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# SUSTAINABILITY REPORT

## Sustainability Statement

Hektar REIT's intention is to deliver on key societal and financial targets by complementing commercial objectives with the environmental and social needs of our stakeholders.

## Our Commitment

At Hektar REIT, we are committed to our responsibility to ensure all our business activities are performed to high standards of social and environmental conduct to maximise long-term value creation, essentially in benefitting our stakeholders. It is our responsibility to ensure that the assets under our portfolio and our business is carried out in a manner that generates positive environmental outcomes in creating market leading destinations.

Our business strategies take into account the risk and opportunities affecting both the organisation and the industry, while keeping abreast of the evolving expectations of our stakeholders within the area of sustainability. We are focused in our efforts to address the material sustainable matters of Hektar REIT across our priority areas:

- a. Responsible Business Practices to shape our future in sustainability growth;
- b. Close liaison with all stakeholders including local community and authorities;
- c. Appraisal of current challenges and solutions; and
- d. Constantly raising our standards of our business processes for resource efficiencies.

Hektar REIT has always been committed to building a sustainable business by guiding the day-to-day operations with high work ethics and values, driving long- and short-term strategies. At Hektar REIT, a sustainable business also means engaging with our business partners and employees. Our approach is centred on the issues stated below:

1. What values can be achieved through sustainability?
2. What is essential to our overall business?
3. Which areas can we make an impact directly?

## Governance Structure

Our Board of Directors is ultimately responsible for the company's sustainability strategies and its performance. The CEO in turn, provides direction and guidance to the Sustainability Steering Committee (SSC) and Sustainability Working Committee (SWC).



We recognise that an operative corporate governance culture is crucial in managing the economic, environmental and social risks and opportunities. With a steadfast and strong Board, vigorous policies and continuously improving procedures, we are positioning ourselves to constantly improve at Hektar REIT.

In order to better understand the requirements for Sustainability Reporting, our management team have attended several workshops on Sustainability Reporting guidelines organised by Bursa Malaysia. The Board has established several Committees to assist in discharging its duties. Each committee consists of an appointed Chairperson and several members. The Board has also formalised its commitment to high ethical values through the establishment of a Code of Conduct.

In 2017, the Sustainability Committee was formed, comprising key representatives from relevant departments. Our Sustainability Steering Committee is chaired by our Executive Director and CEO and supported by our Chief Corporate Officer, Chief Operating Officer and Chief Leasing Officer, while our Sustainability Working Committee are represented by members from our Finance, Maintenance, Marketing, Leasing and Quality departments as well as our Centre Managers. These committees meet periodically to review the sustainability performance of the organisation, review the alignment with material sustainability issues and report updates to senior management and the Board.



## Stakeholders' Engagement

Our approach to sustainability ties directly with our business objective to operate and manage world-class shopping centres and to deliver value to our stakeholders. This is achieved through a sustainable and respectable operation that cares for the marketplace we operate in, the workplace our employees are in, the community we centre around and the environment we are blessed with.

Key Stakeholder	Engagement Methods	Key Topics
<b>Shoppers</b>	<ul style="list-style-type: none"> <li>• Shoppers surveys</li> <li>• Focus group studies</li> <li>• Feedback via online and social media</li> <li>• Regular shopper events to engage customers</li> <li>• Feedback forms</li> <li>• Social media engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting the shopping needs of our shoppers</li> <li>• Quality of services and facilities</li> <li>• Providing comfortable shopping environment and family-friendly amenities</li> <li>• Considerations for safety and easy accessibility</li> <li>• Good connectivity to public transport</li> </ul>
<b>Tenants and Prospects</b>	<ul style="list-style-type: none"> <li>• Partnership in promotional events</li> <li>• Regular tenant feedback meetings</li> <li>• Direct meetings and email exchanges</li> <li>• Participating in events organised by Malaysian Retail Associations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining high shopper traffic</li> <li>• Competitive rental rates</li> <li>• Collaboration in marketing and promotional events</li> <li>• Good property maintenance</li> </ul>
<b>Property Manager</b>	<ul style="list-style-type: none"> <li>• Monthly meetings</li> <li>• Weekly meetings with project, marketing, HR and leasing department</li> <li>• Email exchanges</li> <li>• Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Key Performance Indicators for Property Managers and Centres</li> <li>• Business and operations performance</li> <li>• Business strategy and outlook</li> <li>• Sustainability concerns</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Annual performance appraisals</li> <li>• Orientation and training programs</li> <li>• Regular department meetings</li> <li>• Annual Dinners</li> <li>• Staff Casual Get-together events</li> <li>• Hektar Sports Club</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Career progression</li> <li>• Continuous learning and skills upgrading</li> <li>• Employees well-being</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Festive season celebration events</li> <li>• Charity drives and events</li> <li>• Venue sponsorships</li> <li>• Collaborations</li> <li>• Donations and sponsorships to charitable organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Helping the needy group in the community</li> <li>• Foster strong community ties and promote family-values</li> </ul>
<b>Investment Community</b>	<ul style="list-style-type: none"> <li>• Quarterly results announcement and analyst briefings</li> <li>• Walk-in visits and inquiries</li> <li>• Annual General Meetings and Extraordinary General Meeting</li> <li>• Annual reports</li> <li>• Communication via 1-on-1, emails and telephone calls</li> <li>• Non-deal roadshows</li> <li>• Hektar REIT website updates</li> </ul>	<ul style="list-style-type: none"> <li>• Performance and financial results</li> <li>• Business operations</li> <li>• Business strategy and outlook</li> <li>• Stable and sustainable distribution</li> <li>• Timely and transparent reporting</li> <li>• Net asset value growth</li> </ul>
<b>Management Corporation, Joint Management Body &amp; Committees</b>	<ul style="list-style-type: none"> <li>• MC, JMB and JMC Periodic Meetings</li> <li>• Voting</li> <li>• Audited accounts submission</li> <li>• Annual General Meetings of MC and JMB</li> </ul>	<ul style="list-style-type: none"> <li>• Operational improvements</li> <li>• Mall value creation</li> </ul>

# SUSTAINABILITY REPORT

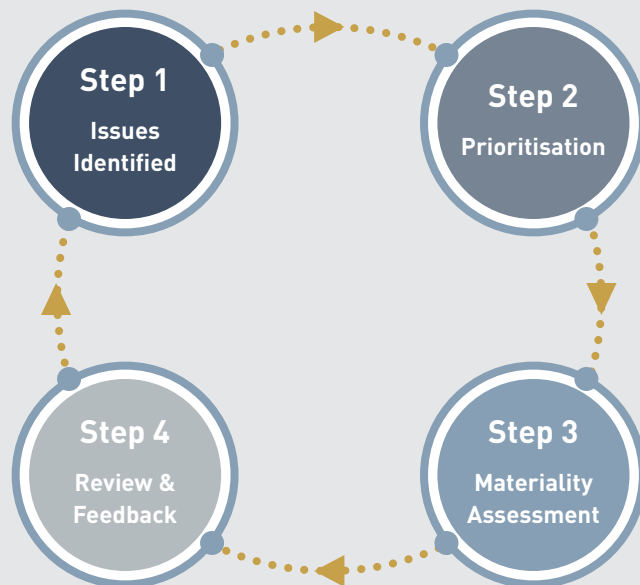
## Material Sustainability Matters

Hektar REIT acknowledges material sustainability matters by taking into account the potential risk in our business activities in relation to our social and environmental needs as well as the economic factors impacting the real estate industry. Our material areas were also identified based on inputs from both internal and external stakeholders through observation and enquiries received. An internal materiality assessment was carried out to map out our sustainability matters in the steps described in the diagram on the right.

The aspects we consider when identifying material items:

1. Strategic policies
2. Considerations discovered during stakeholder surveys and interviews
3. Risk Management program
4. Changes in Internal and External Operating Environments including trends
5. Industry Best Practices and Benchmarks
6. Framework of Sustainable Development
7. Principles regarding the scope of reporting

Upon completing all four steps, the list of sustainability matters material to our business and to our stakeholders can be summarised as follows:



## Main Material Issues according to Stakeholder Type

### Tenants

- Health and safety
- Tenant satisfaction and cooperation
- Community engagement

### Organisation

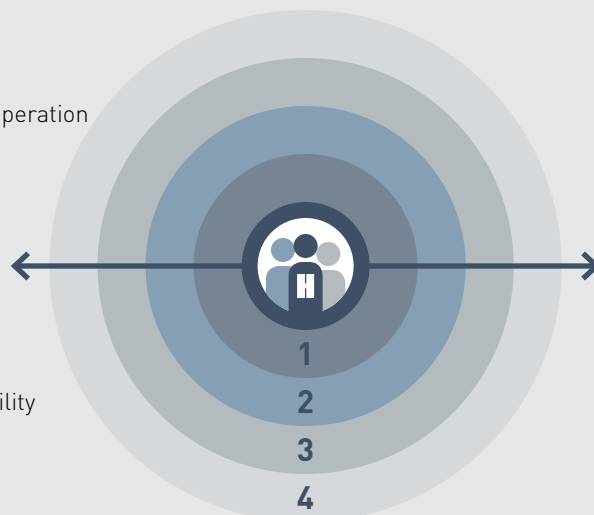
- Energy efficiency and resources management
- Human capital relation

### Community

- Community engagement
- Corporate social responsibility
- Shoppers satisfaction

### Investment community

- Financial performance
- Ethical business conduct and transparency in reporting



## 1 High business importance and immediate possibility to impact

- Health and safety at mall and workplace
- Energy efficiency and resources management
- Shopper satisfaction
- Financial performance
- Ethical business conduct and transparency in reporting

## 2 High business importance and indirect possibility to impact

- Tenant satisfaction and cooperation
- Employee management

## 3 Medium high business importance and direct possibility to impact

- Community engagement
- Corporate Social Responsibility
- Employee well being

## 4 Medium business importance and indirect possibility to impact

- Sustainable procurement

## Sustainability Goals: Resilient Assets, Robust Governance and Relevant Investments

1. Prioritising Good Health and Well-being by
  - Ensuring that employees lead a balanced lifestyle and encouraging healthy activities;
  - Organising regular staff gatherings to promote bonding and appreciation; and
  - Educating end-users, including employees, tenants, shoppers and the general community.
2. Prioritising Safety of Employees, Tenants and Shoppers by
  - Maintaining zero fatality at workplace;
  - Periodically reviewing safety procedures and responses towards safety issues; and
  - Educating tenants and shoppers on safety issues and emergency responses.
3. Observing a high standard of corporate conduct which is integral to ensuring the sustainability of the organisation's business as well as safeguarding shareholders' interests and maximising long-term shareholder value. This means:
  - Adherence to corporate governance and practicing high level of disclosures, bilateral communication and conduct risk management audit; and
  - Establishing a secure whistle blowing reporting framework.
4. Continuing initiatives and introducing new measures to reduce impact on the environment such as water management, waste management, paper conservation and energy management with the aim of:
  - Achieving a minimum 10% reduction in energy consumption across our investment portfolio on a like-for-like basis by the year ending December 2022;
  - Introducing an energy benchmarking system across the portfolio;
  - Engaging with our new and existing tenants within our multi-let buildings to encourage optimum operational efficiency of their premises; and
  - Reducing paper wastage at Hektar offices, including defaulting to double-sided and black and white printing, encouraging the use of e-mails, e-fax and encouraging employees to reduce paper use.
5. Maintaining financial performance and governance:
  - Ensuring sustainable returns to unitholders, stability in capital structure and continuity of growth in DPU through our investment strategies.
6. Engaging with and contributing to the community to honour our role in the community, with the aim of:
  - Providing sustainable employment, supporting the communities in which we operate; being responsible neighbours and developing as well as maintaining strong relationships;
  - Collaborating with tenants in organising and promoting community projects; and
  - Understanding the potential of our properties as 'placemakers', by creating opportunities for community involvement in the areas that our assets are based, by organising relevant events and becoming venue sponsors to enable community projects.
7. Ensuring a higher level of tenant satisfaction:
  - Analysing information received from tenant feedback from marketing campaigns and events in correlation with the tenant's performance;
  - Aiming for favourable tenant survey results;
  - Strengthening relationship with tenants by educating and engaging tenants with annual events; and
  - Addressing key concerns of tenants such as building maintenance and visitor traffic.
8. Reducing inequalities in employment, training, career advancement and top positions:
  - Providing an inclusive, open environment for our employees with equal opportunities for individuals and teams to realise their full potential and enabling the business to meet its strategic objectives.
9. Our Sustainable Procurement consists of processes involving the purchase of goods and services from external sources, predominantly via a competitive bidding process:
  - Fair opportunities: we encourage local procurement and SMEs as our supply chain partners; and
  - Developing a competitive and sustainable supply chain: maintaining or improving the procurement process through competitive markets.

