

## 9. SUBJECT PROPERTIES

The following section provides an overview on the Subject Properties and should be read in conjunction with the "Independent Market Research Report" in Appendix VI, "Investment Strategies" under Section 7 and "Risk Factors" under Section 4 in this Prospectus. All figures are approximations provided by HPSB and HBSB, unless otherwise qualified and general observations are made to the best knowledge of the Manager.

### 9.1 Subang Parade

#### 9.1.1 Overview

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

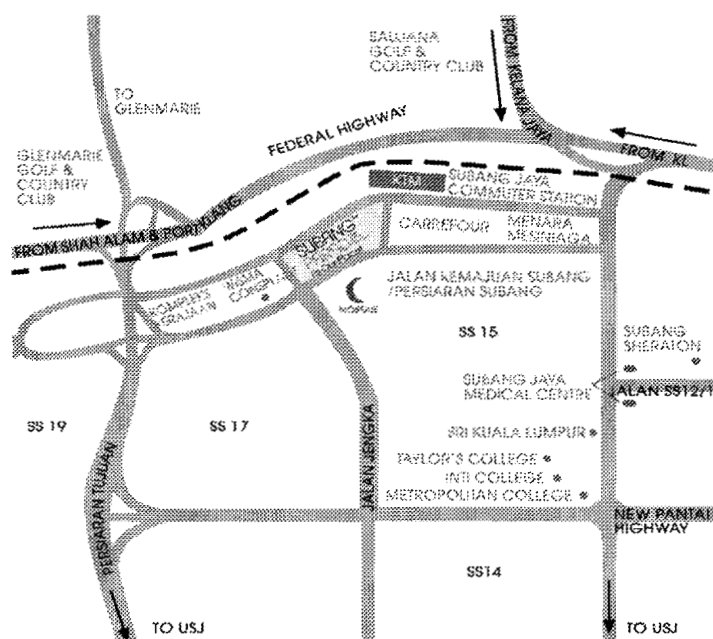


Figure: Map of Subang Parade, Subang Jaya

Subang Jaya is an established township with a wide array of amenities. The township was established in the mid-1970's and has matured into a middle to upper class residential neighbourhood. The residential sector is characterized mainly by terrace houses, semi-detached houses and bungalows, with a few apartments interspersed in between and recorded a population of 138,981 in the 2000 census or 39,528 households (source: Department of Statistics, Malaysia). This area forms the bulk of Subang Parade's primary trade area.

The area is well served by highways, in particular, the Federal Highway, Shah Alam Expressway, New Klang Valley Expressway and the New Pantai Expressway as well as an urban-suburban rail link, KTM Komuter. The commercial area features several modern multi-storey office buildings such as Menara Mesiniaga, Wisma Tractors, Wisma Consplant, hotels such as the Sheraton Subang and Holiday Villa and a hospital, the Subang Jaya Medical Centre. The area is also known as a centre for higher education with various well-known institutions such as Taylor's College, INTI College, Metropolitan College, Sunway University College, Monash University and SEGI College. Up and coming residential projects include the Saujana Residency, Jana Towers, Subang Avenue, E-tiara and Tiaraville. Other notable developments in the area include the Saujana Golf Club, located south along the old road to Subang Airport, the Saujana Hotel and the Hicom Glenmarie industrial park. The shopping centre is located in a prominent part of the commercial district of SS16, which is located just off the Federal Highway and approximately 25 kilometres from Kuala Lumpur. The property sits in the immediate vicinity of Wisma Consplant, Menara Mesiniaga and next to the Carrefour Hypermarket.

## 9. SUBJECT PROPERTIES (Cont'd)

The shopping centre was considered the longest mall in the Klang Valley at the time of its completion in 1988. Consequently, the centre is well known and regarded for its trademark walk ramps in between floors. The complex features 3 levels of retail space, 2 basement levels and 1,390 car park spaces. The trade area of the property extends to Subang Jaya and the adjacent townships of USJ, Shah Alam and Petaling Jaya. The primary trade area represents a population of over 705,000 within a 15-minute driving radius (source: *Independent Market Research Report by MIRP*).

Subang Parade is positioned as a one-stop centre for the middle to upper-income family. Given the demographics of its trade catchment area, the primary market segments are the 'young family' with 2 or 3 children, typically of middle-school age and the young working couples within the 25 to 39 age segment. The centre has targeted these segments with an appropriate tenant mix and promotional activities. Anchor and mini-anchor tenants such as Parkson, Toys 'R' Us, HSL Electrical & Electronics, MPH Bookstore, Digital One and Celebrity Fitness, well serve the 'young family' segment. The complex also features numerous food and beverage and food-related outlets, providing a unique variety of dining options.

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

### 9.1.2 The Revenue, Property Operating Expenses and Net Property Income of Subang Parade

The table below depicts the revenue, property operating expenses and net property income of Subang Parade for the eight (8) months financial period ended 31 August 2006.

**TABLE: Subang Parade, The Revenue, Property Operating Expenses and Net Property Income**

	<i>RM'000</i>
Revenue	22,506
Property Operating Expenses	(7,217)
Net Property Income	<u>15,289</u>

### 9.1.3 Rental Rates of Subang Parade

The following table depicts the average rental rates of Subang Parade as of 30 September 2006.

**TABLE: Subang Parade, Average Rental Rates (as of 30 September 2006)**

Floor	Approximate net lettable area* (sq ft)	Approximate average monthly rental* (RM per sq ft)
Basement	21,361	2.40
Lower Ground	150,852	5.51
Ground	172,460	5.56
First Floor	150,908	3.11

Note:

\* Including individual lots (comprising 26,872 sq ft) which have already been sold prior to the date of the SPAs.

See the "Independent Market Research Report" in the Appendix VI of this Prospectus for a general comparison of the aforesaid rental rates with other shopping centres in Kuala Lumpur and Selangor.

## 9. SUBJECT PROPERTIES (Cont'd)

### 9.1.4 Tenant Profile

- (a) **As of 30 September 2006, Subang Parade's NLA comprises 472,709 sq ft, leased out to 119 tenants**

As at 1 May 2006 (being the date of valuation by the Independent Property Valuer), Subang Parade's NLA comprises 472,077 sq ft. Since then, the centre's NLA has expanded to include the expansion of 2 existing lots and the addition of 1 new lot comprising a total NLA of 632 sq ft. As of 30 September 2006, Subang Parade had let out lots to 119 tenants.

- (b) **Subang Parade has achieved a high occupancy rate of approximately 98.5% as of 30 September 2006 and has received approximately 9.8 million visitors since 2005**

Subang Parade's initial occupancy rate at the time of HPSB's acquisition was 90.0% in July 2003. Since then, Subang Parade has achieved an occupancy rate in excess of the Malaysia and Selangor average occupancy rates for 2003 to 2005. As of 31 December 2004, the occupancy rate in Subang Parade declined to 93.4% as part of the HPSB's intermediate-term strategy of reconfiguring lots and relocating tenants, including the expansion of an existing basement parcel lot, which totaled 21,361 sq ft. The new lots were occupied and the majority of tenant relocations were completed in 2005.

The table and chart below depict the occupancy record from 31 December 2003 to 30 September 2006.

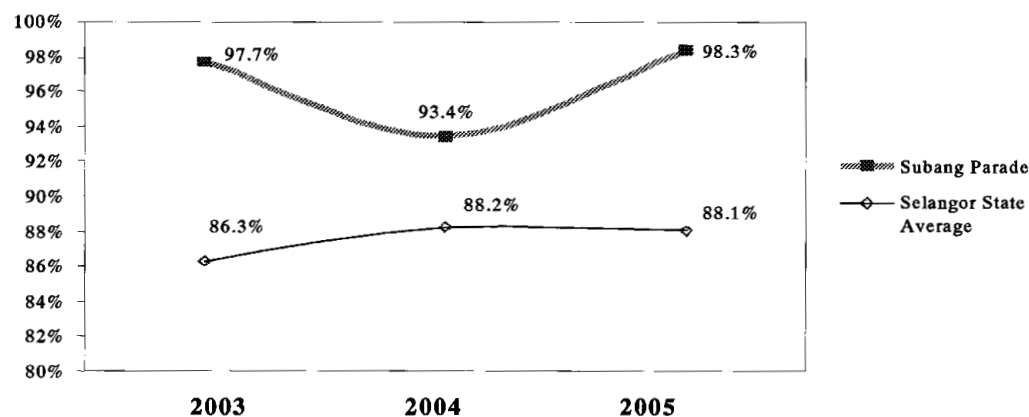
**TABLE: Subang Parade, Average Occupancy Profile**

Property	FYE 2003	FYE 2004	FYE 2005	As of 30 September 2006
Subang Parade	97.7%	93.4%	98.3%	98.5%
<b>Average Shopping Centre Occupancy<sup>1</sup>:</b>				
In Malaysia	77.7%	80.1%	81.1%	-
In Selangor	86.3%	88.2%	88.1%	-

Note:

<sup>1</sup> Sources: Independent Market Research Report by MIRP

**CHART: Subang Parade, Average Occupancy Profile 2003 – 2005**



## 9. SUBJECT PROPERTIES (Cont'd)

Subang Parade tracks visitor traffic via Footfall, which is installed at 16 entrances throughout the centre. In 2005, the system recorded 5.7 million visitors or a weekly average of approximately 109,000 visitors to the centre. As of 30 September 2006, the system recorded 4.1 million visitors or a weekly average of 104,000 visitors – the slight shortfall attributed to the extensive refurbishment of the shopping centre as well as the anchor tenant Parkson from March 2006 to current.

### (c) The top ten tenants contributed approximately 34.3% to monthly rental income

Subang Parade's anchor and mini-anchor tenants include leading brands in Malaysia such as Parkson and Toys 'R' Us. The largest tenant, department store anchor Parkson, took up 29.8% of total NLA and accounted for 15.6% of monthly rental income. The next nine (9) key tenants accounted for 18.7% of monthly rental income. Overall, the top ten tenants contributed approximately 34.3% monthly rental income while accounting for approximately 48.9% of total NLA.

The following table and chart sets out the contribution of the top ten tenants to Subang Parade.

