

# HEKTAR REAL ESTATE INVESTMENT TRUST

Annual Report 2014





## ABOUT US

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

Hektar REIT invests in income-producing real estate primarily used for retail purposes. Hektar REIT’s portfolio currently consists of quality shopping centres situated in Subang Jaya, Melaka, Muar, Sungai Petani and Kulim with a combined value of RM 1.06 billion.

Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006. 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 the vision to develop world-class shopping centres, based on international best practices.

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# FINANCIAL HIGHLIGHTS

## Financial Highlights

FY2014 distribution per unit (DPU) maintained at 10.5 sen

### Financial Year

Ended 31 December

	FY 2014 RM '000	FY 2013 RM '000	FY 2012 RM '000	FY 2011 RM '000	FY 2010 RM '000
Gross Revenue	121,991	120,235	103,232	94,881	90,873
Direct Cost & Property Expenses	48,714	46,120	39,485	36,585	35,530
Net Property Income (NPI)	73,277	74,115	63,747	58,296	55,343
Net Income	50,387	58,766	58,470	86,651	39,184
Earnings Per Unit	12.58	14.67	17.19*	27.08	12.24
Net Income – Realised	44,261	46,134	39,758	38,914	38,172
Net Income Per Unit – Realised (sen)	11.05	11.52	11.69*	12.16	11.93
Income Distribution	42,067	42,067	35,777	33,600	32,960
Distribution Per Unit (DPU) (sen)	10.5	10.5	10.5	10.5	10.3
Change in Unit Price (sen)	(1.0)	4.0	18.0	(3.0)	22.0
Annual Total Return per Unit (sen)	9.5	14.5	28.5	7.5	32.3
Annual Total Return per Unit (%)**	6.4	9.7	19.5	5.7	23.9

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

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

### Balance Sheet

As at 31 December

	FY 2014 RM '000	FY 2013 RM '000	FY 2012 RM '000	FY 2011 RM '000	FY 2010 RM '000
Total Assets	1,110,046	1,085,103	1,066,267	867,059	782,439
Total Liabilities	488,362	471,739	469,789	391,906	360,997
Total Borrowings	453,876	436,100	436,100	363,480	334,000
Gearing Ratio	41.0%	40.2%	40.9%	41.9%	42.7%
Net Assets	621,684	613,364	596,664	475,153	421,462
No. of Units in Circulation (Units)	400,634	400,634	400,634	320,001	320,001
NAV per Unit (RM)	1.55	1.53	1.49	1.48	1.32

### Income Distributions

FY2014

Interim 1st Quarter DPU	2.60 sen
Interim 2nd Quarter DPU	2.60 sen
Interim 3rd Quarter DPU	2.60 sen
Final 4th Quarter DPU	2.70 sen
Total DPU	10.50 sen
DPU Yield*	7.0%

### Unit Price Statistics

FY2014

High	RM1.55
Low	RM1.42
Opening Price (1 January 2014)	RM1.50
Closing Price (31 December 2014)	RM1.49
Change In Price	(0.7%)

\* Based on DPU of 10.50 sen and the closing unit price of RM1.49 for FY2014. Source: Bloomberg

### Average Total Return\*

For 1 year (2014)	6.4%
For 3 years (2012-2014)	11.9%
For 5 years (2010-2014)	21.7%

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

### Total Return\*

For 3 years (2012-2014)	35.2%
For 5 years (2010-2014)	61.9%

\* Based on the Total Return of each year and the Closing Price as at 31 December 2014

### Debt Structure

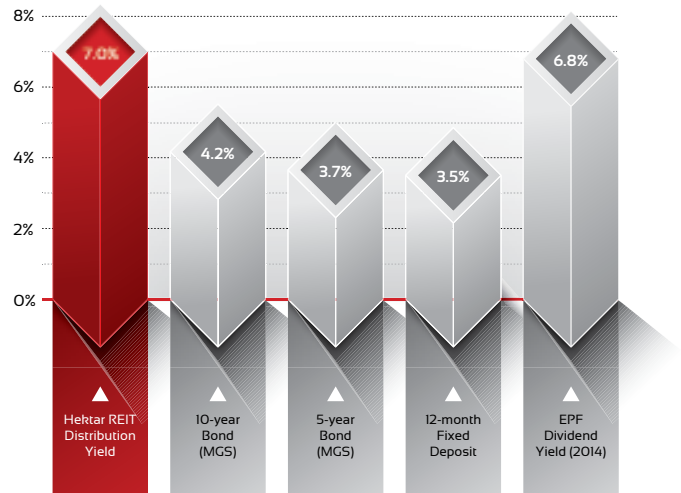
As at 31 December 2014

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

Total Debt	RM454 million
Weighted Cost of Debt	4.8%
Gearing Ratio <sup>1</sup>	41.0%
Interest Cover	3.57

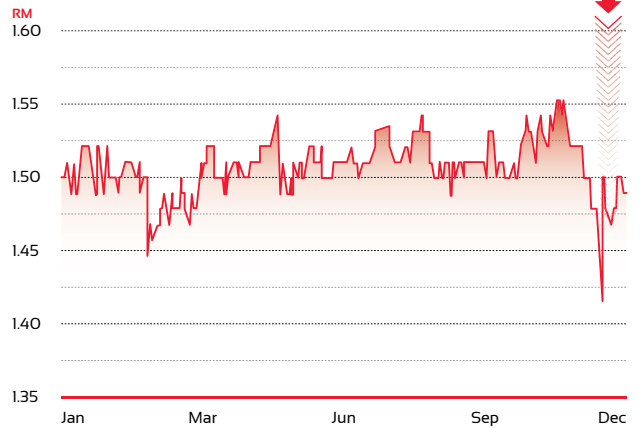
<sup>1</sup> Gearing ratio calculated by total long term liabilities over Gross Asset Value (GAV).

### Distribution Yield



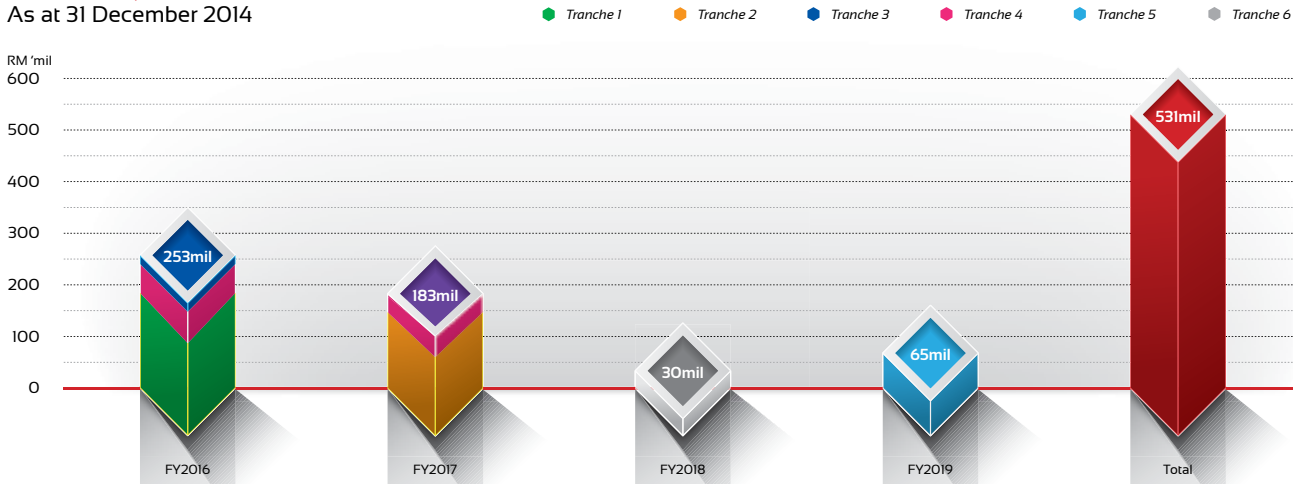
### Unit Price Performance

FY2014



### Debt Expiry Profile

As at 31 December 2014



## FINANCIAL HIGHLIGHTS (Cont'd)

### Portfolio Highlights

Diversity in asset by location



1. Source: Spectrum Research Asia Sdn. Bhd., December 2012 (Independent Research)  
2. 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



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**DATO' JAAFAR BIN  
ABDUL HAMID**

Chairman and Chief  
Executive Officer

## LETTER TO UNITHOLDERS

### The Year in Review

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 pleasure to present to you Hektar REIT's Annual Report and its audited financial statements for the financial year ended 31 December 2014 ("FY2014").

2014 has drawn to a close and I wish to reflect and review this past year with you. As stated on our annual report last year, FY2014 was a busy year for us due to the asset enhancement initiatives ("AEI") on Central Square Shopping Centre, Sungai Petani ("Central Square"). Now completed, Central Square boasts a fresh façade with distinctive mall features, with a more vibrant shopping ambience plus family-friendly features.

As for the rest of our shopping malls in the portfolio, we have also initiated and shall continue to undertake more AEIs and tenancy remixing exercises in order to maintain our competitiveness and appeal to shoppers.

Please continue reading for a more detailed review of all our activities throughout FY2014 in the latter paragraphs.

### OPERATING ENVIRONMENT

The Bank Negara Malaysia ("BNM") reported in November 2014 that the country's economy as measured by the Gross Domestic Products ("GDP") had expanded by 5.6% in the third quarter of 2014, moderating from the robust 6.5% growth rate reported for the period between the month of April to June. Following from the bullish first half performance, Malaysian Institute Economic Research ("MIER") had reported that the estimated GDP growth rate for 2014 would be slightly higher than 2013 at around 5.9%.

The Retail Group Malaysia in its quarterly industry report had indicated that the retail industry was expected to see overall retail growth rate of 6% for the entire of 2014 in comparison to the 2013 growth rate of 4.5%. The myriad of festivities in Malaysia are expected to contribute towards the strong retail sales throughout these periods.

However, the association had also noted that the retail industry would face tougher challenges in the second half of 2014 as the increased overnight policy rate may affect retail sales of big ticket items. Electricity tariff hike, the pull back of government subsidies and expenditures and general increase in prices shall add pressure to the local consumer purchasing power.

For 2015, analysts have generally predicted that the retail market is expected to temporarily soften with the implementation of the Goods and Services Tax (GST) on April 1. Notwithstanding, the retail industry may enjoy brisk sales in the first quarter stimulated by the consumer purchases avoiding the 6% tax.

The supply side of the industry has kept up with the rise in the retail space demand. During the first quarter of 2014, property consultant CH Williams Talhar and Wong Sdn Bhd

had reported that Klang Valley will see the entry of several new and refurbished shopping malls with a total net lettable area of 5.0 million square feet adding to a total cumulative supply of 49 million square feet of net lettable area.

### FINANCIAL PERFORMANCE

#### Sustainable Financial Performance

For FY2014, gross revenue reached RM122 million, up 1.5% from the previous year, while Net Property Income (NPI) reached RM73 million, slight drop of 1.1% from the preceding financial year ended 31 December 2013 (FY2013). Hektar REIT generated Net Income of RM50 million, 14.3% lower than FY2013. Realised Earnings per Unit is 11.05 sen, 4.1% lower than 11.52 sen for FY2013.

2014 saw an increase in the nation's electricity tariff which has affected all of us; from businesses to individuals. Hektar REIT was not immune to this 17% hike. In addition to the electricity tariff hike, Bank Negara had also announced an increase of their overnight policy rate in July by 25 basis points which put pressure on our interest cost. The overall impact to our realised net income arising from these cost challenges was as much as RM1.8 million.

It has been a tough year operating in an environment of rising cost. There is now a new norm in doing business in general and we have to be flexible enough adjusting to these challenges in order to sustain our performance and track record.

Along with the increase in operating cost, 2014 was the year where Hektar REIT was busy with the implementation of its AEI. We spent about RM23 million to refurbish Central Square, which was more than 15 years old when we took over in late 2012. Refurbishment works were planned and executed with the intention of minimising disruption to mall operation. Despite our efforts to mitigate disruptions to business, it was inevitable that revenue would fall temporarily as refurbishment works were in progress. We had to temporarily close down some stand-alone counters and retail merchandising units to make way for the refurbishment. We also had to vacate certain tenants to make way for better tenants. Hence the temporary dip in revenue of Central Square, which had affected Hektar REIT's overall profit. Our AEI is now completed and we look forward to an improved performance of Central Square in 2015 which should boost our bottom line.

Due to all the aforementioned challenges, our earnings took a hit. Earnings in FY2014 was 4.1% lower than FY2013. Despite the lower earnings, the Board has decided to distribute the same quantum of dividend as we did in FY2013, i.e. 10.5 sen per unit. So, in a nutshell, in FY2014, Hektar has protected its unitholders from the vagaries of rising costs.

As we move forward to 2015, we will be facing new challenges. Currently we are preparing for the implementation of GST in April 2015. The extent of the impact from introduction of GST to our financial performance is unknown yet at this juncture but we feel there will definitely be added challenges in maintaining the cost of operation.

In terms of performance improvement, aside from the usual



strategy of continuous revitalisation of tenancy mix, we are also looking at acquisition of individual sold lots which were sold prior to Hektar's ownership of the malls. This will help improve our tenancy remixing strategy as they are mostly situated at strategic areas.

In relation to the AEI – now that we have completed Central Square, we are looking at embarking on more AEI programs for our other malls in the portfolio. Our malls need to improve and continuously change to keep up with the times or risk being obsolete and irrelevant with our shoppers. We will make the necessary announcements in due course.

### Fair Value Adjustment

Hektar REIT's portfolio is now collectively valued at RM1.06 billion. The Net Asset Value (NAV) has also increased to RM1.55 per unit from RM1.53 per unit the previous year.

Fair value adjustment is a non-cash item and is part of the Malaysian Financial Reporting Standards (MFRS) 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.

In 2014, there was a minimal fair value gain of 1.3% due mainly to increasing operating cost, especially the electricity tariff hike. This led to lower net property income which in turn, impacted the market value of Hektar REIT's malls.

We expect the market value of Hektar REIT's properties to increase more substantially in 2015 arising from the completion of AEI in Central Square.

### Income Distribution and Accounting Policy

Hektar REIT announced a distribution per unit (DPU) of 10.50 sen for FY2014 maintaining the distribution made in FY2013. As communicated at our previous unitholders general meeting in 2014, 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 to 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 MFRS 117, an accounting standard implemented in FY2010 (see the notes to the accounts for more details). As a result, the FY2014 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.

### Stable Track Record

Hektar REIT's unit price closed the year at RM1.49, maintaining the opening price level in the beginning of 2014.

Hektar REIT's net asset value at 31 December 2014 stood at RM1.55 per unit.

If you have invested in Hektar REIT units in the beginning of 2014 at RM1.50 and remained a unitholder till the year end, you would have received four distributions totalling 10.5 sen per unit, representing a dividend yield of 7.0% (based on a closing price of RM1.49 on 31 December 2014). Your total return on Hektar REIT for FY2014 would be approximately 6.4%.

At the end of 2014, Hektar REIT units had been traded at a spread of 287 basis points to the 10-year Malaysian Government Securities (MGS) yield. Previously, the spread against MGS yield was recorded at 282 basis points in 2013. The premium over the MGS yield had increased slightly (5 basis points) due to the reduction one 1 sen in Hektar REIT's trading price since the opening price at 1 January 2014.

### Financing in 2014

As mentioned earlier, the latest overnight policy rate hike of 25 basis points was implemented in July 2014. Nomura and Standard Chartered Global Research are both of the opinion that there will be another 25 basis points hike in the OPR by BNM in the third quarter of the 2015. The hike could push bond yields higher and reduce Hektar REIT's distribution yield spread.

Hektar REIT's financing is secured by Al-Murabahah overdraft facilities with 6 tranches worth RM184 million, RM150 million, RM15 million, RM87 million, RM65 million and RM30 million expiring in 2016, 2017, 2015, 2016/17, 2019 and 2018 respectively. Hektar REIT's FY2014 gearing ratio had increased slightly to 41% (FY2013: 40%) 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 FY2014 was slightly up at 4.8% from 4.5% in FY2013.

As a strategy to manage the risk in the interest rate hike, Hektar REIT had increased its hedging to about 70% (FY2013: 40%) of its total borrowings of RM436 million via an Islamic Profit Rate Swap ("IPRS") instrument. IPRS has an average fixed rate of 4.87%. The decision to increase our hedging has mitigated the risk of future interest rate fluctuation.

Our current weighted cost of debt is now 4.8%.

### PORTFOLIO PERFORMANCE

Hektar REIT's portfolio consists of Subang Parade in Subang Jaya, Mahkota Parade in Melaka, Wetex Parade in Muar, Central Square in Sungai Petani and Landmark Central in Kulim. Collectively, these properties serve a market catchment of more than 2.0 million Malaysians. The shopping malls are located in relatively dense population catchment areas, and enjoy 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.

## LETTER TO UNITHOLDERS (Cont'd)

### 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 is the revitalisation of the shopping centre as a communal place. Visiting shopping centres has become a favourite past-time activity for Malaysians and shopping centres continue to emerge as a 'favourite meeting place' within communities. We are observing more urban dwellers in Malaysia spending their weekends in shopping malls. Our overall strategy is therefore focused on ensuring that Hektar REIT's properties remain relevant. Let us examine our strategy in the context of our portfolio performance in 2014 below.

### Subang Parade

Subang Parade is an award winning neighbourhood mall located in the heart of the thriving Subang Jaya commercial centre. The shopping mall is in proximity to an important commuter train station that links Subang Jaya to Kuala Lumpur. Subang Parade is in an enclave of several shopping centres that are located within short walking distance of each other.

Throughout its existence, Subang Parade has undergone several major refurbishment exercises and as testimony to the success of our past AEI, Subang Parade has for consecutive years recorded an almost full occupancy status with appealing selection of tenants. Shopper footfall was 9.5 million for FY2014 or an average of approximately 790,000 a month.

Subang Parade reported healthy positive rental reversions throughout FY2014. The average rental reversion at Subang Parade has remained healthy at 5% in FY2014. There were a total of 63 new and renewed leases with an aggregate of 169,643 square feet retail space affected. The upcoming year will present Subang Parade with more challenges in the form of higher aggregate of retail space expiring and due for renewals. However, we view this as an opportunity to turn things around for the better. To maintain an interesting tenancy mix, we took this time to review the relevancy of our existing tenants and explored the possibilities of creating new experiences for our shoppers.

We have secured the first Coffee Club outlet in Malaysia as well as having brought in the local favourite delicacy in the form of PappaRich. To top it off, Subang Parade also welcomed the presence of Hamleys during the year-end holiday period offering excitement to parents and children shopping for the best holiday presents that Hamleys could offer.

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. Although Subang Parade is no longer the biggest mall in comparison to the other massive regional malls that have mushroomed in Klang Valley, Subang Parade has been able to maintain its patronage of loyal shoppers from the families and young couples segment. The mall offers shopping convenience

and comfort for families. They would have the opportunity to enjoy its array of dining choices as well as spending time together catching up on the latest blockbuster movies.

### Mahkota Parade

Located at the heart of the city of Melaka, Mahkota Parade was Melaka's first regional shopping mall when it was opened way back in 1994. It celebrated its 20th anniversary in 2014. Mahkota Parade was positioned and is still one of Melaka's premier shopping destinations as it is strategically located in the tourist belt of the historical city of Melaka. The city is inscribed on UNESCO's World Heritage List as part of UNESCO's preservation of historical sites across the globe. In this part of the city, there are other shopping malls such as Dataran Pahlawan and Hatten City shopping complexes which, due to their proximity to one another has created a vibrant, though highly competitive retail precinct.

In FY2014, Mahkota Parade had a slightly lower, but stable occupancy rate of 94.5% in comparison to 97.0% in FY2013. There were a total of 29 new and renewed leases with aggregate 200,532 square feet of retail space representing 41% of the net lettable area. There was a positive reversion of 1% in 2014.

In 2015 there will be 226,075 square feet of retail space representing 47% of the net lettable area that are expiring and due for renewal. We see this as an opportunity to improve our tenancy mix and rental rates.

In FY2014, we had embarked on the AEI of Mahkota Parade where the existing 4-screen cinema will increase to ten (10) screens, accommodating 1,680 seats. The cinema will commence operation by the second quarter of 2015. The 10-screen cinema will invigorate Mahkota Parade similar to the positive impact brought about by the introduction of an 8-screen 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 in proximity to the cinema.

In 2014, the management has aggressively acquired several retail lots in Mahkota Parade which the previous building owner had sold to private individuals. The locations of these retail lots at the ground floor are strategic and command premium rental rates. The acquisitions are expected to be yield accretive as they are purchased in accordance to the guidelines set by the authorities.

### Wetex Parade

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 the thriving town of Muar, which is Johor's second biggest city after Johor Bahru.

In 2014, Wetex Parade recorded another year of healthy rental reversion whilst maintaining high occupancy rate of 98.3% (FY2013: 98.0%) reflecting its leading position in the local retail scene. The average rental reversion at Wetex Parade was healthy at 7.0% in FY2014 (FY2013: 6.0%). There were a total of 16 new and renewed leases with aggregate

103,516 square feet representing 65.0% (FY2013: 9.0%) of retail space which were affected.

Wetex Parade underwent a minor AEI in FY2014 to improve shoppers' traffic to the top floor of the shopping mall. It also saw the entry of Popular Bookstore anchoring the fourth floor of the mall. These initiatives had resulted in an improved shopper footfall and retail offering for Wetex Parade.

### Central Square, Sungai Petani

Central Square is situated in the middle of Sungai Petani town, which is located 35km north of the state of Penang. It is a thriving industrial township with a sizeable population of more than 400,000 residents. The township is also about 25km away from another growing industrial district known as Gurun, a heavy industry zone. Sungai Petani's retail environment is quite competitive as the town boasts several shopping malls and supermarkets. The latest entry being the Amanjaya Shopping Mall located about 20 minutes' drive to the north of Central Square Shopping Centre.