## Organisational Capital

### Obligations to tenant

The success of our business is inextricably linked to the prosperity of local communities and our tenants. Tenants are the core of Hektar REIT's business. Our business is rather reliant on our tenants to successfully operate their businesses and underperformance on their part would adversely affect our ability to profitably operate our business. We depend on our tenants' capability to carry out their businesses in a manner that will generate income which will allow them to meet their obligations to us, including paying rent, maintain adequate insurance coverage, as well as maintain their premises. We aim to create environments that inspire success to increase value for our tenants. We seek to improve the tenant's businesses by carrying out on-going programs including asset enhancement initiatives to ensure that our retail properties are well maintained and comfortable for our visitors. We also invest extensively in the repair and maintenance of the common areas, facilities and car park areas across our portfolio. These investments are done with a view to enhance the shopping environment and provide a sustainable operating platform for the tenants' businesses. Hektar also enhances tenants' competitiveness by providing the latest industry insights and business suggestions to our tenants, besides encouraging tenants to upgrade their store outlook.

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## Financial Capital

Hektar recognises the importance of sustainable financial capital management in order to achieve the goals of the REIT. Growing the asset base while ensuring that it provides a sustainable return to unitholders requires a flexible capital management framework. This framework requires an optimisation in terms of offering an affordable cost of capital while offering liquidity for future acquisitions or asset enhancements. The business performance must also be viewed in a long term perspective, thereby looking beyond short-term gains (or losses) and focusing on long term unitholder value creation. A detailed description of the performance and management of the financial capital of Hektar REIT can be found in the Financial section of this annual report.

## Human Capital Relations – Work Place

### Equal Opportunities

Hektar follows the principle of equal opportunity in regards to its hiring and promotion procedures. As an equal opportunity employer, we do not discriminate based either on race or gender and we are required to give everyone an equal chance, be it in hiring or promoting employees, both of which are done purely on performance and merit.

In Hektar Asset Management, as at 31 December 2018 we have a total of 24 staff altogether. More than 57% of our employees are women in HAMSB's corporate office.

In Hektar Property Services, as at 31 December 2018 we have a total of 318 staff altogether across 6 offices nationwide and 46% of the workforce comprise women employees, holding executive level and senior management positions in the company.

### Safety and Health

At Hektar, we have maintained zero fatality from workplace incidents since we began our operations more than 12 years ago. We undertake measures to ensure that our customers, tenants and employees are safe and taken care of at our premises.

The Management has in place, adequate safety and health measures to avoid any potential safety hazards in our centres. We periodically review the procedures to comply with all relevant Acts and regulations under the Department of Occupational Safety and Health (DOSH) in line with current requirements and make the necessary changes, if needed, to mitigate any long term risk to maintain a zero accident track record. Apart from regular maintenance work on our facilities, periodical inspection of lifts, escalators, fire system, electrical switch gears and other electrical equipment are also carried out regularly. At our centres, employees are required to attend refresher training programs conducted by Bomba and DOSH on safety and health will. Fire drills are also conducted regularly with the respective mall stakeholders.

The safety aspect is paramount in all that we do particularly when designing retail space and when we prepare for the commencement of Asset Enhancement Initiatives, renovation or routine maintenance works. As a safety procedure, we ensure

that all contractors and their workers go through safety briefings before any renovation and fit out works are allowed to commence. This is to ensure that they follow all mandatory safety regulations to safeguard the safety of tenants, visitors and shoppers. All fit out works are carried out in a safe and socially responsible manner, based on approved drawings which comply with regulations and fitting-out guidelines. Regular on-site meetings and inspection are held to discuss the progress and related issues with the tenants and contractors to ensure safety and compliance.

### Diversity

In relation to diversity, Hektar acknowledges that it is crucial to practice mutual respect for qualities and experiences that are different from our own. Understanding diversity means recognising that personal, cultural and institutionalised discrimination between any party creates and sustains privileges for some while creating and sustaining disadvantages for others. We do not tolerate any form of discrimination. Diversity in Hektar includes, but are not limited to age, ethnicity, class, gender, physical abilities/qualities, race, sexual orientation, as well as religious status, gender expression, educational background, geographical location, income, marital status, parental status, and work experiences.

### Long Service Award

In recognition of their commitment and dedication that they have put forward throughout the years of their service, this year Hektar awarded 13 employees with appreciation certificates, and valuable gifts as a gesture to express their gratitude for their loyalty to the company. The Long Service Award is given to employees who have exercised continuous employment with Hektar for at least 10 years. The award which, includes a gift of high quality up to the value of RM2,000 and a certificate of appreciation per employee was introduced in 2013 with the intention to promote a positive sense of loyalty and commitment amongst the employees.

Hektar tries hard to create a workplace environment where employees feel valued, and inspired to work every day. We are happy to discover that as at 31 December 2018, one fifth of the workforce comprise employees who have been loyally serving us for more than 10 years.

### Work Life Balance

Hektar REIT encourages a balanced lifestyle as well as promotes healthy interaction among employees as much as possible. Every centre organises casual outings, friendly bowling tournaments, birthday and festive season celebration at the office or outside for the enjoyment and participation of all. It is not uncommon to hold Hari Raya 'Open House', annual Chinese New Year 'Yee Sang' tossing or to have a 'Secret Santa' gift exchange programs during Christmas in our offices. Hektar provides parental leave, medical insurance for the employees and their families and also allows early release prior to festive days to ensure that employee morale remain high. We have created a 'Chill out' area in certain malls, which is specially designed to be fun and open to encourage brainstorming and discussion, equipped with a TV and reading corner, a pantry area where employees

often have lunch together in comfort and training rooms. Hektar encourages and supports its employees to enter friendly inter-mall competitions held by Malaysia Shopping Malls Association (PPK Malaysia) and other organisations to foster strong team spirit and togetherness. This year, Group Marketing along with the representatives from other centres organised a three day trip to Genting Highlands where they had their team building and strategy planning session for the upcoming year.

#### Staff Retention

Staff retention strategies include ensuring staff salaries are fair, that staff are given chances to learn or strengthen their skills and to positively contribute to their respective departments. Content and motivated employees translate to better workplace performance, greater productivity and better quality of output. These factors will inevitably contribute to our financial performance and ultimately, unitholder returns. To attract the right talent and to retain our current star employees, we try our best to ensure the competitiveness of our employees' remuneration through market benchmarking and employee surveys.

#### Training and Development

The Company puts strong emphasis on developing the careers of its employees as it believes that continuous learning is a fundamental building block towards their growth as they become more adept at carrying out their responsibilities. Group Human Resource has been tasked to develop strategic development programs to further develop the employees' career. The trainings and courses the staff attended included job specific trainings such as operations, marketing, leasing, facilities management, finance and legal courses as well as general, leadership and soft skill programs. For 2018, the average minimum training hours per employee is 18.5 training hours, with a total investment of approximately RM43,000.

This year, a total of 10 key employees from the Corporate, Leasing and Marketing departments went on a study and observation trip to Japan, which was organised by PPK Malaysia. The purpose of the trip was to expose the participants to international best practices and benchmarks. During the trip, the participants were exposed to a variety of shopping centres layout, interior design, space utilisation, tenancy mix, tenancy zoning, expression and visual merchandise display, store concepts and shopping culture. The team also had the opportunity to have knowledge sharing sessions with shopping centre operators from Japan together with the participants from other shopping centres from Malaysia.

In 2018, 100% of the confirmed staff as at 31 October 2018 underwent their annual reviews and were successfully appraised based on their performance. As at 31 December 2018, we have a total of 342 employees both at the REIT Manager and Property Manager.

### Social Relationship Capital

#### Community & Charity

Hektar supports the community through its shopping centres. A full account of the activities during 2018 can be found in the Corporate Social Responsibility section in this annual report.

#### Economics

At Hektar REIT, we believe it's our duty to support the local communities. We do so in an array of ways. One of our growth strategies is to provide customers with vibrant and relevant tenancy mix, offering a wide range of retail brands both local and international. Running a retail centre business means creation of several thousand stable jobs, increase in tax revenue, and promoting population growth in the surrounding area. Approximately one third of Hektar shopping centre tenants comprises local retailers from neighbouring areas which helped stimulate the local economy via employment opportunities and outsourcing of various operations such as cleaning, maintenance and construction projects to local companies to share the economic effects on a wider scale.

### Respect for the Environment

#### Energy Management

The year 2018 had been a challenging yet eventful year for Hektar REIT in the pursuit of a better energy utilisation and optimisation of its six properties. The implementation of Imbalance Cost Pass-Through (ICPT) by Tenaga Nasional from 1 July 2018 had resulted in a considerable increase in the utility cost of each property. Despite the rising cost in operation, Hektar continues to strengthen our measures in energy management to reduce the impact on the environment.

We are currently working with an Energy Services Company (ESCO) endorsed by the Malaysian Energy Commission together with an engineering design and project consultant. Hektar had completed a number of initiatives under the Energy Efficiency (EE) programme for our malls, namely:

- Replacement of the Air Conditioning and Mechanical Ventilation (ACMV) system with application of variable and dynamic Building Controls and Automation system for Subang Parade and Wetex Parade (i.e. Classic Hotel). Generally more than 65% of a building's energy costs are consumed by a building's ACMV;
- Further revamp of the ACMV system were also extended to Mahkota Parade and Central Square under the JMB and MC;
- Implementation of monitoring programmes by the maintenance team to optimise electricity consumption i.e. reducing maximum demand, application of Off-Peak Tariff Rider (OPTR) scheme, controlled use of chillers etc. for all Hektar REIT malls;
- Upgrading of ageing equipment including the deployment of LED lightings, which commenced at Subang Parade on a full scale; and
- Minimising reliance on equipment with heavy energy consumption and shifting towards energy efficient designs.

The outcome from the above exercises had contributed to reduction in electricity consumption from respective ACMV systems and others ranging from 20% to 30% during maximum demand and normal hour, with notable savings from Subang Parade.

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In total, for the year 2018, energy savings for Hektar REIT's portfolio reached RM2.6 million.

