

# HEKTAR REAL ESTATE INVESTMENT TRUST

ANNUAL REPORT 2013



**H**ektar 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 RM1.05 billion.

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.

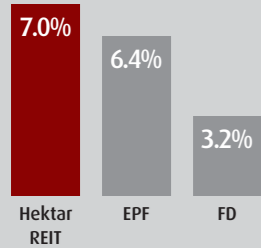
Hektar REIT is managed by Hektar Asset Management Sdn Bhd, and was formed with a vision to develop world-class shopping centres for Malaysian consumers, based on international best practices.

## High Yield

# 7.0% Yield

by Hektar REIT based on FY2013 distribution.

Unit Price	IPO	RM1.05
	31.12.2013	RM1.50
	NAV	RM1.53



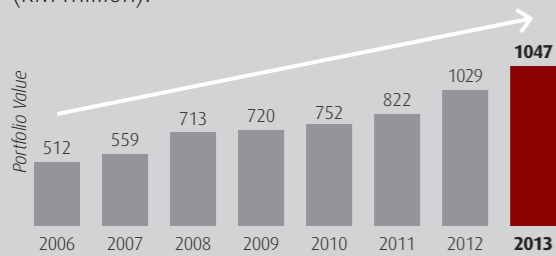
Sources: Bloomberg. Hektar REIT yield based on closing price of RM1.50 on 31 December 2013 and FY13 DPU of 10.50 sen.

**DPU Trend since IPO**  
At least maintain or increase y-o-y

## Value Creation

Steady track record of **value creation** since IPO (RM million).

**CAGR of 10.7%**



Figures as at 31 December each year, except for 2006, which was recorded as at 4 December 2006 (IPO).

## Quality Assets

Hektar's Portfolio consists of mainly **neighbourhood-focused** shopping centres throughout Malaysia.

Market Catchment<sup>1</sup>  
**1.9 million** residents

Number of Tenancies<sup>2</sup>  
**524**

Net Lettable Area  
**1.7 million** sq ft

Visitor Traffic  
**31.2 million**

As at 31 December 2013  
<sup>1</sup> MIRP Surveys (2007-8)/Market Survey 2011  
<sup>2</sup> NLA Tenants

## Income Stability

Hektar's portfolio has 524 tenancies. FY2014 tenancy expiries account for 44% of monthly rental income.

Portfolio Occupancy (Dec 2013)  
**95.0%**

Weighted Average Rental Reversion (Dec 2013)  
**7.0%**



# CONTENTS

## Creating The Places Where People Love to Shop

Our vision is to develop, own and manage world-class shopping centres for Malaysian consumers, based on international best practices. We aim to be the mall owner of choice for retailers, developers and shoppers.



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## FINANCIAL HIGHLIGHTS

FY2013 Distribution Per Unit (DPU) maintained at 10.5 sen

### Financial Year

Ended 31 December

RM'000	FY2013	FY2012	FY 2011	FY 2010	FY 2009
Gross Revenue	<b>120,235</b>	103,232	94,881	90,873	87,712
Direct Cost & Property Expenses	<b>46,120</b>	39,485	36,585	35,530	34,688
Net Property Income (NPI)	<b>74,115</b>	63,747	58,296	55,343	53,024
Net Income	<b>58,766</b>	58,470	86,651	39,184	37,137
Earnings Per Unit	<b>14.67</b>	17.19*	27.08	12.24	11.61
Net Income – Realised	<b>46,134</b>	39,758	38,914	38,172	36,737
Net Income Per Unit – Realised (sen)	<b>11.52</b>	11.69*	12.16	11.93	11.48
Income Distribution	<b>42,067</b>	35,777	33,600	32,960	32,960
Distribution Per Unit (DPU) (sen)	<b>10.5</b>	10.5	10.5	10.3	10.3
Change in Unit Price (sen)	<b>4.0</b>	18.0	(3.0)	22.0	35.0
Annual Total Return per Unit (sen)	<b>14.5</b>	28.5	7.5	32.3	45.3
Annual Total Return per Unit (%)**	<b>9.7</b>	19.5	5.7	23.9	40.4

### Balance Sheet

as at 31 December

RM'000	FY2013	FY2012	FY 2011	FY 2010	FY 2009
Total Assets	<b>1,085,103</b>	1,066,267	867,059	782,439	777,125
Total Liabilities	<b>471,739</b>	469,603	391,906	360,997	360,927
Total Borrowings	<b>436,100</b>	436,100	363,480	334,000	334,000
Gearing Ratio (%)	<b>40.2</b>	40.9	41.9	42.7	43.0
Net Assets	<b>613,364</b>	596,664	475,153	421,462	416,198
No. of Units in Circulation (Units)	<b>400,634</b>	400,634	320,001	320,001	320,001
NAV per Unit (RM)	<b>1.53</b>	1.49	1.48	1.32	1.30

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

\*\* Calculated based on the Closing Price of each year.

## Income Distributions

FY2013

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\* 7.0%

\* Based on DPU of 10.50 sen and the closing unit price of RM1.50 for FY2013. Source: Bloomberg

## Unit Price Statistics

FY2013

High	RM1.64
Low	RM1.44
Opening Price (1 January 2013)	RM1.46
Closing Price (31 December 2013)	RM1.50
Change In Price	2.7%

## Average Total Return\*

For 1 year (2013)	9.7%
For 3 years (2011–2013)	11.6%
For 5 years (2009–2013)	19.8%

\* Based on the Total Return and the Closing Price of each year.

## Total Return\*\*

For 3 years (2011–2013)	31.0%
For 5 years (2009–2013)	60.1%

\*\*Based on the Total Return of each year and the Closing Price as at 31 December 2013.

## Debt Structure

as at 31 December 2013

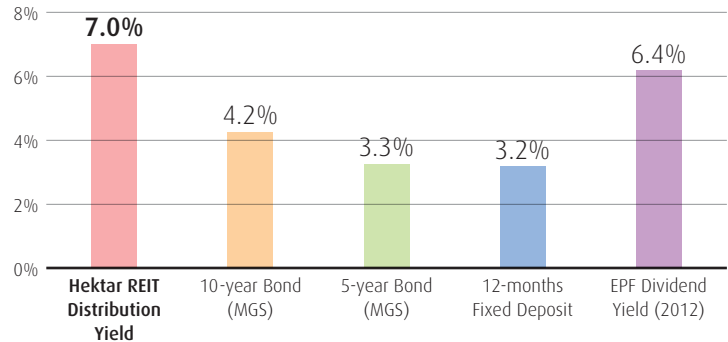
Al-Murabahah/Overdraft  
Fixed Term Loan, Annual Floating Rate and  
Fixed Term Loan, Annual Fixed Rate

Total Debt	RM436 million
Weighted Cost of Debt	4.6%
Gearing Ratio <sup>1</sup>	40.2%
Interest Cover	6.42

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

## Distribution Yield

Comparative Yields\*



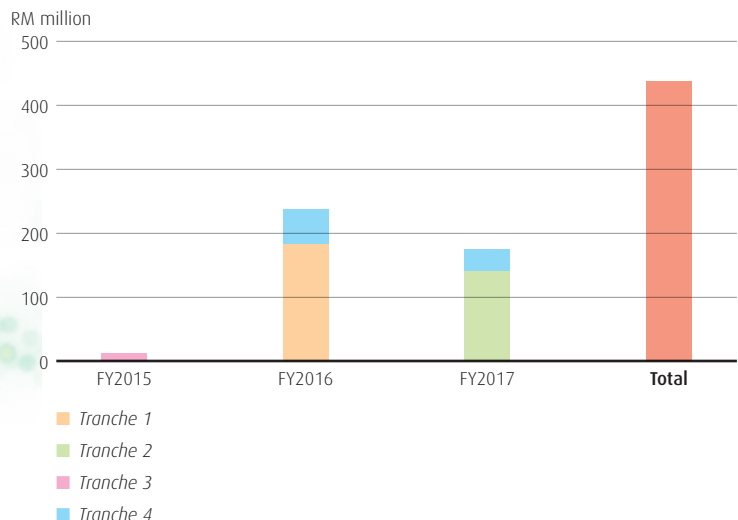
## Unit Price Performance

FY2013



## Debt Expiry Profile

as at 31 December 2013



## FINANCIAL HIGHLIGHTS

### Portfolio Highlights

Growth in Hektar REIT's portfolio



Data current as at 31 December 2013.

1 MIRP Surveys (2007-8) and Market Survey 2011.

2 Excluding Central Square and Landmark Central as Foot Fall System has only been installed in November 2012.

3 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

I am pleased to report that in 2013, our portfolio of assets has continued to record solid performance thereby resulting in another year of positive results for FY2013.

#### Dear Valued Unitholders of Hektar REIT,

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd, the manager for Hektar Real Estate Investment Trust (Hektar REIT), it is my utmost pleasure to present to you Hektar REIT's Annual Report and its audited financial statements for the financial year ended 31 December 2013 (FY2013).

I am pleased to report that in 2013, our portfolio of assets has continued to record solid performance thereby resulting in another year of positive results for FY2013.

We have completed our detailed planning and embarked on asset enhancement initiatives (AEIs) on the Central Square and Landmark Central (collectively known as "Kedah Malls"), these malls were acquired in October 2012 and represent the latest addition to Hektar REIT's portfolio. We have also initiated and will continue to undertake more tenancy remixing and relocation exercises on both the Kedah Malls. There will be more national and international retail outlets to give both shopping malls enhanced shopping profiles and a fresher outlook. Central Square has been selected to be the first of our 2 Kedah Malls to go through the refurbishing and AEI because it is the older of the two malls. The repositioning and refurbishment measures are expected to complete by the third quarter of 2014. Upon completion of the AEI, we foresee Central Square's performance to soar benefiting from our application of proven international best practices in retail and neighborhood shopping mall design and management.

Please continue reading for a more detailed review of our activities throughout FY2013.

We have also initiated and will continue to undertake more tenancy remixing and relocation exercises on both the Kedah Malls. There will be more national and international retail outlets to give both shopping malls enhanced shopping profiles and a fresher outlook.

#### OPERATING ENVIRONMENT

The Malaysian economy is poised to achieve its official target of 4.7% in 2013 and it is expected to further accelerate to 5.3% in 2014. This was the general consensus from among the economists polled by FocusEconomics, a provider of economic consensus forecast based in Barcelona, Spain. Better external demand originating from the recovering western economies and the stable Chinese economy would support the domestically fueled Malaysian economy to grow faster in 2014. In a separate report, the Ministry of Finance via its Economic Report 2013/2014, reported that domestic demand has powered the local economy in 2013 and is expected to continue to provide the engine of growth in 2014. The private sector is expected to lead the charge as the government consolidates its spending to contain its fiscal deficit and growing national debt. A better external demand would drive Malaysian exports fuelling demand for its manufacturing, resource based products and consumer electronics sectors. Notwithstanding the uncertainties surrounding the US quantitative easing (QE) in 2013, many analysts opined that Malaysia's strong fundamentals have helped cushion the capital outflow impact induced by the tapering of the QE.



**Dato' Jaafar Bin Abdul Hamid**  
Chairman and Chief Executive Officer

## LETTER TO UNITHOLDERS

### THE YEAR IN REVIEW

For FY2013, gross revenue reached RM120 million, up approximately 16.5% from the previous year, while net property income (NPI) reached RM74 million, also up 16.3% from the preceding financial year ended 31 December 2012 (FY2012).

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 capital flight influenced by the tapering of the QE that had impacted Malaysia's stock market and the public-sector belt tightening measures by the government have not severely dampened the domestic retail industry in 2013. The Malaysia Retailers Association (MRA) recently reported that they were expecting the Malaysian retail sales to maintain its growth pattern of 6.2% compared to the 5.5% growth rate recorded in 2012. The association predicted that Malaysian consumers would face tougher challenges predicting a slower retail growth of 6.0% for 2014. The pressure on the consumers' purchasing power is expected to come from the electricity tariff hike, higher borrowing cost and general increase in prices of goods and services.

### FINANCIAL PERFORMANCE

#### Sustainable Financial Performance

For FY2013, gross revenue reached RM120 million, up approximately 16.5% from the previous year, while net property income (NPI) reached RM74 million, also up 16.3% from the preceding financial year ended 31 December 2012 (FY2012). Despite the challenge of rising cost, Hektar REIT generated Net Income of RM58.8 million, 0.5% higher than FY2012. Revenue growth was contributed by all our 5 malls. Realised Earnings Per Unit is 11.52 sen, 1.5% lower than 11.69 sen for FY2012.

Hektar REIT's assets have increased with the acquisition of the Kedah Malls and are now collectively valued at RM1.05 billion. As a result, Net Asset Value (NAV) has also increased to RM1.53 per unit despite the increases 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.

The 1.4% increase in the valuation of the properties in FY2013 to RM1.05 billion (FY2012 RM1.03 billion) reflected the increase in the market value of the portfolio of properties owned by Hektar REIT. The portfolio's income-generating capability has improved further during the year 2013. The various planned AEI and all the tenant remixing exercises executed during the year have achieved the desired results as envisioned by the asset manager. Please read on for more details on our asset enhancement activities throughout the year.

#### Income Distribution and Accounting Policy

Hektar REIT announced a distribution per unit (DPU) of 10.50 sen for FY2013 maintaining the payout made in FY2012. As communicated at our previous unitholders general meeting in 2013, we are committed to at least maintain the DPU rate of 10.5 sen. Since its initial public offering (IPO) in 2006, Hektar REIT has maintained its uninterrupted track record of making quarterly distributions for its unitholders.

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 FY2013 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

Hektar REIT has continuously recorded improvements in its performance numbers every year since its 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. Despite the dilutive impact from the issuance of the 80.0 million new units to part finance the Kedah Malls acquisitions in 2012, Hektar REIT's unit price closed the year at RM1.50, an increase of approximately 2.7% from RM1.46 at the beginning of 2013.



If you have invested in Hektar REIT units in the beginning of 2013 at RM1.46 and remained a unitholder till the year end, you would have received four distributions totalling 10.5 sen per unit, representing a distribution yield of 7.0% (based on a closing price of RM1.50 on 31 December 2013) and capital gain on the unit price of 2.7% (based on the initial investment entry price at RM1.46). Your total return on Hektar REIT for FY2013 would be approximately 9.7%.

At the end of 2013, Hektar REIT units had been traded at a spread of 282 basis points to the 10-year Malaysian Government Securities (MGS) yield. Previously, the spread against MGS yield was recorded at 376 basis points in 2012. The premium over the MGS yield had reduced by 94 basis points mainly due to the increase of MGS yield by 75 basis points to 4.2%.

The overnight policy rate (OPR) rate has remained unchanged at 3.0% since the last 25 basis points hike in the month of May 2012. There were concerns that a hike in the OPR by Bank Negara Malaysia (“BNM”) could push bond yields higher and reduce the spread further. The BNM has so far resisted pressures to increase the OPR despite improvements in the outlook of the global economy. BNM has to tread carefully when raising interest rates at a time of price increases so as not to severely impact household incomes.

### Financing in 2013

Hektar REIT’s financing is secured by Al-Murabahah overdraft facilities with 4 tranches worth RM184 million, RM150 million, RM54.3 million and RM32.8 million expiring in 2016, 2018, 2016 and 2016 respectively. Hektar also has a term loan of RM15 million which is expiring in 2016. Hektar REIT’s FY2013 gearing ratio had improved slightly to 40.2% (FY2012 42%) of gross asset value which was well within the 50% limit set by the authorities whilst its weighted average cost of financing as at the year ended FY2013 was maintained at 4.6%.

The hedging of about 42% of Hektar REIT’s total borrowings of RM436 million via an Islamic Profit Rate Swap (“IPRS”) instrument is a mitigating factor against possible further interest rate hikes in the future. The 5-year IPRS rate is fixed at 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 1.9 million Malaysians. The shopping malls are located in relatively dense population catchment areas, and enjoys high loyalty

rate from locals as well as increasing visitorships from all walks of life. As a result, more than 500 tenancies representing a spectrum from fashion 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 around the world through various means.

Over the years, one of the shifts in retailing trend 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 2013 below.

### Subang Parade’s Challenges & Opportunity

This year, our flagship mall Subang Parade has reached its 25<sup>th</sup> anniversary milestone making it one of the oldest shopping centres in Malaysia, yet it remains the heart of the Subang Jaya community just like it had 25 years ago. Our customers that were born during the 80’s have matured and we understand that ‘growing’ together with our customers is equally important as connecting with the generation that comes after. Interaction with customers and retailers is the key to maintaining Subang Parade’s position in the market.

The management team is constantly on the lookout for brands and retailers that suit our profile and invests a lot in market research which tracks changes in demographics and market preference to make sure that our tenancy mix stays relevant. The information gathered from our observations, customer feedbacks, tenants’ analysis and marketing programs help us to formulate strategies to make our shopping centres a better place every day for our customers to shop, unwind and dine. We appreciate customers’ feedback and would like customers to know that – ‘we are listening’.

Based on feedback, we have brought in new fashion trends, the latest in health and beauty, children enrichment centre, and more exciting F&Bs such as Pastryville and Komugi. Swensen’s executed a major refurbishment initiative on their outlet and also introduced a new F&B concept. Traditionally famous for

Subang Parade is at a full occupancy. It also reported healthy rental reversions throughout 2013.

## LETTER TO UNITHOLDERS

THE YEAR IN REVIEW

premium ice cream in a wide variety of flavours, it now offers an enhanced menu of American style favourite dishes too.

With the growing competition in the market, it is necessary for us to always be on our toes and strengthen our partnership with the retailers to achieve common success. The shopping centre industry is ever changing, therefore as retailers and asset managers, we too need to evolve. Our management team has been working hard with our retailers to introduce the latest concepts and shop designs, sharing industry knowledge and encouraging tenants to stay relevant by increasing the benchmark.

Subang Parade is at a full occupancy. It also reported healthy rental reversions throughout 2013. The upcoming year will present Subang Parade with more challenges in the form of higher number of tenancy expiries and renewals. However, we view this as an opportunity to turn things around for the better. Exciting retailers with good potential may have approached us previously but we were not able to offer them a spot due to unavailability of space. This would be the perfect time to rearrange and spruce things up a little!

### Mahkota Parade Entrenched Position

Located at the heart of Melaka city, Mahkota Parade was the first regional shopping mall when it was opened way back in 1994. It will be celebrating its 20<sup>th</sup> Anniversary in 2014. Mahkota Parade was positioned and is still one of the premier shopping destinations that are strategically located in the tourist belt of the historical city of Melaka. In this part of the city, there are a few shopping malls such as Dataran Pahlawan and Hatten City shopping complexes which, due to their proximity to one another, create a retail precinct popular with tourists in particular.

Mahkota Parade was positioned and is still one of the premier shopping destinations that are strategically located in the tourist belt of the historical city of Melaka.

In FY2013, Mahkota Parade had recorded higher occupancy rate of 97.8% in comparison to 96.7% in FY2012. It has also enjoyed positive rental reversions throughout the financial year, thus entrenching Mahkota Parade's position as one of the favourite shopping destinations for the locals and foreigners in Melaka.

Mahkota Parade boasts a stable of quality international and national brand tenants. Kaison and Popular

Bookstore are Mahkota Parade's latest mini anchors. Kaison is a new home décor outlet that is expected to further complement and reinforce Mahkota Parade's well-balanced retail mix offerings.

For 2014, the next AEI in the pipeline for Mahkota Parade is in respect of the proposed refurbishment of the existing four (4) screens cinema to ten (10) screens with the ability to accommodate about 1,680 seats in total. We are expecting the cinema project to be completed and fully operational by the first quarter of 2015. It is expected that the 10-screens cinema offering would invigorate Mahkota Parade similar to the positive impact brought about by MBO Cinemas to Subang Parade in 2012. The strategy is to further improve the visitor traffic to the second floor which we hope would consequently lead to improvement in the rental reversion on the surrounding retail areas close to the cinema.

### Wetex Parade's Leading Position in Muar

Wetex Parade is an integrated retail complex located in the midst of Muar town's commercial area. It enjoys a prominent position as a premier retail destination for the local community as Wetex Parade is the only purpose built shopping mall in Muar. In 2013, Wetex Parade recorded another year of healthy rental reversion whilst maintaining high occupancy rate of 96.8% reflecting its leading position in the local retail scene. In 2013, one of our anchor tenants, The Store went through a major refurbishment exercise which resulted in an improved retail offering and experience for their customers whilst enhancing their presence in Wetex Parade.

Wetex Parade recorded another year of healthy rental reversion whilst maintaining high occupancy rate of 96.8%.

There is a prevailing misconception that international retailers will not succeed in smaller towns by virtue of lower purchasing power amongst shoppers. Hektar has proven this to be untrue when Hektar has successfully introduced numerous national and international chains like Hush Puppies, Polo Haus, Sushi King and Baskin Robbins. Hektar has revolutionised this mindset and is poised to replicate this strategy in the Kedah Malls.

### The Kedah Malls – Central Square and Landmark Central

The acquisition of the two Kedah malls was completed in October 2012. Both malls are located in major catchment areas in Sungai Petani and Kulim. The investments in the Kedah Malls fit into our investment strategy of acquiring assets with opportunities for value creation via our AEIs.

Sungai Petani town is located 35km north of the state of Penang. It is a thriving township with a sizeable population of more than 400,000 residents. The township is also surrounded by growing industrial districts such as Gurun, a heavy industry zone. Sungai Petani's retail environment is

quite competitive as the town boasts several shopping malls and hypermarkets. The latest entry being the Amanjaya Shopping Mall located about 20 minutes' drive to the north of Central Square.

Kulim town is regarded as the feeder to the successful Kulim Hi-Tech Park that resides many of the global technology companies such as Intel, Fuji, Ranbaxy and First Solar. Landmark Central is the only purpose built shopping mall in Kulim town serving the immediate catchment of more than 250,000 residents. The closest competitor is The Summit Bukit Mertajam, located in the neighbouring Bukit Mertajam town. Landmark Central was officially launched in 2009 and since then, Landmark Central has been a catalyst to the town attracting more commercial development towards the vicinity.