**TABLE: Subang Parade, Top Ten Tenants Profile (as of 30 September 2006)**

Tenant	Trade Sector	Expiry Date	Total NLA (sq ft)	% of total NLA	% of total monthly rental income <sup>1</sup>
1 Parkson	Department Store	September 2008	140,620	29.8%	15.6%
2 Bata / Shoe Warehouse	Fashion	July 2007 and June 2008	4,597	1.0%	2.4%
3 Digital One	Electronics & IT	July 2008	21,361	4.5%	2.3%
4 Toys 'R' Us	Gifts / Books / Toys / Specialty	April 2007	21,981	4.6%	2.1%
5 Kenny Rogers Roasters	Food & Beverage	December 2006	3,610	0.8%	2.1%
6 The Reject Shop	Fashion	December 2007	9,192	1.9%	2.0%
7 TGI Friday's	Food & Beverage	October 2008	5,655	1.2%	2.0%
8 World Of Sports	Fashion	June 2007	5,769	1.2%	2.0%
9 Voir	Fashion	October 2007	4,387	0.9%	2.0%
10 Oversea Restaurant	Food & Beverage	January 2008	14,076	3.0%	1.8%
<b>Top Ten Tenants by Total Monthly Rental Income</b>			<b>231,248</b>	<b>48.9%</b>	<b>34.3%</b>
Other Tenants			241,461	51.1%	65.7%
<b>Total</b>			<b>472,709</b>	<b>100.0%</b>	<b>100.0%</b>

Note:

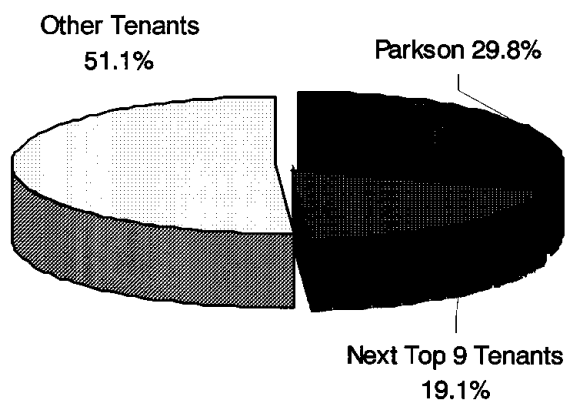
<sup>1</sup> Calculated over the base total monthly rental income per month for Subang Parade for September 2006.

**The rest of this page is intentionally left blank**

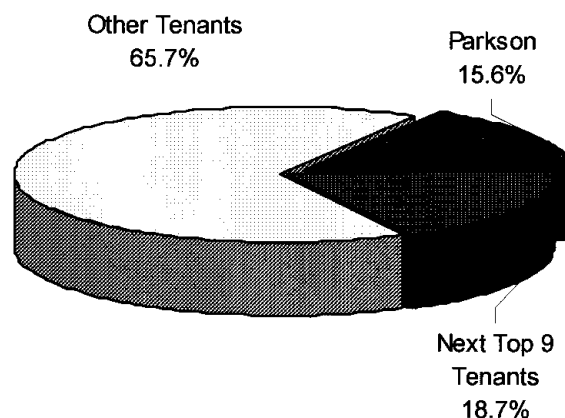
9. SUBJECT PROPERTIES (Cont'd)

CHART: Subang Parade, Top Ten Tenants Profile (as of 30 September 2006)

BY NLA



BY RENTAL INCOME



(d) Subang Parade's tenant mix is diversified and not overly dependent on any trade sector

Subang Parade's tenant mix is diversified and not too dependent on any trade sector. The property's largest trade segment, fashion and footwear, accounted for 27.6% of total monthly rental income and 14.4% of total NLA. The next largest segment, food and beverage accounted for 22.3% of total monthly rental income and 14.8% of total NLA.

The following table and chart depicts the segmentation of Subang Parade's tenant mix by trade sector.

TABLE: Subang Parade, Tenant Segmentation by Trade Sector (as of 30 September 2006)

Trade Sector	% of Total NLA	% of total monthly rental income <sup>1</sup>
Fashion & Footwear	14.4%	27.6%
Food & Beverage / Food Court	14.8%	22.3%
Department Store / Supermarket	30.2%	15.6%
Gifts, Books, Toys, Specialty	12.0%	12.0%
Education / Services	5.4%	7.5%
Leisure & Entertainment, Sport & Fitness	9.3%	6.9%
Electronics & IT	9.9%	4.2%
Homewares & Furnishing	3.6%	3.2%
Others	0.4%	0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

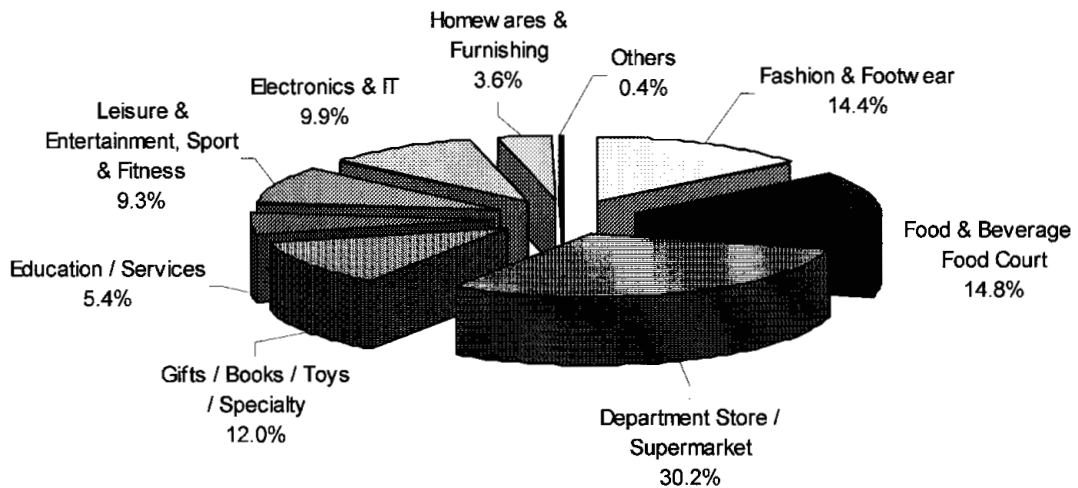
Note:

1 Calculated over the base total monthly rental income per month for Subang Parade for September 2006.

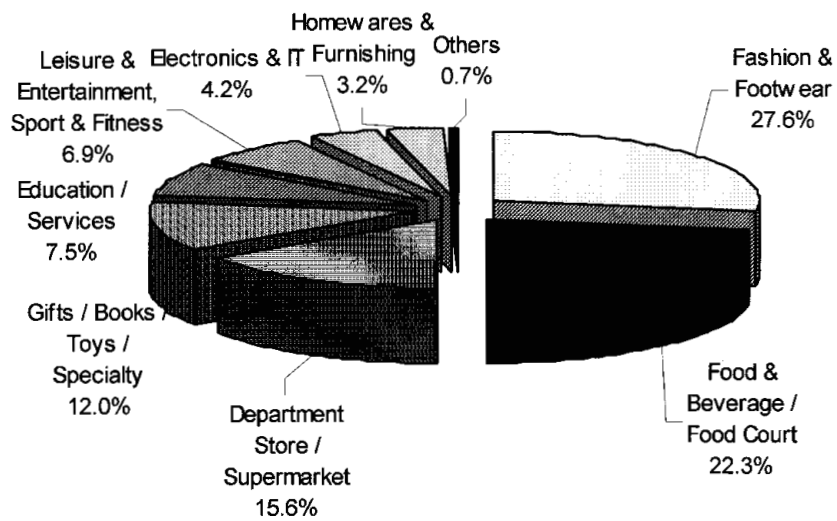
**9. SUBJECT PROPERTIES (Cont'd)**

**CHART: Subang Parade, Tenant Segmentation by Trade Sector (as of 30 September 2006)**

**BY NLA**



**BY RENTAL INCOME**



The rest of this page is intentionally left blank

**9. SUBJECT PROPERTIES (Cont'd)**

**(e) Subang Parade's tenant mix features strong tenant brands**

The majority of Subang Parade's tenants are international brands, franchises, national brands or chain store franchises. Single-store tenants within Subang Parade constituted approximately 14.3% of total tenancies and 7.5% of total NLA, while accounting for approximately 7.3% of total monthly rental income.

**TABLE: Subang Parade, Tenant Segmentation by Brand Category (as of 30 September 2006)**

Tenant Segmentation by	% of Total Tenancies	% of Total NLA	% of Total Monthly Rental Income <sup>1</sup>
International Brands / Franchises	35.3%	63.4%	54.7%
Chain or National Stores / Franchises	50.4%	29.1%	38.0%
Single-Store Tenants	14.3%	7.5%	7.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Note:*

<sup>1</sup> Calculated over the base total monthly rental income per month for Subang Parade for September 2006.

**(f) Subang Parade's tenancies includes a significant number of step-up and turnover rent provisions**

Through HPSB's leasing efforts, Subang Parade has negotiated for step-up provisions and turnover rent provisions in its tenancy agreements. Step-up provisions provide for negotiated increases in base rent over the tenure of the tenancy. Turnover rent provisions provide for rent fixed at a percentage of the tenant's monthly sales, in excess of the base rent. Some tenancies contain both provisions while some tenants negotiate for either provision. Both provisions provide for potential financial benefits to the Fund. For more information on these provisions, see 'Investment Strategies' under Section 7 of this prospectus.

At the time of HPSB's acquisition of Subang Parade in end August 2003, there were no step-up or turnover rent provisions in the tenancy agreements.

As of 30 September 2006, the leasing department had achieved 56 step-up provisions and 109 turnover rent provisions among its tenancies. Consequently, approximately 47.1% of tenancies include increases in base rent over the tenure of the agreement. Approximately 91.6% of tenancies will report their monthly turnover figures to the Manager.

**TABLE: Subang Parade, Step-Up and Turnover Provisions (as of 30 September 2006)**

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Step-Up	56	47.1%
Straight	63	52.9%
<b>Total</b>	<b>119</b>	<b>100.0%</b>

## 9. SUBJECT PROPERTIES (Cont'd)

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Turnover Rent	109	91.6%
No Turnover Rent	10	8.4%
<b>Total</b>	<b>119</b>	<b>100.0%</b>

### 9.1.5 Tenancy Expiries & Renewals

As per the typical practice in Malaysia, retail tenancy periods last for 3 years. Consequently, the Subject Properties are exposed to a substantial portion of tenancy expiries on an annual basis. Typically, retail tenancies take the form of rollover or renewed 3-year tenancies. The table below represents historical data on expired tenancies and their renewal statistics.

**(a) Subang Parade has enjoyed a high renewal rate of approximately 69% of its tenancies**

In total, from January 2004 to 30 September 2006, 76 out of a total 110 expired tenancies were renewed, reflecting approximately a 69% renewal rate of expired tenancies, accounting for 67% of the expired tenancy NLA. The high renewal rate reflects a long-term commitment by retailers and confidence in the property's tenant mix and positioning. The table below depicts further details of the property's tenancy expiries and renewals.

**TABLE: Subang Parade, Expired and Renewed Tenancies 2004 – 2006 (as of 30 September 2006)**

For FYEs	Number of tenancies expired	NLA of expired tenancies (sq ft)	Number of expired tenancies renewed	Total NLA of renewed tenancies (sq ft)	% of number of tenancies renewed	% of NLA of renewed tenancies
2004	56	132,685	40	102,931	71%	78%
2005	38	118,474	27	66,553	71%	56%
As of September 30, 2006	16	19,985	9	13,212	56%	66%
<b>Total / Average</b>	<b>110</b>	<b>271,144</b>	<b>76</b>	<b>182,696</b>	<b>69%</b>	<b>67%</b>

**(b) Subang Parade's renewal rates increases were 13.8% in 2004 , 16.8% in 2005 and 25.3% in 2006 (as of 30 September 2006), reflecting tenant confidence in the centre.**

Subang Parade's renewed tenancies were renewed at higher rental rates over the previous rental rate. In 2004, the 40 renewed tenancies were renewed at an average rental rate increase of approximately 13.8% over the previous rental rate. For 2005, the 27 renewed tenancies were renewed at an average rental rate increase of approximately 16.8% over the previous rental rates. As of 30 September 2006, 9 renewed tenancies were renewed at average rental rate increases of 25.3%. The high increases in rental rates further reflect retailer confidence in Subang Parade. These rates of increases however, cannot be assured in the future. See "Risk Factors" in under Section 4 of this prospectus for further information.