A few key initiatives have been carried out at other Hektar REIT malls which had resulted in lower average monthly consumption of electricity in FY2018 as compared to FY2017, as illustrated below:

Shopping Centre	Key Initiatives Implemented	Average Monthly Electricity Consumption (kWh)		Variance (kWh)	%
		2017	2018		
Mahkota Parade	<ul style="list-style-type: none"> <li>Replacement of chiller</li> <li>Regular servicing of AHUs &amp; FCUs</li> </ul>	834,799	769,369	65,430	7.8
Wetex Parade	<ul style="list-style-type: none"> <li>Replacement of chiller, cooling towers, pumps, AHUs &amp; FCUs (for Classic Hotel)</li> <li>Regular servicing of AHUs &amp; FCUs (for mall)</li> </ul>	308,299	274,268	34,031	11.0
Central Square	<ul style="list-style-type: none"> <li>Replacement of chiller, cooling towers &amp; pumps</li> <li>Regular servicing of AHUs</li> </ul>	531,151	411,006	120,145	22.6
Segamat Central	<ul style="list-style-type: none"> <li>Regular servicing of AHUs &amp; FCUs</li> <li>Close monitoring by maintenance team on operations of major air conditioning equipment</li> </ul>	320,044	287,299	32,745	10.2

\* Kulim Central registered an increase in its average monthly electricity consumption due to increase in the GFA from the recent AEI.

In total, for the year 2018, energy savings for Hektar REIT's portfolio reached RM2.6 million.

As intended when we first embarked in the EE programme, Hektar is on the right track in achieving its minimum 10% reduction in energy consumption across our investment portfolio by the year ending 2022.

Hektar REIT will continue to invest its resources in strategies and efforts that will uphold the idea of being environmentally conscious, by continuously engaging our internal and external stakeholders. Existing measures under the EE programme will be enhanced in order to gain the maximum benefit from selective improvements, as exemplified below:

- Installation of heat-repellent materials in the building to minimise excessive air conditioning;
- Enforcement of fit-out guidelines such as fully covered ceiling to prevent air leaks; and
- Effective management of lightings.

Taking the lead as a model for the other Hektar REIT malls, it is planned for Subang Parade to pursue the Green Building Index (GBI) certification in the near future.

Moving forward, Hektar REIT will explore the opportunities in Renewable Energy (RE) programmes that encourage the use of renewable sources to further minimise the environmental impact. Hektar REIT malls will be testing grounds for proven technologies such as solar panels and rain water harvesting to demonstrate our participation in green causes and awareness campaigns.

## Water Consumption

Hektar recognises that water consumption is an important area for conservation of natural resources within its properties. Our team takes initiatives to carry out water saving and towards educating tenants on water consumption. In the previous year, several of Hektar REIT's properties kicked off the prudent water management initiative in our efforts to further cut usage which enabled us savings of nearly RM10,000 a month in Subang Parade alone.

The following measures had continuously been implemented and monitored across Hektar REIT's malls:

- Constant check and adjustment on piping systems for optimum flow;
- Immediate rectification on leakages or loosening pumps and valves;
- Installation of water-efficient fittings e.g. self-closing water faucets, dual flush toilets, flow regulators at pumps etc; and
- Creating awareness in the maintenance team and tenants on water preservation.

More initiatives will be explored to control the water consumption at Hektar REIT's malls. The Management of Hektar REIT recognises the need to further enhance the initiatives towards incorporating the best practices in preserving water for environmental benefit as a whole.

## Waste Maintenance and Management

As most shopping centres in Malaysia are championing the 3R (Reduce, Reuse & Recycle) programmes, Hektar REIT's malls are exploring various means to be a part of the 'green' initiatives. Hektar REIT aspires to contribute to a greater cause in a sustainable environment by being actively involved in collaborations with local communities and authorities as well as government bodies and non-governmental organisations (NGOs).

Hektar REIT recognises the impact of improper waste treatment and its harm to the environment, which can be reduced through good waste management practices. It endeavours to work closely with property managers towards reducing waste, minimising non-recyclable waste and educating tenants and shoppers on appropriate practices, where possible. Our refuse centre is located at each mall for the convenience of our tenants to dispose their waste, whilst the centre management enforces strict house rules to ensure that they are being adhered to. Sufficient waste bins are also placed at high traffic areas for use by shoppers and consistently being cleared by the cleaners. The initiatives taken include:

- Ensuring that contractors (including cleaners, maintenance personnel, etc.) comply with the policy with respect to the use of hazardous materials and the disposal of materials;
- Encouraging reduced and responsible usage of paper at workplace; and
- Increasing placement of recycling bins at strategic locations at the properties.



# CORPORATE SOCIAL RESPONSIBILITY

## Community and Charity

Our buildings are often located at the heart of a community and have a key role to play in supporting the well-being and economic development of the surrounding area. We have both the responsibility and the opportunity to support these communities through our operations. With a total of 32 million visits in 2018, Hektar REIT's malls had the pleasure of organising many interesting activities and events for the public to enjoy and be entertained whilst being in the mall. Most of the time these exciting events are held in our own centres, however we do seek for collaborations with government agencies, charity foundations and independent NGOs to participate in CSR projects that allows us to contribute to the community. The objective of this move is to give back to society, to encourage responsibility and social awareness and to ensure that we leave a positive impact on our communities. Our focus this year was to work with local community organisations to address needs in our communities. It was achieved through activation of underutilised and vacant spaces, organising donation campaigns and supporting local fundraising and community related events in the arts, health, safety and sports area.

### First Quarter

In 2018, we kick started our annual Corporate Social Responsibility program with Chinese New Year celebration in our shopping centres. Mahkota Parade's journey of giving began with partnering with Majlis Bandaraya Melaka Bersejarah (MBMB) who had assisted in identifying 15 homes from three districts, namely, Melaka Tengah, Jasin and Alor Gajah. These homes were of the B40 group, referring to the bottom 40% of households with monthly income of RM3,900 and below. Each family was given RM100 cash and RM100 worth of household goods which was presented by the management of Mahkota Parade and representatives of MBMB. All in all, it was a successful partnership with MBMB

and with the help of the local councilmen, the activity was featured in the local television daily news.

The Segamat Central team organised a visit and brought cheers to 35 senior citizens and 20 orphans at Pusat Jagaan Persatuan Kebajikan Kasih Segamat located at Segamat Baru and Pusat Jagaan Grace Manna House located in Labis. During the visit, our team spent the day with the senior citizens and orphans, and contributed daily necessities such as rice, bread, snacks, biscuits and cooking oils for the homes.

### Second Quarter

In the month of May, Central Square had collaborated with the Department of Occupational Safety and Health Malaysia (DOSH), the Malaysian Lift and Escalator Association (MALEA), Jabatan Pendidikan Malaysia (JPM) and Jabatan Pendidikan Daerah for a mall safety campaign. A total of 140 students and teachers from 14 primary schools surrounding Sungai Petani participated in this campaign. The campaign which included demonstrations, was organised to promote awareness on the safety issues that could occur in shopping centres which includes the use of lifts and escalators and the appropriate responses in emergency situations. In the same month, Central Square also became a sponsor venue for a blood donation campaign organised by Respack Group of Companies in cooperation with Hospital Sultan Abdul Halim Sungai Petani. Kulim Central held a similar safety awareness campaign in collaboration with DOSH Malaysia and JPM in the same month. A total of five schools participated in this awareness campaign which turned out to be a huge success.

The theme for the Hari Raya festive season was 'Kisah Kasih Di Hari Raya' which was inspired by the customs and practices that often brings out a sense of belonging and togetherness on the 1<sup>st</sup> Day of Syawal. Subang Parade's management hosted a fun-filled 'Iftar' or 'Buka Puasa' session for 18 young children



YB Michelle Ng Mei Sze presented the prizes to the winners of the competition at Subang Parade.

## CORPORATE SOCIAL RESPONSIBILITY

from Pusat Jagaan Cahaya Kasih Bestari, Kampung Melayu Subang. A total of 23 volunteers helped in making the event a success much to the children's delight. Among the activities planned for the children, was the 'ketupat' weaving session, a scrumptious dinner at New York Steak Shack and some games. The team went shopping to fulfil the home's basic needs and wish list for Hari Raya preparation. We were very happy to see that the children and the caretakers had such a good time at Subang Parade with the management team and the volunteers.

At Mahkota Parade, the management team approached 3 different orphanages from Lembaga Pengurusan Kebajikan Anak Yatim & Miskin (PAYASUM), based in Sungai Udang, Rumah Anak Yatim Sultan Salahuddin Abdul Aziz Shah Al-Haj in Pantai Puteri, Melaka and Pertubuhan Kebajikan Anak-Anak Yatim Islam Daerah Jasin based in Bandar Baru Jasin for an 'iftar' or breaking fast session with the children and their care takers at our very own Seleria Food Court. These 3 establishments houses young children from 3 to 17 years of age. At the end of the day, the establishments were handed daily groceries and other basic necessities which included cooking oil, condensed milk, bath soaps, detergents, toothpaste and shampoos which amounted to approximately RM3,000.

During Ramadhan and throughout the Hari Raya campaign from 18 May to 10 June 2018, Wetex Parade organised a donation campaign for the ninth year. The campaign was meant to encourage the public to lend a helping hand to the needy which included gently used clothing, toothbrushes, toothpaste, shoes, foods, biscuits and other necessities. A shelter box had been placed in the atrium during the Hari Raya campaign for the public to place their contributions for the orphanage. The management invited 49 young orphans for 'Berbuka Puasa' at Kenny Rogers Roasters, Wetex Parade and presented the contributions to representatives from Pertubuhan Kebajikan Anak-Anak Yatim Islam Muar.

Up north, Central Square collaborated with the Sungai Petani Municipal Council (MPSPK), Syarikat Air Darul Aman (SADA), Pejabat Agama Sungai Petani and Mufti Kedah Office to invite orphans from Kampung Keda Che Bema to join the lunch while the committee members of Masjid Kampung Raja supported our efforts in giving away 'Bubur Lambuk', a popular local porridge dish every weekend throughout the Hari Raya Campaign period. A total of RM5,000 was donated to these two organisations. At the same time, the Management gave away "Duit Raya" to each orphan and broke fast as well as had the "tarawih" prayers together with them. This program also received generous support from several business partners and in-house tenants that included Inbox Events Management, Wedding Planner (Eszz Ibrahim), Masjid Penghulu Him Sungai Petani Committee, Naelofar Hijab, Times Prosper, Aztie Boutique and Habib Jewels with a total sponsorship value of more than RM12,800. The event was also featured in local newspapers.

Kulim Central held an open house in conjunction with Hari Raya Aidilfitri to celebrate with the underprivileged children from Visually Impaired One Stop Centre (VIOSC) which is also known as Rumah Bakti and Rumah Amal. A total of 70 children and care takers attended the event, which was witnessed by YB Datuk Seri Saifuddin Nasution Bin Ismail (Minister of Domestic Trade and Consumer Affairs, Member of Parliament for Bandar Kulim) and YB Tuan Karupaiya A/L Muthusamy (Member of Parliament for Bandar Kulim). The event was also supported by Hassani Group and Self-Empowerment & Educational Development Society (SEEDS). During the fasting month, Kulim Central had also given away 300 bowls of 'Bubur Lambuk' to shoppers every Friday during Ramadhan, much to shoppers delight. The management had also partnered with Bukit Kulim Line Dance Association for Parent's day and held a special performance to entertain the visitors. A total of 60 participants joined in the fun at Kulim Central.