Hektar REIT is bringing its experience of managing neighbourhood malls to the two Kedah Malls. Even the best shopping malls require continuous attention to remain relevant. Planning the retail mix therefore, is one of the key factors in successfully managing shopping malls. 2013 was a busy year for the team as we execute the plans for the transformation of the Kedah Malls in our quest for better property yields in the medium to long term period.

Armed with our experience in applying international best practices in designing and managing retail mix for shopping malls, our motivation will be to ensure that the Kedah Malls remain relevant to the shoppers. The upgrading of the exterior façade and the interior refurbishment work of the shopping mall shall enhance the profile of Central Square to be on par with some of the newer shopping malls in Sungai Petani.

As planned, the AEI at Central Square have begun on the ground and we expect to complete the refurbishment work by third quarter of FY2014. The AEI is progressing smoothly and impact on the daily operations of the mall has been minimised. The refurbishment exercise presented us with a window of opportunities to rope in new national and international chain tenants to replace some of the less popular existing tenants. We are excited on the progress of the transformation of Central Square and look forward to update you further on the outcome soon.

Landmark Central is our next focus for AEI projects once Central Square fully completes its redevelopment. In the meantime, we wasted no time in improving the tenant

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2013 was a busy year for the team as we execute the plans for the transformation of the Kedah Malls in our quest for better property yields.

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mix. Rental reversions throughout FY2013 have been very encouraging at double digit levels in expectation of better things to come for Landmark Central. The occupancy rate for Landmark Central has improved from 76.7% as at the acquisition date to 93.7% by the end of FY2013.

Hektar REIT is also mindful of its responsibilities to nurture and develop budding entrepreneurs who have good retail ideas that can provide unique shopping experiences for our shoppers. We have an incubator system which is one of the ways in which Hektar REIT can attract new business partners over time.

Our incubator system involves the usage of the Retail Merchandising Unit (RMU) or push carts and the larger sized Stand-Alone Counters (SAC). These retailing methods are relatively cheaper to rent compared to renting larger more permanent retail outlets. Hence, budding entrepreneurs require smaller start-up capital to promote their retailing ideas which if proven successful, would enable them to expand their concept for the full-fledged experience. We will introduce this at our Kedah Malls too.

### Potential for Acquisitions Update

There were no new major acquisitions in 2013 as we were focusing our efforts on the two Kedah Malls. Notwithstanding, we will continue to explore other acquisition potentials as the opportunity arises. In the period of compressed capitalisation 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 external fundings like additional issuance of REIT units and/or borrowings. This is because at least 90% of all internally generated funds are distributed to unitholders to enjoy tax incentives provided specifically for REITs. 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 for their commitment and dedication to their work. Our appreciation is also extended to our retailers, vendors and business partners. Your contributions and support ensure that Hektar REIT remains a defensible, safe and preferred investment for our investors.

**DATO' JAAFAR BIN ABDUL HAMID**

Chairman and Chief Executive Officer



## PERUTUSAN Pengerusi kepada Pemegang-Pemegang Unit

ULASAN TAHUNAN

Saya dengan sukacitanya melaporkan bahawa portfolio aset kami terus mencatat prestasi kukuh sekaligus menghasilkan keputusan positif bagi FY2013.

### Pemegang-pemegang Unit Hektar REIT Yang Dihormati,

Bagi pihak Lembaga Pengarah Hektar Asset Management Sdn Bhd, pengurus amanah pelaburan hartanah bagi Hektar Real Estate Investment Trust (Hektar REIT), saya membentangkan kepada anda Laporan Tahunan Hektar REIT dan penyata kewangan yang diaudit bagi tahun kewangan berakhir 31 Disember 2013 (FY2013).

Saya dengan sukacitanya melaporkan bahawa portfolio aset kami terus mencatat prestasi kukuh sekaligus menghasilkan keputusan positif bagi FY2013.

Perancangan teliti telah dimulakan dengan inisiatif peningkatan aset (AEI) di *Central Square* dan *Landmark Central* (secara kolektif dikenali sebagai *Kedah Malls*). Oleh kerana *Central Square* memerlukan perhatian lebih segera, ia telah dipilih sebagai aset yang pertama untuk menjalani langkah-langkah penaikan taraf aset serta pengaturan semula para penyewa. Lebih banyak lagi rangkaian peruncit tempatan dan antarabangsa akan diperkenalkan bagi mempertingkatkan profil kedua-dua *Kedah Malls*. Langkah-langkah pengaturan semula dan penaikan taraf dijangka siap menjelang suku tahun ketiga 2014. Setelah selesainya program AEI, prestasi *Central Square* dijangka meningkat ekoran daripada pelaksanaan amalan-amalan terbaik antarabangsa.

Teruskan membaca bagi mendapatkan maklumat yang lebih terperinci mengenai aktiviti-aktiviti kami di sepanjang FY2013.

### PERSEKITARAN OPERASI

Kadar pertumbuhan ekonomi Malaysia pada tahun 2013 adalah 4.7% dan dijangka akan meningkat kepada 5.3% pada tahun 2014. Ini adalah ijmak di kalangan ahli-ahli ekonomi melalui kajian yang dijalankan oleh Focus Economics. Mereka adalah pakar ekonomi yang berpangkalan di Barcelona, Sepanyol. Permintaan luar yang bertambah baik ekoran pemulihan ekonomi negara-negara barat dan kestabilan ekonomi negara China akan menyumbang kepada perkembangan ekonomi Malaysia. Ekonomi Malaysia juga disokong oleh perkembangan permintaan

domestik yang lebih pesat pada tahun 2014. Dalam laporan yang berasingan, Kementerian Kewangan melalui Laporan Ekonomi 2013/2014, telah melaporkan bahawa permintaan domestik telah menjana kekuatan ekonomi tempatan pada 2013 dan dijangka terus tumbuh pada 2014. Sektor swasta dijangka akan menerajui pembangunan ekonomi kerana kerajaan akan mengurangkan perbelanjaannya bagi membendung defisit fiskal dan hutang negara yang semakin meningkat. Permintaan luar yang lebih baik akan mencetus eksport Malaysia dan merangsang permintaan di sektor-sektor pengilangan, produk berasaskan sumber asli dan elektronik. Di sebalik ketidakpastian yang menyelubungi "Quantitative Easing" (QE) pada 2013, ramai penganalisis berpendapat bahawa asas kukuh ekonomi Malaysia telah membantu mengurangkan kesan aliran keluar modal yang didorong oleh penirusan QE.

Hektar REIT kekal yakin dalam model perniagaannya – memiliki dan mengurus destinasi runcit bertaraf dunia bagi warga Malaysia. Suasana perniagaan keseluruhan masih lagi positif untuk menyokong rancangan perniagaan kami. Aliran keluaran modal dan langkah-langkah berjimat cermat kerajaan tidak melemahkan industri peruncitan domestik pada tahun 2013. Persatuan Peruncit-peruncit Malaysia (MRA) telah melaporkan baru-baru ini bahawa mereka menjangkakan jualan runcit Malaysia akan mengekalkan corak pertumbuhannya pada kadar 6.2% berbanding dengan kadar pertumbuhan sebanyak 5.5% yang dicatat pada tahun 2012. MRA juga meramalkan bahawa pengguna-pengguna Malaysia akan menghadapi cabaran lebih sengit dengan meramalkan kadar pertumbuhan runcit yang lebih perlahan sebanyak 6.0% bagi tahun 2014. Tekanan ke atas kuasa membeli pengguna dijangka akan timbul daripada kenaikan tarif elektrik, kos pinjaman, harga barangan dan perkhidmatan.

### PRESTASI KEWANGAN

#### Prestasi Kewangan Yang Stabil

Bagi FY2013, hasil kasar mencapai RM120 juta, meningkat sebanyak 16.5% dari tahun sebelumnya, manakala pendapatan harta bersih (NPI) mencapai

RM74 juta, juga meningkat sebanyak 16.3% dari tahun kewangan sebelumnya yang berakhir 31 Disember 2012 (FY2012). Di sebalik cabaran kos yang semakin meningkat, Hektar REIT telah menjana pendapatan bersih sebanyak RM58.8 juta, 0.5% lebih tinggi dari FY2012. Pertumbuhan dalam hasil kasar adalah disumbang oleh kelima-lima pusat membeli-belah kami. Perolehan direalisasi setiap unit ialah 11.52 sen, 1.5% lebih rendah dari 11.69 sen bagi FY2012.

Aset-aset Hektar REIT telah meningkat dengan pembelian *Kedah Malls* dan jumlah nilai aset semasa ialah RM1.05 bilion. Sejarar dengan itu, nilai aset bersih (NAV) juga telah meningkat kepada RM1.53 setiap unit.

### **Pelarasan Nilai Hartanah**

Pelarasan nilai hartanah adalah perkara bukan tunai dan adalah sebahagian dari garis panduan Piawaian Laporan Kewangan (FRS) yang digunakan ke atas pelarasan penilaian bagi portfolio hartanah Hektar REIT. Penilaian dijalankan oleh jurunilai bebas dimana laporan mereka dibuat secara objektif bagi menentukan nilai pasaran sesuatu hartanah pada masa tersebut. Pengurus-pengurus aset akan sentiasa mencari jalan untuk menaik taraf hartanah-hartanah, sekaligus meningkatkan potensi pendapatan dan nilai hartanah mereka.

Kenaikan 1.4% dalam penilaian hartanah pada FY2013 kepada RM1.05 bilion (FY2012 RM1.03 bilion) menunjukkan peningkatan dalam nilai pasaran portfolio hartanah milik Hektar REIT. Keupayaan penghasilan pendapatan portfolio semakin bertambah baik dalam tahun 2013. Pelbagai program AEI telah dirancang dan semua langkah pengaturan semula penyewa yang dilaksanakan dalam tahun FY2013 telah menghasilkan keputusan yang dihasratkan. Teruskan membaca bagi mendapat butir-butir lebih terperinci mengenai aktiviti penambahbaikan aset kami di sepanjang tahun.

### **Pengagihan Pendapatan dan Polisi Perakaunan**

Hektar REIT mengumumkan pengagihan setiap unit (DPU) sebanyak 10.50 sen bagi FY2013, mengekalkan kadar bayaran yang dibuat pada FY2012. Sepertimana yang dijanjikan pada mesyuarat agung pada 2013, kami komited untuk mengekalkan sekurang-kurangnya kadar DPU sebanyak 10.5 sen. Sejak penawaran awam awal (IPO) pada 2006, Hektar REIT telah mengekalkan rekod prestasi secara terus menerus dalam membuat pengagihan suku tahunan bagi pemegang-pemegang unitnya.

Kami telah mengekalkan polisi membayar sekurang-kurangnya 90% dari pendapatan bersih boleh diagih sebanyak empat kali setahun. Pendapatan bersih boleh diagih adalah pendapatan bersih yang tidak termasuk perkara bukan tunai, seperti pelarasan nilai hartanah (pada

kebiasaannya dikaitkan kepada kenaikan nilai hartanah) dan perkara-perkara di bawah FRS 117, piawaian perakaunan dilaksanakan pada FY2010 (lihat nota-nota kepada akaun bagi butir-butir lebih lanjut). Justeru itu, pendapatan bersih boleh diagih FY2013 adalah lebih rendah dari pendapatan bersih. Selepas membayar 90% dari pendapatan bersih boleh diagih, Hektar REIT menyimpan 10% yang selebihnya bagi tujuan peningkatan aset masa hadapan hartanah dan pembelian lot-lot individu di seluruh portfolio Hektar REIT.

### **Rekod Prestasi Positif**

Hektar REIT mencatat peningkatan prestasinya setiap tahun sejak IPO pada tahun 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 akibat penerbitan 80.0 juta unit baru untuk membiayai sebahagian daripada pembelian *Kedah Malls* pada tahun 2012, harga unit pada akhir tahun 2013 Hektar REIT ditutup pada RM1.50, peningkatan sebanyak 2.7% daripada RM1.46 yang dicatatkan pada awal tahun 2013.

Sekiranya anda telah melabur dalam unit-unit Hektar REIT pada permulaan tahun 2013 pada RM1.46 seunit dan kekal sebagai pemegang unit sehingga akhir tahun, anda akan menerima empat agihan berjumlah 10.5 sen setiap unit, mewakili kadar hasil agihan sebanyak 7.0% (berdasarkan harga penutup sebanyak RM1.50 pada 31 Disember 2013) dan keuntungan modal ke atas harga unit sebanyak 2.7% (berdasarkan harga kemasukan pelaburan permulaan pada RM1.46). Jumlah pulangan anda memegang unit Hektar REIT sepanjang FY2013 ialah 9.7%.

Pada akhir 2013, unit-unit Hektar REIT telah didagangkan pada tebaran 282 mata asas kepada kadar hasil 10-tahun Sekuriti Kerajaan Malaysia (MGS). Sebelum ini, tebaran terhadap kadar hasil MGS telah dicatatkan pada 376 mata asas pada 2012. Premium ke atas kadar hasil MGS telah berkurangan sebanyak 94 mata asas disebabkan oleh peningkatan kadar hasil MGS sebanyak 75 mata asas kepada 4.2%.

Kadar polisi semalaman (OPR) kekal tidak berubah pada 3.0% sejak kenaikan 25 mata asas yang terakhir dalam bulan Mei 2012. Terdapat kebimbangan yang kenaikan dalam OPR oleh Bank Negara Malaysia ("BNM") mungkin akan meningkatkan kadar hasil bon dan mengurangkan tebaran. BNM setakat ini telah dapat menahan tekanan untuk menaikkan OPR walaupun gambaran keseluruhan ekonomi global telah bertambah baik. BNM perlu berhati-hati apabila menaikkan kadar faedah pada masa kenaikan harga agar tidak memberi kesan negatif kepada pendapatan isi rumah.

## PERUTUSAN PENERUS KEPADA PEMEGANG-PEMEGANG UNIT ULASAN TAHUNAN

### Pembiayaan pada 2013

Pembiayaan Hektar REIT dicagar oleh kemudahan overdraf Al-Murabahah dengan 4 *tranche* bernilai RM184 juta, RM150 juta, RM54.3 juta dan RM32.8 juta yang akan tamat masing-masing pada 2016, 2018, 2016 dan 2016. Hektar juga mempunyai kemudahan pinjaman konvensional bernilai RM15 juta yang akan tamat pada tahun 2016. Nisbah pinjaman FY2013 Hektar REIT berkurang ke-tahap 40.2% (FY2012 42%). Ia masih berada dalam had 50% yang ditentukan oleh pihak berkuasa manakala kos purata wajar pembiayaannya pada tahun berakhir FY2013 kekal pada 4.6%.

42% dari jumlah pinjaman Hektar REIT yang telah dipagar melalui instrumen Swap Kadar Keuntungan Islam ("Islamic Profit Rate Swap ("IPRS")) adalah untuk mengurangkan risiko kenaikan kadar pinjaman. Kadar IPRS 5-tahun ditetapkan pada 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 kolektif, hartanah-hartanah ini bertindak sebagai tumpuan tadahan penduduk melebihi 1.9 juta warga Malaysia. Pusat-pusat membeli-belah ini terletak di kawasan tumpuan populasi yang padat, dan menikmati kadar kesetiaan tinggi dari warga-warga tempatan yang terdiri daripada pelbagai lapisan masyarakat. Ekoran daripada itu, lebih 500 penyewa mewakili spektrum daripada runcit sehinggalah hiburan menyewa hartanah runcit Hektar REIT.

### Pengalaman Di Pusat Membeli-belah

Moto Hektar REIT adalah mengenai "Mewujudkan Pusat Membeli-belah Pilihan Ramai" ("Creating The Places Where People Love to Shop") dan model perniagaan mempraktikkan amalan terbaik bertaraf antarabangsa. Pasukan kami sentiasa menjalankan penyelidikan dan mengkaji amalan-amalan terbaik di seluruh dunia melalui pelbagai cara.

Selama beberapa tahun yang lepas, trend terkini dalam peruncitan telah memberi nafas baru kepada pusat membeli-belah sebagai pusat komunal. Pusat-pusat membeli-belah terus muncul sebagai sebuah 'tempat pertemuan kegemaran'. Strategi kami ialah memastikan hartanah-hartanah Hektar REIT kekal sebagai tempat utama bagi perjumpaan komunal.

### Cabaran & Peluang Subang Parade

Pada tahun ini, pusat membeli-belah utama kami, Subang Parade telah menyambut ulang tahun yang ke 25 sekali gus menjadi salah sebuah pusat membeli-belah terulung di Malaysia. Walaupun sudah menjangkau 25 tahun ia masih

kekal sebagai nadi komuniti Subang Jaya, sama seperti 25 tahun yang lalu. Pelanggan-pelanggan kami yang lahir dalam era 80-an telahpun matang dan kesinambungan dari satu generasi ke generasi yang lain perlu dijaga. Interaksi dengan pelanggan-pelanggan dan peruncit-peruncit adalah penting dalam mengekalkan kedudukan Subang Parade dalam pasaran.

Pihak pengurusan akan sentiasa mencari jenama dan penyewa yang sesuai dengan profil kami dan melabur secara intensif dalam kajian pasaran untuk mengetahui perubahan terbaru demografik dan keutamaan pasaran bagi memastikan gabungan penyewa kekal relevan. Maklumat yang diperoleh dari pemerhatian, maklum balas pelanggan, analisis penyewa dan program pemasaran membantu merumus strategi terbaik untuk pusat membeli-belah kami. Kami menghargai maklum balas pelanggan-pelanggan dan ingin memaklumkan kepada pelanggan-pelanggan bahawa kami peka terhadap keperluan anda.

Berdasarkan maklum balas, kami telah membawa masuk beberapa peruncit fesyen yang baru, pusat kesihatan dan kecantikan dan pusat perkembangan minda kanak-kanak yang terkini serta kafe yang lebih menarik seperti *Pastryville* dan *Komugi*. *Swensen's* telah menaik taraf lot perniagaan mereka dan telah memperkenalkan konsep baru. Selama ini, *Swensen's* terkenal dengan tawaran ais krim premium pelbagai perisa; Kini, mereka turut menawarkan pelbagai menu makanan kegemaran gaya Amerika.

Dengan persaingan pasaran yang semakin sengit, kami harus sentiasa bersiap sedia dan terus mengeratkan perhubungan kami dengan para peruncit bagi mencapai kejayaan bersama. Industri pusat membeli-belah sentiasa berubah mengikut zaman; Justeru itu, sebagai peruncit dan pengurus aset, kami juga perlu membuat perubahan yang relevan. Pihak pengurusan kami telah bekerja keras dengan para peruncit untuk memperkenalkan konsep dan reka bentuk kedai yang terkini, berkongsi pengetahuan industri dan menggalakkan penyewa-penyewa untuk kekal relevan dengan meningkatkan taraf perniagaan.

Subang Parade mempunyai kadar penyewaan yang penuh. Ia juga mencatat kadar penyewaan semula yang sihat sepanjang tahun 2013. Kami menjangkakan tahun mendatang akan lebih mencabar dimana kadar penyewaan tamat tempoh adalah lebih tinggi. Walau bagaimanapun, kami melihat ini sebagai satu peluang untuk meningkatkan kadar sewa dan juga memperbaiki penyusunan para penyewa. Peruncit-peruncit yang mempunyai tarikan tersendiri dengan potensi yang baik mungkin telah mendekati kami sebelum ini tetapi kami tidak dapat menawarkan tempat kepada mereka disebabkan oleh ketiadaan ruang. Ini merupakan masa yang paling sesuai bagi mengatur semula para penyewa.

### **Kedudukan Mahkota Parade Yang Kukuh**

Mahkota Parade yang berada di tengah bandaraya Melaka adalah sebuah pusat membeli-belah serantau yang pertama semasa pembukaannya pada tahun 1994. Sehingga kini, Mahkota Parade kekal sebagai sebuah destinasi membeli-belah utama dengan kedudukannya di kawasan tumpuan pelancong di bandar raya bersejarah Melaka. Di kawasan ini juga terdapat beberapa pusat membeli-belah lain seperti Dataran Pahlawan dan Hatten City yang berhampiran yang telah mewujudkan presint membeli-belah popular terutamanya di kalangan para pelancong.

Pada FY2013, Mahkota Parade telah mencatat kadar penyewaan lebih tinggi sebanyak 97.8% berbanding dengan 96.7% pada FY2012. Ia juga telah menikmati kadar penyewaan semula yang positif di sepanjang tahun, mengukuhkan kedudukan Mahkota Parade sebagai salah sebuah destinasi membeli-belah kegemaran pelancong tempatan dan pelancong asing di Melaka.

Mahkota Parade berbangga kerana mempunyai sekumpulan penyewa berjenama tempatan dan antarabangsa yang berkualiti. Kaison dan Popular Bookstores adalah penyewa tunjang mini terkini Mahkota Parade. Kaison adalah sebuah kedai hiasan rumah yang dijangka dapat mengimbangi gabungan penyewa di Mahkota Parade.

Bagi tahun 2014, AEI yang sedang dalam perancangan di Mahkota Parade ialah penambahan skrin pawagam sedia ada dari empat (4) kepada sepuluh (10) skrin yang boleh memuatkan 1,680 tempat duduk. Projek panggung wayang ini dijangka siap dan beroperasi pada suku tahun pertama 2015. Penambahan skrin panggung wayang di Mahkota Parade akan merangsang trafik pengunjung sama seperti apa yang telah berlaku di Subang Parade pada tahun 2012 dahulu semasa MBO Cinemas di lancarkan. Strategi ini akan menggalakkan pengunjung untuk naik ke paras dua sekaligus memanfaatkan kadar sewa di kawasan berhampiran.