Hektar REIT embarked on a major AEI in Central Square in 2014. The exercise involved upgrading of the exterior façade of the whole building and the major interior refurbishment work of the shopping mall. We have tried to minimise the impact of the refurbishment work to the operation of the shopping mall. Several retail lots, retail merchandising units or kiosks and stand-alone counters (SACs) were relocated and redesigned to make way for the implementation of our new retail concept once the enhancement works were completed. Inconvenience caused by renovation activities to the shoppers and retailers were able to be minimised.

With successful completion of the AEI, we have enhanced the profile of Central Square to be on par with some of the newer shopping malls in Sungai Petani. Central Square now sports a new distinctive main entrance lobby that offers convenience for senior citizen and families with children. The car park basement floors were vastly improved with brighter lighting and improved directional signage. An automated car park payment system was also introduced.

The refurbishment exercise had presented us with a window of opportunities to rope in new national and international chain tenants to replace some of the less popular tenants. The mall now offers better array of food and beverage selections suitable for families and young couples looking to spend their time shopping and dining. The entertainment zone for Central Square is now relocated to the fourth and fifth floors. The top floor of the mall will be anchored by a bowling alley and a new 8-screen cinema. These new tenants will open for business in the early part of the second quarter of 2015.

In 2014, Central Square recorded healthy rental reversion with improved occupancy rate of 80.5% (FY2013:80.0%). Footfall has reduced by approximately 20% during the AEI period, but is expected to improve now that the AEI has completed.

Central Square also reported positive rental reversions throughout FY2014. The average rental reversion was at 37% in FY2014 (FY2013: 52.0%) despite being affected by the refurbishment work. There were a total of 8 new and renewed leases with an aggregate 59,997 square feet representing

20% of retail space that were affected.

### Landmark Central, Kulim

Landmark is situated in Kulim town, which 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 competitors are The Summit Bukit Mertajam and the new AEON Mall Bukit Mertajam Shopping Centre, 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.

The occupancy rate for Landmark Central has improved at 97.8% (FY2013: 96.0%). Landmark Central also reported healthy rental reversions throughout FY2014. The average rental reversion was at 16.0% in FY2014 (FY2013: 23.0%). This is encouraging as retailers have come to expect more improvements to be introduced to the shopping mall. There were a total of 4 new and renewed leases with an aggregate 23,058 square feet representing 8% of retail space that were affected.

### Potential for Acquisitions Update

There were no new acquisitions of shopping malls in 2014. In the period of compressed capitalization rate, our mode of expansion shall be opportunistic, targeting potentials that offer property yields that are yield accretive.

Nevertheless, during FY2014, we had aggressively acquired sold lots in Mahkota Parade and Central Square from the individual owners who had purchased the retail lots from the previous mall owners. At Central Square, we took advantage of the refurbishment project to also purchase back the sold lots which we foresee could add value and complement our enhancement effort made to our existing retail area. At Mahkota Parade, the purchases of the sold lots are part of our continuing exercise to acquire strategic retail lots that are yield accretive in the long run.

The acquisition of the retail lots in Central Square and Mahkota Parade were funded via internally generated fund and bank borrowings.

### Moving Into 2015 and Beyond

In spite of the uncertainties in the external demand and consumer spending level for 2015, the Malaysian economy is still expected to remain strong generating an expected economic growth rate of 5.5%. Based on this healthy outlook, Hektar REIT needs to take a proactive stance towards other equally important challenges such as retaining and developing talents, especially in the leasing line as there have been so many new shopping centres that have opened up exciting job prospects. We must be on top of this critical business issue and constantly review our human resource strategy with a view of attracting the best talents the market have to offer whilst retaining our existing performers.

## LETTER TO UNITHOLDERS (Cont'd)

### 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.

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

## PERUTUSAN KEPADA PEMEGANG-PEMEGANG UNIT

### Kajian Semula Bagi Tahun 2014

Kepada Pemegang Unit Hektar REIT Yang Dihargai,

Bagi pihak Lembaga Pengarah Hektar Asset Management Sdn Bhd, pengurus Hektar Real Estate Investment Trust ("Hektar REIT"), saya dengan sukacitanya membentangkan Laporan Tahunan Hektar REIT dan penyata-penyata kewangannya yang diaudit bagi tahun kewangan berakhir pada 31 Disember 2014 ("FY2014").

2014 telah tiba ke penghujungnya dan saya ingin mengimbas dan mengulas peristiwa-peristiwa yang berlaku sepanjang tahun lalu.

Seperti yang dimaklumkan pada laporan tahunan lepas, FY2014 sememangnya sibuk dengan pelaksanaan inisiatif peningkatan aset ("AEI") di Pusat Beli-Belah Central Square, Sungai Petani ("Central Square"). Central Square kini terkenal dengan penampilan baharu dengan ciri-ciri pusat beli-belah yang tersendiri, dengan suasana membeli-belah yang lebih dinamik disamping berciri mesra keluarga.

Kami juga telah memulakan dan akan terus melaksana lebih banyak inisiatif peningkatan aset dan kerja-kerja pengatur semula sewaan untuk mengekalkan daya saing dan daya tarikan kita kepada para pembeli.

Sila baca selanjutnya untuk mengetahui lebih terperinci mengenai semua aktiviti kami sepanjang FY2014.

### PERSEKITARAN OPERASI

Bank Negara Malaysia ("BNM") melaporkan pada November 2014 bahawa ekonomi negara yang diukur mengikut Keluaran Dalam Negara Kasar ("KDNK"), telah berkembang sebanyak 5.6% dalam suku ketiga 2014, agak sederhana berbanding kadar pertumbuhan yang teguh sebanyak 6.5% yang dilaporkan untuk tempoh di antara bulan April hingga Jun. Berikutan prestasi menaik setengah tahun pertama, Institut Penyelidikan Ekonomi Malaysia ("MIER") telah melaporkan bahawa jangkaan kadar pertumbuhan KDNK bagi 2014 adalah lebih tinggi sedikit daripada 2013 iaitu sekitar 5.9%.

The Retail Group Malaysia dalam laporan industri suku tahunannya telah menyatakan bahawa industri peruncitan dijangka akan menyaksikan kadar pertumbuhan runcit secara keseluruhan pada 6% untuk sepanjang 2014 berbanding dengan kadar pertumbuhan 4.5% pada tahun 2013. Pelbagai perayaan yang disambut di Malaysia dijangka akan menyumbang kepada jualan runcit yang kukuh sepanjang tempoh ini.

Walau bagaimanapun, pihak persatuan sedar yang industri peruncitan akan menghadapi cabaran-cabaran yang lebih sukar dalam separuh kedua tahun 2014 kerana kenaikan dalam kadar dasar semalaman boleh menjejaskan jualan runcit barangan yang tinggi harga jualan. Kenaikan tarif elektrik, penarikan semula subsidi dan perbelanjaan kerajaan dan kenaikan harga secara umum akan menambah tekanan kepada kuasa membeli pengguna tempatan.

Bagi tahun 2015, penganalisa secara umumnya telah meramalkan yang pasaran peruncitan dijangkakan



mengendur untuk waktu sementara dengan pelaksanaan Cukai Barangan dan Perkhidmatan (GST) pada 1 April. Walaupun demikian, industri peruncitan mungkin akan menikmati jualan yang agak rancak dalam suku pertama dirangsang oleh pembelian pengguna yang mahu mengelak cukai 6% tersebut.

Bahagian pembekalan industri telah menyaingi peningkatan dalam permintaan ruang niaga. Semasa suku pertama 2014, perunding hartanah CH Williams Talhar and Wong Sdn Bhd telah melaporkan bahawa Lembah Kelang akan menyaksikan kehadiran beberapa buah pusat beli-belah yang baru dan yang telah dibaik pulih dengan jumlah ruang sewaan bersih sebanyak 5.0 juta kaki persegi menambah kepada jumlah bekalan terkumpul sebanyak 49 juta kaki persegi ruang sewaan bersih.

### PRESTASI KEWANGAN

#### Prestasi Kewangan Yang Mampan

Untuk FY2014, pendapatan kasar telah mencapai RM122 juta, meningkat sebanyak 1.5% daripada tahun sebelumnya, sementara Pendapatan Harta Bersih (NPI) mencapai RM73 juta, menurun sedikit sebanyak 1.1% daripada tahun kewangan sebelumnya yang berakhir pada 31 Disember 2013 (FY2013). Hektar REIT telah menjana Pendapatan Bersih sebanyak RM50 juta, 14.3% lebih rendah daripada FY2013. Perolehan direalisasi Seunit ialah 11.05 sen, 4.1% lebih rendah daripada 11.52 sen untuk FY2013.

2014 telah menyaksikan kenaikan dalam tarif elektrik negara yang telah memberi kesan kepada kita semua; daripada sektor perniagaan hinggalah kepada orang perseorangan. Hektar REIT tidak imun kepada kenaikan 17% ini. Selain daripada kenaikan tarif elektrik, Bank Negara juga telah mengumumkan kenaikan kadar dasar semalaman mereka dalam bulan Julai sebanyak 25 mata asas yang memberi tekanan ke atas kos faedah kami. Kesan keseluruhan kepada pendapatan bersih direalisasi kami yang timbul daripada cabaran-cabaran kos ini adalah sebanyak RM1.8 juta.

Tahun lepas ialah tahun yang sukar kerana kita terpaksa beroperasi dalam persekitaran yang mengalami kenaikan kos. Namun sekarang wujud keadaan normal yang baharu dalam menjalankan perniagaan secara umumnya dan kami perlu bersikap fleksibel secukupnya bagi menyesuaikan

## PERUTUSAN KEPADA PEMEGANG-PEMEGANG UNIT (Samb.)

diri dengan cabaran-cabaran ini untuk mengekalkan rekod prestasi kami.

Seperti yang anda semua sedia maklum, bersama dengan kenaikan kos operasi, 2014 ialah tahun di mana Hektar REIT sibuk dengan pelaksanaan AEI. Kami telah membelanja lebih kurang RM23 juta untuk menaik taraf Central Square yang telah berusia lebih dari 15 tahun semasa dibeli pada lewat 2012. Kerja-kerja menaik taraf telah dirancang dan dijalankan dengan tujuan untuk mengurangkan gangguan kepada operasi pusat beli-belah tersebut. Walaupun kami berusaha untuk mengurangkan gangguan kepada perniagaan, terdapat sedikit penurunan dalam pendapatan akibat kerja-kerja menaik taraf. Kami terpaksa menutup buat sementara beberapa kaunter tetap (SAC) dan unit perniagaan runcit bagi memberi laluan kepada kerja-kerja menaik taraf tersebut. Kami juga terpaksa mengosongkan beberapa ruang niaga bagi mendapatkan penyewa-penyewa yang lebih baik. Semua ini membawa kepada pengurangan pendapatan Central Square buat sementara, dan ia juga telah menjejaskan keuntungan keseluruhan Hektar REIT. Inisiatif-inisiatif peningkatan aset kami kini telah selesai dan kami berharap Central Square akan menunjukkan prestasi yang bertambah baik pada 2015 yang seharusnya meningkatkan keuntungan kami.

Disebabkan semua cabaran yang telah dinyatakan sebelum ini, pendapatan kami telah terjejas. Pendapatan pada FY2014 ialah 4.1% lebih rendah daripada FY2013. Walaupun memperolehi pendapatan lebih rendah, pihak Lembaga telah mengambil keputusan untuk mengagihkan jumlah dividen yang sama seperti yang kita telah lakukan pada FY2013, iaitu 10.5 sen seunit. Kesimpulannya, pada FY2014, Hektar telah melindungi para pemegang unitnya daripada perubahan dalam peningkatan kos.

Dalam kita menuju tahun 2015, kita akan menghadapi cabaran-cabaran baharu. Sekarang ini, kita sedang bersedia untuk pelaksanaan GST pada April 2015. Sejauh mana kesan daripada GST pada prestasi kewangan kita masih belum diketahui buat masa ini tetapi kami merasakan pasti akan ada cabaran tambahan dalam mengekalkan kos operasi.

Dari segi kemajuan prestasi, selain daripada strategi biasa dengan pencergasan semula pengaturan sewaan secara berterusan, kami juga melihat kepada pengambilalihan lot-lot individu di pusat-pusat beli-belah kami. Ini akan membantu memperbaiki strategi pengaturan semula para penyewa kami kerana mereka selalunya terletak di kawasan-kawasan strategik.

Berhubung dengan AEI - setelah siapnya Central Square, kami akan memulakan usaha menambah lagi lebih banyak program-program AEI bagi pusat-pusat beli-belah kita yang lain dalam portfolio. Pusat-pusat beli-belah perlu meningkatkan prestasi dan berubah secara berterusan untuk bersaing seiring dengan masa atau berdepan dengan risiko ketinggalan zaman dan tidak lagi relevan kepada para pembeli kita. Kita akan membuat pengumuman yang perlu dalam masa yang terdekat.

### Pelarasan Nilai Saksama

Aset Hektar REIT secara kolektif bernilai RM1.06 bilion. Nilai Aset Bersih (NAV) juga telah meningkat kepada RM1.55 seunit daripada RM1.53 seunit pada tahun sebelumnya

Pelarasan nilai hartanah ialah perkara bukan tunai dan adalah sebahagian daripada garis panduan Piawaian Laporan Kewangan Malaysia (MFRS) yang digunakan ke atas pelarasan penilaian bagi portfolio hartanah Hektar REIT yang dilaksanakan setiap tahun. 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 penjanaan pendapatan dan nilai hartanah mereka.

Pada 2014, kenaikan nilai hartanah ialah hanya 1.3%. Kenaikan rendah ini adalah disebabkan kesan kenaikan kos operasi, terutamanya kos elektrik. Ini telah menyebabkan penurunan keuntungan operasi bersih yang memberi kesan kepada nilai pasaran aset-aset Hektar REIT.

Kami jangka nilai pasaran aset-aset Hektar REIT akan meningkat pada 2015 hasil dari AEI yang telah disempurnakan di Central Square pada akhir tahun 2014.

### Pengagihan Pendapatan dan Polisi Perakaunan

Hektar REIT telah mengumumkan pengagihan setiap unit (DPU) sebanyak 10.50 sen bagi FY2014, mengekalkan pengagihan yang telah dibuat pada FY2013. Sepertimana yang telah dinyatakan dalam mesyuarat agung pemegang unit pada 2014, kami komited untuk mengekalkan sekurang-kurangnya kadar DPU sebanyak 10.5 sen. Semenjak penawaran awam awal (IPO) pada 2006, Hektar REIT telah mengekalkan rekod prestasi secara terus menerus dalam membuat pengagihan suku tahunan untuk pemegang-pemegang unitnya.

Kami telah mengekalkan polisi membayar sekurang-kurangnya 90% daripada pendapatan bersih boleh diagih kami dalam bentuk empat kali pembayaran dividen 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 MFRS 117, satu piawaian perakaunan yang dilaksanakan pada FY2010 (lihat nota-nota kepada akaun untuk butiran lanjut). Justeru itu, pendapatan bersih boleh diagih FY2014 adalah lebih rendah daripada pendapatan bersih. Selepas membayar 90% dari pendapatan bersih boleh diagih, Hektar REIT mengekalkan 10% yang selebihnya bagi tujuan peningkatan aset hartanah dimasa hadapan dan pemerolehan berpotensi lot-lot individu dalam keseluruhan portfolio Hektar REIT.

### Rekod Prestasi Stabil

Harga unit Hektar REIT pada akhir tahun ditutup pada RM1.49, mengekalkan paras harga pembukaan pada awal 2014. Nilai aset bersih Hektar REIT pada 31 Disember 2014 berada pada RM1.55 seunit.

Sekiranya anda telah melabur dalam unit-unit Hektar REIT pada permulaan tahun 2014 pada RM1.50 seunit dan kekal sebagai pemegang unit sehingga akhir tahun, anda akan menerima empat agihan berjumlah 10.5 sen setiap unit, mewakili kadar hasil dividen sebanyak 7.0% (berdasarkan harga penutup sebanyak RM1.49 pada 31 Disember 2014). Jumlah pulangan anda memegang unit Hektar REIT

sepanjang FY2014 adalah lebih kurang 6.4%.

Pada akhir 2014, unit-unit Hektar REIT telah didagangkan pada tebaran 287 mata asas kepada kadar hasil 10-tahun Sekuriti Kerajaan Malaysia (MGS). Sebelum ini, tebaran terhadap kadar hasil MGS telah dicatatkan pada 282 mata asas pada 2013. Premium ke atas kadar MGS telah bertambah sedikit kerana harga seunit Hektar REIT telah turun sebanyak 1 sen dari harga seunit Hektar REIT yang dicatat pada awal tahun.

### Pembiayaan pada 2014

Seperti yang telah dinyatakan, kenaikan kadar dasar semalaman yang terkini sebanyak 25 mata asas telah dilaksanakan pada Julai 2014. Nomura dan Standard Chartered Global Research, kedua-duanya berpendapat bahawa akan berlaku satu lagi kenaikan sebanyak 25 mata asas dalam OPR oleh Bank Negara Malaysia ("BNM") dalam suku ketiga 2015. Kenaikan ini akan melonjakkan kadar hasil bon lebih tinggi dan mengurangkan tebaran kadar hasil agihan Hektar REIT.

Pembiayaan Hektar REIT dicagar oleh kemudahan overdraf AI-Murabahah dengan 6 tranche bernilai RM184 juta, RM150 juta, RM15 juta, RM87 juta, RM65 juta dan RM30 juta yang akan tamat masing-masing pada 2016, 2017, 2015, 2016/17, 2019 dan 2018. Nisbah pinjaman FY2014 Hektar REIT telah meningkat sedikit kepada 41% (FY2013: 40%) daripada nilai aset kasar ia masih berada dalam had 50% yang ditetapkan oleh pihak berkuasa sementara kos purata pembiayaannya pada tahun berakhir FY2014 meningkat sedikit kepada 4.8% daripada 4.5% pada FY2013.

Sebagai satu strategi untuk menguruskan risiko kenaikan kadar faedah, Hektar REIT telah meningkatkan perlindungan risiko kenaikan kadar faedah kepada lebih kurang 70% (FY2013: 40%) daripada jumlah pinjamannya sebanyak RM436 juta melalui instrumen Pertukaran Kadar Keuntungan Islam ("Islamic Profit Rate Swap ("IPRS")). Kadar purata IPRS ialah 4.87%.

Oleh kerana sebahagian besar pinjaman kami berkadar tetap, risiko ketidakpastian kadar faedah dapat dikurangkan. Kos purata hutang ialah 4.8%.

### 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 3.0 juta warga Malaysia. Pusat-pusat membeli-belah ini terletak di kawasan tumpuan populasi yang padat. Lebih 500 penyewa mewakili spektrum daripada fesyen sehinggalah hiburan kini 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 kami 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 membawa kepada kewujudan pusat membeli-belah sebagai pusat komunal. Pusat-pusat membeli-belah terus muncul sebagai sebuah 'tempat pertemuan kegemaran' kerana membeli-belah telah menjadi aktiviti masa lapang kegemaran kebanyakan rakyat Malaysia. Semakin ramai penduduk bandar menghabiskan hujung minggu mereka di pusat-pusat membeli-belah. Strategi kami pada keseluruhannya memfokuskan kepada usaha memastikan hartanah Hektar REIT kekal relevan. Mari kita teliti strategi kita dalam konteks prestasi portfolio pada 2014.

### Subang Parade

Subang Parade ialah pusat beli-belah kejiranan yang telah memenangi pelbagai anugerah. Terletak di tengah-tengah pusat komersil Subang Jaya yang sedang berkembang maju, ia hampir dengan sebuah stesen keretapi komuter utama yang menghubungkan Subang Jaya dan Kuala Lumpur. Subang Parade berada dalam lingkungan beberapa buah pusat membeli-belah yang terletak dalam jarak berjalan kaki di antara satu sama lain.

Sepanjang kewujudannya, Subang Parade telah melalui beberapa siri penambahbaikan dan sebagai testimoni kepada kejayaan inisiatif peningkatan aset kami dimasa lalu, untuk beberapa tahun berturut-turut Subang Parade telah merekodkan status penyewaan hampir penuh dengan senarai penyewa yang pelbagai. Jumlah pengunjung ialah 9.5 juta untuk FY2014 atau secara puratanya lebih kurang 790,000 sebulan.

Subang Parade mencatatkan kadar kenaikan sewa sepanjang FY2014. Purata kenaikan sewa di Subang Parade telah kekal cergas pada 5% pada FY2014. Terdapat sejumlah 63 sewaan baharu dan yang diperbaharui dengan agregat 169,643 kaki persegi ruang niaga yang terlibat. Tahun yang akan datang bakal memberikan Subang Parade lebih banyak cabaran dalam bentuk agregat yang lebih tinggi bagi ruang niaga yang bakal tamat tempoh dan layak untuk diperbaharui. Walau bagaimanapun, kami melihat ini sebagai peluang untuk memulihkan keadaan kepada yang lebih baik. Bai mengekalkan susun atur penyewa yang baik, kami telah menggunakan kesempatan ini untuk menyemak semula senarai penyewa dan menyusun atur semula para penyewa yang boleh menjaga pengalaman membeli-belah baharu lagi menarik pada pelanggan kami.

Dalam FY2014, kami telah berjaya menarik restoran Coffee Club yang pertama di Malaysia dan membawa masuk restoran kopitiam kegemaran ramai PappaRich. Subang Parade amat berbangga dengan kehadiran Hamleys semasa musim cuti hujung tahun. Hamleys telah dapat menawarkan keseronokan kepada ibubapa dan anak-anak mereka dalam mencari dan membeli hadiah terbaik musim perayaan.