Wetex Parade hosted the contributions to representatives from Pertubuhan Kebajikan Anak-Anak Yatim Islam Muar.





Kulim Central Parents Day Line Dance

Segamat Central organised a half day visit to Pertubuhan Kebajikan Anak Yatim Islam Segamat which houses 62 orphans to present green packets and donation for the home. The team supplied essential items, including rice, oil, canned food and toiletries which were personally presented by Segamat Central's centre manager to the representatives at the orphanage. During the visit, the team took the opportunity to have an up-close understanding about the children's needs and were given a guided tour showing the children's living environment. The team managed to spend time with the children over games and refreshments. We hope the contribution helped to improve the welfare of the children and that our initiatives will continue to create awareness and encourage the community to participate fund raising in further efforts.

### Third Quarter

Subang Parade has always been active in education and school matters. In July, the team organised an Inter-school Choral Speaking Competition. At least 9 schools around Subang Jaya and Petaling Jaya participated. The competition was open to secondary schools around the district and was endorsed by the Selangor State Education Department. Among the schools that participated were SMK USJ 12, SMK Damansara Jaya, SMK Subang Utama and many others. Out of the lot, 6 schools were shortlisted for the finals and competed for the Grand Prize of RM6,000 cash and main trophy. Second and third place winners went home with trophies and cash prizes worth RM3,000 and RM1,000 respectively. The idea behind the competition was to encourage learning in a fun way and to promote oral proficiency in English. By organising such competition, we believe that it was a great platform for students to build confidence and show us their teamwork and creativity. During both days, friends, families, teachers and shoppers gave their loudest cheers and encouragement as the students stood on stage. The Subang Jaya state assemblywoman, YB Michelle Ng Mei Sze graced the event with her presence even on a Sunday and presented the prizes to the winners of the competition.

Staying true to our tagline 'Its Our Place!', the idea is to provide more than a shopping destination for the community. We believe in playing a bigger role in the community and are always supportive in organising events that promotes the growth of the community, especially with the younger generation. We hope that fun and engaging experiences will not only be memorable for visitors but will also give them a sense of belonging to our shopping centre.

Kulim Central carried out a number of CSR events in July and August 2018 by becoming venue sponsors and co-organisers to various events: the month started with the celebration of World Blood Donor Day, which was organised by Hospital Kulim, Kedah, followed by Performance day for 'Rope Jumping' day by the Air Merah Primary School, and the 5<sup>th</sup> Blood Donation drive campaign organised by St John Ambulance Malaysia and Pusat Darah Negara Malaysia.

In conjunction with Hari Merdeka, Central Square organised "Unsung Hero CSR Program", a collaboration with Angkatan Tentera Malaysia (ATM) and ATM Veterans Association of Kedah, Perlis and Penang to identify 6 Unsung Heroes to receive a donation of RM500 each from the Management. This CSR program was held with the objective to give tribute to our "Real Hero" who has sacrificed for the peace and harmony of our beloved country. To celebrate Hari Merdeka and Hari Malaysia, Kulim Central management team went a bit creative and joined hands with Junior Chamber International (JCI) and Persatuan Buddhist Belia and held "Festival Seni" or Art Festival in Kulim Central. The collaboration brought more than 100 participants together and even included primary and secondary school students.

In the month of September, to celebrate Mid-Autumn Festival, Central Square worked together with the Art Association of Kedah Centre to organise an array of activities and programs to create awareness and educate the public on the arts festival. Shoppers and community members were invited to participate

## CORPORATE SOCIAL RESPONSIBILITY

in Lantern Making competition and Quizzes, Traditional Chinese Paper Cutting and Lantern Making Workshop and were treated to Traditional Chinese Music Performances.

Kulim Central celebrated Mid-Autumn Festival with QQ Kindergarten & Nursery Kulim, a local successful child education centre. A total of 130 children and parents joined the celebration and participated in lantern making, lantern parade and singing performance. Earlier this year, Segamat Central became the proud sponsor of Tadika Seri Kaya Graduation. A total of 16 six year olds graduated and finished kindergarten. We were happy to play a part in this ceremony and to see the adorable young children and excited families enjoy themselves.

Kulim Central also held a batik workshop called "Warna batik" by Perbandaran Kemajuan Kraftangan Malaysia Cawangan Kedah. The workshop was aimed at introducing the art of batik painting to the public and promoting the uniqueness of 'batik'. The workshop included demonstration of batik painting. The invited children from Eduwis Thematic Learning Centre were given the opportunity to try their hand at the pre-set batik drawings and take home the paintings. The children certainly enjoyed themselves during the workshop.



Kulim Central Batik Workshop

### Fourth Quarter

For the Festival of Light, Central Square worked with the Jabatan Pendidikan Daerah to identify five Tamil schools in the vicinity that needed financial aid. A total of RM5,000 was donated to these schools. The school children, with the support from the Persatuan Ibu Bapa dan Guru (PIBG) of the respective schools provided Central Square with fantastic performances for their visitors throughout the Deepavali Campaign period. In Kulim Central, the management invited 50 children and their caretakers from Batu Grace and Sunshine Homes to have a day out at Kulim Central. YB Tuan Karupaiya A/L Muthusamy, Member of Parliament for Bandar Kulim, even graced us with his presence during the event. The children had a go at bowling at Ole Ole Bowling, participated in the "Paint the Bowling Pin"

workshop and went home with goodie bags afterwards. One of the most memorable outreach programmes held at one of our centres this year was the outreach campaign which was held in conjunction with Psychology Day. The event was titled 'Stay Away and Safeguard HIV/AIDS and was a program by Tuanku Sultanah Bahiyah Polytechnic students, Kulim. The campaign was aimed at raising awareness of the psychological aspects of living with HIV/AIDS disease and to end the common stigma by the public. Part of the activities included complimentary health check, blood donation drive, and a health exhibition.

November was a busy month for Central Square, as the centre held the first ever visual art exhibition and competition which was organised by the Malaysian Junior Art Education Association and co-organised by Ministry of Education of Malaysia and Jabatan Kesenian Malaysia.

Segamat Central went the extra mile for Christmas by keeping the gift-giving tradition alive and involving shoppers to join us for our charity program. Shoppers were encouraged to donate presents for the children from Grace Manna House in Labis, Teenage Girl's home in Kg Tengah and Junior Boy's Home in Bukit Siput. A total of 92 beautifully wrapped presents were donated for the cause. The presents were placed under the Christmas tree in the shopping centre and were distributed to a total of 35 children from the homes together with Santa Claus.

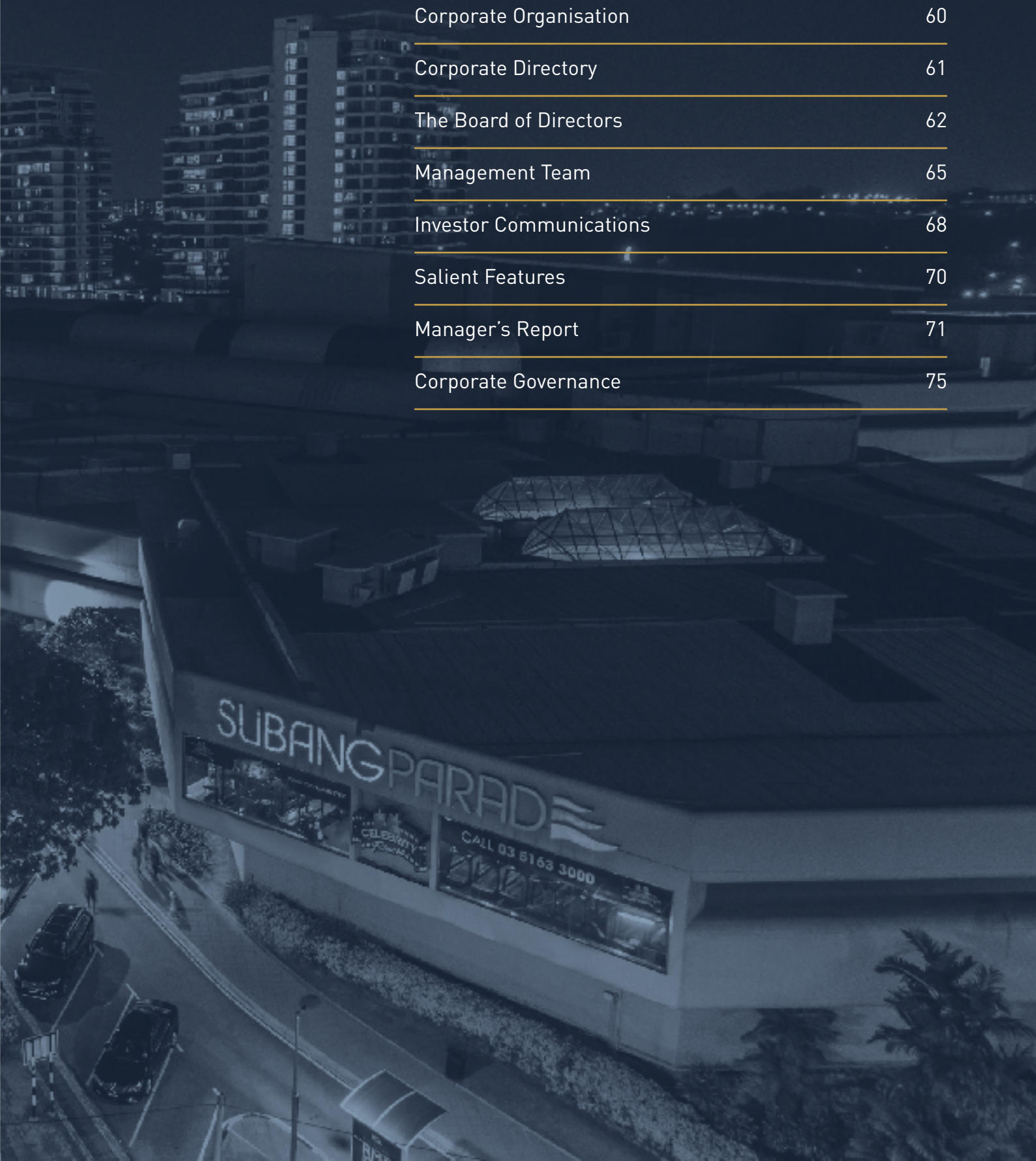
As the year comes to an end, our malls are often crowded with visitors and tourists especially with year-end school holidays and Christmas season which is the perfect time to encourage our shoppers to perform their last bit of charity to end the year in high spirits. This year, we joined a group partnership with Boost, an application based mobile wallet and Make-A-Wish Malaysia Foundation, which was founded with the aim to grant the wishes of children with life-threatening medical conditions. Shoppers were welcomed to pledge any amount of their choice to the chosen foundations just by scanning the Boost QR code at the Guest Services Desk or the payment counter of merchants in our centres using the Boost application. This is a great way to help bring cheer to the children this Christmas season, giving them a sense of joy and hope. Together, with everyone's pledges, we hope to fulfil as many life-changing wishes for these children.

We are very grateful that we were given the opportunity to be a part of something meaningful, to change people's lives, to simply put a smile on their faces, to simply be there to lend a helping hand. We are very proud of the effort that has been put in by our teams. These experiences have humbled us. We sincerely hope that we have made a difference by leaving a positive impact in the communities we operate in and encourage others to do the same.