**9. SUBJECT PROPERTIES (Cont'd)**

The following table depicts the renewed tenancy rate spreads for 2004 - 2006.

**TABLE: Subang Parade, Tenancy Renewal Spreads 2004-2006 (as of 30 September 2006)**

For FYEs	Number of expired tenancies renewed	Renewed tenancies average rental increase over previous rental rate (%)
2004	40	13.8%
2005	27	16.8%
As of 30 September 2006	9	25.3%

**(c) Subang Parade has long-term tenants, reflecting its strong position in its market**

Subang Parade's location, large primary trade area and focus on its core customer base have sustained its occupancy and the business of its tenants over a decade. Consequently, there are long-term tenants residing in the complex, some since the inception of the property.

The table below depicts a selected list of tenants who have been conducting business at Subang Parade for at least 10 years.

**TABLE: Subang Parade, Long-Term Tenants (as of 30 September 2006):**

Tenant	Trade Sector
Bonia	Fashion & Footwear
Dave's Deli	Food & Beverage
Delifrance	Food & Beverage
East India Company	Fashion & Footwear
HSL Electrical & Electronics	Electronics & IT
Living Quarters	Homewares & Furnishing
McDonald's	Food & Beverage
Mothercare	Fashion & Footwear
MPH	Gifts / Book / Toys / Specialty
Parkson	Department Store
Pizza Hut	Food & Beverage
Somerset Bay	Fashion & Footwear
TGI Fridays	Food & Beverage
Toys 'R' Us	Gifts / Book / Toys / Specialty
World Of Sports	Fashion & Footwear

**(d) Subang Parade has a balanced tenancy expiry profile**

Approximately 119 tenancies will expire in the period 30 September 2006 to 2009. The FYE 2008 expiries also include anchor tenant Parkson which has a tenancy agreement with options to renew. Excluding the anchor tenant Parkson, expiries for FYE 2008 will account for approximately 28.4% of the total NLA and 31.9% of total monthly rental income.

The table and chart below detail the tenancy expiry profile.

## 9. SUBJECT PROPERTIES (Cont'd)

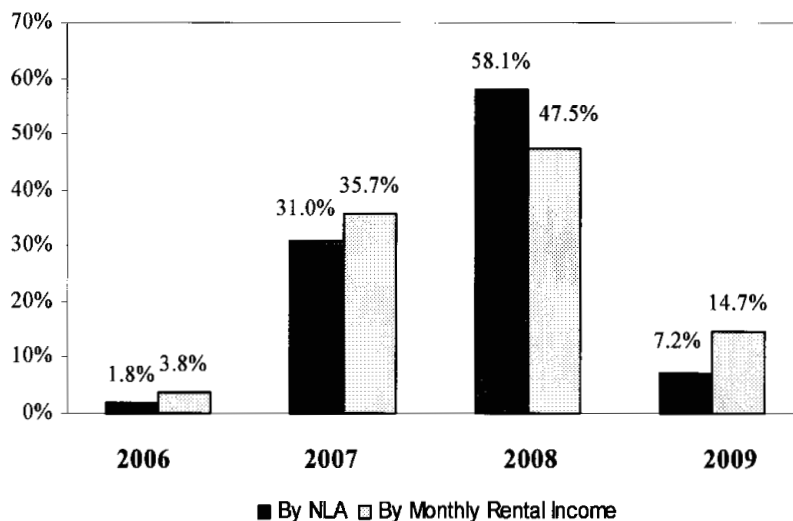
**TABLE: Subang Parade, Tenancy Expiry Profile 2006-2009 (as of 30 September 2006)**

For FYEs	Total number of tenancies expiring	NLA of tenancies expiring (sq ft)	% of expiring tenancies NLA of total NLA <sup>3</sup>	% of expiring tenancies of Total Monthly Rental Income <sup>1,3</sup>
As of 30 September 2006	4	8,503	1.8%	3.8%
2007	47	146,603	31.0%	35.7%
2008 <sup>2</sup>	43	274,846	58.1%	47.5%
2009	25	34,065	7.2%	14.7%

Notes:

- 1 Calculated over the base total monthly rental income per month for Subang Parade for September 2006.
- 2 Excluding the anchor tenant Parkson, the tenancy expiries for FYE 2008 will account for approximately 28.4% of the total NLA and 31.9% of total monthly rental income.
- 3 Percentage figures do not add up to 100% due to vacant lots, holdovers and increasing rentals due to step-ups.

**CHART: Subang Parade, Tenancy Expiry Profile 2006-2009 (as of 30 September 2006)\***



Notes:

- 1 Calculated over the base total monthly rental income per month for Subang Parade for September 2006.
- \* Excluding anchor tenant Parkson, the tenancy expiries for 2008 will account for approximately 28.4% of the total NLA and 31.9% of total monthly rental.

### 9.1.6 Subang Parade's Competitive Positioning

The retail sector is a competitive market. The principal competitive factors include rental rates, location of the properties, supply of comparable retail space and the tenant mix meeting the needs of its market segment.

Subang Parade faces competition from shopping centres located in its primary trade area, including but not limited to Carrefour, Sunway Pyramid, Summit USJ and IOI Mall in Puchong. Subang Parade also faces some competition in its secondary trade area from shopping centres such as MidValley. In addition, Subang Parade faces potential competitive threats from future retail centres proposed within its trade area.

---

## **9. SUBJECT PROPERTIES (Cont'd)**

---

Subang Parade has positioned its tenant mix as a suburban community-centric shopping centre, focusing on its core primary trade area encompassing Subang Jaya and its immediate area. Subang Parade's target demographic profile consists of the family segment and young working couples. The property's tenant mix and market positioning reflects the needs of this segment including a focus on value, convenience and comfort.

See the "Independent Market Research Report" in the Appendix VI of this Prospectus for a discussion on the current competitive environment for the Subject Properties.

### **9.1.7 Subang Parade's Asset Enhancements**

We believe opportunities for growth exist through the refurbishment and renovation of the Subject Properties. We will continue to formulate schemes, which will increase the NLA, profile and subsequently, the yield of the properties.

In 2005, Subang Parade's lower ground floor included a sunken plaza towards the back of the shopping centre. HPSB transformed the sunken plaza into a lower basement with an additional floor reclaimed from the basement car park, resulting in an additional 21,361 sq ft of NLA. The renovations to this lot were completed in late 2005 and the new tenant, Digital One moved in subsequently, resulting in new rental revenues.

Currently, Subang Parade is in the process of a multi-phase refurbishment exercise. Throughout 2005, HPSB conducted the refurbishment of the restroom facilities. This refurbishment included re-tiling and the installation of automated 'hands-free' toilet facilities and amenities. The exercise also included the addition of a separate automated restroom facility for persons with disabilities. The restroom facilities were well received by consumers and tenants.

Throughout 2006, Subang Parade is undergoing an internal refurbishment of the shopping center, the cost of which is borne by HPSB. The interior will be re-painted and receive new floor finishes and railings. The car park will also undergo an extensive refurbishment including new flooring, painting and lighting. The centre will also receive new customer amenities, including a mother's room and a prayer room. Consequently, key tenants have also refurbished their outlets in the last two (2) years including Parkson, McDonald's, Pizza Hut, Kenny Roger's Roasters, Toys 'R' Us and HSL Electrical and Electronics. The overall effect of the refurbishment will be to provide a bright, convenient and comfortable environment for consumers.

**The rest of this page is intentionally left blank**

---

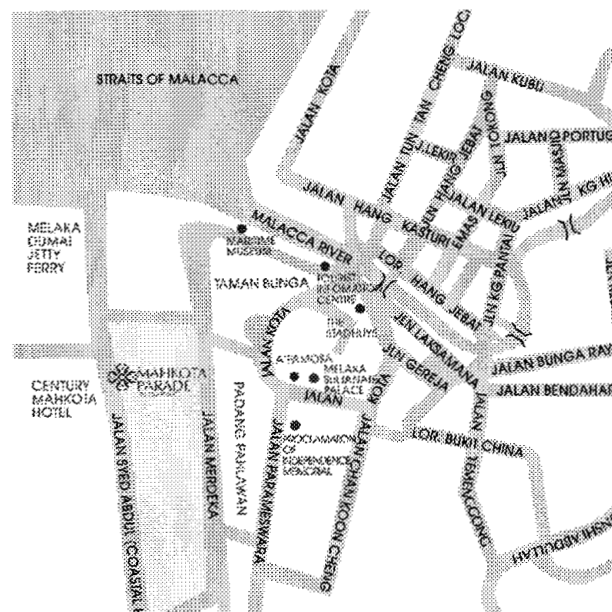
## 9. SUBJECT PROPERTIES (Cont'd)

---

### 9.2 Mahkota Parade

#### 9.2.1 Overview

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



*Figure: Map of Mahkota Parade, Melaka*

Melaka (also known as Malacca) is a historical city, strategically located midway in the Straits of Melaka separating Malaysia and Indonesia. The city has a 600-year history of interventions and influences from various states including Sumatra, Siam, Imperial China, Portugal, the Dutch Empire and the British Empire, leaving behind a unique legacy of forts, churches and cultural influences. Till today, Melaka remains an important historical and tourist destination in Malaysia attracting approximately 4.7 million tourist arrivals in 2005 (source: MIRP).

Mahkota Parade occupies a prime parcel within Mahkota Melaka, a reclaimed parcel of land close to the historical heritage area. Mahkota Melaka is an 80-acre mixed development sitting atop reclaimed land overlooking the Straits of Melaka. Planned as the new commercial and tourist centre, the area sits adjacent to Melaka's historic town centre. The development comprises mainly terraces shop offices, condominiums and hotels. Notable landmarks include the Century Mahkota Hotel, the Equatorial Hotel and the Mahkota Medical Centre, a popular destination for medical tourism within the region. Within the historical heritage area, places such as the former Dutch administration building, The Stadthuys, St. Paul's Church, the old Portuguese fort A'Famosa are located within walking distance of the property.

Since its completion in 1994, Mahkota Parade is and remains the prime shopping destination in Melaka state. The complex features a 3-storey commercial building with basement and uncovered car park and a total of 955 car park spaces. An estimated population of 287,273 live within a 15 minute driving radius of the property, forming the primary trade area (source: MIRP).

Mahkota Parade is positioned as a prime shopping centre for metropolitan Melaka. The centre serves as the premier one-stop destination centre in the region, featuring a full array of dining, fashion and specialty offerings and entertainment, including a bowling alley, cinema and gaming arcade. Anchor store Parkson along with key tenants B.U.M. City, Bonia, McDonald's and Baleno provide a balanced mix of international and national chain offerings along with the centre's new 36,511 sq ft food court, Seleria. The centre also serves as a key venue for major promotional events and community gatherings.

## 9. SUBJECT PROPERTIES (Cont'd)

### 9.2.2 The Revenue, Property Operating Expenses and Net Property Income of Mahkota Parade

The table below depicts the revenue, property operating expenses and net property income of Mahkota Parade for the eight (8) months financial period ended 31 August 2006.

