

# Creating The Places Where People Love To Shop



**Hektar Real Estate Investment Trust**

ANNUAL REPORT 2010







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# Highlights

## Financial Highlights

FY2010 dividend per unit (DPU) declared at 10.3 sen

### Financial Year

Ended 31 December

	FY 2010 12 months RM ('000)	FY 2009 12 months RM ('000)
Gross Revenue	90,873	87,712
Direct Cost & Property Expenses	(35,530)	(34,688)
Net Property Income (NPI)	55,343	53,024
Net Income	39,184	37,137
Earnings Per Unit	12.24	11.61
Net Income – Realised	38,172	36,737
Net Income Per Unit – Realised (sen)	11.93	11.48
Income Distribution	32,960	32,960
Dividend Per Unit (DPU) Declared (sen) <sup>1</sup>	10.30	10.30
DPU Paid During Year (sen)	10.60	10.20

### Balance Sheet

As at 31 December

	FY2010 RM ('000)	FY2009 RM ('000)
Total Assets	782,439	777,125
Total Liabilities <sup>2</sup>	360,977	360,927
Total Borrowings	334,000	334,000
Gearing Ratio	42.70%	43.00%
Net Assets <sup>2</sup>	421,462	416,198
No. of Units in Circulation (Units)	320,001	320,001
NAV per Unit <sup>2</sup>	1.32	1.30

<sup>1</sup> Difference in DPU Declared and DPU Paid During Year is due to timing.

<sup>2</sup> The impact of FRS110 was applied in FY 2010 and FY 2009. Please refer to note 2.2.2. on page 56 for more details.

## Highlights (Cont'd)

Hektar REIT provides a defensible investment vehicle for investors

### Dividend Distributions

FY2010

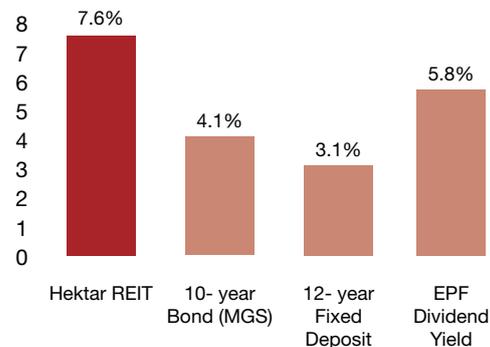
Interim 1st Quarter DPU (31 Mar)	2.50 sen
Interim 2nd Quarter DPU (30 Jun)	2.50 sen
Interim 3rd Quarter DPU (30 Sep)	2.50 sen
Final 4th Quarter DPU (31 Dec)	2.80 sen
Total DPU	10.30 sen

DPU Yield\* 7.6 %

\* Based on DPU of 10.30 sen and the closing unit price of RM1.35 for FY2010. Sources: Bloomberg

### Dividend Yield

Comparative Yields\*



### Unit Price Statistics

FY2010

High	RM1.35
Low	RM1.13
Opening Price (1 January 2010)	RM1.13
Closing Price (31 December 2010)	RM1.35
Change In Price	+19.5%

### Unit Price Performance

FY2010



### Debt Structure

As at 31 December 2010

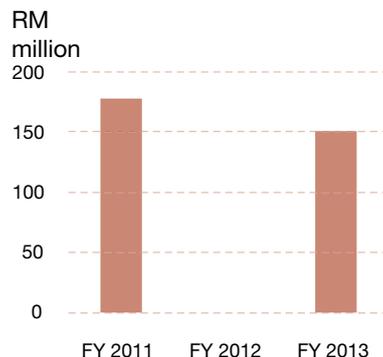
Al-Murabahah / Overdraft  
Fixed Term Loan, Annual Floating Rate (rate resets in December and April for Tranches 1 & 2, respectively)

Total Debt	RM334 million
Weighted Cost of Debt	3.71%
Gearing Ratio <sup>1</sup>	42.7%
Interest Cover	4.86

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

### Debt Expiry Profile

As at 31 December 2010



## Highlights (Cont'd)

### Portfolio Highlights

Hektar REIT's portfolio remains resilient



Data current as at 31 December 2010. <sup>1</sup>NLA Tenants only <sup>2</sup> MIRP Surveys (2007-8)

### 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
- Greenfield & Redevelopment Projects: projects undertaken by the related companies of Hektar REIT

#### Capital Management

Optimising the capital structure to fund acquisitions and asset enhancements through a combination of debt and equity within a flexible risk-managed framework.

## Letter to Unitholders

Year in review

*Hektar REIT enters its fifth year as a listed entity,  
capping a track record of four years of positive results.  
Our shoppers visit our properties on a daily basis,  
our retailers are business partners for years  
and our buildings are expected to last generations.  
With this perspective, Hektar's management is committed to  
enhancing the values of these assets over the long term horizon.*



Hektar REIT, yang kini sudah menjangkau lima tahun sebagai sebuah entiti yang disenaraikan di Bursa Malaysia, telah berjaya mencatatkan rekod positif selama empat tahun. Pengunjung-pengunjung melawat pusat-pusat membeli-belah kami setiap hari, penyewa-penyewa runcit menjadi rakan kongsi kami selama beberapa tahun dan bangunan-bangunan kami dijangka akan kukuh selama beberapa generasi. Dari perspektif ini, pihak pengurusan Hektar beritizam untuk meningkatkan nilai aset untuk jangka masa yang panjang.

賀達房地產投資信託基金(Hektar REIT)上市已進入第五年，並締造了連續四年的驕人佳績。我們的顧客每日光臨我們的購物廣場，我們的零售商都是多年的商業夥伴，而我們的建築物預料將持久數代。基於這個觀點，賀達的管理層承諾將在長遠上提升這些產業的價值。

# Letter to Unitholders (Cont'd)

Year in review

## Dear Valued Unitholder of Hektar REIT,

Hektar REIT enters its fifth year as a listed entity, capping a track record of four years of positive results. In my letter to unitholders last year, I expressed our objective to remain focused on our business, customers and markets. In a world environment with an uncertain outlook, we still had a solid team and a solid portfolio of properties. With a business model based on best practices and commitment to our customers, I felt we could continue to perform positively. I am pleased to report that in 2010, Hektar REIT recorded a fourth year of positive results.

## FINANCIAL PERFORMANCE

### Solid Financial Performance

For the financial year ended 31 December 2010 (FY2010), revenue reached RM90.9 million, up approximately 4% from the previous year, while Net Property Income (NPI) reached RM55.3 million, also up 4% from FY2009. Net Income reached RM39.2 million, higher by 5.5% over FY2009. In terms of Earnings Per Unit (EPU), FY2010 EPU hit 12.24 sen compared with an EPU of 11.61 sen for FY2009. Following these results, the portfolio's assets were revalued upwards and are now valued at a collective RM752 million. As a result, Net Asset Value also increased to approximately RM1.32.

### Dividend Payout & Accounting Policy

Hektar REIT announced a dividend per unit (DPU) of 10.30 sen for FY2010. This is the same as for the financial year 2009 (FY2009).

As long-time investors of Hektar REIT know, 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 Financial Reporting Standards 117 (FRS 117), an accounting standard implemented in FY2010 (see the notes in the accounts for more details). As a result, for FY2010 the distributable net income is lower than the net income. After paying 90% of the distributable net income, Hektar retains the remaining 10% for future asset enhancements of the properties and potential acquisitions of sold lots throughout the Hektar portfolio.

## Positive Track Record

These numbers cap a four year track record of positive results for Hektar REIT since its IPO in 2006. In terms of revenue, NPI, EPU, NAV and asset value, Hektar has recorded increases every year. Consequently, the stock market rewarded Hektar REIT unitholders with an improvement in its market valuation. For FY2010, Hektar REIT's unit price closed at RM1.35, an increase of approximately 19.5% from RM1.13 at the beginning of the year.

If you invested in Hektar REIT at the beginning of 2010 at RM1.13 and remained a unitholder till the year end, you would have received four dividends totaling 10.3 sen per unit, representing a dividend yield of 9.2% and capital gain on the unit price of 19.5% (based on the initial investment entry price at RM1.13). Your total return on Hektar REIT for FY2010 would be approximately 28.7%.

Hektar REIT's current yield, based on FY2010 DPU of 10.3 sen and a closing price of RM1.35 on December 31, 2010 would be approximately 7.6%.

### Refinancing in 2011

Hektar's financing is secured via an AI-Murabahah overdraft facility with two tranches worth RM184 million and RM150 million expiring in 2011 and 2013 respectively. Collectively, Hektar REIT's gearing ratio is 42.7% of gross asset value and the weighted average cost of financing as at end FY2010 is 3.71%. The first tranche of debt at RM184 million expires in December 2011. We are confident of renewing the facilities based on our long-standing relationships with our bankers, who have supported Hektar from day one. Depending on market conditions, we have factored in a 40bps increase in financing rates for 2011.

## PORTFOLIO PERFORMANCE

Hektar REIT's portfolio consists of Subang Parade in Subang Jaya, Mahkota Parade in Melaka and Wetex Parade in Muar. Collectively, these properties serve a market catchment of 1.3 million Malaysians. As they are located in dense population catchment areas, the properties do enjoy a relatively high loyalty rate from locals. As a result, more than 300 tenancies representing a spectrum from retail to entertainment are present in Hektar's properties.

# Letter to Unitholders (Cont'd)

Year in review

## The Shopping Centre Experience

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

Over the years, one of the shifts in retailing is the revitalisation of the shopping centre as a communal place. The steady rise of internet retailing, auction and trading websites has impacted certain classes of retailers, for example, music retailers. The impact on shopping centres, particularly in Asia as a whole has been quite limited. Shopping centres continue to emerge as a 'favourite meeting place' in this part of the world. Our overall strategy is focused on ensuring that Hektar's properties remain as prime points of communal gatherings.

Shopping centres provide a unique mix of retailing, entertainment, dining and other services. Collectively, they provide an experience, which is not obtained in any other way. The act of taking the family out to a mall is a social-based aspect which is virtually impossible to create online. When this experience is implemented carefully, this is a shopping centre's strategic advantage.

Let us examine our strategy in the context of our portfolio performance in 2010 below.

## Subang Parade's Challenge & Opportunity

Last year presented new challenges and fresh opportunities for Subang Parade. In May 2010, a new shopping centre opened across the street. We viewed the new opening as carefully supplementing Subang Parade and the existing retail mix in the surrounding area.

Our view can be substantiated from the figures: Subang Parade has enjoyed occupancy of more than 99.8% since 2007. This means that for three consecutive years, very few new retailers could enter a prime mall in the Subang Jaya market as there simply was no space available. The new shopping centre opening thus provided supply to meet the pent-up demand. The new centre did overlap (i.e., compete) in some areas and we did lose our co-anchor, Toys R Us. As a result, Subang Parade's occupancy fell to 94.8%, mainly due to the 20,000 sq ft of space vacated by the co-anchor. Visitor traffic in Subang Parade also dipped in 2010 to 7.52 million, down 3% from the previous year. This may be attributed to the loss of the co-anchor from May 2010 onwards and its move to the opening of the new centre. How do we counter these new challenges? Read on.

Our management team found a solution to these challenges. In one stroke, we found a concept which would fill the gap in space, boost visitor traffic and maintain Subang Parade's uniqueness in Subang Jaya: a Cinema. The new cinema will offer 8-screens including the latest 3-D screens. Subang Parade will be the only shopping centre with a cinema in Subang Jaya town. With a planned opening in mid-2011, the cinema will reinforce Subang Parade's appeal as a 'favourite meeting place', in line with our overall strategy.

## Mahkota Parade's Revival

Mahkota Parade completed its refurbishment and relaunch in May 2010. The refurbishment started in July 2009 and was staged in phases. Essentially, the refurbishment work was done overnight, allowing businesses to continue trading during the day with minimal disruption to their customers. I have written about the refurbishment work and scope in last year's letter and I am pleased to report that the project was completed on time, on budget and on par with the high quality of standards which we have set at Hektar.

The refurbishment has revived Mahkota Parade as the leading shopping centre destination in Melaka. The most encouraging support has come from retailers with new and large flagship stores opening in the centre. Mahkota Parade now boasts Melaka's largest IT store (All IT), largest sports store (Al-Ikhsan) and the new flagship stores of Bonia and Carlo Rino, which both opened in January 2011.

Occupancy in Mahkota Parade has edged up to 96.1% in FY2010. Visitor traffic was impacted by the refurbishment, down by 8.9% to 7.18 million visits in FY2010 when compared with the previous year. Following Mahkota Parade's refurbishment, we planned a May Day Re-Launch to unveil the new shopping centre. On 1 May 2010, Mahkota Parade received more than 51,000 visits – 2.5 times the usual daily rate. Since then, customer visits and feedback have been recording a steady positive increase.

The commitment by retailers and the feedback from shoppers has been very encouraging and provides us with validation that our refurbishment was the right move to reinvigorate our centre in Melaka.

## Wetex Parade's Leading Position in Muar

Wetex Parade enjoyed a solid 2010 with increasing rental rates and improving occupancy. Since acquiring the shopping centre in May 2008, we have continued to implement tenancy mix changes and improve the amenities. We are applying our best practices' templates and localizing them to the Muar market. To date, the results have been promising.

# Letter to Unitholders (Cont'd)

Year in review

Wetex Parade's occupancy reached 95.5% in FY2010, continuing a climb from December 2008 when occupancy bottomed at 83.1%. The results of our market research and introduction of best practices management have encouraged retailers to open in Muar. Visitor traffic growth was flat in FY2010, recording 5.51 million visits. Wetex Parade with an NLA of around 167,000 square feet receives a high density of visits per square foot compared to other shopping centres, reflecting its position as the leading centre in Muar.

Our team continues our strategy of creating 'favourite meeting places' and in this instance, we have striven to bring in new retailing concepts to the Muar market. One of the major initiatives in 2010 was the opening of 'The Quadrix', located on the fourth floor of the centre. The Quadrix is anchored by The Cube, a family-style karaoke centre while the rest of the floor features lifestyle retailers including fashion and novelties. The Quadrix opened late in 2010 with three-quarters of the lots taken up, an encouraging endorsement of our centre and management by retailers.

We continue to improve our marketing initiatives in Wetex Parade. Our management typically plans a full year calendar of promotions and evaluates the effectiveness of these events. The opportunities for new ideas emerge and our management attempts to refine these events over time. An example is the 'Little Big Book' event held in Wetex Parade in 2010. The event was focused on increasing English speaking amongst primary school students, drawing over 90 students and much media attention. The event won a Gold Award at the International Council of Shopping Centre (ICSC) Asia Awards in 2010 for Cause Related Marketing.

## Award-Winning Portfolio

All of Hektar's shopping centres have now won honours at the ICSC Asia Awards: Subang Parade won a Development & Design Award in 2008, while Mahkota Parade and Wetex Parade received awards in Marketing Excellence in 2009 and 2010 respectively. We are proud of the management team's achievements and the recognition from an international association. We will continue to make best practices a cornerstone mindset of our management philosophy.

## STRATEGY AND OUTLOOK

Our shoppers visit our properties on a daily basis, our retailers are business partners for years and our buildings are expected to last generations. With this perspective, Hektar's management is committed to enhancing the values of these assets over the long term horizon. While we aim to improve Hektar's portfolio value every year, we must be mindful that the economic cycles and investor sentiment may work against these objectives in the short term.

## Incubating New Retailers

The key to maintaining a shopping centre's strategic advantage is offering a compelling tenant mix. The optimal tenant mix depends on a variety of factors – demographics, psychographics, level of competition, and so forth. We continually conduct surveys on shopper demographics and receive informal feedback on a regular basis to fine tune our understanding of market needs. Each market may have cultural differences with unique shopper demands. It is therefore important to refine the tenant strategy of each shopping centre to local market conditions.

The need for differentiation is an important advantage, particularly in competitive markets. The rise of national chain stores, while welcomed by most consumers also presents a challenge to managers in that it tends to commoditise shopping centres. In other words, each shopping centre starts to resemble one another. Differentiation in terms of bringing in unique retailers is always a challenging objective.

One of Hektar's strategies for a differentiated retailer mix is to incubate new local retailers. We have been successful in the past; in last year's letter to unitholders, we talked about the introduction of "Elephant Bean" in Wetex Parade and "Chill Out" in Subang Parade. Both were new retailing concepts arising from partnerships with local entrepreneurs and I'm pleased to report that both of them are trading well, while providing a differentiated experience for our shoppers in their respective centres.

We have progressed further with this idea of cultivating new retailers by introducing a new retailing vehicle: the Retail Merchandising Unit (RMU). The RMU is essentially a cart vehicle with a point-of-sale podium which we lease out for short periods to new retailers. Essentially, it is a ready-made store and display unit which reduces start-up costs for new entrepreneurs. We have set up RMUs on the first floor of Subang Parade and have received encouraging responses, mainly from fashion and specialty / novelty retailers. The concentration of such units attracts traffic and ultimately, customers for the retailers.

The RMU is one of the links in our incubator system. Hektar now has a variety of retail options for emerging retailers: first, the weekend 'flea market', which invites all-comers to showcase their retail ideas and second, the RMU which allows entrepreneurs to further test their retail offerings on a full-time trading basis. Once successful, these retailers can then opt for the larger outlets, of which we offer the Stand-Alone Counter (SAC) and the Net Lettable Area (NLA) lots. The SACs are counters set up in spaces which allow retailers more versatility to display their wares without requiring a lot of capital. The NLA lots are the standard lots, which provide the full-fledged retail experience and therefore, require the highest start-up capital.

## Letter to Unitholders (Cont'd)

### Year in review

An entrepreneur could grow along Hektar's incubator system in the following manner: from 'Flea Market' to 'RMU' to 'SAC' and finally to their own NLA lot. With each step of the way, the entrepreneur can refine their retailing concept with reduced start-up costs. When successful, the emerging retailer can invest further to expand the retailing concept for the full-fledged experience.