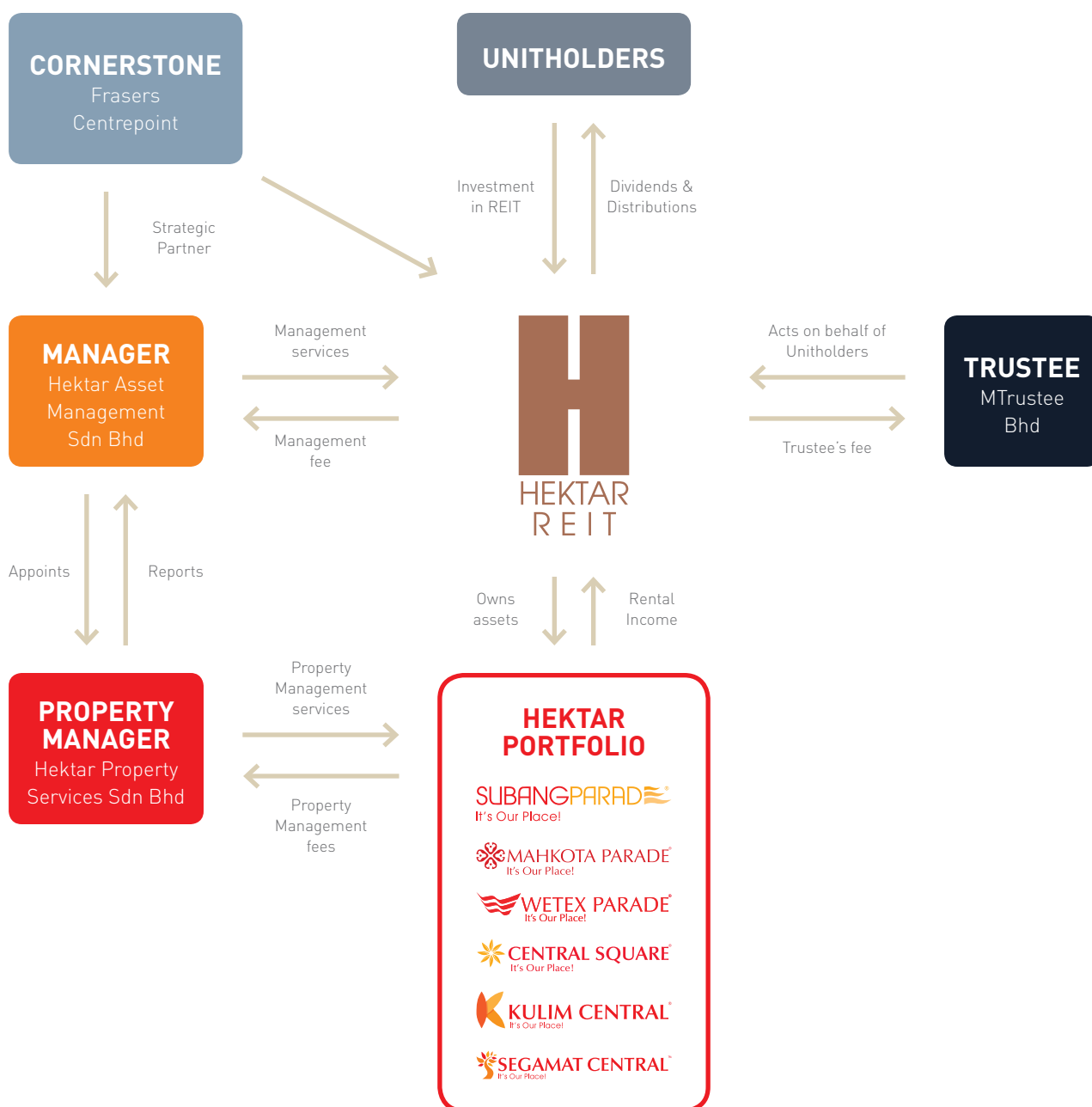
# Corporate Governance

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## CORPORATE ORGANISATION

Hektar REIT is a Real Estate Investment Trust managed by Hektar Asset Management. The Trust owns the shopping centres, which is managed by Hektar Property Services. MTrustee is the legal custodian of the Trust and acts on behalf of the Unitholders. Frasers Centrepoint is the cornerstone investor of Hektar REIT and is also a shareholder of Hektar Asset Management.



# CORPORATE DIRECTORY

## Manager

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

### Manager's Principal Place of Business

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

### Manager's Registered Office

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

## Board of Directors of the Manager

Michael Lim Hee Kiang  
Independent Non-Executive Chairman  
(Resigned w.e.f. 13 April 2018)

Dato' Hisham bin Othman  
Executive Director and Chief Executive Officer

Zarina Halim  
Executive Director and Chief Corporate Officer

Dr Chew Tuan Chiong  
Non-Executive Director

Tay Hwee Pio  
Non-Executive Director

Mahusni bin Hasnan  
Independent Non-Executive Director

Philip Eng Heng Nee  
Independent Non-Executive Director

Rahanawati binti Ali Dawam  
Independent Non-Executive Director

Alex Chia Soon Ren  
Alternate Director to Dr Chew Tuan Chiong

## Executive Committee

Dato' Hisham bin Othman  
Chairman

Zarina Halim

Dr Chew Tuan Chiong

## Audit Committee

Mahusni bin Hasnan  
Chairman

Philip Eng Heng Nee

Rahanawati Ali Dawam

## Nomination Committee

Mahusni bin Hasnan  
Chairman

Philip Eng Heng Nee

Rahanawati Ali Dawam

## Joint Company Secretaries of the Manager

Dato' Muhammad Hafidz  
bin Nuruddin (MAICSA 7005820)

Lim Seck Wah (MAICSA 0799845)

## Trustee

MTrustee Berhad  
(Company No. 163032-V)  
Level 15, Menara AmFIRST  
No. 1, Jalan 19/3  
46300 Petaling Jaya, Selangor

## Property Manager

Hektar Property Services Sdn Bhd  
(Company No. 868376-K)  
Lot A, Basement, Subang Parade  
No. 5, Jalan SS 16/1  
47500 Subang Jaya, Selangor

## Principal Banker of the Fund

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

## Auditor (External)

BDO PLT  
Level 8 BDO @ Menara Centara  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur

## Auditor (Internal)

KPMG Business Advisory Sdn Bhd  
(Company No. 150059-H)  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor

## Tax Agent

BDO Tax Services Sdn Bhd  
Level 8 BDO @ Menara Centara  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur

## Registrar

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

## Stock Exchange Listing

Bursa Malaysia Securities Berhad  
(Company No. 635998-W)  
Board: Main Market  
Sector: Real Estate Investment Trusts  
Short Name: HEKTAR  
Stock Code: 5121

# THE BOARD OF DIRECTORS



Dato' Hisham bin Othman



Zarina Halim



Dr Chew Tuan Chiong



Tay Hwee Pio



Mahusni bin Hasnan



Philip Eng Heng Nee



Rahanawati binti Ali Dawam



Alex Chia Soon Ren

## Dato' Hisham bin Othman

Executive Director & Chief Executive Officer,  
Malaysian, Age 56

Dato' Hisham Othman is currently the Executive Director and Chief Executive Officer of Hektar Asset Management Sdn. Bhd. He was appointed as Executive Director and Chief Executive Officer on 1 May 2016.

Dato' Hisham has over 30 years of working experience in various industries. He has held many senior positions in the Renong / UEM Group and in the DRB-Hicom Group. He has led many companies in various industries in his capacity as Chief Executive Officer and/or Chief Operating Officer including automotive and real estate. In the real estate sector, he has been involved in the areas of property development, asset management and construction.

Dato' Hisham holds a Bachelor of Civil Engineering degree from University of Western Australia and a Master in Business Administration (MBA) from University Putra Malaysia. He also holds a Senior Management Certificate from INSEAD of France.

He is a Qualified Risk Director and a member of the Institute of Enterprise Risk Practitioners ("IERP") based in the UK. He possesses a Capital Markets Services Representatives' License ("CMSRL") for REITs as a Licensed Director for the asset management company of Hektar REIT to carry on regulated activities specified under the Capital Markets and Services Act ("CMSA").

Dato' Hisham is also a member of Malaysian Institute of Corporate Governance ("MICG") and Institute of Corporate Directors Malaysia ("ICDM"). He is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

Dato' Hisham is the Vice Chairman of the Malaysian REIT Managers Association ("MRMA"), an organisation aimed at representing the collective interests of the Malaysian real estate investment trusts sector and acts as a platform for



the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

He has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Zarina Halim

Executive Director & Chief Corporate Officer,  
Malaysian, Age 47

Zarina has more than 16 years of experience with the Hektar group, having been part of the founding team in 2002 and part of the management team responsible for the listing of Hektar REIT on Bursa Malaysia in December 2006. As Chief Corporate Officer, she is responsible for the overall corporate and commercial affairs of the company leading the Legal, Secretarial and Human Resource portfolio and supporting the Finance function. She is the designated Compliance Officer under the Capital Market Services Licence (CMSL).

Prior to Hektar, She was formerly with the United Engineers Malaysia Berhad Group of Companies ("UEM") for 9 years where she was initially involved in project management at Faber Hotels Holdings which culminated in the conversion of a series of Faber owned properties under the "Merlin" brand name to "Sheraton". She then became Head of Corporate Affairs and Business Development in ProLink Development Sdn Bhd, the UEM subsidiary responsible for the development of Nusajaya. She was involved in the implementation of corporate land sales to the value of over RM1 billion and the successful restructuring of ProLink's debt obligations under Danaharta. She then moved on to head the Business Development unit at OptixLab Sdn Bhd and was mainly responsible for strategic marketing and ICT-related investments.

Zarina graduated from the University of Manchester, United Kingdom with

a Bachelor's degree in Accounting and Finance (Honours) and also holds a Bachelor of Laws (Honours) degree from the University of London. She is a member of the Institute of Corporate Directors Malaysia, Malaysian Institute of Corporate Governance and Malaysian Corporate Counsel Association. She is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

She has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Dr Chew Tuan Chiong

Non-Executive Director,  
Singaporean, Age 61

Dr Chew is Chief Executive Officer of Frasers Centrepoint Asset Management Ltd, 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). He is also a Justice of Peace.

He has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Tay Hwee Pio

Non-Executive Director,  
Singaporean, Age 50

Hwee Pio is Chief Financial Officer of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust ("FCT"). She is responsible for the financial, taxation, treasury and compliance functions of FCT. She has over 20 years of financial experience in the real estate industry.

Prior to joining FCT, Hwee Pio was based in Shanghai for 10 years, of which she was the financial controller for Frasers Property Limited's ("FPL") business operations in China since year 2006. Before joining FPL, Hwee Pio held financial positions at Keppel Land Limited and Guocoland Limited. She started her career as an external auditor with KPMG.

Hwee Pio is a Singapore Chartered Accountant (CA) with the Institute of Singapore Chartered Accountants and she is a Fellow with the Association of Chartered Certified Accountants.

She has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Mahusni bin Hasnan

Independent Non-Executive Director,  
Malaysian, Age 54

Mahusni holds a degree in Accounting & Finance and an MBA in Finance from University of Hull, England. He has more than 30 years of working experience in wide ranging fields notably in corporate finance including M&As and IPOs; investment analysis including cross border issues; corporate taxation and planning, business operations and management in several industries.