### **Kedudukan Utama Wetex Parade di Muar**

Wetex Parade adalah sebuah pusat membeli-belah bersepadu yang terletak di tengah-tengah kawasan komersial bandar Muar. Ia menikmati kedudukan unggul sebagai destinasi utama masyarakat tempatan di Muar. Pada 2013, Wetex Parade telah mencatat kadar penyewaan yang teguh sebanyak 96.8% yang mencerminkan kedudukan unggulnya. Pada tahun 2013, penyewa tunjang kami, The Store telah menjalankan langkah penaikan taraf yang meningkatkan penawaran runcit dan pengalaman membeli-belah.

Terdapat tanggapan negatif yang mendakwa peruncit peruncit antarabangsa tidak akan berjaya di pekan kecil seperti Muar disebabkan kuasa membeli yang rendah di

kalangan penduduk tempatan. Hektar telah membuktikan bahawa tanggapan tersebut tidak berasas apabila ia berjaya membawa masuk pelbagai rangkaian peruncit tempatan dan antarabangsa terkemuka seperti Hush Puppies, Polo Haus, Baskin Robbins dan Sushi King. Hektar telah menganjak paradigma dan telah mengubah minda. Kami akan mengulangi strategi ini di Kedah.

### **The Kedah Malls – Central Square dan Landmark Central**

Pembelian kedua-dua *Kedah Malls* telah selesai dilaksanakan pada Oktober 2012. Kedua-dua kawasan membeli-belah ini terletak di kawasan tumpuan utama di Sungai Petani dan Kulim. Pelaburan dalam *Kedah Malls* sesuai dengan strategi pelaburan kami membeli aset-aset yang berpotensi untuk ditingkatkan nilai.

Bandar Sungai Petani terletak 35km ke utara negeri Pulau Pinang. Ia merupakan sebuah bandar yang berkembang maju dengan populasi besar melebihi 400,000 penduduk. Bandar ini juga dikelilingi kawasan perindustrian yang berkembang maju seperti zon industri berat Gurun. Sungai Petani mempunyai beberapa pusat membeli-belah dan pasaraya besar. Pusat membeli-belah yang terbaru ialah Amanjaya Shopping Mall yang terletak kira-kira 20 minit berkereta dari Pusat Membeli-Belah Central Square.

Bandar Kulim mempunyai Kulim Hi-Tech Park, sebuah taman teknologi yang menempatkan pelbagai syarikat terkemuka seperti Intel, Fuji, Ranbaxy dan First Solar. *Landmark Central* adalah satu-satunya pusat membeli-belah yang dibina khas di Bandar Kulim memberi perkhidmatan kepada 250,000 penduduk. Pesaing terdekat adalah The Summit Bukit Mertajam, yang terletak bersebelahan dengan bandar Bukit Mertajam. *Landmark Central* telah dirasmikan pada tahun 2009 dan menjadi pemangkin dalam menarik lebih banyak pembangunan komersial ke kawasan tersebut.

Hektar REIT berpengalaman dalam menguruskan pusat membeli-belah di kawasan kejiranan bagi kedua-dua *Kedah Malls*. Semua pusat membeli-belah terbaik memerlukan perhatian berterusan untuk kekal relevan. Gabungan peruncit adalah salah satu faktor penting dalam kejayaan menguruskan pusat membeli-belah. Tahun 2013 merupakan tahun yang sibuk bagi kami untuk melaksanakan rancangan transformasi *Kedah Malls*.

Berbekalkan pengalaman kami menggunakan amalan terbaik antarabangsa dalam reka bentuk dan pengurusan campuran runcit bagi pusat membeli-belah, motivasi kami adalah untuk memastikan bahawa *Kedah Malls* kekal relevan kepada pembeli-pembeli. Penaikan taraf muka bangunan bahagian luar serta bahagian dalam pusat membeli-belah akan meningkatkan profil Pusat Membeli-Belah Central Square agar ia jadi setanding dengan beberapa kemudahan pusat membeli-belah yang lebih baru di Sungai Petani.

## PERUTUSAN PENERUSI KEPADA PEMEGANG-PEMEGANG UNIT ULASAN TAHUNAN

Seperti yang dirancang, aktiviti peningkatan aset di *Central Square* telah bermula di aras bawah dan kami menjangka akan menyiapkan kerja penaikan taraf menjelang suku ketiga FY2014. AEI telah berjalan lancar dan kesan ke atas operasi harian pusat membeli-belah adalah ditahap minima. Langkah-langkah pelaksanaan kerja-kerja penaikan taraf ini telah memberikan kami peluang untuk menarik masuk beberapa peruncit rantaian tempatan dan antarabangsa yang baru bagi menggantikan beberapa penyewa sedia ada yang kurang popular. Kami teruja dengan kemajuan transformasi *Central Square* dan akan memaklumkan kepada anda lebih lanjut lagi tentang hasilnya tidak lama lagi.

Sebaik sahaja *Central Square* menyiapkan sepenuhnya AEI dalam suku ketiga 2014, *Landmark Central* adalah tumpuan kami seterusnya. Selain itu, kami juga menambah baik gabungan penyewa. Penyemakan kadar sewa sepanjang FY2013 adalah amat menggalakkan pada angka dua digit dalam jangkaan keadaan lebih baik untuk *Landmark Central* di masa hadapan. Kadar penyewaan bagi *Landmark Central* telah bertambah baik dari 76.7% pada tarikh pembelian kepada 93.7% menjelang akhir tahun FY2013.

Hektar REIT juga prihatin terhadap tanggungjawabnya untuk memupuk dan membangunkan usahawan-usahawan baru yang mempunyai idea peruncitan yang baik yang boleh memberikan pengalaman membeli-belah yang unik kepada pengunjung-pengunjung kami. Kami mempunyai perkhidmatan sistem eraman yang merupakan salah satu cara di mana Hektar REIT boleh menarik usahawan baru.

Sistem eraman kami melibatkan penggunaan Unit Dagangan Runcit (RMU) atau *push carts* dan *Stand-Alone Counters* (SAC) yang lebih besar. Kaedah-kaedah peruncitan ini secara relatifnya adalah lebih murah untuk disewa berbanding dengan menyewa ruang kedai yang lebih besar. Oleh yang demikian, usahawan-usahawan hanya memerlukan modal permulaan lebih kecil untuk mempromosikan idea peruncitan mereka. Sekiranya terbukti berjaya, mereka boleh memperluaskan konsep mereka di ruang kedai yang

lebih besar. Kami juga akan memperkenalkan sistem ini di *Kedah Malls*.

### Strategi Pembelian

Tidak ada pembelian baru pada tahun 2013 kerana tumpuan kami ialah terhadap penaikan taraf dan pengaturan semula kedua-dua *Kedah Malls*. Walau bagaimanapun, kami akan terus meneroka potensi pembelian lain jika ada peluang. Dalam suasana kadar permodalan yang meruncing, kriteria pengembangan kami adalah berbentuk oportunistik, menumpu kepada aset yang menjanjikan pulangan yang baik.

Unik kepada REIT, apa-apa cadangan pembelian pada masa hadapan akan memerlukan dana dari pembiayaan luaran seperti penerbitan unit-unit baru Hektar REIT dan/atau pinjaman. Ini adalah kerana sekurang-kurangnya 90% daripada dana yang dijana secara dalaman harus diagihkan untuk menikmati insentif cukai yang sediakan khusus untuk REITS.

Berdasarkan julat harga dagangan semasa REIT, yang kekal melampaui NAV, dan digabungkan dengan akses kepada pembiayaan bank yang kompetitif, kami yakin akan keupayaan kami untuk membiayai pembelian yang menjana pendapatan baru di masa hadapan.

### Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pasukan kami di Hektar atas komitmen dan dedikasi mereka dalam menjalankan tugas mereka. Penghargaan ini juga ditujukan kepada peruncit, penjual dan rakan kongsi perniagaan. Sumbangan dan sokongan anda memastikan agar Hektar REIT kekal sebagai pelaburan yang stabil, selamat dan menjadi pilihan pelabur-pelabur kami.

### DATO' JAAFAR BIN ABDUL HAMID

Pengerusi dan Ketua Pegawai Eksekutif



## 致单位持有者函

年度报告



让我向你们分享在2013年所进行的事项和活动。我很高兴地报告，在2013年我们的资产组合继续写下稳固的表现，造就了2013年财政年良好的业绩。

#### 致尊贵的贺达房地产投资信托基金单位持有者，

本人谨此代表贺达资产管理有限公司董事局，即贺达房地产投资信托基金(贺达)很荣幸地向您报告贺达的年度报告以及截至2013年12月31日止(2013年财政年)已稽核的财务报表。

让我向你们分享在2013年所进行的事项和活动。我很高兴地报告，在2013年我们的资产组合继续写下稳固的表现，造就了2013年财政年良好的业绩。

我们已经完成了双溪大年的中环广场及居林的新世纪广场(共同称为“Kedah Malls”)的详细规划及资产强化计划，这些广场是在2012年10月收购，是贺达最新加入的资产组合。我们还发起并会继续进行Kedah Malls的租约混合及重新搬迁的计划，还会有更多国内及国际的零售连锁店会加入，这会加强购物广场的商店组合并呈现崭新的形象。中环广场已经被选为最先进行翻新及资产增值计划，因为它是两个广场之中比较悠久的。预计这项重新定位和翻新措施将在2014年第三季度完成。在完成资产强化计划后，我们预见中环广场的表现和业绩会飙升，因为这个购物商无论是在零售或购物中心的设计和运作方式，都是采用我们经过实践的国际最佳方案。

请继续阅读更多有关我们在2013年财政年的活动回顾。

#### 运营环境

马来西亚经济在2013年的官方数据是4.7%的成长，预计在2014年会增长至5.3%。这是位于西班牙巴塞罗那的FocusEconomics，对经济学家所进行投票调查而得到的普遍共识。欧美国家的经济复苏及中国经济趋稳，使到外围需求会增强，将促使马来西亚经济在2014年取得更快的增长。在另一份报告中，财政部发布的2013/2014年经济报告指出，在2013年的国内需求驱动了本地经济成长，因此，预计2014年国内需求仍会是经济成长的火车头。私人界预计将带动经济，而政府正致力于整合其开销以改善财务赤字和增长的国家债务。较好的外部需求将推动马来西亚的出口需求，这包括制造业，资源基础产品和消费电器领域。尽管2013年美国推行的量化宽松(QE)政策存在着许多不确定性，但许多分析师还是认为，马来西亚经济的强劲基本面已经缓冲资本外流所造成的冲击。

贺达仍对我们自己的商业模式充满信心-为马来西亚人拥有和管理世界级的零售商业单位。整体商业基础仍强劲地支撑着我们的商业计划。量化宽松政策造成的资金外流，影响了马来西亚的股市和政府公共部门采取紧缩措施，但并没有严

重冲击国内零售行业。马来西亚零售商协会(MRA)近期的报告指出，预测马来西亚的零售额会增长6.2%，比较于2012年的5.5%增长。该协会预计马来西亚消费人在面对艰巨的经济挑战，进而导致2014年的零售额成长会放缓至6.0%。消费者人面对的消费压力是来自上扬的电费，贷款成本提高及通货膨胀压力。

#### 财务表现

##### 持续成长的财务表现

在2013年财政年，毛营业额达到1亿2000万令吉，比前期增长了16.5%，而净产业收益(NPI)达到7400万令吉，也比截至2012年12月31日止财政年(2012年财政年)提高了16.3%。虽然面对成本高涨的挑战，贺达还是取得净收益5千880万令吉，比2012财政年增长0.5%。营业额的增长贡献来自我们三座较旧的购物商场，以及Kedah Malls在2013财政年的贡献。每单位实现收益是 11.52 仙，比2012财政年的11.69仙降低了1.5%。

贺达在收购Kedah Malls后，资产已经增加，现在达到累计价值10亿4700万令吉。正因如此，净资产价值(NAV)已经增加到大约每单位为1.53令吉，虽然在收购Kedah Malls因融资而发行附加股，增加了单位数量。

#### 公允价值调整

公允价值调整是一个非现金项目和金融报告标准(FRS)的一部分，采用于贺达产业组合的年度评估调整。评估工作是由独立估价师进行，有关报告是可观的，以便能准确地议决一个产业当时的市场价值。资产管理经理则会不断寻求途径来加强或翻新产业，以提高他们的潜能收益，并最终增加了产业的价值。

在2013财政年，产业价值增加了1.4%达到10亿4700万令吉(2012财政年为10亿3300万令吉)，反映出贺达所拥有的资产组合的市场价值已经增加。资产组合收益能力也在2013年有所增长。在这一年里，资产经理人推行了各种计划资产增值和租户混合，都达到了预期的效果。请详细阅读我们在这一年所执行的资产增值活动信息。

#### 收益分配及会计政策

贺达宣布在2013财政年的每单位派息(DPU)为10.50仙，维持了2012财政年的派息水平。正如我们在2013年举行的产托单位持有人大会中承诺，我们至少维持了10.50仙的单位派息。自2006年的首次公众发股后，贺达仍然维持了每季度派息给单位持有人的良好纪录。

## 致单位持有者函

年度报告

在全年的四个季度里，我们一直保持着支付至少90%可分派净收益的股息支付政策。我们要澄清，可分派净收益的净收入不包括非现金项目，如公允价值调整(通常被认为是产业价值的增加)和2010财政年执行的会计准则FRS 117的项目(见注释以了解详情)。正因如此，2013财政年的可分派净收益是低于净收入的。在支付90%的可分派净收益后，贺达保留了剩余的10%作为产业未来的资产提升和潜在收购出售单位的用途。

### 良好记录表现

自2006年上市之后，贺达已经每一年持续改善其营业额表现。证券市场已认同了这些良好记录，并给于贺达单位持有人在流通的单位公允价值。除了在2012年为筹资收购Kedah Malls计划而发行8千万个新单位所产生的稀释冲击，贺达在2013年末的闭市价格是每单位1.50令吉，从年头的1.46令吉大约扬升了2.7%。

倘若你是在2013年初，以1.46令吉的价格投资在贺达的产托单位，并持续持有到年末，那么你将可以获得4次的派息，总额为每单位10.5仙，也代表着7.0%的股息回酬率(根据2013年12月31日的闭市价格1.50令吉来计算)，以及2.7%的单位价格资本赚幅(根据初次投资买入价格1.46令吉来计算)。你在贺达的2013财政年全面回酬估计是9.7%。

在2013年末，贺达单位比马来西亚政府10年债券的回酬率高282个基点，而2012年比大马政府债券的回酬率是高376个基点。回酬率减低了94个基点，主要是由于大马政府债券回酬率增加了75个基点至4.2%。

在2012年5月，隔夜政策利率(OPR)调整上扬25个基点至3%后就维持至今不变。许多人都在关注，马来西亚中央银行(马央行)可能会调高利率而推高债券的回酬率，而进一步减低回酬率差别。目前为止，虽然全球经济已经改善，马央行还是选择消化调低利率的压力。马央行必须谨慎处理调高利率的课题，避免会对物价造成上涨而冲击家庭收入。

### 2013年的融资计划

贺达的融资是从Al-Murabahah的透支便利获取，共分为4批，总额为1亿8千400万令吉，1亿5千万令吉，5千430万令吉和3千280万令吉，到期日分别是2016年，2018年，2016年和2016年。除此，贺达还有2015年到期的1千500万令吉定期贷款。贺达在2013财政年的资产负债比率为40.2%(2012财政年为42%)有了改善，这处于当局设定50%上限的范围内，而加权平均融资成本维持在4.6%。虽然融资成本增加19%，但租金营业额所增加已足以覆盖所上扬的融资成本。

作为一项预防进一步加息的举措，董事局已决定通过一个伊斯兰收益率掉期(“IPRS”)工具，从借贷总额4亿3千600万令吉中对冲约42%，有关5年的IPRS利率定为4.85%。

### 资产组合表现

贺达的资产组合包括梳邦再世的首邦百利广场，马六甲的皇冠百利广场，麻坡的威德百利广场，双溪大年的中环广场和居林的新世纪广场。这些产业服务的人群超过190万人口。这些购物广场都坐落于人口相对密集的区域，不但吸引忠诚的当地顾客，同时也吸引了各个阶层的外来访客。因

此，贺达的资产产业汇集了超过500家从时装到娱乐等相关行业的租户。

### 购物中心管理经验

贺达的座右铭是“创建社会人士爱购物的地点”，而经营模式则采用国际标准的最佳方案。我们的团队通过各种途径，不断研究及检讨世界最好的实践方式，应用在我们的营运。

多年来，其中一个改变就是把购物中心转化为公共场所。全球的购物中心持续突显为“一个聚集会面的地点”。我们的整体策略是偏重于确保贺达的产业成为公众聚会的主要中心点。

让我们来检视我们的资产组合策略在2013年的表现，如下：

### 首邦百利广场的挑战与机会

今年我们的旗舰商场，首邦百利广场迈入成立25周年的里程碑，它是马来西亚其中一间历史最久的购物中心，25年后依旧屹立在首邦再也社区的心脏地带。我们那些在80年代出生的顾客群，如今都进入成年期。我们深深明白与顾客群一起成长的重要性，同样重要的是要和随后出生的新时代接轨。零售商和顾客的了解与互动，是首邦百利广场维持市场地位之重要因素。

管理团队一直不断在寻找符合我们形象的品牌商和零售商，并投入了大量的市场调研，跟踪人口趋势变化和市场偏好，以确保我们的租户组合保持时尚。从我们的观察，客户的反馈，租户的分析和营销计划收集到的信息，有助于我们制定策略，每天让我们的商场一个更好的地方让我们的客户购物，享受和用餐。我们非常感谢客户的反馈，想让客户知道——“我们在聆听”。

我们根据反馈，引进了崭新的服装趋势，最新的保健与美容，儿童学习中心，还有更多吸引人的餐饮业品牌如Pastryville和Komugi。著名品牌Swensen's对他们的餐厅进行大型的装修改造，并且推出全新的餐饮概念。他们传统的美食是不同口味的冰淇淋为主打，现在则在菜单上推出美国式的著名餐饮美食。

随着市场竞争不断加剧，我们有必要不断精进，并加强与零售商的合作伙伴关系，以实现共同的成功理念。购物中心是不断变化的产业，因此零售商和资产管理公司必须与时俱进。我们管理层团队努力向我们的零售商介绍最新的商店设计与概念，分享行业知识，并鼓励租户增加规范来保持水准。

首邦百利广场的出租率是百分之百。2013年也呈现出稳健的租金调升。首邦百利广场来年将迎来重大挑战，这是因为有大批租户的合约将到期和更新。然而，我们视此改变为整体向好的机会。过去一些具有良好潜能的零售商曾向我们寻求进驻商场，但我们却苦于无法为他们提供零售空间。如今，却是一个重新铺排和向上提升的好时机。

### 皇冠百利广场的蒂固地位

位于马六甲市中心的皇冠百利广场，在1994年开业时被定位为马六甲市第一家区域性的购物商场。至今，皇冠百利广场依旧是马六甲历史古城游客聚集的主要购物地点。在该区域还有多家商场，如英雄广场和Hatten City购物中心，由于彼此距离相近，形成了一个著名的零售业核心，特别是对游客而言。

在2013财政年，皇冠百利广场的出租率达到最高纪录的97.8%，相对于2012财政年为96.7%。在本财政年，它还享有良好的租金，从而固守皇冠百利广场作为马六甲本地人和外国游客最喜爱的购物目的地。

皇冠百利广场平稳地吸引国内和国际高水准品牌的租户入驻。Kaison和大众书局是皇冠百利广场的最新迷你旗舰。Kaison是新的家居设计品牌，有望进一步补充和加强皇冠百利广场零售组合的良好平衡。

在2014年，皇冠百利广场的下一个详细规划及资产强化计划(AEI)，我们建议把目前只有四个屏幕的戏院，增加到十个屏幕，使总座位可以增加至1680个。我们预计戏院扩充计划可以在2015年首季竣工和全面作业。预计10个屏幕的影院会带动皇冠百利广场有类似2012年MBO电影院进驻首邦百利广场所带来的积极影响。我们的策略是带动更多顾客人潮到二楼，希望可以因此改善二楼戏院周边商店租金调升率的空间。

#### 处于领先地位的麻坡威德百利广场

威德百利广场是坐落于麻坡商贸中心内的一座综合零售广场，由于它处于一个得天独厚的位置，威德百利广场成为麻坡唯一吸引人潮的购物商场。在2013年，威德百利广场再一年取得健康的租金调升，而出租率依旧保持在96.8%的高位，反映了它在该地零售市场的领先地位。在2013年，我们的四大租户之一，环球购物中心正在进行大规模的整修，为他们的客户提供更高的购物乐趣，以及提升他们在威德百利广场内的地位。

众人的误解是认为国际零售商不会在较抵消费力的小城镇里成功。不过，贺达却成功的为威德百利广场引进了一系列的国际与国内品牌，如Hush Puppies, Polo Haus, Sushi King 和Baskin Robbins。贺达也准备把这良好策略在Kedah Malls里执行。

#### 贺达吉打州的商场—中环广场和新世纪广场

上述两家吉打州的商场在2012年10月份完成收购，两家购物商场分别坐落于双溪大年 and 居林的人口聚集地。透过我们的详细规划及资产强化计划(AEI)，收购吉打州商场的投资具有价值创造的机会，符合我们的资产收购的投资策略。

双溪大年位于檳城州以北35公里处，是一个拥有超过40万人口的蓬勃发展城镇。双溪大年也邻近着许多工业区，如Gurun。双溪大年的零售市场竞争激烈，镇内近年来设立了多家购物中心和霸级市场。最新进驻的Amanjaya购物中心，位于新世界广场以北约20分钟车程的地方。