**TABLE: Mahkota Parade, The Revenue, Property Operating Expenses and Net Property Income**

	<i>RM'000</i>
Revenue	21,832
Property Operating Expenses	(7,215)
Net Property Income	<u>14,617</u>

### 9.2.3 Rental Rates

The following table depicts the average rental rates of Mahkota Parade as of 30 September 2006.

**TABLE: Mahkota Parade, Average Rental Rates (as of 30 September 2006)**

Floor	Approximate net lettable area* (sq ft)	Approximate monthly rental* (RM per sq ft)
Basement	46,079	2.00
Ground	156,689	5.39
First	176,094	4.91
Second	139,811	2.22

Note:

\* Including individual lots (comprising 47,256 sq ft) which have already been sold prior to the date of the SPAs.

See the "Independent Market Research Report" in the Appendix VI of this Prospectus for a general comparison of the aforesaid rental rates with other shopping centres in Malacca.

### 9.2.4 Tenant Profile

- (a) **As of 30 September 2006, Mahkota Parade's NLA comprises 471,417 sq ft, leased out to 102 tenants.**

As at 1 May 2006, Mahkota Parade's NLA comprises 484,948 sq ft at the date of valuation. From June 2006, HBSB reconfigured Lot G79, a large-sized, low-yield lot into a zone of 11 smaller but higher-yielding lots and 16 kiosks, resulting in a reduction of 13,531 sq ft. The zone is expected to be opened in November 2006 with 9 out of 11 lots committed to lease. More information on this refurbishment is detailed in the section 9.2.5 of this Prospectus.

As of 30 September 2006, Mahkota Parade had let out lots to 102 tenants, not including the committed tenancies as above.

- (b) **Mahkota Parade has achieved a high occupancy rate of approximately 95% as of 30 September 2006 and has received approximately 14.2 million visitors since 2005**

Mahkota Parade's initial occupancy rate at the time of HBSB's acquisition was 87.0% in April 2004. Mahkota Parade has since enjoyed an occupancy rate in excess of the Melaka average occupancy rates for 2004 to 2005. The following table and chart depict the occupancy record from 31 December 2004 to 30 September 2006.

**9. SUBJECT PROPERTIES (Cont'd)**

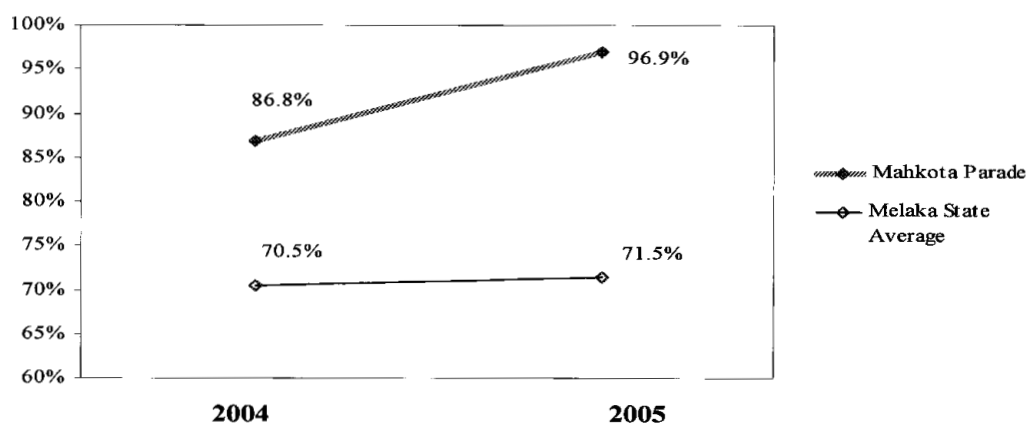
**TABLE: Mahkota Parade, Average Occupancy Profile**

Property	FYE 2003	FYE 2004	FYE 2005	As of 30 September 2006
Mahkota Parade	-	86.8%	96.9%	94.9%
<b>Average Shopping Centre Occupancy<sup>1</sup>:</b>				
In Malaysia	77.7%	80.1%	81.1%	-
In Melaka	72.0%	70.5%	71.5%	-

Note:

1 Independent Market Research Report by MIRP

**CHART: Mahkota Parade, Average Occupancy Profile 2004 – 2005**



Mahkota Parade tracks visitor traffic via Footfall, which is installed at 16 entrances throughout the centre. In 2005, the system recorded 8.0 million visitors or a weekly average of approximately 153,000 visitors to the centre. As of 30 September 2006, the system recorded 6.2 million visitors or a weekly average of 159,000 visitors.

**(c) Mahkota Parade's top ten tenants contributed approximately 34.6% to monthly rental income**

Mahkota Parade's anchor and key tenants included Parkson, Ampang Superbowl, Giant Supermarket and Golden Screen Cinemas. In terms of top tenants, the property's department store Parkson occupied 24.1% of NLA and contributed 11.0% of total monthly rental income. The next nine (9) key tenants accounted for 24.9% of NLA and accounted for 23.6% of total monthly rental income, leaving the remaining tenants accounting for 65.4% of total monthly rental income.

**The rest of this page is intentionally left blank**

**9. SUBJECT PROPERTIES (Cont'd)**

The following table and chart depict Mahkota Parade's tenant profile.

**TABLE: Mahkota Parade, Top Ten Tenants Profile (as of 30 September 2006)**

	<b>Tenant</b>	<b>Trade Sector</b>	<b>Expiry Date</b>	<b>Total NLA (sq ft)</b>	<b>Percentage of NLA</b>	<b>% of Total Monthly Rental Income<sup>1</sup></b>
1	Parkson	Department Stores	February 2008	113,389	24.1%	11.0%
2	Ampang Superbowl	Leisure & Entertainment, Sport & Fitness	August 2008	36,717	7.8%	4.0%
3	B.U.M. City	Fashion	June 2009	13,918	2.9%	3.1%
4	Bonia	Fashion	August 2007, October 2007 and December 2007	3,121	0.7%	2.6%
5	The Reject Shop	Fashion	June 2007	8,503	1.8%	2.4%
6	KFC	Food & Beverage	December 2008	5,403	1.2%	2.4%
7	Giant Supermarket	Supermarket	December 2007	24,143	5.1%	2.3%
8	McDonald's	Food & Beverage	December 2007	5,942	1.3%	2.3%
9	Baleno	Fashion	July 2008	4,273	0.9%	2.3%
10	Aussino <sup>2</sup>	Homewares & Furnishing	November 2007	15,521	3.2%	2.2%
<b>Top 10 Tenants by Total Monthly Rental Income</b>				<b>230,930</b>	<b>49.0%</b>	<b>34.6%</b>
Other Tenants				240,487	51.0%	65.4%
<b>Total</b>				<b>471,417</b>	<b>100.0%</b>	<b>100.0%</b>

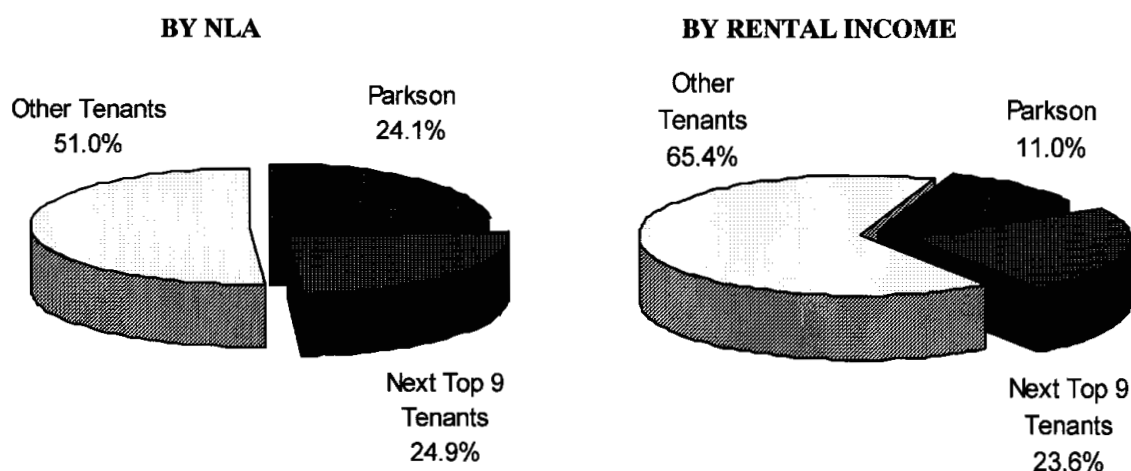
*Notes:*

- 1 Calculated over the base total monthly rental income per month for Mahkota Parade for September 2006.
- 2 Aussino has given notice to vacate the premises by November 5, 2006.

**The rest of this page is intentionally left blank**

**9. SUBJECT PROPERTIES (Cont'd)**

**CHART: Mahkota Parade, Top Ten Tenants Profile (as of 30 September 2006)**



**(d) Mahkota Parade's tenant mix is diversified and not dependent on any trade sector**

Mahkota Parade's tenant mix is reflective of its position as a prime regional shopping centre in Melaka. The property's largest trade sector is fashion and footwear, which accounts for 19.2% of NLA or 35.1% of total monthly rental income. Food and Beverage / Food Court is the second largest trade segment, accounting for 17.1% of NLA while contributing 18.2% of total monthly rental income.

The following table and chart depict a detailed breakdown of Mahkota Parade's tenant mix.

**TABLE: Mahkota Parade, Tenant Breakdown by Sector (as of 30 September 2006)**

Trade Sector	As a % of total NLA	% of total monthly rental income <sup>1</sup>
Fashion & Footwear	19.2%	35.1%
Food & Beverage / Food Court	17.1%	18.2%
Department Store / Supermarket	30.7%	13.3%
Gifts / Books / Toys / Specialty	8.8%	10.6%
Leisure & Entertainment, Sport & Fitness	13.0%	9.7%
Education / Services	2.9%	5.3%
Homewares & Furnishing	1.2%	2.9%
Others	3.5%	2.5%
Electronics & IT	3.6%	2.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Note:

1 Calculated over the base total monthly rental income per month for Mahkota Parade for September 2006.

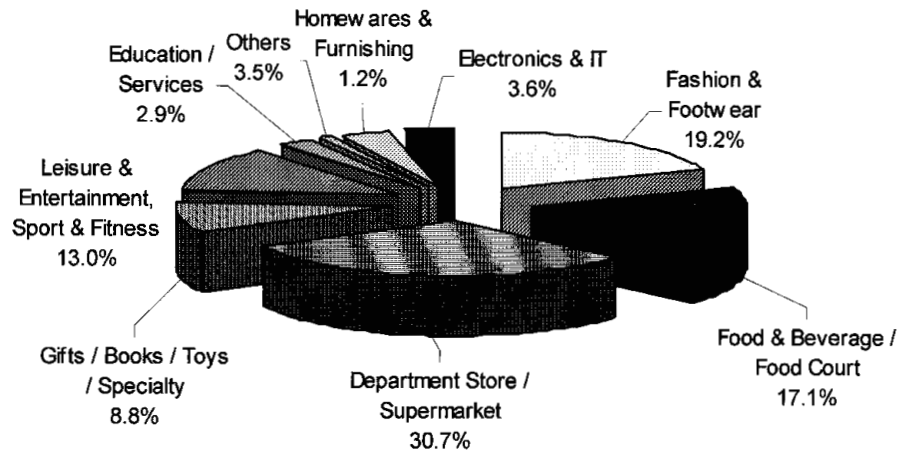
**The rest of this page is intentionally left blank**