He was the CEO of Seaport Worldwide Sdn Bhd and CEO of JP Logistics Sdn Bhd – two wholly owned subsidiaries of Johor Port Berhad which in-turn is a wholly owned subsidiary of MMC Bhd.

# THE BOARD OF DIRECTORS

Formerly, he was First Vice President of Affin Merchant Bank Berhad. In 2005, he was appointed by the High Court as the co-Chairman for a Court Convened Meeting pursuant to a restructuring exercise of a PN17 Main Board company.

He has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Philip Eng Heng Nee

Independent Non-Executive Director,  
Singaporean, Age 72

Philip was appointed to the Board of Frasers Centrepoint Asset Management Ltd in 2009. He was appointed on the Board of Frasers Property Limited in October 2013. In addition, he also holds other directorships in several local and regional companies. Philip is also Singapore Non-Resident High Commissioner to Canada. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

Philip graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is a member of the Institute of Chartered Accountants in Singapore.

He has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Rahanawati binti Ali Dawam

Independent Non-Executive Director,  
Malaysian, Age 66

Rahanawati is a senior partner of legal firm Abu Talib Shahrom. She heads the Corporate Practice Group of the firm. She advises clients on mergers and acquisitions, corporate restructuring, cross border transactions, private equity deals, corporate finance related works as well as debt capital market. The clients are mainly public listed companies (PLCs) and government linked companies (GLCs). She also heads the Corporate Secretarial Division and has acted as company secretary of several PLCs and GLCs. She advises their board of directors, on inter alia, the corporate governance practices and compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and other relevant statutory requirements.

She presently sits on the board of Rhone Ma Holdings Berhad, a company listed on the Main Market of Bursa Securities Malaysia Berhad, as an independent non-executive director. She is also a member of the Audit and Risk Management Committee and Chairman of the Nominating Committee of the company.

Prior to joining practice, she served a public listed company (a conglomerate that owned inter alia, a property development and public transportation companies) as Group Legal Advisor and a member of the senior management team.

She holds a Bachelor of Laws (Hons) from University of Buckingham, United Kingdom, Certificate of Legal Practice and Master of Laws from University of Malaya.

She has not been convicted for any offences within the past 10 years (traffic offences not relevant).

## Alex Chia Soon Ren

Alternate Director to Dr Chew Tuan Chiong,  
Singaporean, Age 51

Alex is currently Vice President, Asset Management of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust ("FCT"). He is responsible for formulating business and asset enhancement plans in relation to FCT's portfolio.

Before heading the asset management team, Alex was the Head of Investment for six years, responsible for the expansion of FCT's asset portfolio. Alex has over 9 years of business development experience in serviced residence industry covering the Pan Asia market and 5 years of experience in the areas of retail operations and project planning. Alex holds a Bachelor's Degree in Business Administration from National University of Singapore and an MBA from University of Hull, United Kingdom.

He has not been convicted for any offences within the past 10 years (traffic offences not relevant).

# MANAGEMENT TEAM

## REIT Manager Team

### Dato' Hisham bin Othman

Executive Director and Chief Executive Officer

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

### Zarina Halim

Executive Director and Chief Corporate Officer

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

### Khairul Azizan bin Ahmad

General Manager, Finance

Khairul is responsible for the finances of Hektar REIT and provides support in areas of accounting, taxation, corporate finance and treasury. Prior to joining Hektar, he served MISC Berhad in various capacities from 2008. His last position was as Senior Manager, Finance Services where he took on the role of financial controller of its chemical tankers and tank terminals businesses leading the finance, planning, projects and joint venture (JV) management functions and activities supporting and advising these businesses. He was also part of the finance committee of its tank terminal JV that successfully constructed and commissioned an oil storage terminal in Johor which received its first cargo in 2012, refinanced its € 500 million loan in 2013 and listed an international terminal company on the New York Stock Exchange as a master limited partnership in 2014. Subsequent to that, Khairul was with the Renong (now UEM) Group from 1996 primarily in the areas of finance and corporate services at its head office as well as at its group companies in varying industries. He was the Financial Controller of Dagang Net Technologies Sdn Bhd, an e-commerce service provider, until 2008.

Khairul holds a Bachelor of Arts with Honours degree in Accounting and Financial Management from the University of Essex, United Kingdom. He is a Chartered Accountant with the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA). He is also a Capital Market Service Representative License (CMSRL) holder under the Capital Markets & Services Act 2007.

### Sabrina Halim

General Manager, Business Development & Strategy

Sabrina is responsible for developing the business and profile of the REIT. She is tasked with developing new business opportunities, including the due diligence and analysis of potential investments for the REIT. Sabrina monitors market trends, conducts market research and carries out portfolio analysis in support of the strategy department. Her scope of work also includes the conduct and direction of investor relations and public relations. Sabrina joined Hektar in 2010 and has spent 8 years in the group, having headed various departments in the property manager. She played a key role in leasing and marketing strategies previously. She also contributed to the concept and planning for several retail projects including revamping and expansion exercises.

Sabrina holds a Diploma in Fashion and Retail Design and graduated with a Bachelor's degree [BA, Hons] in Retail Management from LimKokWing University. She subsequently completed a Master of Science [MSc] in Management from University of Warwick, United Kingdom.

### Martin Chen

Deputy General Manager, Legal

Martin provides support in the areas of legal and secretarial compliance in relation to the portfolio of Hektar

REIT. He has more than 11 years of experience with the group. Prior to this, Martin was in legal practice as an Advocate and Solicitor with the law firms Jeyaratnam & Chong and subsequently Zul Rafique & Partners, one of the largest law firms in Malaysia. At Zul Rafique & Partners, he was with the Property Practice Group and has advised local, multinational and international corporations in land and property matters and joint land development agreements. In terms of banking matters, he has acted for both lenders as well as borrowers in respect of corporate and retail loans. Martin also has considerable knowledge and experience in strata management matters and has advised clients in the incorporation of joint management bodies and management corporations. He has previously served as a committee member in joint management bodies for commercial and residential strata buildings in Selangor, Kuala Lumpur and Melaka.

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 admitted as an Advocate and Solicitor of the High Court of Malaya in 2002. Martin is currently a member of the Malaysian Corporate Counsel Association. He is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

### Syairul Irwan bin Rased

Senior Manager, Strategy

Syairul is responsible for the strategic planning function for Hektar REIT and assists in conducting due diligence and analysing potential acquisitions, business development initiatives and market research. Prior to joining Hektar, Syairul spent two decades with PLUS where he undertook senior roles

# THE MANAGEMENT TEAM

in operations and maintenance as well as toll revenue management. Syairul played a key role in the formulation and implementation of strategies to enhance toll revenue and enhance operational efficiency. He was also instrumental in the formulation of PLUS Travel Time Advisory for major festive seasons. Syairul was also a member of the UEM Group Berhad consortium team which bid for the privatization of Turkish highways.

Syairul graduated from the University of Manchester, United Kingdom with a Bachelor of Arts (Honours) degree in Finance.

## Property Manager Team

### Khairul Ariffin bin Ibrahim

Chief Operating Officer

Khairul is currently the Chief Operating Officer of Hektar Property Services Sdn Bhd. He has 19 years of working experience in various aspects of change and quality management practices. He is passionate about continuous improvement and has had great success in deploying change and quality improvement programs at Airasia Bhd when he was the Regional Head of Performance Improvement. Prior to joining Hektar, he was with SapuraKencana Petroleum Bhd, holding several roles and positions in Quality and Risk Management with his last posting being the Senior Manager of the Transformation Program Office.

He graduated from Massey University, Palmerston North, New Zealand, with a Bachelor of Business Studies in Accounting.

### Jacky Tan

Chief Leasing Officer

Jacky is responsible for the Leasing activities for the Hektar portfolio of malls. He has been in the industry for the past 17 years and was involved in various retail projects from planning to leasing and tenant

management starting with The Curve @ Mutiara Damansara in 2002 and Heritage Village @ The Mines. In 2005, he spearheaded group leasing for Hektar Group (Mahkota Parade, Subang Parade and Wetex Parade) from 2009 to 2012. He also revamped and repositioned Avenue K in 2012, planned and leased One City @ USJ 25 in 2015 and KSL City Mall in Klang in 2016.

He holds a Bachelor Degree in Business Administration (Major in Marketing) from the University of Coventry, United Kingdom.

### Amos Chew

General Manager, Subang Parade

Amos is the General Manager of Subang Parade since 2017. Prior to joining Hektar, he has had extensive experience in the shopping mall business having worked with teams that successfully opened and operated various shopping malls including Cheras Sentral Mall, Freeport A'Famosa Outlet and Amerin Mall, among others. His expertise includes mall management, leasing, marketing, tenant mix strategy, devising operational procedures, facility management, cost optimization and energy management. He started his career at Mitsui & Co., Ltd., where he spent two decades in the sourcing, manufacturing and retailing of garments for luxury brands like Burberry, Krizia and Max Mara. Amos holds a Certificate in Fashion & Garment Manufacture from Hong Kong Polytechnic University and Advanced Diploma in Sales & Marketing from Universiti Malaya. He is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

Amos also holds a Certified Mall Marketing & Leasing Manager certification from PPK Malaysia.

### Mohd Zahiruddin Ahmad

Centre Manager, Mahkota Parade

Zahiruddin is the Centre Manager of Mahkota Parade Shopping Centre. He initially started in 2015 in leasing and marketing. Over the last 4 years, he was responsible in managing the overall function of the shopping centre. Prior to Hektar, Zahiruddin was with the Pavilion group for about 7 years, working in a variety of positions in marketing throughout the organisation. He was the Assistant Marketing Manager at Pavilion KL and was part of the founding team involved in setting up the marketing direction.

Zahiruddin holds a degree in Advertising & Media Management from LimKokWing University of Creative Technology Kuala Lumpur & RMIT Melbourne. He is currently a member of the EXCO of the Melaka Tourism Association.

### Genevieve Gan

Centre Manager, Wetex Parade

Genevieve is the Centre Manager for Wetex Parade since 2015 and before that she was the Finance & Administration Manager from 2008 to 2014. She has more than 10 years of experience in the retail industry and is familiar with the market of northern Johor and Melaka. Prior to joining Hektar, she was an accountant for Takaso Rubber Products Sdn Bhd, a company manufacturing rubber products and responsible for the company's finance operation. She started her career in tax and audit in the accounting practice of KPMG Tax Services Pte Ltd and Stephen McLaren Consultants Pte Ltd in Singapore from 2001 to 2003, and thereafter worked in the audit division of Intel Technology Asia Pte Ltd in 2004.

She graduated from Curtin University of Technology, Western Australia with a Bachelor of Commerce majoring in Accounting. She is a member of CPA Australia and completed her CPA Program in 2003.



## Loong Jee Yung

Centre Manager, Northern Region

Loong is currently in charge of two Hektar Malls in Northern region - Central Square in Sungai Petani and Kulim Central in Kulim. For the past 13 years, he has been involved in property management, in different areas ranging from commercial, residential, hotel and resorts, as well as the retail industry. His knowledge, experience and expertise in building management have been an added value to the team. Prior to Hektar, Loong worked with Sunway Malls at Sunway Carnival, Penang and previously worked with Ireka Corporation and IGB Corporation. He is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia. Loong is also a member of the Malaysia Shopping Mall Association (PPK).

He graduated with a Bachelors Degree in Business Information Technology from the University of Coventry, United Kingdom. He also holds an Advance Diploma in Estate Management from University of Greenwich, United Kingdom.

