meningkatkan tahap kehadiran rantaian peruncit kebangsaan dan antarabangsa untuk memberikan kedua-dua pusat membeli belah tersebut penampilan yang lebih segar. Kedah Malls juga akan terus melaksanakan langkah-langkah penaikan taraf hartanah. Langkah penyusunan semula dan penaikan taraf biasanya akan mengambil masa lebih kurang 12 bulan untuk disiapkan. Apabila siap, kami meramalkan prestasi Kedah Malls akan melambung naik hasil daripada manfaat mempraktik amalan-amalan terbaik antarabangsa dari segi selok-belok peruncitan dan reka bentuk pusat membeli belah.

### PERSEKITARAN OPERASI

Agensi penarafan negara, Malaysian Rating Corporation Bhd (“MARC”) telah melaporkan bahawa ekonomi Malaysia dijangka berkembang pada kadar 5.3% pada tahun 2012. Permintaan domestik, kebanyakannya daripada perbelanjaan sektor swasta dan awam, memainkan peranan penting dalam mengekalkan momentum pertumbuhan di sebalik persekitaran luar yang sukar ekoran krisis hutang kerajaan di Eropah dan suasana ekonomi US yang masih suram. Tinjauan masa depan menunjukkan pelaksanaan Program Transformasi Ekonomi (ETP) oleh kerajaan boleh memberi rangsangan dalam meningkatkan pertumbuhan ekonomi tatkala kelembapan ekonomi global. Setelah berjaya mengharungi krisis kewangan global 2008 dan 2009, ekonomi Malaysia kelihatan berada dalam kedudukan yang lebih baik untuk terus maju pada 2013.

Di sebalik persekitaran ekonomi yang tidak pasti, Hektar REIT masih yakin dengan model perniagaannya iaitu – memiliki dan menguruskan destinasi runcit kelas dunia bagi warga Malaysia. Asas perniagaan keseluruhan masih positif untuk menyokong rancangan perniagaan kami. Ketidakpastian ekonomi luar tidak menjejaskan secara teruk industri runcit domestik pada tahun 2012. Persatuan Peruncit Malaysia (MRA) melaporkan bahawa mereka menjangkakan jualan runcit Malaysia akan berkembang pada kadar yang lebih perlahan sebanyak 6.0% berbanding dengan kadar pertumbuhan 8% tahun lepas.

Untuk memenuhi keperluan penduduk muda dan dinamik Malaysia, jumlah ruang pusat membeli belah telah berkembang di seluruh negara. Pusat membeli belah baru dan menarik telah bercambah dalam banyak kawasan tumpuan penduduk yang tinggi seperti di Lembah Klang dan di bandar-bandar di seluruh Malaysia. Pada sudut lebih positif, pusat membeli belah terutamanya di lokasi-lokasi utama telah mendapat penilaian yang baik sebagaimana yang dibuktikan dengan kejayaan penyeneraian tabung-tabung amanah peruncitan sepanjang dua tahun yang lepas.

### PRESTASI KEWANGAN

#### Prestasi Kewangan Yang Stabil

Hektar REIT memasuki 2012 dengan cabaran kos pinjaman yang ketara peningkatannya (purata peningkatan sebanyak 50 mata asas). Tambahan pula, kenaikan dalam tarif elektrik pada pertengahan 2011 adalah cabaran tambahan dalam usaha kami untuk mengekalkan prestasi kewangan Hektar REIT.

Bagi FY2012, pendapatan kasar mencapai RM103 juta, meningkat lebih kurang 9% daripada tahun sebelumnya, manakala Keuntungan Bersih Hartanah (NPI) mencapai RM64 juta, juga naik sebanyak 9% daripada tahun kewangan sebelumnya berakhir 31 Disember 2011 (FY2011). Di sebalik cabaran peningkatan kos, Keuntungan Bersih Tunai Hektar REIT sebanyak RM39.8 juga, adalah 2% lebih tinggi berbanding FY2011. Ini berpunca daripada hasil kutipan pendapatan yang bertambah baik daripada ketiga-tiga pusat membeli belah kami yang terdahulu, serta sumbangan daripada Kedah Malls bagi 3 bulan terakhir 2012.

Keuntungan Bersih Seunit adalah 11.69 sen, rendah sedikit daripada FY2011 sebanyak 12.16 sen seunit. Penurunan ini adalah terutamanya akibat daripada peningkatan bilangan unit dalam edaran, hasil daripada langkah menerbitkan unit-unit terbitan hak.

## Perutusan Pengerusi (sambungan)

Ulasan Tahun

Nilai Aset Keseluruhan Hektar REIT telah meningkat dengan pembelian Kedah Malls dan sekarang secara kolektif bernilai RM1.1 bilion. Nilai Aset Bersih (NAV) juga telah meningkat kepada lebih kurang RM1.49 setiap unit di sebalik peningkatan dalam bilangan unit dalam edaran daripada terbitan hak untuk membiayai sebahagian daripada harga pembelian Kedah Malls.

### Pelarasan Nilai Hartanah

Pelarasan nilai hartanah adalah perkara bukan tunai dan merupakan sebahagian daripada garis panduan Piawiaan Laporan Kewangan (FRS) yang diterima pakai untuk pelarasan penilaian tahunan bagi portfolio hartanah Hektar REIT. Penilaian tersebut telah dikendalikan oleh jurunilai bebas dimana laporannya dibuat secara objektif untuk menentukan nilai pasaran semasa hartanah pada masa itu. Pengurus aset sentiasa mencari jalan untuk memperbaiki atau menaik taraf hartanah dengan tujuan meningkatkan potensi penjanaan pendapatan mereka dan seterusnya meningkatkan nilai hartanah mereka.

Peningkatan 25% dalam penilaian portfolio hartanah pada FY2012 kepada RM1.03 bilion (FY2011 RM822 juta) mencerminkan peningkatan dalam saiz portfolio hasil pembelian Kedah Malls serta peningkatan keupayaan portfolio hartanah dalam menjana pendapatan. Pelbagai langkah-langkah menaik taraf dan langkah penyusunan semula para penyewa sepanjang tahun telah mencapai keputusan yang dihasratkan oleh pengurus aset. Sila baca seterusnya untuk maklumat lanjut mengenai kegiatan menaik-taraf aset kami yang dilaksanakan sepanjang tahun.

### Pembayaran Dividen dan Polisi Perakaunan

Hektar REIT mengumumkan bayaran dividen seunit (DPU) sebanyak 10.50 sen bagi FY2012 mengekalkan bayaran yang dibuat pada FY2011. Seperti yang telah kami maklumkan di dalam mesyuarat pemegang-pemegang unit pada tahun 2012, kami komited di dalam mengekalkan kadar DPU sekurang-kurangnya sebanyak 10.5 sen. Ini berjaya dicapai walaupun kami menjangkakan untuk menumpukan sumber dana dan daya usaha kami bagi inisiatif menaik taraf aset yang telah dirancang bagi FY2013.

Kami telah mengekalkan polisi membayar sekurang-kurangnya 90% daripada pendapatan bersih boleh diagih kami dalam empat bayaran dividen suku tahunan sepanjang tahun. Ingin kami jelaskan bahawa pendapatan bersih boleh diagih adalah pendapatan bersih tidak termasuk perkara bukan tunai, seperti pelarasan nilai hartanah (biasanya disebabkan oleh kenaikan nilai hartanah) dan perkara-perkara di bawah FRS 117, piawiaan perakaunan yang dilaksanakan pada FY2010 (lihat nota kepada akaun untuk butir-butir lanjut). Akibat daripadanya, pendapatan bersih boleh diagih untuk FY2012 adalah lebih rendah berbanding dengan

pendapatan bersih. Selepas membayar 90% daripada pendapatan bersih boleh diagih, Hektar REIT menyimpan 10% selebihnya untuk inisiatif menaik-taraf aset pada masa hadapan dan juga dana pembelian semula lot-lot yang telah dijual di seluruh portfolio Hektar REIT.

### Rekod Prestasi Positif

Dari segi pendapatan, NPI, NAV dan nilai aset, Hektar REIT secara berterusan mencatat peningkatan setiap tahun semenjak penawaran awam awalnya (IPO) pada 2006. Pasaran saham menghargai rekod-rekod ini dan telah memberi ganjaran kepada pemegang-pemegang unit Hektar REIT dengan penilaian unit-unit dalam edaran yang saksama. Di sebalik kesan penurunan daripada penerbitan 80.0 juta unit baru untuk membiayai pembelian Kedah Malls, harga unit Hektar REIT ditutup pada RM1.46, iaitu peningkatan lebih kurang 14.1% daripada RM1.28 yang dicatatkan pada awal tahun.

Sekiranya anda telah melabur dalam unit-unit Hektar REIT pada awal 2011 pada RM1.28 dan kekal sebagai pemegang unit sehingga akhir tahun, anda akan menerima empat dividen berjumlah 10.5 sen seunit, mewakili hasil pulangan dividen sebanyak 7.2% dan keuntungan modal ke atas harga unit sebanyak 14.1% (berdasarkan harga kemasukan pelaburan awal RM1.28 tersebut). Jumlah pulangan anda memegang unit Hektar REIT sepanjang FY2012 akan menjadi lebih kurang 22.3%.

### Pembiayaan semula pada tahun 2012

Kadar polisi semalaman (OPR) kekal tidak berubah sejak kenaikan 25 mata asas yang lepas pada bulan Mei 2012 kepada 3%. Di sebalik sektor luaran ekonomi yang semakin lemah, Bank Negara Malaysia telah menentang tekanan untuk menurunkan OPR. MARC melaporkan dalam kertas kerjanya bahawa ia menjangka dasar monetari akan kekal tidak berubah melainkan momentum pertumbuhan ekonomi merosot secara ketara pada tahun 2013.

Pembiayaan Hektar REIT dijamin melalui kemudahan overdraf Al-Murabahah dengan 4 ansuran bernilai RM184 juta, RM15 juta, RM150 juta dan RM87 juta yang akan tamat tempoh masing-masing pada 2016, 2015, 2013 dan 2016. Nisbah pinjaman Hektar REIT adalah 42% daripada nilai aset kasar. Ini adalah pada tahap yang selesa mematuhi had 50% yang ditetapkan oleh pihak berkuasa dan purata wajaran kos pembiayaan pada akhir FY2012 adalah 4.6%. Kos pembiayaan pada FY2012 meningkat sebanyak 25% berbanding dengan FY2011 terutamanya disebabkan kenaikan kadar faedah yang disebabkan dari tindak balas terhadap kenaikan dalam OPR pada 2011/12 dan jumlah pinjaman yang lebih tinggi diambil untuk pembelian Kedah Malls. Di sebalik peningkatan dalam kos pembiayaan, peningkatan pendapatan adalah lebih daripada mencukupi untuk menampung kenaikan dalam kos pembiayaan.

## Perutusan Pengerusi (sambungan)

Ulasan Tahun

Ansuran ke 4 hutang sebanyak RM87 juta, yang telah digunakan untuk membiayai sebahagian dana pembelian Kedah Malls, mempunyai tempoh pembiayaan selama 5 tahun dan akan tamat tempoh pada Oktober 2016.

Sebagai langkah berjaga-jaga terhadap kemungkinan kenaikan kadar faedah selanjutnya, Lembaga Pengarah telah memutuskan untuk memagar lebih kurang 42% daripada jumlah pinjaman RM436 juta melalui instrumen Swap Kadar Keuntungan Islam ("IPRS"). Kadar IPRS 5 tahun adalah 4.85%.

### PRESTASI PORTFOLIO

Portfolio Hektar REIT terdiri daripada Subang Parade di Subang Jaya, Mahkota Parade di Melaka, Wetex Parade di Muar, Central Square di Sungai Petani dan Landmark Central di Kulim. Secara kolektifnya, hartanah-hartanah ini memberi khidmat kepada kawasan tumpuan pasaran melebihi 2.5 juta rakyat Malaysia. Pusat-pusat membeli-belah tersebut terletak di kawasan tumpuan pasaran dengan kepadatan penduduk yang agak tinggi. Mereka bukan hanya menikmati kadar kesetiaan pelanggan yang tinggi tetapi juga menarik minat pelawat daripada semua lapisan masyarakat. Akibatnya, lebih daripada 506 penyewa terdiri daripada kategori peruncit sehinggalah ke kategori hiburan wujud dalam hartanah runcit Hektar REIT.

#### Pengalaman Pusat Membeli-belah

Moto Hektar REIT adalah mengenai "Mewujudkan Tempat Di mana Orang Suka Membeli-belah" ("Creating The Places Where People Love to Shop") dan model perniagaan yang menggunakan amalan-amalan piawai antarabangsa yang terbaik. Pasukan kami sentiasa menjalankan penyelidikan dan mengkaji amalan-amalan terbaik melalui latihan dan persidangan di seluruh dunia.

Selama ini, salah satu anjakan dalam bidang peruncitan adalah menghidupkan semula pusat membeli-belah sebagai kawasan komuniti. Pusat-pusat membeli-belah terus muncul sebagai sebuah 'tempat pertemuan pilihan' di sini. Strategi keseluruhan kami ditumpukan ke atas memastikan agar hartanah-hartanah Hektar REIT kekal sebagai tarikan utama sebagai tempat pertemuan komuniti.

Mari kita bersama-sama mengkaji strategi kumpulan dalam konteks prestasi portfolio pada 2012 di bawah.

#### Cabaran & Peluang Subang Parade

Pada tahun yang lepas, kami telah melaporkan bahawa strategi utama telah dirumuskan untuk menangani kesan daripada peningkatan dalam tahap persaingan di kawasan pusat bandar Subang Jaya. Salah satu daripada

langkah-langkah strategik kami ialah memperkenalkan panggung wayang di Subang Parade bagi memenuhi keperluan hiburan di kawasan sekitar. Pawagam baru menawarkan 8-skrin termasuk teknologi skrin 3-D dan 2-D yang terkini. Subang Parade adalah satu-satunya pusat membeli-belah yang mempunyai pawagam di kawasan perbandaran Subang Jaya. Kejayaan pelancaran Panggung Wayang MBO pada pertengahan September 2011, telah mengukuhkan semula tarikan Subang Parade sebagai sebuah 'tempat pertemuan pilihan', menawarkan pelbagai aneka pilihan runcit yang termasuk hiburan untuk keluarga, pasangan muda mudi dan remaja.

Penyertaan rangkaian makanan segera antarabangsa seperti Starbucks, Carl's Jr Charbroil Burgers, Subway Restaurant dan Sunshine Kebabs adalah kemuncak langkah agresif penyusunan semula para penyewa untuk mengeksplotasi ruang jualan runcit utama yang baru dibentuk berdekatan dengan panggung wayang. Peningkatan dalam trafik yang dihasilkan oleh penonton-penonton panggung wayang telah meningkatkan kadar sewa bagi lokasi-lokasi ini.

Selain daripada pembangunan pawagam di tingkat satu, 2012 juga menyaksikan Subang Parade memperkenalkan ruang makanan dan minuman (F&B) baru yang dikenali sebagai Market Place berlokasi di tingkat bawah bangunan. Market Place telah memuatkan restoran-restoran dengan cita rasa tempatan terkemuka seperti Capricciosa Pasta & Pizza, JM Bariani, Rosie dan Kafe Bawang Merah. Jenama F&B lain seperti Chatime dan Latte Mei dari Taiwan dan Krispy Kreme juga telah mendirikan tapak perniagaan mereka di Subang Parade menawarkan lebih banyak pilihan untuk para pengunjung.

Kami dengan sukacitanya melaporkan bahawa kadar penginapan di Subang Parade telah kekal tinggi untuk dua tahun berturut-turut pada kadar 99.8% pada FY2012. Dengan pelancaran inisiatif-inisiatif baru seperti yang tersebut di atas, trafik pengunjung Subang Parade telah meningkat kepada 11.4 juta kunjungan. Ia adalah kadar kenaikan yang memberangsangkan iaitu sebanyak 44% apabila dibandingkan dengan tahun sebelumnya. Kami amatlah berbesar hati dengan sambutan yang telah diberikan oleh para pengunjung dan berharap dapat memberi impak positif kepada kadar sewaan dalam tahun 2013 nanti.

#### Kebangkitan Semula Mahkota Parade

Tertletak di pusat bandar raya Melaka, Mahkota Parade adalah pusat membeli-belah "serantau" yang pertama apabila ia siap dibuka pada tahun 1994 yang lalu. Kedudukan Mahkota Parade yang strategik di tempat tumpuan pelancong telah menjadikannya sebagai destinasi membeli-belah yang utama di bandar raya bersejarah Melaka.

## Perutusan Pengerusi (sambungan)

Ulasan Tahun

Untuk kekal relevan dalam pasaran perniagaan runcit, kami telah memulakan langkah-langkah menaik taraf secara besar-besaran pada 2009 dan Mahkota Parade kemudiannya telah dilancarkan semula pada Mei 2010. Kebangkitan semula Mahkota Parade telah berterusan sejak pelancaran semula pusat membeli-belah. Sebanyak RM30 juta telah dibelanjakan untuk inisiatif penaikan taraf tersebut dan langkah penyusunan semula para penyewa telah membangkitkan semula Mahkota Parade sebagai salah sebuah destinasi pusat membeli-belah terkemuka di Melaka. Bukan sahaja pendapatan sewanya telah meningkat sejak beberapa tahun kebelakangan ini, malahan kadar penginapan juga turut stabil.

Sama seperti prestasi pada tahun yang lepas, Mahkota Parade menikmati kadar penginapan yang tinggi iaitu sebanyak 96% pada FY2012. Langkah penaikan taraf 2009-2010 pada awalnya telah memberi impak negatif ke atas trafik pengunjung tetapi Mahkota Parade berjaya mendapatkan semula kehilangan trafik pada 2012. Trafik telah meningkat sebanyak 35% kepada 11.0 juta kunjungan pada 2012 berbanding dengan 8.2 juta yang dicatat pada 2011.

Sambutan positif daripada peruncit-peruncit adalah testimoni kepada kejayaan proses pemberian nafas baru untuk Mahkota Parade. Ia mengesahkan bahawa langkah penaikan taraf kami adalah satu langkah yang betul dalam memastikan Mahkota Parade kekal sebagai sebuah pusat membeli-belah terkemuka di pusat bandar raya Melaka. Mahkota Parade boleh berbangga dengan bilangan stabil para penyewa berjenama berkualiti bertaraf nasional dan antarabangsa. Kemasukan Daiso, Old Town White Coffee, East India Company, Timberland, Converse dan Hush Puppies telah mengukuhkan kedudukan para penyewa Mahkota Parade yang berdaya maju lagi stabil. Dengan rangkaian para penyewa yang bermutu tinggi kami yakin Mahkota Parade dapat mengekalkan prestasi kenaikan kadar sewanya.

### Kedudukan Utama Wetex Parade di Muar

Wetex Parade adalah sebuah kompleks bersepadu peruncitan yang terletak di tengah-tengah kawasan perniagaan bandar Muar. Ia menikmati kedudukan utama sebagai sebuah destinasi runcit memandangkan Wetex Parade hanyalah satu-satunya pusat membeli-belah yang dibina di Muar yang dapat memenuhi citarasa orang ramai. Ia telah menikmati prestasi peningkatan kadar sewaan yang kukuh pada 2012 dan terus mengekalkan kadar penginapan yang tinggi sebanyak 98%.