居林高科技工业园取得相当的成功，许多全球最大的高科技公司如 Intel, Fuji, Ranbaxy 和 First Solar 都进驻当地。在居林，中环广场成为这个人口超过25万人城镇内唯一的大型购物商场，最接近的主要竞争者是位于临近城镇大山脚的大山脚高峰广场。中环广场在2009年开始营业，自此为当地吸引更多商业发展计划。

贺达把管理零售商场的丰富经验带到吉打州这两座相邻的商场。即使是最好的商场也需要持续精进保持优势。把零售商多元化，是管理购物商场成功的一个关键因素。2013年对我们团队是一个忙碌的年份，我们决定把吉打州购物商场在中长期发展为一个最佳的产业地点。

凭着我们运用国际最佳实践方法来对购物商场的多元配搭设计和管理的经验，我们主要的动机是要确保这两座吉打州的购物商场符合购物者的需求。随着对购物商场的外部面貌和室内设计进行整修翻新后，已经使中环广场能够和双溪大年其他新颖的购物商场并驾齐驱。

一如计划，中环广场的资产提升工程正在如火如荼进行着，我们预期可以在2014财政年尾竣工。我们的详细规划及资产强化计划(AEI)正顺利进行，对商场的日常运作影响也减至最低。我们的重整活动是让我们有机会引入新的本地和国际连锁商户，以取代现有一些缺乏知名度的租户。我们正全心全意执行着中环广场的转型计划，期待能够在未来取得跃进提升。

在2014年第三季完成对中环广场的再发展计划后，新世纪广场将是我们的详细规划及资产强化计划(AEI)的下一个焦点。这意味着，我们没浪费任何时间，进行租户多元化的进程。令人激励的是，新世纪广场在2013财政年的租金调升率取得一如预期的双位数增长。新世纪广场的出租率也从刚收购时的76.7%，飙升到2013财政年底的93.7%。

贺达也意识到自己作为一个有良好零售概念的企业，有责任培育和发展良好的零售理念，能够为我们的顾客提供独特的购物体验。我们拥有一个企业孵化器系统，这是贺达可以随时吸引新的业务合作伙伴的原因之一。

我们的企业孵化器系统涉及零售商业单位(RMU)或流动摊位，以及较大的独立柜台(SAC)。这些零售模式，比租用较大更固定的零售商店相对便宜。因此，那些只有较少成立资本的企业，可以透过这样的模式来推动他们的零售概念，一旦成功了，可应用他们的经验来扩大经营模式。我们将会把吉打州的购物广场引入我们这方面的优势。

#### 潜在收购的最新进展

在2013年，我们致力发展Kedah Malls，所以没有其他重要的收购计划。尽管如此，我们将继续探索其他具收购潜力的目标。在压缩资本化比率的其间，我们的扩张模式应采取主动及抓紧机会，我们的目标是那些能够提供产业收益率及增值潜力高的产业。

产业投资信托基金的独特之处就是，未来的任何收购建议会以外来资金如发行附加单位与借贷。这是因为至少90%的内部资金需分配给基金单位持有者，以享受政府准予的税务优惠。基于贺达目前的交易价格区间，还是在净有形资产之上，综合可负担的银行融资，我们有信心未来有能力进行财务融资，以进行更多收购。

#### 致谢

谨此代表董事局，我要感谢贺达的队伍所作出的贡献和竭诚努力。我们也很感谢零售商，租户和商业伙伴。你们无私的奉献和支持，确保了贺达继续成为投资者一个可抗风险，安全及优先的投资。

DATO' JAAFAR BIN ABDUL HAMID  
主席兼首席执行官

## 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**

Subang Parade is located in Subang Jaya, Selangor

**MAHKOTA PARADE**

Mahkota Parade is located in Bandar Melaka, Melaka

**WETEX PARADE**

Wetex Parade is located in Muar, Johor

**CENTRAL SQUARE**

Central Square is located in Sungai Petani, Kedah

**LANDMARK CENTRAL**

Landmark Central is located in Kulim, Kedah



The enlarged portfolio provides a good geographical diversification to the REIT. 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 2013 is set out in the following pages.

	Subang Parade	Mahkota Parade	Wetex Parade	Central Square	Landmark Central
State	Selangor	Melaka	Johor	Kedah	Kedah
Title	Freehold	Leasehold*	Freehold	Freehold	Freehold
Primary Trade Area <sup>1</sup>	833,538**	350,000**	154,000***	406,870**	181,195**
NLA – Retail (sq ft)	501,019	484,029	155,253	303,117	281,388
Tenancies	135	159	84	55	91
Occupancy (%) <sup>2</sup>	100.0	97.8	96.8	82.5	93.7
Visitor Traffic FY2013 (million)	8.5	10.4	4.8	4.1	3.4
Purchase Price (RM million)	280.0	232.0	117.5	83.0	98.0
Valuation (RM million) <sup>2</sup>	406.8	316.0	135.0	85.5	104.0
Gross Revenue FY2013 (RM million)	49.1	40.1	13.0	8.3	9.6
Net Property Income (NPI) FY2013 (RM million)	32.2	23.8	7.8	4.3	6.0

1. Malaysian Census, MIRP (Independent Research) and Market Survey 2011

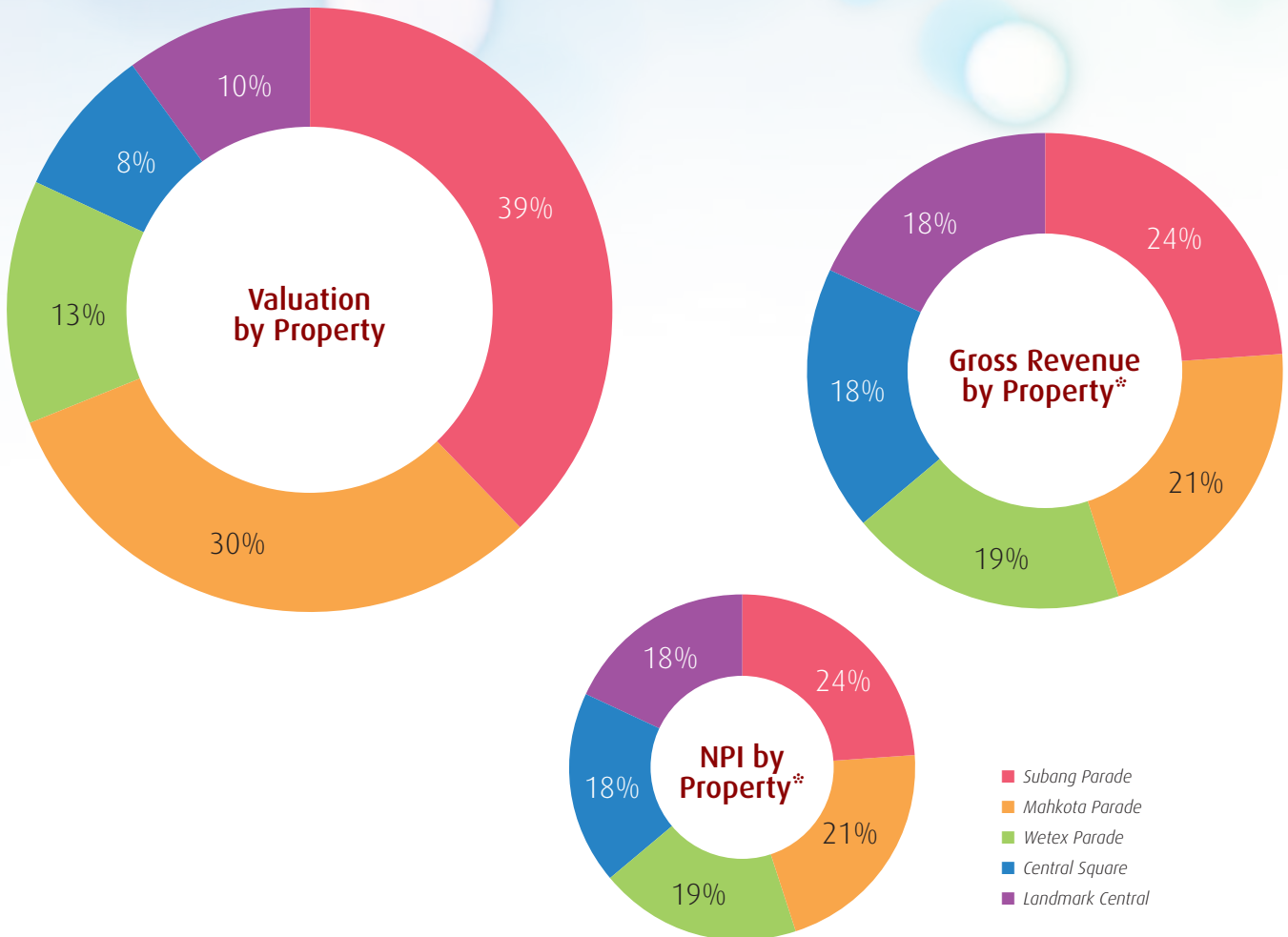
2. As at 31 December 2013

\* Until year 2101

\*\* Within 15-mins drive

\*\*\* 10km radius

## DIVERSIFIED PORTFOLIO



## PORTFOLIO OCCUPANCY

Overall portfolio occupancy was recorded at 95.0% as at 31 December 2013. The overall occupancy rate was recorded to be lower than the preceding year due to the temporary dip in occupancy in Central Square to allow for the asset enhancement initiatives (AEI). The occupancy rate is expected to improve after the completion of the AEI. This provides opportunity for growth in the coming financial year.

The remaining shopping centres, especially Subang Parade, have all maintained high occupancy rates. Subang Parade has in fact achieved full occupancy in this financial year.

Excluding the effect of the Kedah Malls, the overall occupancy rate of the portfolio has improved to 98.6%.

Property	Occupancy as at 31 December				
	2013	2012	2011	2010	2009
Subang Parade	100.0%	99.8%	99.9%	94.8%	100.0%
Mahkota Parade	97.8%	96.1%	94.5%	96.1%	93.6%
Wetex Parade	96.8%	97.8%	98.6%	95.6%	90.1%
Central Square (CS)	82.5%	89.8%	—	—	—
Landmark Central (LC)	93.7%	96.9%	—	—	—
Overall*	95.0%	96.3%	—	—	—
Overall excluding CS and LC*	98.6%	97.9%	97.5%	95.5%	95.8%

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

## PORTFOLIO PERFORMANCE

### VISITOR TRAFFIC

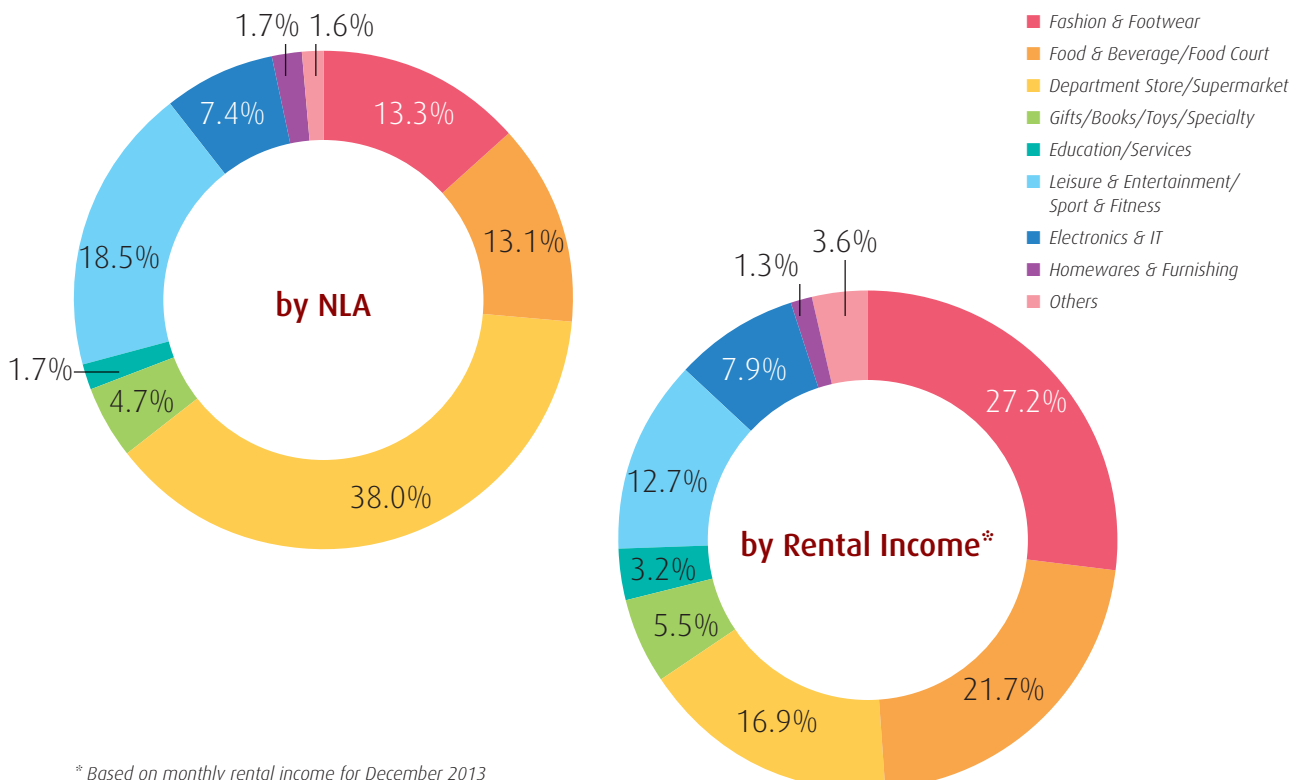
Visitor traffic is measured by FootFall, a computerised video-based traffic monitoring system. Visits to Subang has increased by a healthy 9.8% but both Mahkota Parade and Wetex Parade have decreased due to softer retail environment during the financial year. For Central Square and Landmark Central, this financial year records their first complete visitor count since having installed the FootFall system in November 2012.

Property (Number of Visits)	2013	2012	2011	2010	2009
Subang Parade (million)	8.49	7.7 <sup>*</sup>	7.95	7.52	7.76
% Change in Traffic	9.8%	-2.7%	5.8%	-3.1%	1.8%
Mahkota Parade (million)	10.41	11.00	8.17	7.19	7.88
% Change in Traffic	-5.5%	34.5%	14.0%	-8.8%	-5.3%
Wetex Parade (million)	4.84	5.20 <sup>*</sup>	5.93	5.51	5.63
% Change in Traffic	-6.9%	-12.2%	7.6%	-2.2%	—
Central Square (million)	4.14	—	—	—	—
% Change in Traffic	—	—	—	—	—
Landmark Central (million)	3.36	—	—	—	—
% Change in Traffic	—	—	—	—	—
Total (million)	31.24	23.94	22.05	20.22	21.27

<sup>\*</sup> Figure revised due to system recalibration.

### 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. In terms of rental income, the largest segment remains fashion and footwear, which contributes approximately 27.2% of monthly rental income.



<sup>\*</sup> Based on monthly rental income for December 2013

## PORTFOLIO'S TOP TEN TENANTS

The top ten tenants in the portfolio contributed approximately 28.0% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 9.3% monthly rental income, no other tenant contributed more than 6.0%.

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	254,009	14.7%	9.3%
The Store	Department Store/Supermarket	273,198	15.8%	5.8%
Seleria	Food & Beverage	11,098	0.6%	2.5%
Giant Supermarket	Department Store/Supermarket	96,283	5.6%	1.7%
McDonald's	Food & Beverage	14,676	0.9%	1.7%
KFC	Food & Beverage	17,431	1.0%	1.6%
The Reject Shop	Fashion & Footwear	29,663	1.7%	1.5%
Ampang Superbowl	Leisure & Entertainment/ Sport & Fitness	61,717	3.6%	1.4%
MPH Bookstores	Gifts/Books/Toys/Specialty	22,075	1.3%	1.3%
Kenny Roger Roasters	Food & Beverage	7,096	0.4%	1.2%
<b>Top 10 Tenants (By Monthly Rental Income)</b>		<b>787,246</b>	<b>45.6%</b>	<b>28.0%</b>
Other Tenants		937,560	54.4%	72.0%
<b>Total</b>		<b>1,724,806</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental for December 2013

## PORTFOLIO RENTAL REVERSIONS

For the year ended 31 December 2013, the portfolio recorded 121 new and renewed tenancies, with an overall weighted average rental reversion of 7%. Central Square and Landmark Central have both shown tremendous reversion this year due to aggressive tenant remixing exercises. Mahkota Parade on the other hand has recorded negative reversion in an effort to fill up long vacant lots. Subang Parade and Wetex Parade recorded healthy rental reversion of 8% and 6% respectively.

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	50	85,899	17%	8%
Mahkota Parade	36	69,422	14%	-2%
Wetex Parade	23	14,613	9%	6%
Central Square	6	30,016	10%	52%
Landmark Central	6	24,645	9%	23%
<b>Total/Average*</b>	<b>121</b>	<b>224,595</b>	<b>13%</b>	<b>7%</b>

\* The weighted average is calculated based on NLA. Figures as at 31 December 2013

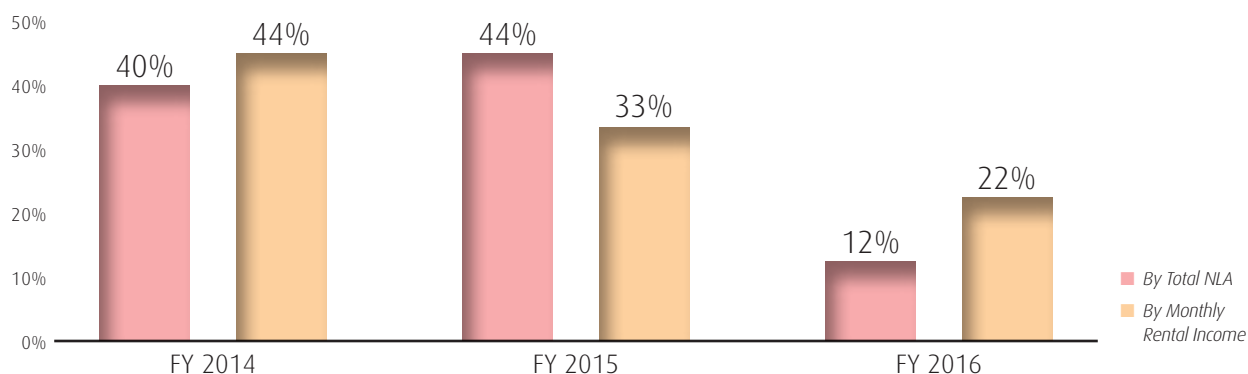
## PORTFOLIO PERFORMANCE

### PORTFOLIO TENANCY EXPIRY PROFILE

A total of 198 tenancies will expire in 2014. This represents 40% of NLA and 44% of monthly rental income as at 31 December 2013. Our tenancy agreement typically reflect the tenancy terms of 3 years, as per the current market practice in Malaysia.

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 2014	198	682,016	40%	44%
FY 2015	165	755,945	44%	33%
FY 2016	116	207,870	12%	22%

\* Based on monthly rental income for December 2013. Figures may not round to 100% due to miscellaneous items.





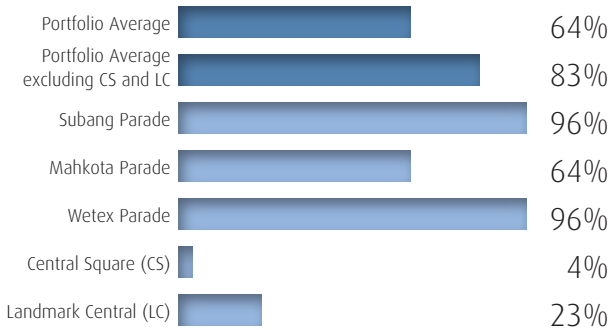
### PORTFOLIO TENANCY PROVISIONS

As at 31 December 2013, turnover rent provisions were present in approximately 64% of the tenancies in the portfolio. Step-up rent provisions were present in approximately 31% of tenancies within the portfolio.

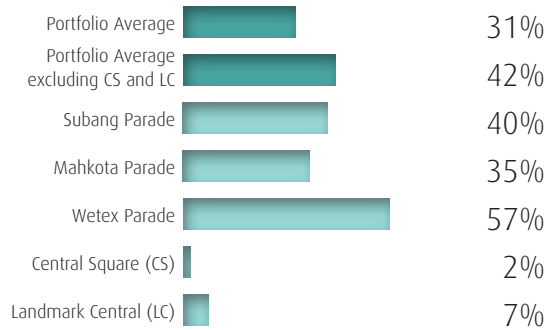
As the practice of turnover rent and step-up rent has just started to be incorporated at Central Square and Landmark Central, the portfolio average for the provisions is reported to be lower. Excluding the effects of the two malls, the turnover rent provision and step-up rent provision will be 83% and 42% 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.