Dengan persaingan dipasaran yang semakin meningkat, kami perlu sentiasa bersedia sambil menguatkan ikatan dengan para peniaga untuk mencapai kejayaan bersama. Walaupun Subang Parade bukan lagi pusat membeli-belah terbesar dibandingkan dengan lain-lain pusat membeli-belah sekitar Lembah Kelang, Subang Parade telah berjaya

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mengekalkan kunjungan para pembeli setianya daripada segmen keluarga dan pasangan muda. Pusat membeli-belah ini menawarkan kemudahan beli-belah dan keselesaan untuk keluarga. Mereka berpeluang untuk menikmati pelbagai pilihan juadah disamping menghabiskan masa bersama sambil menonton filem-filem yang terkini.

### Mahkota Parade

Terletak di tengah bandar raya Melaka, Mahkota Parade adalah sebuah pusat membeli-belah serantau yang pertama semasa pembukaannya pada tahun 1994. Ia telah menyambut ulang tahunnya yang ke 20 pada tahun 2014. Sehingga kini, Mahkota Parade masih kekal sebagai salah sebuah destinasi membeli-belah utama di Melaka dengan kedudukannya di kawasan tumpuan pelancong di bandar raya bersejarah Melaka. Bandar raya ini telah tercatat dalam senarai Warisan Dunia UNESCO sebagai sebahagian daripada usaha pemeliharaan tempat-tempat bersejarah oleh UNESCO di seluruh dunia. Di kawasan ini juga terdapat beberapa pusat membeli-belah lain seperti Dataran Pahlawan dan Hatten City yang berhampiran antara satu sama lain, Initelah mewujudkan presint membeli-belah popular tetapi berdaya saing tinggi

Pada FY2014, Mahkota Parade telah mencatatkan kadar penyewaan yang sedikit rendah tetapi stabil sebanyak 94.5% berbanding dengan 97.0% pada FY2013. Kadar kenaikan sewa positif sebanyak 1.0% (FY2013: -2.0%) Terdapat sejumlah 29 sewaan baharu dan diperbaharui dengan agregat 200,532 kaki persegi ruang niaga mewakili 41% ruang sewaan bersih.

Pada 2015, akan terdapat sebanyak 226,075 kaki persegi ruang niaga mewakili 47% ruang sewaan bersih yang bakal tamat tempoh dan harus diperbaharui. Ini memberi kami peluang untuk menambah baik penyusunan semula para penyewa dan kadar sewaan kami.

Pada FY2014, kami telah memulakan kerja-kerja penambahbaikan di Mahkota Parade di mana empat (4) skrin pawagam sedia ada telah ditambah kepada sepuluh (10) skrin yang boleh memuatkan 1,680 tempat duduk. Projek panggung wayang ini dijangka siap dan beroperasi sepenuhnya pada suku kedua 2015 yang merupakan musim filem-filem mega. Kami menjangkakan pawagam 10-skrin ini akan dapat mencergaskan semula Mahkota Parade, sama seperti impak positif yang dikecapi Subang Parade dengan pengenalan pawagam 8-skrin pada 2012. Strategi ini ialah untuk merangsang trafik pengunjung ke aras dua seterusnya menambah baik kadar kenaikan sewa di ruang niaga di sekitarnya berhampiran pawagam.

Semasa FY2014, pihak pengurusan telah memperolehi semula beberapa lot niaga di Mahkota Parade yang telah dijual oleh pemilik bangunan terdahulu kepada orang perseorangan. Lokasi lot-lot ini adalah strategik dan menawarkan kadar sewa premium. Pemerolehan tersebut dijangka akan menghasilkan pulangan kerana pembelian dibuat menurut garis panduan yang ditetapkan oleh pihak berkuasa.

### Wetex Parade

Wetex Parade merupakan sebuah pusat membeli-belah bersepadu yang terletak di tengah-tengah kawasan

perniagaan bandar Muar. Ia menikmati kedudukan unggul sebagai destinasi peruncitan utama masyarakat tempatan di bandar Muar yang sedang berkembang pesat. Muar ialah bandar kedua terbesar selepas Johor Bahru.

Pada 2014, Wetex Parade mencatatkan kadar penyewaan yang sihat mengekalkan kadar penyewaan yang tinggi sebanyak 98.3% (FY2013: 98.0%), mencerminkan kedudukannya sebagai peneraju dalam perniagaan runcit tempatan. Purata kadar kenaikan sewa di Wetex Parade adalah pada 7% pada FY2014 (FY2013: 6.0%). Terdapat 16 sewaan baharu dan diperbaharui dengan agregat 103,516 kaki persegi mewakili 65.0% (FY2013: 9.0%) jumlah ruang sewaan.

Wetex Parade telah melaksanakan AEI kecil pada FY2014 di dalam usaha merangsang trafik pengunjung ke aras paling atas pusat membeli-belah tersebut. Ia juga menyaksikan Popular Bookstore menerajui aras tersebut. Kedua-dua inisiatif telah menghasilkan peningkatan jumlah pengunjung dan penawaran runcit.

### Central Square

Central Square terletak di tengah-tengah Bandar Sungai Petani, 35km utara dari Pulau Pinang. Ia ialah sebuah bandar yang sedang berkembang pesat dengan jumlah penduduk melebihi 400,000 orang. Bandar ini juga terletak kira-kira 25km dari satu lagi daerah industri yang sedang berkembang iaitu Gurun, sebuah zon industri berat. Persekitaran peruncitan Sungai Petani berdaya saing tinggi kerana terdapat beberapa buah pusat membeli-belah dan pasar raya besar.

Hektar REIT mula melaksanakan AEI di Central Square pada akhir 2013. Kerja-kerja ini melibatkan usaha menaik taraf bahagian luar muka bangunan dan pembaharuan besar-besaran bahagian dalaman pusat membeli-belah tersebut. Seperti yang telah dinyatakan sebelum ini, kami telah cuba meminimalkan kesan daripada AEI. Beberapa lot kedai, unit penjualan runcit atau kios dan kaunter tetap (SAC) telah dialihkan dan direka bentuk semula bagi memberi laluan kepada pelaksanaan konsep peruncitan baharu kami sebaik sahaja kerja-kerja peningkatan aset selesai. Segala kesukaran kepada pembeli dan peruncit yang disebabkan oleh aktiviti-aktiviti pengubahsuaian telah diminimalkan.

Dengan kejayaan menyempurnakan kerja-kerja pembaharuan tersebut, kami telah meningkatkan profil Central Square untuk setanding dengan beberapa pusat membeli-belah yang baru di Sungai Petani. Central Square kini mempunyai sebuah lobi yang berbeza di pintu masuk utama sambil menawarkan kemudahan kepada warga tua dan keluarga bersama anak-anak kecil. Dua tempat parkir di tingkat bawah tanah telah ditambah baik dengan pencahayaan yang lebih terang, papan tanda arah yang lebih ketara dan sistem pembayaran parkir automatik.

Kerja-kerja pembaharuan tersebut telah membolehkan kami menarik perhatian penyewa-penyewa rantaian domestik dan antarabangsa yang baru bagi menggantikan sesetengah penyewa yang kurang popular. Pusat beli-belah tersebut kini menawarkan pelbagai jenis makanan dan minuman yang lebih menarik, sesuai untuk keluarga dan pasangan muda yang ingin menghabiskan masa mereka di Central Square. Zon hiburan di Central Square kini telah beralih ke aras



empat dan lima. Aras paling atas akan diterajui oleh sebuah gelanggang boling dan pawagam 8-skrin yang baharu. Kami menjangkakan kedua-dua penyewa baharu ini akan memulakan perniagaan mereka pada bahagian awal suku redia 2015.

Pada 2014, Central Square telah merekodkan kadar kenaikan sewa yang baik sebanyak 80.5% (FY2013 : 80.0%). Jumlah pengunjung walau bagaimanapun menurun kira-kira 20% semasa tempoh AEI tetapi ia dijangka bertambah baik pada 2015.

Central Square juga telah mencatatkan kadar kenaikan sewa positif sepanjang FY2014. Purata kenaikan sewa adalah pada 37% pada FY2014 (FY2013: 52.0%) walaupun terjejas dengan kerja-kerja pembaharuan. Terdapat sejumlah 8 pajakan baharu dan diperbaharui dengan agregat 59,997 kaki persegi mewakili 20% ruang niaga yang terjejas.

### Landmark Central

Landmark terletak di Bandar Kulim, di mana Taman Teknologinya menempatkan pelbagai syarikat teknologi dunia seperti Intel, Fuji, Ranbaxy dan First Solar. Landmark Central merupakan satu-satunya pusat membeli-belah yang dibina khas di Bandar Kulim untuk penduduknya yang melebihi 250,000 orang. Pesaing terdekat ialah The Summit Bukit Mertajam dan yang terbaru AEON Mall juga di Bandar Bukit Mertajam. Landmark Central telah dilancarkan dengan rasminya pada 2009 dan semenjak itu ia telah menjadi pemangkin kepada bandar Kulim dengan menarik lebih banyak pembangunan komersil ke kawasan tersebut.

Kenaikan sewa di sepanjang FY2014 adalah amat menggalakkan, iaitu pada tahap dua angka, iaitu 16.0% (FY2013: 23.0%). Kadar sewaan bagi Landmark Central juga telah meningkat kepada 97.8% (FY2013: 96.0%).

Terdapat sejumlah 4 sewaan baharu dan diperbaharui dengan agregat 23,058 kaki persegi mewakili 8% ruang sewaan bersih

### Strategi Pembelian

Tiada pembelian dibuat pada 2014 Walau apapun, kami akan terus berusaha mencari peluang-peluang pembelian. Dalam keadaan kadar permodalan mampat, kaedah pengembangan portfolio kami akan bersifat oportunist dengan menyasarkan aset berpotensi yang menawarkan hasil hartanah yang menjanjikan pulangan yang baik.

Pada FY2014 kami telah membeli lot-lot individu di Mahkota Parade dan Central Square daripada pemilik-pemilik individu yang telah membeli premis perniagaan ini daripada pemilik pusat membeli-belah ini yang terdahulu. Di Central Square, kami menggunakan peluang daripada projek pembaharuan untuk membeli semula lot-lot individu yang kami jangkakan boleh menambah nilai dan melengkapkan usaha peningkatan yang dilakukan di ruang peruncitan sedia ada kami. Di Mahkota Parade, pembelian lot-lot individu adalah sebahagian daripada usaha berterusan kami untuk memperoleh lot niaga yang strategik yang memberikan pulangan yang baik untuk jangka masa panjang.

Pembelian lot-lot niaga di Central Square dan Mahkota

Parade telah dibiayai oleh dana dalaman dan juga pinjaman bank.

### Menuju 2015 dan Seterusnya

Walaupun terdapat ketidaktentuan dalam permintaan luaran dan tahap perbelanjaan pengguna bagi 2015, ekonomi Malaysia masih dijangka kekal kukuh dan akan terus menjaga kadar pertumbuhan ekonomi sebanyak 5.5%.

Hektar REIT juga perlu mengambil pendirian proaktif di dalam menghadapi cabaran mengekalkan pekerja-pekerjanya yang berbakat, terutamanya mereka yang berkecimpung di dalam bidang penyewaan. Ini adalah kerana terdapat banyak pusat-pusat membeli-belah baru yang menawarkan prospek pekerjaan yang menarik. Kami perlu sentiasa prihatin dalam menangani isu-isu kritikal ini, disamping mengkaji semula strategi sumber manusia kami yang memfokus kepada menarik pekerja-pekerja berbakat di pasaran sambil mengekalkan pemimpin-pemimpin yang sedia ada.

### Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pasukan kami atas komitmen dan dedikasi yang telah ditunjukkan terhadap pekerjaan mereka. Penghargaan ini juga kami panjangkan kepada peruncit, vendor dan rakan-rakan niaga kami. Sumbangan dan sokongan anda memastikan Hektar REIT kekal sebagai satu pelaburan yang dapat dipertahankan, selamat dan menjadi pilihan para pelabur kita.

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### DATO' JAAFAR BIN ABDUL HAMID

Pengerusi dan Ketua Pegawai Eksekutif

## 致单位持有 人的信函

### 年度回顾

尊贵的贺达房地产投资信托基金单位持有人：

本人代表贺达房地产投资信托基金（简称“贺达产托”）的管理公司贺达资产管理私人有限公司董事会，有幸为您呈献贺达产托年度报告以及截至2014年12月31日财政年度（“2014财政年度”）的已审核财务报表。

2014年已结束，本人在此与各位回顾检讨过去的一年。一如去年的年度报告所料，2014财政年度确是忙碌的一年。我们已经执行和完成了双溪大年中环广场（“中环广场”）的资产增值举措（“AEI”）。中环广场如今外观崭新亮丽，具有其广场特色，不仅适合全家大小光顾，而且购物氛围更见蓬勃兴旺。

我们也开始和将继续对资产组合中其余购物广场进行更多资产增值举措以及租户调整活动，以吸引购物者和保持竞争力。

欲知2014财政年度的所有活动详情检讨，请继续阅读以下内容。

### 营运环境

2014年11月，马来西亚国家银行（“大马国行”）报道以国内生产总值（“GDP”）衡量的国家经济在2014年第三季度已增长5.6%，比之4月至6月期间的强势6.5%增长率稍见缓和。自上半年表现上扬后，马来西亚经济研究所（“MIER”）报道2014年的国内生产总值增长率将大约是5.9%，比2013年稍为上升。

马来西亚零售调查行在每季度发表的行业报告书中指出，与2013年的4.5% 比较，2014全年零售业的整体零售增长率预计将达到6%。马来西亚多姿多彩的佳节庆典也应该会促使佳节期间的零售销量表现出色。

然而，该组织也表示零售业将会在2014年下半年面对更艰难挑战，因为隔夜政策利率可能会影响高价物品的零售销量。电费上涨，政府撤销津贴和开销，以及普遍物价升涨都会增加本地消费者购买能力。

根据分析员一般上预测，2015年的零售市场在4月1日消费实行税后应会暂时偏软。尽管如此，消费者为避6%消费税的购买可能会在第一季度刺激零售业销量。

零售空间的供应同步满足了零售业的增长需求。2014年第一季度，产业顾问CH Williams Talhar与 Wong私人有限公司报道巴生谷将出现多家崭新和翻新的购物广场，净出租面积总计500万平方尺，使净出租面积累积供应达到4900万平方尺。

### 财务表现

#### 可持续性财务表现

2014财政年度的总收入达1亿2200万令吉，比去年增加1.5%。净产业收益（“NPI”）达7300万令吉，比截至2013年12月31日的前财政年度（2013财政年度）稍跌1.1%。贺达产托取得5000万令吉的净收益，比2013财政年度减少14.3%。每单位已实现收益为11.05仙，比2013财政年度的11.52仙下跌4.1%。



国内电费在2014年上涨17%，无论是个人或商家均受影响，贺达产托也不例外。除了电费上涨之外，大马国行也宣布隔夜政策利率在7月上升25 基点，因此加重我们的利息成本负担。这些成本考验对我们的已实现净收益造成多达180万令吉的整体冲击。

面对万物涨价的情势，2014年营运不易。如今营商已呈新常态，我们必须能够灵活调整来应付挑战，以保持绩效和业绩表现。

在2014年，贺达产托也在营运成本增加的同时忙于实行已规划的资产增值举措行动。我们耗资逾2300万令吉翻新中环广场。当我们于2012年末期收购此广场时，它已有逾15年历史。翻新工作的规划和实行都强调尽量减少干扰广场运作。然而，即使我们尽全力减少对业务造成干扰，在翻新工作进行时，收入依然无可避免地暂时性下跌。为配合翻新工作需要，我们迫不得已暂时关闭一些独立柜台和零售展销单位。此外，我们也必须搁置一些租户以争取更优秀的租户进驻。这些因此造成中环收入暂时下跌，从而影响贺达产托的整体盈利。我们的资产增值举措如今已完工，并希望中环在2015年会有更好的表现以加强我们的盈利。

我们的收益基于上述挑战而受到了打击。2014财政年度收益比2013财政年度少了4.1%。即使收益减退，董事会已决定分派与2013财政年度同等数额的股息，也即是每单位10.5仙。总结来说，贺达产托在2014财政年度保障了其单位持有人利益以不受成本涨价的变化所影响。

我们将在迈入2015年后面对新挑战。我们目前正为2015年4月实行的消费税作好准备。直到目前，消费税的推行对我们的财务绩效的影响程度依然是个未知数，但是我们认为在保持营运成本方面必定会出现更多挑战。

为了改善绩效，我们除了采取不断为租户组合注入新活力的惯例策略之外，也探讨在分契式广场收购已个别出售的店铺。由于它们大多数坐落在关键位置，这将有助改进我们的租户调整策略。

如今中环的资产增值举措既已完成，我们便计划开始为资产组合里的其他广场开始进行资产增值举措计划。我们必须改善广场，并持续改革以求与时俱进，否则便会与购物者脱节而受淘汰。我们会在适当时机作出必要的宣布。

## 公允价值调整

贺达产托的资产组合如今总值10亿6000万令吉。净资产值(“NAV”)也从去年每单位1.53令吉增加至每单位1.55令吉。

公允价值调整属于非现金项目，是贺达产托为产业组合进行年度估值调整所采用的马来西亚财务报告标准(MFRS)准则之一。独立估价师将估值和客观地编写报告以确定当时的产业市值。资产管理公司将不断寻求方法提升或翻新产业以改善它们的创收潜能，从而增加它们的产业价值。

2014年由于营运成本上升，产业估值只提高了1.3%。而且净资产收入的下跌也影响了贺达资产的市值。估计2015年中环广场的AEI完成后，贺达资产市值会有所提升。

## 收益分配和会计政策

贺达产托宣布在2014财政年度的每单位派息为10.50仙，与2013财政年度的派息保持不变。我们也在早前的2014年单位持有人大会上表示会致力保持至少每单位10.5仙的派息。自2006年首次公开发售(“IPO”)迄今，贺达产托一直都保持每季度从无中断派息给单位持有人的纪录。

我们也坚持在全年以四个季度股息支付至少90%的可分配净收益的政策。我们必须澄清可分配净收益是指不包括非现金项目，例如公允价值调整(通常是基于产业价值上涨)以及属于财务报告标准117的项目的净收益，财务报告标准117是于2010财政年度采纳的会计标准(详情请见账目注释)。有鉴于此，2014财政年度的可分配净收益是比净收益低。支付90%的可分配净收益之后，贺达产托保留剩余的10%，供未来资产增值举措以及收购资产组合中的已售店铺之用途。

## 稳定纪录

贺达产托单位价格在年终以1.49令吉收市，保持在2014年初的开市价格水平。贺达产托的净资产值在2014年12月31日为每单位1.55令吉。

您若在2014年初以1.50令吉价格投资贺达产托单位，并持有单位直到年底，您将收到四次总计每单位10.5仙的派息，股息回酬率为7.0%(按2014年12月31日的1.49令吉收市价格计算)。您的2014财政年度贺达产托总回酬率将大约为6.4%。

2014年底的贺达产托单位价格比10年马来西亚政府债券(“MGS”)收益率高287个基点。它在2013年与MGS收益率差别282个基点。它与MGS的收益率差别拉阔了五个基点因贺达产托单位价格自年初微跌了一仙。

## 2014年融资计划

如前所述，隔夜政策利率最后一次是在2014年7月调升25个基点，迄今不变。野村证券和渣打银行环球研究均认为大马国行(“BNM”)将会在2015年第三季度再次将隔夜政策利率提高25个基点。这次上涨可能会将债券收益率推高，进而使贺达产托的股息回酬率差距收窄。

贺达产托的融资来自Al-Murabahah透支便利的六批贷款，价值分别为1亿8400万令吉、1亿5000万令吉、1500万令吉、8700万令吉、6500万令吉和3000万令吉，它们分别于2016年、2017年、2015年、2016/17年、2019年和2018年

到期。贺达产托在2014财政年度的资本负债比稍微提高至资产总值的41%(2013财政年度为40%)，但仍在管制当局所制定的50%上限范围内，而截至2014财政年度的加权平均融资成本从2013财政年度的4.5%稍增至4.8%。

贺达产托的加息风险管理策略是利用将清真盈利掉期(“IPRS”)工具将对冲提高至4亿3600万令吉贷款总额的大约70%(2013财政年度为40%)。IPRS平均率为4.87%。

如今我们的加权债务成本保持在4.8%水平。

## 资产组合表现

贺达产托的资产组合包含首邦再也的首邦百利广场、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。这些产业的顾客来源区共有逾300万名大马人口。这些购物广场位于人口相当稠密的地区，获得当地人忠实支持，以及越来越多各阶层访客光顾。贺达产托的零售业因此有超过500个各种从时装到娱乐业的租户。

## 购物中心体验

贺达产托的宗旨是“打造人人爱光顾的购物场所”，其商业模式是采纳符合国际标准的最佳实践法。我们的团队不断通过各途径研究和探讨全世界各地的最佳实践范例。

随着时日变迁，为购物中心注入新气象，使之成为公共社区场所是零售领域的其中一项转变趋势。由于逛购物中心已逐渐成为马来西亚人的消遣活动，因此购物中心不断崛起成为“热门聚会地点”。我们也留意到越来越多有马来西亚城市居民在周末闲暇往购物广场打发时间。因此，我们的整体策略将专注于确保贺达产托的产业与时俱进。以下是针对资产组合的2014年表现探讨我们的策略。

## 首邦百利广场

获奖的首邦百利广场位于蓬勃兴旺的首邦再也商业区中心点。这家社区型购物广场邻近有连接首邦再也和吉隆坡的主要电动火车站。它坐落在数家购物中心汇集之处，彼此距离咫尺之遥。