The Quadrix yang terletak di tingkat empat telah dilancarkan pada akhir 2010 sebagai penawaran konsep jualan runcit terkini kami kepada penduduk-penduduk di Muar. Penyewa-penyewa baru telah diperkenalkan selepas selesainya inisiatif-inisiatif penaikan taraf di ruang

jualan di tingkat atas. The Quadrix sekarang ini dipelopori oleh The Music Bank, sebuah pusat karaoke keluarga manakala kawasan disewakan kepada pengusaha fesyen, hadiah-hadiah dan alat-alat komunikasi dan teknologi. Lain-lain jenama nasional dan antarabangsa yang terbit di Wetex Parade pada 2012 adalah jenama-jenama kegemaran seperti Hush Puppies dan Shihlin Taiwan Street Snacks. Pengurusan akan terus memberi penekanan yang tinggi ke atas penyusunan semula para penyewa di Wetex Parade dan akan mengurus perubahan tersebut dengan lebih proaktif. Kami akan mengawasi secara terperinci strategi penempatan dan penyusunan semula peruncit-peruncit yang telah lama bertapak dengan peruncit baru yang lebih berwibawa. Ia adalah satu proses yang agak perlahan tetapi untuk tempoh jangka panjang, usaha ini dijangka akan dapat meningkatkan prestasi Wetex Parade.

Trafik pengunjung ke Wetex Parade mengalami sedikit penurunan pada 2012, mencatat 5.7 juta kunjungan berbanding dengan 5.9 juta kunjungan pada 2011, kejatuhan sebanyak 4%. Walaupun jumlah trafik pengunjung sebagaimana diukur melalui sistem FootFall adalah petunjuk prestasi yang penting, ia tidak berkait secara langsung dengan jumlah perbelanjaan pembeli-belah di Wetex Parade. Pada 2012, Wetex Parade telah mencatat satu lagi tahun peningkatan dalam perbelanjaan pembeli-belah sebanyak lebih kurang 7% berbanding dengan 2011.

### Central Square dan Landmark Central – Meraih potensi

Pengambil alihan dua buah pusat membeli-belah di Kedah telah selesai dilaksanakan pada Oktober 2012. Kedua-dua pusat membeli-belah terletak di kawasan tumpuan utama penduduk di Sungai Petani dan Kulim. Bandar Sungai Petani adalah sebuah perbandaran yang sedang berkembang pesat dengan saiz bilangan penduduk yang besar melebihi 400,000 residen manakala bandar Kulim dianggap sebagai bandar pengantara kepada Kulim Hi-Tech Park yang menempatkan banyak syarikat teknologi terbesar global seperti Intel, Fuji dan First Solar. Di Kulim, Landmark Central adalah satu-satunya pusat membeli-belah yang dibina bagi memenuhi keperluan 250,000 residen tempatan. Landmark Central adalah pusat membeli-belah yang baru saja dilancarkan pada tahun 2009 yang lalu.

Hektar REIT akan mengembeling pengalamannya dalam menguruskan pusat membeli-belah untuk faedah kedua-dua pusat membeli-belah di Kedah tersebut. Malahan pusat membeli-belah yang terbaik di dunia pun sentiasa memerlukan perhatian pengurusan untuk kekal relevan. Dengan itu perancangan bagi penyusunan para penyewa dan peruncitan adalah faktor kejayaan penting dalam memastikan kejayaan sesuatu pusat membeli-belah.

## Perutusan Pengerusi (sambungan)

Ulasan Tahun

Berbekalkan pengalaman menggunakan amalan-amalan terbaik antarabangsa di dalam mengurus pusat membeli-belah, motivasi utama kami adalah untuk memastikan Kedah Malls kekal relevan kepada pembeli-belah. Sebagaimana amalan kami yang terdahulu, kami telah memulakan tinjauan pasaran terperinci dua kawasan tumpuan penduduk tersebut. Hasil kajian tersebut akan membimbing kami dalam menentukan keperluan dan pilihan penduduk-penduduk tempatan. Sistem FootFall untuk mengesan trafik pembeli-belah telah pun dilaksanakan di kedua-dua pusat membeli-belah. Gabungan keputusan daripada kedua-dua inisiatif tersebut akan dapat digunakan ke arah melaksanakan langkah pengurusan bagi tempoh jangka masa panjang. Kami telah memulakan beberapa inisiatif penaikan taraf dan inisiatif-inisiatif ini akan dilaksanakan tidak lama lagi. 2013 akan menjadi tahun yang sibuk bagi pasukan kami apabila inisiatif-inisiatif tersebut dilaksanakan.

### Strategi Pengambilalihan

Kami tidak bercadang untuk membeli aset yang baru pada 2013 kerana kami akan menumpukan usaha menaik-taraf dua Kedah Malls ini. Walau apa pun, kami akan terus mencari lain-lain potensi pembelian apabila muncul peluang sedemikian. Dalam suasana pasaran harga hartanah yang tinggi ini, strategi kami adalah lebih bersifat kepada “tunggu dan lihat”.

Unik kepada REIT, sebarang cadangan pembelian masa hadapan akan memerlukan sumber dana dari terbitan tambahan unit-unit Hektar REIT serta juga dari sumber pinjaman. Ini disebabkan tabung amanah hartanah di Malaysia pada amnya harus mengagihkan sekurang-kurangnya 90% daripada pendapatan boleh diagihnya dalam mana-mana tahun bagi menikmati pengecualian cukai. Berdasarkan harga pasaran unit semasa yang berada pada tahap nilai NAV, kami yakin akan keupayaan kami untuk membiayai pengambilalihan yang akan datang untuk bergerak maju ke hadapan.

### Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pasukan kami di Hektar atas komitmen dan dedikasi mereka kepada kerja mereka. Penghargaan kami juga turut diberikan kepada peruncit, penjual dan rakan perniagaan kami. Sumbangan dan sokongan anda dalam memastikan Hektar REIT kekal pelaburan yang boleh dipertahankan, dan selamat bagi pelabur-pelabur kami.

### **DATO' JAAFAR BIN ABDUL HAMID**

Pengerusi dan Ketua Pegawai Eksekutif



# 致單位持有人函

## 年度報告

### 至尊貴的賀達房地產投資信托基金單位持有人,

又來到與你們分享2012年的活動與成就的時刻。我很榮幸要在此報告賀達房地產投資信托基金(賀達),在2012年成功取得持續且振奮人心的業績。我們的資產組合在過去幾年逐步卓有成效,持續地做出了鞏固的貢獻,對我們截至2012年12月31日止財政年(2012財政年)提供了良好業績。

2012財政年度,對我們而言是忙碌的一年,因為我們成功收購了雙溪大年的中環廣場及居林的新世紀廣場,共同稱為“Kedah Malls”。在2012年10月2日 Hektar REIT正式成為Kedah Malls的新業主,並使到我們的產業組合從三增加到五個購物商場,也都是坐落於馬來西亞半島的策略地點。

Kedah Malls還是處於剛開始的階段,我們預測在2013年會更忙碌,因為我們會推行多項計劃,同時也效仿在另三家購物商場的成功經驗,運用在Kedah Malls上以改善其執行方式。除此外,我們也會推行資產增值舉措,包括重新組合租戶和重置商舖地點,藉此增加我們商場的國內和國際零售連鎖店,以便使這些購物商場有嶄新的形象,可以為馬來西亞的客戶群提供更好的服務。重新組合及翻新的舉措預料將費時一年,我們預測會在2013年末完成。完成這些計劃後,我們可以預見的是Kedah Malls的表現會大放異彩。畢竟,這個購物商場無論是在零售或購物中心的設計和運作方式,都是採用我們經過實踐的國際最佳方案。

### 運營環境

馬來西亞評估機構(“MARC”)的報告指出,馬來西亞的經濟在2012年預計取得5.3%的增長。國內需求主要是仰賴於私人及公共領域的開銷,在推動持續性的經濟增長扮演著樞軸的角色,尤其是在外圍環境陷入低迷,歐洲債務危機和美國經濟前景暗淡的情況中,更不可輕視其重要性。往前看,在全球經濟陷入低潮時科,政府所推行的經濟轉型計劃相信可以刺激經濟增長。在成功擺脫2008年和2009年的金融危機後,馬來西亞的經濟相信在2013年會取得持續的增長。

儘管不穩經濟環境,賀達仍然對自己的商業模式及有信心,為馬來西亞人持有和管理世界級零售產業。整體業務良好基礎,仍可以為我們的商業計劃提供積極的支援。在2012年,外圍經濟長期處於不確定性,但仍還沒有對國內零售行業形成嚴重的影響。馬來西亞零售商協會(MRA)的報告指出,預測馬來西亞的零售額會持續增長,但是處於較緩的6%增長率,底於去年的8%增長。

為了迎合年輕而充滿活力的馬來西亞人口,全國各地的零售購物空間已經全面擴展。嶄新和充滿活力的購物商場已經在馬來西亞各地包括巴生谷和較小的城鎮聳立,並吸引了很多人潮。

另一個更振奮人心的消息是在主要地點的購物商場已經得到良好估值,過去兩年零售業房地產投資信托基金的成功上市已奠下很好的證明。

### 財務表現

#### 持續成長的財務表現

賀達在進入2012年,已經察覺到借貸成本有顯著的增加(平均增加了50個基點)。更甚的是,在2012年中,電費上漲也衝擊著我們欲推動Hektar REIT表現的努力。

在2012財政年,淨營業額達到1億300萬令吉,比前一財政年增加了約9%;而淨產業收入(NPI)達到6400萬令吉,和截止2011年12月31日止的前一財政年(2011財政年)相比上升了9%。雖然面對成本上升的挑戰,但賀達的淨產業收入達到3千980萬令吉,比2011財政年上升了2%,這主要歸功於我們之前的三大購物商場。至於Kedah Malls,在2012年的最後三個月的營業額都有所增加。

實際每單位賺額達到11.69仙,比2011財政年的12.16仙稍低。這種稀釋效果,主要是因為執行附加股轉換的單位有所增加所促成。

在收購Kedah Malls之後,賀達的總資產也隨之上升,目前累計價值已經達到11億令吉。由此,淨有形資產(NAV)也增加至每單位約1.49令吉,即使在收購Kedah Malls時的融資過程中增加了附加股,但也未受影響。

#### 公允價值調整

公允價值調整(Fair value adjustment)是一個非現金項目,是金融報告標準指南的一部分,採用於賀達產業組合的年度評估調整。評估工作是由獨立估價師進行,有關報告是客觀的,以便能準確地議決一個產業當時的市場價值。資產管理經理則會不斷尋求途徑來加強或翻新產業,以提高他們的潛能收益,並最終增加了產業的價值。

在2012財政年,產業價值增加了25%達到10億3千令吉(2011財政年-8億2千200萬令吉)反映資產組合的規模及組合收益能力在收購Kedah Malls之後加大了。

在這一年,資產經理人推行了各種計劃資產增值和租戶混合,都達到了預期的效果。請詳細閱讀我們在這一年所執行的資產增值活動信息。

#### 收益分配及會計政策

賀達宣布,2012財政年的每單位派息(DPU)為10.50仙,維持了2011財政年的派息水平。在2012年,我們舉行的產托單位持有人大會中承諾至少維持10.50仙的單位派息。無論如何,我們還是如期進行2013財政年的計劃,集中我們的資源,善用它們來加強資產價值。

在全年的四個季度裏,我們一直保持著支付至少90%可分派淨收益的股息支付政策。

我們要澄清,可分派淨收益是淨收入不包括非現金項目,如公允價值調整(通常被認為是產業價值的增加)和2010財政年執行的會計準則FRS 117的項目(見註釋以了解詳情)。正因如此,2012財政年的可分派淨收益是低於淨收入的。

在支付90%的可分派淨收益,賀達保留了10%作為產業未來的資產提升和潛在收購出售單位的用途。

## 致單位持有人函(續)

年度報告

### 良好記錄表現

在營業額方面，賀達自2006年上市之後其淨產業收入、每單位的收益、淨有形資產和資產價值就每年持續取得增進。股票市場認同了這些良好記錄，並給予賀達單位持有人在流通的單位公允價值。除了為籌資收購Kedah Malls 計劃而發行8千萬個新單位所產生的稀釋衝擊，賀達單位閉市價格是每單位1.46令吉，從年頭的1.28令吉大約揚升了14.1%。

倘若你是在2011年初，以1.28令吉的價格投資在賀達的產托單位，並持續持有到年末，那麼你將可以獲得4次的派息，總額為每單位10.5仙，代表著7.2%的股息回酬率，以及14.1%的單位價格資本賺幅（根據初次投資買入價格1.28令吉來計算）。你在賀達2012財政年的全面回酬估計是22.3%。

### 2012年的再融資計劃

在2012年5月，隔夜政策利率（OPR）調整上揚25個基點至3%後就維持不變至今。雖然外圍經濟疲弱，馬央行依然選擇消化調低利率的壓力，貨幣政策委員會的報告指出，貨幣政策維持不變，除非2013年的經濟增長動力有顯著的下滑。

Hektar REIT的融資是從Al-Murabahah的透支便利獲取，共分為4批，總額為1億8千400萬令吉、1千500萬令吉、1億5千萬令吉和8千700萬令吉，到期日各別是2016年、2015年、2013年和2016年。截至2011財政年，Hektar REIT的資產負債比率為總資產值的41%，這是處於當局設定50%上限的範圍內，而加權平均融資成本為4.6%。融資成本在2012財政年上揚25%，比較于2011財政年，主要是受到2011/12隔夜政策利率調高以致利息上揚，同時也受到收購Kedah Malls的較高貸款所影響。雖然融資成本增加，但營業額增加已足以覆蓋所上揚的融資成本。

第4批總額8千700萬令吉的債務，已經用以收購Kedah Malls的部分資金債約為5年，將在2016年10月屆滿。

作為一項預防進一步加息的舉措，董事會已決定通過一個伊斯蘭收益率掉期（“IPRS”）工具，從借貸總額4億3千600萬令吉中對衝約42%，有關利率是4.85%。

### 組合表現

賀達的產業組合包括梳邦再也的首邦百利廣場、馬六甲的皇冠百利廣場、麻坡的威德百利廣場、雙溪大年的中環廣場和居林的新世紀廣場。這五項產業服務的人群超過250萬名馬來西亞人。這些購物商場都座落於人口相對密集的区域，但不單只吸引忠誠的本地顧客，也吸引各個階層的外地遊客的到來。因此，賀達的產業彙聚了超過400家從零售到娛樂等相關行業的租戶。

### 購物中心管理經驗

賀達的座右銘是“創建社會人士愛購物的地點”，而經營模式則採用國際標準的最佳做法。我們的團隊通過到世界各地培訓和參與國際會議，不斷研究和檢討最佳的實踐方式。

多年來，其中一個改變是把購物中心轉化為公共場所。全球的購物中心持續演變為一個“著名的會客地點”。我們的總體策略師聚焦把賀達的產業演變成為公眾會面的主要中心點。

讓我們來檢視賀達2012年期間：

### 首邦百利廣場的挑戰與機遇

去年，我們設定了一套主要的策略來應對梳邦再也市中心地區日增的競爭壓力。我們其中的一項策略是在首邦百利廣場內設立一家戲院，以滿足當地鄰裏的娛樂需求。這家戲院有8個影廳，包括最新的三維（3D）影院。首邦百利廣場是目前梳邦再也市區內唯一有電影院的購物商場。在2011年9月成功設立MBO戲院後，已經促成首邦百利廣場成為“喜好的約會地點”，也同時提供多樣化的零售產品，適于家庭人士、年輕夫婦和青少年的購物商場。

此外，國際著名的速食連鎖店的加入，如Starbucks, Carl's Jr Charbroil Burgers, Subway Restaurant and Sunshine Kebabs等，是我們積極租戶組合配搭的努力，以迎接戲院周邊所帶來的新零售店鋪需求。戲院觀眾所帶來的人潮也帶動了這地點的租金價格的上揚。

除了在第一樓設立了戲院，首邦百利廣場在2012年也在底層設立了一個名為“Market Place”的飲食專區，專區內的本地飲食餐廳包括 Capricciosa Pasta & Pizza, JM Bariani, Rosie 和 Kafe Bawang Merah。除此以外，我們也招進了來自台灣的Chatime 和 Latte Mei，為購物者帶來更多的飲食選擇。

蘋果公司的IT產品是當下最熱門，為了抓緊這股浪潮，首邦百利廣場現在也在商場主要入口處設立了新的蘋果公司專賣店，以強化商場內智能手機和平板電腦的零售專賣店。

我們誠摯的宣布，首邦百利廣場在2012財政年裏的出租率依舊維持在極高的水平，達到99.8%。于如上所述的幾項新推介帶動下，2012財政年首邦百利廣場的到訪人潮達到1140萬人次。與前一財政年相比，增長率高達44%。我們非常高興購物者對我們的接納，並冀望2013年可以迎接另外一個租金調升年度。

### 皇冠百利廣場的復興

位於馬六甲市中心的皇冠百利廣場，在1994年開業時被定位為馬六甲市第一家“區域性”購物商場。至今，皇冠百利廣場依舊是馬六甲曆史古城遊客聚集的主要購物地點。

為了應對零售市場高的度競爭的環境，我們在2009年對皇冠百利廣場進行了龐大的翻新工作，並在2010年5月重新營業。資產強化努力為皇冠百利廣場的復興，在2012年持續演進。著名娛樂商店 Mixx Club 加入了皇冠百利廣場，擁有多間廂房的 Mixx Club 提供的服務包括飲食、俱樂部及現場音樂演奏，深受本地人和遊客喜愛。

這項耗資達3000萬令吉的翻新及租戶重新調整工作，已經使到皇冠百利廣場續持作為馬六甲具有領導地位的購物中心之一。我高興的宣布，它在過去數年不但租金收入有所增加，出租率也穩健地增長。

## 致單位持有人函(續)

年度報告

截至去年的表現，皇冠百利廣場在2012財政年的出租率高達96%。2009-2010年的翻新工作曾經影響訪客人數，但皇冠百利廣場在2012年已經扭轉乾坤。和2011年的820萬名訪客相比較，2012年的訪客量達到1100萬人次，增加了34%。

零售租戶的積極反應證明了皇冠百利廣場翻新改造的成功。他們的認同證明我們的翻新是一項正確的舉動，確保皇冠百利廣場繼續成為馬六甲市中心具領導地位購物中心。皇冠百利廣場已經穩定吸引了許多具品質的國際和國內品牌，包括Daiso、Old Town White Coffee、East India Company、Timberland、Converse及Hush Puppies等品牌的加入，進一步促使皇冠百利廣場成為多元化及平衡的零售商場。我們預期皇冠百利廣場來年的出租率會持續看好。

### 處於領先地位的麻坡威德百利廣場

威德百利廣場是座落于麻坡商貿中心內的一座綜合零售商場，由於它處於一個得天獨厚的位置，威德百利廣場成為麻坡唯一吸引人潮的購物商場。它在2012年繼續取得穩固的表現，出租率上升到98%。威德百利廣場租金在2012年錄得整體正增長，反映其目前在當地的零售市場份額，繼續享有領先地位。