#### Hektar REIT Tenancy Provisions Turnover Rent



#### Hektar REIT Tenancy Provisions Step-up Rent

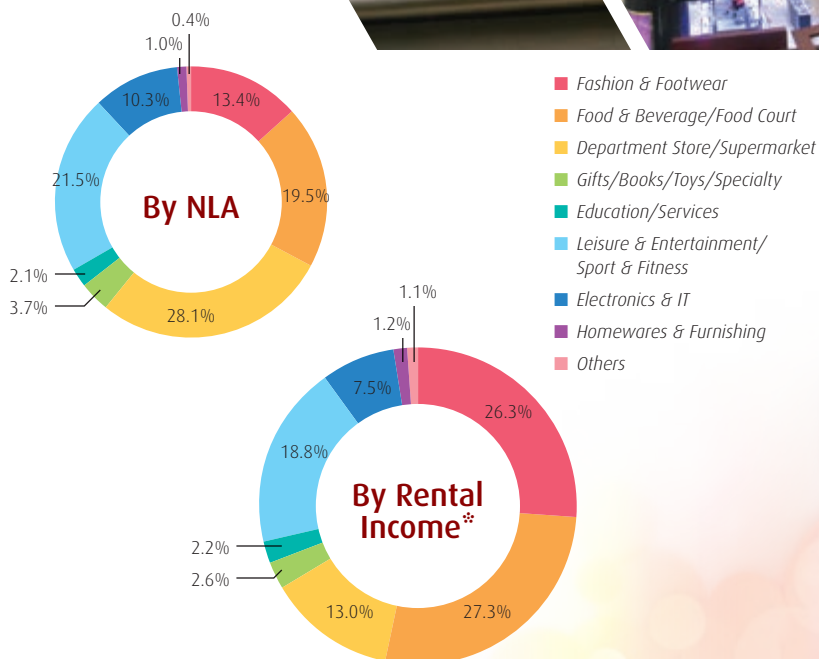


# PORTFOLIO PERFORMANCE



<b>Location</b>	No. 5, Jalan SS 16/1 Subang Jaya 47500 Petaling Jaya Selangor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	833,538 within 15-mins drive time
<b>Gross Floor Area</b>	1,169,038 sq ft
<b>Net Lettable Area</b>	501,019 sq ft
<b>Car Park</b>	1,282
<b>Valuation</b>	RM406.8 million
<b>Tenants*</b>	135
<b>Key Tenants</b>	Parkson, Celebrity Fitness, MBO, Best Denki, Digital One, MPH
<b>Occupancy</b>	100.0%
<b>Visitor Traffic</b>	8.5 million
<b>Year Opened</b>	1988
<b>Year Acquired</b>	2006

### SUBANG PARADE'S TENANCY MIX



Data as of 31 December 2013.  
\* Only NLA Lots.



## 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. In 2011, 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.

## SUBANG PARADE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store/Supermarket	140,620	28.1%	12.8%
2 Celebrity Fitness	Leisure & Entertainment/Sport & Fitness	34,317	6.8%	2.8%
3 Digital One	Electronics & IT	21,361	4.3%	2.3%
4 Best Denki	Electronics & IT	24,739	4.9%	2.0%
5 TGI Friday's	Food & Beverage	5,655	1.1%	1.9%
6 Kenny Roger Roasters	Food & Beverage	3,610	0.7%	1.9%
7 W.O.S World of Sports	Fashion & Footwear	5,769	1.2%	1.8%
8 MPH Bookstores	Gifts/Books/Toys/Specialty	17,385	3.5%	1.8%
9 MBO Cinemas	Leisure & Entertainment/Sport & Fitness	25,293	5.0%	1.8%
10 Voir	Fashion & Footwear	4,387	0.9%	1.7%
Top 10 Tenants (by monthly rental income)		283,136	56.5%	30.8%
Other Tenants		217,883	43.5%	69.2%
<b>Total</b>		<b>501,019</b>	<b>100.0%</b>	<b>100.0%</b>

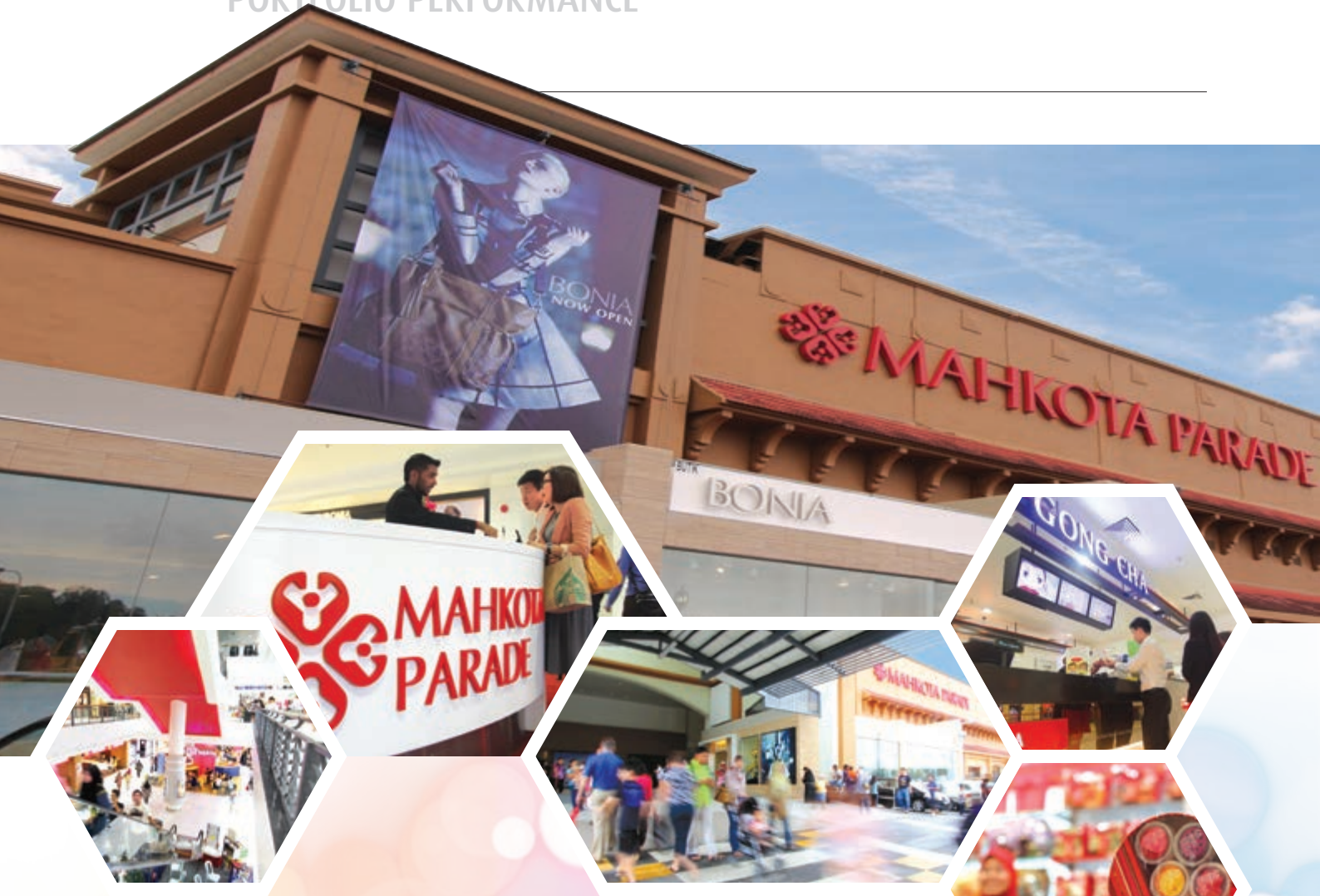
\* Based on monthly rental income for December 2013.

## 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 2014	57	177,063	35%	38%
FY 2015	33	227,757	45%	33%
FY 2016	44	88,851	18%	28%

\* Based on monthly rental income for December 2013. Figures may not round to 100% due to miscellaneous items.

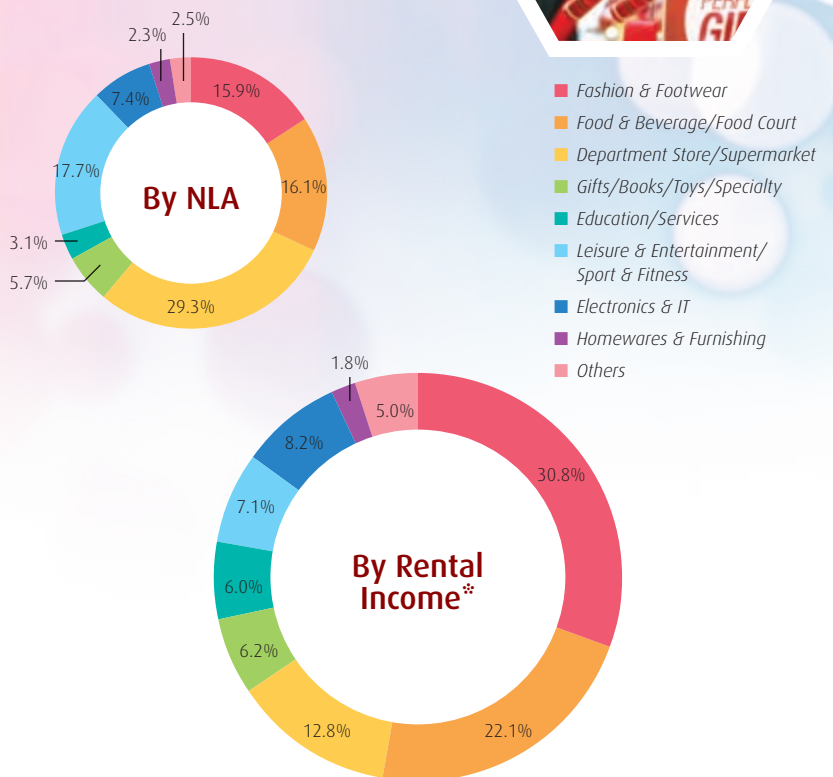
# PORTFOLIO PERFORMANCE



<b>Location</b>	No. 1, Jalan Merdeka 75000 Bandar Melaka Melaka
<b>Title</b>	Leasehold (until 2101)
<b>Primary Trade Area</b>	350,000 within 15-mins drive time
<b>Gross Floor Area</b>	1,392,623 sq ft
<b>Net Lettable Area</b>	484,029 sq ft
<b>Car Park</b>	1,079
<b>Valuation</b>	RM316.0 million
<b>Tenants*</b>	159
<b>Key Tenants</b>	Parkson, Ampang Superbowl, senQ, Kaison
<b>Occupancy</b>	97.8%
<b>Visitor Traffic</b>	10.4 million
<b>Year Opened</b>	1994
<b>Year Acquired</b>	2006

Data as of 31 December 2013.  
\* Only NLA Lots.

## MAHKOTA PARADE'S TENANCY MIX



## MAHKOTA PARADE

Mahkota Parade was the first 'regional' shopping centre located in the commercial and tourist centre 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.

In 2014, there will be a further expansion of the cinema by increasing the number of screens from four to ten.

These are part of Hektar's continuing efforts to invest in the Melaka market and maintain Mahkota Parade as the leading shopping centre in the state.

## MAHKOTA PARADE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store/Supermarket	113,389	23.4%	11.4%
2 Seleria	Food & Beverage	4,187	0.9%	7.5%
3 Ampang Superbowl	Leisure & Entertainment/Sport & Fitness	36,717	7.6%	3.6%
4 Restoran KFC	Food & Beverage	5,403	1.1%	2.6%
5 McDonald's	Food & Beverage	5,942	1.2%	2.1%
6 Reject Shop	Fashion & Footwear	8,503	1.8%	2.0%
7 MPH Bookstores	Gifts/Books/Toys/Specialty	4,690	1.0%	1.6%
8 Guardian	Health & Beauty	3,800	0.8%	1.6%
9 senQ	Electronics & IT	14,815	3.0%	1.5%
10 Kaison	Homewares & Furnishing	9,655	2.0%	1.4%
Top 10 Tenants (by monthly rental income)		207,101	42.9%	35.3%
Other Tenants		276,928	57.1%	64.7%
<b>Total</b>		<b>484,029</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2013.

## 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 2014	62	314,665	65%	59%
FY 2015	43	87,959	18%	19%
FY 2016	40	69,088	14%	22%

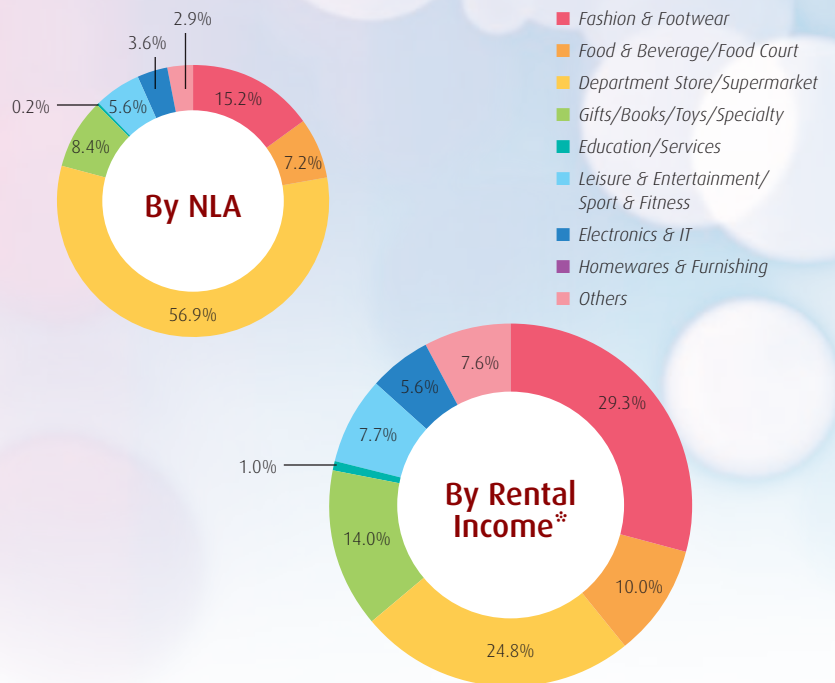
\* Based on monthly rental income for December 2013. Figures may not round to 100% due to miscellaneous items.

# PORTFOLIO PERFORMANCE



<b>Location</b>	69 Jalan Ali Off Jalan Sulaiman 84000 Muar, Johor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	154,000 within 15-mins drive time
<b>Gross Floor Area</b>	281,590 sq ft
<b>Net Lettable Area</b>	155,253 sq ft
<b>Car Park</b>	175
<b>Valuation*</b>	RM135.0 million
<b>Tenants**</b>	84
<b>Key Tenants</b>	The Store, Music Bank, Tanjongmas Bookcentre
<b>Occupancy</b>	96.8%
<b>Visitor Traffic</b>	4.8 million
<b>Year Opened</b>	1996
<b>Year Acquired</b>	2008

## WETEX PARADE'S TENANCY MIX



Data as of 31 December 2013.  
 \* Valuation includes Classic Hotel.  
 \*\* Only NLA Lots.



## 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.

## WETEX PARADE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store/Supermarket	85,413	55.0%	24.8%
2 Watsons	Gifts/Books/Toys/Specialty	2,027	1.3%	4.3%
3 Living Cabin	Gifts/Books/Toys/Specialty	2,949	1.9%	2.9%
4 Music Bank	Leisure & Entertainment/Sport & Fitness	5,026	3.2%	2.7%
5 McDonald's	Food & Beverage	2,489	1.6%	2.5%
6 Effu	Fashion & Footwear	2,110	1.4%	2.4%
7 Tanjongmas Bookcentre	Gifts/Books/Toys/Specialty	4,037	2.6%	2.3%
8 Workshop	Fashion & Footwear	1,803	1.2%	2.2%
9 Sukan Muara	Leisure & Entertainment/Sport & Fitness	1,356	0.9%	2.1%
10 Fabiano Ricco/Ecco	Fashion & Footwear	1,259	0.8%	2.0%
Top 10 Tenants (by monthly rental income)		108,469	69.9%	48.2%
Other Tenants		46,784	30.1%	51.8%
<b>Total</b>		<b>155,253</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2013.

## 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 2014	28	109,779	71%	51%
FY 2015	40	27,656	18%	34%
FY 2016	15	12,861	8%	15%

\* Based on monthly rental income for December 2013. Figures may not round to 100% due to miscellaneous items.

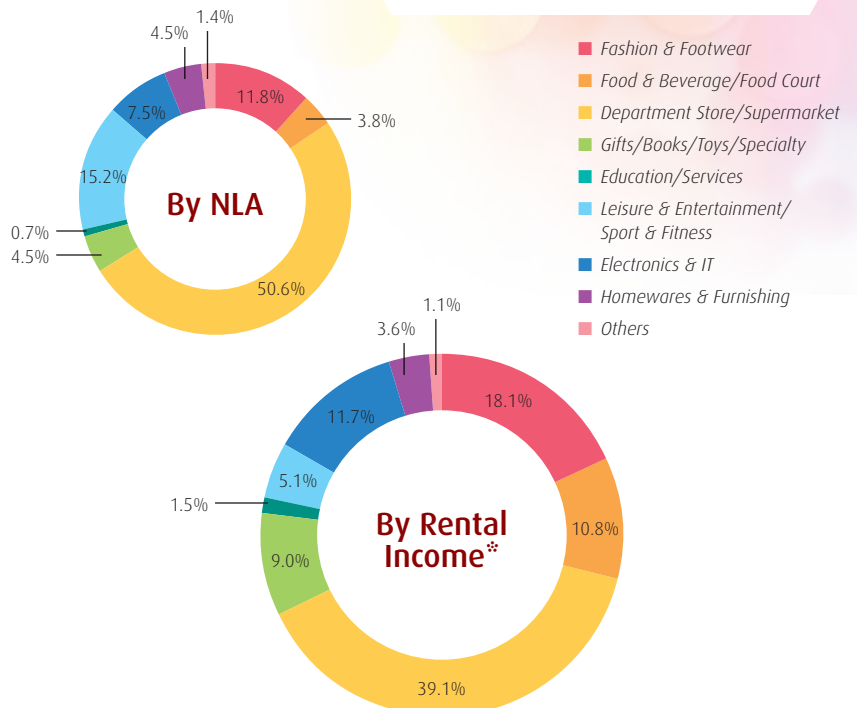
# PORTFOLIO PERFORMANCE



Artist impression of AEI

<b>Location</b>	23, Jalan Kampung Baru 08000 Sungai Petani, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	406,870 within 15-mins drive time
<b>Gross Floor Area</b>	743,117 sq ft
<b>Net Lettable Area</b>	303,117 sq ft
<b>Car Park</b>	467
<b>Valuation</b>	RM85.5 million
<b>Tenants*</b>	55
<b>Key Tenants</b>	The Store, Ampang Superbowl, Perfect Mobile Village, Reject Shop
<b>Occupancy</b>	82.5%
<b>Visitor Traffic</b>	4.1 million
<b>Year Opened</b>	1997
<b>Year Acquired</b>	2012

## CENTRAL SQUARE'S TENANCY MIX



Data as of 31 December 2013.

\* Only NLA Lots.





## CENTRAL SQUARE

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

Strategically situated in the town centre, the Central Square Property 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.

This year, the REIT has embarked on extensive asset enhancement initiatives to put a facelift to the shopping centre and to provide shoppers with an all new shopping experience.

## CENTRAL SQUARE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store/Supermarket	130,000	42.9%	39.3%
2 Perfect Mobile Village	Electronics & IT	13,229	4.4%	7.3%
3 KFC	Food & Beverage	3,619	1.2%	4.2%
4 STUDIO	Fashion & Footwear	6,563	2.2%	3.6%
5 Popular Bookstore	Gifts/Books/Toys/Specialty	6,450	2.1%	3.1%
6 Ampang SuperBowl	Leisure & Entertainment/Sport & Fitness	25,000	8.2%	2.9%
7 RB First Avenue	Food & Beverage	1,105	0.4%	2.8%
8 Reject Shop	Fashion & Footwear	11,968	3.9%	2.5%
9 Guardian Pharmacy	Gifts/Books/Toys/Specialty	1,443	0.5%	2.3%
10 Mr D.I.Y.	Homewares & Furnishing	6,940	2.3%	1.9%
Top 10 Tenants (by monthly rental income)		206,317	68.1%	69.9%
Other Tenants		96,800	31.9%	30.1%
<b>Total</b>		<b>303,117</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2013.

## 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 2014	34	64,306	21%	24%
FY 2015	12	174,755	58%	60%
FY 2016	5	27,742	9%	17%

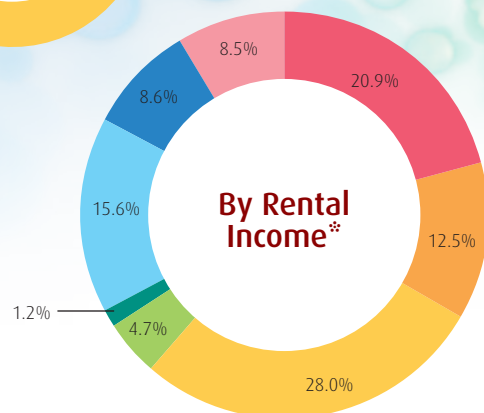
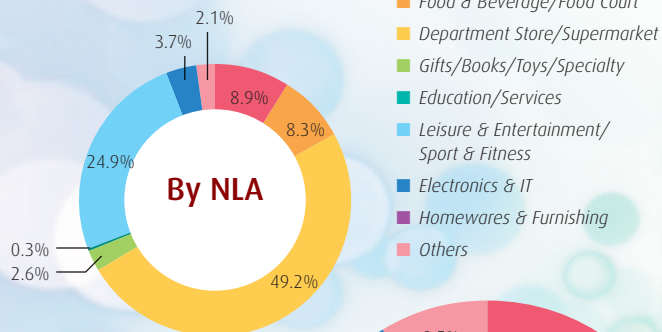
\* Based on monthly rental income for December 2013. Figures may not round to 100% due to miscellaneous items.

PORTFOLIO PERFORMANCE



<b>Location</b>	No. 1, Jalan KLC Satu (1) 08000 Kulim, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	181,195 within 15-mins drive time
<b>Gross Floor Area</b>	513,333 sq ft
<b>Net Lettable Area</b>	281,388 sq ft
<b>Car Park</b>	610
<b>Valuation</b>	RM104.0 million
<b>Tenants*</b>	91
<b>Key Tenants</b>	Giant, The Store, Big Cinema, SEC
<b>Occupancy</b>	93.7%
<b>Visitor Traffic</b>	3.4 million
<b>Year Opened</b>	2009
<b>Year Acquired</b>	2012

LANDMARK CENTRAL'S TENANCY MIX



Data as of 31 December 2013.  
\* Only NLA Lots.



## 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 Sushi King, 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.