We believe this incubator concept will prove useful in cultivating new retailing ideas over time and ultimately provide a differentiated retailing experience for our shoppers. Our retailers are our business partners and therefore, we strive to offer them an environment which closely meets their business requirements. This incubator service is one of the ways in which Hektar can attract new business partners over time. To all retail entrepreneurs out there: give us a call, we would like to hear from you.

### Acquisitions Update

Our management team continues to look for potential acquisitions of shopping centres in Malaysia. While there were no new acquisitions in 2010, we did identify some good candidates and conducted negotiations; ultimately, we believe that improving market sentiment has prompted asset owners to hold on to their properties for now. We still remain in contact with them.

Fortunately, we believe our financing ability has also improved in the past year. Any proposed acquisition would require additional issuance of Hektar REIT units. Based on Hektar's current trading price range, which remains above Net Asset Value and combined with access to affordable bank financing, we are confident of our ability to finance yield-accretive acquisitions. We will continue to expand our scope for potential acquisitions in the year ahead.

### Acknowledgements

I wish to acknowledge the contributions of Mr. Lim Ee Seng, Chief Executive Officer of Frasers Centrepoint Limited, who stepped down from Hektar's Board of Directors in 2010. At the same time, we welcomed a new board member, Dr. Chew Tuan Chiong who is the newly appointed Chief Executive Officer of Frasers Centrepoint Asset Management Ltd, manager of Frasers Centrepoint Trust (FCT). FCT continues to hold a cornerstone stake in Hektar REIT.

On behalf of the Board of Directors, I wish to thank our team at Hektar 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 investment for our investors.

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

# Perutusan Pengerusi

Ulasan Tahun

## Kepada Pemegang Unit yang dihargai,

Hektar REIT, yang kini sudah menjangkau lima tahun sebagai sebuah entiti yang disenaraikan di Bursa Malaysia, telah berjaya mencatatkan rekod positif selama empat tahun. Dalam perutusan saya kepada pemegang-pemegang unit tahun lalu, saya telah menekankan objektif kami, iaitu memberi tumpuan kepada perniagaan, pelanggan dan pasaran. Di dalam keadaan dunia yang tidak menentu, kami masih kekal dengan pasukan pengurusan dan portfolio hartanah yang kukuh. Berbekalkan model perniagaan berasaskan amalan terbaik dan juga komitmen kepada pelanggan, saya percaya perniagaan kami akan terus berkembang pesat. Dengan sukacitanya, saya ingin melaporkan bahawa pada tahun 2010, Hektar REIT telah berjaya mencatat prestasi kewangan yang positif selama empat tahun berturut-turut.

## PRESTASI KEWANGAN

Bagi tahun berakhir 31 Disember 2010 (FY2010), pendapatan mencecah RM90.9 juta, naik sebanyak 4% dari tahun sebelumnya, sementara keuntungan hartanah bersih (NPI) pula mencapai RM55.3 juta, juga naik sebanyak 4% dari FY2009. Keuntungan Bersih menjangkau RM39.2 juta, naik sebanyak 5.5% dari FY2009. Dari segi perolehan seunit (EPU), FY2010 mencecah 12.24 sen berbanding dengan EPU tahun sebelumnya, 11.61 sen. Berikutan prestasi ini, nilai portfolio hartanah kami telah meningkat ke RM752 juta. Ekoran dari peningkatan ini, Nilai Aset Bersih (NAV) melonjak kepada RM1.32 seunit.

## Bayaran Dividen Dan Polisi Perakaunan

Hektar REIT telah mengumumkan dividen seunit (DPU) sebanyak 10.3 sen bagi FY2010. Jumlah ini adalah sama dengan tahun FY2009.

Sebagaimana pelabur-pelabur jangka panjang Hektar REIT sedia maklum, kami telah mengekalkan polisi pembayaran dividen sekurang-kurangnya 90 peratus dari pendapatan bersih diagihkan. Pembayaran dividen ini dibuat setiap suku tahun kewangan. Kami ingin menjelaskan di sini bahawa pendapatan bersih diagihkan tidak termasuk pendapatan bukan tunai, seperti pelarasan nilai wajar (lazimnya berkaitan dengan kenaikan nilai hartanah) dan item-item di bawah Piawai Laporan Kewangan 117 (FRS117) yang berkuatkuasa pada FY2010. (sila rujuk Nota kepada Laporan Kewangan untuk maklumat lebih lanjut). Disebabkan oleh perkara-perkara di atas, pendapatan bersih diagihkan FY2010 lebih rendah dari pendapatan bersih. Selepas membayar 90 peratus dari pendapatan bersih diagihkan, Hektar akan memegang 10% dari pendapatannya bagi tujuan menaiktaraf aset dan pembelian lot-lot yang telah dijual di dalam portfolio Hektar.

## Rekod Positif

Hektar REIT telah berjaya mencatat rekod positif selama 4 tahun berturut-turut, iaitu sejak ia disenaraikan di Bursa Malaysia pada tahun 2006. Dari segi perolehan, NPI, EPU, NAV dan nilai aset, Hektar telah mencatat peningkatan setiap tahun. Harga pasaran saham Hektar REIT telah mencerminkan peningkatan ini. Bagi tahun FY2010, harga pasaran seunit Hektar REIT telah ditutup pada RM1.35, naik sebanyak 19.5 peratus berbanding awal tahun 2010, iaitu RM1.13.

Sekiranya anda melabur di dalam Hektar REIT pada awal tahun 2010 dengan harga belian RM1.13 seunit, dan kekal sebagai pemegang unit sepanjang tahun, anda telah mendapat dividen (dibayar mengikut suku tahun kewangan) sebanyak 10.3 sen seunit, merupakan pulangan divident sebanyak 9.2% dan keuntungan modal sebanyak 19.5%. Jumlah pulangan keseluruhan Hektar REIT bagi tahun FY2010 ialah 28.7 peratus.

Pulangan modal terkini, berdasarkan DPU FY2010 sebanyak 10.3 sen dan harga penutup pasaran saham pada RM1.35 ialah 7.6 peratus.

## Pembiayaan Semula 2011

Pinjaman bank Hektar ialah melalui kemudahan overdraf Al-Murabahah, terdiri daripada dua bahagian, iaitu RM184 juta dan RM150 juta, masing-masing akan tamat tempoh pada tahun 2011 dan 2013. Secara terkumpul, nisbah pinjaman Hektar REIT ialah 42.7 peratus dibandingkan nilai aset kasar, manakala timbangan purata kos pinjaman bagi tahun FY2010 ialah 3.71%. Pinjaman pertama sebanyak RM184 juta akan tamat tempoh pada bulan Disember 2011. Kami yakin akan dapat membiayai semula pinjaman ini berdasarkan hubungan baik kami dengan bank yang telah memberi sokongan kukuh terhadap Hektar sejak ia mula beroperasi. Bergantung kepada keadaan pasaran, kami telah mengunjur kenaikan kadar faedah sebanyak 40 mata asas bagi tahun FY2011.

## LAPORAN PORTFOLIO

Portfolio Hektar REIT terdiri dari Subang Parade di Subang Jaya, Mahkota Parade di Bandar Melaka dan Wetex Parade di Muar. Secara terkumpul, hartanah-hartanah tersebut menawarkan kemudahan membeli-belah kepada 1.3 juta rakyat Malaysia. Oleh kerana pusat-pusat membeli-belah ini terletak berhampiran dengan kawasan kepadatan penduduk yang tinggi, ia mempunyai pengunjung-pengunjung yang setia. Ekoran dari ini, hartanah-hartanah Hektar REIT mempunyai lebih daripada 300 penyewa yang menyediakan pelbagai jenis barangan, perkhidmatan dan hiburan.

# Perutusan Pengerusi (Sambungan)

## Ulaskan Tahun

### Suasana Membeli-belah

Motto Hektar ialah “Mewujudkan Suasana Membeli-belah Kegemaran Ramai” dan model pengurusannya bersandarkan amalan terbaik antarabangsa. Pasukan kami sentiasa menyelidik dan mengkaji amalan terbaik terkini melalui latihan-latihan dan menghadiri persidangan-persidangan di luar negara.

Sejak beberapa tahun lalu, industri peruncitan telah mengalami satu anjakan di mana pusat membeli-belah telah berubah dari tempat untuk hanya membeli barangan dan perkhidmatan kepada satu pusat pertemuan dan istirehat antara rakan-rakan dan keluarga. Arus perubahan kuat di mana kaedah peruncitan, pelelongan dan perdagangan dibuat melalui sesawang internet telah memberi kesan negatif kepada sesetengah kelas peruncit, seperti kedai muzik. Walau bagaimanapun, secara keseluruhan, kesan fenomena ini adalah terhad di Asia. Pusat membeli-belah masih terus menjadi pusat pertemuan pilihan di rantau ini. Strategi utama kami sekarang ialah mengekalkan hartanah-hartanah Hektar REIT sebagai pusat pertemuan utama.

Pusat-pusat membeli-belah menyediakan gabungan yang unik, iaitu peruncitan, hiburan, dan santapan. Secara terkumpul, ia menawarkan satu suasana yang tidak mungkin dapat dialami di arena lain. Membawa keluarga ke pusat membeli-belah adalah satu aspek sosial yang mustahil diwujudkan di laman web. Jika suasana ini diwujudkan dengan baik, sesebuah pusat membeli-belah akan menikmati kelebihan strategik.

Strategi yang telah dilaksanakan dalam konteks prestasi portfolio 2010 adalah seperti di bawah.

### Cabaran dan Peluang di Subang Parade

Tahun lalu, Subang Parade telah menempuh cabaran-cabaran dan peluang-peluang baru. Pada bulan Mei 2010, sebuah pusat membeli-belah baru telah dibuka berhampiran dengan Subang Parade. Pada pandangan kami, pusat ini mengukuhkan Subang Parade dan gabungan penyewa yang sedia ada di sekitarnya.

Pandangan kami boleh disahkan melalui fakta-fakta berikut: Kadar penginapan Subang Parade ialah 99.8 peratus sejak 2007. Sejak tiga tahun yang lalu, hanya segelintir peruncit-peruncit yang mampu menembusi pusat membeli-belah utama di Subang Jaya disebabkan kekurangan ruang sewaan. Ini bermakna, banyak permintaan daripada peruncit-peruncit baru tidak dapat dilayan. Dengan adanya pusat membeli-belah baru ini, peruncit-peruncit baru akhirnya mendapat peluang untuk beroperasi. Walau bagaimanapun, pusat membeli-belah baru ini ada juga memberi sedikit persaingan kepada Subang Parade. Sebagai contoh, kami telah kehilangan Toys R Us, salah satu penyewa utama kami. Ini menyebabkan kadar penginapan Subang Parade menurun kepada 94.8 peratus, atau berkurangan sebanyak 20 ribu kaki persegi. Lawatan pengunjung juga telah menurun sebanyak 3 peratus kepada 7.52 juta berbanding tahun sebelumnya. Ini adalah satu cabaran besar kepada pihak pengurusan.

Pihak pengurusan telah menemui satu penyelesaian kepada cabaran ini. Dengan satu tangkisan, kami mendapat satu konsep yang bukan sahaja dapat menggantikan Toys R Us, malah akan meningkatkan trafik pengunjung serta mengekalkan keunikan Subang Parade di Subang Jaya. Konsep tersebut ialah sebuah Pawagam. Bila siap, pawagam ini akan mempunyai lapan buah skrin termasuk skrin 3D yang terkini. Subang Parade akan menjadi satu-satunya pusat membeli-belah di bandar Subang Jaya yang mempunyai sebuah pawagam. Dijangka akan dibuka pada pertengahan 2011, pawagam ini akan menguatkan lagi daya tarikan Subang Parade sebagai sebuah pusat pertemuan pilihan, selaras dengan strategi utama kami.

### Kebangkitan Semula Mahkota Parade

Penaikan taraf Mahkota Parade telah disempurnakan dan kempen pelancaran semula telah dilaksanakan pada bulan Mei 2010. Projek penaikan taraf bermula pada bulan Julai 2009 dan dijalankan secara berperingkat. Kerja-kerja dibuat pada waktu malam agar urusniaga terus berjalan di waktu siang tanpa gangguan kepada pengunjung-pengunjung. Saya telah mengulas mengenai kerja penaikan taraf di dalam perutusan tahun lalu dan sukacita saya ingin melaporkan bahawa kerja penaikan taraf telah disiapkan mengikut jadual, tidak melebihi peruntukan, malahan berkualiti tinggi, mengikut piawai yang ditetapkan oleh Hektar.

## Perutusan Pengerusi (Sambungan)

Ulasan Tahun

Penaikan taraf tersebut telah menjadi pemangkin di dalam kebangkitan semula Mahkota Parade sebagai sebuah destinasi membeli-belah terunggul di Melaka. Penyewa-penyewa yang sedia ada telah memberi sokongan yang menggalakkan dengan membuka kedai-kedai berwajah baru dan lebih anggun di Mahkota Parade. Kini, Mahkota Parade mempunyai gedung IT (All IT) dan gedung sukan (Al-Ikhsan) terbesar di Melaka. Kedai utama Bonia dan Carlo Rino juga dibuka di Mahkota Parade pada bulan Januari 2011.

Penginapan penyewa di Mahkota Parade telah melonjak ke 96.1 peratus bagi tahun FY2010. Walaubagaimanapun, trafik pengunjung menurun sebanyak 8.9% kepada 7.18 juta, ekoran dari kesan jangka pendek kerja-kerja penaikan taraf. Pada 1 Mei 2010, setelah kerja-kerja penaikan taraf selesai, kami telah menganjurkan kempen pelancaran semula Mahkota Parade. Pada hari tersebut, Mahkota Parade menerima lebih daripada 51,000 orang pengunjung, 2.5 kali lebih dari hari-hari biasa. Sejak itu, kunjungan dan maklum balas yang diterima sangat memberangsangkan. Ini mengesahkan bahawa usaha penaikan taraf adalah tindakan yang tepat di dalam mencergaskan semula pusat membeli-belah kami di Melaka.

### Kedudukan Terunggul Wetex Parade di Muar

Prestasi kewangan Wetex Parade pada tahun 2010 semakin kukuh dengan kenaikan kadar sewa purata dan kadar penginapan penyewa yang semakin baik. Sejak dibeli pada bulan Mei 2008, kami sentiasa melaksanakan perubahan di dalam gabungan penyewa-penyewa serta memperbaiki kemudahan-kemudahan di pusat tersebut. Setakat ini, hasilnya sangat memberangsangkan.

Kadar penginapan penyewa di Wetex Parade mencecah 95.5% bagi tahun FY2010, satu kenaikan berterusan sejak Disember 2008 di mana kadarnya ialah 83.1%. Hasil selidikan pasaran dan amalan terbaik pihak pengurusan telah menarik lebih ramai peruncit untuk menyewa ruang di Wetex Parade. Trafik pengunjung kekal bagi tahun FY2010, mencatatkan lawatan sebanyak 5.51 juta kunjungan. Berbanding pusat membeli-belah lain yang lebih besar, Wetex Parade, dengan Ruang Sewaan Bersih (NLA) sebanyak 167 ribu kaki persegi, telah menerima kunjungan yang tinggi bagi setiap sekaki persegi. Ini mencerminkan kedudukannya sebagai pusat membeli-belah terulung di Muar.

Pasukan kami terus melaksanakan strategi berlandaskan “pusat pertemuan pilihan” dengan membawa masuk konsep peruncitan baru di pasaran Muar. Salah satu inisiatif pada tahun FY2010 ialah pembukaan “The Quadrix”, yang bertempat di tingkat empat Wetex Parade. The Quadrix ditunjang oleh The Cube, sebuah pusat karaoke mesra keluarga, sementara ruang-ruang lain di tingkat empat terdiri daripada peruncit-peruncit “gaya hidup” seperti fesyen dan hadiah-hadiah kecil. The Quadrix telah dibuka pada akhir tahun 2010 di mana sebahagian daripada ruang-ruang yang tawarkan telahpun disewa. Ini merupakan satu sokongan menggalakkan daripada peruncit-peruncit kepada pihak pengurusan pusat ini.

Kami terus berusaha memperbaiki inisiatif pemasaran di Wetex Parade. Lazimnya, pihak pengurusan akan merangka kalendar promosi sepanjang tahun dan seterusnya menilai keberkesanan acara-acara ini pada akhir tahun. Proses penilaian ini selalunya akan mencetus idea-idea baru, sekaligus memperbaikinya. Sebagai contoh, acara “Little Big Book” telah diadakan di Wetex Parade pada tahun 2010. Acara ini memberi tumpuan kepada peningkatan mutu pertuturan Bahasa Inggeris di kalangan murid-murid sekolah rendah. Acara ini telah menarik lebih daripada 90 orang pelajar dan mendapat perhatian media. Acara ini berjaya memenangi Pingat Emas di International Council of Shopping Centre (ICSC) Anugerah Asia 2010 di kategori Pemasaran yang berkaitan dengan Masyarakat.

### Portfolio Hektar REIT Memenangi Anugerah

Ketiga-tiga pusat membeli-belah Hektar REIT telah berjaya memenangi pelbagai pingat di ICSC Anugerah Asia: Subang Parade pernah dianugerahkan Rekabentuk Terbaik pada tahun 2008, manakala Mahkota Parade dan Wetex Parade masing-masing dianugerahkan Pemasaran Cemerlang pada tahun 2009 and 2010. Kami amat berbangga dengan pencapaian pasukan pengurusan dan pengiktirafan dari sebuah badan antarabangsa seperti ICSC. Kami akan terus melaksanakan amalan pengurusan terbaik sebagai tunjang falsafah pengurusan.

### STRATEGI DAN TINJAUAN MASA HADAPAN

Pengunjung-pengunjung melawat pusat-pusat membeli-belah kami setiap hari, penyewa-penyewa runcit menjadi rakan kongsi kami bertahun-tahun lamanya dan bangunan-bangunan kami dijangka akan kukuh selama beberapa generasi. Dari perspektif ini, pihak pengurusan Hektar beriltizam untuk meningkatkan nilai aset untuk jangka masa yang panjang. Walaupun kami sentiasa berusaha meningkatkan nilai portfolio Hektar REIT setiap tahun, kami sentiasa beringat bahawa kitaran ekonomi dan sentimen pelabur kadangkala mungkin akan bertentangan dengan objektif kami dalam jangka masa yang pendek.