位於四樓的‘The Quadrix’在2010年尾設立，這是麻坡零售業的新概念。在頂層完成再設計和改造後，新的租戶開始遷入，這是我們強化資產努力的一部分。The Quadrix現在成為一個“音樂銀行”，擁有一個家庭式的卡拉OK中心，伴隨的租戶包括來自服裝業，新奇事物和通訊業專賣店。其他在2012年進駐威德百利廣場的國際和國內著名品牌包括Hush Puppies和士林小食街。管理層將繼續高度重視威德百利廣場內租戶的混合配搭，以及積極主動地尋求轉變。我們將密切監測和以新格式取代傳統零售商戰略的進展。這是一個需要策略性部署的小心步驟，但長期而言這種努力將改進威德百利廣場的表現。

2012年到訪威德百利廣場的客流量稍微下跌，達到570萬人次，比起2011年的590萬人次微跌4%。客流量雖然重要，但它並不直接反映顧客的購買力，比起2011年，威德百利廣場在2012年的購物者購買力上升了約7%。

### 中環廣場和新世紀廣場 – 實現潛在能力

收購上述兩家吉打州購物商場的計劃在2012年10月份完成，兩家購物商場分別位於雙溪大年 and 居林的人口中心地段。雙溪大年是一個蓬勃發展的城鎮，人口規模已經超過40萬人。中環廣場已經屹立當地長達15年，迄今仍是當地最著名的購物商場。同時，該購物商場的樓齡讓我們有機會透過資產強化努力計劃來進行改造。

居林高科技工業園取得相當的成功，許多全球最大的科技公司包括Intel, Fuji和First Solar都進駐當地。在居林，新世紀廣場成為這個人口超過25萬城鎮內唯一大型購物商場，它是在2009年開始營業。

賀達將把管理零售商場的豐富經驗帶到這兩座位於吉打州的購物商場。即使是最好的商場也需要不斷強化以維持卓越。管理購物商場的成功之門，就是計劃零售租戶的混合配搭。

憑著我們運用國際最佳實踐方法來對購物商場的多元配搭設計和管理的經驗，我們主要的動機是要確保這兩座吉打州的購物商場符合購物者的需求。根據過往的實踐經驗，我們已經對兩個地點進行過零售市場及家庭住戶調查研究，調研結果將指導我們如何去符合當地人們的需求和喜好。人流統計系統裝備已經被安裝在這兩座購物商場，調查結果將有助於我們制定長期規劃的管理決策。我們已經計劃資產提升措施，以及有關提升措施的執行期限。2013年將是團隊忙碌的一年，我們將執行計劃以把這兩座吉打州的購物商場打造為最佳的產業回報。

### 潛在收購的最新進展

在2012年我們除了專注收購兩座吉打州的購物商場外，並沒有其他重要的收購計劃。盡管如此，我們將繼續探索其他具收購潛力的機會。在壓縮資本化比率的期間，我們的擴張模式應採取主動及捉緊機會模式，我們的目標是那些能夠提供產業收益率具及增值潛力的產業。

產業投資信托基金的獨特處就是，任何未來的收購建議都必需確保賀達單位的附加保證不受影響，當然也包括額外的借貸問題。這是因為根據馬來西亞產業投資信托基金的規定，產業投資信托派息必須占該年整體營收的90%以上，才能享有特別的稅務優惠。基於賀達目前的交易價格區間，我們的股價維持在淨有形資產價格之上，加上適當的銀行融資，我們有信心未來有能力進行財務融資以進行更多的收購。

### 致謝

謹此代表董事會，我要感謝所有賀達團隊成員持續貢獻他們對工作的承諾和竭誠努力。我們也感激零售商，購物者，租戶和所有商業夥伴的襄助。你們無私的奉獻和支持，確保了賀達繼續成為投資者一個保守型和安全的投資項目。

對於我們產業組合內所有購物商場的購物者而言，我們感謝你們長期的鼎力支持，我們的團隊未來也將繼續確保我們產業組合內的所有購物商場保持活力，並持續成為您所選擇的購物目的地。

### DATO' JAAFAR BIN ABDUL HAMID

主席兼首席執行員

# Portfolio Performance

## PROPERTY PROFILES

Hektar REIT had on 2 October 2012 completed the acquisition of two shopping centres in Kedah, Malaysia. With the completion of the acquisitions, Hektar REIT's portfolio now consists of five well-established centres:

- Subang Parade, located in Subang Jaya, Selangor;
- Mahkota Parade, located in Bandar Melaka, Melaka;
- Wetex Parade, located in Muar, Johor;
- Central Square, located in Sungai Petani, Kedah;
- Landmark Central, located in Kulim, Kedah.

The enlarged portfolio provides a good geographical diversification along the west coast of Peninsular Malaysia. The Manager aims to enhance the long-term value of the portfolio via key operating, investment and capital management strategies. The performance achieved by each centre in the financial year 2012 are set out in the following pages.



Data current as at 31 December 2012.

<sup>1</sup> MIRP Surveys (2007-8) / Market Survey 2011

<sup>2</sup> Excluding Central Square and Landmark Central as FootFall System has only been installed in November 2012

<sup>3</sup> NLA Tenants only

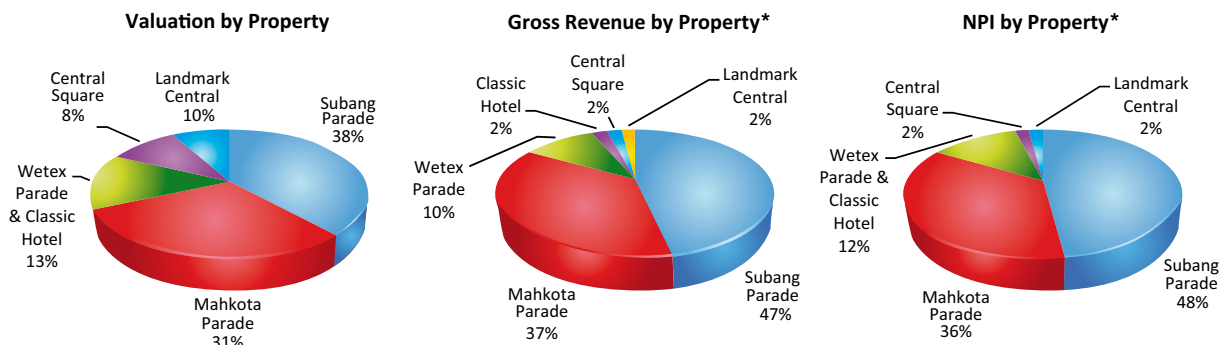
	Subang Parade	Mahkota Parade	Wetex Parade	Central Square	Landmark Central
State	Selangor	Melaka	Johor	Kedah	Kedah
Title	Freehold	Leasehold (2101)	Freehold	Freehold	Freehold
Primary Trade Area <sup>1</sup>	833,538 (within 15-mins drive)	350,000 (within 15-mins drive)	154,000 (10km radius)	406,870 (within 15-mins drive)	181,195 (within 15-mins drive)
NLA (Retail)	500,447 sq ft	484,052 sq ft	155,253 sq ft	300,046 sq ft	281,716 sq ft
Tenancies	132	108	100	88	78
Occupancy <sup>2</sup>	99.76%	96.05%	97.83%	89.80%	96.87%
Visitor Traffic FY2012	11.4 million	11.0 million	5.7 million	n/a	n/a
Purchase Price (RM)	280.0 million	232.0 million	117.5 million	83.0 million	98.0 million
Valuation (RM) <sup>2</sup>	391.3 million	315.0 million	135.0 million	84.7 million	103.0 million

<sup>1</sup> Malaysian Census, MIRP (Independent Research) and Market Survey 2011.

<sup>2</sup> As at 31 December 2012.

## Portfolio Performance (cont'd)

### Diversified Portfolio



\* Gross Revenue and NPI for Central Square and Landmark Central is recorded for the months of October, November and December 2012 only.

### Portfolio Occupancy

Overall portfolio occupancy was at 96.3% as at 31 December 2012. The overall occupancy rate was recorded to be lower than the preceding year due to the addition of the two Kedah shopping centres. Since the REIT has just completed its acquisition, improvement plans have yet to be fully implemented at the new centres. The lower occupancy rates provide opportunity for growth in coming financial years. The earlier shopping centres, namely Subang Parade, Mahkota Parade and Wetex Parade have all maintained high occupancy rates. The slight fluctuation in the occupancy rates is reflective of the tenant remixing exercises that ensure the shopping centres keep up with the consumer trends.

Property	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006
Subang Parade	99.8%	99.9%	94.8%	100.0%	99.8%	99.9%	98.5%
Mahkota Parade	96.1%	94.5%	96.1%	93.6%	96.5%	93.9%	94.9%
Wetex Parade	97.8%	98.6%	95.6%	90.1%	83.1%	-	-
Central Square (CS)	89.8%	-	-	-	-	-	-
Landmark Central (LC)	96.9%	-	-	-	-	-	-
Overall*	96.3%	97.5%	95.5%	95.8%	95.8%	96.9%	96.7%
Overall excluding CS and LC*	97.9%	97.5%	95.5%	95.8%	95.8%	96.9%	96.7%

\* The weighted average occupancy rate is calculated based on NLA.



## Portfolio Performance (cont'd)

### Visitor Traffic

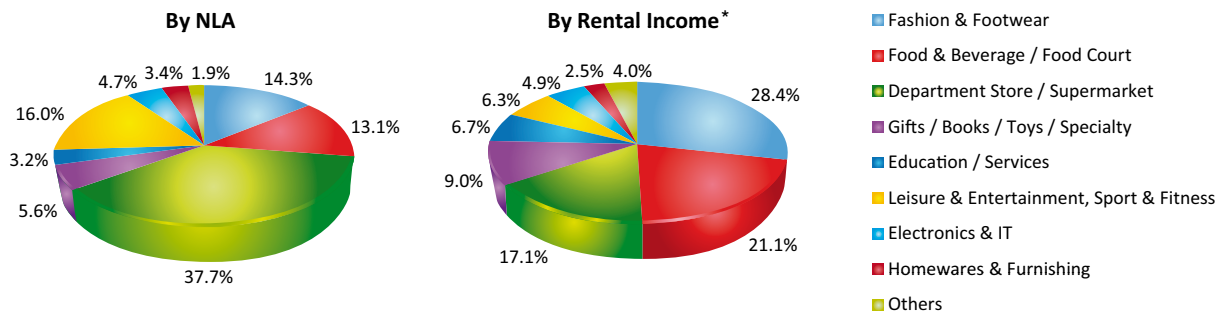
Visitor traffic is measured by FootFall, a UK-based computerised video traffic monitoring system.

Property	No. of Visits 2012	No. of Visits 2011	No. of Visits 2010	No. of Visits 2009	No. of Visits 2008	No. of Visits 2007	No. of Visits 2006
Subang Parade	11.43 million	7.95 million	7.52 million	7.76 million	7.62 million	7.84 million	5.92 million
% Change in Traffic	43.8%	5.8%	-3.1%	1.8%	-2.8%	32.6%	4.0%
Mahkota Parade	11.00 million	8.17 million	7.19 million	7.88 million	8.32 million	8.82 million	8.64 million
% Change in Traffic	34.5%	14.0%	-8.8%	-5.3%	-5.7%	2.1%	7.8%
Wetex Parade*	5.69 million	5.93 million	5.51 million	5.63 million	1.96 million	-	-
% Change in Traffic	-4.8%	7.6%	-2.2%	-	-	-	-
<b>Total</b>	<b>28.1 million</b>	<b>22.1 million</b>	<b>20.2 million</b>	<b>21.3 million</b>	<b>17.9 million</b>	<b>16.7 million</b>	<b>14.6 million</b>

\* FootFall system for Wetex Parade was installed in September 2008 - traffic figures for 2008 are for approximately 4 months only. Visitor traffic for Central Square and Landmark Central is not reported here as the FootFall System has only been installed in November 2012 for these two malls. Visitor count for these two malls will be reported from 2013 onwards.

### Portfolio Tenancy Mix

The portfolio tenancy mix is dominated by department stores and supermarkets which, led by Parkson and The Store, constitute approximately 37.7% of total portfolio NLA. The proportion has increased this year with the addition of the new malls. In terms of rental income, the largest segment remains fashion and footwear, which contributes approximately 28.4% of monthly rental income.



\* Based on monthly rental income for December 2012

## Portfolio Performance (cont'd)

### Portfolio's Top Ten Tenants

The top ten tenants in the portfolio contributed approximately 24.4% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 9.4% monthly rental income, no other tenant contributed more than 6.0%.

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	254,009	14.8%	9.4%
2 The Store	Department Store	267,114	15.5%	5.8%
3 Ampang Superbowl	Leisure & Entertainment	61,717	3.6%	1.4%
4 Giant Supermarket	Department Store	72,140	4.2%	1.3%
5 KFC	Food & Beverage	11,776	0.7%	1.3%
6 Celebrity Fitness	Leisure & Entertainment	34,317	2.0%	1.2%
7 World of Sports	Fashion & Footwear	11,517	0.7%	1.2%
8 Digital One	Electronics & IT	21,361	1.2%	1.0%
9 McDonald's	Food & Beverage	8,431	0.5%	1.0%
10 Best Denki	Electronics & IT	24,739	1.4%	0.8%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>767,121</b>	<b>44.5%</b>	<b>24.4%</b>
Other Tenants		954,945	55.5%	75.6%
<b>Total</b>		<b>1,722,066</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Portfolio Rental Reversions

For the year ended 31 December 2012, the portfolio recorded 114 new and renewed tenancies, with an overall weighted average rental reversion of 8%. Subang Parade, Wetex Parade, Central Square and Landmark Central recorded healthy rental reversion of 9%, 12%, 14% and 20% respectively; whilst Mahkota Parade's reversion is stable at 2%.

Full Year (12 months) (Ended 31 December)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	% Increase / (Decrease) Over Previous Rent Rates
Subang Parade	32	231,726	46%	9%
Mahkota Parade	36	85,219	18%	2%
Wetex Parade	44	31,466	20%	12%
Central Square	1	1,144	0%	14%
Landmark Central	1	517	0%	20%
<b>Total / Average*</b>	<b>114</b>	<b>350,072</b>	<b>20%</b>	<b>8%</b>

\* The weight average is calculated based on NLA. Figures as at 31 December 2012

## Portfolio Performance (cont'd)

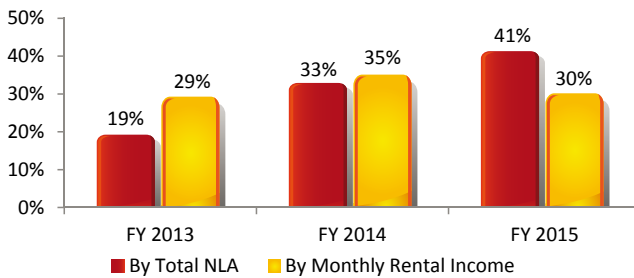
### Portfolio Tenancy Expiry Profile

For the year 2013, a total of 190 tenancies will expire, representing approximately 19% of NLA and 29% of monthly rental income as at 31 December 2012. Our tenancy agreement typically reflect the tenancy terms of 3 years, as per the current market practice in Malaysia.

For the year 2015, the proportion of tenancies expiring is higher due to the tenancy structure in Landmark Central. As the shopping centre was newly opened in 2009, with the standard tenancy terms of 3 years, majority of its tenancy expired in 2012 and subsequently 2015 after the renewals. Hektar has also secured options-for-renewal with the anchor tenants.

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 2013	190	319,121	19%	29%
FY 2014	162	576,383	33%	35%
FY 2015	129	708,450	41%	30%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.

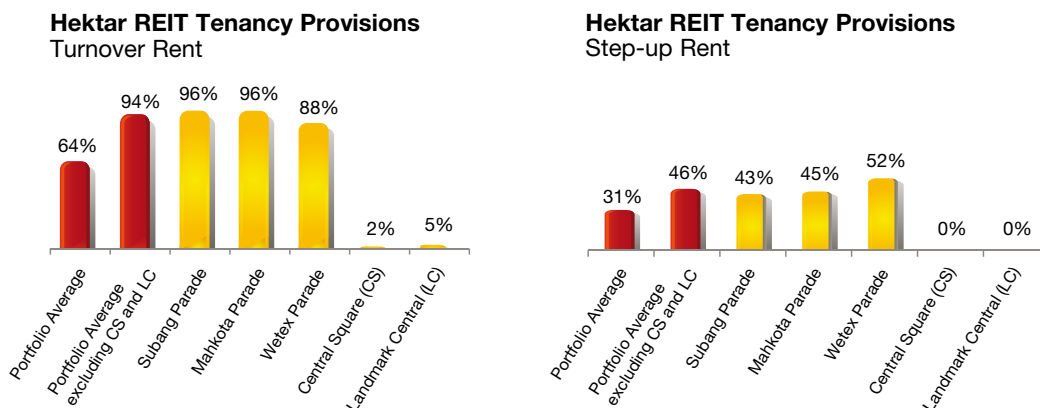


### Portfolio Tenancy Provisions

As at 31 December 2012, turnover rent provisions were present in approximately 61% of the tenancies in the portfolio. Step-up rent provisions were present in approximately 30% of tenancies within the portfolio.

As the practice of turnover rent and step-up rent has yet to be incorporated at Central Square and Landmark Central, the portfolio average for the provisions is reported to be lower. Excluding the effects of the two new malls, the turnover rent provision and step-up rent provision will be 88% and 44% of the tenancies respectively.

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 tenancy agreements 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.







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## Portfolio Performance (cont'd)

### Subang Parade



Subang Parade was the first 'regional' shopping centre in Selangor when it was opened in 1988. The centre is located in the heart of Subang Jaya's commercial district, a township which is 25 minutes drive from Kuala Lumpur.

Subang Parade's positioning strategy is neighbourhood-focused, with an emphasis on its primary trade area. This market focus provides the centre with a captive customer base, whose needs are met by a tenant mix offering value and convenience. Last year, the introduction of a cinema has further enhanced the tenant mix of the centre, bringing us closer to our purpose in meeting customers' needs.

Subang Parade's refurbishment was recognised by the International Council of Shopping Centers (ICSC) with a Silver Award for Development & Design at the 2008 ICSC Asia Awards. Subang Parade remains the largest shopping centre in Subang Jaya.