首邦百利自开业以来已经历过数次大规模翻新工程，其出租率连续多年都近乎100%，而且租户多元化，证明我们过去的资产提升举措的成功。2014财政年度的访客流量为950万人，平均大约每个月79万人。

首邦百利在2014财政年度的续租租金调升率良好。在2014财政年度里，它的平均续租租金调升率保持在稳健的5%水平，一共签署了63项新租约和续约，涉及总计169,643平方米的零售面积。首邦百利来年将面对更多挑战，因为届时会有更多零售面积的租约即将到期和待续租。然而，我们视之为改善情况的机会。

我们成功招揽马来西亚首家Coffee Club，同时也引入本地热门美食店PappaRich。不仅如此，Hamleys玩具店也在年底假期于首邦百利举行展售，为家长和孩子们呈献最美好的佳节购物及送礼体验。

由于市场竞争日益激烈，我们不容松懈，致力巩固我们与零售商之间的合作关系以共同取得成功。巴生谷规模庞大的区域性商场如雨后春笋般冒起，相比之下首邦百利已非最大型的商场，但它

## 致单位持有 人的信函 (续)

仍然保持着家庭和年轻伴侣阶层的忠实顾客群。它为全家人提供购物便利和舒适，同时也让他们有机会享受各种不同饮食选择，以及在一起观赏最新电影，共度时光。

### 皇冠百利广场

位于马六甲市中心的皇冠百利广场是马六甲首家区域性购物商场。它于1994年开始营业，并在2014年庆祝廿周年纪念。一直以来，皇冠百利都是马六甲的高级购物中心，因为它处于马六甲历史城的旅游区关键位置。马六甲已被列入联合国世界文化遗产名录，属于联合国教科文组织保护的全球各地历史古迹之一。此城市也有其它购物广场如英雄广场和惠胜之都购物商场，由于彼此毗邻接近，形成了一个热闹及富客的零售地带。

皇冠百利在2014财政年度的出租率为94.5%，虽然比2013财政年度的97.0%稍为下跌，但尚算稳定。它也在该财政年度里取得良好的1%续租租金调升率。它一共签署了29项新租约和续租约，涉及总计200,532平方尺的零售面积，占总出租面积的41%。

2015年将有226,075平方尺的零售面积租约即将到期和待续租，占总出租面积的47%。我们视之为好现象，因为我们将有机会改善租户组合和调升租金。

皇冠百利的AEI在2014财政年度动工，现有四（4）影厅的电影院将增加至十（10）影厅，可容纳大约1,680个座位。我们估计电影院工程将在2015年第二季度竣工，及时在畅销电影季节投入运作。我们预计这10影厅的电影院将为皇冠百利注入新活力，带来类似首邦百利在2012年引入8影厅电影院所制造的良好效果。这项策略的目的是进一步提高二楼的访客流量，希望能因此提升电影院附近零售区的续租租金调升率。

在2014年，管理层积极收购皇冠百利前业主售予个别人士的数个零售店铺。这些零售店铺的位置关键，可索取较高租金。这些收购活动是根据管制当局制定的准则进行，预计可提高回报率。

### 麻坡威德百利广场

威德百利是位于麻坡市镇商业区中心的综合型零售商场。威德百利是蓬勃的麻坡市镇上唯一专门建设的购物广场，因此它是当地社区首屈一指的高级零售目的地。麻坡是柔佛州继首府新山之后的第二大城市。

威德百利在2014年达到了良好的续租租金调升率，同时也保持98.3%（2013财政年度为98.0%）的高出租率，显示它在当地零售界的领先地位。在2014财政年度，威德百利的平均续租租金调升率为出色的7%（2013财政年度为6.0%）。威德百利总共签署16项新租约和续租约，涉及面积总计103,516平方尺，占零售面积的65%（2013财政年度为9.0%）。

此外，大众书局也进驻成为广场五楼的主要租户。这两项举措改善了威德百利的访客流量和零售服务产品。

### 双溪大年中环广场

中环广场位于双溪大年镇，在檳城州以北35公里。这是一个发展中的工业区，据有超过40万居民。离开双溪大年约25公里，也另有一蓬勃发展的重工业区 - Gurun。双溪大年的零售环境是相当的竞争，近年已建立了几家新的商场。最新开张的和中环广场作为相距约20分钟车程的Amanjaya购物中心。

贺达产托于2014财政年度开始对中环广场展开资产强化举措。这项计划涉及提升广场整栋建筑物的外观以大规模内部翻新工程。我们尽量减低翻新工程对商场的运作影响。数个零售店、零售商品展销单位或小摊子以及独立柜台（“SAC”）被迁移和重新设计，以便可以在强化工程竣工后实行我们的新零售概念。我们也尽量减少装修活动对购物者和零售商所带来的不便。

AEI完工之后，中环的形象提升，与双溪大年一些较新购物商场的水平不相上下。中环如今拥有一个崭新特出，方便乐龄人士以及一家大小的正门大堂。地下两层停车场也显著改善，如今有更明亮灯光，更明显的指示牌，同时也推行更方便的自动停车付费系统。

翻新工程让我们有机会招揽国内和国际新连锁租户进驻，以取代一些较冷门的租户。此广场如今呈献更多姿多彩的餐饮选择，适合喜欢购物和出外进餐的全家大小以及年轻伴侣们。中环的娱乐区如今迁移至四及五楼。一家保龄球馆和一家崭新8影厅的电影院将进驻成为广场顶楼的主要租户。我们估计这两家新租户将在2015年第二季度初期开张营业。

中环在2014年取得良好的续租租金调升率以及80.5%的更高出租率（2013财政年度为80.0%）。访客流量在资产增值举措进行期间下跌大约20%，如今资产增值举措已完工，客流量预计从今开始将会改善。

中环在2014财政年度也取得了良好续租租金调升率。即使受翻新工程影响，2014财政年度的平均续租租金调升率仍达到37%（2013财政年度为52.0%），广场总共签署了8项新租约和续租约，涉及面积总计59,997平方尺，占零售面积的20%。

### 居林新世纪广场

新世纪广场位于拥有25万居民的居林，它的靠科技园具有许多国际科技公司如Intel, Fuji, Ranbaxy 和 First Solar。新世纪广场是居林城镇唯一的购物中心，最接近的竞争对手是The Summit Bukit Mertajam和AEON Mall Bukit Mertajam，位于邻近的大山脚镇。

新世纪广场2014年出租率提高至97.8%（2013财政年度为96.0%）

新世纪在2014财政年度取得良好续租租金调升率。由于零售商期望广场会落实更多改良工作，2014财政年度的平均续租租金调升率仍达到16.0%（2013财政年度为23.0%），成绩令人鼓舞。广场总共签署了4项新租约和续租约，涉及面积总计23,058平方尺，占零售面积的8%。

### 收购潜能的最新资讯

2014年并无任何重大的新收购项目。在资本报酬率缩小之时，我们将把握机会，锁定能够提供增长性产业收益率的目标以拓展版图。

我们也在2014财政年度积极向个别业主收购已售出的皇冠百利和中环店铺，这些都是个别业主向前任广场业主购买的店铺。我们也趁翻新工程进行期间在中环收购已售出的店铺，因为我们预期此举可为现有零售区增加价值以及增强我们的增值举措效果。收购皇冠百利的已售出商店是对具有长远收益增长潜能的关键零售店的持续收购行动之一。

收购中环和皇冠百利零售店铺的资金来自内部资金和银行贷款。

### 迈向2015年及未来

即使2015年的外部需求和消费者开支水平变化不定，马来西亚预计仍可保持强势经济，并估计可制造5.5%经济增长率。在此乐观前景之下，贺达产托必须对另一项同样重要的挑战——保留人才，尤其是租赁领域的人才采取积极态度，因为市面上有许多新购物中心开张和提供优秀的事业前途。我们必须克服这关键业务问题，不断检讨我们的人力资源策略以吸引市面上最优秀的精英人才，同时保留我们现有的领导人才。

### 鸣谢

本人代表董事会感谢团队的工作尽责和献身精神。我们也感谢零售商、供应商和业务伙伴。大家的贡献和支持确保贺达产托得以继续成为投资者正当合理、安全和首选的投资。

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#### 董事主席兼首席执行官

DATO' JAAFAR BIN ABDUL HAMID

# PORTFOLIO PERFORMANCE

## Property Profiles

Hektar REIT's portfolio consists of five well-established destination centres - Subang Parade, Mahkota Parade, Wetex Parade, Central Square, and Landmark Central. This financial year, the REIT has also undertaken an extensive AEI at Central Square.



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 2014 is set out in the following pages.

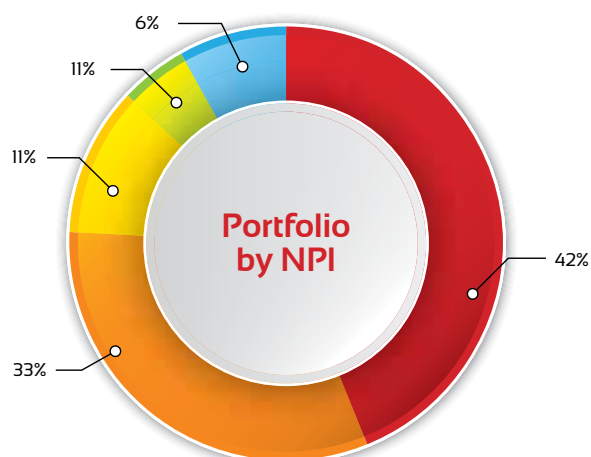
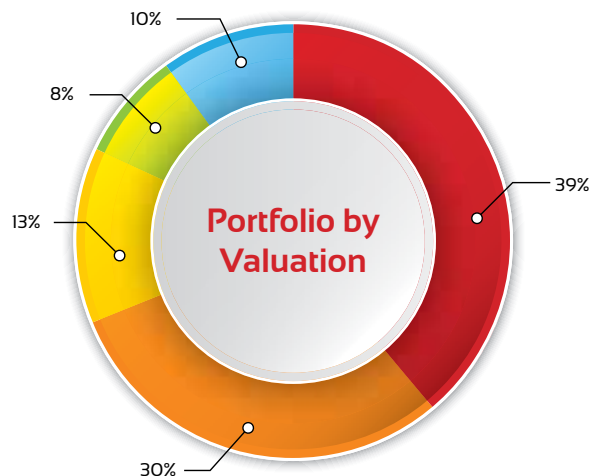
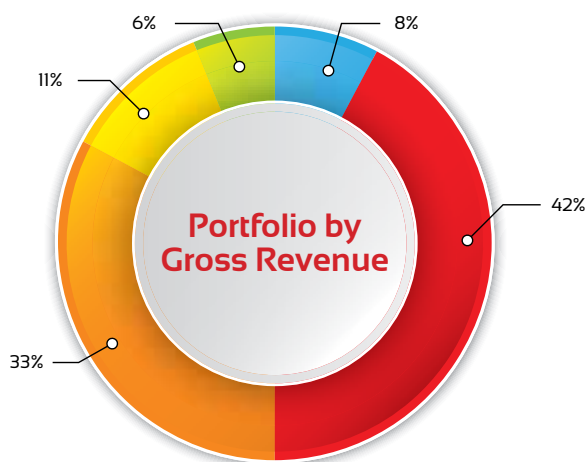


	Subang Parade	Mahkota Parade	Wetex Parade	Central Square	Landmark Central
State	Selangor	Melaka	Johor	Kedah	Kedah
Title	Freehold	Leasehold (2101)	Freehold	Freehold	Freehold
Primary Trade Area <sup>1</sup>	1,834,000	382,200	201,600	406,870	181,195
NLA (Retail) <sup>2</sup>	504,681 sq ft	484,029 sq ft	158,334 sq ft	303,234 sq ft	281,388 sq ft
Tenancies <sup>2</sup>	137	101	75	56	68
Occupancy <sup>2</sup>	99.3%	94.5%	98.3%	80.5%	97.8%
Visitor Traffic FY2014	9.5 million	10.0 million	4.8 million	3.3 million	3.2 million
Purchase Price (RM)	280.0 million	232.0 million	117.5 million	83.0 million	98.0 million
Valuation (RM) <sup>2</sup>	417.7 million	318.0 million	135.0 million	85.5 million	104.5 million
Gross Revenue FY2014 (RM) <sup>2</sup>	50.6 million	39.9 million	13.2 million	7.9 million	10.4 million
Net Property Income (NPI) FY2014 (RM) <sup>2</sup>	32.6 million	23.3 million	7.8 million	3.5 million	6.1 million

<sup>1</sup> Source: Spectrum Research Asia Sdn. Bhd., December 2012 (Independent Research), within 20-minutes drive  
<sup>2</sup> As at 31 December 2014.

### Diversified Portfolio

- Subang Parade
- Mahkota Parade
- Wetex Parade
- Central Square
- Landmark Central



### Portfolio Occupancy

Hektar's portfolio of assets have achieved an aggregate occupancy rate of 94.3% as at 31 December 2014. The overall occupancy rate is stable, just slightly lower than the preceding year as the asset enhancement initiatives ("AEI") at Central Square has yet to be completed. The occupancy rate is expected to improve in the coming financial year when the AEI is concluded.

The remaining shopping centres, especially Subang Parade, have all maintained high occupancy rates.

Property	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Subang Parade	99.3%	100.0%	99.8%	99.9%	94.8%
Mahkota Parade	94.5%	97.8%	96.1%	94.5%	96.1%
Wetex Parade	98.3%	96.8%	97.8%	98.6%	95.6%
Central Square	80.5%	82.5%	89.8%	-	-
Landmark Central	97.8%	93.7%	96.9%	-	-
Overall*	94.3%	95.0%	96.3%	-	-

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

## PORTFOLIO PERFORMANCE (Cont'd)

### Visitor Traffic

Visitor traffic is measured by FootFall, a computerised video-based traffic monitoring system. Visits to Subang has increased healthily by 11.7% but Mahkota Parade and Landmark Central have decreased slightly due to competitive market conditions. Shopper traffic at Central Square has reduced significantly due to the ongoing asset enhancement initiatives. Visitor traffic at Wetex Parade however, is maintained at 4.8 million.

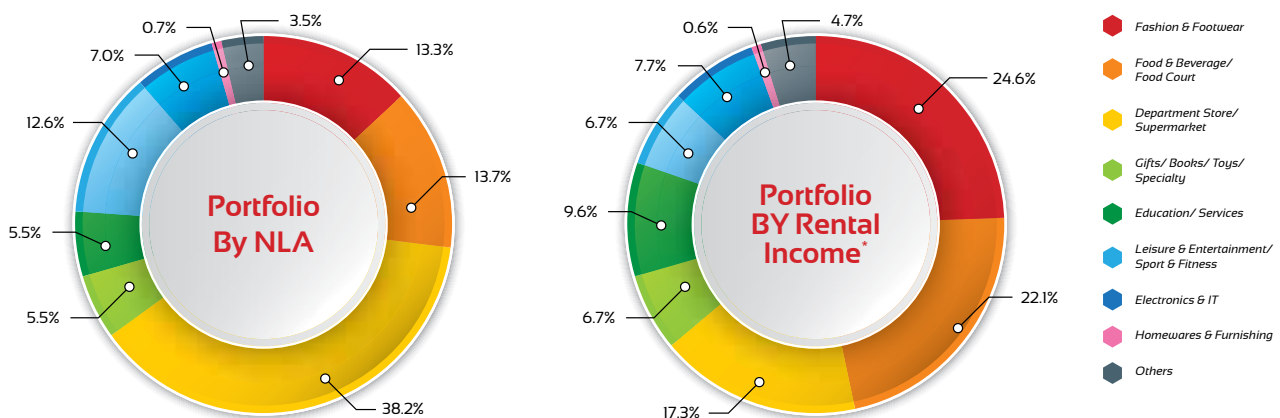
Property	No. of Visits 2014	No. of Visits 2013	No. of Visits 2012	No. of Visits 2011	No. of Visits 2010
Subang Parade % Change in Traffic	9.5 million 11.8%	8.5 million 10.4%	7.7 million** (2.5%)	7.9 million 5.3%	7.5 million (3.1%)
Mahkota Parade % Change in Traffic	10.0 million (3.8%)	10.4 million (5.5%)	11.0 million 34.1%	8.2 million 13.9%	7.2 million (8.8%)
Wetex Parade % Change in Traffic	4.8 million 0.1%	4.8 million (7.7%)	5.2 million** (11.9%)	5.9 million 7.3%	5.5 million (2.2%)
Central Square* % Change in Traffic	3.3 million (19.5%)	4.1 million -	- -	- -	- -
Landmark Central* % Change in Traffic	3.2 million (5.9%)	3.4 million -	- -	- -	- -
<b>Total</b>	<b>30.8 million</b>	<b>31.2 million</b>	<b>23.9 million</b>	<b>22.1 million</b>	<b>20.2 million</b>

\* Footfall system for Central Square and Landmark Central was installed only in late November 2012. Footfall for these 2 malls are reported from Jan 2013 onwards.

\*\* 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 38.2% of total portfolio NLA. In terms of rental income, the largest segment remains fashion and footwear, which contributes approximately 24.6% of monthly rental income. Food and beverage comes closely behind, constituting 22.1% of the portfolio monthly income.





### Portfolio's Top Ten Tenants

The top ten tenants in the portfolio contributed approximately 28.2% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 9.5% 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%	9.5%
The Store	Department Store / Supermarket	273,198	15.8%	6.0%
Seleria	Food & Beverage	35,773	2.1%	2.4%
Giant	Department Store / Supermarket	96,283	5.6%	1.8%
McDonald's	Food & Beverage	14,676	0.8%	1.7%
KFC	Food & Beverage	17,431	1.0%	1.6%
Reject Shop	Fashion & Footwear	29,663	1.7%	1.6%
MPH Bookstores	Gifts / Books / Toys / Specialty	22,075	1.3%	1.3%
Kenny Roger Roasters	Food & Beverage	7,096	0.4%	1.2%
Celebrity Fitness	Leisure & Entertainment / Sports & Fitness	34,317	2.0%	1.2%
Top 10 Tenants (By Monthly Rental Income)		784,521	45.3%	28.2%
Other Tenants		947,145	54.7%	71.8%
<b>Total</b>		<b>1,731,666</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental for December 2014

### Portfolio Rental Reversions

For the year ended 31 December 2014, the portfolio recorded 120 new and renewed tenancies, with an overall weighted average rental reversion of 6%. Central Square has recorded tremendous reversion this year with its asset enhancement initiative in place. Landmark Central too, has achieved excellent reversion due to active tenant remixing exercises. The other three malls have maintained their healthy reversion rates.

Full Year (12 months) (Ended 31 December)	No. of New Tenancies/ Renewals	NLA (sq ft)	% of Total NLA	% Increase Over Previous Rent Rates
Subang Parade	63	169,643	34%	5%
Mahkota Parade	29	200,532	41%	1%
Wetex Parade	16	103,516	65%	7%
Central Square	8	59,977	20%	37%
Landmark Central	4	23,058	8%	16%
<b>Total / Average*</b>	<b>120</b>	<b>556,726</b>	<b>32%</b>	<b>6%</b>

\* The weighted average is calculated based on NLA. Figures as at 31 December 2014

# PORTFOLIO PERFORMANCE (Cont'd)

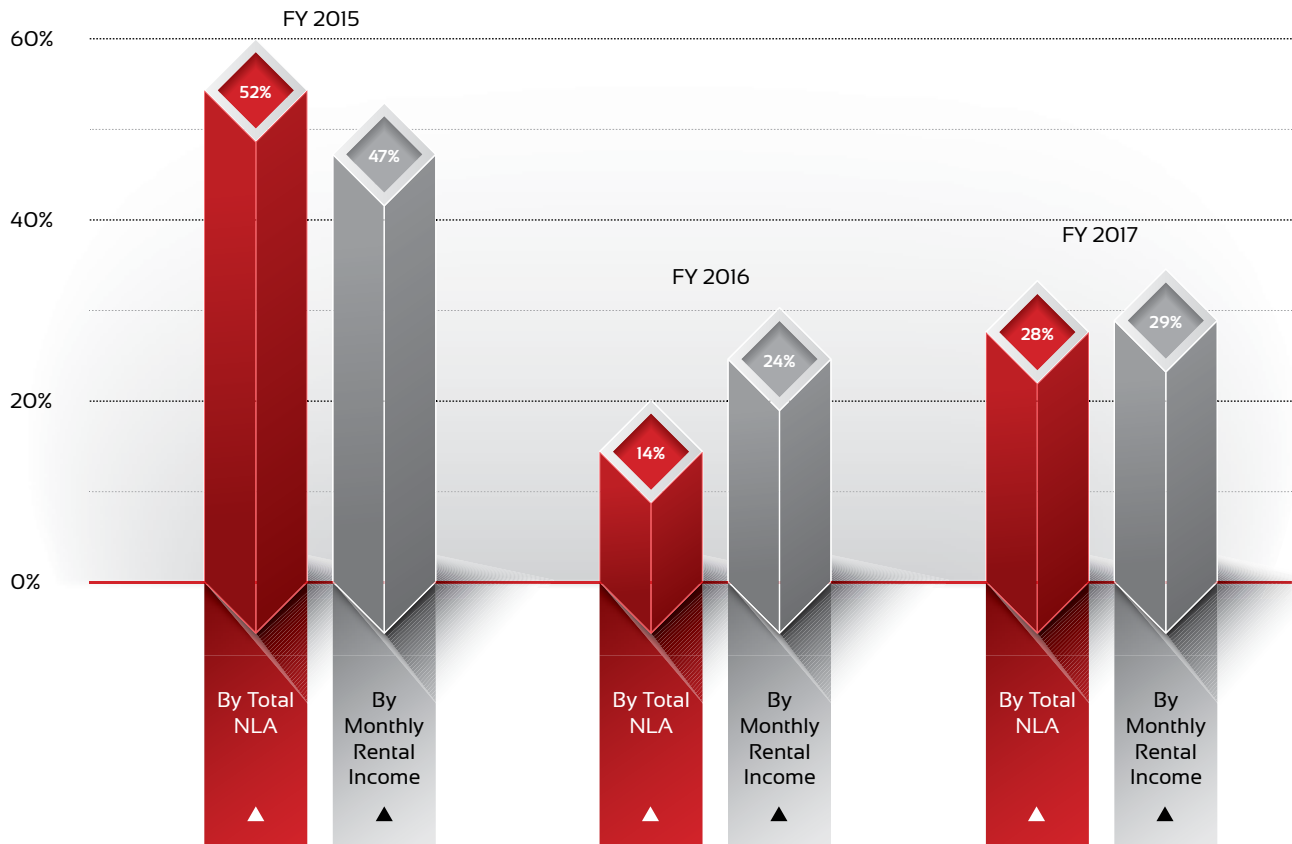
## Portfolio Tenancy Expiry Profile

For the year 2015, a total of 191 tenancies will expire, representing approximately 52% of NLA and 47% of monthly rental income as at 31 December 2014. This is in line with typical tenancy terms of 3 years, as per the current market practice in Malaysia.