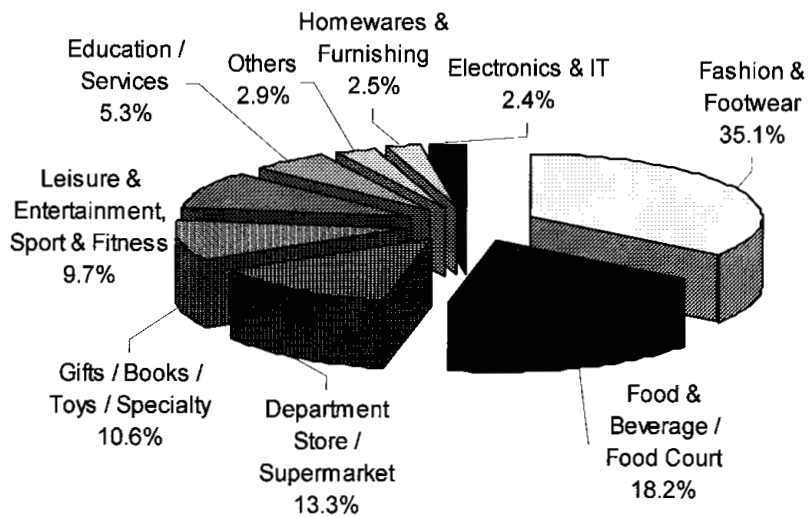
9. SUBJECT PROPERTIES (Cont'd)

CHART: Mahkota Parade, Tenant Segmentation by Trade Sector (as of 30 September 2006)

BY NLA



BY RENTAL INCOME



The rest of this page is intentionally left blank

---

**9. SUBJECT PROPERTIES (Cont'd)**

---

**(e) Mahkota Parade's tenant mix features strong tenant brands**

The majority of Mahkota Parade's tenants are international brands, franchises, national brands or chain store franchises. Single-store tenants within the property constituted approximately 19.6% of total tenancies and 15.4% of total NLA, while accounting for approximately 10.7% of total monthly rental income.

**TABLE: Mahkota Parade, Tenant Breakdown by Brand Category (as of 30 September 2006)**

Tenant Segmentation by	% of Total Tenancies	% of Total NLA	% of Total Monthly Rental Income <sup>1</sup>
International Brands / Franchises	31.4%	48.4%	45.5%
Chain or National Stores / Franchises	49.0%	36.2%	43.8%
Single-Store Tenants	19.6%	15.4%	10.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note:

<sup>1</sup> Calculated over the base total monthly rental income per month for Mahkota Parade for September 2006.

**(f) Mahkota Parade's tenancies includes a number of Step-Up and Turnover Rent provisions**

Through HBSB's leasing efforts, Mahkota Parade has negotiated for Step-Up provisions and Turnover Rent provisions in its tenancy agreements. Step-Up provisions provide for negotiated increases in base rent over the tenure of the tenancy. Turnover Rent provisions provide for rent fixed at a percentage of the tenant's monthly sales, in excess of the base rent. Some tenancies contain both provisions while some tenants negotiate for either one. Both provisions provide for potential financial benefits to the Fund. For more information on these provisions, see Section 7.2.1 (c) in this Prospectus.

At the time of HBSB's acquisition of Mahkota Parade in April 2004, there were no Step-Up or Turnover Rent provisions in the tenancy agreements.

As of 30 September 2006, the leasing manager had achieved 72 Step-Up provisions and 84 Turnover Rent provisions among its tenancies. Consequently, approximately 70.6% of tenancies include increases in base rent over the tenure of the agreement. Approximately 82.4% of tenancies will report their monthly turnover figures to the Manager under the Turnover Rent provision.

**TABLE: Mahkota Parade, Step-Up and Turnover Provisions (as of 30 September 2006)**

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Step-Up	72	70.6%
Straight	30	29.4%
<b>Total</b>	<b>102</b>	<b>100.0%</b>

## 9. SUBJECT PROPERTIES (Cont'd)

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Turnover Rent	84	82.4%
No Turnover Rent	18	17.6%
<b>Total</b>	<b>102</b>	<b>100.0%</b>

### 9.2.5 Tenancy Expiries And Renewals

As per typical practice in Malaysia, retail tenancy periods last for 3 years. Consequently, the Subject Properties are exposed to a substantial portion of tenancy expiries on an annual basis. Typically, retail tenancies take the form of rollover or renewed 3-year tenancies. The table below represents historical data on expired tenancies and their renewal statistics.

**(a) Mahkota Parade has enjoyed a renewal rate of approximately 52% of its tenancies for 2004-2006**

From 2004 to 30 September 2006, 53 out of a total 101 expired tenancies were renewed, reflecting approximately a 52% renewal rate of expired tenancies, accounting for 53% of the expired tenancy NLA. The renewal rate reflects a long-term commitment by retailers and confidence in the property's tenant mix and positioning. The table below depicts further details of the property's tenancy expiries and renewals.

**TABLE: Mahkota Parade, Expired and Renewed Tenancies 2004 – 2006 (as of 30 September 2006)**

For FYEs	Number of tenancies expired	NLA of expired tenancies (sq ft)	Number of expired tenancies renewed	Total NLA of renewed tenancies (sq ft)	% of number of tenancies renewed	% of NLA of renewed tenancies
2004 <sup>1</sup>	57	110,542	26	67,254	46%	61%
2005	36	104,263	22	53,218	61%	51%
As of 30 September 2006	8	49,366	5	18,871	63%	38%
<b>Total / Average</b>	<b>101</b>	<b>264,171</b>	<b>53</b>	<b>139,343</b>	<b>52%</b>	<b>53%</b>

Note:

<sup>1</sup> Inclusive of all tenancies expiring and renewed in the calendar year 2004, including the 4 months prior to HBSB's completion of acquisition in April 2004.

**(b) Mahkota Parade's renewal rates increases were approximately 21.9% in 2004, 28.0% in 2005 and 6.6% in 2006**

Mahkota Parade's renewed tenancies were renewed at higher rental rates over the previous rental rate. In FYE 2004, 26 tenancies were renewed at an average rental rate increase of approximately 21.9% over the previous rental rate. For FYE 2005, 22 tenancies were renewed at an average rental rate increase of approximately 28.0% over the previous rental rates. As of 30 September 2006, 5 tenancies were renewed at an average rental rate increase of 6.6%, however this figure does not take into account the increase in rental rates for the former Lot G79. See "Mahkota Parade's Asset Enhancements" in Section 9.2.7 for further details.

The high increases in rental rates further reflect retailer confidence in Mahkota Parade. These rates of increases however, cannot be assured in the future. See "Risk Factors" in Section 4 of this Prospectus for further information.

**9. SUBJECT PROPERTIES (Cont'd)**

The following table depicts the renewed tenancy rate spreads for 2004 and 2005.

**TABLE: Mahkota Parade, Tenancy Renewal Spreads 2004-2006 (as of 30 September 2006)**

For FYEs	Number of expired tenancies renewed	Renewed tenancies average rental increase over previous rental rate (%)
2004	26	21.9%
2005	22	28.0%
As of 30 September 2006	5	6.6%

**(c) Mahkota Parade has long-term tenants, reflecting its strong position in its market**

Mahkota Parade's location, large primary trade area and focus on its core customer base have sustained its occupancy and the business of its tenants over the long term. Consequently, there are long-term tenants residing in the complex, some since the inception of the property.

The table below depicts a selected list of tenants who have been conducting business at Mahkota Parade for at least 10 years.

**TABLE: Mahkota Parade, Long-Term Tenants (as of 30 September 2006):**

Tenant	Trade Sector
Bata	Fashion & Footwear
Golden Screen Cinemas	Leisure & Entertainment
Guardian Pharmacy	Gifts / Book / Toys / Specialty
Kenny Roger's	Food & Beverage
KFC	Food & Beverage
McDonald's	Food & Beverage
MPH	Gifts / Book / Toys / Specialty
Osim	Gifts / Book / Toys / Specialty
Parkson	Department Store
Pizza Hut	Food & Beverage
Reject Shop	Fashion & Footwear
Royal Selangor	Gifts / Book / Toys / Specialty
Royal Sporting House	Fashion & Footwear
Speedy Video	Gifts / Book / Toys / Specialty
Watson's	Gifts / Book / Toys / Specialty

**(d) Mahkota Parade has a balanced tenancy expiry profile**

Approximately 117 tenancies will expire in the period from 30 September 2006 to 2009. The FYE 2008 expiries also include anchor tenant Parkson which has a tenancy agreement with options for renewal. Excluding the anchor tenant Parkson, expiries for FYE 2008 will account for approximately 31.2% of the total NLA and 35.5% of total monthly rental income.

## 9. SUBJECT PROPERTIES (Cont'd)

The table and chart below detail the tenancy expiry profile.

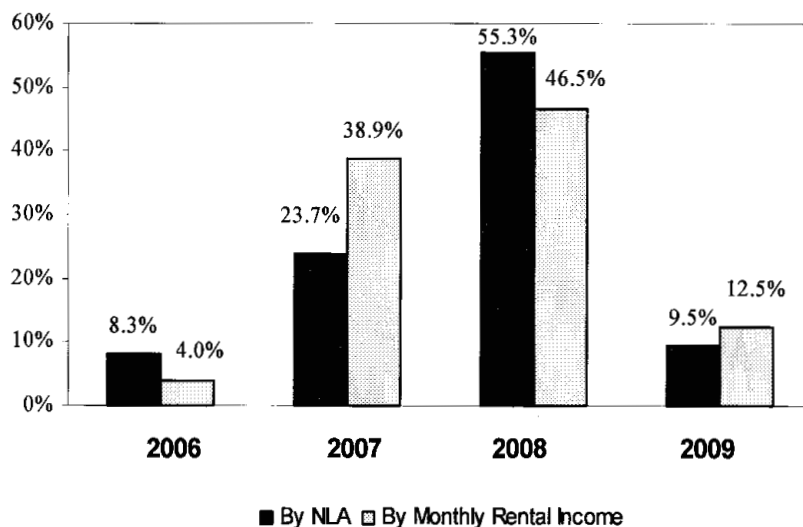
**TABLE: Mahkota Parade, Tenancy Expiry Profile 2006-2008 (as of 30 September 2006)**

For FYEs	Total number of tenancies expiring	NLA of tenancies expiring (sq ft)	% of expiring tenancies NLA of total NLA <sup>3</sup>	% of expiring tenancies of Total Monthly Rental Income <sup>1,3</sup>
As of 30 September				
2006	4	39,083	8.3%	4.0%
2007	51	111,595	23.7%	38.9%
2008 <sup>2</sup>	46	260,666	55.3%	46.5%
2009	16	44,724	9.5%	12.5%

Notes:

- 1 Calculated over the base total monthly rental income per month for Mahkota Parade for September 2006.
- 2 Excluding the anchor tenant Parkson, the expiries for FYE 2008 will account for approximately 31.2% of the total NLA and 35.5% of total monthly rental income.
- 3 Percentage figures do not add up to 100% due to vacant lots, holdovers and increasing rentals due to step-ups.