# Perutusan Pengerusi (Sambungan)

Ulasan Tahun

## Pengeraman Peruncit-Peruncit Baru

Salah satu kaedah mengekalkan kelebihan strategik sesebuah pusat membeli-belah ialah dengan menawarkan gabungan peruncit yang menarik. Gabungan peruncit yang optimal bergantung kepada beberapa faktor – hasil kajian penduduk dan tabiat penduduk, tahap saingan dan sebagainya. Kami menjalankan kajian tabiat pengunjung secara berterusan dan sentiasa menerima maklum balas tidak rasmi untuk lebih memahami kehendak pasaran. Setiap pasaran mungkin ada perbezaan dari segi citarasa dan permintaan unik pengunjung. Justeru itu, adalah sangat penting pihak pengurusan sentiasa mencari ilham bagi memperbaiki strategi sewaan setiap pusat membeli-belah agar sejajar dengan kehendak masyarakat tempatan.

Konsep kelainan adalah satu strategi yang kritikal, terutamanya di pasaran yang mempunyai saingan sengit. Menyewa ruang hanya kepada peruncit berjenama terkenal tempatan adalah satu strategi yang baik; Namun ia cenderung kepada kesamaan, di mana satu pusat membeli-belah tampak serupa dengan yang lain. Bagi kami, kelainan harus dicapai dengan membawa masuk peruncit-peruncit yang unik. Ini adalah satu objektif yang mencabar.

Salah satu strategi Hektar di dalam memberi kelainan kepada pengunjung-pengunjung dari segi gabungan peruncit ialah melalui konsep pengeraman peruncit-peruncit tempatan yang baru. Setakat ini, usaha pengeraman kami telah terbukti berjaya; Dalam perutusan kepada pemegang-pemegang unit tahun lalu, saya ada menyentuh tentang “Elephant Bean” di Wetex Parade dan “Chill Out” di Subang Parade. Kedua-dua konsep peruncitan baru ini timbul ekoran dari permuafakatan urusan dengan usahawan tempatan. Saya dengan sukacita ingin melaporkan bahawa kedua-dua usahawan tersebut telah berjaya di dalam perniagaan mereka, sekaligus menawarkan kelainan dari segi barangan dan perkhidmatan kepada pengunjung-pengunjung kami.

Konsep ini diperkembangkan lagi dengan memupuk peruncit-peruncit baru melalui konsep Retail Merchandising Unit (RMU). RMU ialah sebuah kereta sorong yang disewa kepada peruncit untuk jangka masa pendek. Sebuah RMU berfungsi sebagai sebuah kedai kecil yang mempunyai unit peragaan serta kaunter bayaran. Konsep RMU mengurangkan kos permulaan untuk usahawan-usahawan baru. Kami telahpun menyiapkan unit-unit RMU di tingkat satu Subang Parade dan telah menerima maklum balas yang menggalakkan, terutamanya dari kategori fesyen dan barangan hadiah-hadiah kecil. Kami percaya daya tarikan unit-unit RMU yang berkelompok akan menarik trafik dan pengunjung-pengunjung ke tingkat satu.

Konsep RMU merupakan salah satu titik permulaan sistem pengeraman kami. Hektar sekarang mempunyai pelbagai pilihan peruncit-peruncit baru; Pertama, menganjurkan bazar di hari minggu, di mana peniaga-peniaga baru dialu-alukan untuk memperagakan barangan mereka; Kedua, konsep RMU yang membolehkan usahawan-usahawan berniaga sepenuh masa; Ketiga, jika berjaya dengan konsep RMU, usahawan-usahawan ini boleh memilih untuk menyewa ruang yang lebih besar, sama ada Kaunter Sendirian (SAC) atau lot kedai. SAC ialah kaunter-kaunter bersendirian yang disediakan di pusat-pusat kami. SAC memberikan peruncit lebih ruang dan idea di dalam memperagakan barangan mereka tanpa memerlukan kos modal yang banyak. Lot kedai pula adalah ruang sewa yang terbesar berbanding RMU dan SAC, yang menawarkan suasana membeli-belah terbaik kepada pengunjung. Justeru itu, lot kedai memerlukan kos permulaan yang tertinggi.

Seseorang usahawan boleh maju bersama sistem pengeraman Hektar secara berperingkat, iaitu bermula dengan bazar, diikuti RMU, SAC dan akhirnya lot kedai sendiri. Pada setiap langkah, seseorang usahawan itu boleh memperbaiki konsep peruncitan mereka dengan kos permulaan yang lebih rendah. Apabila mereka berjaya, peruncit-peruncit baru ini boleh melabur dengan lebih tinggi di dalam mengembangkan konsep peruncitan mereka, sekaligus mewujudkan suasana membeli-belah yang lebih baik.

Kami percaya konsep pengeraman ini akan terbukti berkesan di dalam memupuk idea peruncitan baru dalam masa yang terdekat ini, dan akhirnya akan memberi kelainan di dalam suasana peruncitan kepada pengunjung-pengunjung kami. Disebabkan peruncit-peruncit merupakan rakan niaga kami, kami sentiasa berusaha untuk menyediakan suasana sesuai yang mampu melariskan barangan dan perkhidmatan mereka.

Perkhidmatan pengeraman ialah salah satu cara Hektar untuk menarik perhatian rakan-rakan niaga yang baru. Kepada semua usahawan peruncitan, sila hubungi kami kerana kami berminat untuk menerima maklum balas daripada anda.

## Pembelian Terkini

Kami sentiasa berusaha mencari pusat-pusat membeli-belah yang berpotensi untuk dibeli di Malaysia. Walaupun tiada pembelian dibuat pada tahun 2010, kami sebenarnya telah mengenal pasti beberapa pusat-pusat membeli-belah dan telah berunding dengan pemilik-pemilikinya. Malangnya, rundingan-rundingan tersebut tidak berjaya disempurnakan kerana pemilik-pemilik tersebut akhirnya membuat keputusan untuk terus menyimpan hartanah-hartanah mereka ekoran sentimen pasaran hartanah yang sedang meningkat naik. Walau bagaimanapun, kami masih berhubung dengan pemilik-pemilik tersebut.

# Perutusan Pengerusi (Sambungan)

## Ulasan Tahun

Kami percaya keupayaan pembiayaan kami telah meningkat. Jika ada cadangan pembelian, kami akan menerbitkan unit-unit tambahan Hektar REIT. Berdasarkan harga pasaran saham Hektar REIT, yang sekarang ini lebih tinggi dari NAV, serta kemudahan pinjaman bank, kami yakin dengan keupayaan kami di dalam usaha membiayai pembelian yang memberi pulangan positif. Kami akan mengembangkan lagi skop bagi potensi pembelian di tahun-tahun akan datang.

### PENGHARGAAN

Saya ingin merakamkan penghargaan kepada Encik Lim Ee Seng, Ketua Pegawai Eksekutif Frasers Centrepoint Limited, yang telah meletakkan jawatan daripada Lembaga Pengarah Hektar Asset Management Sdn Bhd pada tahun 2010. Pada masa yang sama, kami ingin mengalu-alukan kemasukan pengganti beliau, Dr Chew Tuan Chiong, yang juga baru dilantik sebagai Ketua Pengarah Eksekutif Frasers Centrepoint Asset Management Ltd, syarikat pengurus Frasers Centrepoint Trust (FCT). FCT kekal menjadi pelabur tunjang Hektar REIT.

Bagi pihak Lembaga Pengarah Hektar Asset Management Sdn Bhd, saya ingin mengucapkan terima kasih kepada pekerja-pekerja Hektar kerana terus berdedikasi dan beriltizam di dalam kerjaya mereka. Kami juga ingin mengucapkan terima kasih kepada penyewa-penyewa, penjual-penjual dan rakan-rakan niaga kami. Sumbangan dan sokongan anda telah berjaya mengekalkan Hektar REIT sebagai sebuah pelaburan yang selamat dan berdaya tahan.

### DATO JAAFAR BIN ABDUL HAMID

Pengerusi dan Ketua Pegawai Eksekutif

# 致單位持有人函

年度報告

致尊貴的賀達房地產投資信託基金單位持有人，

賀達房地產投資信託基金(Hektar REIT)上市已進入第五年，並締造了連續四年的驕人紀錄。我在去年致函單位持有人時表示，我們的目標繼續專注於本公司的業務，顧客和市場。儘管世界經濟展望不明朗，我們依然擁有一支強盛的團隊和穩健的產業投資組合。通過基於最佳實踐法和對於顧客之承諾的經營模式，我認為本公司能繼續取得正面表現。我欣然呈報，賀達房地產投資信託基金在2010年第四季度取得正面業績。

## 財務業績表現

### 穩健的財務業績表現

截至2010年12月31日之財政年度(2010財政年)的營業額達9千零90萬令吉，比前一年增長4%，淨房地產收入(NPI)達5千5百30萬令吉，比2009財政年高4%。淨收入達3千9百20萬令吉，比2009財政年高5.5%。就每單位獲利(EPU)而言，2010財政年的每單位獲利上揚至12.24仙，相比之下，2009財政年的每單位獲利為11.61仙。基於這些業績，投資組合的資產已向上重估，目前其總值為7億5千2百萬令吉。因此，淨資產值(NAV)也增至大約1.32令吉。

### 股息與會計政策

在2010財政年，賀達房地產投資信託基金宣佈派發10.30仙的單位股息(DPU)。此股息與2009財政年相同。

正如眾賀達房地產投資信託基金的長期投資者所周知，在四個季度，我們維持在派息率達可分配淨收入之至少90%的政策。我們謹此澄清，可分配淨收入並不包括非現金項目如合理估值調整(通常得益於產業估值漲升)和財務報告標準117(FRS 117)之下項目的淨收入。該會計標準是於2010財政年落實的(詳情請參閱賬目之註釋)。因此，2010財政年的可分配淨收入比淨收入來得低。在派發可分配淨收入之90%後，賀達保留其餘10%充作產業之未來資產提升和潛在收購賀達投資組合之已售單位的用途。

## 正面的紀錄

這些數字寫下賀達房地產投資信託基金自2006年首度公開獻售(IPO)以來的四年締造佳績。就營業額，淨房地產收入，每單位獲利，淨資產值和資產價值而言，賀達每年都取得增長。之後，股市通過其市值的漲升而嘉獎賀達房地產投資信託基金單位持有人。在2010財政年，賀達房地產投資信託基金的閉市單位價格為1.35令吉，比年初的1.13令吉上升了大約19.5%。

若您在2010年初以1.13令吉價位投資於賀達房地產投資信託基金並繼續成為單位持有人至年底，您將獲派息四次，總額為每單位10.3仙，相等於9.2%的周息率和19.5%的單位價格資金增長(根據1.13令吉的首度投資購入價格)。在2010財政年，您在賀達房地產投資信託基金的總回酬約為28.7%。

根據2010財政年的10.3仙每單位股息和2010年12月31日的閉市價格1.35令吉計算，賀達房地產投資信託基金目前的回酬率約為7.6%。

## 2011年之再融資

賀達的融資是由兩批符合回教教義的透支便利所組成，總值為1億8千4百萬令吉和1億5千萬令吉，分別於2011和2013年到期。整體而言，賀達房地產投資信託基金的資產負債比率為其資產毛值的42.7%，截至2010年財政年底，融資的加權平均成本為3.71%。首批1億8千4百萬令吉的債務將於2011年12月到期。自賀達創立時銀行就給予支持。以我們與銀行的長久關係，我們有信心更新這些便利。視市場狀況而定，我們估計融資利率將於2011年漲至40bps。

## 投資組合表現

賀達房地產投資信託基金的投資組合包括首邦市的首邦百利廣場，馬六甲的皇冠百利廣場和麻坡的威德百利廣場。這些產業總共為1百30萬馬來西亞人流市場服務。由於它們皆座落於人口密集的人流區域，這些產業享有當地人的相對高忠誠度。因此，賀達的產業目前擁有超過300家由零售乃至娛樂業者組成的租戶。

## 致單位持有人函(續)

年度報告

### 購物中心體驗

賀達的口號是“創造大家都愛購物的好去處”，其經營模式採用國際標準最佳實踐法。我們的團隊經常通過全球各地的培訓和會議以研究和檢討最佳實踐法。

近年來，零售業的其中一個轉移乃是購物中心復興成為社區場所。互聯網零售，拍賣和貿易網站的穩健增加已衝擊某些零售業者，例如音樂零售商。對於購物中心，尤其是亞洲整體而言，這種衝擊相當有限。在本區域，購物中心繼續崛起為“人們愛到的聚會場所”。我們的整體策略是專注於確保賀達的產業一直是社區聚會的主要地點。

購物中心提供獨一無二和一應俱全的零售，娛樂，餐飲和其他服務。整體而言，它們呈獻一種其他途徑所無法獲得的體驗。攜帶家人逛廣場的舉動是一種幾乎無法通過連線方式實現的社交方式。通過謹慎落實這項體驗將可為購物中心帶來策略性的優勢。

讓我們通過本公司投資組合在2010年的表現來探討我們的策略。

### 首邦百利廣場的挑戰和機會

去年首邦百利廣場面對新挑戰和新機會。在2010年5月，一家新購物中心在對面街開張營業。我們認為它足以彌補首邦百利廣場和鄰近地區即有的零售業者群的不足。

以下數字證明我們的觀點是可以成立的：首邦百利廣場自2007年以來就享有99.8%的出租率。這意味著一連三年只有極少新的零售商能夠進入首邦市的首要廣場，因為簡直沒有空間可出租。因此，該新購物中心的開張給被壓抑的需求帶來供應。在某些範圍，該新購物中心內確實出現重複狀況(即競爭)，而我們也流失了聯合主要租戶，Toys R Us。因此，首邦百利廣場的出租率降低至94.8%，主要是因為該聯合主要租戶騰空了20,000方尺的空間。在2010年，首邦百利廣場的人流也降低至7百52萬人，比前一年減少3%。這或許可歸咎於從2010年5月起流失該聯合主要租戶及它遷移至該新開張的購物中心。那我們又如何還擊這些新挑戰？請續閱。

我們的管理層已找到一個應付這些挑戰的方案。我們一次過地找到一個可填補空間，增加人流和維持首邦百利廣場之特徵的概念：即一家電影院。該新電影院將擁有8個銀幕，包括最新的3D銀幕。首邦百利廣場將是首邦市唯一擁有電影院的購物中心。該計劃在2011年中旬開幕的電影院將增強首邦百利廣場作為一個“人們愛到的聚會場所”的魅力，以配合我們的整體策略。

### 皇冠百利廣場的復興

皇冠百利廣場已完成翻新工程和在2010年5月重新推介。其翻新工程是於2009年7月展開和分階段進行。基本上，其翻新工程是隔夜進行，讓商家能夠在白天讓顧客在面對最低干擾之下繼續營業。我曾經在去年的函件中提到該翻新工程和範圍，我謹此欣然呈報該項目已準時完成，並依照預算和符合我們為賀達設定的高素質標準。

該翻新工程已使皇冠百利廣場再次成為馬六甲頂尖的購物中心目的地。最令人鼓舞的是許多零售商在該中心開設新和大型的旗艦店。皇冠百利廣場目前擁有馬六甲最具規模的資訊科技商店(All IT)，最具規模的運動用品店(Al-Ikhsan)和已在2011年1月開張的Bonia及Carlo Rino新旗艦店。

在2010財政年，皇冠百利廣場的出租率增至96.1%。在2010財政年，人流因為受到翻新工程影響而比前一年減少8.9%至7百18萬。在翻新皇冠百利廣場之後，我們策劃了一場勞動節重新推介活動來為該新的購物中心揭幕。在2010年5月1日，皇冠百利廣場迎來超過51,000人次的訪客 - 相等於日常人流的2.5倍。從此，顧客流量和回饋一直在穩健增長中。

零售商的承諾和購物人士的回饋一直都令人鼓舞，這項肯定證明了我們通過翻新以復興我們在馬六甲的購物中心乃是一項正確行動。

### 威德百利廣場在麻坡居領先地位

威德百利廣場在2010年取得穩健表現，其租金收入增加，出租率也上揚。自從在2008年5月收購該購物中心以來，我們不斷落實租戶種類改變和改善設施。我們採用我們的最佳實踐法模式以融入麻坡地方的市場。至今，效果令人鼓舞。

在2010財政年，威德百利廣場的出租率達到95.5%，即從2008年12月時的83.1%出租率低潮繼續攀升。我們的市場調查結果和推介最佳實踐法管理已鼓勵零售商進軍麻坡市場。人流在2010年保持不變於5百51萬人次。威德百利廣場的淨可出租面積(NLA)約為167,000方尺，與其他購物中心相比，其每方尺人流密度偏高，這反映了它作為麻坡之頂尖中心的地位。

我們的團隊繼續落實創造“人們愛到的聚會場所”的策略，在這方面，我們致力為麻坡市場引進新的零售概念。2010年的其中一個重要倡議是開設位於該中心第四層的‘The Quadrix’。The Quadrix的主要租戶是The Cube，即一家家庭式卡拉OK中心，該層的其餘空間則出租予增加生活姿彩的零售商，包括時裝和新奇物品店。The Quadrix是於2010年底開張，並已租出四分之三的單位，這顯示零售商給予本中心和管理層令人鼓舞的認同。

## 致單位持有人函(續)

年度報告

我們繼續改進在威德百利廣場的市場倡議。我們的管理層其實已策劃了一整年的推廣活動和評估這些項目的有效性。開發新點子的機會湧現，我們的管理層也嘗試不時改良這些項目。例如於2010年在威德百利廣場舉行的‘Little Big Book’項目。該項目專注於鼓勵小學生講英語，吸引了超過90名學生參加和獲得媒體廣泛報導。該項目贏得國際購物中心理事會(ICSC)亞洲獎項的相關行銷組金獎。