Location	No. 5 Jalan SS 16/1, Subang Jaya, 47500 Petaling Jaya, Selangor.
Title	Freehold
Primary Trade Area	833,538 within 15-mins drive time
Gross Floor Area	1,169,038 sq ft
Net Lettable Area	500,447 sq ft
Car Park	1,250
Valuation	RM391.3 million
Tenants*	132
Key Tenants	Parkson, Celebrity Fitness, Best Denki, Digital One, MPH
Occupancy	99.76%
Visitor Traffic	11.4 million
Year Opened	1988
Year Acquired	2006
Year Refurbished	2006-7

Data as of 31 December 2012. \* Only NLA Lots

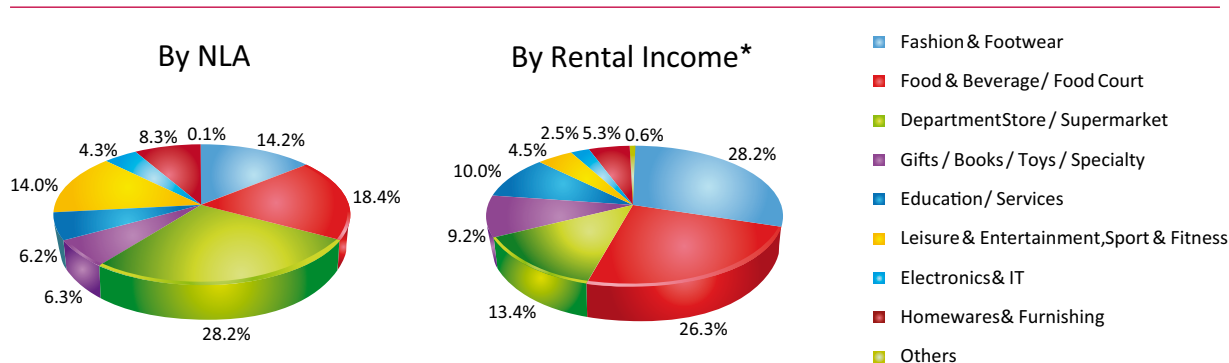
## Portfolio Performance (cont'd)

### Subang Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	140,620	28.1%	13.5%
2 Celebrity Fitness	Leisure & Entertainment	34,317	6.9%	2.9%
3 Digital One	Electronics & IT	21,361	4.3%	2.5%
4 Best Denki	Electronics & IT	24,739	4.9%	2.1%
5 TGI Friday's	Food & Beverage	5,655	1.1%	2.0%
6 Kenny Roger Roasters	Food & Beverage	3,610	0.7%	1.9%
7 World of Sports	Fashion & Footwear	5,769	1.2%	1.8%
8 MPH Bookstores	Gifts/Specialty	17,385	3.5%	1.7%
9 Voir	Fashion & Footwear	4,387	0.9%	1.7%
10 The Reject Shop	Fashion & Footwear	9,192	1.8%	1.7%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		267,035	53.4%	31.7%
Other Tenants		233,412	46.6%	68.3%
<b>Total</b>		<b>500,447</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Subang Parade's Tenancy Mix



\* Based on monthly rental income for December 2012

### Subang Parade's Expiry Profile

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 2013	46	99,896	20%	29%
FY 2014	55	155,394	31%	32%
FY 2015	27	217,174	43%	31%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.

## Portfolio Performance (cont'd)

### Mahkota Parade



Mahkota Parade was the first 'regional' shopping centre located in the commercial and tourist centre situated in the heart of Melaka town.

Mahkota Parade is positioned as the leading shopping centre in the Melaka region. The centre also serves as a key destination for major community events and exhibitions. Mahkota Parade was awarded by the International Council of Shopping Centers (ICSC) with a Silver Award for Marketing Excellence at the 2009 ICSC Asia Awards.

Mahkota Parade was re-launched on May 1, 2010, following a complete refurbishment. The revitalised shopping centre improved the overall shopping experience for customers. The refurbishment is part of Hektar's continuing efforts to invest in the Melaka market and maintain Mahkota Parade as the leading shopping centre in the state.

Location	No. 1 Jalan Merdeka, 75000 Bandar Melaka, Melaka.
Title	Leasehold (until 2101)
Primary Trade Area	350,000 within 15-mins drive time
Gross Floor Area	1,008,669 sq ft
Net Lettable Area	484,052 sq ft
Car Park	1,079
Valuation	RM315.0 million
Tenants*	108
Key Tenants	Parkson, Ampang Superbowl, Reject Shop
Occupancy	96.05%
Visitor Traffic	11.0 million
Year Opened	1994
Year Acquired	2006
Year Refurbished	2009-10

Data as of 31 December 2012. \* Only NLA Lots

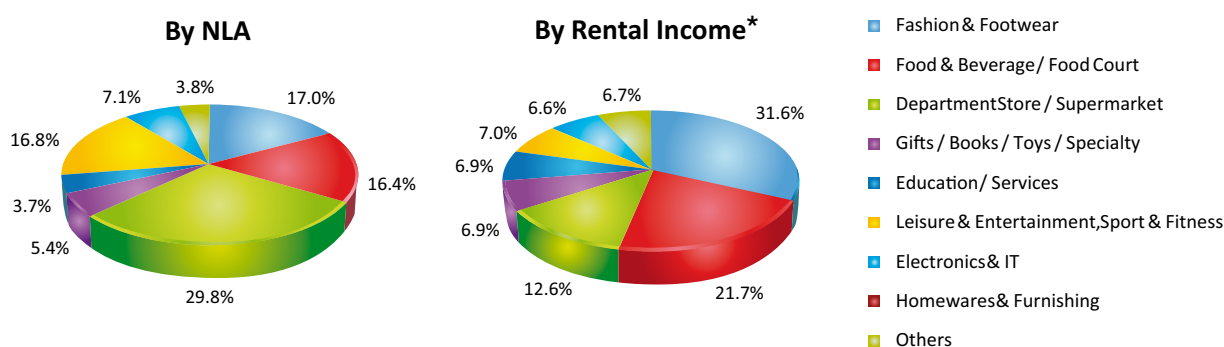
## Portfolio Performance (cont'd)

### Mahkota Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	113,389	23.4%	11.1%
2 Ampang Superbowl	Leisure & Entertainment	36,717	7.6%	3.5%
3 KFC	Food & Beverage	5,403	1.1%	2.5%
4 McDonald's	Food & Beverage	5,942	1.2%	2.1%
5 Reject Shop	Fashion & Footwear	8,503	1.8%	2.0%
6 Guardian Pharmacy	Education / Services	3,800	0.8%	1.5%
7 SenQ	Electronics & IT	14,815	3.1%	1.4%
8 Subzero Jeans	Fashion & Footwear	2,266	0.5%	1.4%
9 World of Sports	Fashion & Footwear	5,748	1.2%	1.3%
10 Hush Puppies & Obermain	Fashion & Footwear	2,831	0.6%	1.3%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>199,414</b>	<b>41.2%</b>	<b>28.1%</b>
Other Tenants		284,638	58.8%	71.9%
<b>Total</b>		<b>484,052</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Mahkota Parade's Tenancy Mix



\* Based on monthly rental income for December 2012

### Mahkota Parade's Expiry Profile

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 2013	41	118,604	25%	35%
FY 2014	36	256,665	53%	43%
FY 2015	26	71,360	15%	17%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.

## Portfolio Performance (cont'd)

### Wetex Parade



Wetex Parade is an integrated retail development located within the commercial district of Muar, Johor. Wetex Parade is the leading department store anchored shopping centre in town and serves as the premier retail destination for the Muar area.

As part of the integrated development, Classic Hotel is situated on top of Wetex Parade and is one of the leading hotels in Muar. 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 was recognised by the International Council of Shopping Centers (ICSC) with a Gold Award for Marketing Excellence at the 2010 ICSC Asia Awards.

Location	69 Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor.
Title	Freehold
Primary Trade Area	154,000 within 10km radius
Gross Floor Area	281,590 sq ft
Net Lettable Area	155,253 sq ft
Car Park	175
Valuation**	RM135.0 million
Tenants*	100
Key Tenants	The Store, McDonald's, Watson's
Occupancy	97.83%
Visitor Traffic	5.7 million
Year Opened	1996
Year Acquired	2008
Year Refurbished	2010-11

Data as of 31 December 2012.

\* Only NLA Lots

\*\* Valuation is inclusive of Wetex Parade & Classic Hotel

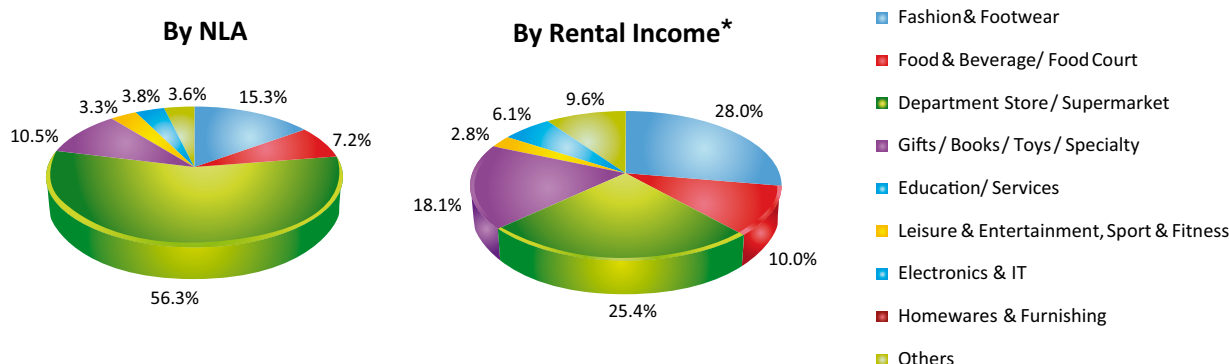
## Portfolio Performance (cont'd)

### Wetex Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store	85,413	55.0%	25.4%
2 Watson's	Others	2,027	1.3%	4.4%
3 Living Cabin	Gifts/Specialty	2,949	1.9%	2.8%
4 Music Bank	Leisure & Entertainment	5,026	3.2%	2.8%
5 McDonald's	Food & Beverage	2,489	1.6%	2.6%
6 Tanjongmas Bookcentre	Gifts/Specialty	4,037	2.6%	2.3%
7 Workshop	Fashion & Footwear	1,803	1.2%	2.2%
8 Sukan Muara	Fashion & Footwear	1,356	0.9%	2.1%
9 Ecco	Fashion & Footwear	1,259	0.8%	2.0%
10 Bata	Fashion & Footwear	1,240	0.8%	1.7%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>107,599</b>	<b>69.3%</b>	<b>48.3%</b>
Other Tenants		47,654	30.7%	51.7%
<b>Total</b>		<b>155,253</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Wetex Parade's Tenancy Mix



\* Based on monthly rental income for December 2012

### Wetex Parade's Expiry Profile

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 2013	26	15,352	10%	17%
FY 2014	24	109,047	70%	52%
FY 2015	37	26,221	17%	32%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.

## Portfolio Performance (cont'd)

### Central Square



Completed in 1997, Central Square is the most established retail centre in Sungai Petani and is considered as one of the most recognizable landmarks in the area.

Strategically situated in the town centre, Central Square is well-positioned as a neighbourhood mall that caters to its immediate surrounding community. It houses an established mix of national and international brand retailers.

The REIT intends to embark on an asset enhancement initiative to the shopping centre to provide the shopping centre with a fresh and modern façade.

Location	23, Jalan Kampung Baru, Sungai Petani, 08000 Kedah.
Title	Freehold
Primary Trade Area	406,870 within 15-mins drive time
Gross Floor Area	743,117 sq ft
Net Lettable Area	300,046 sq ft
Car Park	467
Valuation	RM84.7 million
Tenants*	88
Key Tenants	The Store, Popular Bookstore, Ampang Superbowl
Occupancy	89.80%
Visitor Traffic	N/A
Year Opened	1997
Year Acquired	2012

Data as of 31 December 2012. \* Only NLA Lots



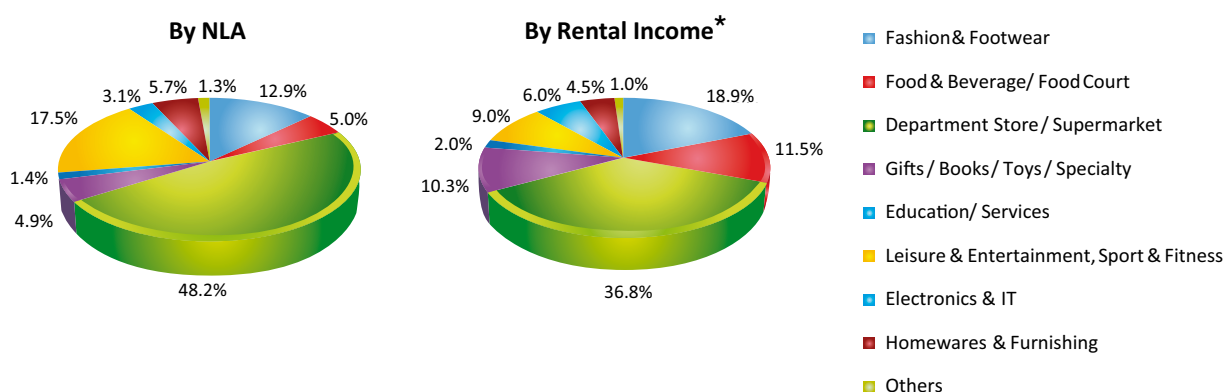
## Portfolio Performance (cont'd)

### Central Square Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store	130,000	43.3%	36.8%
2 KFC	Food & Beverage	3,619	1.2%	3.9%
3 Kerry Leisure Concepts	Leisure & Entertainment	6,780	2.3%	3.1%
4 Popular Bookstore	Gifts/Specialty	6,450	2.1%	2.9%
5 Ampang Superbowl	Leisure & Entertainment	25,000	8.3%	2.8%
6 RB First Avenue	Food & Beverage	1,105	0.4%	2.6%
7 STUDIO	Fashion & Footwear	6,043	2.0%	2.5%
8 Reject Shop	Fashion & Footwear	11,968	4.0%	2.3%
9 Guardian Pharmacy	Gifts/Specialty	1,443	0.5%	2.2%
10 Mr D.I.Y.	Homewares & Furnishing	6,940	2.3%	1.8%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>199,348</b>	<b>66.4%</b>	<b>60.9%</b>
Other Tenants		100,698	33.6%	39.1%
<b>Total</b>		<b>300,046</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Central Square Tenancy Mix



\* Based on monthly rental income for December 2012

### Central Square's Expiry Profile

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 2013	38	42,069	14%	19%
FY 2014	35	44,984	15%	22%
FY 2015	11	172,919	58%	55%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.

## Portfolio Performance (cont'd)

### Landmark Central



Landmark Central is the prime neighbourhood mall in Kulim.

It offers shoppers a plethora of retailers including Giant Superstore as well as a large variety of restaurants such as A&W, Secret Recipe, Pizza Hut and KFC. The centre also welcomed the addition of The Store, a well-established department store which has a strong presence in secondary towns.

More importantly, two of its anchor tenants-Big Cinema and Ole-Ole Superbowl, are the only cinema and bowling centre in Kulim. This allows Landmark Central to capitalise on its unique selling proposition as an all-encompassing neighbourhood mall.

Location	No. 1 Jalan KLC Satu (1), Kulim, 08000 Kedah.
Title	Freehold
Primary Trade Area	181,195 within 15-mins drive time
Gross Floor Area	513,333 sq ft
Net Lettable Area	281,716 sq ft
Car Park	610
Valuation	RM103.0 million
Tenants*	78
Key Tenants	Giant, Pizza Hut, Big Cinema, The Store
Occupancy	96.87%
Visitor Traffic	N/A
Year Opened	2009
Year Acquired	2012

Data as of 31 December 2012. \* Only NLA Lots

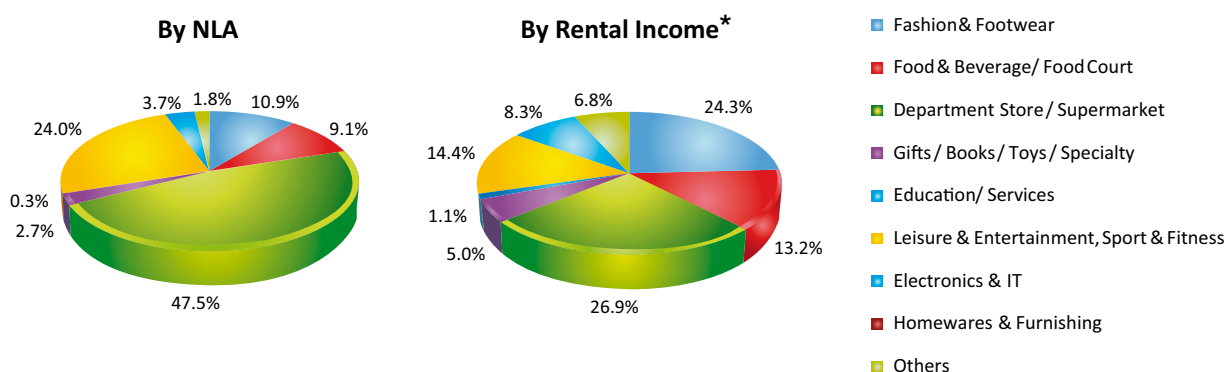
## Portfolio Performance (cont'd)

### Landmark Central's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Giant Supermarket	Department Store	72,140	25.6%	16.5%
2 The Store	Department Store	51,701	18.3%	9.8%
3 Big Cinema	Leisure & Entertainment	24,000	8.5%	5.3%
4 Ole-Ole Superbowl	Leisure & Entertainment	23,670	8.4%	3.6%
5 SEC Electronics	Electronics & IT	5,755	2.0%	2.9%
6 Landmark Books	Gifts/Specialty	5,228	1.9%	2.9%
7 CYC Mega Leisure	Leisure & Entertainment	11,344	4.0%	2.6%
8 Pizza Hut	Food & Beverage	2,754	1.0%	2.1%
9 KFC	Food & Beverage	2,754	1.0%	2.1%
10 Hussain Nasi Kandar	Food & Beverage	3,530	1.3%	2.1%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>202,876</b>	<b>72.0%</b>	<b>49.9%</b>
Other Tenants		78,840	28.0%	50.1%
<b>Total</b>		<b>281,716</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2012

### Landmark Central's Tenancy Mix



\* Based on monthly rental income for December 2012

### Landmark Central's Expiry Profile

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 2013	39	43,200	15%	30%
FY 2014	12	10,293	4%	9%
FY 2015	28	220,776	78%	62%

\* Based on monthly rental income for December 2012. Figures may not round to 100% due to miscellaneous items.



Levi's

Canon

Victoria Jeans & Clothing

JUALAN RAYA  
50%

JUALAN RAYA  
50%

SAY NO TO FAKES

## Corporate Social Responsibility



Prosperity Grove at Mahkota Parade



Buka Puasa with Pertubuhan Kebajikan Anak-anak Yatim Islam



Durian galore at "Jom Durian"

In line with its business strategy of creating shopping malls as community centres, Hektar REIT embraces the importance to promote cultural and community events that bring together the people who come to work, shop, dine, rest or relax with families and friends.

Malaysia is a country with multi-racial culture, and that forms the character of our community. During the festive seasons, our management has carried out various festival events and promotion which not only hold the joy of celebrating our colourful traditions, but also promote giving back to the community. The festive events were collaborated with charity causes, where funds raised from the events were contributed to various charitable organizations. For example, during the Chinese New Year celebration this year, Mahkota Parade had organized a Prosperity Grove charity campaign, where RM8,000 were raised for the Seck Kia Eenh Temple Cancer fund. With a minimum donation of RM10, donors will have a chance to hang their wishes at the cherry blossom grove. The cherry blossoms represent hope and the beauty of life. Subang Parade had also raised RM16,000 through its Chinese New Year charity event for the House of Joy in Puchong.

Aside from raising donations, Hektar REIT also promotes the participation of charitable organizations to make the festive celebrations more fulfilling. During the Ramadhan period, children at orphanages were invited to our Buka Puasa at each shopping mall. Children at the Sri Ramakrishna Ashram Orphanage were also invited to celebrate Deepavali at Mahkota Parade, where traditional Indian dances were performed during the event and donations were made to the orphanage. The events not only bring joy to the children, they also touch the heart of our shoppers, sharing the importance and joy of celebrating each festival with family, friends and the community.