### LANDMARK CENTRAL'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Giant Supermarket	Department Store/Supermarket	72,140	25.6%	17.0%
2 The Store	Department Store/Supermarket	57,785	20.5%	10.7%
3 Big Cinema	Leisure & Entertainment/Sport & Fitness	24,000	8.5%	5.4%
4 Ole Ole Bowling	Leisure & Entertainment/Sport & Fitness	23,670	8.4%	3.7%
5 CYC Mega	Leisure & Entertainment/Sport & Fitness	11,356	4.0%	3.0%
6 SEC	Electronics & IT	5,755	2.1%	3.0%
7 Landmark	Books Gifts/Books/Toys/Specialty	5,228	1.9%	3.0%
8 Pizza Hut	Food & Beverage	3,530	1.3%	2.4%
9 KFC	Food & Beverage	3,530	1.3%	2.4%
10 Hussain Nasi Kandar	Food & Beverage	3,530	1.3%	2.2%
Top 10 Tenants (by monthly rental income)		210,524	74.9%	52.8%
Other Tenants		70,864	25.1%	47.2%
<b>Total</b>		<b>281,388</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2013.

### 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 2014	17	16,203	6%	14%
FY 2015	37	237,818	85%	74%
FY 2016	12	9,328	3%	11%

\* Based on monthly rental income for December 2013.



德广物  
WETEX PARADE  
Our Place!

如春財源日自來

KELUAR

BERBARU

## CORPORATE SOCIAL RESPONSIBILITY



*Buka Puasa with Rumah Anak-anak Yatim Fatimah Al-Zaharah.*



*Meet Santa session.*

Hektar Asset Management is committed to manage its business responsibly in the interests of Hektar REIT's unitholders, customers and stakeholders. With its business strategy of creating shopping malls as community centres, Hektar REIT embraces the importance to enhance the society values of the communities where we operate, bringing the warmth of our Malaysian hearts into our shopping centres.

This financial year, in conjunction with the array of multi-racial festivals that we celebrate, our management has carried out various festival events and promotions which not only hold the joy of celebrating our colourful traditions, but also to 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 organisations. During the Chinese New Year celebrations, the management of Subang Parade brought festive cheer to the Rumah Charis, home for the aged and orphans. There were tossing of "Yee Sang" and distribution of Ang Pow to the inhabitants of the homes. There were also lion dance performances and donation of necessities to the homes. Mahkota Parade on the other hand had organised a "Light a Lantern" charity campaign, where RM8,000 was raised for the Seck Kia Eenh Temple Cancer Fund. A lantern, representing hope and beauty of life, would be lit up for donors with a minimum donation of RM10.

During the Ramadan period, the Subang Parade team visited the Rumah Amal Limpahan Kasih in Puchong to spend some quality time with the children there. Raya packets were distributed after having the evening prayers and a "Buka Puasa" session together. At Mahkota Parade and Wetex Parade, orphans from Rumah Anak-anak Yatim Fatimah Al-Zaharah and Pertubuhan Kebajikan Anak-anak Yatim Islam Muar were treated to a "Buka Puasa" dinner at the respective shopping centres. Children from the Bhagawan Sri Ramakrishna house were also invited to celebrate Deepavali at Mahkota Parade. There were sumptuous Indian food served and also vibrant Bollywood dances performed, in addition to a donation of RM5,000 made to the Bhagawan Sri Ramakrishna house.

Ending the year with a bang, Mahkota Parade held a Charity Tea Party during the Christmas season. 35 underprivileged children from the Livio Learning Centre were invited to a day of fun at Mahkota Parade. The event includes having the children pick their Christmas presents at Parkson, a delicious lunch, having fun at the Fun4kids water playground, a nice tea break, and to wrap things up, a session with Santa Claus himself.

Hektar REIT's properties are communal meeting points. The management values the dedication of our marketing efforts towards social causes – in pursue of sustainable business practices which positively impact the business, community and the environment.



*Kids having fun at Fun4kids, Mahkota Parade.*



*Visit to Rumah Charis.*



*Donation made to the Bhagawan Sri Ramakrishna home.*

## SUBANG PARADE 25<sup>TH</sup> ANNIVERSARY



Subang Parade, our flagship shopping centre, has celebrated its 25<sup>th</sup> Anniversary in 2013.

Built in 1988, it was the longest shopping centre in Malaysia at that time. In 2004, the shopping centre underwent asset enhancement initiatives where refurbishment phases started with the creation of Digital One, Subang Jaya's first dedicated IT centre. Later, the washrooms were fully renovated and Subang Parade was selected as the first suburban shopping centre to be awarded recognition for best washroom design in Malaysia. 2006 was the year Subang Parade started its full refurbishment. Subang Parade now sports a clean white theme to reflect a new exclusive image. A new 8 screen cinema, MBO Cinemas was also added to the shopping centre in September 2011. Come 25 years, Subang Parade has maintained its position as a shopping centre close to the hearts of its neighbourhood.



To commemorate its silver jubilee, Subang Parade held various celebratory events throughout the year – the first one being the 25<sup>th</sup> Anniversary Logo Design Contest. Shoppers were invited to submit designs for a special logo to represent Subang Parade's 25<sup>th</sup> Anniversary. Design schools were also engaged to generate interests among the youth. Following this, Subang Parade unveiled the winning logo to the public on 21 February 2013 during a Logo Launch that auspiciously coincided with the Chinese New Year celebrations. As a symbolic way of ushering in Subang Parade's silver jubilee, the winner of the logo design contest, along with other specially invited loyal customers were presented with tokens of appreciation by Subang Parade's centre manager, witnessed by the Guest of Honour, YB Loh Gwo-Burne.

To reward its loyal customers, Subang Parade conducted a "Shop and Win" promotion in which shoppers were entitled to splendid presents ranging from a Samsung home theatre system to a dream holiday package. Shoppers who shared the same birth date with Subang Parade were also pleasantly



surprised when the management handed out special 25<sup>th</sup> Anniversary gift bags filled with goodies to commemorate the shopping centre's official opening on 13 August 1988. This was a gesture of appreciation to the shoppers for their continued support.

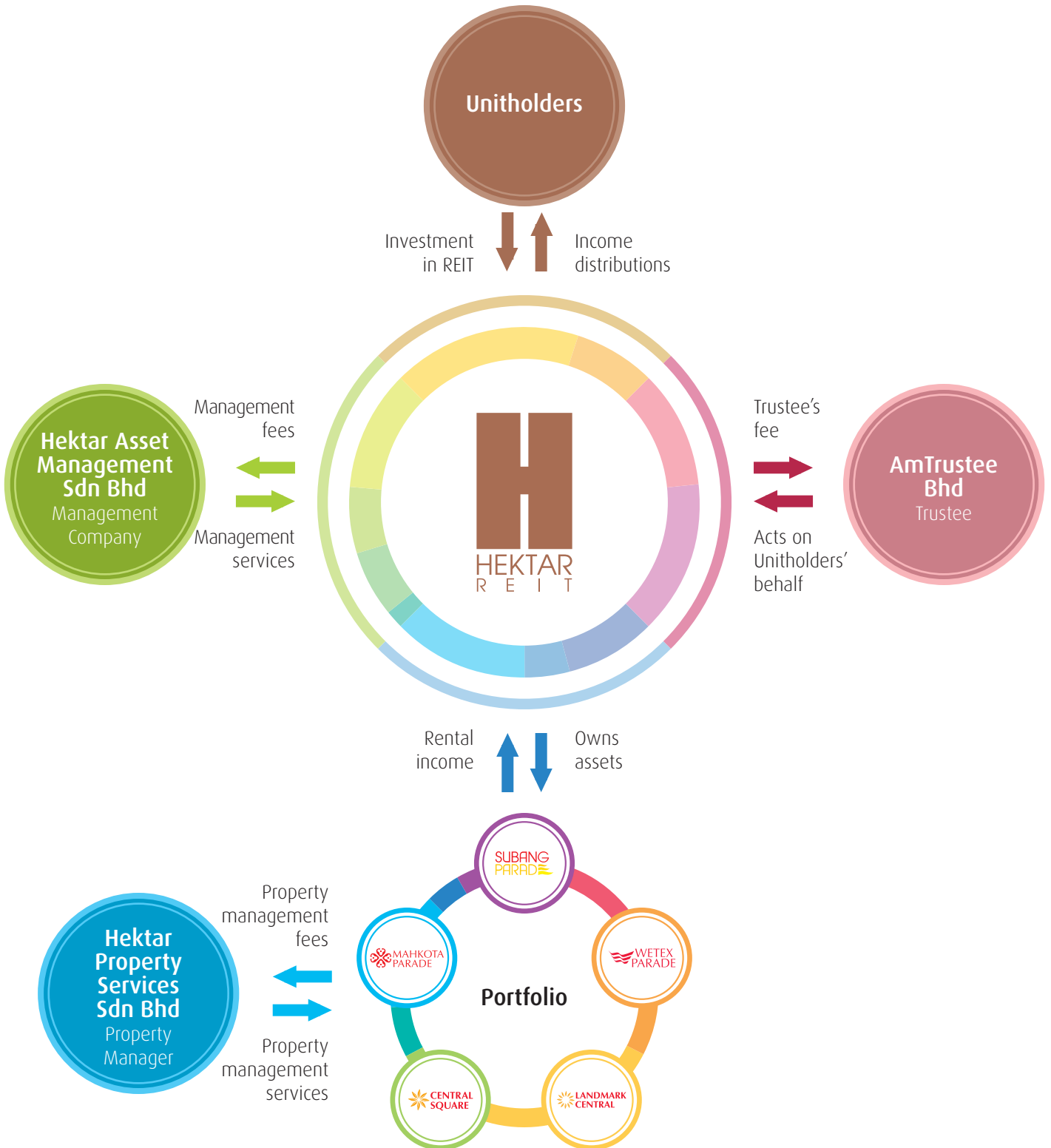
but was also an enjoyable affair for the shoppers and participants alike.

After having celebrated its silver jubilee, Subang Parade hopes to hold strong to its tagline "It's Our Place!" for many more 25 years to come.

The biggest birthday celebration came with a "first-of-its-kind" mid-scale dance competition hosted by a shopping centre – #Dare2Move. #Dare2Move was designed to engage youth's participation through an event that challenged them to showcase their immense talent in freestyle dancing. The event has successfully attracted new target customers, mainly the youth and their family members. The event was mainly publicised via social media like Facebook and Twitter, and dance professionals along with local media artists were invited as judges for the competition. Spectators during the competition were also invited to dance along during the intermittent games and activities. The event was not only a celebration for Subang Parade,



# 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*

Michael Lim Hee Kiang  
*Independent Non-Executive Director  
(appointed w.e.f. 11 July 2013)*

Dato' Robert Lim Git Hooi  
*Independent Non-Executive Director  
(resigned w.e.f. 28 June 2013)*

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*

### 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  
50250 Kuala Lumpur

### AUDITOR (INTERNAL)

KPMG Management & Risk Consulting Sdn Bhd  
(Company No. 150059-H)  
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  
50250 Kuala Lumpur

### REGISTRAR

Mega Corporate Services Sdn Bhd (Company No. 187984-H)  
Level 15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: +6 03 2692 4271  
Fax: +6 03 2732 5388

### STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD (Company No. 635998-W)  
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. In 2011, The Kuala Lumpur Malay Chamber of Commerce awarded him with the "Entrepreneur of the Year Award" 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. She is the designated licensed Director under the Capital Market Services License granted to REIT Managers and 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 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.



### **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 OpenNet Pte Ltd.

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).



### **Christopher Tang Kok Kai**

*Non-Executive Director*

Christopher 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.

Christopher 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.

Christopher 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 organisations 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 RAM Holdings Berhad and several other private limited companies.

Previously, he was the director of DRB Hicom Berhad, UEM Group of Companies, Bina Darulaman Berhad, KUB Malaysia Berhad, LBI Capital Berhad, Seloga Holdings Berhad, Golden Horse Palace Berhad and Asas Serba Sdn Bhd

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 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 Malaysia Singapore 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, Council Member of East Asia Business Council, a member of the Board of Small and Medium Industries Development Corporation (SMIDEC), and Islamic Science University of Malaysia (USIM), owned by the Malaysian Government.



### Michael Lim Hee Kiang

*Independent Non-Executive Director  
(appointed w.e.f. 11 July 2013)*

Michael Lim Hee Kiang graduated with a Bachelors of Laws with Honours in 1972 and Master of Laws with Distinction in 1973 from Victoria University of Wellington, New Zealand. He was admitted to practise law in the Supreme Court of New Zealand in 1973 and High Court of Borneo, Kuching and the High Court of Brunei in 1974. After one (1) year, he left to join the Law Faculty of University Malaya in KL in 1975 and took up a position as a lecturer. After his stints in University Malaya, he joined Messrs. Shearn Delamore & Co in 1978 and was made a partner of the firm in the next year. He has worked with the same firm for 31 years, specialising in company and securities law before retiring in 2010.

Michael sits on the Board of various public listed companies, including DKSH Holdings Bhd, Selangor Properties Bhd, Paragon Union Holdings Bhd, and Sumatec Berhad. In addition, he is presently a consultant with Messrs. Jeff Leong, Poon & Wong.

Michael is also currently a Director of Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Hektar Klasik Sdn Bhd.



### Dato' Lim Git Hooi @ Robert Lim

*Independent Non-Executive Director  
(resigned w.e.f. 28 June 2013)*

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.

## THE BOARD OF DIRECTORS



### **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 was appointed on the Board of Frasers Centrepoint Limited in October 2013. He also holds other Directorships in several local and regional companies. Philip is also Singapore's Non-Resident High Commissioner to Canada in March 2013. 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*

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



Seated (L-R): Zalila binti Mohd Toon and Dato' Jaafar bin Abdul Hamid.  
Standing (L-R): Raziff Suhairi bin Shaaban, Zarina Halim and Nubly Zainuham bin Ambotang.

### **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**

*General 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 provides support in the area of Finance. She is the designated Compliance Officer under the Capital Market Services Licence (CMSL) granted to REIT Managers. She was formerly with the United Engineers Malaysia Berhad ("UEM") Group of Companies for 9 years where she was initially 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 then became Head of Corporate Affairs and Business Development in Prolink Development Sdn Bhd, the UEM Group's subsidiary responsible for the development of 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 and was mainly responsible for strategic marketing and sourcing and implementation of ICT related investments.

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**

*General 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. He is also a Capital Markets Services Representative's Licence (CMSRL) holder under the Capital Markets & Services Act 2007.

## THE MANAGEMENT TEAM

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### **Raziff Suhairi bin Shaaban**

*General 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) and is a Capital Markets Services Representative's Licence (CMSRL) holder under the Capital Markets & Services Act 2007.

### **Martin Chen**

*Manager, Legal*

Martin graduated from the University of Sheffield, United Kingdom with a Bachelor of Laws (LLB, Hons) degree and holds a Certificate in Legal Practice (CLP) from the Legal Qualifying Board, Malaysia. He was called to the Malaysian Bar and was admitted as an advocate and solicitor in the High Court in Malaya in November 2002 and is currently a member of the Malaysian Corporate Counsel Association.

### **Melaine Ong**

*Manager, Strategy*

Melaine graduated from London School of Economics and Political Science, United Kingdom with a Bachelor of Science (BSc) degree in Accounting and Finance. She also holds a Certificate of Investor Relations from the IR Society (UK). Melaine now supports in the areas of strategy and investor relations, which carries out research and analysis on Hektar REIT.

### **Sabrina Halim**

*Manager, Business Development*

Sabrina graduated with a Bachelor's degree (BA, Hons) in Retail Management from LimKokWing University and Master of Science (MSc) in Management from University of Warwick. She is now involved in formulating retail strategies of Hektar REIT and looking at potential acquisition opportunities.

## 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 with research houses, individual and 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 and seminars, and investor and media outreach programmes throughout Malaysia, Singapore and Hong Kong.

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  
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### The Registrar

Mega Corporate Services Sdn Bhd  
Level 15-2 Faber Imperial Court  
Jalan Sultan Ismail  
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50774 Kuala Lumpur  
MALAYSIA  
Tel: +6 03 2692 4271  
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### Financial Year Calendar

	<b>2014*</b>	<b>2013</b>
Full Year Results Announcement	12 February 2014	5 February 2013
Annual Report	February 2014	27 February 2013
Final Distribution (For the previous financial year)	17 March 2014	11 March 2013
First Quarter Results Announcement	May 2014	7 May 2013
First Quarter Distribution	June 2014	12 June 2013
Second Quarter Results Announcement	August 2014	2 August 2013
Second Quarter Distribution	September 2014	10 September 2013
Third Quarter Results Announcement	November 2014	11 November 2013
Third Quarter Distribution	December 2014	12 December 2013

*\*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 2013.

### 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

	<b>As at 2013 RM</b>	<b>As at 2012 RM</b>
Total Net Asset Value	613,363,795	596,664,386
Units in Circulation	(Units) 400,634,117	400,634,117
Weighted Average Units in Circulation	(Units) 400,634,117	340,159,279
Net Asset Value per unit*	1.53	1.49
Market Value per Unit	1.50	1.46
Highest Traded Price	1.64	1.49
Lowest Traded Price	1.44	1.27

### OPERATING RESULTS

	<b>As at 2013 RM</b>	<b>As at 2012 RM</b>
Total Gross Income	121,079,034	103,583,064
Total Property Expenses	(46,120,135)	(39,484,959)
Fair Value Adjustment on Investment Properties	12,632,294	18,711,937
	87,591,193	82,810,042
Total Non-Property Expenses	(28,825,202)	(24,340,388)
Net Income before taxation	58,765,991	58,469,654
Net Income before taxation – realised	46,133,697	39,757,717
Net Income before taxation – unrealised	12,632,294	18,711,937
Net Income after taxation	58,765,991	58,469,654
Earnings per Unit after Tax	(sen) 14.67	17.19*
Realised Earnings per Unit after Tax	(sen) 11.52	11.69*
Distribution per Unit ("DPU")	(sen) 10.50	10.50

\* Calculated using Weighted Average Units in Circulation of 340,159,279 units

The Manager is pleased to report that for the financial year ended 31 December 2013, the total revenue of Hektar REIT is RM121,079,034 comprising gross rental income of RM120,234,665, interest income of RM282,879 and other income of RM561,490. Gross rental income includes expense of RM153,662, which is due to the impact of FRS117 which took effect on 1 January 2010.

The realised net profit FYE 2013 of RM46,133,697 is higher than FYE 2012 by RM6,375,980. 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 RM42,066,582 for the year ended 31 December 2013.



The total income distribution of RM42,066,582 is RM6,289,383 higher than that of the previous period. This is mainly due to the full year effect of 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:

Dividend payment	Period covered	Income Distribution (RM)	Remarks
First interim dividend	Jan 13 – Mar 13	10,416,487	Paid in June 2013
Second interim dividend	Apr 13 – Jun 13	10,416,487	Paid in September 2013
Third interim dividend	Jul 13 – Sep 13	10,416,487	Paid in December 2013
Final dividend	Oct 13 – Dec 13	10,817,121	To be paid in March 2014
Total		42,066,582	

## DIRECTORS OF THE MANAGER

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

Dato' Jaafar Bin Abdul Hamid

Puan Zalila Binti Mohd Toon

Dr. Chew Tuan Chiong

Mr. Christopher Tang Kok Kai

En. Shahril Bin Kassim

Dato' Syed Amin Aljeffri

Dato' Robert Lim Git Hooi *(resigned w.e.f. 28 June 2013)*

Mr. Michael Lim Hee Kiang *(appointed w.e.f. 11 July 2013)*

Mr. Philip Eng Heng Nee

Mr. Jack Lam Juck Ngai *(Alternate Director to Mr. Christopher Tang)*

Mr. Alex Chia Soon Ren *(Alternate Director to Dr Chew Tuan Chiong)*

## DIRECTORS BENEFITS

For the financial year ended 31 December 2013, 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 2013, 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 2013, the Manager's fee comprised the following:

1. Base fee of RM3,748,203, which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM3,833,878, which is calculated at 5% of Net Property Income

The Manager's total management fee of RM7,582,081 represents 1.24% 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

### 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, 20 November 2012, 5 February 2013, 7 May 2013, 2 August 2013 and 11 November 2013, 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.

#### Acquisition of Sold Lot

In the final quarter of 2013, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement to acquire Lot 1F-51 at Central Square Shopping Centre for the purchase price of RM 215,000.

Meanwhile, the acquisitions of Lots 2F-48 and 1F-31 were completed on 27 November 2013 and 18 December 2013 respectively. The previously announced acquisition of Lot 2F-42 is currently ongoing and is expected to be completed in the first quarter of 2014. The lots acquired and those currently being acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Central Square Shopping Centre by Hektar REIT.

### GEARING

#### Debt Facilities

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

#### Gearing Capacity

As at 31 December 2013, Hektar REIT had a gearing ratio (external borrowings to total assets) of 40.2%. Based on the GAV of RM1,085,102,909 as at 31 December 2013, there is capacity to borrow an additional RM106,451,455 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 2013 is 400,634,117.

#### Investments of the Trust

Total Investments as at 31 December 2013 was RM 1,047,280,000.

Property	Audited Book Value 1 Jan 2013 RM('000)	Acquisition / (Divestment) / Capital Expenditure in 2013 RM('000)	Unaudited Book Value as at 31 Dec 2013 RM('000)	Latest Market Valuation RM('000)	Revaluation Surplus RM('000)
Subang Parade	391,270	1,567	392,387	406,780	13,943
Mahkota Parade	315,000	554	315,554	316,000	446
Wetex Parade & Classic Hotel	135,000	308	135,308	135,000	(308)
Central Square	84,700	2,419	87,119	85,500	(1,619)
Landmark Central	103,000	830	103,830	104,000	170
Total	1,028,970	5,678	1,034,648	1,047,280	12,632

#### Net Asset Value of Hektar REIT

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2013 is RM1.53 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

Kuala Lumpur

12 February 2014

#### ZALILA BINTI MOHD TOON

Executive Director & Chief Financial Officer

## 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, inter alia, details out the roles, duties, obligations and power of the Manager and the Trustee. Essentially, the Trustee and the Manager play countervailing roles against each other to ensure that the REIT is managed with efficiency and integrity.