### 贏獎的投資組合

賀達的所有購物中心都曾經在 ICSC 亞洲獎項中贏取榮譽：首邦百利廣場在2008年贏得開發和設計獎，皇冠百利廣場和威德百利廣場分別在2009和2010年贏得行銷卓越獎。我們以管理層的許多成就和榮獲一家國際協會的認可為榮。我們將繼續以最佳實踐法作為本公司管理理念的基石思維。

### 策略和展望

我們的購物人士每日光臨我們的廣場，我們的零售商都是多年的商業夥伴，而我們的建築物預料將持久數代。基於這個觀點，賀達的管理層承諾將在長遠上提升這些產業的價值。在每年改善賀達的投資組合價值之際，我們必須關注經濟周期和投資者的情緒可能在短期上與這些目標背道而馳。

### 孵育新零售商

維持一家購物中心的策略性優勢之重點是在於呈獻令人信服的租戶分類。最佳租戶分類有賴於多種因素 - 人口統計，消費心理學，競爭水平等等。我們不斷調查購物人士人口統計和定期收取非正式的回饋，以增加我們對市場需求的了解。每個市場可有文化差異及購物人士的獨特需求。因此，根據當地市場狀況而精心規劃每一購物中心的租戶策略是重要的。

區別是一個重要優勢，尤其是在競爭性市場。全國性連鎖商店的崛起雖然受到大多數消費人歡迎，但也對經理人構成挑戰，因為這傾向於使購物中心商品化。換言之，每一家購物中心都開始變得相似。區別意味著引進獨特的零售商，這始終是一個具挑戰性的目標。

賀達的其中一個區別零售商分類策略是孵育新的本地零售商。我們在過去取得成功；在去年的致單位持有人函中，我們談到為威德百利廣場引進 Elephant Bean 和為首邦百利廣場引進 Chill Out。兩者都是通過與本地企業家合作而產生的新零售概念，我欣然呈報，兩者都經營得很好，並在各購物中心為我們的購物人士提供不同的體驗。

我們進一步改善這個栽培新零售商的點子，即引進一種新的零售工具：零售促銷單位(RMU)。基本上，RMU 是一部備有銷售平台的小車，我們把它出租給新零售商一段短時期。基本上，它是一個可減低新企業家之創業成本的現成商店和陳列單位。我們已在首邦百利廣場的第一層設立 RMU 並已獲得令人鼓舞的反應，主要是來自時裝和特定/新奇物品零售商。這些集中一處的單位能吸引人潮和最終為零售商引來顧客。

RMU 乃是我們的孵育系統之一環。賀達目前為正在崛起的零售商提供各種零售選項：首先是周末的‘跳蚤市場’，即邀請所有人展示他們的零售點子，其次，RMU 可讓企業家通過全日營業方式進一步測試他們的零售品。若獲得成功，這些零售商可選擇更大的商店，即我們將提供獨立式櫃檯(SAC)和淨可出租面積(NLA)。這些 SAC 乃是設在空間的櫃檯，讓零售商可更靈活地陳列他們的貨品而無需龐大資本。NLA 單位則是標準單位，以提供全面的零售體驗，因此需要最高的創業資本。

一名企業家可通過以下方式跟隨賀達的孵育系統成長：從‘跳蚤市場’至‘RMU’乃至‘SAC’，以及最終到他們本身的NLA單位。企業家可一步一腳印地以低創業成本改善他們的零售概念。若獲得成功，新崛起的零售商可進一步投資以擴展他們的零售概念為全面的體驗。

假以時日，我們相信這個孵育概念將證明可培育新零售概念，並最終為我們的購物人士提供不同的零售體驗。我們的零售商乃是我們的商業夥伴，因此，我們致力獻予他們一個緊密迎合他們的商業需求的環境。該孵育服務乃是賀達可陸續吸引新商業夥伴的途徑之一。對於市場上所有零售企業家：請聯絡我們，我們願意聽取您的心聲。

### 最新收購消息

我們的管理團隊不斷從馬來西亞購物中心當中物色潛在收購對象。儘管沒有在2010年作出新的收購，我們已鑑定一些優越的對象和展開了談判；我們相信在改善中的市場最終將促使資產業主繼續持有他們的產業。我們仍然與他們保持聯繫。

幸運的，我們相信我們的財力在去年取得改善。我們可能需要為任何收購建議而額外發行賀達房地產投資信託基金單位。根據賀達目前的交易價位，即保持在其淨資產價值以上，加上可獲取容易負擔的銀行融資，我們相信我們將有能力融資回酬增生的收購交易。我們將繼續在來年擴大物色潛在收購對象的範圍。

## 致單位持有人函(續)

年度報告

### 鳴謝

我謹此感謝已在2010年卸任為賀達董事的 Frasers Centrepoint Limited 首席執行長 Lim Ee Seng 先生所作出的貢獻。與此同時，我們歡迎 Dr. Chew Tuan Chiong 成為董事會的新成員，他新近受委任為 Frasers Centrepoint 資產管理有限公司的首席執行長，以及 Frasers Centrepoint Trust (FCT) 經理。FCT 繼續持有賀達房地產投資信託基金的基礎股份。

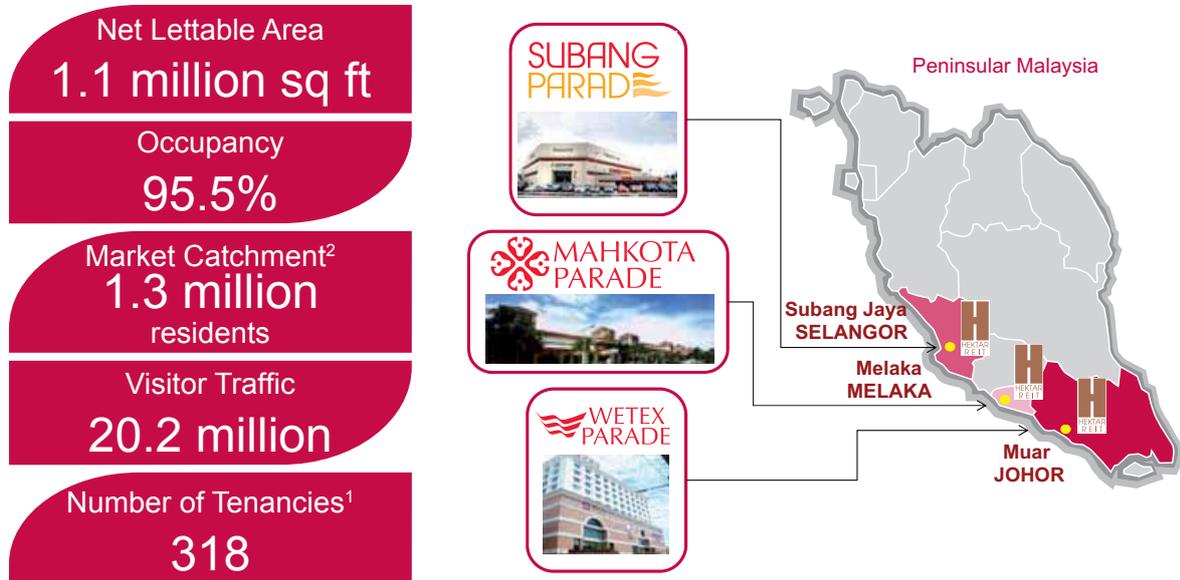
我謹代表董事會衷心感謝賀達的所有員工，謝謝他們忠於職守和獻身精神。我們也向諸位零售商，供應商和商業夥伴致謝。你們的貢獻和支持確保賀達房地產投資信託基金繼續是我們的投資者可擁護及安全投資。

**DATO' JAAFAR BIN ABDUL HAMID**  
主席兼首席執行長

# Portfolio Performance

## PROPERTY PROFILES

Hektar REIT's portfolio consists of three well-established destination centres – Subang Parade, located in Subang Jaya, Selangor, Mahkota Parade, located in Bandar Melaka, Melaka and Wetex Parade & Classic Hotel, located in Muar, Johor.



Data current as at 31 December 2010. <sup>1</sup> NLA Tenants only <sup>2</sup> MIRP Surveys (2007-8)

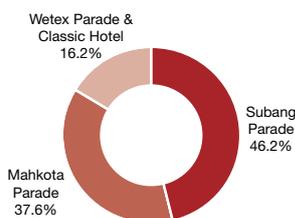
	Subang Parade	Mahkota Parade	Wetex Parade & Classic Hotel
State	Selangor	Melaka	Johor
Title	Freehold	Leasehold (2101)	Freehold
Primary Trade Area <sup>1</sup>	833,538 (within 15-mins drive)	350,000 (within 15-mins drive)	154,000 (10km radius)
NLA (Retail)	476,577 sq ft	461,067 sq ft	162,016 sq ft
Tenancies	123	105	90
Occupancy <sup>2</sup>	94.8%	96.1%	95.6%
Visitor Traffic FY2010	7.5 million	7.2 million	5.5 million
Purchase Price (RM)	280.0 million	232.0 million	117.5 million
Valuation (RM) <sup>2</sup>	347.0 million	283.0 million	122.0 million
Gross Revenue FY2010 (RM)	44.3 million	35.5 million	11.2 million
Net Property Income (NPI) FY2010 (RM)	28.1 million	20.5 million	6.7 million

<sup>1</sup> Malaysian Census, MIRP (Independent Research)

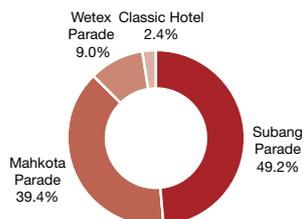
<sup>2</sup> As at 31 December 2010.

## Diversified Portfolio

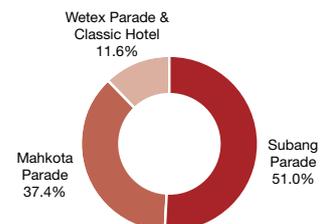
Valuation by Property



Gross Revenue by Property



NPI by Property



## Portfolio Performance (Cont'd)

### Portfolio Occupancy

Overall portfolio occupancy was at 95.5% as at 31 December 2010. Subang Parade's occupancy dipped to 94.8% due to the pending replacement of its co-anchor. Mahkota Parade's occupancy improved to 96.1% with the completion of the mall refurbishment in May 2010. Wetex Parade's occupancy increased to 95.6% due to the opening of a new entertainment and lifestyle retail zone.

Property	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006
Subang Parade	94.8%	100.0%	99.8%	99.9%	98.5%
Mahkota Parade	96.1%	93.6%	96.5%	93.9%	94.9%
Wetex Parade	95.6%	90.1%	83.1%		
Overall*	95.5%	95.8%	95.8%	96.9%	96.7%

\* Average weighted by NLA

### Visitor Traffic

Visitor traffic is measured by FootFall, a computerised video-based traffic monitoring system. Visits to Subang Parade decreased by 3.1% in 2010, while Mahkota Parade visits declined by 8.8%, in part due to the refurbishment activities through to May 2010. Visits to Wetex Parade dipped by 2.2%. Overall, the portfolio received 20.2 million visits in 2010.

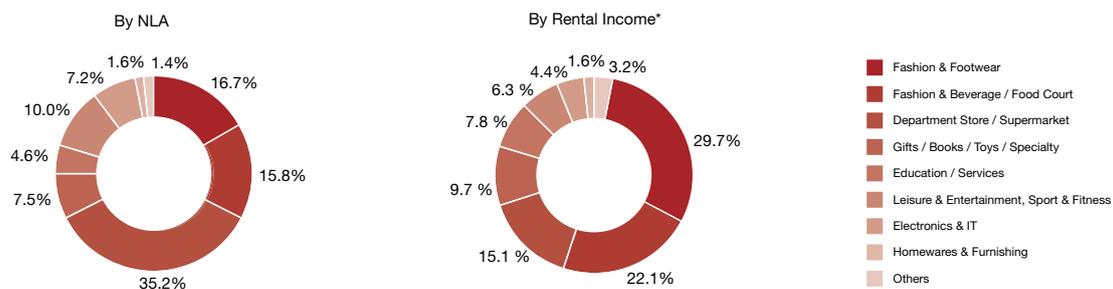
Property	No. of Visits 2010	No. of Visits 2009	No. of Visits 2008	No. of Visits 2007	No. of Visits 2006
Subang Parade	7.52 million	7.76 million	7.62 million	7.84 million	5.92 million
% Change in Traffic	-3.1%	1.8%	-2.8%	32.6%	4.0%
Mahkota Parade	7.19 million	7.88 million	8.32 million	8.82 million	8.64 million
% Change in Traffic	-8.8%	-5.3%	-5.7%	2.1%	7.8%
Wetex Parade*	5.51 million	5.63 million	1.96 million	-	-
Acquired in May 2008	-2.2%				
Total	20.2 million	21.3 million	17.9 million	16.6 million	14.5 million

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

### Portfolio Tenancy Mix

The portfolio tenancy mix is dominated by department stores and supermarkets, which led by Parkson and The Store, constitute approximately 35.2% of total portfolio NLA. In terms of rental income, the largest segment remains fashion and footwear, which contributes approximately 29.7% of monthly rental income.

#### Portfolio Tenancy Mix



\* Based on monthly rental income for December 2010

## Portfolio Performance (Cont'd)

### Portfolio's Top Ten Tenants

The top ten tenants in the portfolio contributed approximately 27.4% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 11.3% monthly rental income, no other tenant contributed more than 3.0%.

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	254,009	23.1%	11.3%
2 The Store	Department Store	91,357	8.3%	3.0%
3 Bata	Fashion & Footwear	12,946	1.2%	2.0%
4 McDonald's	Food & Beverage	7,322	0.7%	1.9%
5 The Reject Shop	Fashion & Footwear	17,695	1.6%	1.8%
6 World Of Sports	Fashion & Footwear	10,796	1.0%	1.5%
7 Ampang Superbowl	Leisure & Entertainment	7,096	0.6%	1.5%
8 Kenny Rogers Roasters	Food & Beverage	36,717	3.3%	1.5%
9 K.F.C.	Food & Beverage	10,282	0.9%	1.5%
10 Celebrity Fitness	Sport & Fitness	34,317	3.1%	1.4%
Top 10 Tenants (By Monthly Rental Income)		482,537	43.8%	27.4%
Other Tenants		617,063	56.2%	72.6%
Total		1,099,600	100.0%	100.0%

\* Based on monthly rental income for December 2010.

### Portfolio Rental Reversions

For the year ended 31 December 2010, the portfolio recorded 111 new and renewed tenancies, with an overall weighted average rental rate decrease of 1%. Subang Parade's rental reversion decreased for the year, with 20% of NLA reverting with a 2% rental rate decrease. Wetex Parade recorded an overall 37% increase in rental rates, reflecting the efforts of the tenant remixing exercise in the past year. Mahkota Parade accounted for an average 3% decrease for new or renewed tenants.

Full Year 2010 (12 months) (Ended 31 December)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	% Increase / (Decrease) Over Previous Rent Rates
Subang Parade	48	96,365	20%	-2%
Mahkota Parade	35	55,030	12%	-3%
Wetex Parade	28	14,249	9%	37%
Total / Average*	111	165,644	15%	-1%

\* Approximate average, weighted by Net Lettable Area. Figures as at 31 December 2010

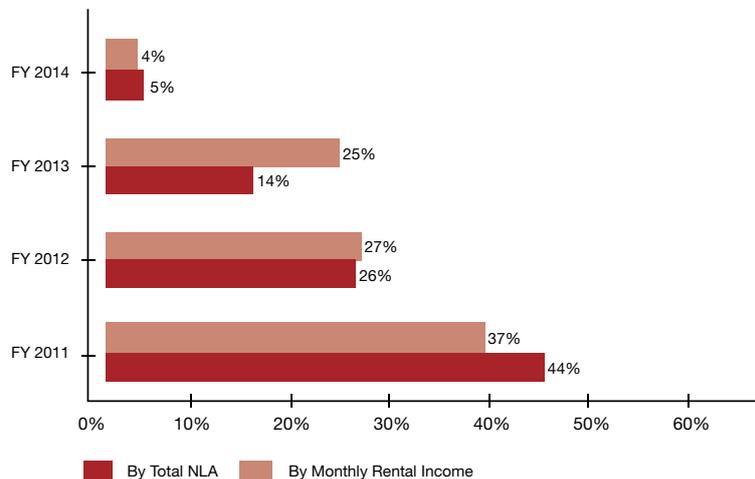
## Portfolio Performance (Cont'd)

### Portfolio Tenancy Expiry Profile

For the year 2011, a total of 94 tenancies will expire, representing approximately 44% of NLA and 37% of monthly rental income as at 31 December 2010. This is in line with typical tenancy terms of 3 years, as per the current market practice in Malaysia.

Portfolio For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2011	94	480,579	44%	37%
FY 2012	117	288,986	26%	27%
FY 2013	92	157,084	14%	25%
FY 2014	15	58,735	5%	4%

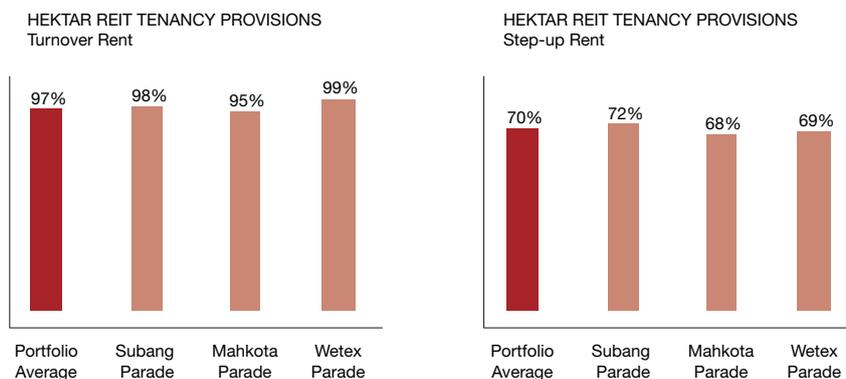
\* Based on monthly rental income for December 2010



### Portfolio Tenancy Provisions

As at 31 December 2010, turnover rent provisions were present in approximately 97% of the tenancies in the portfolio. Step-up rent provisions were present in approximately 70% of tenancies within the portfolio.