Not to be missed, our annual "Jom Durian" event at Subang Parade brought the local community together to enjoy an afternoon dedicated to savouring our famous local King of Fruits - the durian. Corporate organizations were also invited to participate in the event where proceeds from the durian fest, which amounted to approximately RM112,000 were donated to Children's Wish Society.

Hektar REIT also promotes community development where the Inter-Primary School Patriotic Choir Competition and the Inter-Secondary School Choral Speaking Competition were organized by Subang Parade in mid-2012. These events inculcate public speaking and performance skills in our children and encourage them to improve their language skills.

Hektar REIT recognizes the importance of sustainable practices which positively impact the community and is committed to manage its business responsibly in the interests of its unitholders, customers and stakeholders.



Chinese New Year Charity Yee Sang with House of Joy

## Shopper Testimonials



**W. Mohd Kamal  
W. Salleh**

Subang Parade is a very comfortable place and it is close to both my office and my home. Aside to that, there is a variety of shops to choose from at Subang Parade.



**Paul Lim**

Subang Parade is a family shopping mall. It has everything under one roof and a great location.



**Mrs. Suzan Goh**

I like to shop in Mahkota Parade because of the awesome music and dance shows being put up during events and festival seasons. The redemptions provided are also very interesting and attractive. Besides the above, Mahkota Parade also provides a very clean Mother's Room which makes it very comfortable.



**Tan Chew Hong**

The staffs of Mahkota Parade are friendly and helpful. It's a pleasure shopping at Mahkota Parade with such a nice decoration. The events organized by Mahkota Parade were very successful and they have always managed to create the festive mood.



**Noor Hasnita  
Binti Murabak**

I find that the Kiddy Buggy services provided is very, very convenient for all of the families with young children. It helps us shop conveniently and comfortably in Mahkota Parade. In addition to that, the mall also provides a very friendly and safe environment for the young and old alike. The wheelchair services help the old ones shop comfortably here. The environment here is also very clean. Shopping in Mahkota Parade has always been my first choice and will always be.



**Vasandy  
a/p Subramaniam**

Wetex Parade is very clean and well renovated. The people working here are also very polite and kind. The prices are very affordable, especially at The Store. It is a good shopping place.



**Muhamad Muhaimin  
bin Che Mangsor**

Central Square is a shopping centre for all ages. The shops here provide a good variety, especially during the festive seasons. I will continue to patron this place each time when I return to Sungai Petani. This is a place to visit for me and my friends.



**Balaram**

Basically we are satisfied with Landmark Central. This place is a convenient place to shop. We are also able to pay all of our bills in this mall. This is a "one-stop" centre. We hope that the management will keep up with its good service.

## Retailer Testimonials



**Parkson Corp Sdn Bhd**  
Parkson Department Store

As a tenant of Subang Parade since the late 80's and partners with Hektar REIT since 2002, we have seen the changes that the mall has gone through over the decades and we are pleased to see the complex transformed through well-planned refurbishment and morphing into a very friendly neighborhood mall with a consistent flow of loyal shoppers. As we welcome 2013, we also welcome another wonderful year of partnership and more decades of successes to come.



**Caring Pharmacy Sdn Bhd**  
Caring Pharmacy

Caring Pharmacy in Subang Parade mall was one of the first few outlets in a shopping mall setup. It has shown continuous growth since the opening, which was driven by the strong collaboration and support given by the management team of Hektar Asset Management. Hektar management is well in touch with the needs of shoppers and proactively engages with us in improving shopping experience for its shoppers. We look forward to continuous collaboration with Hektar Management to bring the business to greater heights.



**Bega Connection Sdn Bhd**  
Bega

Subang Parade is the first Malaysian Shopping Centre which Bega has worked with and we are very pleased that the Management team has made our first overseas venture effortless. The Management team has displayed a high level of professionalism, responsibility and dynamism. We appreciate the efforts made by the Management team and we believe that this will go a long way in helping us establish a strong foothold in Malaysia.



**JT Network Sdn Bhd DC**  
Comics Super Heroes

We have been extremely pleased with the way in which Hektar has assisted us with our company formation and growing together with us even though this is the first time we are working together with Hektar. They have been professional in all matters and have delivered on time. I cannot recommend them highly enough.



**Timberland Lifestyle Brand (M) Sdn Bhd**  
Timberland

Over the past one year, it has been a great experience working with Hektar. Along with great communication, support and having appropriate brand adjacencies, Hektar has created a great shopping place to be!



**Uncle Chef Sdn Bhd**  
Oldtown White Coffee

We are glad to be one of the tenants in Mahkota Parade. The mall management has shown great efforts and dedication in helping us establish our café in the mall. Their aggressive marketing plan and understanding of current shoppers' demand have attracted tremendous traffic flow to the mall and we have benefitted from it.



**Navotech Technology Sdn Bhd**  
Navotech

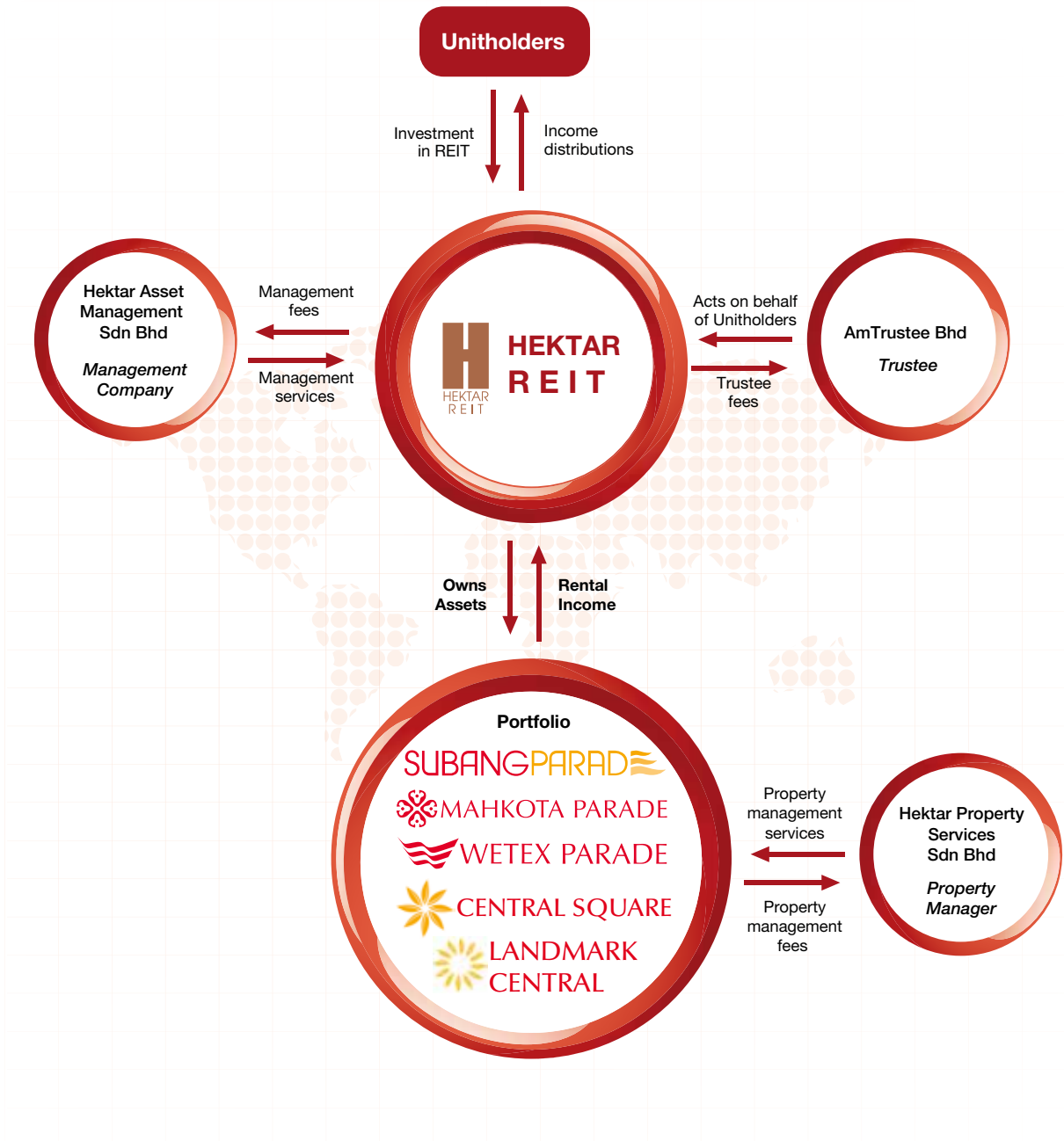
This is our first partnership with Hektar, and we are very pleased that the Hektar management team have always been professional in their approach and have been sensitive towards the needs of the tenants as well as patrons. All these positive attributes have definitely brought improvements to the retail environment of the mall and we have benefitted from the higher traffic flow to the mall. We look forward to building a long mutual beneficial relationship with Hektar.



**Star Electronics Sales & Services Sdn Bhd**  
SEC Electricare

The dedicated professional management and staff and Hektar have helped us make it easier to provide quality service to our customers.

# Corporate Organisation





## Corporate Directory

### MANAGER

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

#### Manager's Principal Place of Business

D1-U3-10, Block D1, Solaris Dutamas  
No. 1, Jalan Dutamas 1,  
50480 Kuala Lumpur  
Tel : +6 03 6205 5570  
Fax : +6 03 6205 5571  
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*

Zalila Binti Mohd Toon  
*Executive Director and Chief Financial Officer*

Dr Chew Tuan Chiong  
*Non-Executive Director*

Christopher Tang Kok Kai  
*Non-Executive Director*

Shahril bin Kassim  
*Non-Executive Director*

Dato' Syed Md Amin Aljeffri  
*Independent Non-Executive Director*

Dato' Robert Lim Git Hooi  
*Independent Non-Executive Director*

Philip Eng Heng Nee  
*Independent Non-Executive Director*

Jack Lam Juck Ngai  
*Alternate Director to Christopher Tang*

Alex Chia Soon Ren  
*Alternate Director to Dr Chew Tuan Chiong  
(with effect from 30 January 2013)*

### JOINT COMPANY SECRETARIES OF THE MANAGER

Dato' Muhammad Hafidz Bin Nuruddin  
(MAICSA 7005820)  
Lim Seck Wah (MAICSA 0799845)

### TRUSTEE

AmTrustee Berhad (Company No. 163032-V)  
(a member of AmInvestment Group Berhad)  
Level 15, Menara AmFIRST  
No. 1, Jalan 19/3  
46300 Petaling Jaya  
Selangor

### PROPERTY MANAGER

Hektar Property Services Sdn Bhd (868376-K)  
F36, First Floor, Subang Parade  
No. 5, Jalan SS 16/1  
47500 Subang Jaya  
Selangor

### PRINCIPAL BANKER OF THE FUND

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

### AUDITOR (EXTERNAL)

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

### AUDITOR (INTERNAL)

KPMG Business Advisory Sdn Bhd  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor

### TAX AGENT

SJ Grant Thornton (AF : 0737)  
Level 11 Sheraton 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 Sheraton Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50774 Kuala Lumpur  
Tel : +6 03 2692 4271  
Fax : +6 03 2732 5388

### STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD MAIN  
MARKET  
Short Name: HEKTAR  
Stock Code: 5121

## The Board of Directors



### **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. The Kuala Lumpur Malay Chamber of Commerce awarded him with the "Entrepreneur of the Year Award" in 2011 in recognition of his success in entrepreneurship.



### **Zalila binti Mohd Toon**

Executive Director and Chief Financial Officer

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

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



### **Dr Chew Tuan Chiong**

Non-Executive Director

Dr Chew is Chief Executive Officer of Frasers Centrepoint Asset Management, the manager of Frasers Centrepoint Trust. Previously, Dr Chew was the Chief Executive of Science Centre Singapore, a government statutory board, from 1995 to 2009. He has also been an Associate Professor with the National University of Singapore, and a Research Scientist with Daimler Benz in Germany and British Gas PLC in the UK, and an Adjunct Professor with the Singapore Management University. Dr Chew is presently also a Director of Frasers Property Australia Pty Ltd, CityNet Infrastructure Management Pte Ltd and Vacaron Company Sdn Bhd.

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

## The Board of Directors (cont'd)



### **Christopher Tang Kok Kai**

Non-Executive Director

Mr Tang is the Chief Executive Officer of Frasers Centrepoint Commercial, the FCL division which is responsible for commercial property investment, development and management, fund and asset management. He is concurrently the Chief Executive Officer of Greater China, overseeing FCL's property interests in China.

Mr Tang has over 20 years of experience in asset management, investment management, marketing and operations in the real estate and manufacturing industries. Prior to joining the Fraser & Neave Group in 2001, he held senior positions with DBS Bank, DBS Land and British Petroleum. He is presently a director of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust and Frasers Centrepoint Asset Management (Commercial) Ltd, the manager of Frasers Commercial Trust.

Mr Tang holds a Masters in Business Administration and a Bachelor of Science Degree from the National University of Singapore.



### **Shahril bin Kassim**

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 Md 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, Golden Horse Palace Berhad, RAM Holdings Berhad, Asas Serba Sdn Bhd and several other private limited companies.

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

## The Board of Directors (cont'd)



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



### **Philip Eng Heng Nee**

Independent Non-Executive Director

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

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



### **Jack Lam Juck Ngai**

Alternate Director to Mr Christopher Tang Kok Kai

Jack Lam is currently General Manager (Investment & Business Development) in the commercial properties division of Frasers Centrepoint Limited. Up to July 2011 he was the Deputy Chief Executive Officer and Head, Investment of Frasers Centrepoint Asset Management Ltd, which manages Frasers Centrepoint Trust listed in Singapore. Jack has over 19 years of experience in the Singapore and regional property markets, spanning a variety of roles in investment, asset management, advisory and research.

He has also been involved in REIT management since the industry's inception in Singapore in 2002.

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



### **Alex Chia Soon Ren**

Alternate Director to Dr Chew Tuan Chiong  
(With effect from 30 January 2013)

Alex is currently Head, Investment of Frasers Centrepoint Asset Management Ltd, which manages Frasers Centrepoint Trust listed in Singapore. Alex has over 8 years of business development experience in serviced residence industry covering the Pan Asia market. He also has more than 5 years of retail experience in areas of operations and project planning.

Alex holds a Bachelor Degree in Business Administration from National University of Singapore and an MBA from University of Hull, United Kingdom.

## 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.

### **Zarina Halim**

**Senior Manager, Corporate Affairs**

Zarina has been with the Hektar Group of Companies since 2002 and was part of the management team responsible for the listing of Hektar REIT on Bursa Malaysia in December 2006. She is responsible for corporate affairs, of which legal and secretarial make up the main areas and includes regulatory compliance. She was formerly with the United Engineers Malaysia Berhad ("UEM") Group of Companies for 9 years where during the first few years in UEM, she was involved in project management at Faber Hotels Holdings which culminated in the conversion of a series of Faber owned properties under the "Merlin" brand name to "Sheraton". She was Head of Corporate Affairs and Business Development in Prolink Development Sdn Bhd, the UEM Group's subsidiary responsible for the development of Malaysia's Singapore Second Crossing (MSSC) township, Bandar Nusajaya. Her notable experience at Prolink included the implementation of corporate land sales to the value of over RM1 billion and the successful restructuring of Prolink's debt obligations under Danaharta. She then moved on to head the Business Development unit at OptixLab Sdn Bhd which was mainly responsible for the sourcing and implementation of information and communications technology related investments as well as the company's strategic marketing initiatives.

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

### **Nubly Zainuham bin Ambotang**

**Senior Manager, Strategy**

Nubly is responsible for Hektar REIT's strategic planning, investor relations, business development, research and analysis. He joined Hektar REIT in 2011. Nubly was formerly with UEM Group for 5 years where during his stint there he was involved in the formation of UEM Group's new International Business Division which was set up with the prime objective of exploring and securing new business opportunities for the Group in the Middle East and North Africa region. Prior to this he was with Cement Industries of Malaysia Berhad ("CIMA") heading the Corporate Affairs department managing CIMA's investor relation, corporate finance, corporate communication and business development activities. He graduated with a Bachelor's Degree in Accounting from the University of Hull, UK and also holds a post graduate qualification of Master of Professional Accounting from the University of Queensland, Australia.

### **Raziff Suhairi bin Shaaban**

**Senior Manager, Finance**

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

### **Martin Chen**

**Manager, Legal**

Martin provides support in the areas of legal and secretarial compliance in relation to the portfolio of Hektar REIT. He was formerly in legal practice as a legal associate with the firms Jeyaratnam & Chong and subsequently Zul Rafique & Partners. While in legal practice, he was responsible for handling and providing advice in property development, sale & purchase, tenancy and lease transactions involving various types of property products (including residential, commercial and agricultural properties) in Malaysia. He also handled consumer and corporate banking documentation work from a wide array of banks and financial institutions in Malaysia and provided advisory services to property developers in relation to property development projects within the Klang Valley. Martin graduated from the University of Sheffield, United Kingdom with a Bachelor of Laws (LLB) degree and holds a Certificate in Legal Practice (CLP) from the Legal Qualifying Board, Malaysia. He was called to the Malaysian Bar as an advocate and solicitor in November 2002. Martin is currently a member of the Malaysian Corporate Counsel Association.

## Investor Communication

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

Hektar REIT's website contains information on the REIT's strategy, organisation, manager, portfolio and financials. The investor information section provides current and historical quarterly presentations, annual and interim reports, press releases and announcements, in downloadable Portable Document Format (PDF). An email alert system provides subscribers with the latest announcements on a timely basis.

Hektar Asset Management continues to maintain regular communications to research houses, individual & institutional investors and the media. Hektar conducts one-to-one and group meetings, conference calls and continues to provide site visits to the portfolio. Since the IPO listing, Hektar has delivered presentations and papers in remisier briefings, equity roadshows, industry conferences & seminars and investor & media outreach programmes throughout Malaysia and Singapore.

Hektar Asset Management continues to improve the quality of investment disclosure for Hektar REIT.

Reports from analyst coverage may be accessed on Bursa Malaysia's website under the Research Report (CBRS) section. Over the past year, analyst coverage included RHB Research, CIMB and Kenanga Investment Bank.