## Mira Rahman

Head, Group Marketing

Mira is currently the Senior Manager, and head of Group Marketing of Hektar Property Services. She has more than 10 years' experience in marketing and advertising. Mira is focused on building the brand and developing marketing relationships for the company. Before Hektar, she handled marketing for Suria KLCC. Prior to that, Mira worked with Mayland Properties working in marketing and casual leasing. Mira started her corporate career in an integrated agency, conducting public relations, advertising and events, on behalf of tourism, banking, property and consumer brands in Malaysia.

Mira studied in Multimedia University Malaysia in Information Technology and Business Information Studies before pursuing her passion in marketing.

## Abdul Aziz Shaazi

Head, Group Human Resource

Abdul Aziz Shaazi is currently the Head for Group Human Resource. He has almost 28 years of experience focused on human resource in the capacity of operational, strategic and consultancy roles. He previously worked with several GLC related companies within the PNB, Khazanah and MOF group holding senior roles. Amongst those companies were Malaysian Airlines, CCM, DRB-Hicom, IHH Berhad and Malaysian Biotech to name a few.

He holds a Bachelor Degree in Business Administration majoring in Human Resource Management and a Diploma in Public Administration, both from UiTM.

## Lim Ye Jhen

Advisor, Asset Management

Ye Jhen contributes towards the strategic planning, investments, financial & asset management, market research and investor communications portfolios for Hektar REIT. He was part of the founding team of Hektar Asset Management and participated in the planning and execution of Hektar REIT's IPO. He served with the group from 2006 to 2011, re-joining in 2018. In the interim, he consulted independently in asset management, advising clients on investing and managing commercial property portfolios. He has spoken and presented at international investment and real estate conferences and seminars throughout Asia.

Ye Jhen previously worked with valuer & real estate consultancy Henry Butcher Malaysia, private equity firm Global Asset Capital (San Francisco) and the Management Consulting Services division of PwC (since acquired by IBM). Over two decades, he has accumulated experiences in investment & fund management, asset & property management and corporate advisory work with start-ups, government entities, private & public-listed, companies, across Malaysia and the United States.

Ye Jhen holds a Bachelor of Science (B.Sc.) in Finance from Stern School of Business, New York University, U.S.A. and a Bachelor of Laws (LL.B.) from University of London, U.K.

# 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. Our management primarily focuses on regulatory disclosure, engagement with research houses and analysts in providing information to individual and institutional investors. We also maintain the REIT's website, media relations coverage and do engage with public and investor relations agencies from time to time.

The management maintains communication with the analysts and institutional investors throughout the year to present Hektar's financial and operational results and to discuss the current strategy and business model of Hektar REIT. Hektar conducts one-to-one and group meetings, conference calls and continues to provide site visits to the portfolio. Since the IPO listing, Hektar has delivered presentations and papers in remisier briefings, equity roadshows, industry conferences, seminars and investor & media outreach programmes throughout Malaysia and Singapore.

In 2018, Hektar participated in non-deal roadshows to promote awareness on Hektar REIT and its business model and to share our current strategy and future plans. Management aims to engage with potential investors for informational purposes and to also receive constructive feedback to gauge and monitor the overall perception of the REIT.

The management encourages the investment community to explore its comprehensive website for specific information on the REIT. 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). The Manager intends to provide fair and pertinent information to its investors through a clear and consistent level of disclosure.

Hektar Asset Management continues to improve the quality of investment disclosure for Hektar REIT. Past reports from analyst coverage may be accessed on Bursa Malaysia's website under the Research Report (CBRS) section. The Manager is considering a number of ways to strengthen its engagement with its investors, analysts, and investment community in the course of 2019 through targeted roadshows and outreach programmes.

Unitholders are encouraged to attend and vote at the Company's Annual General Meeting ("AGM") with the opportunity to discuss governance and strategy. This also provides the opportunity for the Board to understand unitholders issues and respond to unitholder questions during the AGM.

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

## The Manager

Investor Relations & Corporate Communications  
Hektar Asset Management Sdn Bhd  
D1-U3-10, Block D1, Solaris Dutamas  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur, MALAYSIA  
Tel: +6 03 6205 5570  
Fax: +6 03 6205 5571  
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

	2019*	2018
Full Year Results Announcement	28 February 2019	12 February 2018
Annual Report	28 February 2019	27 February 2018
Final Distribution	April 2019	16 March 2018
Annual General Meeting	16 April 2019	19 April 2018
First Quarter Results Announcement	May 2019	21 May 2018
First Quarter Distribution	July 2019	22 June 2018
Second Quarter Results Announcement	August 2019	16 August 2018
Second Quarter Distribution	October 2019	24 September 2018
Third Quarter Results Announcement	November 2019	27 November 2018
Third Quarter Distribution	January 2020	3 January 2019
Fourth Quarter Results Announcement	February 2020	28 February 2019
Fourth Quarter Distribution	April 2020	April 2019

\*Dates are tentative and subject to change



### **On Winning Gold Award in ‘Retail REIT’ category at the Asia Pacific Best of the Breeds REITS Awards 2018**

We are pleased to announce that Hektar REIT has recently been honoured with a Gold Award in ‘Retail REIT’ category at the Asia Pacific Best of The Breeds REITs Awards in August 2018.

Hektar REIT was one of the 22 top Asian REIT players awarded top honours at the event, triumphing over various other REITs in the region under the same category. The scoring methodology is based on several attributes with assigned weightages to credit ratings, gearing, market cap, yield, weighted asset lease expiry or WALE, quality of manager, Year to Date returns and distribution per unit or DPU and the sustainability of the REIT.

The award presentation ceremony took place at Sheraton Towers Hotel, Singapore, where Guest of Honour, Professor Tien Foo Sing, Dean’s Chair Associate Professor and Director of the Institute of Real Estate Studies (IRES), presented the award to Dato’ Hisham bin Othman, Chief Executive Officer of Hektar Asset Management Sdn Bhd. The prestigious recognition event was held in conjunction with the 5<sup>th</sup> Asia Pacific Conference 2018 and was attended by over 150 delegates from the region.

The award serves as a motivation for our team to strive and achieve a stronger performance next year. The team shall continue to work hard to achieve the goals set out to form a solid and defensible portfolio to create stable and sustainable value to its stakeholders.

## SALIENT FEATURES

<b>Fund name</b>	Hektar Real Estate Investment Trust (HEKTAR)
<b>Fund Category</b>	Real Estate Investment Trust
<b>Fund type</b>	Income and Growth
<b>Fund Duration</b>	On the occurrence of any of events listed in Clause 16.2 of the Trust Deed dated 5 October 2006
<b>Investment objectives</b>	To invest in income-producing real estate in Malaysia which is primarily used for retail purposes and to provide the Unitholders with a secure income distribution and to enhance the long-term value of the Fund
<b>Investment strategies</b>	<p>We aim to achieve the objective of the Fund with the following:</p> <ul style="list-style-type: none"> <li>• Invest and manage real estate assets predominantly involved in retail and/or shopping centres;</li> <li>• Acquire and manage future assets which are income-producing properties or possess significant potential for income growth;</li> <li>• Focus on investing under a long-term investment horizon;</li> <li>• Manage and continue to extract synergies and efficiencies from the existing portfolio; and</li> <li>• Finance operations and investments under a conservative conducive capital structure</li> </ul>
<b>Authorised investments</b>	<ul style="list-style-type: none"> <li>• At least 75% of the total assets of Hektar REIT shall be invested in real estate assets, real estate-related assets, single purpose companies or liquid asset</li> </ul>
<b>Approved fund size</b>	461,960,178 Units
<b>Financial period</b>	Financial year ended / ending 31 December
<b>Distribution policy</b>	Quarterly or at such other intervals as determined by us at our discretion in arrears, at least 90% of the distributable income of Hektar REIT
<b>Borrowing limitations</b>	Up to 50.0% of total asset value of the Fund at the time the borrowings is incurred
<b>Revaluation policy</b>	The real estates shall be revalued at least once a financial year based on an independent professional valuation pursuant to the SC REITs Guidelines
<b>Management fee</b>	<ul style="list-style-type: none"> <li>• Base Fee: up to 1.0% per annum of the GAV (FY 2018 actual: 0.35%)</li> <li>• Performance Fee: up to 5.0% per annum of the NPI (FY 2018 actual: 5.0%), before management fee</li> <li>• Acquisition Fee: up to 1.0% of the acquisition value of any asset being real estate, purchased by the Trustee for the Fund.</li> <li>• Divestment Fee: up to 0.5% of the disposal value of any Hektar REIT's assets being real estate or unlisted company whose principal assets are real estate, sold or diversified by the Trustee</li> </ul>
<b>Trustee Fee</b>	Up to 0.1% per annum of the NAV of the Fund payable annually in arrears (FY 2018 actual: 0.08%)
<b>Financial period</b>	Financial year ended / ending 31 December
<b>Minimum investment</b>	100 units per board lot
<b>Stock Code</b>	HEKTAR 5121
<b>Date of Listing</b>	4 December 2006



# 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 2018.

## 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 retail assets 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 2018 RM	As at 31 December 2017 RM
Total Net Asset Value		635,315,547	648,868,928
Units in Circulation	(Units)	461,960,178	461,960,178
Net Asset Value per unit		1.38	1.40
Market Value per Unit		1.11	1.30
Highest Traded Price		1.27	1.67
Lowest Traded Price		1.09	1.14

## OPERATING RESULTS

		FYE 31 December 2018 RM	FYE 31 December 2017 RM
Total Gross Income		136,634,196	126,546,250
Total Property Expenses		(56,390,477)	(51,805,268)
Fair Value Adjustment on Investment Properties		(9,405,600)	(7,986,471)
Total Non-Property Expenses		70,838,119 (37,709,543)	66,754,511 (34,058,876)
Net Income before taxation		33,128,576	32,695,635
Net Income before taxation – realised		42,268,649	40,133,620
Net Income before taxation – unrealised		(9,140,073)	(7,437,985)
Net Income after taxation		33,128,576	32,695,635
Earnings per Unit after Tax	(sen)	7.17	7.82
Realised Earnings per Unit after Tax	(sen)	9.15	9.60
Distribution per Unit ("DPU")	(sen)	9.01	9.60

The Manager is pleased to report that for the financial year ended 31 December 2018, the total revenue of Hektar REIT is RM136,634,196 comprising gross rental income of RM135,106,718, interest income of RM403,553, other income of RM858,398 and fair value change on derivatives of RM265,527.

## MANAGER'S REPORT

The realised net profit FYE 2018 of RM33,128,576 is higher than FYE 2017 by RM432,941. The increase is mostly due to higher rental income from tenancies, as an impact of the asset enhancement initiative and also the soft retail market.

The Manager has recommended and MTrustee Berhad ("Trustee") has approved a total income distribution of 9.01 sen per unit totalling RM41,622,614 for the year ended 31 December 2018.

The total income distribution of RM41,622,614 is RM1,137,979 higher than the previous period .