In addition to the Deed, the Board of the Manager is also governed by the Board Charter, which was reviewed and updated by the Board this year to take into account the latest corporate governance recommendations as highlighted in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). The Board Charter, which is an extension and improvement to the Corporate Governance Manual which had been a part of Hektar REIT’s original corporate governance framework encompasses the principal role of the Board, functions, responsibilities and powers of the Board and its various Committees; and set out the policies and practices of the Board.

In implementing/promoting corporate governance throughout the organisation, The Board of the Manager places strong emphasis on the following four key concepts:

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

The Board has the responsibility to ensure that the above mentioned concepts were rigorously observed throughout the year ended 31 December 2013. To achieve this, the Manager applied the principles and best practices as set out in the MCCG 2012, REIT Guidelines, Capital Markets and Services Act 2007, the Listing Requirements of Bursa Malaysia Securities Berhad, Bursa Malaysia Corporate Governance Guide and other relevant primary legislative and regulatory provisions.

It is the policy of Hektar REIT that documents governing its corporate governance practices should be easily accessible to unitholders. As such, the Board Charter is available on the Corporate Governance section of our website [www.hektarreit.com](http://www.hektarreit.com). and any changes to Hektar REIT’s corporate governance practices will be updated on this website.

### 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 Board is assisted by the executive committee, audit committee and a nominating committee was established this year in light of the amendment to Bursa Malaysia’s Listing Requirement

which mandated the establishment of a nominating committee by 1 June 2013. The roles and functions of the Board and its committees, as well as the differing roles of the Executive Directors and Non-Executive Directors, are clearly documented in the Board Charter.

### Board of Directors

The Board is responsible for the stewardship of Hektar REIT’s business and affairs on behalf of shareholders of the Company and unit holders of the REIT with a view to enhancing long term shareholder/unit holder value whilst taking into account the interests of other stakeholders and maintaining high standards of transparency, accountability and integrity.

The principal responsibilities of the Board are:

- » to review and adopt a strategic plan, addressing the sustainability of the Company’s and REIT’s business;
- » to oversee the conduct of the Company’s and REIT’s businesses and evaluate whether or not the businesses are being properly managed;
- » to identify principal business risks faced by the Company and REIT and ensure the implementation of appropriate systems to manage these risks;
- » to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management;
- » to develop and implement an investor relations programme or shareholder communications policy for the REIT;
- » to review the adequacy and the integrity of the Company’s and REIT’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- » to carry out the remunerating responsibilities in the absence of the Remuneration Committee.

### 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

## CORPORATE GOVERNANCE

The committee comprises three directors, namely, Dato' Jaafar bin Abdul Hamid as chairman, Dr Chew Tuan Chiong and Puan Zalila binti Mohd Toon.

### AUDIT COMMITTEE

The Audit Committee assists and supports the Board's responsibility to oversee the Company's and REIT's operations by providing a means for review of the Company's and REIT's processes for producing financial data, its internal controls, risk management activities and independence of the REIT's external and internal auditors. The Audit Committee comprising the Independent Directors Mr. Philip Eng Heng Nee, Dato' Robert Lim Git Hooi (retired on 28 June 2013 and replaced by Mr. Michael Lim Hee Kiang) and Dato' Syed Md Amin Aljeffri as chairman, meets at least four (4) times annually and is delegated by the Board to take on the following functions:

- » to review the quarterly and annual financial statements of the REIT, before the approval of the Board.
- » to review any related party transaction and conflict of interest situation that may arise within the Manager and the REIT including any transaction, procedure or course of conduct that raises questions of management integrity.
- » to review, on an annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- » to ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- » to review extent of compliance with established internal policies, standards, plans and procedures.
- » to obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- » to be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the REIT.
- » to review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
- » to review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
- » to review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.

- » to be advised of significant use of the External Auditors in performing non-audit services, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.
- » to review the External Auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Manager in order to be satisfied that appropriate action is being taken.
- » to recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself.
- » to prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- » to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.
- » to review ordinary and extraordinary dividend payments.
- » to review the assistance given by the employees of Manager to the External Auditors.
- » to recommend the nomination of a person or persons as External Auditors.

### NOMINATING COMMITTEE

The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, assessment of Independent Directors', reviews succession plans and, Board diversity; oversees training courses for Directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

The Nominating Committee comprising Independent Directors Mr. Philip Eng Heng Nee as chairman and Mr. Michael Lim Hee Kiang as well as Non Executive Director, Encik Shahril bin Kassim, meet at least once a year and is delegated with the following functions:

- » Identify and recommend candidates to the Board based on their skills, knowledge and experience, professionalism and integrity. In the case of Independent Non-Executive Directors ("INEDs"), the Committee

shall evaluate the candidate's ability to discharge such responsibilities as expected from INEDs.

- » Assess on an annual basis, the effectiveness of the Board as a whole and its Board Committees, in the light of needs of the Manager and the REIT and its operating environment.
- » Assess on an annual basis, the contribution of each individual Director.
- » Conduct a training needs analysis and recommend a continuous education program for Board members to enhance their effectiveness.
- » Conduct an orientation/induction training for new Directors of the Manager.
- » Work together with the Board to develop an effective development and succession plan for Directors and Management members.
- » Collaborate to share the results on the Directors assessment with Board for effective determination and deliberation of Directors' remuneration packages.

For this financial year, the Nominating Committee has reviewed and assessed the suitability of Mr. Michael Lim Hee Kiang as an INED to the Board, in replacement of Dato' Robert Lim.

## 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 2013, 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 meetings held in the financial year 2013:

	<b>Board Meeting</b>	<b>Audit Committee Meeting*</b>
Dato' Jaafar Bin Abdul Hamid	3/4	N/A
Puan Zalila Binti Mohd Toon	4/4	N/A
Dr Chew Tuan Chiong	3/4	N/A
Mr Christopher Tang Kok Kai	2/4	N/A
En Shahril Bin Kassim	4/4	N/A
Dato' Syed Amin Aljeffri	2/4	2/4
Mr Michael Lim Hee Kiang <sup>1</sup>	2/2	2/2

## CORPORATE GOVERNANCE

	Board Meeting	Audit Committee Meeting*
Dato' Robert Lim Git Hooi <sup>2</sup>	2/2	2/2
Mr Philip Eng Heng Nee	4/4	4/4
Mr Jack Lam Juck Ngai (Alternate Director to Mr Christopher Tang)	2/4	N/A
Mr Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	1/4	N/A

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

1 Appointed with effect from 11 July 2013.

2 Resigned with effect from 28 June 2013.

### 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 2013, Dr Chew Tuan Chiong attended "SGX-SID Effective Board Leadership (EBL) Programme – Module 4 and "SGX-SID Listed Company Director (LCD) Programme – Modules 1, 2, 4 and 5 organised by Singapore Institute of Directors, whilst Puan Zalila Mohd Toon attended the Women Directors Onboarding Training Programme by NAM Institute for the Empowerment of Women, Directors' Remuneration Seminar "The Best Practice" by Malaysian Institute of Corporate Governance, Enhancing Corporate Governance seminar by Grant Thornton, and Women Power Network by Securities Commission.

### 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 organisational 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.

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## SUPPLY OF INFORMATION

The Board recognises 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 Secretaries are capable of carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit their 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, so far as is practicable and that the cost is reasonable.

## UNITHOLDERS

The Manager recognises 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, and annual reports. Hektar REIT successfully held its first Annual General Meeting (AGM) on 18 April 2013 in line with changes to the REIT Guidelines which require all REITs' to hold an AGM within 4 months from its financial year end. This annual meeting provides a channel and opportunity for unitholders to actively participate and dialogue with the Board members and management.

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

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In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 59 to 90 are drawn up in accordance with the provisions of the Deed dated 5 October 2006 between Hektar Asset Management Sdn. Bhd. and AmTrustee Berhad (“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 2013 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 page 91 has been compiled with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, 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 & Chief Executive Officer

Kuala Lumpur  
12 February 2014

**ZALILA BINTI MOHD TOON**

Executive Director & Chief Financial Officer



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## STATUTORY DECLARATION

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I, Zalila Binti Mohd Toon, being the Executive 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 59 to 90 and the financial information set out on page 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                )  
12 February 2014                                    )

**ZALILA BINTI MOHD TOON**

Before me:

Commissioner for Oaths

## TRUSTEE'S REPORT

TO THE UNITHOLDERS OF HEKTAR REAL ESTATE INVESTMENT TRUST (Established in Malaysia)

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We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") for the financial year ended 31 December 2013. 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 2013 as follows:-

1. Final income distribution of 2.7 sen for the financial year ended 31 December 2012 paid on 11 March 2013;
2. First interim income distribution of 2.6 sen for the financial year ended 31 December 2013 paid on 12 June 2013;
3. Second interim income distribution of 2.6 sen for the financial year ended 31 December 2013 paid on 10 September 2013; and
4. Third interim income distribution of 2.6 sen for the financial year ended 31 December 2013 paid on 12 December 2013.

For and on behalf of the Trustee,  
AmTrustee Berhad

**TAN KOK CHEENG**

Kuala Lumpur  
12 February 2014

## **INDEPENDENT AUDITORS' REPORT**

**TO THE UNITHOLDERS OF HEKTAR REAL ESTATE INVESTMENT TRUST (Established in Malaysia)**

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### **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 2013, and the Statement of Profit or Loss and other 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 information, as set out on pages 59 to 90.

### ***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 dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible 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 give a true and fair view of the financial position of the Trust as of 31 December 2013 and of its financial performance and cash flows for the financial year then ended in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trust, Malaysian Financial Reporting Standard and International Financial Reporting Standards.

## INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF HEKTAR REAL ESTATE INVESTMENT TRUST (Established in Malaysia)

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### Other Reporting Responsibilities

The supplementary information set out on page 91 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.

### Other Matters

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

Kuala Lumpur  
12 February 2014

**DATO' N.K.JASANI**  
(NO: 708/03/14(J/PH))  
CHARTERED ACCOUNTANT

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	1,047,280,000	1,028,970,000
Capital work in progress	5	1,740,014	533,438
Fixed deposits with a licensed bank	6	4,227,470	4,072,423
Total non-current assets		1,053,247,484	1,033,575,861
<b>Current assets</b>			
Trade receivables	7	3,077,180	3,333,440
Other receivables, deposits and prepayments	8	5,494,566	3,231,071
Cash and bank balances		23,283,679	26,127,087
Total current assets		31,855,425	32,691,598
<b>Total assets</b>		<b>1,085,102,909</b>	1,066,267,459
<b>Current liabilities</b>			
Trade payables	9	2,657,263	1,319,107
Other payables and accruals	10	19,092,886	16,327,486
Bank borrowings	11	-	150,000,000
Total current liabilities		21,750,149	167,646,593
<b>Non-current liabilities</b>			
Other payables and accruals	10	13,888,965	15,856,480
Bank borrowings	11	436,100,000	286,100,000
Total non-current liabilities		449,988,965	301,956,480
Total liabilities		471,739,114	469,603,073
Net assets		613,363,795	596,664,386
<b>Unitholders' funds and reserve</b>			
Unitholders' capital	12	425,738,255	425,738,255
Undistributed income-realised		39,175,660	35,108,545
Undistributed income-unrealised		148,449,880	135,817,586
Total Unitholders' funds and reserve		613,363,795	596,664,386
Number of units in circulation	12	400,634,117	400,634,117
Net asset value ("NAV") per unit (RM)			
- As at 31 December		1.5310	1.4893
- Before income distribution during the financial year		1.6360	1.5756

The accompanying notes form an integral part of the financial statements

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Gross revenue	13	<b>120,234,665</b>	103,231,670
Property expenses	14	<b>(46,120,135)</b>	(39,484,959)
Net property income		<b>74,114,530</b>	63,746,711
Reversal of impairment loss on trade receivables		<b>323,814</b>	41,811
Interest income		<b>282,879</b>	172,257
Other income		<b>140,980</b>	137,326
Bad debts recovered		<b>96,696</b>	-
Change in fair value of investment properties		<b>12,632,294</b>	18,711,937
Total income		<b>87,591,193</b>	82,810,042
Manager's fees	15	<b>7,582,081</b>	6,500,133
Trustee's fee	16	<b>484,068</b>	398,435
Auditors' remuneration:			
- current year			
- statutory		<b>75,000</b>	63,000
- others		<b>125,000</b>	112,530
Tax agent's fees			
- current year		<b>10,000</b>	10,000
- underprovision in prior year		<b>5,160</b>	4,610
Valuation fees		<b>192,000</b>	120,000
Professional fees		<b>653,634</b>	642,733
Allowance for impairment loss		<b>185,430</b>	291,103
Administration expenses		<b>456,999</b>	285,078
Interest expense		<b>18,928,108</b>	15,910,960
Bad debts written off		<b>127,722</b>	1,806
Total expenses		<b>(28,825,202)</b>	(24,340,388)
Income before tax		<b>58,765,991</b>	58,469,654
Tax expense	17	-	-
Income for the financial year		<b>58,765,991</b>	58,469,654
Other comprehensive income			
Total comprehensive income for the financial year		<b>58,765,991</b>	58,469,654

	Note	2013 RM	2012 RM
Total comprehensive income for the financial year is made up as follows:-			
Realised		<b>46,133,697</b>	39,757,717
Unrealised - Change in fair value of investment properties		<b>12,632,294</b>	18,711,937
		<b>58,765,991</b>	58,469,654
Earnings per unit (Total)			
- After manager's fees (sen)	18(a)	<b>14.67</b>	17.19
- Before manager's fees (sen)	18(b)	<b>16.56</b>	19.10
Earnings per unit (Realised)			
- After manager's fees (sen)	18(c)	<b>11.52</b>	11.69
- Before manager's fees (sen)	18(d)	<b>13.41</b>	13.60
Net income distribution			
- Interim income distribution of 7.8 sen (2012: 7.8 sen) per unit		<b>31,249,461</b>	24,960,078
- Final income distribution of 2.7 sen in respect of financial year ended 31 December 2012 (31 December 2011: 3.0 sen)		<b>10,817,121</b>	9,600,030
		<b>42,066,582</b>	34,560,108
Interim income distribution per unit			
- Gross (sen)	19	<b>7.80</b>	7.80
- Net (sen)	19	<b>7.80</b>	7.80
Final income distribution per unit			
- Gross (sen)	19	<b>2.70</b>	3.00
- Net (sen)	19	<b>2.70</b>	3.00

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 2013

	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Undistributed Income Unrealised RM	Unitholders' Funds RM
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	12 12	-	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
At 1 January 2013		425,738,255	35,108,545	135,817,586	596,664,386
<b>Operations for the financial year ended 31 December 2013</b>					
Total comprehensive income for the financial year		-	46,133,697	12,632,294	58,765,991
Increase in net assets resulting from operations		-	46,133,697	12,632,294	58,765,991
<b>Unitholders' transactions</b>					
Distribution to Unitholders		-	(42,066,582)	-	(42,066,582)
Decrease in net assets resulting from Unitholders' transactions		-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2013		425,738,255	39,175,660	148,449,880	613,363,795

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



## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax		58,765,991	58,469,654
Adjustments for:-			
Reversal of impairment loss on trade receivables		(323,814)	(41,811)
Bad debts written off		127,722	1,806
Bad debts recovered		(96,696)	-
Change in fair value of investment properties		(12,632,294)	(18,711,937)
Interest expense		18,928,108	15,910,960
Interest income		(282,879)	(172,257)
Allowance for impairment loss		185,430	291,103
Operating profit before working capital changes		64,671,568	55,747,518
Changes in working capital:			
Payables		(1,899,877)	5,077,353
Receivables		2,136,041	2,158,904
Net cash from operating activities		64,907,732	62,983,775
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment properties	A	(2,233,081)	(98,540,984)
Expenditure for refurbishment and enhancement of investment properties incurred		(4,651,201)	(3,150,517)
Interest received		282,879	172,257
Placement of fixed deposits		(155,047)	(1,733,428)
Net cash used in investing activities		(6,756,450)	(103,252,672)

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(18,928,108)	(15,910,960)
Proceeds from issuance of unitholders' capital		-	99,305,308
Unit issuance expenses paid		-	(1,703,764)
Distribution to Unitholders		(42,066,582)	(34,560,108)
Net cash (used in)/from financing activities		(60,994,690)	47,130,476
<b>CASH AND CASH EQUIVALENTS</b>			
Net changes		(2,843,408)	6,861,579
Brought forward		26,127,087	19,265,508
Carried forward		23,283,679	26,127,087

### NOTE TO THE STATEMENT OF CASH FLOWS

#### A. PURCHASE OF INVESTMENT PROPERTIES

Investment properties were acquired by the following means:

	2013 RM	2012 RM
Cash payments	2,233,081	98,540,984
Financed by bank borrowings	-	87,100,000
	2,233,081	185,640,984

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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, Block D1, 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 12 February 2014.

## 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 Trust, 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, except for certain properties and financial instruments that are measured of revalued amounts or fair values of the end of reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

#### 2.2 Basis of Measurement (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

#### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Trust's functional currency and all values are rounded to the nearest RM except when otherwise stated.

#### 2.4 Adoption of New and Revised MFRSs and Amendments/ Improvement to MFRSs

Except for the changes below, the Trust has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Trust adopted MFRSs and amendments to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2013.

Initial application of the standards and amendments to the standards did not have material impact to the financial statements.

The nature and the impact of these new standards and amendments are described below:

##### MFRS 13 Fair Value Measurement

The Trustee have applied MFRS 13 for the first time in the current period. MFRS 13 established a single source of guidance and disclosure for fair value measurements. The scope of MFRS 13 is broad. The fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transaction that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transition provisions were given to entities such that they need not apply the disclosure requirements set out in the MFRS 13 in comparative information provided for periods before the initial application of the MFRS 13. In accordance with these transitional provisions, the Trust has not made any new disclosures required by MFRS 13 for the comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in the financial statements.

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

### 2.4 Adoption of New and Revised MFRSs and Amendments/ Improvement to MFRSs (cont'd)

#### Amendments to MFRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

The Trust adopted amendments to MFRS 101 on 1 July 2012. The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified or recycled to profit or loss at a future point in time (e.g. gain or loss on available-for-sale financial assets) have to be presented separately from items that will not be reclassified or recycled to profit or loss at a future point in time (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Trust's financial position or performance.

### 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:

#### Amendment to MFRS and Interpretation effective 1 January 2014

MFRS 10	Consolidated Financial Statements: Investment Entities
MFRS 12	Disclosure of Interest in other Entities: Investment Entities
MFRS 127	Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Financial Instrument: Recognition and Measurement Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

#### MFRS effective 1 January 2015

MFRS 9	Financial Instruments (IFRS9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 10, 12, and 127 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, 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 Trust'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 Trust'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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

### 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.

### 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).

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

#### 3.3 Tax expense (cont'd)

##### 3.3.2 Deferred tax (cont'd)

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.



### 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 measure 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 estimate 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

#### 3.5 Provisions (cont'd)

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.

##### 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.

### 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 (cont'd)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

#### 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 or 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.

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

#### 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

	2013 RM	2012 RM
<b>At fair value</b>		
Freehold land and building	731,280,000	713,970,000
Leasehold land and building	316,000,000	315,000,000
	<b>1,047,280,000</b>	1,028,970,000

The movement of the investment properties is as follows:

	2013 RM	2012 RM
At 1 January	1,028,970,000	822,000,000
Additions	2,233,081	185,640,984
Transferred from capital work in progress (Note 5)	3,444,625	2,617,079
Change in fair value recognised in profit or loss	12,632,294	18,711,937
At 31 December	<b>1,047,280,000</b>	1,028,970,000

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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 2013 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	<b>406,780,000</b>	66
2. Mahkota Parade	Leasehold	Melaka	Commercial	232,000,000	<b>316,000,000</b>	52
3. Wetex Parade & Classic Hotel	Freehold	Muar	Commercial	117,500,000	<b>135,000,000</b>	22
4. Landmark Central	Freehold	Kedah	Commercial	98,000,000	<b>104,000,000</b>	17
5. Central Square	Freehold	Kedah	Commercial	83,000,000	<b>85,500,000</b>	14
					<b>1,047,280,000</b>	

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade were issued on 1 December 2013 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 3 December 2013 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 income methods of valuation. There have been no changes on the valuation method during the year.

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:

	2013 RM	2012 RM
Rental income	<b>109,398,387</b>	93,780,754
Direct operating expenses:		
– Income generating investment properties	<b>46,120,135</b>	39,484,959
– Non-income generating investment properties	<b>9,897,094</b>	8,429,428

#### Fair value basis of investment properties

Fair value measurement of the investment properties were categorised as follows:-

	Level 1 RM	2013 Level 2 RM	Level 3 RM
– Freehold land and building	–	<b>731,280,000</b>	–
– Leasehold land and building	–	<b>316,000,000</b>	–
	–	<b>1,047,280,000</b>	–

There were no transfer between Level 1 and Level 2 during the financial year.

## 5. CAPITAL WORK IN PROGRESS

	2013 RM	2012 RM
Capital work in progress	1,740,014	533,438

The movement of capital work in progress is as follows:

	2013 RM	2012 RM
At 1 January	533,438	-
Additions	4,651,201	3,150,517
Transferred to investment properties (Note 4)	(3,444,625)	(2,617,079)
At 31 December	1,740,014	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 2.94% (2012: 2.29%) per annum.