For new and prospective investors, a brief guide, fact sheet and detailed Frequently Asked Questions are available on the website. For more information, please visit the website at [www.HektarREIT.com](http://www.HektarREIT.com), or contact:

### The Manager

Investor Relations & Corporate Communications  
Hektar Asset Management Sdn Bhd  
D1-U3-10, Block D1,  
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Web : [www.HektarREIT.com](http://www.HektarREIT.com)

### The Registrar

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

Tel : +6 03 2692 4271  
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### Financial Year Calendar

	2013*	2012
Full Year Results Announcement	5 February 2013	13 February 2012
Annual Report	February 2013	February 2012
Final Distribution	11 March 2013	13 March 2012
First Quarter Results Announcement	May 2013	25 May 2012
First Interim Distribution	June 2013	26 June 2012
Second Quarter Results Announcement	August 2013	10 August 2012
Second Interim Distribution	September 2013	18 September 2012
Third Quarter Results Announcement	November 2013	20 November 2012
Third Interim Distribution	December 2013	18 October 2012

\* *Dates are tentative and subject to change*

## 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 2012.

### 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 2012 RM	As at 31 December 2011 RM
Total Net Asset Value	596,664,386	475,153,296
Units in Circulation	(Units) 400,634,117	320,001,000
Weighted Average Units in Circulation	(Units) 340,159,279	320,001,000
Net Asset Value per unit	1.49	1.48
Market Value per unit	1.46	1.32
Highest Traded Price	1.49	1.38
Lowest Traded Price	1.27	1.21

### OPERATING RESULTS

	FYE 31 December 2012 RM	FYE 31 December 2011 RM
Total Gross Income	103,583,064	95,058,447
Total Property Expenses	(39,484,959)	(36,585,339)
Fair Value Adjustment on Investment Properties	18,711,937	47,737,207
	82,810,042	106,210,315
Total Non-Property Expenses	(24,340,388)	(19,558,939)
Net Income before taxation	58,469,654	86,651,376
Net Income before taxation – realised	39,757,717	38,914,169
Net Income before taxation – unrealized	18,711,937	47,737,207
Net Income after taxation	58,469,654	86,651,376
Earnings per Unit after Tax *	(sen) 17.19	27.08
Realised Earnings per Unit after Tax *	(sen) 11.69	12.16
Distribution per Unit ("DPU")	(sen) 10.50	10.50

\* Calculated using Weighted Average Units in Circulation

The Manager is pleased to report that for the financial year ended 31 December 2012, the total revenue of Hektar REIT is RM103,583,064 comprising gross rental income of RM103,231,670, interest income of RM172,257 and other income of RM137,326 and reversal of impairment loss and trade receivables of RM41,811. The Gross Rental income includes expense of RM294,150, which is due to the impact of FRS117 which took effect on 1 January 2010.

The realised net profit FYE 2012 of RM39,757,717 is higher than FYE 2011 by RM843,548. The positive variance is mostly due to the continuous increase in casual leasing income.

The Manager has recommended and AmTrustee Berhad ("Trustee") has approved a total income distribution of 10.5 sen per unit totaling RM35,777,199 for the year ended 31 December 2012.

## Manager's Report (cont'd)

The total income distribution of RM35,777,199 is RM2,177,094 higher than that of the previous period. This is mainly due to the increase in number of units in circulation, which was increased from 320,001,000 units to 400,634,117 units.

### INCOME DISTRIBUTION

The schedule of the income distributions is as follows:

Distribution payment	Income Distribution (RM)	Remarks
First interim distribution	8,320,026	Paid in June 2012
Second interim distribution	8,320,026	Paid in September 2012
Third interim distribution	8,320,026	Paid in October 2012
Final distribution	10,817,121	To be paid in March 2013
<b>Total</b>	<b>35,777,199</b>	

### DIRECTORS OF THE MANAGER

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

Dato' Jaafar Bin Abdul Hamid  
 Zalila Binti Mohd Toon  
 Dr Chew Tuan Chiong  
 Christopher Tang Kok Kai  
 Shahril Bin Kassim  
 Dato' Syed Amin Aljeffri  
 Dato' Robert Lim Git Hooi  
 Philip Eng Heng Nee  
 Jack Lam Juck Ngai (Alternate Director to Christopher Tang)  
 Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong, with effect from 30 January 2013)

### DIRECTORS BENEFITS

For the financial year ended 31 December 2012, 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 22 as explained under the Notes to the Financial Statements.

There were no arrangements during the financial year ended 2012, 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 Hektar REIT or any other corporate body.

### MANAGER'S FEE

For the financial year ended 31 December 2012, the Manager's fee comprised the following:

1. Base fee of RM3,205,458, which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM3,294,675, which is calculated at 5% of Net Property Income

The Manager's total management fee of RM6,500,133 represents 0.74% per annum of the Net Asset Value ("NAV") of Hektar REIT.

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 Hektar REIT.



## Manager's Report (cont'd)

### CORPORATE DEVELOPMENTS

#### Government Land Acquisition

Further to the announcements dated 10 May 2010, 4 August 2010, 3 November 2010, 17 February 2011, 11 May 2011, 17 August 2011, 4 November 2011, 13 February 2012, 25 May 2012, 29 June 2012, 10 August 2012 and 20 November 2012, the Manager is currently awaiting for payment of the additional compensation sum and other charges awarded by the High Court from the Pentadbir Tanah Daerah Petaling (PTD) in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor.

### GEARING

#### Debt Facilities

Hektar REIT's total borrowings of RM436,100,000 consist of secured short term and long term loans.

#### Gearing Capacity

As at 31 December 2012, Hektar REIT had a gearing ratio (external borrowings to total assets) of 40.89%. Based on the GAV of RM1,066,267,459 as at 31 December 2012, there is capacity to borrow an additional RM97,033,730 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 2012 is 400,634,117.

#### Investments Of The Trust

Total Investments as at 31 December 2012 was RM1,028,970,000.

Property	Audited Book Value 1 Jan 2012 RM ('000)	Acquisition/ (Divestment)/ Capital Expenditure in 2012 RM ('000)	Unaudited Book Value as at 31 Dec 2012 RM ('000)	Latest Market Valuation RM ('000)	Revaluation Surplus RM ('000)
Subang Parade	385,000	553	385,553	391,270	5,717
Mahkota Parade	307,000	1,411	308,411	315,000	6,589
Wetex Parade	130,000	133	130,133	135,000	4,867
Central Square	–	84,315	84,315	84,700	385
Landmark Central	–	101,846	101,846	103,000	1,154
<b>Total</b>	<b>822,000</b>	<b>188,258</b>	<b>1,010,258</b>	<b>1,028,970</b>	<b>18,712</b>

#### Net Asset Value Of Hektar Reit

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2012 is RM1.49 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  
5 February 2013

## Corporate Governance

The management of Hektar REIT is governed by a Trust Deed executed on 5 October 2006 and as amended by a Supplemental Trust Deed dated 20 March 2012 between the Manager and the Trustee (“the Deed”). The Deed, *inter alia*, details out the roles, duties, obligations and powers 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 accordance to four key concepts:

1. good performance
2. accountability
3. transparency
4. integrity

The Board has the responsibility to ensure that the abovementioned concepts were rigorously observed throughout the year ended 31 December 2012. To this end, 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”).

In November 2012, Bursa Malaysia had amended its LR in line with the recommendations made under the Corporate Governance Blueprint 2011 (“CG Blueprint”), as well as the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) issued by the Securities Commission (“SC”). The Board and the Management of Hektar REIT is currently taking the necessary steps to enhance its practices, in accordance to the latest LR changes and the recommendations made under CG Blueprint and MCCG 2012.

Changes to Hektar REIT’s corporate governance practices will be updated on our website [www.hektarreit.com](http://www.hektarreit.com).

### 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.

### Board of Directors

The Board has the overall responsibility for corporate governance, reviewing the adequacy and integrity of the system of internal control, reviewing and adopting the strategic direction of the Fund and overseeing the investment of the Fund.

### Executive Committee

An Executive Committee 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 decision 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, Puan Zalila binti Mohd Toon and Dr Chew Tuan Chiong.

## Corporate Governance (cont'd)

### Audit Committee

An Audit Committee, comprising the Independent Directors Dato' Syed Md Amin Aljeffri as Chairman, Dato' Robert Lim Git Hooi and Mr. Philip Eng Heng Nee, is delegated by the Board to review the following and report the same to the Board :

- a. the audit plan with the auditor
- b. the system of internal controls with the external auditor
- c. the financial audit report with the external auditor
- d. the assistance given by the employees of the Manager to the external auditor
- e. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work
- f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken or whether or not appropriate action is taken on the recommendations of the internal audit function
- g. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on :-
  - i. changes in or implementation of major accounting policy changes;
  - ii. significant and unusual events; and
  - iii. compliance with accounting standards and other legal requirements
- h. any related party transaction and conflict or interest situation that may arise within HEKTAR REIT and the Manager any transaction, procedure or course of conduct that rises questions of management quality
- i. any letter of resignation from the external auditors of HEKTAR REIT; and
- j. whether there is reason (supported by grounds) to believe that HEKTAR REIT's external auditor is suitable for re-appointment

### Nomination Committee

The Board has yet to set up its Nomination Committee at the time of print. In the absence of the Committee, the Board holds full responsibility of the nomination function.

Duties for this function have been set out in the Operations Manual as per the following :-

- To review regularly the Board structure, size and composition and make any adjustments that are deemed necessary
- The CEO will identify and recommend new nominees to the Board and all decisions and appointments are made by the Board after considering the recommendation.
- The Board will review regularly its required mix of skills and experience and other qualities which Non-Executive Directors should bring to the Board.

## Corporate Governance (cont'd)

### 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 37% 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 roles of Board Chairman and Chief Executive Officer are helmed by Dato' Jaafar bin Abdul Hamid, who is an Executive Director. This is a departure from Recommendation 3.4 of the Malaysian Code on Corporate Governance 2012 which states that the positions of Chairman and CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board. The Board believes that the interests of unit holders/shareholders are best served by an experienced CEO and a Chairman who are sanctioned by the Board and who will act in the best interest of unit holders/shareholders. As the Chairman has a significant relevant interest in the Company and Hektar REIT as well as the extensive pertinent experience he brings in running the business, he is well placed to act on behalf of the unit holders/shareholders and in their best interests.

### 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 2012, the Board met on 4 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.

Below are the directors' attendance for the board and audit committee meetings held in the financial year 2012 :-

	Board Meeting	Audit Committee Meeting*
Dato' Jaafar Bin Abdul Hamid	3/4	N/A
Zalila Binti Mohd Toon	4/4	N/A
Dr Chew Tuan Chiong	3/4	N/A
Christopher Tang Kok Kai	3/4	N/A
Shahril Bin Kassim	4/4	N/A
Dato' Syed Amin Aljeffri	3/4	3/3
Dato' Robert Lim Git Hooi	4/4	3/3
Philip Eng Heng Nee	3/4	3/3
Jack Lam Juck Ngai (Alternate Director to Christopher Tang)	1/4	N/A

\* N/A denotes that the director is not a member of this committee.

## Corporate Governance (cont'd)

### Directors Training

During the financial period under review, the Directors attended various conferences / programmes to enhance their knowledge and expertise, and to keep up to date with the relevant changes in law, regulations and the business environment. The training programmes, conferences and seminars attended by the Directors during the year under review covered areas such as corporate governance, leadership, professional development, financial and tax matters amongst others.

In the financial year 2012, Dr Chew Tuan Chiong attended “SGX-SID Effective Board Leadership (EBL) Programme – Module 3 : Enterprise Risk Management” and “SGX-SID Listed Company Director (LCD) Programme – Module 3 : Risk Management Essentials”, whilst Zalila Mohd Toon attended the “22nd National Real Estate Convention”, the “11<sup>th</sup> Annual Real Estate Investment World Asia 2012” and “Women Directors Onboarding Training Programme”. Dato’ Lim Git Hooi has also attended “MFRS/IFRS Guide for Audit Committee and Internal Auditors” during the financial year.

Our Independent Director, Dato’ Syed Amin Aljeffri has diligently attended various courses during the financial year, amongst which include the World Bank Talk “Malaysia : Recent Developments and Economic Outlook & Modern Jobs for the High Income Economy”, “Sustainability & Corporate Responsibility : Investor demand for Environmental, Social and Governance (ESG)”, “Finance for Non Finance Managers”, “National Tax Seminar 2013”, “Talk for College of Business Topic : Performance Management”, etc.

### 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.

### 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 judgments 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 and Risk Management

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 Governance (cont'd)

### 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.

Directors, whether acting as a full board or in their individual capacity, may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

### 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.

## Statement by Manager

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 58 to 91 are drawn up in accordance with the provisions of the Deed dated 5 October 2006 and as amended by a Supplemental Trust Deed dated 20 March 2012 between the Manager and the Trustee ("the Deed"), the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust, ("Hektar REIT") as at 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the information set out on Note 29 on page 92 to the Financial Statements had complied with the Bursa Malaysia Securities Berhad Listing Requirements in relation to the disclosure of the breakdown of realised and unrealised profits or losses, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors of the Manager in accordance with a resolution of the Board of Directors.

**DATO' JAAFAR BIN ABDUL HAMID**  
Chairman and Chief Executive Officer

**ZALILA BINTI MOHD TOON**  
Executive Director and Chief Financial Officer

Kuala Lumpur  
5 February 2013

## 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 financial statements set out on pages 58 to 91 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
 the abovenamed at Shah Alam in )  
 Selangor Darul Ehsan this day of )  
 5 February 2013 )

**ZALILA BINTI MOHD TOON**

Before me:

Commissioner for Oaths



## Trustee's Report

to the Unitholders of Hektar Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") for the financial year ended 31 December 2012. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd., the Manager, has managed Hektar REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and other applicable laws during the financial year then ended.

We have also ensured the following:-

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

We confirm that the income distributions declared and paid during the financial year ended are in line with and are reflective of the objectives of the Trust. Four distributions have been declared and paid during the financial year ended 31 December 2012 as follows:-

- 1. Final income distribution of 3.0 sen for the financial year ended 31 December 2011 paid on 13 March 2012;
- 2. First interim income distribution of 2.6 sen for the financial year ended 31 December 2012 paid on 26 June 2012;
- 3. Second interim income distribution of 2.6 sen for the financial year ended 31 December 2012 paid on 18 September 2012; and
- 4. Third interim income distribution of 2.6 sen for the financial year ended 31 December 2012 paid on 18 October 2012.

For and on behalf of the Trustee,  
AmTrustee Berhad

**TAN KOK CHEENG**

Kuala Lumpur  
5 February 2013

# Independent Auditors' Report

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

## Report on the Financial Statements

We have audited the financial statements of Hektar Real Estate Investment Trust ("the Trust") which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as enumerated in Notes 1 to 28 and, as set out on pages 64 to 91.

### *Directors of the Manager's Responsibility for the Financial Statements*

The Directors of the Manager of the Trust are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Deed, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager of the Trust, 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, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Trust as at 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

## Other Reporting Responsibilities

The supplementary information set out in Note 29 on page 92 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Independent Auditors' Report (cont'd)

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

### Other Matters

As stated in Note 2.4 to the Financial Statements, the Trust adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors of the Manager of the Trust to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the Malaysian Financial Reporting Standards transition comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Trust for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

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

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

**NG CHEE HOONG**  
(NO: 2278/10/14(J))  
CHARTERED ACCOUNTANT

Kuala Lumpur  
5 February 2013

# Statement of Financial Position

As at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	4	1,028,970,000	822,000,000	752,000,000
Capital work in progress	5	533,438	–	552,911
Fixed deposits with a licensed bank	6	4,072,423	2,338,995	2,268,626
Total non-current assets		1,033,575,861	824,338,995	754,821,537
<b>Current assets</b>				
Trade receivables	7	3,333,440	3,002,686	1,930,843
Other receivables, deposits and prepayments	8	3,231,071	20,451,827	1,016,401
Cash and bank balances		26,127,087	19,265,508	24,670,518
Total current assets		32,691,598	42,720,021	27,617,762
<b>Total assets</b>		<b>1,066,267,459</b>	<b>867,059,016</b>	<b>782,439,299</b>
<b>Current liabilities</b>				
Trade payables	9	1,319,107	266,763	565,158
Other payables and accruals	10	32,183,966	28,158,957	26,412,118
Bank borrowings	11	150,000,000	–	184,000,000
Total current liabilities		183,503,073	28,425,720	210,977,276
<b>Non-current liabilities</b>				
Bank borrowings	11	286,100,000	363,480,000	150,000,000
Total liabilities		469,603,073	391,905,720	360,977,276
Net assets		596,664,386	475,153,296	421,462,023
<b>Unitholders' funds and reserve</b>				
Unitholders' capital	12	425,738,255	328,136,711	328,136,711
Undistributed income-realised		35,108,545	29,910,936	23,956,870
Undistributed income-unrealised		135,817,586	117,105,649	69,368,442
Total Unitholders' funds and reserve		596,664,386	475,153,296	421,462,023
Number of units in circulation	12	400,634,117	320,001,000	320,001,000
Net asset value ("NAV") per unit (RM)				
- As at 31 December		1.4893	1.4848	1.3171
- Before income distribution during the financial year		1.5756	1.5878	1.4231

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

## Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 RM	2011 RM
Gross revenue	13	103,231,670	94,881,213
Property expenses	14	(39,484,959)	(36,585,339)
Net property income		63,746,711	58,295,874
Reversal of impairment loss on trade receivables		41,811	82,962
Interest income		172,257	163,928
Other income		137,326	13,306
Change in fair value of investment properties		18,711,937	47,737,207
Total income		82,810,042	106,293,277
Manager's fees	15	6,500,133	5,760,527
Trustee's fee	16	398,435	149,733
Auditors' remuneration:			
- current year			
- statutory		63,000	87,000
- others		112,530	-
- underprovision in prior year			
- statutory		-	8,000
Tax agent's fees			
- current year		10,000	10,000
- underprovision in prior year		4,610	1,500
Valuation fees		120,000	120,000
Professional fees		642,733	512,673
Allowance for impairment loss		291,103	52,250
Administration expenses		285,078	168,375
Interest expense		15,910,960	12,771,843
Bad debts written off		1,806	-
Total expenses		(24,340,388)	(19,641,901)
Income before tax		58,469,654	86,651,376
Tax expense	17	-	-
Income for the financial year, representing total comprehensive income for the financial year		58,469,654	86,651,376
Total comprehensive income for the financial year is made up as follows:-			
Realised		39,757,717	38,914,169
Unrealised - Change in fair value of investment properties		18,711,937	47,737,207
		58,469,654	86,651,376

## Statement of Comprehensive Income (cont'd)

For the financial year ended 31 December 2012

	Note	2012 RM	2011 RM
Earnings per unit (Total)			
- After manager's fees (sen)	18(a)	17.19	27.08
- Before manager's fees (sen)	18(b)	19.10	28.88
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Earnings per unit (Realised)			
- After manager's fees (sen)	18(c)	11.69	12.16
- Before manager's fees (sen)	18(d)	13.60	13.96
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Net income distribution			
- Interim distribution of 7.8 sen (2011: 7.5 sen) per unit		24,960,078	24,000,075
- Final distribution of 3.0 sen in respect of financial year ended 31 December 2011 (31 December 2010: 2.8 sen)		9,600,030	8,960,028
		34,560,108	32,960,103
<hr/>			
Interim income distribution per unit			
- Gross (sen)	19	7.80	7.50
- Net (sen)	19	7.80	7.50
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Final income distribution per unit			
- Gross (sen)	19	3.00	2.80
- Net (sen)	19	3.00	2.80
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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 2012