**CHART: Mahkota Parade, Tenancy Expiry Profile 2006-2009 (as of 30 September 2006)\***



Notes:

- 1 Calculated over the base total monthly rental income per month for Mahkota Parade for September 2006.
- \* Excluding anchor tenant Parkson, the tenancy expiries for FYE 2008 will account for approximately 31.2% of the total NLA and 35.5% of total monthly rental income.

The rest of this page is intentionally left blank

---

## **9. SUBJECT PROPERTIES (Cont'd)**

---

### **9.2.6 Mahkota Parade's Competitive Positioning**

The retail sector is a competitive market. The principal competitive factors include rental rates, location of the properties, supply of comparable retail space and the tenant mix meeting the needs of its market segment.

Mahkota Parade faces no immediate current competition from shopping centres located in its primary trade. Mahkota Parade does face a potential competitive threat from the Dataran Pahlawan retail development which is situated directly opposite the centre. Dataran Pahlawan consists of a 2-phase development which includes sold retail strata lots.

Mahkota Parade has positioned itself as a prime urban shopping centre, reflecting its position as the largest enclosed purpose-built shopping centre in Melaka and its prime location within walking distance of the historical sites. The centre's tenant mix claims the widest range of retailers and includes the only cineplex in an enclosed mall in Melaka. Its prime location attracts domestic and international tourists in addition to its primary and secondary trade area.

See the "Independent Market Research Report" in the Appendix VI of this prospectus for a discussion on the current competitive environment for the Subject Properties.

### **9.2.7 Mahkota Parade's Asset Enhancements**

We believe opportunities for growth exist through the refurbishment and renovation of the Subject Properties. We will continue to formulate strategies, which will increase the NLA, profile and subsequently, the yield of the properties.

In 2005, HBSB transformed the vacant second floor lots behind Ampang Superbowl (the bowling centre) into the new food court. The food court was relocated from the first floor, which allowed for the previous lot measuring 28,285 sq ft to be divided into two (2) lots and rented out at improved rental rates to national electrical retailer SenQ and a bookshop. The new food court, named Seleria, included 36,511 sq ft of NLA and can accommodate up to 1,300 people. This resulted in increased traffic to the second floor as a result of the food court, thus improving the rental prospects for all lots at that level.

From June 2006, HBSB reconfigured Lot G79, a large-sized, low-yield lot into a zone of 11 smaller but higher-yielding lots and 16 kiosks. This resulted in a reduction of NLA of 13,531 sq ft which was used for common area passageways and corridors. This is a common practice in modern shopping centre management, reflecting the higher profitability of smaller lots in zone over larger contiguous lot sizes. The zone is expected to be opened in November 2006 with 9 out of 11 lots committed to lease at higher rental rates than the previous tenant.

Currently, Mahkota Parade is undergoing a refurbishment of the restroom facilities, the cost of which is borne by HBSB. This refurbishment includes re-tiling and the installation of automated 'hands-free' toilet facilities and amenities.

**The rest of this page is intentionally left blank**

---

## **9. SUBJECT PROPERTIES (Cont'd)**

---

### **9.3 Summary of the Subject Properties**

#### **9.3.1 Competitive Strengths**

The Manager believes that the Subject Properties benefit from the following competitive strengths:

**(a) Strategic Location and Large Trade Areas.**

The Subject Properties benefit from strategic locations within their respective markets. Subang Parade is situated in the commercial centre of the affluent township of Subang Jaya while Mahkota Parade is situated in the commercial centre adjacent to the historical sector of Melaka. Both areas feature established and growing populations.

**(b) Consumer-Focused Tenant Strategy**

The Subject Properties possess positioning strategies which are suitable for the consumers in their respective markets. Subang Parade is positioned as a community-centric regional mall and possesses a tenant mix which targets its core demographic market segment i.e. families and young couples. Mahkota Parade is positioned as a prime regional mall and as the largest mall in Melaka, attracts local consumers as well as domestic and international tourists.

**(c) Quality Tenants**

The Subject Properties retain strong anchor and key tenants, including some of Malaysia's largest retailers and a large number of international retailers. Some of the tenants have been conducting business in the centres for over 10 years. The tenant mix continues to attract customer traffic into the shopping centres. The Subject Properties received approximately 13.7 million visitors in 2005 and 10.2 million visitors up to 30 September 2006.

**(d) High Occupancy**

The Subject Properties, as a result of their location, positioning, tenant mix and other factors, benefit from high occupancy rates, in excess over the national and state average occupancy rates for retail shopping centres from 2003 to 2005. Subang Parade achieved an occupancy rate of approximately 98.5% while Mahkota Parade achieved an occupancy rate of approximately 94.9% as of 30 September 2006. On a weighted NLA basis, the Subject Properties recorded an occupancy rate of approximately 96.7% as of 30 September 2006.

**(e) Management and Business Model**

The Subject Properties were managed by HPSB and HBSB, who implemented a management and business model which has increased and maintained the Subject Properties' occupancies above the national average, improved rental rates and have overseen the gradual refurbishment of the Subject Properties. The previous managers have implemented a business model, which aligns the interests of the Fund with the tenants.

**The rest of this page is intentionally left blank**

## 9. SUBJECT PROPERTIES (Cont'd)

### 9.3.2 The Subject Properties

Subang Parade was acquired from Lion Subang Parade Sdn Bhd in a sale and purchase agreement executed on 24 December 2002 and completed at the end August 2003. Mahkota Parade was acquired from Lion Mahkota Parade Sdn Bhd in a sale and purchase agreement executed on 16 December 2003 and completed in early April 2004.

**TABLE: The Subject Properties, Area Summary (as of 30 September 2006)**

Property	Total NLA (sq ft)	Land Lease Expiry (Year)	Completed (Year) <sup>2</sup>	Renovation (Year) <sup>1</sup>
Subang Parade	472,709 <sup>3</sup>	Freehold	1988	2006
Mahkota Parade	471,417 <sup>4</sup>	Leasehold expiring on 2101	1994	2006
<b>Total</b>	<b>944,126</b>			

Notes:

- <sup>1</sup> See Asset Enhancements in each respective property section for further details.
- <sup>2</sup> Completed building and open for business.
- <sup>3</sup> Includes NLA addition of 653 sq ft, comprising the expansion of 2 existing lots and the addition of 1 new lot.
- <sup>4</sup> Includes the reconfiguration of former Lot G79 which was converted from a large, low-yielding lot into 11 smaller, higher-yielding lot, resulting in a NLA decrease of 13,531 sq ft.

**TABLE: The Subject Properties, Occupancy Data (as of 30 September 2006)**

Property	Total NLA (sq ft)	Total Visitors FYE 2005 <sup>1</sup>	Occupancy Rate
Subang Parade	472,709	5,689,196	98.5%
Mahkota Parade	471,417	8,007,014	94.9%
<b>Total</b>	<b>944,126</b>	<b>13,696,210</b>	<b>96.7%</b>

Note:

- <sup>1</sup> Total Visitors are tracked according to the Subject Properties' Footfall system.

### 9.3.3 Tenant Profile

- (a) **The Subject Properties' top ten tenants contributed 30.0% of total monthly rental income**

The major tenants of the Subject Properties include some of Malaysia's largest retailers such as Parkson, The Reject Shop, McDonald's, Bonia, World of Sports and Bata. As of 30 September 2006, the Subject Properties' top ten tenants contributed approximately 30.0% of total monthly rental income. Of the top ten, Parkson contributed the largest portion at 13.4% of total monthly rental income and occupied 26.9% of the total NLA of the Subject Properties. The second-largest tenant by revenues, the Reject Shop, contributed no more than 2.2% of total monthly rental income and 1.9% of total NLA.



**9. SUBJECT PROPERTIES (Cont'd)**

**TABLE: The Subject Properties, Top Ten Tenants (as of 30 September 2006)<sup>1</sup>**

	<b>Tenant</b>	<b>Trade Sector</b>	<b>Expiry Date</b>	<b>Total NLA (sq ft)</b>	<b>% of Total NLA</b>	<b>% of total monthly rental income<sup>1</sup></b>
1	Parkson	Department Stores	February 2008 and September 2008	254,009	26.9%	13.4%
2	The Reject Shop	Fashion	June 2007 and December 2007	17,695	1.9%	2.2%
3	Bata	Fashion	December 2006, July 2007 and June 2008	7,169	0.8%	2.2%
4	Bonia	Fashion	August 2007, October 2007, December 2007 and August 2009	5,965	0.6%	2.0%
5	McDonald's	Food & Beverage	March 2007 and December 2007	10,457	1.1%	1.9%
6	Ampang Superbowl	Leisure & Entertainment	August 2008	36,717	3.9%	1.9%
7	World of Sports	Fashion	December 2008 and June 2007	10,796	1.1%	1.8%
8	Kenny Rogers Roasters	Food & Beverage	December 2006 and July 2008	7,096	0.7%	1.7%
9	B.U.M. City	Fashion	June 2009	13,918	1.5%	1.5%
10	Voir	Fashion	October 2007	5,506	0.6%	1.4%
	<b>Top Ten Tenants by Total Monthly Rental Income</b>			<b>369,328</b>	<b>39.1%</b>	<b>30.0%</b>
	Other Tenants			574,798	60.9%	70.0%
	<b>Total</b>			<b>944,126</b>	<b>100.0%</b>	<b>100.0%</b>

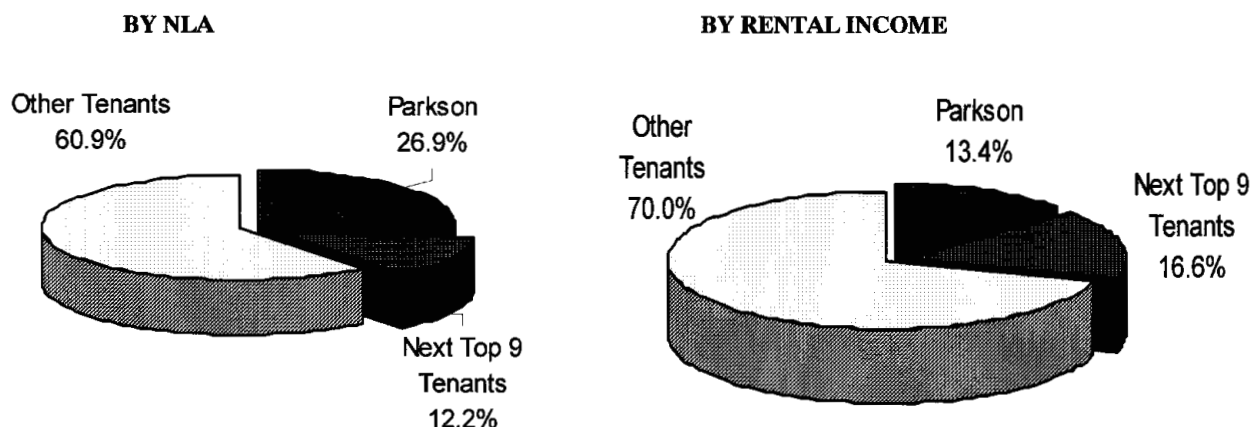
*Note:*

<sup>1</sup> Calculated over the base total monthly rental income per month for September 2006.