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

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 2015	191	899,840	52%	47%
FY 2016	129	235,486	14%	24%
FY 2017	110	492,684	28%	29%

\* Based on monthly rental income for December 2014. Figures may not round to 100% due to miscellaneous items.



### Portfolio Tenancy Provisions

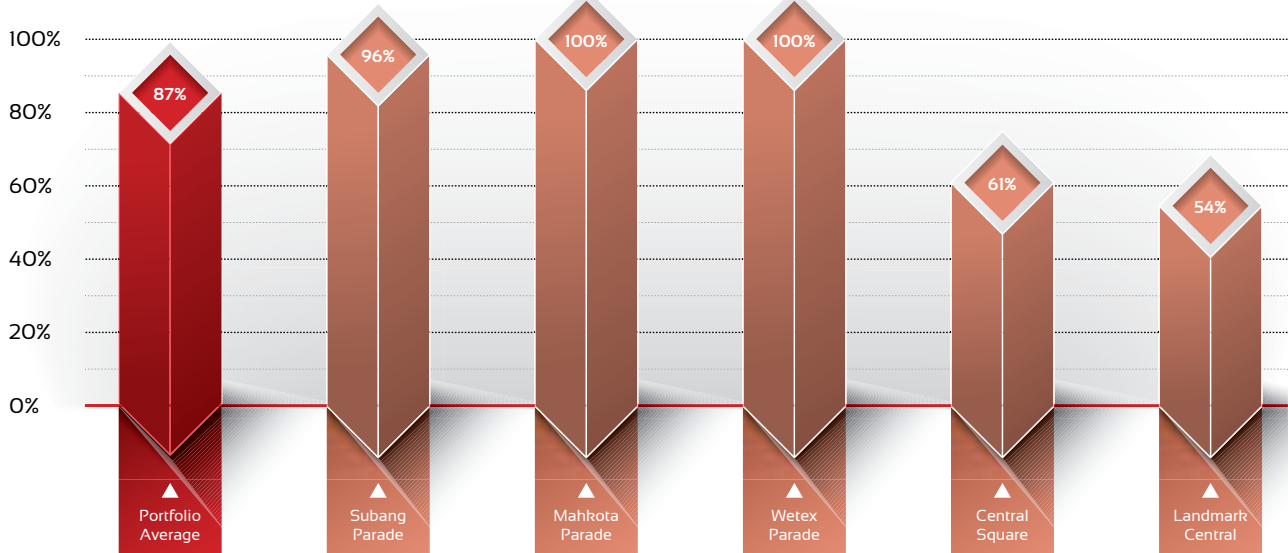
As at 31 December 2014, turnover rent provisions were present in approximately 87% of the tenancies in the portfolio. Step-up rent provisions were present in approximately 38% of tenancies within the portfolio.

The practice of turnover rent and step-up rent is new at Central Square and Landmark Central. Excluding the effects of the two malls, the turnover rent provision and step-up rent provision will be 98% and 39% of the tenancies respectively. The proportion of tenancies in the portfolio with turnover rent provision has increased from 64% last year to 87% after active inclusion of this provision in the tenancies at Central Square and Landmark Central.

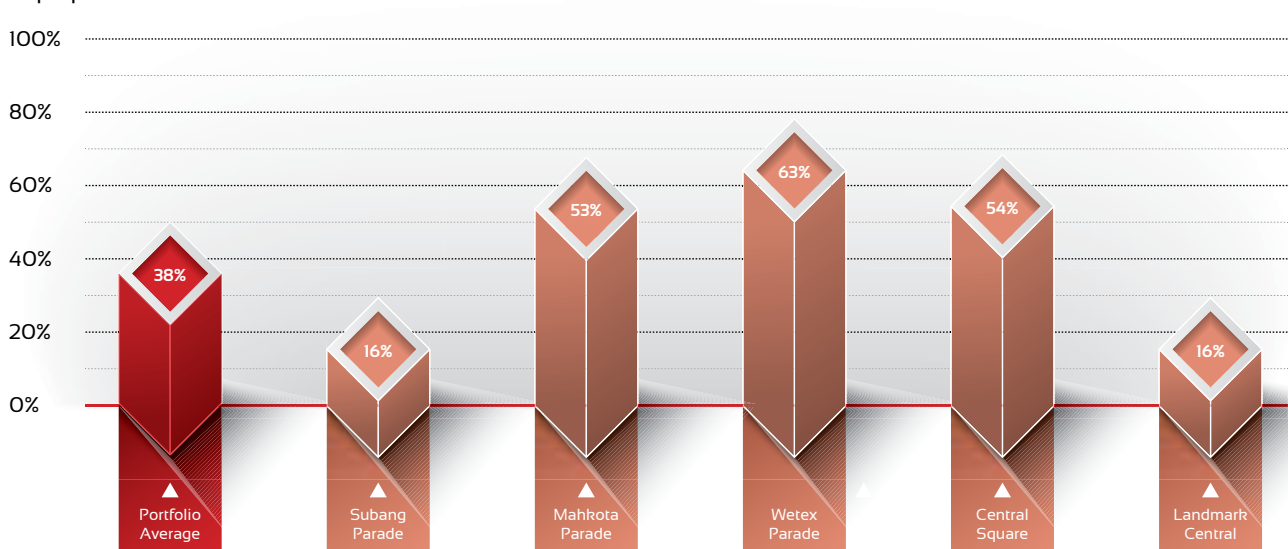
A turnover rent provision allows for rent calculated as a proportion of annual turnover of the tenant's business. Turnover rent is paid to the REIT if it exceeds the base rent specified in tenancy agreements on an annual basis. A step-up rent provision is specified in tenancy agreements as a pre-determined 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



#### Step-up Rent



## PORTFOLIO PERFORMANCE (Cont'd)



<b>Location</b>	No. 5 Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	1,834,000 within 20-mins drive time
<b>Gross Floor Area</b>	1,169,038 sq ft
<b>Net Lettable Area</b>	504,681 sq ft
<b>Car Park</b>	1,282
<b>Valuation</b>	RM406.8 million

<b>Tenants*</b>	137
<b>Key Tenants</b>	Parkson, Celebrity Fitness, MBO, Best Denki, Digital One, TGIF
<b>Occupancy</b>	99.3%
<b>Visitor Traffic</b>	9.5 million
<b>Year Opened</b>	1988
<b>Year Acquired</b>	2006

Data as of 31 December 2014. \* Only NLA Lots

### Subang Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store / Supermarket	140,620	27.9%	12.8%
Celebrity Fitness	Leisure & Entertainment / Sports & Fitness	34,317	6.8%	2.8%
Digital One	Electronics & IT	21,361	4.2%	2.7%
Best Denki	Electronics & IT	24,739	4.9%	2.1%
TGI Friday's	Food & Beverage	5,655	1.1%	2.0%
Kenny Roger Roasters	Food & Beverage	3,610	0.7%	1.9%
W.O.S World of Sports	Leisure & Entertainment / Sports & Fitness	5,769	1.1%	1.8%
MPH Bookstores	Gifts / Books / Toys / Specialty	17,385	3.4%	1.8%
The Reject Shop	Fashion & Footwear	9,192	1.8%	1.7%
MBO Cinemas	Leisure & Entertainment / Sports & Fitness	25,293	5.0%	1.7%
Top 10 Tenants (By Monthly Rental Income)		287,941	57.1%	31.2%
Other Tenants		233,412	42.9%	68.8%
<b>Total</b>		<b>504,681</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2014.



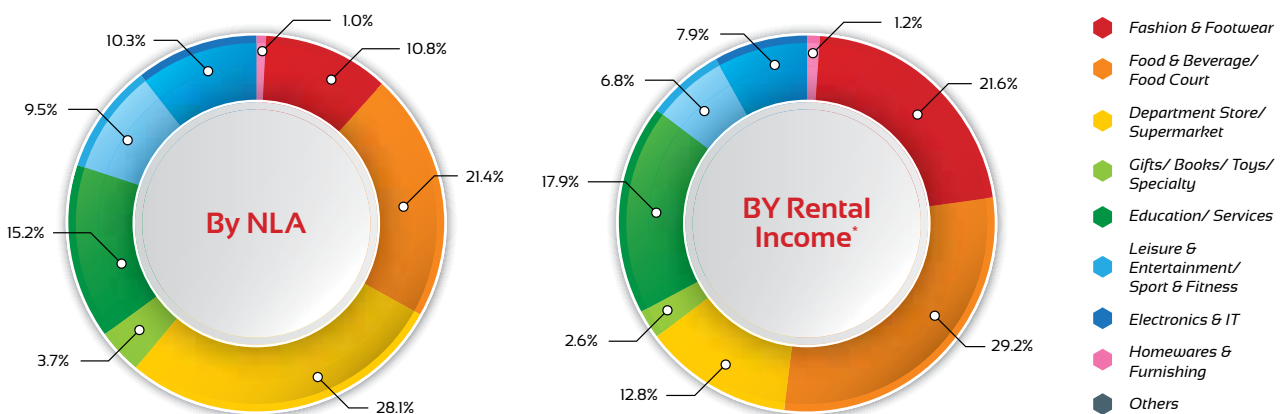
## SUBANG PARADE

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 Centres (ICSC) with a Silver Award for Development & Design at the 2008 ICSC Asia Awards.

### Subang Parade's Tenancy Mix



### 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 2015	43	235,584	47%	38%
FY 2016	48	90,714	18%	29%
FY 2017	46	174,687	35%	33%

\* Based on monthly rental income for December 2014

## PORTFOLIO PERFORMANCE (Cont'd)

### MAHKOTA PARADE

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

Mahkota Parade is positioned as the leading shopping centre in the Melaka region. The centre also serves as a key destination for major community events and exhibitions. Mahkota Parade was awarded by the International Council of Shopping Centres (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, a further expansion by increasing the number of screens at the cinema from four to ten was carried out and is expected to complete in 2015.

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.



Location	No. 1 Jalan Merdeka 75000 Bandar Melaka, Melaka
Title	Leasehold (until 2101)
Primary Trade Area	382,200 within 20-mins drive time
Gross Floor Area	1,392,623 sq ft
Net Lettable Area	484,029 sq ft
Car Park	1,079
Valuation	RM318.0 million

Tenants'	101
Key Tenants	Parkson, Seleria, Giant, MIXX
Occupancy	94.5%
Visitor Traffic	10.0 million
Year Opened	1994
Year Acquired	2006

Data as of 31 December 2014. \* Only NLA Lots

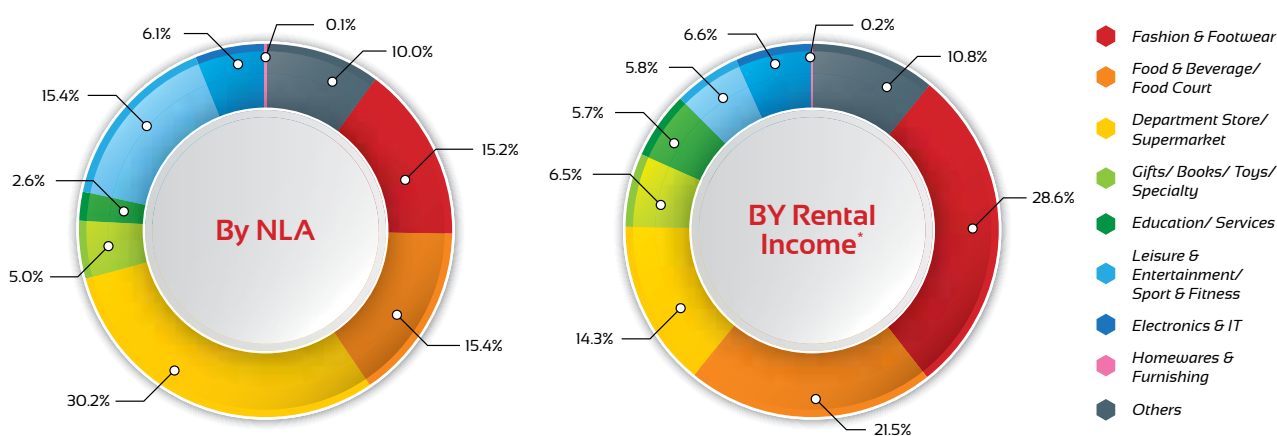
### Mahkota Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store / Supermarket	113,389	23.4%	12.7%
Seleria	Food & Beverage	35,773	7.4%	7.6%
Ampang Superbowl	Leisure & Entertainment / Sports & Fitness	36,717	7.6%	3.7%
KFC	Food & Beverage	5,403	1.1%	2.7%
McDonald's	Food & Beverage	5,942	1.2%	2.2%
Reject Shop	Fashion & Footwear	8,503	1.8%	2.1%
MPH Bookstores	Gifts / Books / Toys / Specialty	4,690	1.0%	1.7%
Guardian	Education / Services / Health / Beauty	3,800	0.8%	1.6%
Kaison	Others	9,655	2.0%	1.5%
senQ	Electronics & IT	14,815	3.1%	1.5%
Top 10 Tenants (By Monthly Rental Income)		238,687	49.3%	37.5%
Other Tenants		245,342	50.7%	62.5%
<b>Total</b>		<b>484,029</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2014.



### Mahkota Parade's Tenancy Mix



### 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 2015	4	226,075	47%	51%
FY 2016	36	68,797	14%	24%
FY 2017	17	162,592	32%	25%

\* Based on monthly rental income for December 2014

## PORTFOLIO PERFORMANCE (Cont'd)



<b>Location</b>	69 Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	201,600 within 20 minutes' drive
<b>Gross Floor Area</b>	281,590 sq ft
<b>Net Lettable Area</b>	158,334 sq ft
<b>Car Park</b>	175
<b>Valuation**</b>	RM135.0 million
<b>Tenants'</b>	75

<b>Key Tenants</b>	The Store, McDonald's, Watsons, Popular Bookstore
<b>Occupancy</b>	98.3%
<b>Visitor Traffic</b>	4.8 million
<b>Year Opened</b>	1996
<b>Year Acquired</b>	2008

Data as of 31 December 2014.

\* Only NLA Lots

\*\* Valuation includes Classic Hotel

### Wetex Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store / Supermarket	85,413	53.9%	26.9%
Watsons	Others	2,027	1.3%	4.5%
Living Cabin	Gifts / Books / Toys / Specialty	2,949	1.9%	3.0%
McDonald's	Food & Beverage	2,489	1.6%	2.5%
Effu	Fashion & Footwear	2,110	1.3%	2.4%
Tanjongmas Bookcentre	Gifts / Books / Toys / Specialty	4,037	2.5%	2.4%
Popular	Gifts / Books / Toys / Specialty	7,190	4.5%	2.4%
Sukan Muara	Leisure & Entertainment / Sports & Fitness	1,356	0.9%	2.1%
Fabiano Ricco & Ecco	Fashion & Footwear	1,259	0.8%	2.1%
Baker House Confectionery	Food & Beverage	990	0.6%	1.8%
Top 10 Tenants (By Monthly Rental Income)		109,820	69.4%	50.1%
Other Tenants		48,514	30.6%	49.9%
<b>Total</b>		<b>158,334</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2014.





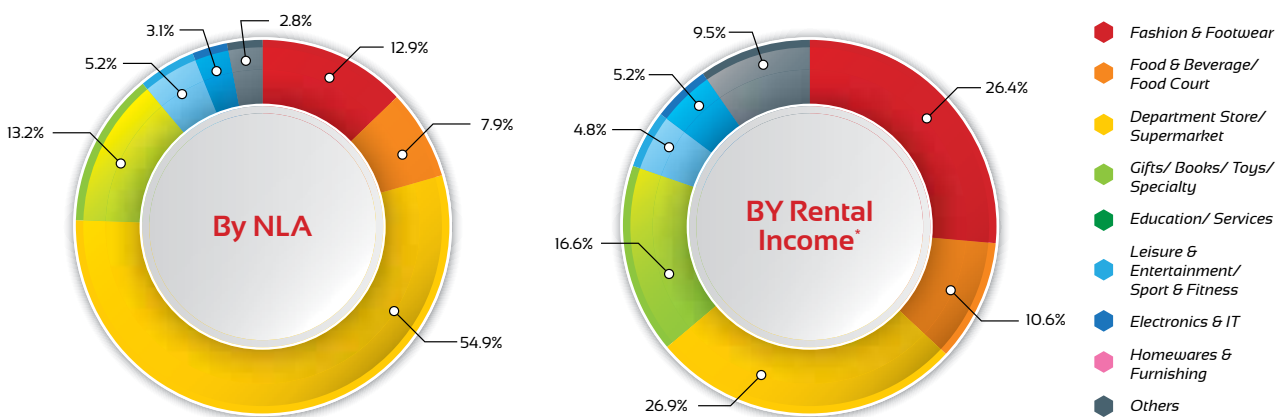
## WETEX PARADE

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 Centres (ICSC) with a Gold Award for Marketing Excellence at the 2010 ICSC Asia Awards.

### Wetex Parade's Tenancy Mix



### 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 2015	45	38,992	25%	43%
FY 2016	18	14,455	9%	16%
FY 2017	3	96,902	19%	41%

\* Based on monthly rental income for December 2014

## PORTFOLIO PERFORMANCE (Cont'd)

### CENTRAL SQUARE

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

Strategically situated in the town centre, 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.

In 2013, 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.



<b>Location</b>	23, Jalan Kampung Baru, Sungai Petani, 0800, Kedah.
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	406,870 within 20-minutes drive
<b>Gross Floor Area</b>	743,117 sq ft
<b>Net Lettable Area</b>	303,234 sq ft
<b>Car Park</b>	467
<b>Valuation</b>	RM85.5 million

<b>Tenants'</b>	56
<b>Key Tenants</b>	The Store, Perfect Mobile Village, Popular Bookstore, Dave's Deli
<b>Occupancy</b>	80.5%
<b>Visitor Traffic</b>	3.3 million
<b>Year Opened</b>	1997
<b>Year Acquired</b>	2012

Data as of 31 December 2014. \* Only NLA Lots

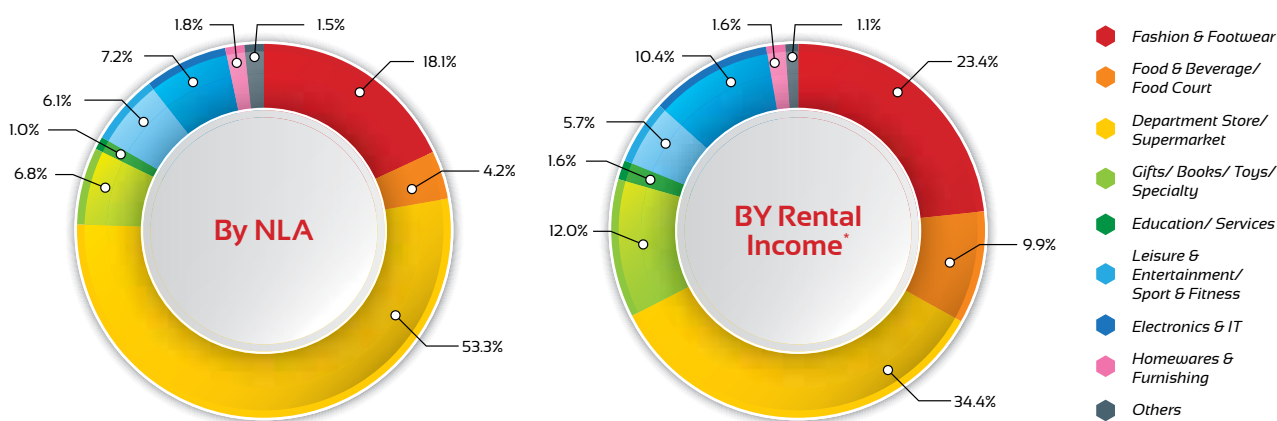
### Central Square's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store / Supermarket	130,000	42.9%	34.3%
Perfect Mobile Village	Electronics & IT	13,229	4.4%	6.8%
Anjung Irama Services	Leisure & Entertainment / Sports & Fitness	13,452	4.4%	4.4%
KFC	Food & Beverage	3,619	1.2%	3.7%
Studio	Fashion & Footwear	6,563	2.2%	3.1%
Popular	Gifts / Books / Toys / Specialty	6,450	2.1%	2.7%
OFO	Fashion & Footwear	7,693	2.5%	2.5%
Reject Shop	Fashion & Footwear	11,968	3.9%	2.2%
Guardian Pharmacy	Gifts / Books / Toys / Specialty	1,443	0.5%	2.0%
Dave's Deli	Food & Beverage	1,109	0.4%	2.0%
Top 10 Tenants (By Monthly Rental Income)		195,526	64.5%	63.9%
Other Tenants		107,708	35.5%	36.1%
<b>Total</b>		<b>303,234</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2014.