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.



## Portfolio Performance (Cont'd)



### Subang Parade

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

Subang Parade's positioning strategy is neighbourhood-focused, with an emphasis on its primary trade area. This market focus provides the centre with a captive customer base, whose needs are met by a tenant mix offering value and convenience.

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

Location	No. 5 Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor
Title	Freehold
Primary Trade Area	833,538 within 15-mins drive time
Gross Floor Area	1,146,456 sq ft
Net Lettable Area	476,577 sq ft
Car Park	1,221
Valuation	RM347.0 million
Tenants*	123
Key Tenants	Parkson, HSL, Celebrity Fitness, Digital One, MPH
Occupancy	94.8%
Visitor Traffic	7.5 million
Year Opened	1988
Year Acquired by REIT	2006
Year Refurbished	2006-7

Data as of 31 December 2010. \* Only NLA Lots

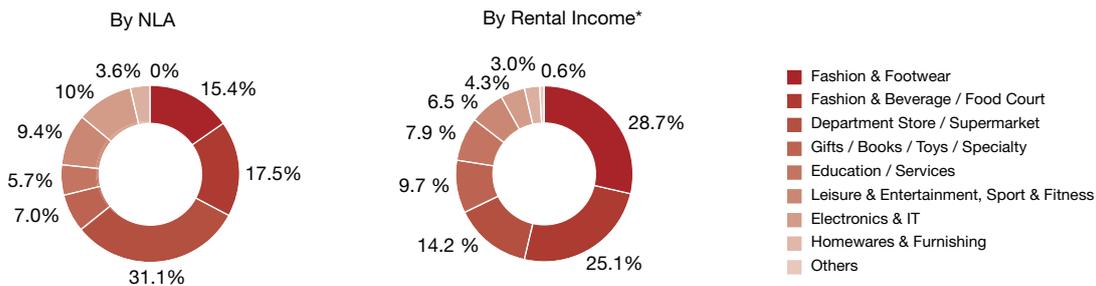
## Portfolio Performance (Cont'd)

### Subang Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	140,620	29.6%	14.0%
2 Celebrity Fitness	Sport & Fitness	34,317	7.2%	2.9%
3 Bata	Fashion & Footwear	4,597	1.0%	2.4%
4 Digital One	Electronics & IT	21,361	4.5%	2.4%
5 Kenny Rogers Roasters	Food & Beverage	3,610	0.8%	2.0%
6 World of Sports	Fashion & Footwear	5,769	1.2%	2.0%
7 TGI Friday's	Food & Beverage	5,655	1.2%	1.9%
8 The Reject Shop	Fashion & Footwear	9,192	1.9%	1.9%
9 Voir	Fashion & Footwear	4,387	0.9%	1.9%
10 MPH Bookstores	Gifts/Specialty	17,385	3.6%	1.9%
Top 10 Tenants (By Monthly Rental Income)		246,893	51.8%	33.3%
Other Tenants		229,684	48.2%	66.7%
Total		476,577	100.0%	100.0%

\* Based on monthly rental income for December 2010

### Subang Parade's Tenancy Mix

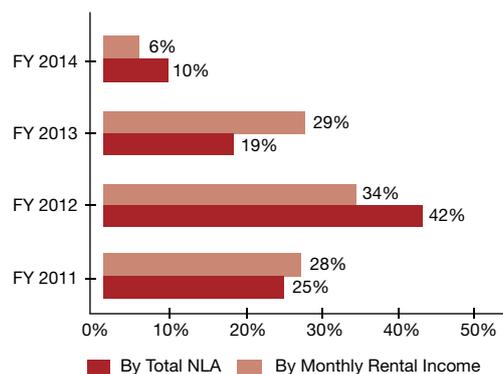


\* Based on monthly rental income for December 2010

### Subang Parade's Expiry Profile

Subang Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2011	40	119,173	25%	28%
FY 2012	34	202,225	42%	34%
FY 2013	42	89,190	19%	29%
FY 2014	12	47,946	10%	6%

\* Based on monthly rental income for December 2010



## Portfolio Performance (Cont'd)



### Mahkota Parade

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

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

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

Location	No. 1 Jalan Merdeka 75000 Bandar Melaka Melaka
Title	Leasehold (until 2101)
Primary Trade Area	350,000 within 15-mins drive time
Gross Floor Area	1,008,669 sq ft
Net Lettable Area	461,067 sq ft
Car Park	1,076
Valuation	RM283.0 million
Tenants*	105
Key Tenants	Parkson, Ampang Superbowl, Giant
Occupancy	96.1%
Visitor Traffic	7.2 million
Year Opened	1994
Year Acquired by REIT	2006
Year Refurbished	2009-10

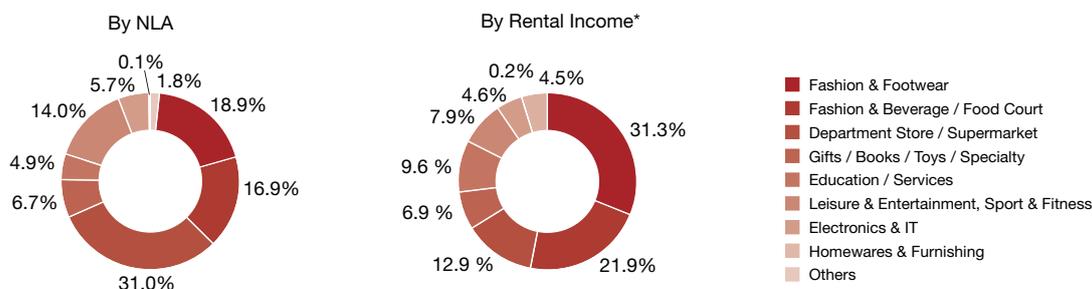
Data as of 31 December 2010. \* Only NLA Lots

## Portfolio Performance (Cont'd)

### Mahkota Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department Store	113,389	24.6%	11.3%
2 Ampang Superbowl	Leisure & Entertainment	36,717	8.0%	3.7%
3 KFC	Food & Beverage	5,403	1.2%	2.7%
4 McDonald's	Food & Beverage	5,942	1.3%	2.2%
5 The Reject Shop	Fashion & Footwear	8,503	1.8%	2.1%
6 Subzero Jeans	Fashion & Footwear	2,266	0.5%	1.5%
7 Sibaraku	Food & Beverage	9,526	2.1%	1.5%
8 World of Sports	Fashion & Footwear	5,027	1.1%	1.4%
9 Giant	Department Store	24,143	5.2%	1.3%
10 Toy City	Gifts/Specialty	6,910	1.5%	1.3%
Top 10 Tenants (By Monthly Rental Income)		217,826	47.3%	29.0%
Other Tenants		243,241	52.7%	71.0%
Total		461,067	100.0%	100.0%

### Mahkota Parade's Tenancy Mix

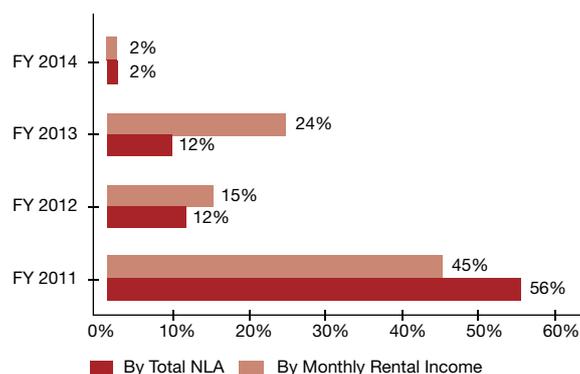


\* Based on monthly rental income for December 2010

### Mahkota Parade's Expiry Profile

Mahkota Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2011	35	257,257	56%	45%
FY 2012	28	54,069	12%	15%
FY 2013	34	54,537	12%	24%
FY 2014	3	10,789	2%	2%

\* Based on monthly rental income for December 2010



## Portfolio Performance (Cont'd)



### Wetex Parade & Classic Hotel

Wetex Parade and Classic Hotel 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.

Classic Hotel, situated on top of Wetex Parade is one of the leading hotels in Muar. Hektar REIT has secured a 10-year net lease with the operator as part of the terms of the acquisition in May 2008.

Wetex Parade was recognised by the International Council of Shopping Centers (ICSC) with a Gold Award for Marketing Excellence at the 2010 ICSC Asia Awards.

Location	69 Jalan Ali, Off Jalan Sulaiman 84000 Muar, Johor
Title	Freehold
Primary Trade Area	154,000 within 10km radius
Gross Floor Area	281,590 sq ft
Net Lettable Area	162,016 sq ft
Car Park	177
Valuation	RM120.0 million
Tenants*	90
Key Tenants	The Store, McDonald's, Watson's
Occupancy	95.6%
Visitor Traffic	5.5 million
Year Opened	1996
Year Acquired by REIT	2008
Year Refurbished	Currently in Phases

Data as of 31 December 2010. \* Only NLA Lots

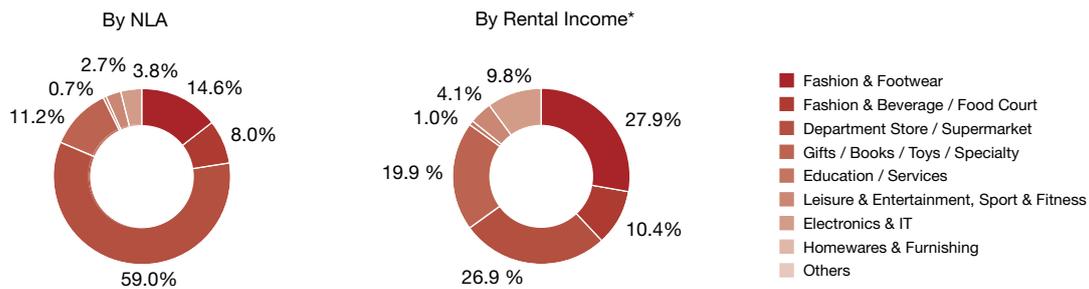
## Portfolio Performance (Cont'd)

### Wetex Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 The Store	Department Store	91,357	56.4%	26.8%
2 Watson's	Others	2,027	1.3%	4.3%
3 Silverho	Gifts/Specialty	3,178	2.0%	2.9%
4 McDonald's	Food & Beverage	2,489	1.5%	2.5%
5 Tanjongmas Bookstore	Gifts/Specialty	4,037	2.5%	2.5%
6 AD Jeans	Fashion & Footwear	2,110	1.3%	2.3%
7 Workshop	Fashion & Footwear	1,880	1.2%	2.2%
8 Fabiano Ricco / Ecco	Fashion & Footwear	1,292	0.8%	1.9%
9 Bata	Fashion & Footwear	1,240	0.8%	1.7%
10 Pao Sing	Others	1,023	0.6%	1.6%
Top 10 Tenants (By Monthly Rental Income)		110,633	68.4%	48.7%
Other Tenants		51,383	31.6%	51.3%
Total		162,016	100.0%	100.0%

\* Based on monthly rental income for December 2010

### Wetex Parade's Tenancy Mix

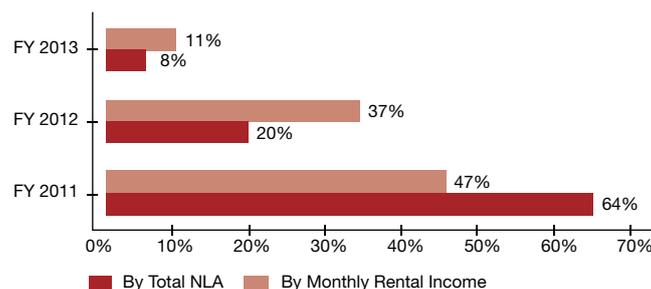


\* Based on monthly rental income for December 2010

### Wetex Parade's Expiry Profile

Mahkota Parade For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2011	19	104,149	64%	47%
FY 2012	55	32,692	20%	37%
FY 2013	16	13,357	8%	11%

\* Based on monthly rental income for December 2010







## Shopper Testimonials



*Luvenia Collete Gomes & Family*

I find this shopping complex very cosy and comfortable. The environment is very pleasing and its simplicity is what I like – easy to look for the respective shops to buy whatever necessary. Thank you Subang Parade.



*Hairin Bt Azahari & Friend*

Mahkota Parade has been a heavenly shopping centre since the completion of the renovation. The building layout appears to be more spacious and convenient for all walks of life with the inclusion of many facilities. We really enjoy our shopping spree in Mahkota Parade.



*Chan Wai Cheng & Family*

I love to bring my family to Wetex Parade. We are here almost every weekend as we enjoy doing our shopping here. It is indeed a place to unwind, relax, shop, dine and entertain all year round, especially with your loved ones.



*Chua Geok Eng & Friend*

Mahkota Parade provides everything under one roof; certainly a place of choice for my family. My friends and I especially enjoy the mixture of various cuisines offered in Mahkota, whereas my grandchildren love playing at the water playground.



*Mohd Nazri Bin Nazer & Friend*

We always come to Wetex Parade to shop because we can get everything we want here. Wetex Parade offers a variety of shops and at the same time provides a very comfortable and cosy feeling when shopping.



*Ezra Shamini & Family*

Subang Parade is the only mall that makes us feel comfortable, with affordable outlets. Its location is very convenient for us.



*Fatin Bazilah Binti Zulkifli & Family*

I love to come here with my family whenever we're free because we can find almost anything that we want here. Subang Parade provides a friendly environment for shopping, compatible with our Malaysian culture.



*Davinder Kaur & Friends*

We love to shop in Mahkota Parade because we can get almost everything here; the food is nice and it is convenient for us. We love the newly renovated Mahkota Parade, it gives us a fresh and fun place to hang out – almost every weekend there are events to keep us occupied and we get free gifts all the time. Also, the prices are affordable for students like us!

## Retailer Testimonials



**Leslie Ooi**  
*Operations Manager*  
 Adonis Beauty Consultants  
 Sdn Bhd  
 [Adonis at Mahkota Parade]

We have noticed a vast improvement in the shopping mall in the last few years through constant upgrades. As a retailer, we have benefited from the higher traffic flow and conducive retail environment for our business. We look forward to building a long mutually beneficial relationship with Hektar.



**Penny Chia**  
*Merchandiser Manager*  
 Minoshe Sdn Bhd  
 [Minoshe at Subang Parade]

Minoshe's business has grown extensively because of Hektar's aggressive marketing strategies and valuable asset enhancements. Minoshe looks forward to further build and enhance the long standing partnership with Subang Parade and Hektar.



**Teo Toon Lin**  
*Director*  
 Bega Connection Sdn Bhd  
 [Bega at Subang Parade]

Subang Parade is the first Malaysian Shopping Centre which Bega has worked with and we are very pleased that the management team has made our first overseas venture effortless. The management team has displayed a high level of professionalism, responsibility and dynamism.



**Noelle Wee**  
*Senior Operations Manager*  
 Hong Kong Sa Sa (M) Sdn Bhd  
 [SaSa at Mahkota Parade]

Sasa is delighted to be one of the tenants for the No 1 mall in Melaka, Mahkota Parade. This mall has reinvented itself throughout the year. The aggressiveness of the management team has brought a lot of improvements which always surprise us and shoppers as well.



**K.P. Goh**  
*Executive Director*  
 Body Glove (M) Sdn Bhd  
 [Body Glove at Mahkota Parade]

We are proud to be part of Mahkota Parade and have had an enjoyable working relationship with the management team. Hektar is supportive, cooperative and helpful in rendering their services when required.



**Haliza Aziz**  
*Assistant Operations Manager*  
 Golden Scoop Sdn Bhd  
 [Baskin Robbins at Wetex Parade]

Little did we expect that Wetex Parade shoppers have such great support towards Baskin Robbins. Hektar's Marketing team has done a great job in promoting the mall activities via Facebook actively. Good Job!



**Molly Wong**  
*General Manager*  
 Alstyle International (M) Sdn Bhd  
 [Elle at Subang Parade]

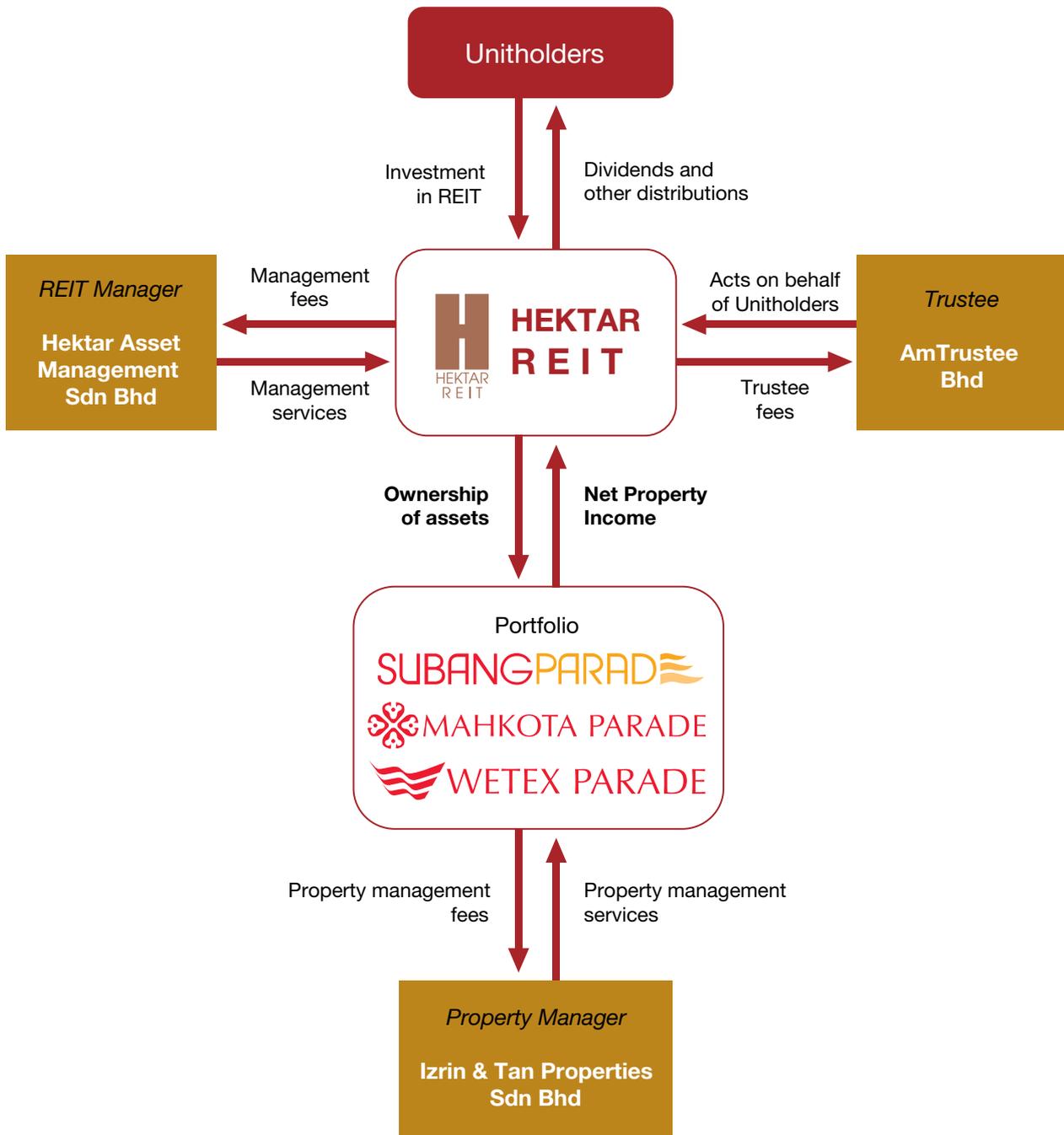
Over the years, we have established a good partnership with the Subang Parade management who have been very supportive and understanding. We strongly believe that all tenants and the management must work hand in hand to raise the shopping experience in the mall.