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

## 7. TRADE RECEIVABLES

	2013 RM	2012 RM
Trade receivables	3,306,724	3,798,064
Less: Impairment losses	(229,544)	(464,624)
	3,077,180	3,333,440

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

	2013 RM	2012 RM
At 1 January	(464,624)	(287,533)
Addition	(185,430)	(291,103)
Reversal	323,814	41,811
Written off	96,696	72,201
As 31 December	(229,544)	(464,624)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 12% to 18% (2012: 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.

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:

	Gross RM	Individually Impaired RM	Net RM
<b>2013</b>			
Not past due	2,773,798	(9,042)	2,764,756
Past due 0-30 days	104,580	-	104,580
Past due 31-60 days	138,534	(22,277)	116,257
More than 61 days	289,812	(198,225)	91,587
	<b>3,306,724</b>	<b>(229,544)</b>	<b>3,077,180</b>
<b>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
	<b>3,798,064</b>	<b>(464,624)</b>	<b>3,333,440</b>

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.

### 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 RM	2012 RM
Other receivables	4,275,958	2,065,173
Deposits	221,013	226,580
Prepayments	997,595	939,318
	<b>5,494,566</b>	<b>3,231,071</b>



## 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 (2012: 30 to 60) days.

## 10. OTHER PAYABLES AND ACCRUALS

	2013 RM	2012 RM
<b>Current liabilities</b>		
Other payables	1,713,192	1,023,660
Accruals	2,423,121	3,123,971
Advance received	909,132	936,840
Deposits received from tenants	14,047,441	11,243,015
	<b>19,092,886</b>	16,327,486
<b>Non-current liabilities</b>		
Deposit received from tenants	13,888,965	15,856,480
	<b>32,981,851</b>	32,183,966

Included in other payables are the following amounts:-

	2013 RM	2012 RM
Amount owing to Manager	717,738	641,256
Amount owing to Property Manager	190,740	178,526
Amount owing to Trustee	27,637	26,189

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

Included in deposits received from tenants is RM1,846,604 (2012: RM1,922,875) 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.

## 11. BANK BORROWINGS

	2013 RM	2012 RM
<b>Secured</b>		
Current liabilities:		
Murabahah overdrafts ("MOD")		
– MOD 2	–	150,000,000
	–	150,000,000

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

### 11. BANK BORROWINGS (CONT'D)

	2013 RM	2012 RM
<b>Secured</b>		
Non-current liabilities:		
– MOD 1	184,000,000	184,000,000
– MOD 2	150,000,000	–
– MOD 3	54,300,000	54,300,000
– MOD 4	32,800,000	32,800,000
– Term loan	15,000,000	15,000,000
	<b>436,100,000</b>	286,100,000
Total bank borrowings	<b>436,100,000</b>	436,100,000

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

The MODs 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 has been granted for MOD 1 and MOD 2 and it is now due for repayment in 2016 and 2018 respectively.

MOD 1 and MOD 2 bear interest rate of cost of funds plus 75 basis points (2012: 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 (2012: cost of fund plus 100 basis points). The effective interest rate on MOD is 3.48% (2012: 3.98%) 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 4.10% (2012: 4.15%) per annum.

The carrying amount of the borrowings approximates the fair value.

### 12. UNITHOLDERS' CAPITAL

	2013 No. of units	2012 No. of units	2013 RM	2012 RM
<b>Authorised unitholders' capital</b>	<b>400,634,117</b>	400,634,117	<b>425,738,255</b>	425,738,255

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

	2013 No. of units	2012 No. of units	2013 RM	2012 RM
At 1 January	400,634,117	320,001,000	425,738,255	328,136,711
Created during the financial year	–	80,633,117	–	97,601,544
At 31 December	<b>400,634,117</b>	400,634,117	<b>425,738,255</b>	425,738,255

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

	2013 No. of units	2012 No. of units	2013 RM	2012 RM
<b>Issued and fully paid unitholders' capital</b>	<b>400,634,117</b>	400,634,117	<b>425,738,255</b>	425,738,255

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

	2013 No. of units	2012 No. of units	2013 RM	2012 RM
At 1 January	<b>400,634,117</b>	320,001,000	<b>425,738,255</b>	328,136,711
Issued pursuant to acquisition of investment properties:				
- RM1.43 each	-	632,867	-	905,000
- RM1.23 each	-	80,000,250	-	98,400,308
Unit issuance expenses	-	-	-	(1,703,764)
<b>At 31 December</b>	<b>400,634,117</b>	400,634,117	<b>425,738,255</b>	425,738,255

As at 31 December 2013, the Manager holds 632,867 (2012:632,867) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:-

	2013 No. of units	2012 No. of units	2013 % of total units	2012 % of total units
Manager's Directors' Direct Unitholdings in Hektar REIT:-				
Under Maybank Nominees (Tempatan) Sdn. Bhd.				
1. Zalila Binti Mohd Toon	Nil	246,000	Nil	0.06
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-				
1. HSBC Nominees (Asing) Sdn. Bhd. for Frasers Centrepoint Trust (As Trustee)	<b>124,892,950</b>	124,892,950	<b>31.17</b>	31.17
2. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	<b>50,875,000</b>	50,875,000	<b>12.70</b>	12.70
3. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	<b>109,750,000</b>	109,750,000	<b>27.39</b>	27.39

The Manager's related parties' Direct Unitholdings in Hektar REIT:-

1. Hektar Premier Sdn. Bhd.	<b>109,750,000</b>	109,750,000	<b>27.39</b>	27.39
2. Hektar Black Sdn. Bhd.	<b>50,875,000</b>	50,875,000	<b>12.70</b>	12.70

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

### 13. GROSS REVENUE

	2013 RM	2012 RM
Rental income	108,590,563	93,115,247
Carpark income	10,989,940	9,745,066
Other income	654,162	371,357
	<b>120,234,665</b>	103,231,670

### 14. PROPERTY EXPENSES

	2013 RM	2012 RM
Assessment and quit rent	3,858,536	3,440,262
Marketing and promotions	3,368,439	3,098,380
Property management fee	2,078,323	1,822,503
Property maintenance	31,578,590	24,956,401
Utilities	4,177,650	5,377,720
Insurance	1,058,597	789,693
	<b>46,120,135</b>	39,484,959

Property management fee of RM2,078,323 (2012: RM1,822,503) incurred is payable to Hektar Property Services Sdn. Bhd. 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 2013, the base fee shall be 0.35% (2012: 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 2013, the performance fee shall be 5.0% (2012: 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 2013, the Trustee's fee shall be 0.08% (2012: 0.08%) per annum of the NAV of the Fund, including the Manager's fees.

## 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 2013 which translates to more than 90% of its total taxable income.

	2013 RM	2012 RM
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:-

	2013 RM	2012 RM
Income before tax	<b>58,765,991</b>	58,469,654
Income tax at 25%	<b>14,691,498</b>	14,617,414
Tax effects in respect of:-		
Non-allowable expenses	<b>261,223</b>	177,144
Income not subject to tax	<b>(3,158,074)</b>	(4,677,985)
Effect of income distribution exempted from tax	<b>(11,794,647)</b>	(10,116,573)
	-	-

### 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:

Unitholders	Tax rate
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

31 DECEMBER 2013

### 18. EARNINGS PER UNIT

Weighted average number of unitholders' capital

	2013 No. of units	2012 No. of units
At 1 January	400,634,117	320,001,000
Effect of unit issued during the financial year	-	20,158,279
At 31 December	400,634,117	340,159,279

- (a) The calculation of earnings per unit (total) after Manager's fee is based on net income for the financial year of RM58,765,991 (2012: RM58,469,654) to the number of units and weighted average number of units in circulation for 2013 and 2012 respectively of RM400,634,117 (2012: 340,159,279).
- (b) The calculation of earnings per unit (total) before Manager's fee is based on net income for the financial year of RM66,348,072 (2012: RM64,969,787) after adding back Manager's fee and number of units and weighted average number of units in circulation for 2013 and 2012 respectively of RM400,634,117 (2012: 340,159,279).
- (c) The calculation of earnings per unit (realised) after Manager's fee is based on realised net income for the financial year of RM46,133,697 (2012: RM39,757,717) to the number of units and weighted average number of units in circulation for 2013 and 2012 respectively of RM400,634,117 (2012: 340,159,279).
- (d) The calculation of earnings per unit (realised) before Manager's fee is based on realised net income for the financial year of RM53,715,778 (2012: RM46,257,850) after adding back Manager's fees and the number of units and weighted average number of units in circulation for 2013 and 2012 respectively of RM400,634,117 (2012: 340,159,279).

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:-

	2013 RM	2012 RM
Net rental income	74,114,530	63,746,711
Other income	140,980	137,326
Interest income	282,879	172,257
Reversal of impairment loss on trade receivables	323,814	41,811
Bad debts recovered	96,696	-
	74,958,899	64,098,105
Less: Expenses	(28,825,202)	(24,340,388)
	46,133,697	39,757,717
Gross provision for distribution per unit (sen):		
- Interim	7.80	7.80
- Final	2.70	3.00
	10.50	10.80

## 19. INCOME DISTRIBUTION (CONT'D)

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

	2013 RM	2012 RM
Net provision for distribution per unit (sen): **		
– Interim	7.80	7.80
– Final	2.70	3.00
	<b>10.50</b>	10.80

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

	YA 2013	YA 2012
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

	2013	2012
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

	2013	2012
Management Expense Ratio ("MER")(%)	1.65	1.68

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.

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

	2013 RM	2012 RM
Commission and service charges received from		
– Hektar Black Sdn. Bhd.	245,409	252,058

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

### 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.

	Carrying amount RM	L&R RM	AC RM
<b>2013</b>			
<b>Financial assets</b>			
Trade receivables	3,077,180	3,077,180	-
Other receivables and deposits	4,496,971	4,496,971	-
Fixed deposits with a licensed bank	4,227,470	4,227,470	-
Cash and bank balances	23,283,679	23,283,679	-
	<b>35,085,300</b>	<b>35,085,300</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade payables	2,657,263	-	2,657,263
Other payables and accruals	32,981,851	-	32,981,851
Bank borrowings	436,100,000	-	436,100,000
	<b>471,739,114</b>	<b>-</b>	<b>471,739,114</b>
<b>2012</b>			
<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 a licensed bank	4,072,423	4,072,423	-
Cash and bank balances	26,127,087	26,127,087	-
	<b>35,824,703</b>	<b>35,824,703</b>	<b>-</b>
<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
	<b>469,603,073</b>	<b>-</b>	<b>469,603,073</b>

### 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.



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

### Financial risks (cont'd)

#### (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.

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>2013</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	4,227,470	4,227,470	2.80 - 3.07
<b>Financial liabilities</b>				
Murabahah overdrafts	-	421,100,000	421,100,000	3.61
Term loan	-	15,000,000	15,000,000	4.10
<b>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

#### 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 + 75 bp RM	- 75 bp RM	+ 75 bp RM	Equity - 75 bp RM
<b>2013</b>				
Floating rate instruments	(3,239,041)	3,239,041	(3,239,041)	3,239,041
<b>2012</b>				
Floating rate instruments	(3,270,750)	3,270,750	(3,270,750)	3,270,750

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

#### Financial risks (cont'd)

##### (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 2013, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

As at 31 December 2013, trade receivables of RM312,424 (2012: RM696,493) 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.

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

	Within 1 year RM	2 to 5 years RM	Total RM
<b>2013</b>			
<b>Financial liabilities</b>			
<b>Secured:</b>			
Term loan	-	15,000,000	15,000,000
Murabahah overdrafts	-	421,100,000	421,100,000
<b>Unsecured:</b>			
Trade payables	2,657,263	-	2,657,263
Other payables and accruals	19,092,886	13,888,965	32,981,851
<b>Total undiscounted financial liabilities</b>	<b>21,750,149</b>	<b>449,988,965</b>	<b>471,739,114</b>

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

### Financial risks (cont'd)

#### (c) Liquidity risks (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):

	Within 1 year RM	2 to 5 years RM	Total RM
<b>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	15,856,480	16,327,486	32,183,966
<b>Total undiscounted financial liabilities</b>	<b>167,175,587</b>	<b>302,427,486</b>	<b>469,603,073</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.

## 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 2013.

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.

	2013 RM	2012 RM
Non-current assets	1,053,247,484	1,033,575,861
Current assets	31,855,425	32,691,598
<b>Total asset value</b>	<b>1,085,102,909</b>	<b>1,066,267,459</b>
<b>Total borrowings</b>	<b>436,100,000</b>	<b>436,100,000</b>
<b>Gearing ratio</b>	<b>40.19%</b>	<b>40.90%</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

### 26. CAPITAL COMMITMENT

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

	2013 RM	2012 RM
Authorised and contracted for:-		
Refurbishment of investment properties	2,483,029	241,920
Rental of equipment	83,300	183,266
	<b>2,566,329</b>	425,186

### 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. COMPARATIVE FIGURES

Certain comparative figures as at 31 December 2012 have been reclassified to conform with the current year presentation.

Statement of Financial Position	As previously RM	As reclassified RM
<b>Current liabilities</b>		
Other payables and accruals	32,183,966	16,327,486
<b>Non current liabilities</b>		
Other payables and accruals	-	15,856,480

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

Bursa Malaysia Securities Berhad had 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>2013</b> <b>RM</b>	<b>2012</b> <b>RM</b>
Total undistributed income of the Trust		
- realised	<b>39,175,660</b>	35,108,545
- unrealised	<b>148,449,880</b>	135,817,586
	<b>187,625,540</b>	170,926,131

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 2013

NO	UNIT HOLDER	ACCOUNT QUALIFIER (BENEFICIAL OWNER)	UNIT	%
1	HSBC NOMINEES (ASING) SDN BHD	HSBC-FS FOR FRASERS CENTREPOINT TRUST	<b>124,892,950</b>	31.17
2	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEGDED SECURITIES ACCOUNT FOR HEKTAR PREMIER SDN BHD (001)(THIRD PARTY)	<b>94,750,000</b>	23.65
3	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEGDED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)	<b>50,875,000</b>	12.70
4	RHB NOMINEES (TEMPATAN) SDN BHD	OSK CAPITAL SDN BHD FOR HEKTAR PREMIER SDN. BHD.	<b>15,000,000</b>	3.74
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD	EXEMPT AN FOR AIA BHD.	<b>13,984,800</b>	3.49
6	ASCENTPAC SDN.BHD.		<b>4,003,100</b>	1.00
7	VALUECAP SDN BHD		<b>3,480,000</b>	0.87
8	HWANGDBS INVESTMENT BANK BERHAD	IVT (JBD)	<b>2,146,375</b>	0.54
9	HSBC NOMINEES (ASING) SDN BHD	HSBC-FS FOR ALLIANZ PAN ASIAN REITS FUND SEGREGATED PORTFOLIO (ALLIANZ GICF SP)	<b>1,658,200</b>	0.41
10	RUZIAH BINTI MOHD AMIN		<b>1,500,000</b>	0.37
11	HSBC NOMINEES (ASING) SDN BHD	EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (IPB CLIENT ACCT)	<b>1,305,900</b>	0.33
12	HANG MEI LING		<b>1,285,000</b>	0.32
13	LATIFPAH BINTI M ATAN		<b>1,272,700</b>	0.32
14	KON CZE YAN @ KOON CZE YAN		<b>1,212,500</b>	0.30
15	DEV KUMAR MENON		<b>1,007,500</b>	0.25
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD	CIMB FOR JAZELAN FIRHAN BIN JAAFAR (PB)	<b>928,000</b>	0.23
17	HSBC NOMINEES (TEMPATAN) SDN BHD	HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (BALANCED FUND)	<b>885,875</b>	0.22
18	CIMSEC NOMINEES (ASING) SDN BHD	BANK OF SINGAPORE LIMITED FOR KONTINENTAL INTERNATIONAL LIMITED	<b>780,625</b>	0.19

**TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2013**

<b>NO</b>	<b>UNIT HOLDER</b>	<b>ACCOUNT QUALIFIER (BENEFICIAL OWNER)</b>	<b>UNIT</b>	<b>%</b>
19	KENANGA NOMINEES (TEMPATAN) SDN BHD	LIBRA INVEST BERHAD FOR SOO CHEE SIONG (SKIM P. AHLI 2-EPO570)	<b>737,500</b>	0.18
20	LIM SAN LEE		<b>698,600</b>	0.17
21	AMANAHRAYA TRUSTEES BERHAD	MIDF AMANAH STRATEGIC FUND	<b>676,000</b>	0.17
22	HEKTAR ASSET MANAGEMENT SDN BHD		<b>632,867</b>	0.16
23	TEO MEI CHING		<b>625,000</b>	0.16
24	YEOH LAY ENG		<b>625,000</b>	0.16
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD	EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	<b>621,150</b>	0.16
26	YAU AH PENG		<b>600,000</b>	0.15
27	LING THIK PING		<b>565,800</b>	0.14
28	NG INN JWEE		<b>525,000</b>	0.13
29	LIM CHEE KIN		<b>524,000</b>	0.13
30	CHOW YOOK HEY @ CHOW YOKE PUI		<b>515,100</b>	0.13
<b>TOTAL</b>			<b>328,314,542</b>	<b>81.95</b>

**BREAKDOWN OF UNITHOLDERS AS AT 31 DECEMBER 2013**

<b>UNIT CLASS</b>	<b>NO. OF UNITHOLDERS</b>	<b>% OF UNITHOLDERS</b>	<b>NO. OF UNIT HELD</b>	<b>% OF TOTAL UNITS</b>
LESS THAN 100	36	1.20	1,297	0.00
100 TO 1,000	264	8.81	197,328	0.05
1,001 TO 10,000	1,403	46.84	7,034,625	1.76
10,001 TO 100,000	1,097	36.63	32,577,450	8.13
100,001 TO LESS THAN 5% OF ISSUED UNITS	192	6.41	90,305,467	22.54
5% AND ABOVE OF ISSUED UNITS	3	0.10	270,517,950	67.52
<b>TOTAL</b>	<b>2,995</b>	<b>100.00</b>	<b>4 00,634,117</b>	<b>100.00</b>

## ANALYSIS OF UNITHOLDERS

### CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2013

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	51	2,153	36	3,446,775	56,505,496	1,005,900	0.86	14.10	0.25
2 Body Corporate									
a. Bank/Finance Companies	2	1		4,156,000	2,146,375		1.04	0.54	
b. Investments trusts/ foundations/ charities		4			176,000			0.04	
c. Other types of Companies	10	26	3	1,338,167	5,054,500	218,300	0.33	1.26	0.05
3 Government agencies/ Institutions									
4 Nominees	397	274	38	171,223,275	24,266,079	131,097,250	42.74	6.06	32.72
5 Others									
<b>Sub Total</b>	<b>460</b>	<b>2,458</b>	<b>77</b>	<b>180,164,217</b>	<b>88,148,450</b>	<b>132,321,450</b>	<b>44.97</b>	<b>22.00</b>	<b>33.03</b>
<b>Malaysian Total</b>		<b>2,918</b>			<b>268,312,667</b>			<b>66.97</b>	
<b>Grand Total (Malaysian + Foreign)</b>		<b>2,995</b>			<b>400,634,117</b>			<b>100.00</b>	



## GLOSSARY

AEI	:	Asset Enhancement Initiatives
Bursa Securities/the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 5 October 2006 Constituting Hektar REIT and as amended by a Supplemental Trust Deed dated 20 March 2012 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/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 in August 2008 and updated on 28 December 2012
Sq ft	:	Square feet
Sqm	:	Square metres
Share Registrar	:	Mega Corporate Sdn Bhd (Company No. 187984-H)
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

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting of Hektar Real Estate Investment Trust (“Hektar REIT”) will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 25 March 2014 at 10.30 a.m. for the following purpose :-

### ORDINARY BUSINESS

To lay the Audited Financial Statements of Hektar REIT for the year ended 31 December 2013 together with the Trustee’s Report to the Unitholders issued by AmTrustee Berhad, as trustee of Hektar REIT and the Statement by the Manager issued by Hektar Asset Management Sdn Bhd, as the manager of Hektar REIT and the Independent Auditors’ Report thereon.

**(Please refer Explanatory Note A)**

BY ORDER OF THE BOARD

**Hektar Asset Management Sdn Bhd (732261-T)**  
**(as the Manager of Hektar Real Estate Investment Trust)**

**Dato’ Muhammad Hafidz bin Nuruddin (MAICSA 7005820)**

**Lim Seck Wah (MAICSA 0799845)**

Joint Company Secretaries

Kuala Lumpur

27 February 2014

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy shall be deposited at the Registrar’s Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 19 March 2014 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.

### **Explanatory Note A**

*This Agenda is meant for discussion only as in accordance with the provision under the Guidelines on Real Estate Investment Trusts, audited financial statements do not require formal approval of the unitholders. Hence, this matter will not be put forward for voting.*



**HEKTAR REAL ESTATE INVESTMENT TRUST**  
(Incorporated in Malaysia)

**PROXY FROM**

(Before completing this form please refer to the notes below)

CDS Account No.	
No. of units held	

I/We \_\_\_\_\_ (Full name in block letters)

I.C No./Co.No.: \_\_\_\_\_ of

\_\_\_\_\_ (full address) being a unitholder(s) of

**HEKTAR REIT** hereby appoint the following person(s):-

<b>Name of proxy, NRIC No. &amp; Address</b>	<b>No. of units to be represented by proxy</b>
1. _____	_____
2. _____	_____

as my/our proxy to attend on my/our behalf at the unitholders' AGM to be held at the Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 25 March 2014 at 10.30 a.m. or at any adjournment thereof.

Dated this ..... day of ..... 2014

.....  
Signature/Common Seal of Unitholder(s)

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
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*Please fold here*



The Registrar  
15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

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[www.HektarREIT.com](http://www.HektarREIT.com)

SUBANG  
PARADISE

MAHKOTA  
PARADE

WETEX  
PARADE

CENTRAL  
SQUARE

LANDMARK  
CENTRAL