### Central Square's Tenancy Mix



### 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 2015	19	154,353	51%	53%
FY 2016	12	45,765	15%	20%
FY 2017	28	43,906	9%	27%

\* Based on monthly rental income for December 2014

## PORTFOLIO PERFORMANCE (Cont'd)



<b>Location</b>	No. 1 Jalan KLC Satu (I), Kulim, Kedah, Malaysia.
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	181,195 within 20-minutes drive
<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>	RM104.5 million

<b>Tenants'</b>	68
<b>Key Tenants</b>	Giant, The Store, MBO Cinemas, SEC
<b>Occupancy</b>	97.8%
<b>Visitor Traffic</b>	3.2 million
<b>Year Opened</b>	2009
<b>Year Acquired</b>	2012

Data as of 31 December 2014. \* Only NLA Lots

### Landmark Central's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
Giant Superstore	Department Store	72,140	25.6%	15.5%
The Store	Department Store	57,785	20.5%	9.8%
MBO Cinemas	Leisure & Entertainment	24,000	8.5%	5.0%
Ole Ole Superbowl	Leisure & Entertainment	23,670	8.4%	3.4%
CYC Mega Leisure World	Leisure & Entertainment	11,356	4.0%	2.8%
SEC	Electronics & IT	5,755	2.0%	2.8%
Landmark Books	Gifts / Books / Toys / Specialty	5,228	1.9%	2.7%
KFC	Food & Beverage	3,530	1.3%	2.2%
Pizza Hut	Food & Beverage	3,530	1.3%	2.2%
Hussain Nasi Kandar	Food & Beverage	3,530	1.3%	2.0%
Top 10 Tenants (By Monthly Rental Income)		210,524	74.8%	48.4%
Other Tenants		70,864	25.2%	51.6%
<b>Total</b>		<b>281,388</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2014.



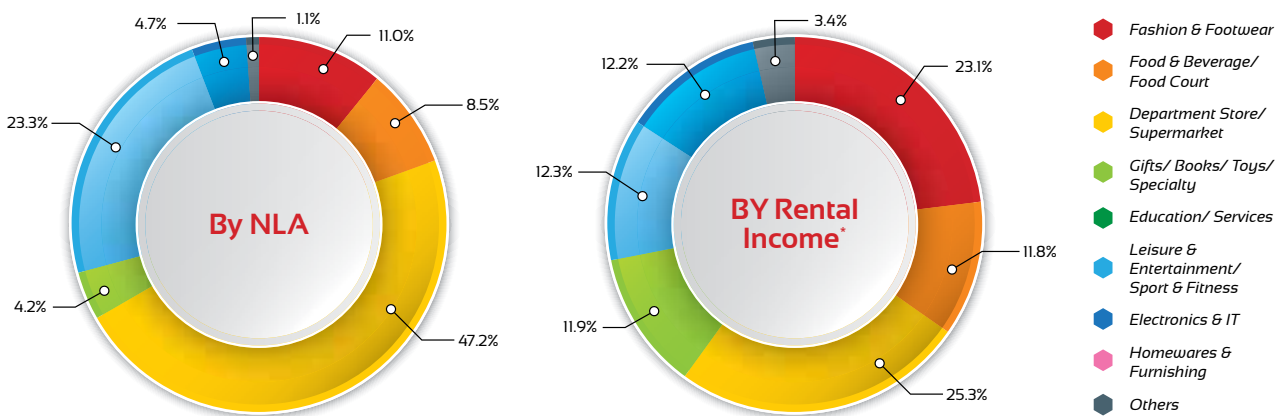
## LANDMARK CENTRAL

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 telecommunication stores. In 2012, 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 - MBO Cinemas 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 Tenancy Mix



### 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 2015	37	244,836	87%	72%
FY 2016	15	15,755	6%	15%
FY 2017	16	14,597	3%	13%

\* Based on monthly rental income for December 2014



## CORPORATE SOCIAL RESPONSIBILITY



It's Our Place – Corporate Social Responsibility (CSR) is an important part of who we are and how we operate. Hektar has always been committed to CSR and our aim is to give back to society, to encourage responsibility and awareness, and to ensure positive impact through our activities, daily operations and on the communities we live in. Hektar REIT shopping centres are recognized by shoppers as “their” place, a place where the neighbourhood spend their time to dine, shop, meet, gather, celebrate, share thoughts, give and unite. It is also the place to be with families, to be with new friends and to reminisce with childhood friends, to meet business partners and potential clients, to spend precious time with the elders and to build new relationships.

Addressing the unfortunate tragedies of MH 370 and MH 17, Hektar REIT shopping malls joined hands together with their shoppers, patrons, partners and tenants and expressed their sadness by remembering and praying for the victims and family members of the tragedies. Subang Parade and Wetex Parade observed a minute of silence for the victims of the tragedies at the Guest Services Desk area with retailers and shoppers. Large message banners reminding everyone to always cherish their loved ones were placed in both malls. To add a deeper meaning to the commemoration Subang Parade adorned its concourse with paper planes, each one as a remembrance as how fragile life in memory of those who perished in the fateful flights. In respect to the tragedy, Wetex Parade had also set up a charity corner at the concourse area selling flowers where proceeds were pledged to the UNICEF Children's Emergency Fund.

Throughout the year, Subang Parade, our flagship mall, had carried out various community engagement activities. Last May, the mall organised a first-of-its-kind community event “Baby Talks” to equip expecting and seasoned parents with the essentials of parenthood. The event, designed to celebrate the beauty of family life and the excitement of starting a family, saw the participation of many young families, where

celebrated doctors and speakers delivered free seminars to parents and caretakers. Specialty merchandising by popular maternity and baby product brands were also available for shoppers to indulge in. The event was organized with the support and contribution of Assunta Hospital, Sunfert International Fertility Centre and Prudential Insurance Malaysia. The mall had also sponsored for an event with the American Malaysian Chamber of Commerce in August that saw a host schools from various parts of the country come together to showcase their skills in young entrepreneurship. In October, Subang Parade rolled out “Pink October”, an awareness collaboration with Ramsay Sime Darby Subang Jaya Medical Centre (SJMC) in conjunction with Breast Cancer Awareness month. The event saw numerous public figures, like Tengku Norzehan, YB Hannah Yeoh, and Yang Bahagia Toh Puan Dr Siti Aishah Ong come together as one, showing support for the continued fight against breast cancer. The programme also included various activities aimed towards educating the general public about the disease and how to prevent it.

Aside from the social awareness activities, Hektar REIT had also organized an array charitable events during the multi-racial festivals we celebrate in Malaysia. In each mall, festival events and promotions were held in celebration of our colourful tradition and to promote giving back to the community. During Chinese New Year, the management of Subang Parade brought festive cheer to Rumah Orang Tua Seri Setia, a home for the aged, where tossing of yee sang and a simple meal was held following to distribution of “ang paws” to the residents of the home. There were also lion dance performances and contribution of goods and necessities for the home. Mahkota Parade had successfully raised funds for the underprivileged and cancer patients during the festive season, in which RM5,000 was donated to the Seck Kia Eenh Cancer Fund.

## CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

During the Ramadhan period, Subang Parade, Mahkota Parade and Wetex Parade, invited the orphans from the local orphanages to breakfast together in meaningful "Buka Puasa" events in observance of the holy month. During the events Raya packets were distributed to the children and necessity goodies were also presented to the caretakers of the homes.

Wrapping the year up with the season of joy, Subang Parade created the "Tree of Joy", which was decorated with Christmas wishes from the underprivileged, abused and neglected orphans who were placed in the House of Joy. Shoppers are invited to do charity together with the shopping centre by fulfilling the wishes of those dear children. The gifts that were purchased by the shoppers as per the selected wish were dropped off at the Guest Services Desk. The gifts were then presented to the respective orphans before Christmas. Mahkota Parade had also organised a Christmas Day Out with orphans from the Yayasan Sunbeams Home where the children had a fun-filled celebration at Mahkota Parade. The outing included a balloon sculpture workshop, a

musical Christmas show, and a sumptuous lunch treat. Daily essentials were also donated to the home.

Central Square and Landmark Central had also organised "Dear Santa – Spread The Happiness and Joy" program and invited the children from Pertubuhan Kebajikan Kanak-kanak Batu Grace (Central Square) and Rumah Amal (Landmark Central) for a Christmas gathering, together with their Co-Sponsor MBO cinema in December. A total of 40 underprivileged children from each home came with their guardians. The children were treated with performances, participated in games and received goodie bags from MBO, before proceeding for lunch at KFC. To make it even more special for the children, the shopping centres had given out postcards with the names of a different child from the two homes to patrons and shoppers for them to fill in a lovely message for the children. A simple and sincere message can touch the heart of a child, by encouraging the community to show kindness we believe both the sender and receiver will leave our shopping centre happy and thankful for the gift of love.





# MAHKOTA PARADE 20<sup>TH</sup> ANNIVERSARY



## MAHKOTA PARADE 20<sup>TH</sup> ANNIVERSARY (Cont'd)



The 30th January 2014 marked the 20th Anniversary for Mahkota Parade. It first opened its doors in 1994, and it was the first 'regional' shopping centre located at the busy commercial and tourist centre situated in the heart of Melaka town.

Mahkota Parade is positioned as the prime shopping centre in Melaka city. The Centre served as the premier one-stop destination centre in the region, featuring a full array of dining, fashion and specialty offerings and entertainment, including a bowling alley, cinema and gaming arcade. The centre also served as a key venue for major promotional events and community gatherings. And up until today, it remains as the most happening mall in Melaka city.

For the past 20 years, the customers have given their loyal support and made Mahkota Parade a big part of their community. To celebrate their anniversary, Mahkota Parade put together an a-May-zing day to spend time with their faithful customers to show their appreciation and gratitude for making Mahkota Parade what it is today.

The celebration kicked off on 1st May 2014 with a big bang which started with a Charity Fashion Fun Walk, one-of-its-kind event where 1,000 participants turned up to make a fashion statement for a meaningful cause and walked a 2.5km course which started and ended at the Main Entrance of Mahkota Parade. The course included passing by a few of Melaka's World Heritage sites. The tenants, suppliers and even several schools participated in this event which was launched by Datuk Lim Chow Beng. This event has raised approximately RM20,000 for Persatuan Kanner Melaka (PKN). PKN is a non-profit organization formed in 2008 by a group of parents in Melaka. Their aim is to help and support

families affected by autism or related disorders. Prizes were given to the most fashionable in 5 categories, including 'Most Fashionable Male', 'Most Fashionable Female', 'Most Fashionable Team' and 'Most Fashionable Student'. Three schools were also awarded for having the most participants in the event.



So much excitement and it was only the beginning, after the charity fashion walk there were Mahkota Parade 20th anniversary balloons and free movie tickets giveaway session. Patrons who 'Liked' our Mahkota Parade Official Facebook page and flashed the coupon from any electronic devices were entitled to redeem one free movie pass much to the delight of our movie lovers. Crews from the popular national radio stations Hitz.fm and MY.fm Cruiser showed up at our Main Entrance to give out freebies too. Mahkota Parade also held a contest named 'Peel & Win' where shoppers who spent a minimum of RM820 were eligible to enter and win 20 units of Mini iPad and other fabulous prizes.



That however was not the end, next up was the sensational first ever National Dragon Dance Championship, a tie up with Gao Feng Lion & Dragon Dance Association which witnessed the showcase skills of 10 professional dragon troupes which came from Johor, Melaka and all the way from Penang as they competed to be crowned as Champion.

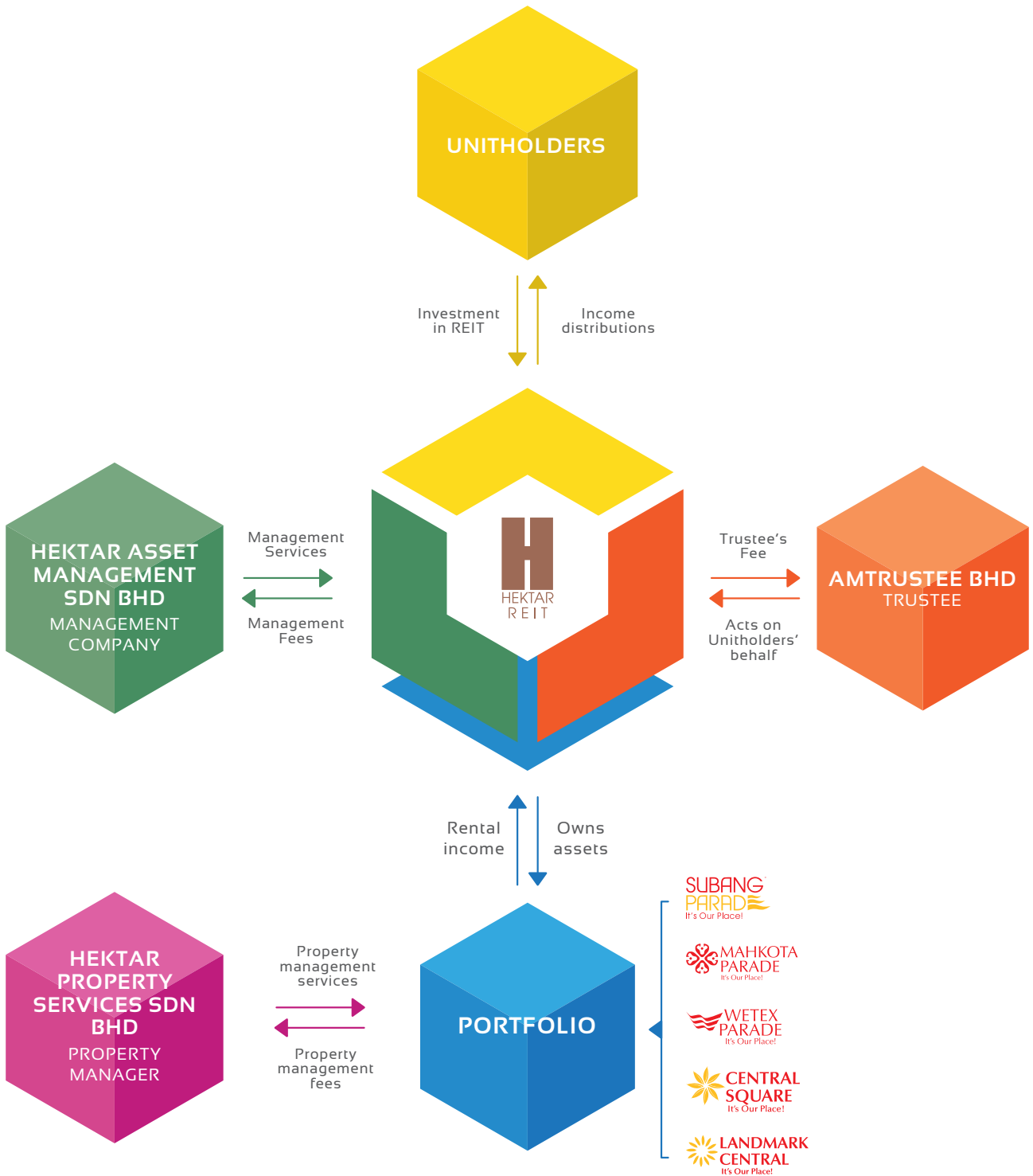
Last but not least, we had Rynn Lim, a local celebrity and



superstar to wrap up the night by giving a short performance and then an autograph session to promote his latest album 'Willing'. The turnout was impressive and there were a lot of media coverage on the a-MAY-zing day which we believe was a truly amazing event for all. A special thank you goes out to our tenants, suppliers, sponsors, shoppers and partners for their wonderful participation in making the event a successful one.



# CORPORATE ORGANISATION



## CORPORATE DIRECTORY

### MANAGER

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

Manager's Principal Place of Business  
DI-U3-10, Block DI, 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 Kassim  
Non-Executive Director

Dato' Syed Md Amin Aljeffri  
Independent Non-Executive Director

Michael Lim Hee Kiang  
Independent Non-Executive Director

Philip Eng Heng Nee  
Independent Non-Executive Director

Jack Lam Juck Ngai  
Alternate Director to Christopher Tang

Alex Chia Soon Ren  
Alternate Director to Dr Chew Tuan Chiong

### 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 II Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

### AUDITOR (INTERNAL)

KPMG Business Advisory 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 II 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. The Kuala Lumpur Malay Chamber of Commerce awarded him with the "Entrepreneur of the Year Award" in 2011 in recognition of his success in entrepreneurship.

### **Zalila binti Mohd Toon**

Executive Director and Chief Financial Officer

Zalila is responsible for the financial matters of Hektar REIT and the overall financial performance. She was instrumental in listing Hektar REIT. 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 a member of the Malaysian REIT Managers Association and Malaysian Institute of Corporate Governance (MICG).



**Dr Chew Tuan Chiong**  
Non-Executive Director

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

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 21 years of experience in asset management, investment management, marketing and operations in the real estate and manufacturing industries. Prior to joining the Frasers Centrepoint 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.

## THE BOARD OF DIRECTORS (Cont'd)



### **Shahril bin Kassim** Non-Executive Director

Shahril has had over twenty years of experience with IBM Malaysia and Mesiniaga Bhd in various capacities such as sales, marketing, management and executive education for the government sector. During the course of his career, he has also been involved in organising, designing and facilitating executive strategy development for organizations to align their business strategy with Information and Communication Technology ("ICT").

He left IBM in 1999 and was a consultant to HeiTech Padu Berhad, a local ICT solutions provider until 2003. He holds a degree in Electronics Engineering from Salford University, United Kingdom.

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

Dato' Syed's extensive work experience includes stints with Esso in Malaysia and the United States of America, Touche Ross Canada and his own public accounting and consulting practices, AljeffriDean.

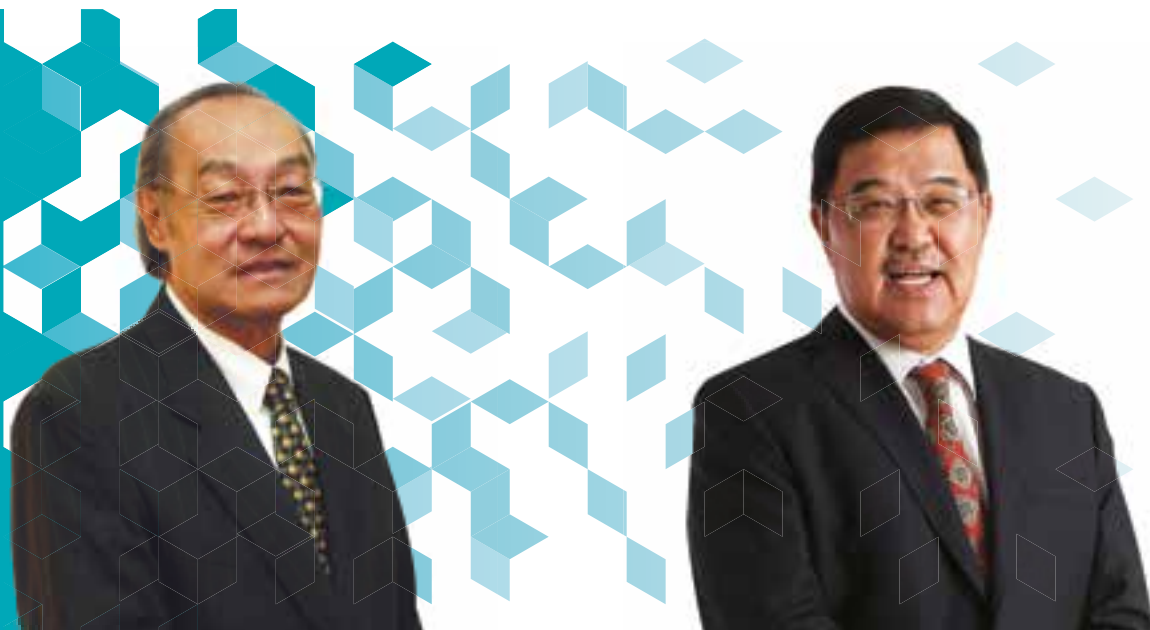
Previously, he was the director of RAM Holdings Berhad, DRB Hicom Berhad, UEM Group of Companies, Bina Darulaman Berhad, KUB Malaysia Berhad, LBI Capital Berhad, Seloga Holdings Berhad, Golden Horse Palace Berhad and Asas Serba Sdn Bhd.

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 also a Council Member of the Malaysia Singapore Business Council and also Malaysian Honorary Council for the Federal Democratic Republic of Ethiopia.

He was formerly President of the Kuala Lumpur Malay Chamber of Commerce, Secretary General of the ASEAN Business Advisory Council, Secretary General of the ASEAN Chamber of Commerce and Industry, Council Member of the Malaysia-China Business Council, 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

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.

Mr Michael Lim sits on the Board of various public listed companies, including DKSH Holdings Bhd, Selangor Properties Bhd, Paragon Union Holdings Bhd, and Hektar Asset Management Sdn Bhd, the management company for Hektar REIT. In addition, he is presently a consultant with Messrs Jeff Leong, Poon & Wong.

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

**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 Non-Resident High Commissioner to Canada. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

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

## THE BOARD OF DIRECTORS (Cont'd)



### **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 20 years of experience in the Singapore, Malaysia 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



*From left to right:*

Dato' Jaafar bin Abdul Hamid, Zalila binti Mohd Toon, Raziff Suhairi bin Shaaban & Zarina Halim.

### **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.

### **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

### **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 RMI 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.

## THE MANAGEMENT TEAM (Cont'd)

### **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.

## INVESTOR COMMUNICATIONS

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).