**The rest of this page is intentionally left blank**

**9. SUBJECT PROPERTIES (Cont'd)**

**CHART: The Subject Properties, Top 10 Tenants Contribution (as of 30 September 2006)<sup>1</sup>**



Note:

<sup>1</sup> Calculated over the base total monthly rental income per month for September 2006

**(b) The Subject Properties' tenant mix is diversified and not overly dependent on any trade sector**

The Subject Property's largest trade segment, fashion and footwear, accounted for 31.2% of total monthly rental income and 16.8% of total NLA. The next largest segment, food & beverage accounted for 20.4% of total monthly rental income and 15.9% of total NLA.

The following table and chart depicts the segmentation of the Subject Properties' tenant mix by trade sector.

**TABLE: The Subject Properties, Tenant Segmentation by Trade Sector (as of 30 September 2006)**

Trade Sector	% of total NLA	% of total monthly rental income <sup>1</sup>
Fashion & Footwear	16.8%	31.2%
Food & Beverage / Food Court	15.9%	20.4%
Department Store / Supermarket	30.5%	14.5%
Gifts / Books / Toys / Specialty	10.4%	11.3%
Leisure & Entertainment, Sport & Fitness	11.1%	8.2%
Education / Services	4.1%	6.5%
Electronics & IT	6.8%	3.3%
Homewares & Furnishing	3.6%	2.9%
Others	0.8%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

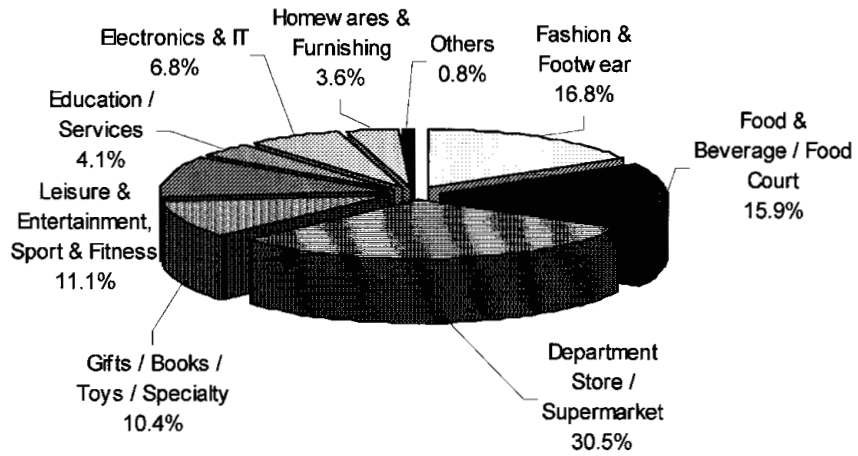
Note:

<sup>1</sup> Calculated over the base total monthly rental income per month for September 2006.

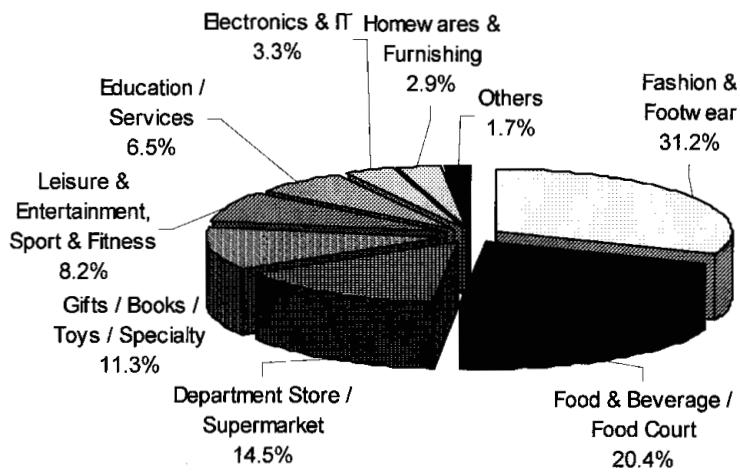
**9. SUBJECT PROPERTIES (Cont'd)**

**CHART: The Subject Properties, Tenant Segmentation by Trade Sector (as of 30 September 2006)**

**BY NLA**



**BY RENTAL INCOME**



**The rest of this page is intentionally left blank**

---

**9. SUBJECT PROPERTIES (Cont'd)**

---

**(c) The Subject Properties' tenant mix features strong tenant brands**

The majority of the Subject Properties' tenants are international brands, franchises, national brands or chain store franchises. Single-store tenants trading at the Subject Properties constituted approximately 16.7% of total tenancies and 11.4% of total NLA, while accounting for approximately 8.9% of total monthly rental income.

**TABLE: The Subject Properties, Tenant Segmentation by Brand Category (as of 30 September 2006)**

<b>Tenant Segmentation by</b>	<b>% of Tenancies</b>	<b>% of NLA</b>	<b>% of total monthly rental income<sup>1</sup></b>
International Brands / Franchises	33.5%	56.0%	50.3%
Chain or National Stores / Franchises	49.8%	32.6%	40.8%
Single Stores	16.7%	11.4%	8.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Note:*

*1* Calculated over the base total monthly rental income per month for 30 September, 2006

**(d) The Subject Properties' tenancies includes a significant number of step-up and turnover rent provisions**

Through the combined leasing efforts of HPSB and HBSB, both Subang Parade and Mahkota Parade have negotiated for Step-Up provisions and Turnover Rent provisions in their tenancy agreements. Step-Up provisions provide for negotiated increases in base rent over the tenure of the tenancy. Turnover Rent provisions provide for rent fixed at a percentage of the tenant's monthly sales, in excess of the base rent. Some tenancies contain both provisions while tenants sometimes negotiate for either one. Both provisions provide for potential financial benefits to the Fund. For more information on these provisions, see 'Investment Strategies' under Section 7 of this Prospectus.

At the time of HPSB's acquisition of Subang Parade in August 2003 and HBSB's acquisition of Mahkota Parade in April 2004 respectively, there were no Step-Up or Turnover Rent provisions in the tenancy agreements.

As of 30 September 2006, a total of 128 tenancies had Step-Up provisions and 193 had Turnover Rent provisions. Consequently, approximately 57.9% of tenancies include increases in base rent over the tenure of the agreement. Approximately 87.3% of tenancies will report their monthly turnover figures to the Manager under the Turnover Rent provision.

**The rest of this page is intentionally left blank**

**9. SUBJECT PROPERTIES (Cont'd)**

**TABLE: The Subject Properties, Step-Up and Turnover Tenancies (as of 30 September 2006)**

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Step-Up	128	57.9%
Straight	93	42.1%
<b>Total</b>	<b>221</b>	<b>100.0%</b>

Tenancy Provision	No. of Tenancies	% of Total Tenancies
Turnover Rent	193	87.3%
No Turnover Rent	28	12.7%
<b>Total</b>	<b>221</b>	<b>100.0%</b>

**9.3.4 Tenancy Expiries And Renewals**

- (a) **The Subject Properties have enjoyed a high renewal rate of approximately 61% of its tenancies**

In total, from 2004 to 30 September 2006, 129 out of a total of 211 expired tenancies were renewed, reflecting approximately a 61% renewal rate of expired tenancies and accounting for 60% of the expired tenancy NLA. The high renewal rate reflects a long-term commitment by retailers and confidence in the property's tenant mix and positioning. The table below depicts further details of the property's tenancy expiries and renewals.

**TABLE: The Subject Properties, Expired and Renewed Tenancies 2004 – 2006 (as of 30 September 2006)**

For FYEs	Number of tenancies expired	NLA of expired tenancies (sq ft)	Number of expired tenancies renewed	Total NLA of renewed tenancies (sq ft)	% of number of tenancies renewed	% of NLA of renewed tenancies
2004	113	243,227	66	170,185	58%	70%
2005	74	222,737	49	119,771	66%	54%
As of 30 September 2006	24	69,351	14	32,083	58%	46%
<b>Total / Average</b>	<b>211</b>	<b>535,315</b>	<b>129</b>	<b>323,039</b>	<b>61%</b>	<b>60%</b>

The rest of this page is intentionally left blank

## 9. SUBJECT PROPERTIES (Cont'd)

**(b) The Subject Properties' renewal rates increases were 17.6% in 2004, 21.4% in 2005 and 16.4% to 30 September 2006**

The Subject Properties' renewed tenancies were renewed at higher rental rates over the previous rental rate. In 2004, 66 tenancies were renewed at an average rental rate increase of approximately 17.1% over the previous rental rate. For 2005, 49 tenancies were renewed at an average rental rate increase of approximately 21.4% over the previous rental rates. Up to 30 September 2006, 14 tenancies were renewed at an average rental rate increase of approximately 16.9%. The high increases in rental rates further reflect retailer confidence in the Subject Properties. These rates of increases however, cannot be assured in the future. See "Risk Factors" in Section 4 of this Prospectus for further information.

The following table depicts the renewed tenancy rate spreads for 2004 to 30 September 2006.

**TABLE: The Subject Properties, Tenancy Renewal Spreads 2004-2006 (as of 30 September 2006)**

For FYEs	Number of expired tenancies renewed	Renewed tenancies average rental increase over previous rental rate (%)
2004	66	17.1%
2005	49	21.4%
As of 30 September 2006	14	16.9%

**(c) The Subject Properties have a balanced tenancy expiry profile**

Approximately 237 tenancies will expire in the period 30 September 2006 to 2009. The FYE 2008 also includes anchor tenant Parkson which has tenancy agreements with options for renewal. Excluding the anchor tenant Parkson, expiries for FYE 2008 will account for approximately 29.8% of the total NLA and 33.6% of total monthly rental income.

The table and chart below detail the tenancy expiry profile.

**TABLE: The Subject Properties, Tenancy Expiry Profile 2006-2009 (as of 30 September 2006)**

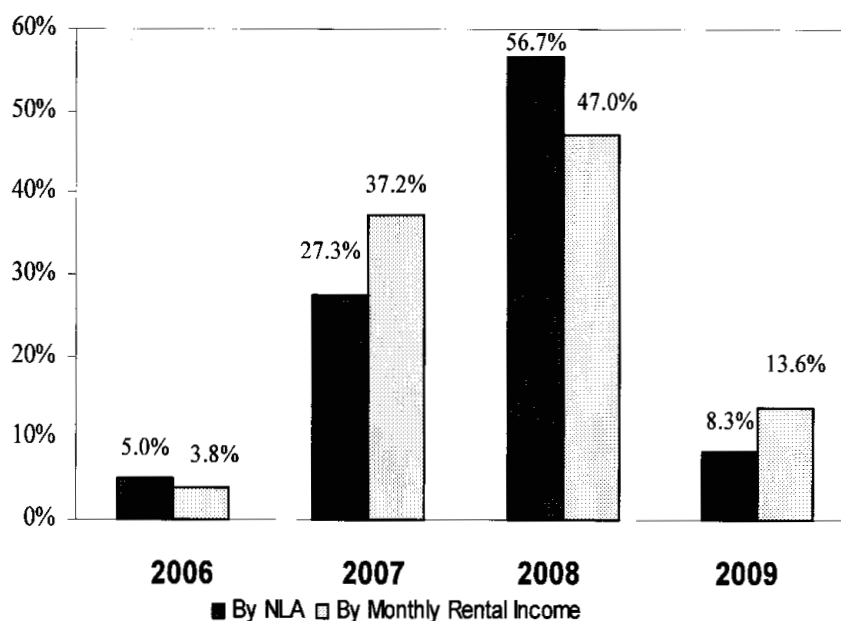
For FYEs	Total number of tenancies expiring	NLA of tenancies expiring (sq ft)	% of expiring tenancies NLA of Total NLA	% of expiring tenancies of Total Monthly Rental Income <sup>1</sup>
As of 30 September 2006	8	47,586	5.0%	3.8%
2007	98	258,198	27.4%	37.2%
2008 <sup>2</sup>	90	535,512	56.7%	47.0%
2009	41	78,789	8.3%	13.6%

*Notes:*

- <sup>1</sup> Calculated over the base total monthly rental income per month for September 2006.
- <sup>2</sup> Excluding the anchor tenant Parkson, tenancy expiries for FYE 2008 will account for approximately 29.8% of the total NLA and 33.6% of total monthly rental income.
- <sup>3</sup> Percentage figures do not add up to 100% due to vacant lots, holdovers and increasing rentals due to Step-Ups.