**Albert Chiang**  
*Group Managing Director*  
 CB Franchising Sdn Bhd  
 [Bonina at Mahkota Parade]

We have had uncountable tenanting experiences with the management team. We found Hektar to be professional and creative in their approach towards tenants and shoppers' relationship. With high enthusiasm shown, we entrust the team to bring the mall into a certain level which will benefit all sectors.

# Corporate Organisation



# Corporate Directory

## MANAGER

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

### Manager's Principal Place of Business

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

### Manager's Registered Office

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

## BOARD OF DIRECTORS OF THE MANAGER

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

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*

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

Philip Eng Heng Nee  
*Independent Non-Executive Director*

Jack Lam Juck Ngai  
*Alternate Director to Christopher Tang*

## JOINT COMPANY SECRETARIES OF THE MANAGER

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

## TRUSTEE

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

## PROPERTY MANAGER

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

## PRINCIPAL BANKER OF THE FUND

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

## AUDITOR (EXTERNAL)

SJ Grant Thornton (AF : 0737)  
Level 11 Shenton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

## AUDITOR (INTERNAL)

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

## TAX AGENT

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

## REGISTRAR

Mega Corporate Services Sdn Bhd  
(Company No. 187984-H)  
Level 15-2 Faber Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50774 Kuala Lumpur  
Tel : +6 03 2692 4271  
Fax : +6 03 2732 5388

## STOCK EXCHANGE LISTING

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

## The Board of Directors



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

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



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

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



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

## The Board of Directors (Cont'd)

### **Christopher Tang Kok Kai**

**Non-Executive Director**

Christopher 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 has over 20 years of experience in asset management, investment management, marketing and operations in the real estate and manufacturing industries. Prior to joining the Fraser & Neave Group in 2001, he held senior positions with DBS Bank, DBS Land and British Petroleum. Christopher is also a director of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust and Frasers Centrepoint Asset Management (Commercial), the manager of Frasers Commercial Trust. He holds a Masters in Business Administration and a Bachelor of Science Degree from the National University of Singapore.



### **Shahril bin Kassim**

**Non-Executive Director**

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



### **Dato' Syed Amin Aljeffri**

**Independent Non-Executive Director**

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



## The Board of Directors (Cont'd)



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

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



**Philip Eng Heng Nee**  
Independent Non-Executive Director

Philip was appointed Independent Chairman of Frasers Centrepoint Asset Management Ltd in April 2009 and has been a Board member since April 2006. He is Non-Executive Chairman of mDR Limited and Executive Deputy Chairman of Hup Soon Global Corporation Limited. He is Director of several local and regional companies including NTUC Income, Chinese Development Assistance Council, OpenNet Pte Ltd., The Hour Glass, SingHealth and Commissioner of PT Adira Dinamika Multi Finance, Tbk, Indonesia. Philip is also Singapore's Ambassador to Greece and High Commissioner to Cyprus. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director. Philip graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.



**Jack Lam Juck Ngai**  
Alternate Director to Mr Christopher Tang Kok Kai

Jack Lam is the Deputy Chief Executive Officer and Head, Investment of Frasers Centrepoint Asset Management Ltd, which manages Frasers Centrepoint Trust listed in Singapore. Prior to joining Frasers Centrepoint, he was with CapitaLand Limited from 2001 to 2006. Jack has over 17 years of experience in the Singapore and regional property markets, spanning a variety of roles in investment, asset management, advisory and research. He has also been involved in REIT management since the industry's inception in Singapore in 2002. Jack holds a Master of Business Administration in Finance (with Distinction) from the University of Leeds, UK, and a Bachelor Degree in Engineering (Civil) from the National University of Singapore.

## The Management Team

### **Dato' Jaafar bin Abdul Hamid**

Chief Executive Officer & Chairman

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

### **Zalila binti Mohd Toon**

Chief Financial Officer & Executive Director

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

### **Lim Ye Jhen**

General Manager, Strategy

Ye Jhen is responsible for Hektar REIT's strategic planning, investor relations, business development, research and analysis. He has presented at real estate conferences and investment seminars throughout Malaysia, Singapore, Hong Kong and the Middle East. He joined Hektar in 2006 to advise and facilitate the planning of the IPO of Hektar REIT. Previously, he was Assistant Vice-President of the Investment & Business Advisory division of Henry Butcher Malaysia, consulting for real estate organisations. Prior to this, he was with Global Asset Capital LLC, a private equity firm based in San Francisco, USA, where he was responsible for investments and working with portfolio companies in North America. He was also involved in setting up their investment fund in 2000. Previously, he worked with PwC Management Consulting Services (now part of IBM), working on behalf of various entities including public-listed, private companies and government entities. He graduated with a Bachelor's Degree in Finance from the Stern School of Business at New York University, New York, USA.

### **Zarina Halim**

Senior Manager, Corporate Affairs

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

### **Raziff Suhairi bin Shaaban**

Senior Manager, Finance

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

### **Martin Chen**

Manager, Legal

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

## Investor 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). An email alert system provides subscribers with the latest announcements on a timely basis.

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

Quarterly updates are delivered to institutions around the world, including Singapore, Hong Kong, Switzerland, Australia, The Netherlands, Japan, the U.K. and the U.S.

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 Standard & Poor's, OSK Research and AmResearch.

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  
Block C-0-5, Plaza Damas  
No.60 Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur  
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Tel : +6 03 6201 1011  
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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

	2011*	2010
Full Year Results Announcement	17 February 2011	2 February 2010
Annual Report	February 2011	February 2010
Final Dividend Distribution	18 March 2011	5 March 2010
First Quarter Results Announcement	May 2011	5 May 2010
First Quarter Dividend Distribution	June 2011	7 June 2010
Second Quarter Results Announcement	August 2011	4 August 2010
Second Quarter Dividend Distribution	September 2011	3 September 2010
Third Quarter Results Announcement	November 2011	3 November 2010
Third Quarter Dividend Distribution	December 2011	6 December 2010

\* 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 2010.

### 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 2010 RM	As at 31 December 2009 RM
Total Net Asset Value	421,462,023	416,198,239
Units in Circulation (Units)	320,001,000	320,001,000
Net Asset Value per unit	1.32	1.30
Market Value per Unit	1.35	1.12
Highest Traded Price	1.35	1.12
Lowest Traded Price	1.13	0.77

### OPERATING RESULTS

	FYE 31 December 2010 RM	FYE 31 December 2009 RM
Total Gross Income	91,048,232	87,854,918
Total Property Expenses	(35,530,023)	(34,687,631)
Fair Value Adjustment on Investment Properties	1,011,661	400,519
	56,529,870	53,567,806
Total Non-Property Expenses	(17,345,980)	(16,430,731)
Net Income before taxation	39,183,890	37,137,075
Net Income before taxation – realised	38,172,229	36,736,556
Net Income before taxation – unrealized	1,011,661	400,519
Net Income after taxation	39,183,890	37,137,075
Earnings per Unit after Tax (sen)	12.24	11.61
Realised Earnings per Unit after Tax (sen)	11.93	11.48
Distribution per Unit (“DPU”) (sen)	10.30	10.30

The Manager is pleased to report that for the financial year ended 31 December 2010, the total revenue of Hektar REIT is RM91,048,232 comprising gross rental income of RM90,873,188, interest income of RM159,748 and other income of RM15,296. Gross Rental income of RM90,873,188 includes revenue of RM1,373,043, which is due to the impact of FRS117 which took effect on 1 January 2010.

The realised net profit for FY 2010 of RM38,172,229 is higher than FY 2009 by RM1,435,673. The positive variance is mostly due to the impact of FRS 117.

The Manager has recommended and AmTrustee Berhad (“Trustee”) has approved a total income distribution of 10.3 sen per unit totaling RM32,960,103 for the year ended 31 December 2010.

The total income distribution of RM32,960,103 is similar to that of the previous period.

## Manager's Report (Cont'd)

### INCOME DISTRIBUTION

The schedule of the income distributions is as follows:

Dividend payment	Period covered	Income Distribution (RM)	Remarks
First interim dividend	Jan 10 –Mar 10	8,000,025	Paid in June 2010
Second interim dividend	Apr 10-Jun 10	8,000,025	Paid in September 2010
Third interim dividend	Jul 10-Sep 10	8,000,025	Paid in December 2010
Final dividend	Oct 10-Dec 10	8,960,028	To be paid in March 2011
Total		32,960,103	

### DIRECTORS OF THE MANAGER

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

Dato' Jaafar Bin Abdul Hamid  
 Zalila Binti Mohd Toon  
 Dr Chew Tuan Chiong  
 Christopher Tang Kok Kai  
 Shahril Bin Kassim  
 Dato' Syed Amin Aljeffri  
 Dato' Lim Git Hooi @ Robert Lim  
 Philip Eng Heng Nee  
 Jack Lam Juck Ngai  
 (Alternate Director to Christopher Tang)

### DIRECTORS BENEFITS

For the financial year ended 31 December 2010, 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 21 as explained under the Notes to the Financial Statements.

There were no arrangements during the financial year ended 2010, 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 2010, the Manager's fee comprised the following:

1. Base fee of RM2,719,245, which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM2,788,086, which is calculated at 5% of Net Property Income

The Manager's total management fee of RM5,507,331 represents 1.3% per annum of the Net Asset Value ("NAV") of Hektar REIT.

The Manager also received RM20,778 in divestment fees (i.e. 0.5% of disposal value) during this period, being commission for the sale of a portion of Subang Parade's outdoor car park to the Government in a compulsory acquisition relating to the Light Rail Transit project.

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

## Manager's Report (Cont'd)

### CORPORATE DEVELOPMENTS

#### Government Land Acquisition

As announced in Hektar REIT's third quarterly report on 3 November 2010, AmTrustee Berhad has filed an appeal on 11 March 2010 to review the compensation sums awarded. To date, the Manager is still awaiting for a hearing date to be fixed at the High Court. The Manager will make further announcements on the outcome of the hearing in due course.

### GEARING

#### DEBT FACILITIES

Hektar REIT's total borrowings of RM334,000,000 comprises:

1. A short term borrowing of RM184 million; and
2. A long term borrowing of RM150 million

Both loans are secured.

#### GEARING CAPACITY

As at 31 December 2010, Hektar REIT had a gearing ratio (external borrowings to total assets) of 43%. Based on the GAV of RM782,439,299 as at 31 December 2010, there is capacity to borrow an additional RM57,219,650 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 2010 is 320,001,000.

#### INVESTMENTS OF THE TRUST

Total Investments as at 31 December 2010 was RM752,000,000.

	Value as at 1 January 2010 (RM' mil)	Refurbish./ (Divestment) (RM' mil)	Total (RM' mil)	Revaluation (RM' mil)	Unrealised gain/(loss) (RM' mil)
Subang Parade	343.0	(3.9)	339.1	347.0	7.9
Mahkota Parade	257.0	29.1	286.1	283.0	(3.1)
Wetex Parade	120.0	5.8	125.8	122.0	(3.8)
Total	720.0	31.0	751.0	752.0	1.0

#### NET ASSET VALUE OF HEKTAR REIT

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2010 is RM1.317 per unit.

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

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

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

Kuala Lumpur  
February 2011

# Corporate Governance

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

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

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 2010. To this end, the Manager applied the principles and best practices as set out in Parts 1 and 2 respectively of the Malaysian Code of Corporate Governance (“the Code”) and Bursa Malaysia’s Listing Requirements (“LR”).

## The Board of Directors

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

## Executive Committee

An Executive Committee 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 (effective 8 December 2010) and Zalila binti Mohd Toon.

## Audit Committee

An Audit Committee, comprising the Independent Directors Philip Eng Heng Nee, Dato’ Lim Git Hooi @ Robert Lim and Dato’ Syed Amin Aljeffri as chairman, is delegated by the Board to undertake, among other things, the following duties and responsibilities:

- Review and deliberate on Hektar REIT’s Financial Performance
- Review and deliberate on the Quarterly Report to Bursa Malaysia
- Receive and deliberate on the Internal Auditor Report

## 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 2010, 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.

## Corporate Governance (Cont'd)

### Board Balance

As at the date of this statement, the Board consists of eight (8) members, comprising one (1) Executive Chairman, one (1) Executive Director, three (3) Non-Executive, Non-Independent Directors and three (3) Independent Non-Executive Directors. More than 37% of Directors are considered independent which complies and exceeds the directors' independence requirements set out under paragraph 15.02 of Bursa Malaysia's LR which requires that at least one-third of the Board to be independent Directors. A brief profile of each Director is presented in the Board of Directors section of this annual report.

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

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

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

### Directors Training

In July 2010, Puan Zalila Binti Mohd Toon attended the 2nd Annual Corporate Governance Summit 2010.

In September 2010, Dr. Chew Tuan Chiong who was appointed as a Director of Hektar Asset Management Sdn Bhd on 5 May 2010, attended the Mandatory Accreditation Programme of Directors for Public Listed Companies (MAP).

### Supply of Information

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

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

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

### Unitholders

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

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

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

## Corporate Governance (Cont'd)

### Financial reporting

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

### Directors' responsibility statement in respect of the preparation of the audited financial statements

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

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

### Statement on Internal Control

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.

## Statement by the Manager

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the accompanying financial statements are drawn up in accordance with the provisions of the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of Hektar Real Estate Investment Trust ("Hektar REIT") as at 31 December 2010 and of the results and cash flows of Hektar REIT for the financial year then ended.

Signed on behalf of the Board of the Directors of the Manager in accordance with a resolution of the Board of Directors dated 17 February 2011.

**DATO' JAAFAR BIN ABDUL HAMID**

**ZALILA BINTI MOHD TOON**

Kuala Lumpur  
17 February 2011

## Statutory Declaration

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

### **ZALILA BINTI MOHD TOON**

Subscribed and solemnly declared by the  
abovenamed at Shah Alam in Selangor Darul Ehsan  
on this day of 17 February 2011

Before me:

### **ROSMAH BINTI OSMAN (B260)**

Commissioner for Oaths

# Trustee's Report

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

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") for the financial year ended 31 December 2010. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd., the Manager, has managed Hektar REIT in accordance with the limitation imposed on the investment powers of the Manager and the Trustee under the Deed dated 5 October 2006 ("the Deed"), the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and other applicable laws during the financial year then ended.

We have also ensured the following:-

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

We confirm that the income distributions declared and paid for the financial year ended are in line with and are reflective of the objective of the Trust. Four distributions have been declared and paid during the financial year ended 31 December 2010 as follows:-

- 1. Final dividend of 3.1 sen for the financial year ended 31 December 2009 paid on 5 March 2010
- 2. First interim dividend of 2.5 sen for the financial year ended 31 December 2010 paid on 7 June 2010
- 3. Second interim dividend of 2.5 sen for the financial year ended 31 December 2010 paid on 3 September 2010; and
- 4. Third interim dividend of 2.5 sen for the financial year ended 31 December 2010 paid on 6 December 2010

For and on behalf of the Trustee,  
AmTrustee Berhad

**TAN KOK CHEENG**

Kuala Lumpur  
17 February 2011

# Independent Auditor's 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, which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in net assets value and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 71.