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

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

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

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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Email: [ir@HektarREIT.com](mailto:ir@HektarREIT.com)  
Web: [www.HektarREIT.com](http://www.HektarREIT.com)

### The Registrar

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

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

### Financial Year Calendar

	2015*	2014
Full Year Results Announcement	11 February 2015	12 February 2014
Annual Report	February 2015	27 February 2014
Final Distribution	20 March 2015	17 March 2014
First Quarter Results Announcement	May 2015	6 May 2014
First Quarter Distribution	June 2015	9 June 2014
Second Quarter Results Announcement	August 2015	14 August 2014
Second Quarter Distribution	September 2015	17 September 2014
Third Quarter Results Announcement	November 2015	7 November 2014
Third Quarter Distribution	December 2015	12 December 2014

\*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 2014.

### Principal Activity

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

### Review of Performance

		As at 31 December 2014 RM	As at 31 December 2013 RM
Total Net Asset Value		621,684,175	613,363,795
Units in Circulation	(Units)	400,634,117	400,634,117
Net Asset Value per unit		1.55	1.53
Market Value per Unit		1.49	1.50
Highest Traded Price		1.55	1.64
Lowest Traded Price		1.42	1.44

### Operating Results

		FYE 31 December 2014 RM	FYE 31 December 2013 RM
Total Gross Income		122,393,601	121,079,034
Total Property Expenses		(48,714,152)	(46,120,135)
Fair Value Adjustment on Investment Properties		6,126,123	12,632,294
		<b>79,805,572</b>	<b>87,591,193</b>
<b>Total Non-Property Expenses</b>		<b>(29,418,610)</b>	<b>(28,825,202)</b>
Net Income before taxation		50,386,962	58,765,991
Net Income before taxation – realised		44,260,839	46,133,697
Net Income before taxation – unrealized		6,126,123	12,632,294
Net Income after taxation		50,386,962	58,765,991
Earnings per Unit after Tax	(sen)	12.58	14.67
Realised Earnings per Unit after Tax	(sen)	11.05	11.52
Distribution per Unit ("DPU")	(sen)	10.50	10.50

The Manager is pleased to report that for the financial year ended 31 December 2014, the total revenue of Hektar REIT is RM122,393,601 comprising gross rental income of RM121,991,064, interest income of RM318,400 and other income of RM84,137. Gross rental income includes expense of RM217,252, which is due to the impact of MFRS 117 which took effect on 1 January 2010.

The realised net profit FYE 2014 of RM44,260,839 is lower than FYE 2013 by RM1,872,858. The negative variance is mostly due to reduction in income from Stand-Alone Counters and Retail Merchandising Units.

The Manager has recommended and AmTrustee Berhad ("Trustee") has approved a total income distribution of 10.5 sen per unit totalling RM42,066,582 for the year ended 31 December 2014.

The total income distribution of RM42,066,582 remains unchanged from the previous period.

## Income Distribution

The schedule of the income distributions is as follows:

Distribution payment	Period covered	Income Distribution (RM)	Remarks
First interim distribution	Jan 14 - Mar 14	10,416,487	Paid in June 2014
Second interim distribution	Apr 14 - Jun 14	10,416,487	Paid in September 2014
Third interim distribution	Jul 14 - Sep 14	10,416,487	Paid in December 2014
Final distribution	Oct 14 - Dec 14	10,817,121	To be paid in March 2015
<b>Total</b>		<b>42,066,582</b>	

## Directors of The Manager

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

Dato' Jaafar Bin Abdul Hamid  
 Puan Zalila Binti Mohd Toon  
 Dr. Chew Tuan Chiong  
 Mr. Christopher Tang Kok Kai  
 En. Shahril Bin Kassim  
 Dato' Syed Amin Aljeffri  
 Mr. Michael Lim Hee Kiang  
 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 2014, 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 2014, 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 2014, the Manager's fee comprised the following:

1. Base fee of RM3,840,632, which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM3,794,266, which is calculated at 5% of Net Property Income

The Manager's total management fee of RM7,634,898 represents 1.23% per annum of the Net Asset Value ("NAV") of Hektar REIT.

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

## MANAGER'S REPORT (Cont'd)

### Corporate Developments

#### Acquisition of Sold Lot

In the fourth quarter of 2014, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement to acquire Lot G76 at Mahkota Parade Shopping Centre for the purchase price of RM2,720,000.00. In addition, discussion with several sold lot individual owners within Hektar REIT's portfolio of shopping malls are currently ongoing and the Manager will make the relevant announcements once the parties have agreed to terms and entered into the formal Sale & Purchase Agreements.

Meanwhile, the acquisition of Lot G06 at Mahkota Parade Shopping Centre which was announced in the second quarter of 2014 was completed on 15 December 2014. The lots acquired and to be acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Mahkota Parade Shopping Centre by Hektar REIT.

#### Government Land Acquisition

Further to the announcement dated 6 May 2014, the Manager has on 29 January 2015, received payment for the sum of RM282,332.00 from the Ministry of Transport Malaysia, being the additional compensation sum and other charges awarded by the High Court 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. The additional compensation sum received however is exclusive of interest charges which has been awarded by the High Court via a Court Order dated 29 September 2011 and the Manager will be pursuing the matter with the Ministry of Transport Malaysia. The Manager will make further announcement once the interest charges is received.

### Gearing

#### Debt Facilities

Hektar REIT's total borrowings of RM453,876,328 consist of short term, long term and secured loans.

#### Gearing Capacity

As at 31 December 2014, Hektar REIT had a gearing ratio (external borrowings to total assets) of 41.0%. Based on the GAV of RM1,110,044,162 as at 31 December 2014, there is capacity to borrow an additional RM101,146,753 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 2014 is 400,634,117.

#### Investments Of The Trust

Total Investments as at 31 December 2014 was RM 1,060,732.00.

Property	Audited Book Value 1 Jan 2014 RM ('000)	Acquisition / (Divestment) / Capital Expenditure in 2014 RM ('000)	Unaudited Book Value as at 31 Dec 2014 RM ('000)	Latest Market Valuation RM ('000)	Revaluation Surplus RM ('000)
Subang Parade	406,780	2,618	409,398	417,700	8,302
Mahkota Parade	316,000	2,489	318,489	318,032	(457)
Wetex Parade & Classic Hotel	135,000	1,099	136,099	135,000	(1,099)
Central Square	85,500	979	86,479	85,500	(979)
Landmark Central	104,000	141	104,141	104,500	359
<b>Total</b>	<b>1,047,280</b>	<b>7,326</b>	<b>1,054,606</b>	<b>1,060,732</b>	<b>6,126</b>

### Net Asset Value of Hektar Reit

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2014 is RM1.55 per unit.

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

**DATO JAAFAR BIN ABDUL HAMID**  
Chairman & Chief Executive Officer

**ZALILA MOHD TOON**  
Executive Director & Chief Financial Officer

Kuala Lumpur  
February 2014



## 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 encompasses the principal role of the Board, establishing the functions, responsibilities and powers of the Board and its various Committees; and to set the policies and practices of the Board.

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

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

The Board has the responsibility to ensure that the abovementioned concepts were rigorously observed throughout the year ended 31 December 2014. To this end, the Manager applied the principles and best practices as set out in SC Malaysian Code on Corporate Governance 2012 and REIT Guidelines, Capital Market and Services Act 2007, Bursa Securities Listing Requirements and relevant corporate governance guidelines.

Changes to Hektar REIT's corporate governance practices will be updated on our website [www.hektarreit.com](http://www.hektarreit.com). The Board Charter is also available on the Corporate Governance section of our 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 role and function 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

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' 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

## CORPORATE GOVERNANCE (Cont'd)

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 distribution 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. Michael Lim Hee Kiang, Encik Shahril bin Kassim and Mr. Philip Eng Heng Nee as chairman, meets 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 the 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.

### 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 calibre 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 2014, 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 2014 :-

	Board Meeting	Audit Committee Meeting
Dato' Jaafar Bin Abdul Hamid	4/4	N/A
Puan Zalila binti Mohd Toon	4/4	N/A
Dr Chew Tuan Chiong	4/4	N/A
Mr Christopher Tang Kok Kai	1/4	N/A
En Shahril Bin Kassim	4/4	N/A
Dato' Syed Amin Aljeffri	3/4	4/4

Mr Michael Lim Hee Kiang	4/4	4/4
Mr Philip Eng Heng Nee	4/4	4/4
Mr Jack Lam Juck Ngai (Alternate Director to Mr Christopher Tang)	3/4	N/A
Mr Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	0/4	N/A

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

## 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 2014, both Dato' Jaafar bin Abdul Hamid and Puan Zalila binti Mohd Toon have attended the "2014 Audit Committee Conference – Stepping Up for Better Governance". Puan Zalila binti Mohd Toon has also attended other trainings like the "ICSC Indonesia Conference – Tomorrow's Shopping Centres Today" and "Psychology for Financial Services". Dr Chew Tuan Chiong has also attended "SGX-SID Effective Board Leadership (EBL) Programme – Module 2" organised by Singapore Institute of Directors, and "Shopping Malls Conference" in Kuala Lumpur, Malaysia, whilst Mr Alex Chia attended "Funding Discussion Seminar" by CIMB and "Training by Allen & Glendhill on MAS Consultation Paper : Directors' Duties and Regulatory Update". Our Independent Director, Mr Michael Lim has attended "Board Chairman Series : The Role of the Chairman", organised by Iclif Leadership and Governance Centre in collaboration with Bursa Malaysia during the financial year.

## 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

## CORPORATE GOVERNANCE (Cont'd)

such steps as are reasonably open to them to safeguard the assets of Hektar REIT and to prevent and detect fraud and other irregularities.

### STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

### SUPPLY OF INFORMATION

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

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

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board believes that the current Company Secretary is capable of

carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit the removal and appointment by the Board as a whole.

Directors, whether acting as a full board or in their individual capacity, may obtain independent professional advice in the furtherance of their duties, at the Company's expense, so far as is practicable and that the cost is reasonable.

### UNITHOLDERS

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

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

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

### ADDITIONAL INFORMATION

The information set out below is disclosed in compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts :-

- A. **Sanctions and/or penalties**  
There are no public sanction and/or penalty imposed on Hektar REIT, its directors or management of the Manager, by relevant regulatory bodies during the financial year ended 31 December 2014.
- B. **Non-audit fees**  
The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2014 amounted to RM30,000.
- C. **Soft commission**  
There was no soft commission received by the Manager for during the financial year ended 31 December 2014.
- D. **Variation in results**  
There was no variance of 10% or more between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced during the quarter announcement. Hektar REIT did not release any profit estimate, forecast or projection for the financial year.
- E. **Material contracts involving the interests of directors and major unitholders**  
There were no material contracts entered into by Hektar REIT involving the interests of the Directors and major unitholders during the financial year ended 31 December 2014.

## CORPORATE INFORMATION

MANAGER	Hektar Asset Management Sdn. Bhd.
MANAGER'S PRINCIPAL PLACE OF BUSINESS	DI-U3-10, Block DI, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur
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 Zalila Binti Mohd Toon Dr Chew Tuan Chiong Christopher Tang Kok Kai Shahril Bin Kassim Dato' Syed Md Amin Bin Syed Jan Aljeffri Michael Lim Hee Kiang Eng Heng Nee Philip Lam Juck Ngai (Alternate Director to Christopher Tang Kok Kai) Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)
SECRETARIES OF THE MANAGER	Dato' Muhammad Hafidz Bin Nuruddin Lim Seck Wah
TRUSTEE	AmTrustee Berhad, 17th Floor, Bangunan Ambank Group, 55, Jalan Raja Chulan 50200 Kuala Lumpur
PROPERTY MANAGER	Hektar Property Services Sdn. Bhd. Lot F36, First Floor, Subang Parade, No 5, Jalan SS 16/1, 47500 Subang Jaya Selangor Darul Ehsan
PRINCIPAL BANKER	Malayan Banking Berhad
AUDITORS	SJ Grant Thornton (Member firm of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur
REGISTRAR	Mega Corporate Services Sdn. Bhd. Level 15-2, Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad - Main Market

## STATEMENT BY MANAGER

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 66 to 99 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'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 2014 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 100 has been compiled in accordance 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 and Chief Executive Officer

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

Kuala Lumpur  
16 February 2015

## STATUTORY DECLARATION

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 66 to 99 and the financial information set out on page 100 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 )

16 February 2015 )

.....  
**ZALILA BINTI MOHD TOON**

Before me:

Commissioner for Oaths

## TRUSTEE'S REPORT

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

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT") for the financial year ended 31 December 2014. 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 following:

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on the Real Estate Investment Trust, the Capital Markets and Services Act 2007 and other applicable laws; and
- b) the procedures and process 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 Deeds and relevant regulatory requirements.

We confirm that the income distributions declared and paid during the financial year ended 31 December 2014 are in the line with and are reflective of the objectives of Hektar REIT.

For and on behalf of the Trustee  
AmTrustee Berhad

**TAN KOK CHEENG**  
Chief Executive Officer

Selangor, Malaysia



# INDEPENDENT AUDITORS' REPORT

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

## Report on the Financial Statements

We have audited the financial statements of Hektar Real Estate Investment Trust ("the Trust") which comprise the Statement of Financial Position as at 31 December 2014, 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 66 to 99.

### *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'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 2014 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 Guidelines on Real Estate Investment Trusts, Malaysian Financial Reporting Standards and International Financial Reporting Standards.

# INDEPENDENT AUDITORS' REPORT (Cont'd)

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

## Other Reporting Responsibilities

The supplementary information set out on page 100 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.

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

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**NG CHEE HOONG**  
(NO: 2278/10/16(J))  
CHARTERED ACCOUNTANT

Kuala Lumpur  
16 February 2015

# FINANCIAL STATEMENT

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# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 RM	2013 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	1,060,732,000	1,047,280,000
Capital work in progress	5	21,678,945	1,740,014
Fixed deposits with a licensed bank	6	4,408,367	4,227,470
Total non-current assets		1,086,819,312	1,053,247,484
<b>Current assets</b>			
Trade receivables	7	2,883,584	3,077,180
Other receivables, deposits and prepayments	8	5,604,023	5,494,566
Cash and bank balances		14,739,242	23,283,679
Total current assets		23,226,849	31,855,425
<b>Total assets</b>		<b>1,110,046,161</b>	<b>1,085,102,909</b>
<b>Current liabilities</b>			
Trade payables	9	384,358	2,657,263
Other payables and accruals	10	20,027,305	19,092,886
Total current liabilities		20,411,663	21,750,149
<b>Non-current liabilities</b>			
Other payables and accruals	10	14,073,995	13,888,965
Bank borrowings	11	453,876,328	436,100,000
Total non-current liabilities		467,950,323	449,988,965
Total liabilities		488,361,986	471,739,114
Net assets		621,684,175	613,363,795
<b>Unitholders' funds and reserve</b>			
Unitholders' capital	12	425,738,255	425,738,255
Undistributed income-realised		41,369,917	39,175,660
Undistributed income-unrealised		154,576,003	148,449,880
Total Unitholders' funds and reserve		621,684,175	613,363,795
Number of units in circulation	12	400,634,117	400,634,117
Net asset value ("NAV") per unit (RM)			
- As at 31 December		1.5518	1.5310
- Before income distribution during the financial year		1.6568	1.6360

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 2014

	Note	2014 RM	2013 RM
Gross revenue	13	121,991,064	120,234,665
Property expenses	14	[48,714,152]	[46,120,135]
Net property income		73,276,912	74,114,530
Reversal of impairment loss on trade receivables		69,365	323,814
Interest income		318,400	282,879
Other income		14,772	140,980
Bad debts recovered		-	96,696
Change in fair value of investment properties		6,126,123	12,632,294
Total income		79,805,572	87,591,193
Manager's fees	15	7,634,898	7,582,081
Trustee's fee	16	497,184	484,068
Auditors' remuneration:			
- current year			
- statutory		85,000	75,000
- others		30,000	27,000
- overprovision in prior year		-	63,000
Tax agent's fees			
- current year		-	10,000
- underprovision in prior year		-	5,160
Valuation fees		142,000	192,000
Professional fees		566,118	688,634
Allowance for impairment loss		388,394	185,430
Administration expenses		444,452	456,999
Interest expense		19,613,355	18,928,108
Bad debts written off		17,209	127,722
Total expenses		[29,418,610]	[28,825,202]
Income before tax		50,386,962	58,765,991
Tax expense	17	-	-
Income for the financial year		50,386,962	58,765,991
Other comprehensive income		-	-
Total comprehensive income for the financial year		50,386,962	58,765,991

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM	2013 RM
Total comprehensive income for the financial year is made up as follows:-			
Realised		44,260,839	46,133,697
Unrealised - Change in fair value of investment properties		6,126,123	12,632,294
		<b>50,386,962</b>	58,765,991
Earnings per unit (Total)			
- After manager's fees (sen)	18(a)	12.58	14.67
- Before manager's fees (sen)	18(b)	14.48	16.56
Earnings per unit (Realised)			
- After manager's fees (sen)	18(c)	11.05	11.52
- Before manager's fees (sen)	18(d)	12.95	13.41
Net income distribution			
- Interim income distribution of 7.8 sen (2013: 7.8 sen) per unit		31,249,461	31,249,461
- Final income distribution of 2.7 sen in respect of financial year ended 31 December 2014 (31 December 2013: 2.7 sen)		10,817,121	10,817,121
		<b>42,066,582</b>	42,066,582
Interim income distribution per unit			
- Gross (sen)	19	7.80	7.80
- Net (sen)	19	7.80	7.80
Final income distribution per unit			
- Gross (sen)	19	2.70	2.70
- Net (sen)	19	2.70	2.70

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 2014

	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Unrealised RM	Unitholders' Funds RM
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
<b>Operations for the financial year ended 31 December 2014</b>					
Total comprehensive income for the financial year		-	44,260,839	6,126,123	50,386,962
Increase in net assets resulting from operations		-	44,260,839	6,126,123	50,386,962
<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 2014		425,738,255	41,369,917	154,576,003	621,684,175

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM	2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax		50,386,962	58,765,991
Adjustments for:-			
Reversal of impairment loss on trade receivables		(69,365)	(323,814)
Bad debts written off		17,209	127,722
Change in fair value of investment properties		(6,126,123)	(12,632,294)
Interest expense		19,613,355	18,928,108
Interest income		(318,400)	(282,879)
Allowance for impairment loss		388,394	185,430
Operating profit before working capital changes		63,892,032	64,768,264
Changes in working capital:			
Payables		(1,153,456)	(1,899,877)
Receivables		(252,099)	2,039,345
Net cash from operating activities		62,486,477	64,907,732
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment properties		(2,676,008)	(2,233,081)
Expenditure for refurbishment and enhancement of investment properties incurred		(24,588,800)	(4,651,201)
Interest received		318,400	282,879
Placement of fixed deposits		(180,897)	(155,047)
Net cash used in investing activities		(27,127,305)	(6,756,450)



## STATEMENT OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM	2013 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(19,613,355)	(18,928,108)
Drawdown of borrowings	17,776,328	-
Distribution to Unitholders	(42,066,582)	(42,066,582)
<b>Net cash used in financing activities</b>	<b>(43,903,609)</b>	<b>(60,994,690)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(8,544,437)	(2,843,408)
Brought forward	23,283,679	26,127,087
<b>Carried forward</b>	<b>14,739,242</b>	<b>23,283,679</b>

### NOTE TO CASH FLOW STATEMENTS

#### A. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprises cash and bank balances.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

## 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 16 February 2015.

## 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'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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

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 1 – Quoted (adjusted) market price is active market for identical asset or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust 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 Trust 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 Amendments to MFRSs and IC Interpretations ("IC Int")

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 2014.

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

#### 2.5 Standards Issued But Not Yet Effective

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

Amendments to MFRSs effective 1 July 2014:

Amendments to MFRS 119 Employee Benefits: Defined Benefit Plan – Employee Contributions Annual Improvements to MFRSs 2010-2012 Cycle, including the amendments to:

MFRS 2	Share-based Payment Definition of vesting condition
MFRS 3	Business Combination: Accounting for contingent consideration in a business combination
MFRS 8	Operating Segments: Aggregation of operating segments
MFRS 8	Operating Segments: Reconciliation of the total of the reportable segments assets to the entity's assets

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

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

MFRS 13	Fair Value Measurement: Short-term receivables and payables
MFRS 116	Property, Plant and Equipment and MFRS 137 Intangible Assets: Revaluation method- proportionate restatement of accumulated depreciation
MFRS 124	Related Party Disclosures: Key Management Personnel
Annual improvements to MFRSs 2011-2013 Cycle, including the amendments to:	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards: Meaning of "Effective MFRSs"
MFRS 3	Business Combinations: Scope exceptions for joint ventures
MFRS 13	Fair Value Measurement: Scope of paragraph 52 (portfolio exception)
MFRS 140	Investment Property: Clarifying the interrelationship between MFRS 3 and MFRS 140 when classifying property as investment property or owner-occupied property.

#### MFRS and Amendments to MFRSs effective 1 January 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint-venture
Amendments to MFRS 10	Consolidated Financial Statements, MFRS 12 Disclosure of Interest in Other Entities and MFRS 128 Investments in Associates and Joint Ventures : Investment Entities – Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for acquisitions of interests in joint operations
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of acceptable methods of depreciation and amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141 Agriculture: Agriculture-Bearer Plants
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements

#### Annual Improvements to MFRSs 2012-2014 Cycle, including the amendments to:

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal
MFRS 7	Financial Instruments – Disclosures: Servicing contracts
MFRS 7	Financial Instruments – Disclosures: Applicability of the amendments to MFRS 7 to condensed interim financial statements
MFRS 119	Employee Benefits: Discount rate – regional market issue

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

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

*Annual Improvements to MFRSs 2012-2014 Cycle, including the amendments to (cont'd):*

MFRS 134 Interim Financial Reporting: Disclosures of information "elsewhere in the interim financial report"

*MFRS effective 1 January 2017:*

MFRS 15 Revenue from Contracts with Customers

*MFRS and Amendments to MFRS effective 1 January 2018:*

MFRS 9 Financial Instruments (IFRS 9 Issued by IASB in July 2014) Amendments to MFRS 7 Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures

MFRS 1, 2, 3, 5, 7, 8, 10, 11, 14, 15, 116, 119, 127 and 134 are not applicable to the Trust's operations.