## 9. SUBJECT PROPERTIES (Cont'd)

**CHART: The Subject Properties, Tenancy Expiry Profile 2006-2009 (as of 30 September 2006)\***



Notes:

1 Calculated over the base total monthly rental income per month for September 2006.

\* Excluding anchor tenant Parkson, the tenancy expiries for FYE 2008 will account for approximately 29.8% of the total NLA and 33.6% of total monthly rental income.

### 9.3.5 Insurance

The Vendors have insurance for the Subject Properties including but not limited to fire, consequential loss, burglary, plate glass, machinery and equipment breakdown insurance and public liability insurance. There are however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, acts of terrorism or related activities. The Vendors believe this is consistent with the industry practice in Malaysia.

### 9.4 Valuation of Subject Properties

The Subject Properties were valued by the Independent Property Valuer as shown in the table below. The property shall be revalued at least once every three (3) years under the SC Guidelines on REITs or at such other times as required under the applicable accounting standards.

**The rest of this page is intentionally left blank**

---

## 9. SUBJECT PROPERTIES (Cont'd)

---

**TABLE: The Subject Properties, Valuation Summary**

<b>Property</b>	<b>Valuation Date</b>	<b>Valuation Amount (RM '000)</b>	<b>Purchase Consideration<sup>1</sup> (RM '000)</b>
Subang Parade	1 May 2006	290,000	280,000
Mahkota Parade	1 May 2006	233,000	232,000
<b>Total</b>		<b>523,000</b>	<b>512,000</b>

*Note:*

*1 Purchase price consideration does not include transaction costs related to the acquisition.*

### 9.5 Partitioning of Subang Parade

In accordance with the terms of the SPA for Subang Parade, 84.84% of the undivided share in the Master Land representing Hektar REIT's interest in Subang Parade will be transferred to the Trustee upon full payment of the purchase consideration, which will take place after listing of Hektar REIT on the Main Board of Bursa Securities. The remaining 15.16% of the undivided share in Master Land representing the HPSB's Land will not be acquired by Hektar REIT as the area is currently being used as a plant nursery and is non yielding.

HPSB undertakes to apply to the relevant authority for approval to Partition the Master Land and for the issue of the separate document of title to Subang Parade upon receipt of written notification that the Master Land has been duly registered in the joint name of HPSB and the Trustee as co-proprietors. In this respect, HPSB will use its best endeavours to ensure that a separate title to Subang Parade is issued as soon as practicable, and thereafter assist to register Subang Parade in the name of the Trustee.

### 9.6 Strata Titles on Subject Properties Not Issued

The strata titles to the Subject Properties have yet to be issued by the relevant authorities and the Subject Properties are currently not registered under the name of the Trustee. The Subject Properties are currently still held by the Vendors as the registered owners of the master titles to which the Subject Properties relate.

Pursuant to the terms of the SPAs, the Vendors undertake at their own cost and expense to submit, on behalf of the Trustee the application to the relevant authorities for the issuance of the strata titles for the individual units or lots already sold pursuant to the requirements of the STA and in accordance with provisions of the respective SPAs.

Under the terms of the SPA for Subang Parade, HPSB undertakes to submit the strata title application within 6 months from the date of issuance of the separate document of title to Subang Parade or such extended period as the parties may mutually agree in writing.

Under the terms of the SPA for Mahkota Parade, HBSB undertakes to submit the strata title application within 6 months from the date of completion of the sale and purchase i.e. the date of full payment of the consideration for such extended period as the parties may mutually agree in writing.

**The rest of this page is intentionally left blank**



---

**9. SUBJECT PROPERTIES (Cont'd)**

---

**9.7 Management Discussion on the Fund's Future Potential**

We will strive to plan, implement and supervise strategies, which will improve the financial performance of the Fund and overall, improve the yield of the Subject Properties. We believe the Subject Properties' future prospects rely on several initiatives including but not limited to, the implementation of its business model, the process of evaluating potential asset enhancements and the alignment of interests with the Fund's promoter and potential development of adjacent land bank(s).

**(a) The Business Model**

The first part of our business model will be to focus on the end-consumer. In Subang Parade's case, HPSB had identified the immediate demographic within the primary trade area as its target market, which consists of young families and working couples. Subsequently, Subang Parade has positioned itself as a suburban mall with a neighborhood focus, with the tenant mix and marketing targeted towards this particular consumer segment. Subang Parade was patronized by approximately over 5.7 million visitors in FYE 2005. In Mahkota Parade's case, given its central location and as the largest mall in Melaka, HBSB has positioned the property as the prime urban mall. Subsequently, Mahkota Parade's tenant mix and marketing targeted the regional population of Melaka and tourists. Mahkota Parade received approximately 8.0 million visitors in FYE 2005. Overall, the Subject Properties achieved higher occupancy rates than the national and state averages, and reached approximately 96.7% for both properties on a weighted NLA basis, as of 30 September 2006.

The second part of our business model will be its alignment of interests with its tenants. For the Subject Properties, HPSB and HBSB have respectively implemented a leasing strategy to include step-up and turnover rent provisions in new tenancies, where possible. A discussion of these provisions is provided in the section 7 entitled 'Investment Strategies' in this Prospectus. Step-up provisions ensure that tenants pay increasing base rental rates over the tenure of the tenancy. This disciplines tenant to factor in gradual rent increases in their business planning and may also provide for continued gradual increases of base rent at the end of each tenancy period. Turnover rent ensures that the Manager may receive a percentage of a tenant's sales or the base rent, whichever is higher. The rationale is that consumers are attracted to the shopping centre due to the tenant mix. Therefore, tenants are carefully selected by the Manager.

As a result, the turnover performance of a tenant can be impacted by our leasing decisions and promotional activities. We are motivated to promote the tenants whereby significant increases of the tenant's turnover performance will also benefit the Fund and us. The turnover rent provision also allows for the targeted use of promotional activities designed to help promote sales for respective tenants. The turnover rent provision provides that future rental income increases may be derived from improved turnover performances of the tenants and therefore, we are not solely dependent on base rental rate increases for growth.

Overall, step-up provisions exist in approximately 57.9% and turnover rent provisions exist in approximately 87.3% of the Subject Properties' tenancies. The continued increases of these figures may improve the potential growth prospects and yield for the Subject Properties.

**The rest of this page is intentionally left blank**

---

**9. SUBJECT PROPERTIES (Cont'd)**

---

**(b) Potential Scope for Asset Enhancements and Refurbishment**

We will continue to examine various initiatives to develop asset enhancement and refurbishment plans to improve the potential financial yield of the Subject Properties.

Currently for Subang Parade, HPSB is conducting the refurbishment (see Subang Parade's Asset Enhancements for more details). The comprehensive refurbishment of both the exterior and interior will update the property's profile and may elevate the property's image on par with some of the newer shopping centres in the Klang Valley. The effect of the potential improvement of the profile may include raising rental rates on par with other top shopping centres in the Klang Valley. Currently, some of Subang Parade's rental rates are lower compared to other competing shopping centres in the Klang Valley, thus allowing for the potential to increase in the future. Please refer to the "Independent Market Research Report" under Appendix VI of the Prospectus for more details on the market overview on comparative rental rates between Subang Parade and other shopping centres in the Klang Valley.

Subang Parade has a gross floor area of 1.2 million sq ft and a NLA of 472,709 sq ft, representing an approximate 39% usage efficiency as of 30 September 2006. The remaining area is used to create an ambient and conducive shopping environment for consumers with wide walkways and large central exhibition areas, as well as areas for storage space, service passageways and car park. There exists a wide scope for continued improvement of the centre by using previously unused storage space or underutilized passageways or corridors and converting them to NLA.

Mahkota Parade has a gross floor area of 1.1 million sq ft and a NLA of 471,417 sq ft, representing an approximate 43% usage efficiency as of 30 September 2006. As in Subang Parade, the remaining area is used to create an ambient and conducive shopping environment for consumers with wide walkways and large central exhibition areas, as well as area for storage, service passageways and car park. Consequently, there exists a wide scope for revitalising or creating NLA space from underutilized or unused storage space, passageways and corridors.

**(c) Future Development(s) on Adjacent Land**

The Subject Properties both have adjacent parcels of undeveloped land, which are either owned by the Fund or the Vendors.

Subang Parade has an adjacent undeveloped parcel of land measuring approximately 1.9 acres namely the HPSB's Land. HPSB's Land may be developed by HPSB for future commercial purposes, including additional retail space, car parking bays and service apartment, which may be complementary to Subang Parade. The Fund may purchase any property constructed on HPSB's Land, which may meet the criteria as set out in Investment Strategies under Section 7 of the Prospectus. HPSB has granted a right of first refusal for the Fund to acquire these suitable properties in the future, as they meet the criteria defined in Investment Strategies under Section 7 of this prospectus. As Subang Parade is running at approximately 98.5% occupancy (as of 30 September 2006), various expansion options have been examined by HPSB including but not limited to, or confirmed to, fashion-niches, teen youth-oriented offerings and entertainment venues.

**The rest of this page is intentionally left blank**

---

**9. SUBJECT PROPERTIES (Cont'd)**

---

Mahkota Parade's adjacent land parcel consists of an approximate 3-acre parcel of land, which currently serves as the outdoor car park. As Mahkota Parade is situated in the heart of the commercial district next to the historical area of Melaka, this undeveloped parcel of land may have commercial development potential in the future. As Mahkota Parade is running at approximately 94.9% occupancy (as of 30 September 2006), various expansion options have been examined by HBSB including but not limited to, or confirmed to, fashion-niches, entertainment options or expansion of anchor tenant space. Also, Mahkota Parade's top level (2<sup>nd</sup> floor) has foundation support for an additional level, which may be constructed for future expansion.

**(d) Alignment of Interests Between The Hektar Group and The Fund**

There is an alignment of interest between the Hektar Group and the Unitholders. The Hektar Group, after the listing, will retain approximately 50.16% of the Units and will remain as a significant investor in the Fund. The Hektar Group via its related company HKSB owns an 84-acre parcel of land in Nusajaya, Johor, which may be ideal for commercial development projects. The commercial developments may contain retail properties, which may be suitable investments for the Fund.

**The rest of this page is intentionally left blank**