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

The Directors of the Manager of the Trust are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia, and for such internal control as the Directors determine are necessary to enable the presentation 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation 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, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Deed dated 5 October 2006, the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Trust as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

## OTHER MATTERS

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

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

**NG CHEE HOONG**  
CHARTERED ACCOUNTANT  
(NO: 2278/10/12(J))

Kuala Lumpur  
17 February 2011

# Statement of Financial Position

As at 31 December 2010

	Note	2010 RM	2009 RM	2008 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	3	752,000,000	720,000,000	713,400,000
Capital work in progress		552,911	14,202,085	106,234
Fixed deposit with a licensed bank	4	2,268,626	2,141,013	1,767,432
<b>Total non-current assets</b>		<b>754,821,537</b>	<b>736,343,098</b>	<b>715,273,666</b>
<b>Current assets</b>				
Trade receivables	5	1,930,843	375,188	471,741
Other receivables, deposits and prepayments	6	1,016,401	3,832,728	4,142,252
Cash and bank balances		24,670,518	36,574,334	18,220,797
<b>Total current assets</b>		<b>27,617,762</b>	<b>40,782,250</b>	<b>22,834,790</b>
<b>Total assets</b>		<b>782,439,299</b>	<b>777,125,348</b>	<b>738,108,456</b>
<b>EQUITY</b>				
<b>UNITHOLDERS' CAPITAL</b>	7	328,136,711	328,136,711	328,136,711
<b>UNDISTRIBUTED INCOME-REALISED</b>		23,956,870	19,704,747	15,608,293
<b>UNDISTRIBUTED INCOME-UNREALISED</b>		69,368,442	68,356,781	67,956,262
<b>Total Unitholders' funds</b>		<b>421,462,023</b>	<b>416,198,239</b>	<b>411,701,266</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	8	150,000,000	334,000,000	301,500,000
<b>Total non-current liabilities</b>		<b>150,000,000</b>	<b>334,000,000</b>	<b>301,500,000</b>
<b>Current liabilities</b>				
Trade payables	9	565,158	3,466,092	188,183
Other payables and accruals	9	26,412,118	23,461,017	24,719,007
Borrowings		184,000,000	-	-
<b>Total current liabilities</b>		<b>210,977,276</b>	<b>26,927,109</b>	<b>24,907,190</b>
<b>Total liabilities</b>		<b>360,977,276</b>	<b>360,927,109</b>	<b>326,407,190</b>
<b>Total Unitholders' funds and liabilities</b>		<b>782,439,299</b>	<b>777,125,348</b>	<b>738,108,456</b>
<b>NET ASSETS VALUE ("NAV")</b>		<b>421,462,023</b>	<b>416,198,239</b>	<b>411,701,266</b>
Number of units in circulation	7	320,001,000	320,001,000	320,001,000
Net assets value ("NAV") per unit (RM)				
- as at 31 December		1.32	1.30	1.29
- before income distribution during the financial year		1.42	1.40	1.39

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

# Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Note	2010 RM	2009 RM	2008 RM
Gross revenue	10	90,873,188	87,712,338	84,092,285
Property expenses	11	(35,530,023)	(34,687,631)	(31,376,978)
Net rental income		55,343,165	53,024,707	52,715,307
Interest income		159,748	121,566	171,797
Other income		15,296	21,014	12,319
Fair value adjustment on investment properties	3	1,011,661	400,519	24,114,645
Total income		56,529,870	53,567,806	77,014,068
Manager's fees	12	5,507,331	3,790,195	3,612,149
Trustee's fees	13	145,907	143,838	134,239
Audit fees		40,000	40,000	40,000
Tax agent's fees		1,800	15,700	19,040
Valuation fees		25,000	110,000	12,000
Professional fees		1,243,108	135,304	1,111,475
Allowance for impairment		99,808	37,364	108,473
Administration expenses		105,002	213,731	228,101
Interest expenses		10,149,317	11,944,599	11,395,857
Bad debt written off		28,707	-	-
Total expenses		17,345,980	16,430,731	16,661,334
Net income before tax		39,183,890	37,137,075	60,352,734
Tax expense	14	-	-	-
Net income for the financial year		39,183,890	37,137,075	60,352,734
Net income for the financial year is made up as follows:-				
Realised		38,172,229	36,736,556	36,238,089
Unrealised				
- Fair value adjustment on investment properties		1,011,661	400,519	24,114,645
		39,183,890	37,137,075	60,352,734
Earnings per unit (sen)	15	12.24	11.61	18.86

## Statement of Comprehensive Income (Cont'd)

For the financial year ended 31 December 2010

	Note	2010 RM	2009 RM	2008 RM
Earnings per unit (total)				
- After manager's fees (sen)	15(a)	12.24	11.61	18.86
- Before manager's fees (sen)	15(b)	13.97	12.79	19.99
Earnings per unit (Realised)				
- After manager's fees (sen)	15(c)	11.93	11.48	11.32
- Before manager's fees (sen)	15(d)	13.65	12.66	12.45
Net income distribution				
- Interim distribution of 7.5 sen (2009: 7.2 sen, 2008: 7.2 sen) per unit		24,000,075	23,040,072	23,040,072
- Final distribution of 3.1 sen in respect of financial year ended 31 December 2009 (2008: 3.0 sen, 2007: 3.51 sen)		9,920,031	9,600,030	11,232,035
		33,920,106	32,640,102	34,272,107
Interim income distribution per unit				
- Gross (sen)		7.50	7.20	7.20
- Net (sen) *		7.50	7.20	7.20
Final income distribution per unit				
- Gross (sen)		3.10	3.00	3.51
- Net (sen) *		3.10	3.00	3.51

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

	YA 2010	YA 2009	YA 2008
Resident individual	10%	10%	15%
Non-resident individual	10%	10%	15%
Resident institutional investors	10%	10%	20%
Non-resident institutional investors	10%	10%	20%
Non-resident companies	25%	25%	26%

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

## Statement of Changes in Net Assets Value

For the financial year ended 31 December 2010

	Note	Unitholders' capital RM	Undistributed income Realised RM	Unrealised RM	Total Unitholders' funds RM
At 1 January 2009					
As previously reported		328,136,711	6,008,263	67,956,262	402,101,236
Effect of FRS 110	2.2.2	–	9,600,030	–	9,600,030
<hr/>					
As restated		328,136,711	15,608,293	67,956,262	411,701,266
Operations for the financial year ended 31 December 2009					
Net income for the financial year		–	36,736,556	400,519	37,137,075
<hr/>					
Increase in net assets resulting from operations		–	36,736,556	400,519	37,137,075
<hr/>					
Unitholders' transactions					
Distribution to Unitholders		–	(32,640,102)	–	(32,640,102)
<hr/>					
Decrease in net assets resulting from Unitholders' transactions		–	(32,640,102)	–	(32,640,102)
<hr/>					
Balance at 31 December 2009		328,136,711	19,704,747	68,356,781	416,198,239
<hr/>					
At 1 January 2010					
As previously reported		328,136,711	9,784,716	68,356,781	406,278,208
Effect of FRS 110	2.2.2	–	9,920,031	–	9,920,031
<hr/>					
As restated		328,136,711	19,704,747	68,356,781	416,198,239
Operations for the financial year ended 31 December 2010					
Net income for the financial year		–	38,172,229	1,011,661	39,183,890
<hr/>					
Increase in net assets resulting from operations		–	38,172,229	1,011,661	39,183,890
<hr/>					
Unitholders' transactions					
Distribution to Unitholders		–	(33,920,106)	–	(33,920,106)
<hr/>					
Decrease in net assets resulting from Unitholders' transactions		–	(33,920,106)	–	(33,920,106)
<hr/>					
Balance at 31 December 2010		328,136,711	23,956,870	69,368,442	421,462,023

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

## Statement of Cash Flows

For the financial year ended 31 December 2010

	2010 RM	2009 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before tax	39,183,890	37,137,075
Adjustments for:-		
Bad debt written off	28,707	-
Fair value adjustment on investment properties	(1,011,661)	(400,519)
Interest expenses	10,149,317	11,944,599
Interest income	(159,748)	(121,566)
Allowance for impairment	99,808	37,364
Operating income before working capital changes:-	48,290,313	48,596,953
Payables	50,167	368,722
Receivables	1,132,157	2,019,910
Cash generated from operations	49,472,637	50,985,585
Interest paid	(10,149,317)	(11,944,599)
Net cash from operating activities	39,323,320	39,040,986
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment properties	-	(3,500,000)
Expenditure for enhancement of investment properties	(203,855)	(84,748)
Proceeds from disposal of investment property	4,027,122	-
Expenditure for refurbishment of investment properties incurred	(21,162,432)	(16,710,584)
Interest received	159,748	121,566
Placement of fixed deposit	(127,613)	(373,581)
Net cash used in investing activities	(17,307,030)	(20,547,347)

## Statement of Cash Flows (Cont'd)

For the financial year ended 31 December 2010

	2010 RM	2009 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	–	32,500,000
Distribution to Unitholders	(33,920,106)	(32,640,102)
Net cash used in financing activities	(33,920,106)	(140,102)
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(11,903,816)	18,353,537
At beginning of the financial year	36,574,334	18,220,797
At end of financial year	24,670,518	36,574,334

### Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:-

	2010 RM	2009 RM
Cash and bank balances	24,670,518	36,574,334
Fixed deposit with licensed bank	2,268,626	2,141,013
Less: fixed deposit pledged	(2,268,626)	(2,141,013)
	24,670,518	36,574,334

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

# Notes to the Financial Statements

- 31 December 2010

## 1. GENERAL INFORMATION

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements of the Trust have been prepared in accordance with the provisions of the Deed dated 5 October 2006 (“the Deed”), the Securities Commission Act, 1993, the Securities Commission’s Guidelines on Real Estate Investment Trusts and Financial Reporting Standards in Malaysia.

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

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

### 2.2 Adoption of New and Revised Financial Reporting Standards (“FRSs”)

2.2.1 On 1 January 2010, the Trust adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial period beginning on or after 1 January 2010:-

1)	FRS 7	-	Financial Instruments: Disclosures
2)	FRS 8	-	Operating Segments
3)	Amendment to FRS 8	-	Operating Segments
4)	Amendment to FRS 7	-	Financial Instruments: Disclosures
5)	FRS 101	-	Presentation of Financial Statements (Revised)
6)	Amendment to FRS 107	-	Statement of Cash Flows
7)	Amendment to FRS 108	-	Accounting Policies, Changes in Accounting Estimates and Errors
8)	Amendment to FRS 110	-	Events After the Reporting Period
9)	Amendment to FRS 118	-	Revenue
10)	Amendment to FRS 119	-	Employee Benefits
11)	Amendments to FRS 132	-	Financial Instruments: Presentation
12)	Amendment to FRS 134	-	Interim Financial Reporting
13)	Amendment to FRS 136	-	Impairment of Assets
14)	FRS 139	-	Financial Instruments: Recognition and Measurement
15)	Amendment to FRS 139	-	Financial Instruments: Recognition and Measurement
16)	Amendment to FRS 140	-	Investment Property

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.2 Adoption of New and Revised Financial Reporting Standards ("FRSs") (Cont'd)

2.2.1 On 1 January 2010, the Trust adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial period beginning on or after 1 January 2010:- (Cont'd)

The following FRSs and IC Interpretations which are effective for financial period beginning on or after 1 January 2010, are not applicable to the Trust's operations:-

- |     |                       |   |   |
|-----|-----------------------|---|---|
| 1)  | Amendment to FRS 1    | - | First-time Adoption of Financial Reporting Standards  |
| 2)  | Amendments to FRS 2   | - | Share-based Payment<br>- Vesting Conditions and Cancellations   |
| 3)  | FRS 4                 | - | Insurance Contracts   |
| 4)  | Amendment to FRS 5    | - | Non-current Assets Held for Sale and Discontinued Operations  |
| 5)  | Amendment to FRS 116  | - | Property, Plant and Equipment   |
| 6)  | Amendment to FRS 117  | - | Leases  |
| 7)  | Amendment to FRS 120  | - | Accounting for Government Grants and Disclosure of Government Assistance  |
| 8)  | FRS 123               | - | Borrowing Costs (Revised)   |
| 9)  | Amendment to FRS 123  | - | Borrowing Costs   |
| 10) | Amendments to FRS 127 | - | Consolidated and Separate Financial Statements:<br>Cost of an Investment in a Subsidiary,<br>Jointly Controlled Entity or Associate |
| 11) | Amendment to FRS 128  | - | Investments in Associates   |
| 12) | Amendment to FRS 129  | - | Financial Reporting in Hyperinflationary Economies  |
| 13) | Amendment to FRS 131  | - | Interests in Joint Ventures   |
| 14) | Amendment to FRS 138  | - | Intangible Assets   |
| 15) | Amendment to FRS 140  | - | Investment Property   |
| 16) | IC Interpretation 9   | - | Reassessment of Embedded Derivatives  |
| 17) | IC Interpretation 10  | - | Interim Financial Reporting and Impairment  |
| 18) | IC Interpretation 11  | - | FRS 2 – Group and Treasury Share Transactions   |
| 19) | IC Interpretation 13  | - | Customer Loyalty Programmes   |
| 20) | IC Interpretation 14  | - | FRS 119 – The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and Their Interaction                               |

2.2.2 The adoption of the relevant FRSs and IC Interpretations effective from 1 January 2010 has no significant impact on the financial performance or position of the Trust except for those discussed below:-

#### FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential Amendment to FRS 101 - Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Trust's financial position and performance, nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

The Trust applied FRS 7 prospectively in accordance with the transitional provisions. Disclosures required were included throughout the Trust's financial statements for the financial year ended 31 December 2010. However, such disclosures were not applied to the comparatives.

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.2 Adoption of New and Revised Financial Reporting Standards ("FRSs") (Cont'd)

2.2.2 The adoption of the relevant FRSs and IC Interpretations effective from 1 January 2010 has no significant impact on the financial performance or position of the Trust except for those discussed below:- (Cont'd)

#### FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 was adopted retrospectively by the Trust.

It introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity and the statement of changes in net assets value is presented as a single line for non-owner changes in equity. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Trust has elected to present this statement in one single statement.

In addition, the revised FRS 101 requires a statement of financial position at the beginning of the earliest comparative period following a change in accounting policy, correction of an error or reclassification of items in the financial statements.

The revised FRS 101 also requires the Trust to disclose new information to enable users of the financial statements to evaluate the Trust's objectives, policies and processes for managing capital.

#### Amendment to FRS 110 Events after the Reporting Period

The amendment to FRS 110 clarified that if dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as liability at the end of the reporting period because no obligation exists at that time. In previous financial year, provision for income distribution was made as there were expectations that income distribution will be made which give rise to constructive obligation. However, the criteria is no longer applicable with the adoption of amendment to FRS 110 which has resulted in the reversal of provision for income distribution. The Trust has applied the change in accounting policy retrospectively and certain comparatives have been restated.

Effects on the statement of financial position as a result of Amendment to FRS 110 are shown below:-

	Before RM	Increase/(Decrease) Change in accounting policy After RM	Effect RM
<b>2010</b>			
<u>Statement of financial position</u>			
<i>Equity</i>			
Undistributed Income - Realised	14,996,870	23,956,870	8,960,000
<i>Current liabilities</i>			
Provision for income distribution	8,960,000	-	(8,960,000)

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.2 Adoption of New and Revised Financial Reporting Standards ("FRSs") (Cont'd)

2.2.2 The adoption of the relevant FRSs and IC Interpretations effective from 1 January 2010 has no significant impact on the financial performance or position of the Trust except for those discussed below (Cont'd):-

Effects on the statement of financial position as a result of Amendment to FRS 110 are shown below (Cont'd):-

	Increase/(Decrease) Change in accounting policy		
	Before RM	After RM	Effect RM
<b>2009</b>			
<u>Statement of financial position</u>			
<i>Equity</i>			
Undistributed Income - Realised	9,784,716	19,704,747	9,920,031
<i>Current liabilities</i>			
Provision for income distribution	9,920,031	-	(9,920,031)

### 2008

#### Statement of financial position

<i>Equity</i>			
Undistributed Income - Realised	6,008,263	15,608,293	9,600,030
<i>Current liabilities</i>			
Provision for income distribution	9,600,030	-	(9,600,030)

2.2.3 The following are standards and IC Interpretations which are not yet effective and have not been early adopted by the Trust:-

			Effective date
1)	FRS 1	- First-time Adoption of Financial Reporting Standards	1 July 2010
2)	Amendment to FRS 1	- First-time Adoption of Financial Reporting Standards	1 January 2011
3)	Amendments to FRS 2	- Share-Based Payment	1 July 2010

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.2 Adoption of New and Revised Financial Reporting Standards ("FRSs") (Cont'd)

2.2.3 The following are standards and IC Interpretations which are not yet effective and have not been early adopted by the Trust (Cont'd):-

		Effective date
4)	Amendments to FRS 2 - Share-Based Payment. Group Cash-settled Share-based Payment Transactions	1 January 2011
5)	FRS 3 - Business Combinations (Revised)	1 July 2010
6)	Amendments to FRS 3 - Business Combinations	1 January 2011
7)	Amendments to FRS 5 - Non-Current Assets Held for Sale and Discontinued Operations	1 July 2010
8)	Amendments to FRS 7 - Financial Instruments: Disclosures	1 January 2011
9)	Amendments to FRS 101 - Presentation of Financial Statements	1 January 2011
10)	Amendments to FRS 121 - The effects of Changes in Foreign Exchange Rates	1 January 2011
11)	FRS 124 - Related Party Disclosures	1 January 2012
12)	FRS 127 - Consolidated and Separate Financial Statements	1 July 2010
13)	Amendments to FRS 128 - Investment in Associates	1 January 2011
14)	Amendments to FRS 131 - Interests in Joint Ventures	1 January 2011
15)	Amendments to FRS 132 - Financial Instruments: Presentation	1 March 2010
16)	Amendments to FRS 132 - Financial Instruments: Presentation	1 January 2011
17)	Amendments to FRS 134 - Interim Financial Reporting	1 January 2011
18)	Amendments to FRS 138 - Intangible Assets	1 July 2010
19)	Amendments to FRS 139 - Financial Instruments: Recognition and Measurement	1 January 2011
20)	IC Interpretation 4 - Determining Whether an Arrangement contains a Lease	1 January 2011
21)	Amendments to - Reassessment of IC Interpretation 9 Embedded Derivatives	1 July 2010
22)	IC Interpretation 12 - Service Concession Arrangements	1 July 2010
23)	Amendment to - Customer Loyalty Programmes IC Interpretation 13	1 January 2011
24)	Amendment to IC - Prepayments of a minimum Funding Interpretation 14 Requirement	1 July 2011
25)	Amendment to - Agreements for the Construction of IC Interpretation 15 Real Estate	1 January 2012
26)	IC Interpretation 16 - Hedges of Net Investment in a Foreign Operation	1 July 2010
27)	IC Interpretation 17 - Distributions of Non-Cash Assets to Owners	1 July 2010
28)	IC Interpretation 18 - Transfers of Assets from Customers	1 January 2011
29)	IC Interpretation 19 - Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

FRS 3, Amendment to FRS 2, FRS 5, FRS 121, FRS 128, FRS 131, FRS 138, IC Interpretation 9, 12, 13, 14, 15, 16, 18 and 19 are not expected to be relevant to the operations of the Trust. The Directors of the manager anticipate that the other FRSs, amendments to FRSs, IC Interpretations and amendments to IC Interpretation will have no material impact on the financial statements of the Trust in the period for initial application, except for the following:-

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.2 Adoption of New and Revised Financial Reporting Standards ("FRSs") (Cont'd)

2.2.3 The following are standards and IC Interpretations which are not yet effective and have not been early adopted by the Trust (Cont'd):-

#### FRS 3 Business Combination

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

#### IC Interpretation 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Trust should measure the dividend payable at the fair value of the assets to be distributed when the dividend is appropriately authorised and is no longer at the discretion of the Trust. On settlement of the dividend, the difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss. If the dividend remains unpaid at the end of the financial year end, the dividend payable carrying amount is reviewed with any changes recognised in equity.