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:

*MFRS 9 Financial Instruments*

MFRS 9 is issued during the financial year, which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Trust is currently examining the financial impact of adopting MFRS 9.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### 2.6 Significant Accounting Estimates and Judgements

##### 2.6.1 Estimation uncertainty

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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### 3.1 Investment properties (cont'd)

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. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

#### 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 (Cont'd)

31 DECEMBER 2014

## 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

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

###### 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.

As at reporting date, the Trust only carried other financial liabilities measured at amortised cost on its statement of financial position.

###### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### 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 data 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

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

31 DECEMBER 2014

### 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 of 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 Operating Segments

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### 3.13 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.

#### 3.14 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

	2014 RM	2013 RM
<b>At fair value</b>		
Freehold land and buildings	742,700,000	731,280,000
Leasehold land and building	318,032,000	316,000,000
	<hr/> 1,060,732,000	<hr/> 1,047,280,000

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

The movement of the investment properties is as follows:

	2014 RM	2013 RM
At 1 January	1,047,280,000	1,028,970,000
Additions	2,676,008	2,233,081
Transferred from capital work in progress (Note 5)	4,649,869	3,444,625
Change in fair value recognised in profit or loss	6,126,123	12,632,294
<b>At 31 December</b>	<b>1,060,732,000</b>	<b>1,047,280,000</b>

Details of the investment properties are as follows:-

Description of property	Tenure of land	Location	Existing use	Cost of investment RM	Valuation as at 31 December 2014 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	417,700,000	66
2. Mahkota Parade	Leasehold	Melaka	Commercial	234,235,200	318,032,000	52
3. Wetex Parade	Freehold	Muar	Commercial	117,500,000	135,000,000	22
4. Landmark Central	Freehold	Kedah	Commercial	98,000,000	104,500,000	17
5. Central Square	Freehold	Kedah	Commercial	83,000,000	85,500,000	14
					<b>1,060,732,000</b>	

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade were issued on 25 November 2014 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 investment method of valuation. The valuation reports of Landmark Central and Central Square were issued on 25 November 2014 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 investment method 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, Wetex Parade and Landmark Central have been pledged as security for borrowings as disclosed in Note 11 to the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

	2014 RM	2013 RM
Rental income	110,776,479	109,398,387
Direct operating expenses:		
- Income generating investment properties	48,714,152	46,120,135
- Non-income generating investment properties	9,805,255	9,897,094

#### Fair value basis of investment properties

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

	Level 1 RM	2014 Level 2 RM	Level 3 RM
- Freehold land and buildings	-	-	742,700,000
- Leasehold land and building	-	-	318,032,000
	-	-	1,060,732,000

#### Level 3 fair value

The following table shows a reconciliation of Level 3 fair value of investment properties:-

	2014 RM
At 1 January	1,047,280,000
Addition	7,325,877
Change in fair value recognised in profit or loss-unrealised	6,126,123
At 31 December	1,060,732,000

The following shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable inputs used in the valuation model:-

#### Valuation technique

The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates). In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### Significant unobservable inputs

Risk-adjusted capitalisation rates ranging from 6.75%-7.00% (2013: 6.75%-7.00%).

#### Inter-relationship between significant unobservable input and fair value measurement.

The estimated fair value would increase (decrease) if risk-adjusted capitalisation rates were lower (higher).

### 5. CAPITAL WORK IN PROGRESS

	2014 RM	2013 RM
Capital work in progress	21,678,945	1,740,014

The movement of capital work in progress is as follows:

	2014 RM	2013 RM
At 1 January	1,740,014	533,438
Additions	24,588,800	4,651,201
Transferred to investment properties (Note 4)	(4,649,869)	(3,444,625)
At 31 December	21,678,945	1,740,014

### 6. FIXED DEPOSITS WITH A LICENSED BANK

The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 3.23% (2013: 2.93%) per annum.

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

### 7. TRADE RECEIVABLES

	2014 RM	2013 RM
Trade receivables	3,424,158	3,306,724
Less: Impairment losses	(540,574)	(229,544)
	2,883,584	3,077,180



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

	2014 RM	2013 RM
At 1 January	(229,544)	(464,624)
Addition	(388,394)	(185,430)
Reversal	69,365	323,814
Written off	7,999	96,696
As 31 December	<u>(540,574)</u>	<u>(229,544)</u>

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 12% to 18% (2013: 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>2014</b>			
Not past due	2,375,123	(12,196)	2,362,927
Past due 0-30 days	10,235	(356)	9,879
Past due 31-60 days	252,039	(27,407)	224,632
More than 60 days	786,761	(500,615)	286,146
	<u>3,424,158</u>	<u>(540,574)</u>	<u>2,883,584</u>
<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 60 days	289,812	(198,225)	91,587
	<u>3,306,724</u>	<u>(229,544)</u>	<u>3,077,180</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 RM	2013 RM
Other receivables	3,834,083	4,275,958
Deposits	744,376	221,013
Prepayments	1,025,564	997,595
	5,604,023	5,494,566

### 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 (2013: 30 to 60) days.

### 10. OTHER PAYABLES AND ACCRUALS

	2014 RM	2013 RM
<u>Current liabilities</u>		
Other payables	630,001	1,713,192
Accruals	3,326,680	2,423,121
Advance received	1,097,365	909,132
Deposits received from tenants	14,973,259	14,047,441
	20,027,305	19,092,886
<u>Non-current liabilities</u>		
Deposit received from tenants	14,073,995	13,888,965
	34,101,300	32,981,851

Included in other payables are the following amounts:-

	2014 RM	2013 RM
Amount owing to Manager	690,177	717,738
Amount owing to Property Manager	137,529	190,740
Amount owing to Trustee	28,726	27,637

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

Included in deposits received from tenants is RM1,898,262 (2013: RM1,846,604) representing the difference between the fair value and the amount of deposits received carried in the statement of financial position as a result of the initial recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 Financial Instruments: Recognition and Measurement.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 11. BANK BORROWINGS

	2014 RM	2013 RM
<b>Secured</b>		
Non-current liabilities:		
- MOD 1	184,000,000	184,000,000
- MOD 2	150,000,000	150,000,000
- MOD 3	54,300,000	54,300,000
- MOD 4	32,800,000	32,800,000
- MOD 5	13,153,687	-
- Term loan 1	15,000,000	15,000,000
- Term loan 2	4,622,641	-
	<hr/> 453,876,328	<hr/> 436,100,000
Total bank borrowings	<hr/> 453,876,328	<hr/> 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, Wetex Parade and Landmark Central 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 was 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 at cost of funds plus 75 basis points (2013: cost of fund plus 75 basis points), MOD 3 bears interest rate at 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 at cost of fund plus 100 basis points (2013: cost of fund plus 100 basis points). The effective interest rate on MOD is 4.38% (2013: 3.61%) per annum.

The term loans 1 and 2 are secured by way of fixed charge over Mahkota Parade. The term loans 1 and 2 have a 5-year tenure whereby the principal amount is repayable via a bullet repayment at the end of the 5-year tenure in 2016 and 2018 respectively. These term loans bear interest rate at cost of funds plus 75 basis points and interest is to be serviced monthly in arrears. The effective interest rate on the term loan is 4.10% (2013: 4.10%) per annum.

The carrying amount of the borrowings approximates their fair value.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 12. UNITHOLDERS' CAPITAL

	2014 No. of units	2013 No. of units	2014 RM	2013 RM
<b>Authorised unitholders' capital</b>	400,634,117	400,634,117	425,738,255	425,738,255

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

	2014 No. of units	2013 No. of units	2014 RM	2013 RM
At 1 January/31 December	400,634,117	400,634,117	425,738,255	425,738,255

	2014 No. of units	2013 No. of units	2014 RM	2013 RM
<b>Issued and fully paid unitholders' capital</b>	400,634,117	400,634,117	425,738,255	425,738,255

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

	2014 No. of units	2013 No. of units	2014 RM	2013 RM
At 1 January/31 December	400,634,117	400,634,117	425,738,255	425,738,255

As at 31 December 2014, the Manager holds 632,867 (2013:632,867) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:-

	No. of units 2014	2013	% of total units 2014	2013
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-				
1. HSBC Nominees (Asing) Sdn. Bhd. for Frasers Centrepoint Trust (As Trustee)	124,892,950	124,892,950	31.17	31.17
2. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	50,875,000	50,875,000	12.70	12.70
3. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	109,750,000	109,750,000	27.39	27.39

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 13. GROSS REVENUE

	2014 RM	2013 RM
<b>Rental income</b>	109,892,645	108,590,563
Carpark income	11,431,837	10,989,940
Other income	666,582	654,162
	<hr/> 121,991,064	<hr/> 120,234,665

### 14. PROPERTY EXPENSES

	2014 RM	2013 RM
Assessment and quit rent	3,785,449	3,858,536
Marketing and promotions	3,388,982	3,368,439
Property management fee	2,087,840	2,078,323
Property maintenance	33,642,947	31,578,590
Utilities	4,766,330	4,177,650
Insurance	1,042,604	1,058,597
	<hr/> 48,714,152	<hr/> 46,120,135

Property management fee of RM2,087,840 (2013: RM2,078,323) 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 2014, the base fee shall be 0.35% (2013: 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 2014, the performance fee shall be 5% (2013: 5.0%) per annum of the NPI, before deducting the property management fee.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 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 2014, the Trustee's fee shall be 0.08% (2013: 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 2014 which translates to more than 90% of its total taxable income.

	2014 RM	2013 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:-

	2014 RM	2013 RM
Income before tax	50,386,962	58,765,991
Income tax at 25%	12,596,741	14,691,498
Tax effects in respect of:-		
Non-allowable expenses	251,609	261,223
Income not subject to tax	(1,531,531)	(3,158,074)
Effect of income distribution exempted from tax	(11,316,819)	(11,794,647)
	-	-

#### 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 (Cont'd)**

31 DECEMBER 2014

**18. EARNINGS PER UNIT**

	2014 No. of units	2013 No. of units
<b>At 1 January/31 December</b>	400,634,117	400,634,117

- (a) The calculation of earnings per unit (total) after Manager's fee is based on net income for the financial year of RM50,386,962 (2013: RM58,765,991) to the number of units and number of units in circulation for 2014 and 2013 respectively of RM400,634,117 (2013: RM400,634,117).
- (b) The calculation of earnings per unit (total) before Manager's fee is based on net income for the financial year of RM58,021,860 (2013: RM66,348,072) after adding back Manager's fee and number of units and number of units in circulation for 2014 and 2013 respectively of RM400,634,117 (2013: RM400,634,117).
- (c) The calculation of earnings per unit (realised) after Manager's fee is based on realised net income for the financial year of RM44,260,839 (2013: RM46,133,697) to the number of units and number of units in circulation for 2014 and 2013 respectively of RM400,634,117 (2013: RM400,634,117).
- (d) The calculation of earnings per unit (realised) before Manager's fee is based on realised net income for the financial year of RM51,895,737 (2013: RM53,715,778) after adding back Manager's fees and the number of units and number of units in circulation for 2014 and 2013 respectively of RM400,634,117 (2013: RM400,634,117).

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:-

	2014 RM	2013 RM
Net rental income	73,276,912	74,114,530
Other income	14,772	140,980
Interest income	318,400	282,879
Reversal of impairment loss on trade receivables	69,365	323,814
Bad debts recovered	-	96,696
	73,679,449	74,958,899
Less: Expenses	(29,418,610)	(28,825,202)
	44,260,839	46,133,697
Gross provision for distribution per unit (sen):		
-Interim	7.80	7.80
-Final	2.70	2.70
	10.50	10.50

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

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

	2014 RM	2013 RM
Net provision for distribution per unit (sen): **		
-Interim	7.80	7.80
-Final	2.70	2.70
	10.50	10.50

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

	YA 2014	YA 2013
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

	2014	2013
Portfolio Turnover Ratio ("PTR")(times)	0.004	-

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

	2014	2013
Management Expense Ratio ("MER")(%)	1.59	1.65

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

	2014 RM	2013 RM
Commission and service charges received from		
- Hektar Black Sdn. Bhd.	234,169	245,409



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 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 measured at amortised cost (AC).

2014	Carrying amount RM	L&R RM	AC RM
<b>Financial assets</b>			
Trade receivables	2,883,584	2,883,584	-
Other receivables and deposits	4,578,459	4,578,459	-
Fixed deposits with a licensed bank	4,408,367	4,408,367	-
Cash and bank balances	14,739,242	14,739,242	-
	26,609,652	26,609,652	-
<b>Financial liabilities</b>			
Trade payables	384,358	-	384,358
Other payables and accruals	34,101,300	-	34,101,300
Bank borrowings	453,876,328	-	453,876,328
	488,361,986	-	488,361,986
<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	-
	35,085,300	35,085,300	-
<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
	471,739,114	-	471,739,114

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Financial risks

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

#### (a) Interest rate risk

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

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>2014</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	4,408,367	4,408,367	3.23
<b>Financial liabilities</b>				
Murabahah overdrafts	-	434,277,893	434,277,893	4.38
Term loan	-	19,598,435	19,598,435	4.10
<b>2013</b>				
<b>Financial asset</b>				
Fixed deposits with a licensed bank	-	4,227,470	4,227,470	2.93
<b>Financial liabilities</b>				
Murabahah overdrafts	-	421,100,000	421,100,000	3.61
Term loan	-	15,000,000	15,000,000	4.10

Cash flow sensitivity analysis for variable rate instruments:

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

	Profit for the year		Equity	
	+ 75 bp RM	- 75 bp RM	+ 75 bp RM	- 75 bp RM
<b>2014</b>				
Floating rate instruments	(3,371,010)	3,371,010	(3,371,010)	3,371,010
<b>2013</b>				
Floating rate instruments	(3,239,041)	3,239,041	(3,239,041)	3,239,041

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2014, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

As at 31 December 2014, trade receivables of RM520,657 (2013: RM312,424) 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>2014</b>			
<b>Financial liabilities</b>			
<b>Secured:</b>			
Term loan	-	19,598,435	19,598,435
Murabahah overdrafts	-	434,277,893	434,277,893
<b>Unsecured:</b>			
Trade payables	384,358	-	384,358
Other payables and accruals	20,027,305	14,073,995	34,101,300
<b>Total undiscounted financial liabilities</b>	<b>20,411,663</b>	<b>467,974,529</b>	<b>488,338,612</b>
<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>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

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

#### Fair value of financial instruments

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

2014	Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Financial liabilities</b>					
Other payable and accruals	-	-	27,148,992	27,148,992	29,047,254

2014

#### Financial liabilities

Other payable and accruals	-	-	26,089,802	26,089,802	27,936,406
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There were no transfers between Level 1 and Level 2 during the financial year (2013: no transfer in either direction).

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 Fair Value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### Level 2 Fair Value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Level 3 Fair Value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Description	Valuation	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
<b>Financial instruments not carried at fair value</b>			
Other payable and accruals	Discounted cash flows	Discount rate (8%)	The estimated fair value would increase/(decrease) if discount rate is lower (higher)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2014

### 25. CAPITAL MANAGEMENT

Hektar REIT's capital is represented by its unitholder's fund in the statement of financial position.

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.

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.

	2014 RM	2013 RM
Non-current assets	1,086,819,312	1,053,247,484
Current assets	23,226,849	31,855,425
<b>Total asset value</b>	<b>1,110,046,161</b>	<b>1,085,102,909</b>
<b>Total borrowings</b>	<b>453,876,328</b>	<b>436,100,000</b>
<b>Gearing ratio</b>	<b>40.89%</b>	<b>40.19%</b>

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2014.

### 26. CAPITAL COMMITMENT

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

	2014 RM	2013 RM
Authorised and contracted for:-		
Refurbishment of investment properties	20,258,255	2,483,029
Rental of equipment	-	83,300
	<b>20,258,255</b>	<b>2,566,329</b>

### 27. OPERATING SEGMENTS

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 operating segments are presented.

## 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:

	2014 RM	2013 RM
Total undistributed income of the Trust		
- realised	41,369,917	39,175,660
- unrealised	154,576,003	148,449,880
	195,945,920	187,625,540

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 DEPOSITORS AS AT 31 DECEMBER 2014

NO	UNIT HOLDER	ACCOUNT QUALIFIER (BENEFICIAL OWNER)	UNIT	%
1	HSBC NOMINEES (ASING) SDN BHD	HSBC-FS FOR FRASERS CENTREPOINT TRUST	124,892,950	31.17
2	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR HEKTAR PREMIER SDN BHD (001)(THIRD PARTY)	94,750,000	23.65
3	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)	50,875,000	12.70
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD	EXEMPT AN FOR AIA BHD.	17,359,300	4.33
5	RHB NOMINEES (TEMPATAN) SDN BHD	OSK CAPITAL SDN BHD FOR HEKTAR PREMIER SDN. BHD.	15,000,000	3.74
6	ASCENTPAC SDN.BHD.		4,003,100	1.00
7	AFFIN HWANG INVESTMENT BANK BERHAD	IVT (JBD)	2,146,375	0.54
8	HSBC NOMINEES (ASING) SDN BHD	HSBC-FS FOR ALLIANZ PAN ASIAN REITS FUND SEGREGATED PORTFOLIO (ALLIANZ GICF SP)	1,658,200	0.41
9	HANG MEI LING		1,470,000	0.37
10	RUZIAH BINTI MOHD AMIN		1,400,000	0.35
11	HSBC NOMINEES (ASING) SDN BHD	EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (IPB CLIENT ACCT)	1,305,900	0.33
12	LATIFPAH BINTI M ATAN		1,272,700	0.32
13	KON CZE YAN @ KOON CZE YAN		1,212,500	0.30
14	DEV KUMAR MENON		1,012,500	0.25
15	LIM SAN LEE		948,600	0.24
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR JAZELAN FIRHAN BIN JAAFAR	928,000	0.23
17	HSBC NOMINEES (TEMPATAN) SDN BHD	HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (BALANCED FUND)	885,875	0.22
18	LIM KOK HOW		877,700	0.22
19	LING THIK PING		800,000	0.20
20	DB (MALAYSIA) NOMINEE (ASING) SDN BHD	EXEMPT AN FOR BANK OF SINGAPORE LIMITED	780,625	0.19

## ANALYSIS OF UNITHOLDERS (Cont'd)

### TOP 30 DEPOSITORS AS AT 31 DECEMBER 2014

NO	UNIT HOLDER	ACCOUNT QUALIFIER (BENEFICIAL OWNER)	UNIT	%
21	HEKTAR ASSET MANAGEMENT SDN BHD		632,867	0.16
22	TEO MEI CHING		625,000	0.16
23	YEOH LAY ENG		625,000	0.16
24	YAU AH PENG		600,000	0.15
25	LIM PEK HOOI		573,000	0.14
26	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD	EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	570,788	0.14
27	LIM BOON HOR		531,000	0.13
28	LIEW CHUI KHENG		528,400	0.13
29	NG INN JWEE		525,000	0.13
30	LIM CHEE KIN		524,000	0.13
<b>TOTAL</b>			<b>329,314,380</b>	<b>82.20</b>

### TOP 30 DEPOSITORS AS AT 31 DECEMBER 2014

	NO. OF UNITHOLDERS	% OF UNITHOLDERS	NO. OF UNIT HELD	% OF TOTAL UNITS
LESS THAN 100	49	1.63	1,558	0.00
100 TO 1,000	292	9.69	204,792	0.05
1,001 TO 10,000	1,393	46.22	7,065,912	1.76
10,001 TO 100,000	1,089	36.13	32,709,600	8.16
100,001 TO LESS THAN 5% OF ISSUED UNITS	188	6.24	90,134,305	22.50
5% AND ABOVE OF ISSUED UNITS	3	0.10	270,517,950	67.52
<b>TOTAL</b>	<b>3,014</b>	<b>100.00</b>	<b>400,634,117</b>	<b>100.00</b>



## ANALYSIS OF UNITHOLDERS (Cont'd)

### REPORT AS AT 31 DECEMBER 2014 TABLE B - CATEGORY OF SHAREHOLDERS

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	48	2,209	50	3,315,575	60,634,721	1,728,500	0.8276	15.1347	0.4314
2 Body Corporate									
a. Bank/Finance Companies	-	1	-	-	2,146,375	-	-	0.5357	-
b. Investments trusts/ foundations/charities	-	2	-	-	145,000	-	-	0.0362	-
c. Other types of Companies	9	26	2	1,285,467	5,006,300	148,300	0.3209	1.2496	0.0370
3 Government agencies/ institutions	-	-	-	-	-	-	-	-	-
4 Nominees	366	266	35	169,528,250	26,340,379	130,355,250	42.3150	6.5747	32.5372
5 Others									
Sub Total	423	2,504	87	174,129,292	94,272,775	132,232,050	43.4634	23.5309	33.0057
Malaysian Total		2,927			268,402,067			66.9943	
<b>Grand Total (Malaysian + Foreign)</b>		<b>3,014</b>			<b>400,634,117</b>			<b>100.0000</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. / sf	:	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 3rd Annual General Meeting of Hektar Real Estate Investment Trust ("Hektar REIT") will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 16 April 2015 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 2014 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 2015

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 10 April 2015 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.

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

**PROXY FORM**

(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 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 16 April 2015 or at any adjournment thereof.

Date this ..... day of ..... 2015

.....  
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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AFFIX  
STAMP

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)