	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Undistributed Income Unrealised RM	Unitholders' Funds RM
At 1 January 2011		328,136,711	23,956,870	69,368,442	421,462,023
<b>Operations for the financial year ended 31 December 2011</b>					
Total comprehensive income for the financial year		–	38,914,169	47,737,207	86,651,376
Increase in net assets resulting from operations		–	38,914,169	47,737,207	86,651,376
<b>Unitholders' transactions</b>					
Distribution to Unitholders		–	(32,960,103)	–	(32,960,103)
Decrease in net assets resulting from Unitholders' transactions		–	(32,960,103)	–	(32,960,103)
Balance at 31 December 2011		328,136,711	29,910,936	117,105,649	475,153,296
At 1 January 2012		328,136,711	29,910,936	117,105,649	475,153,296
<b>Operations for the financial year ended 31 December 2012</b>					
Total comprehensive income for the financial year		–	39,757,717	18,711,937	58,469,654
Increase in net assets resulting from operations		–	39,757,717	18,711,937	58,469,654
<b>Unitholders' transactions</b>					
Issued during the year	12	99,305,308	–	–	99,305,308
Unit issuance expenses	12	(1,703,764)	–	–	(1,703,764)
Distribution to Unitholders		–	(34,560,108)	–	(34,560,108)
Increase/(Decrease) in net assets resulting from Unitholders' transactions		97,601,544	(34,560,108)	–	63,041,436
Balance at 31 December 2012		425,738,255	35,108,545	135,817,586	596,664,386

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

## Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 RM	2011 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax		58,469,654	86,651,376
Adjustments for:-			
Reversal of impairment loss on trade receivables		(41,811)	(82,962)
Bad debts written off		1,806	-
Change in fair value of investment properties		(18,711,937)	(47,737,207)
Interest expense		15,910,960	12,771,843
Interest income		(172,257)	(163,928)
Allowance for impairment loss		291,103	52,250
Operating profit before working capital changes		55,747,518	51,491,372
Changes in working capital:			
Payables		5,077,353	1,448,444
Receivables		2,158,904	(20,476,557)
Net cash from operating activities		62,983,775	32,463,259
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment properties	A	(98,540,984)	-
Expenditure for refurbishment and enhancement of investment properties incurred		(3,150,517)	(21,709,882)
Interest received		172,257	100,659
Placement of fixed deposits		(1,733,428)	(7,100)
Net cash used in investing activities		(103,252,672)	(21,616,323)



## Statement of Cash Flows (cont'd)

For the financial year ended 31 December 2012

	Note	2012 RM	2011 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(15,910,960)	(12,771,843)
Proceeds from issuance of unitholders' capital		99,305,308	-
Unit issuance expenses paid		(1,703,764)	-
Drawdown of borrowings		-	29,480,000
Distribution to Unitholders		(34,560,108)	(32,960,103)
<hr/>			
Net cash from /(used in) financing activities		47,130,476	(16,251,946)
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<b>CASH AND CASH EQUIVALENTS</b>			
Net changes		6,861,579	(5,405,010)
Brought forward		19,265,508	24,670,518
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Carried forward		26,127,087	19,265,508
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### NOTE TO THE STATEMENT OF CASH FLOWS

#### A. PURCHASE OF INVESTMENT PROPERTIES

Investment properties were acquired by the following means:

	2012 RM	2011 RM
Cash payments	98,540,984	-
Financed by bank borrowings	87,100,000	-
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	185,640,984	-
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The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

- 31 December 2012

## 1. GENERAL INFORMATION

Hektar Real Estate Investment Trust (“Hektar REIT” or “the Trust”) was constituted on 5 October 2006 pursuant to the Deed.

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

The principal activity of Hektar REIT is to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth.

There have been no significant changes in the nature of these activities during the financial year.

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

The Manager’s registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at D1-U3-10, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Board of Directors on 5 February 2013.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Trust have been prepared in accordance with the provisions of the Deed, the Securities Commission Act 1993, the Securities Commission’s Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

### 2.2 Basis of Measurement

The financial statements of the Trust are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Trust’s functional currency.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.4 First-time Adoption of MFRSs

In the previous years, the financial statements of the Trust were prepared in accordance with Financial Reporting Standards ("FRSs"). This is the Trust's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Trust for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Trust's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the opening statement of financial position of the Trust as at 1 January 2011.

#### 2.5 Standards Issued But Not Yet Effective

The Trust has not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Trust:

##### Amendments to MFRS effective 1 July 2012

MFRS 101	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
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##### MFRSs effective 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine

##### Amendments to MFRSs effective 1 July 2013

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance Annual Improvements 2009-2011 Cycle issued in July 2012

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.5 Standards Issued But Not Yet Effective (cont'd)

The Trust has not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Trust (cont'd):

##### Amendments to MFRS effective 1 January 2014

MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
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##### MFRS effective 1 January 2015

MFRS 7	Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (IFRS 9 issued in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued in November 2010)

MFRS 10, 11, 12, 127, 128 and IC Interpretation 20 are not applicable to the Trust's operations.

The initial application of the above standards are not expected to have any financial impacts to the financial statements upon the first adoption, except for:

##### MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Trust is currently examining the financial impact of adopting MFRS 9.

##### MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhance disclosures about fair value measurements. It replaces the existing fair value guidance in different MFRSs.

The adoption of MFRS 13 will result in a change in accounting policy for the items measured at fair value in the financial statements. The Trust is currently examining the financial impact of adopting MFRS 13.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

**2. BASIS OF PREPARATION (CONT'D)****2.6 Significant Accounting Estimates and Judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Trust's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

**2.6.1 Estimation uncertainty**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

*Impairment of loans and receivable*

The Trust assesses at end of each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Trust considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Trust's loans and receivables at the end of the reporting period is summarised in Notes 7 and 8 to the Financial Statements.

The Board of Directors of the Manager expects that the carrying amount of the Trust's loans and receivables at the end of the reporting date would not have material difference from their estimates and hence it would not result in material variance in the Trust's profit for the financial year.

**2.6.2 Significant management judgements**

The following are significant management judgements in applying the accounting policies of the Trust that have the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

The Trust determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Trust considers whether a property generates cash flows largely independently of the other assets held by the Trust.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Trust accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statement of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

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 profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Trust accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

#### 3.2 Capital work in progress

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

#### 3.3 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

##### 3.3.1 Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

## Notes to the Financial Statements (cont'd)

- 31 December 2012

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Tax expense****3.3.2 Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.1 to the Financial Statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

**3.4 Financial instruments**

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

**3.4.1 Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- (a) loans and receivables;
- (b) financial assets at fair value through profit or loss;
- (c) held to maturity investments; and
- (d) available-for-sale financial assets.

All financial assets excepts for those fair value through profit or loss are subject to review for impairment at least at each end of the reporting period.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.4 Financial instruments (Cont'd)

##### 3.4.1 Financial assets (Cont'd)

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset has expired or when the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As at reporting date, the Trust only carried loans and receivables on its statement of financial position.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Trust's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

##### 3.4.2 Financial liabilities

After the initial recognition, financial liability is classified as:

- (a) financial liability at fair value through profit or loss;
- (b) other financial liabilities measured at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### Other financial liabilities measured at amortised cost

The Trust's financial liabilities include borrowings, trade and other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 3.5 Provisions

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



## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.5 Provisions (Cont'd)

Any reimbursement that the Trust can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 3.6 Cash and cash equivalents

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

Bank overdrafts are shown in current liabilities in the statement of financial position.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of reporting period are classified as non-current asset.

#### 3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Trust incurred in connection with the borrowing of funds.

#### 3.8 Impairment of assets

##### 3.8.1 Impairment of financial assets

The Trust assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.8 Impairment of assets (Cont'd)

##### 3.8.1 Impairment of financial assets (cont'd)

###### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Trust first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Trust determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continued to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Trust. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

##### 3.8.2 Impairment of non-financial assets

At each end of the reporting period, the Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses recognised in respect of a cash-generating unit or groups of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

An impairment loss is recognised as an expense in the profit or loss immediately, except for the assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Impairment of assets (Cont'd)****3.8.2 Impairment of non-financial assets (Cont'd)**

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**3.9 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

**3.9.1 Rental income**

Rental income receivable under operating leases is recognised in the profit or loss on a straight-line basis over the term of lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received.

The aggregate cost of incentives provided to leasees is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amount received.

**3.9.2 Carpark income**

Carpark income is recognised in the profit or loss on accrual basis.

**3.9.3 Interest income**

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the year to maturity, when it is determined that such income will be accrued.

**3.10 Expenses**

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

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.11 Equity instruments

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently. Income distributions to unitholders are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as deduction from equity, net of tax, from the proceeds.

#### 3.12 Contingent

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

#### 3.13 Related parties

A related party is a person or entity that is related to the Manager. A related party transaction is a transfer of resources, services or obligations between the Manager and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Manager if that person:
- (i) has control or joint control over the Manager;
  - (ii) has significant influence over the Manager; or
  - (iii) is a member of the key management personnel of the Manager.
- (b) An entity is related to the Manager if any of the following conditions applies:
- (i) The entity and the Manager are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Manager or an entity related to the Manager.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the Manager or is a member of the key management personnel of the Manager.

### 4. INVESTMENT PROPERTIES

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>At fair value</b>			
Freehold land and building	713,970,000	515,000,000	469,000,000
Leasehold land and building	315,000,000	307,000,000	283,000,000
	1,028,970,000	822,000,000	752,000,000

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 4. INVESTMENT PROPERTIES (CONT'D)

The movement of the investment properties is as follows:

	2012 RM	2011 RM
At 1 January	822,000,000	752,000,000
Additions	185,640,984	-
Transferred from capital work in progress (Note 5)	2,617,079	22,262,793
Change in fair value recognised in profit or loss	18,711,937	47,737,207
<b>At 31 December</b>	<b>1,028,970,000</b>	<b>822,000,000</b>

Details of the investment properties are as follows:-

Description of property	Tenure of land	Location	Existing use	Cost of investment RM	Valuation as at 31 December 2012 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	391,270,000	66
2. Mahkota Parade	Leasehold	Melaka	Commercial	232,000,000	315,000,000	53
3. Wetex Parade	Freehold	Muar	Commercial	117,500,000	135,000,000	23
4. Landmark Central	Freehold	Kedah	Commercial	98,000,000	103,000,000	17
5. Central Square	Freehold	Kedah	Commercial	83,000,000	84,700,000	14
					1,028,970,000	

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade were issued on 31 October 2012 by Messrs. Henry Butcher Malaysia Sdn. Bhd. an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison and the investment methods of valuation. The valuation reports of Landmark Central and Central Square were issued on 6 December 2012 by Messrs. Khong & Jaafar Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison and the investment methods of valuation.

The leasehold land for Mahkota Parade expires in 2101.

Subang Parade, Mahkota Parade and Wetex Parade have been pledged as security for borrowings as disclosed in Note 11 to the Financial Statements.

The following is recognised in profit or loss in respect of investment properties:

	2012 RM	2011 RM
Rental income	93,780,754	85,320,927
Direct operating expenses:		
- Income generating investment properties	39,484,959	36,585,339
- Non-income generating investment properties	8,429,428	6,870,058

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 5. CAPITAL WORK IN PROGRESS

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Capital work in progress	533,438	–	552,911

The movement of capital work in progress is as follows:

	2012 RM	2011 RM
At 1 January	–	552,911
Additions	3,150,517	21,709,882
Transferred to investment properties (Note 4)	(2,617,079)	(22,262,793)
At 31 December	533,438	–

### 6. FIXED DEPOSITS WITH A LICENSED BANK

The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 2.29% (2011: 2.78%) per annum.

The fixed deposits have been pledged to a licensed bank for bank guarantee granted to the Trust.

### 7. TRADE RECEIVABLES

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables	3,798,064	3,290,219	2,256,332
Less: Impairment losses	(464,624)	(287,533)	(325,489)
	3,333,440	3,002,686	1,930,843

The movement of impairment losses during the financial year is as follows:

	2012 RM	2011 RM
At 1 January	(287,533)	(325,489)
Addition	(291,103)	(52,250)
Reversal	41,811	82,962
Written off	72,201	7,244
As 31 December	(464,624)	(287,533)

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 12% to 18% (31.12.2011: 12% to 18%, 1.1.2011: 12% to 18%) per annum will be imposed on overdue amount.

Trade receivables that are past due and not impaired are creditworthy debtors with good payment records with the Trust. None of the Trust's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

**7. TRADE RECEIVABLES (CONT'D)**

The impairment loss on trade receivable was reversed during the financial year as a result of subsequent receipts of the amount.

The ageing analysis of trade receivables is as follows:

	<b>Gross RM</b>	<b>Individually impaired RM</b>	<b>Net RM</b>
<b>31.12.2012</b>			
Not past due	2,636,947	–	2,636,947
Past due 0-30 days	143,264	–	143,264
Past due 31-60 days	237,177	–	237,177
More than 61 days	780,676	(464,624)	316,052
	<hr/> 3,798,064	<hr/> (464,624)	<hr/> 3,333,440
<b>31.12.2011</b>			
Not past due	2,492,699	–	2,492,699
Past due 0-30 days	413,296	–	413,296
Past due 31-60 days	31,559	–	31,559
More than 61 days	352,665	(287,533)	65,132
	<hr/> 3,290,219	<hr/> (287,533)	<hr/> 3,002,686
<b>1.1.2011</b>			
Not past due	1,375,444	–	1,375,444
Past due 0-30 days	417,454	–	417,454
Past due 31-60 days	35,691	–	35,691
More than 61 days	427,743	(325,489)	102,254
	<hr/> 2,256,332	<hr/> (325,489)	<hr/> 1,930,843

The net carrying amount of trade receivables is considered a reasonable approximate of fair value.

The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	2,065,173	1,234,430	278,513
Deposits	226,580	18,499,348	207,900
Prepayments	939,318	718,049	529,988
	<b>3,231,071</b>	<b>20,451,827</b>	<b>1,016,401</b>

In the financial year ended 31 December 2011, included in deposits of the Trust are deposits paid for acquisition of Landmark Central and Central Square amounting to RM18,290,218.

### 9. TRADE PAYABLES

Trade payables are non-interest bearing and the normal credit term granted by trade payables to the Trust are generally from 30 to 60 (31.12.2011: 30 to 60, 1.1.2011: 30 to 60) days.

### 10. OTHER PAYABLES AND ACCRUALS

	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other payables	1,023,660	132,865	172,128
Accruals	3,123,967	4,550,608	3,623,033
Advance received	936,840	1,025,249	1,100,924
Deposits received from tenants	27,099,499	22,450,235	21,516,033
	<b>32,183,966</b>	<b>28,158,957</b>	<b>26,412,118</b>

Included in other payables are the following amounts:-

	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount owing to Manager	641,256	546,772	452,188
Amount owing to Property Manager	178,526	165,696	152,157
Amount owing to Trustee	26,189	12,418	12,190

Amount owing to Manager, Property Manager and Trustee are unsecured, interest free and repayable monthly in arrears.

Included in deposits received from tenants is RM1,922,875 (31.12.2011: RM1,534,782, 1.1.2011: RM1,045,832) representing the difference between the fair value and the amount of deposits received carried in the statement of financial position as a result of the initial recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 Financial Instruments: Recognition and Measurement.



## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 11. BANK BORROWINGS

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Secured</b>			
Current liabilities:			
Murabahah overdrafts ("MOD")			
- MOD 1	-	-	184,000,000
- MOD 2	150,000,000	-	-
	150,000,000	-	184,000,000
Non-current liabilities:			
- MOD 1	184,000,000	184,000,000	-
- MOD 2	-	150,000,000	150,000,000
- MOD 3	54,300,000	14,480,000	-
- MOD 4	32,800,000	-	-
- Term loan	15,000,000	15,000,000	-
	286,100,000	363,480,000	150,000,000
<b>Total bank borrowings</b>	<b>436,100,000</b>	<b>363,480,000</b>	<b>334,000,000</b>

The MOD 1, MOD 2 and MOD 3, and MOD 4 are secured by way of fixed charges over Subang Parade, Mahkota Parade and Wetex Parade respectively.

All the MOD's have tenure of 5 years from the first disbursement of which MOD 1 is due for repayment in 2011, MOD 2 is due for repayment in 2013, MOD 3 and MOD 4 are due for repayment in 2016. However, extension period of 5 years is granted for MOD 1 and it is now due for repayment in 2016.

MOD 1 and MOD 2 bear interest rate of cost of funds plus 75 basis points (31.12.2011 and 1.1.2011: cost of fund plus 75 basis points), MOD 3 bears interest rate of cost of fund plus 75 basis points for first and second year and cost of fund plus 100 basis points for third year onwards and MOD 4 bears interest rate of cost of fund plus 100 basis points (31.12.2011 and 1.1.2011: Nil). The effective interest rate on MOD is 3.98% (31.12.2011: 3.65%, 1.1.2011: 3.04%) per annum.

The term loan is secured by way of fixed charge over Mahkota Parade. The term loan has a 5-year tenure whereby the principal amount is repayable via a bullet repayment at the end of the 5-year tenure in 2016. The term loan bears interest rate of cost of funds plus 75 basis points and interest is to be serviced monthly in arrears. The average interest rate on the term loan is 4.15% (31.12.2011: 4.12, 1.1.2011: Nil) per annum.

The carrying amount of the borrowings approximates the fair value.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 12. UNITHOLDERS' CAPITAL

	31.12.2012 No. of units	31.12.2011 No. of units	1.1.2011 No. of units	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Authorised unitholders' capital</b>	400,634,117	320,001,000	320,001,000	425,738,255	328,136,711	328,136,711

The movement of the authorised unitholders' capital are as follows:

	2012 No. of units	2011 No. of units	2012 RM	2011 RM
At 1 January	320,001,000	320,001,000	328,136,711	328,136,711
Created during the financial year	80,633,117	-	97,601,544	-
At 31 December	400,634,117	320,001,000	425,738,255	328,136,711

	31.12.2012 No. of units	31.12.2011 No. of units	1.1.2011 No. of units	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Issued and fully paid unitholders' capital</b>	400,634,117	320,001,000	320,001,000	425,738,255	328,136,711	328,136,711

The movement of the issued and fully paid unitholders' capital are as follows:

	2012 No. of units	2011 No. of units	2012 RM	2011 RM
At 1 January	320,001,000	320,001,000	328,136,711	328,136,711
Issued pursuant to acquisition of investment properties:				
- RM1.43 each	632,867	-	905,000	-
- RM1.23 each	905,000	-	98,400,308	-
Unit issuance expenses	-	-	(1,703,764)	-
At 31 December	400,634,117	320,001,000	425,738,255	328,136,711

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 12. UNITHOLDERS' CAPITAL (CONT'D)

As at 31 December 2012, the Manager holds 632,867 units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:-

	No. of units		% of total units	
	2012	2011	2012	2011
Manager's Directors' Direct Unitholdings in Hektar REIT:-				
Under Maybank Nominees (Tempatan) Sdn. Bhd.				
1. Zalila Binti Mohd Toon	246,000	246,000	0.06	0.08
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-				
1. HSBC Nominees (Asing) Sdn. Bhd. for Frasers Centrepoint Trust (As Trustee)	124,892,950	99,400,000	31.17	31.06
2. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	50,875,000	40,700,000	12.70	12.72
3. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	109,750,000	87,800,000	27.39	27.44
The Manager's related parties' Direct Unitholdings in Hektar REIT:-				
1. Hektar Premier Sdn. Bhd.	109,750,000	87,800,000	27.39	27.44
2. Hektar Black Sdn. Bhd.	50,875,000	40,700,000	12.70	12.72

### 13. GROSS REVENUE

	2012 RM	2011 RM
Rental income	93,115,247	85,973,224
Carpark income	9,745,066	8,440,631
Other income	371,357	467,358
	103,231,670	94,881,213

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 14. PROPERTY EXPENSES

	2012 RM	2011 RM
Assessment and quit rent	3,440,262	3,291,542
Marketing and promotions	3,098,380	3,086,382
Property management fee	1,822,503	1,879,427
Property maintenance	24,956,401	15,765,924
Utilities	5,377,720	11,907,833
Insurance	789,693	654,231
	39,484,959	36,585,339

Property management fee of RMNil (2011: RM769,634) and RM1,822,503 (2011: RM1,109,793) incurred are payable to Izrin & Tan Properties Sdn. Bhd. and Hektar Property Services Sdn. Bhd. respectively in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

### 15. MANAGER'S FEES

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

#### (i) Base fee

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

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

#### (ii) Performance fee

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

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

### 16. TRUSTEE'S FEE

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

For the financial year ended 31 December 2012, the Trustee's fee shall be 0.035% (2011: 0.035%) per annum of the NAV of the Fund, including the Manager's fees.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 17. TAX EXPENSE

#### Taxation of the Real Estate Investment Trust ("REIT")

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Hektar REIT will not incur any tax exposure during the financial year as it distributed more than 90% of its realised income available for distribution for the financial year ended 31 December 2012 which translates to more than 90% of its total taxable income.