### 2.3 Investment properties

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

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

Investment Properties are revalued annually by external professional valuers with relevant and sufficient experience.

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 statement of comprehensive income in the financial year of retirement or disposal.

### 2.4 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.

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.5 Income tax

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

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

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

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

### 2.6 Receivables

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 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.

Receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

### 2.7 Payables

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

### 2.8 Provision for liabilities

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

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

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

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

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

### 2.9 Cash and cash equivalents

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

### 2.10 Borrowing

All interest bearing borrowings are recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

### 2.11 Impairment of assets

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

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

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

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

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

### 2.12 Revenue recognition

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

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

- 31 December 2010

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

#### 2.13 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

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

#### 2.14 Equity Instruments

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

### 3. INVESTMENT PROPERTIES

	2010 RM	2009 RM
At beginning of financial year	720,000,000	713,400,000
Additions	35,015,461	6,199,481
Disposal	(4,027,122)	-
Fair value adjustment	1,011,661	400,519
<b>At end of financial year</b>	<b>752,000,000</b>	<b>720,000,000</b>

Details of the above are as follows:-

Description of property	Tenure of land	Location	Existing use	Acquisition cost as at 31 December 2010 RM	Valuation as at 31 December 2010 RM	Percentage of valuation to net asset value %
1. Subang Parade	Freehold	Subang	Commercial	286,980,000	347,000,000	84
2. Mahkota Parade	Leasehold	Melaka	Commercial	232,000,000	283,000,000	69
3. Wetex Parade & Classic Hotel	Freehold	Muar	Commercial	117,500,000	122,000,000	30
				<b>636,480,000</b>	<b>752,000,000</b>	

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 3. INVESTMENT PROPERTIES (CONT'D)

The valuation reports of Subang Parade, Mahkota Parade and Wetex Parade & Classic Hotel were issued on 31 October 2010 by Messrs. Khong & Jaafar Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the comparison and the investment methods of valuation.

The leasehold land for Mahkota Parade is expiring on 2101.

Subang Parade and Mahkota Parade have been pledged as security for borrowings as disclosed in Note 8 to the Financial Statements.

## 4. FIXED DEPOSIT WITH A LICENSED BANK

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

## 5. TRADE RECEIVABLES

	2010 RM	2009 RM
Trade receivables	2,256,332	600,869
Less: Impairment		
At 1 January	(225,681)	(188,317)
Recognised during the financial year	(99,808)	(37,364)
At 31 December	(325,489)	(225,681)
	1,930,843	375,188

The normal credit terms granted by the Trust to the trade receivables are 7 days. Interest ranging from 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 ageing analysis of these trade receivables is as follows:

2010	Gross RM	Individually impaired RM	Net RM
Not past due	1,375,444	-	1,375,444
Past due 0-30 days	417,454	-	417,454
Past due 31-60 days	35,691	-	35,691
More than 60 days	427,743	(325,489)	102,254
	2,256,332	(325,489)	1,930,843

2009	Gross RM	Individually impaired RM	Net RM
Not past due	4,440	-	4,440
Past due 0-30 days	259,419	-	259,419
Past due 31-60 days	83,709	-	83,709
More than 60 days	253,301	(225,681)	27,620
	600,869	(225,681)	375,188

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 6. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the other receivables, deposits and prepayments are receivables of RM273,713 (2009: RM3,314,799) due from companies related to the Manager which are trade in nature, interest-free and repayment on demand.

## 7. UNITHOLDERS' CAPITAL

	Trust 2010 No. of units	2009 No. of units
Authorised and issued: At beginning/end of financial year	320,001,000	320,001,000
	RM	RM
Issued and fully paid:- At beginning/end of financial year	328,136,711	328,136,711

As at 31 December 2010, the Manager did not hold any Units in Hektar REIT. However, the Directors of the Manager and their related parties held Units in Hektar REIT as follows:-

	2010 No. of units	% of total units
Manager's Directors' Direct Unitholdings in Hektar REIT:- Under Mayban Nominees (Tempatan) Sdn. Bhd.		
1. Zalila Binti Mohd Toon	300,000	0.09%
Substantial Unitholders' Direct Unitholdings in Hektar REIT:-		
1. HSBC NOMINEES (ASING) SDN. BHD. for Frasers Centrepoint Trust (As Trustee)	99,400,000	31.06%
2. Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	87,800,000	27.44%
3. Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	40,700,000	12.72%
The Manager's related parties' Direct Unitholdings in Hektar REIT:-		
1. Hektar Premier Sdn. Bhd.	87,800,000	27.44%
2. Hektar Black Sdn. Bhd.	40,700,000	12.72%

## 8. BORROWINGS

	2010 RM	2009 RM
<b>Secured:-</b>		
<u>Murabahah Overdrafts ("MOD")</u>		
Current liabilities - MOD 1	184,000,000	-
Non-Current liabilities - MOD 2	150,000,000	334,000,000
	334,000,000	334,000,000

The MOD 1 and MOD 2 are secured by way of fixed charge over Subang Parade and Mahkota Parade respectively. The MOD have a tenure of 5 years from the first disbursement of which MOD 1 is due for repayment in 2011 and MOD 2 is due for repayment in 2013. The MOD bears interest rate of cost of funds plus 75 basis points (2009: cost of funds plus 75 basis points). The effective interest rate on borrowings is 3.04% (2009: 3.58%) per annum.

The carrying amount of the borrowings approximate the fair value.

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

### Trade payable

The normal credit term granted by trade payables to the Trust ranging from 30 days to 60 days.

### Other payables and accruals

Included in other payables and accruals are amounts owing to the Manager, Property Manager and Trustee of RM452,188 (2009: RM329,801), RM152,157 (2009: RM149,238) and RM12,190 (2009: RM12,031) respectively, which are unsecured, interest-free and payable monthly in arrears and also the deposits received from tenants amounting to RM21,516,033 (2009: RM20,684,816). Included in deposits received from tenants is RM1,045,832 (2009: Nil) 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 FRS 139 Financial Instruments: Recognition and Measurement.

## 10. GROSS REVENUE

	2010 RM	2009 RM
Rental income	82,923,707	80,342,165
Car park income	7,693,713	7,273,467
Other income	255,768	96,706
	90,873,188	87,712,338

## 11. PROPERTY EXPENSES

	2010 RM	2009 RM
Assessment and quit rent	3,282,218	3,086,736
Marketing and promotions	3,412,010	2,988,428
Property management fee	1,791,581	1,755,847
Property maintenance	15,439,348	15,439,348
Utilities	11,007,569	10,861,811
Others	597,297	555,461
	35,530,023	34,687,631

Property management fee of RM1,791,581 (2009: RM1,755,847) was incurred to Izrin & Tan Properties Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

## 12. 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 Assets Value ("GAV") of the Trust payable monthly in arrears.

For the financial year ended 31 December 2010 and ending 31 December 2011, the base fee shall be 0.35% per annum of the GAV of the Trust (2009: 0.25%).

### (ii) Performance fee

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

For the financial year ended 31 December 2010 and ending 31 December 2011, the performance fee shall be 5.0% per annum of the NPI, before deducting the property management fee (2009: 3.5%).

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 13. 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 2010 and ending 31 December 2011 the Trustee's fee shall be 0.035% (2009: 0.035%) per annum of the NAV of the Fund, including the Manager's fees.

## 14. TAX EXPENSE

	2010 RM	2009 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:-

	2010 RM	2009 RM
Income before tax	39,183,890	37,137,075
Income tax at 25% (2009: 25%)	9,795,973	9,284,269
Tax effects in respect of:-		
Non-allowable expenses	402,326	119,970
Income not subject to tax	(252,915)	(100,130)
Effect of income distribution exempted from tax	(9,945,384)	(9,304,109)
Total tax expense	-	-

## 15. EARNINGS PER UNIT

- (a) The calculation of earnings per unit after manager's fee is based on net income for the financial year of RM39,183,890 (2009: RM37,137,075) to the number of units in circulation during the financial year of 320,001,000 (2009: 320,001,000).
- (b) The calculation of earnings per unit before manager's fee is based on net income for the financial year of RM44,691,221 after adding back manager's fee (2009: RM40,927,270) and number of units in circulation during the financial year of 320,001,000 (2009: 320,001,000).
- (c) The calculation of earnings per unit after manager's fee (realised) is based on realised net income for the financial year of RM38,172,229 (2009: RM36,736,556) to the number of units in circulation during the financial year of 320,001,000 (2009: 320,001,000).
- (d) The calculation of earnings per unit before manager's fee (realised) is based on realised net income for the financial year of RM43,679,560 after adding back manager's fees (2009: RM40,526,751) and the number of units in circulation during the financial year of 320,001,000 (2009: 320,001,000).

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 16. INCOME DISTRIBUTION

Distribution to Unitholders is from the following sources:-

	2010 RM	2009 RM
Net rental income	55,343,165	53,024,707
Other income	15,296	21,014
Interest income	159,748	121,566
	<hr/>	<hr/>
Less: Expenses	55,518,209 (17,345,980)	53,167,287 (16,430,731)
	<hr/>	<hr/>
	38,172,229	36,736,556
	<hr/>	<hr/>
Gross provision for distribution per unit (sen)	10.60	10.20
	<hr/>	<hr/>
Net provision for distribution per unit (sen) **	10.60	10.20
	<hr/>	<hr/>

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

	YA 2010	YA 2009
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%

## 17. PORTFOLIO TURNOVER RATIO

	2010	2009
Portfolio Turnover Ratio ("PTR") (times)	0.01	0.01
	<hr/>	<hr/>

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

## 18. MANAGEMENT EXPENSE RATIO

	2010	2009
Management Expense Ratio ("MER")(%)	1.74	1.11
	<hr/>	<hr/>

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

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 19. CAPITAL COMMITMENT

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

	2010 RM	2009 RM
Authorised but not contracted for:- Refurbishment of investment properties	4,690,635	1,590,440
Authorised and contracted for:- Refurbishment of investment properties	15,732,092	14,616,638

## 20. TRANSACTION WITH A TRUST RELATED TO THE MANAGER

	2010 RM	2009 RM
Commission and service charges received - Hektar Black Sdn. Bhd.	232,042	197,888

## 21. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

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

### (a) Interest rate risk

Hektar REIT's 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.

### (b) Credit risk

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

### (c) Liquidity and cash flow risks

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

In addition, the Manager also monitors and observes the Guidelines concerning limits on total borrowing, up to 50% of Total Assets.

The Trust's objectives when managing capital is to maintain a strong capital base and safe guard 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.

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 22. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

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

	Within financial 1 year RM	2 to 5 financial years RM	Total RM	Effective interest rate during the financial year %
<b>2010</b>				
<u>Financial asset</u>				
Fixed deposit with a licensed bank	–	2,268,626	2,268,626	1.80-2.55
<u>Financial liability</u>				
Borrowings	184,000,000	150,000,000	334,000,000	3.04
<b>2009</b>				
<u>Financial asset</u>				
Fixed deposit with a licensed bank	–	2,141,013	2,141,013	2.90 - 3.10
<u>Financial liability</u>				
Borrowings	–	334,000,000	334,000,000	3.58

*Cash flow sensitivity analysis for variable rate instruments:*

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increase/ (decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit for the year		Equity	
2010	RM + 50 bp	RM - 50 bp	RM + 50 bp	RM - 50 bp
Floating rate instruments	(1,670,000)	1,670,000	1,670,000	(1,670,000)

### (b) Credit risk

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

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

As at 31 December 2010, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding.

### (c) Fair values

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

# Notes to the Financial Statements (Cont'd)

- 31 December 2010

## 23. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

There are no significant areas of estimation and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than those disclosed in Note 3 in respect of valuation of investment properties.

## 24. SEGMENTAL REPORTING

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

## Analysis of Unitholders

### TOP 30 UNITHOLDERS AS AT 31 JANUARY 2011 (AS PER RECORD OF DEPOSITORS)

No.	Name of Unitholders	No. of Units	%
1	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBFS-B CLT 500)	99,400,000	31.06
2	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR HEKTAR PREMIER SDN BHD (001)	87,800,000	27.44
3	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)	40,700,000	12.72
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	7,629,100	2.38
5	ASCENTPAC SDN.BHD.	3,201,900	1.00
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	2,947,700	0.92
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (BNYM AS E&A)	2,280,600	0.71
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBFS-I CLT ACCT)	2,218,200	0.69
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL NON-PAR)	2,000,000	0.63
10	FIRSTWIDE TRADE SDN.BHD.	1,500,000	0.47
11	RUZIAH BINTI MOHD AMIN	1,500,000	0.47
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	1,335,000	0.42
13	LATIFPAH BINTI M ATAN	1,272,700	0.40
14	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON CZE YAN @ KOON CZE YAN (REM 110-MARGIN)	950,000	0.30
15	MALAYSIAN ASSURANCE ALLIANCE BERHAD AS BENEFICIAL OWNER (BALANCED FUND)	948,700	0.30
16	JAZELAN FIRHAN BIN JAAFAR	928,000	0.29
17	CIMSEC NOMINEES (ASING) SDN BHD BANK OF SINGAPORE LIMITED FOR KONTINENTAL INTERNATIONAL LIMITED	868,600	0.27
18	MAYBANK INVESTMENT BANK BERHAD CLR (II) FOR ETIQA INSURANCE BERHAD	800,000	0.25
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (NON-PAR FUND 2)	733,000	0.23
20	MALAYSIAN ASSURANCE ALLIANCE BERHAD AS BENEFICIAL OWNER (INCOME FUND)	725,500	0.23
21	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD ALLIANCE OPTIMAL INCOME FUND	700,000	0.22
22	GOH MENG KEONG	697,200	0.22
23	CMREF 1 SDN BHD	600,000	0.19

## Analysis of Unitholders (Cont'd)

### TOP 30 UNITHOLDERS AS AT 31 JANUARY 2011 (AS PER RECORD OF DEPOSITORS) (CONT'D)

No.	Name of Unitholders	No. of Units	%
24	BHLB TRUSTEE BERHAD EXEMPTED - TRUST ACCOUNT FOR EPF INVESTMENT FOR MEMBER SAVINGS SCHEME	576,100	0.18
25	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR GOH GUAN HAU @ GOH GUAN HO	539,300	0.17
26	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR BINJAI HILL ASIAN ACORNS FUND	520,000	0.16
27	RAMPAI DEDIKASI SDN BHD	502,000	0.16
28	LIM SAN LEE	500,000	0.16
29	TEO MEI CHING	500,000	0.16
30	NG CHENG HWA	500,000	0.16
TOTAL		265,373,600	82.9

### BREAKDOWN OF UNITHOLDERS AS AT 31 JANUARY 2011

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	6	0.28	300	0.00
100 to 1,000	229	10.77	196,000	0.06
1,001 to 10,000	1,072	50.40	6,166,500	1.93
10,001 to 100,000	675	31.73	24,129,500	7.54
100,001 to less than 5% of Issued Units	142	6.68	61,608,700	19.25
5% and above of Issued Units	3	0.14	227,900,000	71.22
Total	2,127	100.00	320,001,000	100.00

## Analysis of Unitholders (Cont'd)

### CLASSIFICATION OF UNITHOLDERS AS AT 31 JANUARY 2011

Category of Unitholders	No. of Holders			No. of Units			% of Units		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	65	1,424	31	4,879,000	35,834,700	1,349,100	1.52	11.20	0.42
2 Body Corporate									
a. Bank/Finance Companies		4			1,857,300			0.58	
b. Investments trusts / foundations / charities		3			117,000			0.04	
c. Other types of Companies	4	28	1	2,712,000	7,214,100	80,000	0.85	2.25	0.03
3 Government agencies / institutions									
4 Nominees	291	247	29	138,530,900	20,455,400	106,971,500	43.29	6.39	33.43
5 Others									
<b>Total</b>	<b>360</b>	<b>1,706</b>	<b>61</b>	<b>146,121,900</b>	<b>65,478,500</b>	<b>108,400,600</b>	<b>45.66</b>	<b>20.46</b>	<b>33.88</b>

## Glossary

Bursa Securities / the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 5 October 2006 constituting Hektar REIT executed between the Trustee and the Manager
DPU	:	Distribution per Unit
GAV	:	Gross Asset Value
Gross Revenue	:	Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
Hektar Klasik	:	Hektar Klasik Sdn Bhd (Company No. 557687-X), being the holding company of the Manager
Hektar REIT / the Trust	:	Hektar Real Estate Investment Trust
IPO	:	Initial Public Offering. Hektar REIT's IPO was completed on 4 December 2006
MER	:	Management Expense Ratio
Manager	:	Hektar Asset Management Sdn Bhd (Company No. 732261-T), being the management company of Hektar REIT
NAV	:	Net Asset Value
NTA	:	Net Tangible Assets
NLA / Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Izrin & Tan Properties Sdn Bhd (Company No. 602338-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 any subsequent amendments or updates thereof
Sq. ft.	:	Square feet
Sqm	:	Square metres
Share Registrar	:	Mega Corporate Sdn Bhd (Company No. 187984-H)

## Glossary (Cont'd)

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



SUBANG  
PARADISE

MAHKOTA  
PARADE

WETEX  
PARADE



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