	<b>2012 RM</b>	<b>2011 RM</b>
Current financial year's provision	-	-

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

	<b>2012 RM</b>	<b>2011 RM</b>
Income before tax	58,469,654	86,651,376
Income tax at 25%	14,617,414	21,662,844
Tax effects in respect of:-		
Non-allowable expenses	177,144	136,856
Income not subject to tax	(4,677,985)	(12,234,956)
Effect of income distribution exempted from tax	(10,116,573)	(9,564,744)
	-	-

#### Taxation of the Unitholders

Pursuant to Section 109D(2) of Income Tax Act, 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unit holders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

<b>Unitholders</b>	<b>Tax rate</b>
Individual and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	25%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 25%.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 18. EARNINGS PER UNIT

#### Weighted average number of unitholders' capital

	2012 No. of units	2011 No. of units
At 1 January	320,001,000	320,001,000
Effect of unit issued during the financial year	20,158,279	-
At 31 December	340,159,279	320,001,000

- (a) The calculation of earnings per unit (total) after Manager's fee is based on net income for the financial year of RM58,469,654 (2011: RM86,651,376) to the weighted average number of units in circulation during the financial year of 340,159,279 (2011: 320,001,000).
- (b) The calculation of earnings per unit (total) before Manager's fee is based on net income for the financial year of RM64,969,787 (2011: RM92,411,903) after adding back Manager's fee and weighted average number of units in circulation during the financial year of 340,159,279 (2011: 320,001,000).
- (c) The calculation of earnings per unit (realised) after Manager's fee is based on realised net income for the financial year of RM39,757,717 (2011: RM38,914,169) to the weighted average number of units in circulation during the financial year of 340,159,279 (2011: 320,001,000).
- (d) The calculation of earnings per unit (realised) before Manager's fee is based on realised net income for the financial year of RM46,257,850 (2011: RM44,674,696) after adding back Manager's fees and the weighted average number of units in circulation during the financial year of 340,159,279 (2011: 320,001,000).

There is no diluted earnings per unit as the Trust has no dilutive potential unitholders' capital.

### 19. INCOME DISTRIBUTION

Distribution to Unitholders are from the following sources:-

	2012 RM	2011 RM
Net rental income	63,746,711	58,295,874
Other income	137,326	13,306
Interest income	172,257	163,928
Reversal of impairment loss on trade receivables	107,800	82,962
	64,164,094	58,556,070
Less: Expenses	(24,406,377)	(19,641,901)
	39,757,717	38,914,169

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 19. INCOME DISTRIBUTION (CONT'D)

Distribution to Unitholders are from the following sources (cont'd):-

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Gross provision for distribution per unit (sen):		
-Interim	7.80	7.50
-Final	3.00	2.80
	10.80	10.30
Net provision for distribution per unit (sen): **		
-Interim	7.80	7.50
-Final	3.00	2.80
	10.80	10.30

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

	<b>YA 2012</b>	<b>YA 2011</b>
Resident individual	10%	10%
Non-resident individual	10%	10%
Resident institutional investors	10%	10%
Non-resident institutional investors	10%	10%
Non-resident companies	25%	25%

### 20. PORTFOLIO TURNOVER RATIO

	<b>2012</b>	<b>2011</b>
Portfolio Turnover Ratio ("PTR")(times)	0.04	-

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Hektar REIT to the average net asset value for the financial year calculated on a quarterly basis. Since the PTR is calculated on a quarterly basis, comparison of the PTR of Hektar REIT with other REITs which uses different basis of calculation may not be comparable.

### 21. MANAGEMENT EXPENSE RATIO

	<b>2012</b>	<b>2011</b>
Management Expense Ratio ("MER")(%)	1.68	1.59

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

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 22. TRANSACTION WITH A PARTY RELATED TO THE MANAGER

	2012 RM	2011 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	252,058	251,087

### 23. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Loans and receivables (L&R); and
- (b) Other financial liabilities (AC) measured at amortised cost.

31.12.2012	Carrying amount RM	L&R RM	AC RM
<b>Financial assets</b>			
Trade receivables	3,333,440	3,333,440	-
Other receivables and deposits	2,291,753	2,291,753	-
Fixed deposits with licensed banks	4,072,423	4,072,423	-
Cash and bank balances	26,127,087	26,127,087	-
	35,824,703	35,824,703	-
<b>Financial liabilities</b>			
Trade payables	1,319,107	-	1,319,107
Other payables and accruals	32,183,966	-	32,183,966
Bank borrowings	436,100,000	-	436,100,000
	469,603,073	-	469,603,073
<b>31.12.2011</b>			
<b>Financial assets</b>			
Trade receivables	3,002,686	3,002,686	-
Other receivables and deposits	19,733,778	19,733,778	-
Fixed deposits with licensed banks	2,338,995	2,338,995	-
Cash and bank balances	19,265,508	19,265,508	-
	44,340,967	44,340,967	-
<b>Financial liabilities</b>			
Trade payables	266,763	-	266,763
Other payables and accruals	28,158,957	-	28,158,957
Bank borrowings	363,480,000	-	363,480,000
	391,905,720	-	391,905,720



## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 23. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Loans and receivables (L&R); and
- (b) Other financial liabilities (AC) measured at amortised cost.

1.1.2011	Carrying amount RM	L&R RM	AC RM
<b>Financial assets</b>			
Trade receivables	1,930,843	1,930,843	-
Other receivables and deposits	486,413	486,413	-
Fixed deposits with licensed banks	2,268,626	2,268,626	-
Cash and bank balances	24,670,518	24,670,518	-
	29,356,400	29,356,400	-
<b>Financial liabilities</b>			
Trade payables	565,158	-	565,158
Other payables and accruals	26,412,118	-	26,412,118
Bank borrowings	334,000,000	-	334,000,000
	360,977,276	-	360,977,276

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Financial risks

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

#### (a) Interest rate risk

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

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### Financial risks (cont'd)

##### (a) Interest rate risk (cont'd)

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 annual interest rate during the financial year %
<b>31.12.2012</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	4,072,423	4,072,423	1.50 - 3.07
<b>Financial liabilities</b>				
Murabahah overdrafts	150,000,000	271,100,000	421,100,000	3.98
Term loan	-	15,000,000	15,000,000	4.15
<b>31.12.2011</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	2,338,995	2,338,995	2.55 - 3.06
<b>Financial liabilities</b>				
Murabahah overdrafts	-	348,480,000	348,480,000	3.65
Term loan	-	15,000,000	15,000,000	4.12
<b>1.1.2011</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	2,268,626	2,268,626	1.80 - 2.55
<b>Financial liabilities</b>				
Murabahah overdrafts	184,000,000	150,000,000	334,000,000	3.04

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### Financial risks (cont'd)

##### (a) Interest rate risk (cont'd)

*Cash flow sensitivity analysis for variable rate instruments:*

A change in 75 basis point (bp) in interest rates at the end of the reporting period would have increased/ (decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit for the year		Equity	
	+ 75 bp RM	- 75 bp RM	+ 75 bp RM	- 75 bp RM
<b>2012</b>				
Floating rate instruments	(3,270,750)	3,270,750	(3,270,750)	3,270,750
<b>2011</b>				
Floating rate instruments	(2,726,100)	2,726,100	(2,726,100)	2,726,100

##### (b) Credit risk

The Trust controls credit risk by the application of credit approvals, limit and monitoring procedure.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the statement of financial position.

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

As at 31 December 2012, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

As at 31 December 2012, trade receivables of RM696,493 (31.12.2011: RM509,987, 1.1.2011: RM555,399) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

##### (c) Liquidity risks

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

In managing its exposures to liquidity risk arising principally from its various payables, loans and borrowings, the Trust maintains a level of cash and cash equivalents and bank facilities deemed adequate by the Manager to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)****Financial risks (cont'd)****(c) Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

	<b>Within 1 year RM</b>	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>Total RM</b>
<b>31.12.2012</b>				
<b>Financial liabilities</b>				
<b>Secured:</b>				
Term loan	–	–	15,000,000	15,000,000
Murabahah overdrafts	150,000,000	–	271,100,000	421,100,000
<b>Unsecured:</b>				
Trade payables	1,319,107	–	–	1,319,107
Other payables and accruals	32,183,966	–	–	32,183,966
<b>Total undiscounted financial liabilities</b>	<b>183,503,073</b>	<b>–</b>	<b>286,100,000</b>	<b>469,603,073</b>
<b>31.12.2011</b>				
<b>Financial liabilities</b>				
<b>Secured:</b>				
Term loan	–	–	15,000,000	15,000,000
Murabahah overdrafts	–	198,480,000	150,000,000	348,480,000
<b>Unsecured:</b>				
Trade payables	266,763	–	–	266,763
Other payables and accruals	28,158,957	–	–	28,158,957
<b>Total undiscounted financial liabilities</b>	<b>28,425,720</b>	<b>198,480,000</b>	<b>165,000,000</b>	<b>391,905,720</b>
<b>1.1.2011</b>				
<b>Financial liabilities</b>				
<b>Secured:</b>				
Murabahah overdrafts	184,000,000	150,000,000	–	334,000,000
<b>Unsecured:</b>				
Trade payables	565,158	–	–	565,158
Other payables and accruals	26,412,118	–	–	26,412,118
<b>Total undiscounted financial liabilities</b>	<b>210,977,276</b>	<b>150,000,000</b>	<b>–</b>	<b>360,977,276</b>

**Fair value of financial instruments**

The carrying amounts of short term receivables and payable, cash and cash equivalents and bank borrowings approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 25. CAPITAL MANAGEMENT

The Trust's objectives when managing capital is to maintain a strong capital base and safeguard the Trust's ability to continue as a going concern, so as to maintain stakeholders and market confidence and to sustain future development of the Trust.

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2012.

The Manager monitors capital using a gearing ratio pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts ("SC Guideline"). As per the SC Guideline, the total borrowings of a Trust should not exceed 50% of the total asset value of the Trust at the time the borrowings are incurred.

	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-current assets	1,033,575,861	824,338,995	754,821,537
Current assets	32,691,598	42,720,021	27,617,762
<b>Total asset value</b>	<b>1,066,267,459</b>	<b>867,059,016</b>	<b>782,439,299</b>
<b>Total borrowings</b>	<b>436,100,000</b>	<b>363,480,000</b>	<b>334,000,000</b>
<b>Gearing ratio</b>	<b>40.90%</b>	<b>41.92%</b>	<b>42.69%</b>

### 26. CAPITAL COMMITMENT

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

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Authorised and contracted for:-		
Refurbishment of investment properties	241,920	-

### 27. SEGMENTAL REPORTING

The principal activity of the Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium to long terms capital growth. Hence, no segmental reporting is presented.

### 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 2 October 2012, Amtrustee Berhad, the trustee of the Trust acquired Landmark Central Shopping Centre and Central Square Shopping Centre for a purchase consideration of RM98,000,000 and RM83,000,000 respectively. The incidental costs incurred for the acquisition amounted to approximately RM4,641,000.

## Notes to the Financial Statements (cont'd)

- 31 December 2012

### 29. DISCLOSURE OF REALISED AND UNREALISED PROFIT/ (LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised of the Trust, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of unappropriated profits as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Total undistributed income of the Trust		
- realised	35,108,545	29,910,936
- unrealised	135,817,586	117,105,649
	<hr/>	<hr/>
	170,926,131	147,016,585
	<hr/>	<hr/>

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

## Analysis of Unitholders

### TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012

(AS PER RECORD OF DEPOSITORS)

NO	UNIT HOLDER	NO. OF UNITS	%
1	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR FRASERS CENTREPOINT TRUST	124,892,950	31.17
2	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR HEKTAR PREMIER SDN BHD (001)	94,750,000	23.65
3	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)	50,875,000	12.70
4	OSK NOMINEES (TEMPATAN) SDN BERHAD FOR HEKTAR PREMIER SDN. BHD.	15,000,000	3.74
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	8,530,375	2.13
6	ASCENTPAC SDN.BHD.	4,023,700	1.00
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	3,684,625	0.92
8	VALUECAP SDN BHD	3,495,250	0.87
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL NON-PAR)	2,877,975	0.72
10	HSBC NOMINEES (ASING) SDN BHD BNYM SA/NV FOR LIECHTENSTEINISCHE LANDESBANK AKTIENGESELLSCHAFT	2,314,000	0.58
11	RUZIAH BINTI MOHD AMIN	1,500,000	0.37
12	LATIFPAH BINTI M ATAN	1,272,700	0.32
13	KON CZE YAN @ KOON CZE YAN	1,212,500	0.30
14	DEV KUMAR MENON	1,007,500	0.25
15	HWANGDBS INVESTMENT BANK BERHAD IVT (JBD)	939,375	0.23
16	JAZELAN FIRHAN BIN JAAFAR	928,000	0.23
17	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR ALLIANZ LIFE INSURANCE CO LTD (AZLK GL REITS)	893,000	0.22
18	ZURICH INSURANCE MALAYSIA BERHAD AS BENEFICIAL OWNER (BALANCED FUND)	885,875	0.22
19	GOH MENG KEONG	871,500	0.22
20	CIMSEC NOMINEES (ASING) SDN BHD BANK OF SINGAPORE LIMITED FOR KONTINENTAL INTERNATIONAL LIMITED	780,625	0.19
21	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FIRSTWIDE TRADE SDN. BHD.	750,000	0.19
22	ECML NOMINEES (TEMPATAN) SDN. BHD LIBRA INVEST BERHAD FOR SOO CHEE SIONG (SKIM P. AHLI 2-EP0570)	737,500	0.18

## Analysis of Unitholders (cont'd)

### TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012 (CONT'D) (AS PER RECORD OF DEPOSITORS)

NO	UNIT HOLDER	NO. OF UNITS	%
23	LIM SAN LEE	698,600	0.17
24	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	653,350	0.16
25	HEKTAR ASSET MANAGEMENT SDN BHD	632,867	0.16
26	TEO MEI CHING	625,000	0.16
27	YEOH LAY ENG	625,000	0.16
28	YAU AH PENG	600,000	0.15
29	WONG TET FUI	578,125	0.14
30	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD ALLIANCE OPTIMAL INCOME FUND	544,000	0.14
TOTAL		327,179,392	81.67

### BREAKDOWN OF UNITHOLDERS AS AT 31 DECEMBER 2012

	NO. OF UNITHOLDERS	% OF UNITHOLDERS	NO. OF UNITS HELD	% OF TOTAL UNITS
LESS THAN 100	11	0.38	324	0.00
100 TO 1,000	231	7.97	176,351	0.05
1,001 TO 10,000	1,371	47.27	6,742,950	1.68
10,001 TO 100,000	1,088	37.52	32,802,400	8.19
100,001 TO LESS THAN 5% OF ISSUED UNITS	196	6.76	90,394,142	22.56
5% AND ABOVE OF ISSUED UNITS	3	0.10	270,517,950	67.52
TOTAL	2,900	100.00	400,634,117	100.00



## Analysis of Unitholders (cont'd)

### CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2012

Category of Unitholders	No. of Holders			No. of Units			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	57	2,039	35	4,352,925	54,380,839	1,065,000	1.087	13.574	0.266
2 Body Corporate									
a. Bank/Finance Companies	1	1		3,495,250	939,375		0.872	0.234	
b. Investments trusts/ foundations/ charities		4			186,000			0.046	
c. Other types of Companies	4	28	3	1,539,467	6,954,700	273,300	0.385	1.737	0.068
3 Government agencies/ Institutions									
4 Nominees	27	667	34	161,509,200	34,985,086	130,952,975	40.313	8.732	32.686
5 Others									
<b>Sub Total</b>	<b>89</b>	<b>2,739</b>	<b>72</b>	<b>170,896,842</b>	<b>97,446,000</b>	<b>132,291,275</b>	<b>42.657</b>	<b>24.323</b>	<b>33.020</b>
<b>Malaysian Total</b>	<b>2,828</b>			<b>268,342,842</b>			<b>66.980</b>		
<b>Grand Total (Malaysian + Foreign)</b>	<b>2,900</b>			<b>400,634,117</b>			<b>100.000</b>		

## Glossary

Bursa Securities / the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 5 October 2006 and as amended by a Supplemental Trust Deed dated 20 March 2012 constituting Hektar REIT executed between the Trustee and the Manager
DPU	:	Distribution per Unit
GAV	:	Gross Asset Value
Gross Revenue	:	Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
Hektar Klasik	:	Hektar Klasik Sdn Bhd (Company No. 557687-X), being the holding company of the Manager
Hektar REIT / the Trust	:	Hektar Real Estate Investment Trust
IPO	:	Initial Public Offering. Hektar REIT's IPO was completed on 4 December 2006
MER	:	Management Expense Ratio
Manager	:	Hektar Asset Management Sdn Bhd (Company No. 732261-T), being the management company of Hektar REIT
NAV	:	Net Asset Value
NTA	:	Net Tangible Assets
NLA / Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Hektar Property Services Sdn Bhd (868376-K)
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
SCA	:	Securities Commission Act, 1993
SC Guidelines on REITs	:	Guidelines on Real Estate Investment Trusts issued by the SC effective 21 August 2008 and updated on 28 December 2012
Sq. ft. / Sf	:	Square feet
Sqm	:	Square metres
Share Registrar	:	Mega Corporate Sdn Bhd (Company No. 187984-H)

## Glossary (cont'd)

Step-Up Rent Provision	:	Specified in tenancy agreement as a pre-determined increase in rent at defined intervals during a tenancy agreement, typically each year. Forms the base rent of any tenancy agreement.
Trustee	:	AmTrustee Berhad (Company No. 163032-V ) being the Trustee of Hektar REIT
Turnover Rent Provision	:	Rent calculated as a proportion of annual turnover of the tenant's business. For Hektar REIT, Turnover Rent is paid to the REIT if it exceeds the base rent specified in the tenancy agreement on an annual basis.
Unit(s)	:	Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units

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