### INCOME DISTRIBUTION

The schedule of the income distributions is as follows:

Distribution payment	Period covered	Income Distribution (RM)	Remarks
First interim distribution	Jan 18 - Mar 18	10,625,084	Paid in Jun 2018
Second interim distribution and special distribution	Apr 18 - Jun 18	10,625,084	Paid in Sep 2018
Third interim distribution	Jul 18 - Sep 18	9,701,166	Paid in Jan 2019
Final distribution	Oct 18 - Dec 18	10,671,280	To be paid in April 2019
Total		41,622,614	

### DIRECTORS OF THE MANAGER

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

Dato' Hisham bin Othman  
Puan Zarina Halim  
Dr. Chew Tuan Chiong  
Ms. Tay Hwee Pio  
En. Mahusni bin Hasnan  
Mr. Philip Eng Heng Nee  
Mr. Alex Chia Soon Ren (alternate to Dr. Chew Tuan Chiong)  
Cik Rahanawati Binti Ali Dawam

### DIRECTORS BENEFITS

For the financial year ended 31 December 2018, 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 25 as explained under the Notes to the Financial Statements.

There were no arrangements during the financial year ended 2018, 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 2018, the Manager's fee comprised the following:

1. Base fee of RM 4,391,416 which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM 4,052,448 which is calculated at 5% of Net Property Income

The Manager's total management fee of RM8,443,864 represents 1.33% per annum of the Net Asset Value ("NAV") of Hektar REIT.

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

## CORPORATE DEVELOPMENTS

### Classic Hotel, Muar, Johor

Following the expiry of the lease for Classic Hotel in April 2018, the board decided that the management will take over the operations of the hotel. After extensive planning, the hotel was refurbished, refreshing the guest rooms while the airconditioning and mechanical ventilation system (ACMV) was upgraded. Reconfiguration of the space was also done to optimise the retail potential for the area adjacent to Wetex Parade. The refurbishment was completed at a cost of RM8.6 million.

Classic Hotel was relaunched in a soft-opening in December 2018. It remains the largest hotel in Muar with the largest ballroom facilities.

## GEARING

### DEBT FACILITIES

Hektar REIT's total borrowings of RM563,071,883 consist of short term, long term and secured loans.

### GEARING CAPACITY

As at 31 December 2018, Hektar REIT had a gearing ratio (external borrowings to total assets) of 44.4%. Based on the GAV of RM1,268,272,805 as at 31 December 2018, there is capacity to borrow an additional RM71,064,520 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 2018 is 461,960,178.

# MANAGER'S REPORT

## INVESTMENTS OF THE TRUST

Total Investments as at 31 December 2018 was RM 1,221,500,000.

Property	Audited Book Value as at 1 Jan 2018 RM ('000)	Acquisition/ Capital Expenditure in 2018 RM ('000)	Unaudited Book Value as at 31 Dec 2018 RM ('000)	Latest Market Valuation RM ('000)	Revaluation Surplus/ (Deficit) RM ('000)
Subang Parade	426,000	10,841	436,841	437,000	159
Mahkota Parade	321,000	189	321,189	328,000	6,811
Wetex Parade	135,500	4,888	140,388	138,500	(1,888)
Central Square	96,000	30	96,030	96,000	(30)
Kulim Central	110,000	20,053	130,053	115,000	(15,053)
Segamat Central	106,069	336	106,405	107,000	595
Total	1,194,569	36,337	1,230,906	1,221,500	(9,406)

## NET ASSET VALUE OF HEKTAR REIT

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2018 is RM1.38 per unit.

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

### DATO' HISHAM BIN OTHMAN

Executive Director  
& Chief Executive Officer

### ZARINA HALIM

Executive Director  
& Chief Corporate Officer

Kuala Lumpur  
28 February 2019



# CORPORATE GOVERNANCE

The management of Hektar Real Estate Investment Trust ("Hektar REIT"), together with the Trustee, continues to be committed in adopting the highest standards of corporate governance. Hektar REIT ensures that its day to day business affairs adopt ethical behaviours, accountability, transparency and sustainability in its core practices. By virtue of such commitment, Hektar REIT aims to acquire public trust and investor confidence, which are essential to support the long term growth and sustainability of the organisation.

## Hektar REIT

Hektar REIT is Malaysia's first retail focused REIT listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006. The REIT's cornerstone investor is Frasers Centrepoint Trust, part of Frasers Property, headquartered in Singapore.

## The Manager of Hektar REIT

Hektar REIT is managed by Hektar Asset Management Sdn Bhd ("the Manager / HAMS B"), and was formed with a vision to set strategic directions in managing the REIT's assets and liabilities for the benefit of the Unitholders and to make recommendations to the Trustee on the acquisition, investments and enhancement of assets under management

Hektar REIT's portfolio currently consists of quality shopping centres, namely Subang Parade in Subang Jaya, Mahkota Parade in Melaka, Wetex Parade in Muar, Central Square in Sungai Petani, Kulim Central in Kulim and Segamat Central in Segamat. Besides shopping centres, Hektar REIT also owns Classic Hotel in Muar, which is adjoined to Wetex Parade. Details of the Hektar REIT's assets can be found under "Portfolio Performance" of this annual report.

As required by the Capital Markets and Services Act 2007, the Manager holds a valid Capital Markets Services License ("CMSL") issued by the Securities Commission ("SC").

Other main functions of the Manager are (but not limited to) as follows:-

- Developing and implementing business and strategic planning for Hektar REIT;
- Monitoring and ensuring the compliance with all relevant authorities, legislations, rules and guidelines as well as the Hektar REIT's trust deeds;
- Supervising and overseeing the Property Manager on the management and operations of Hektar REIT's retail malls and hotel;
- Supervising regulatory filing, ensuring compliance with Capital Markets and Service Act 2007, SC REIT Guidelines, Bursa Malaysia Main Market Listing Requirements ("Listing Requirements"), Trust Deeds and all relevant authority guidelines.

## The Trustee

MTrustee Berhad was appointed as the Trustee for Hektar REIT via a Trust Deed executed by the Manager and the Trustee on 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively. The Deed details out the roles, duties, obligations and powers of the Manager and the Trustee. Essentially, the Trustee and the Manager play countervailing roles against each other to ensure that the REIT's assets and liabilities are managed with efficiency and integrity for the benefit of the Unitholders.

## Board Charter & Code of Ethics and Conduct

In addition to the Deed, the Board of the Manager is also governed by the Board Charter, which encompasses the principal role of the Board, establishing the functions, responsibilities and powers of the Board and its various Committees. It also sets the policies of the Board as well as to ensure that the principles and practices of good corporate governance are applied in all their dealings for the REIT.

The Code of Ethics and Conduct ("Code") sets out policies and guidelines relating to the standards and ethics expected of all employees of the Manager. Separately, any specific procedures on the application of policies referred to in the Code will be spelt out in the Company's policies and procedures manual.

The Board Charter is regularly reviewed to incorporate latest statutory developments.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT

The following Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Hektar Real Estate Investment Trust (“Hektar REIT”) for the financial year ended 31 December 2018. This report provides an insight on the framework applied and best practices in compliance to principles set out in the Malaysian Code on Corporate Governance (“MCCG”) 2017, SC REIT Guidelines, Capital Market and Services Act 2007 and the Listing Requirements. With respect to the MCCG 2017, the Manager is consistently taking steps to address the new requirements and to apply principles & procedures to achieve the intended outcomes contained within the Code.

The MCCG 2017 is based on three key principles of good corporate governance, which are:

Principle A – Board leadership and effectiveness;

Principle B – Effective audit and risk management; and

Principle C – Integrity in corporate reporting and meaningful relationship with stakeholders.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### Roles & Responsibilities of the Board of Directors (“Board”)

The Manager is managed by a knowledgeable Board with years of experience and a varied range of expertise. The Board must act honestly, with due care and diligence, and acting in the best interest of the Manager and REIT at all times.

The Board has full control of the Manager and participates in matters relating to the Company’s overall management including corporate governance practices, strategic direction, acquisitions, business proposals, the review of business performances and business plans, as well as major capital expenditure, risk management, internal control and succession plans.

The principal responsibilities of the Board are:

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

The Board shall factor the consequence to the shareholders including unitholders, minority unitholders as well as its stakeholders, when discharging their obligations and making decisions for the Company and the REIT. Decisions of the Board shall then be implemented by the Manager who shall be accountable for the execution of the strategic objectives established by the Board.

## Board Composition & Diversity

As at the date of this statement, the Board consists of seven (7) members, comprising two (2) Executive Directors (ED), two (2) Non-Executive Non-Independent Directors (NENID) and three (3) Independent Non-Executive Directors (INED). 43% of the Directors are considered independent and this complies and exceeds the Directors' independence requirements set out under paragraph 15.02 of the Listing Requirements which requires that at least one-third of the Board to be Independent Directors.

The criteria of Independence as per Paragraph 1.01 of the Listing Requirements is adhered to in the determination of directors' independence. Independent Non-Executive Directors (also known as "Independent Directors") are essential for protecting the interests of shareholders of the Company and unit holders of the REIT and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Listing Requirements emphasize that even if a person does not fall within any of the disqualifying indicators enumerated in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company and the REIT.

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

MCCG 2017 recommends that at least half (50%) of the Board comprises Independent Directors. This requirement has been met up to May 2018, with the demise of the Independent Chairman. However, the Company will continue to look for a suitable replacement to ensure that this requirement can once again be regularized.

The Board recognizes that gender diversity makes good business sense, in line with the country's aspirational target of 30% representation of women Directors. Therefore, the Board is proud to confirm that the percentage of female Directors sitting on the Board is currently about 43% which complies to the minimum requirement of MCCG 2017 of 30% female Directors.

The composition of the Board reflects a balance of Executive Directors, Non-Executive Directors and Independent Directors from diverse professional backgrounds with vast experience enabling the Manager to tap their expertise in deliberating issues at the Board level. 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 business administration, accounting, finance, legal, engineering, construction, operations, property management and real estate development thus acting in the best interest of the Manager and the REIT. A brief profile of each Director is presented in the "Board of Directors" section of this annual report.

Any new Directors of the Manager will be evaluated by the Nomination Committee and thereafter, formally appointed by way of a Board resolution. The search for candidates to be appointed is conducted through personal contacts and recommendations, and/or external search companies. Suitable candidates are carefully evaluated by the Nomination Committee so that recommendations made on proposed candidates meets the Board's objectives. In recommending the appointment of new Directors, the Board takes into consideration the current Board size and composition, including diversity of skills, experience of the proposed candidate; and knowledge of matters relating to REIT/Fund Management.

As at the date of this report, none of the Directors held directorships in more than five (5) listed issuers.

### Chairman of the Board ("Chairman") and Chief Executive Officer ("CEO")

In order to maintain an effective segregation of roles and responsibilities, Hektar REIT practices the separation of the positions of Chairman and the CEO. Both positions have been held by separate persons as recommended under 1.3 of the MCCG 2017 since 2017. Such separation of roles between the Chairman and the CEO aims to promote robust deliberation by the Board and Management on the business activities of the REIT.

However, with the resignation of Hektar's Chairman, Mr. Michael Lim Hee Kiang on 13 April 2018, the position has not been filled until the date of this report as the Board is still in the process of identifying a suitable candidate who is able to meet the role. For the purpose of the Board meetings, a member will be selected as chairman of the day to chair the respective meeting.

# CORPORATE GOVERNANCE

The Board is led by the ED / CEO, Dato Hisham Bin Othman, and supported by Pn. Zarina Halim the ED / Chief Corporate Officer (CCO). The CEO is responsible to ensure the effective implementation of the Manager's and the REIT's strategic plan and policies established by the Board, as well as to manage the daily conduct of the business. The CEO is accountable to the Board for the achievement of the Manager's and the REIT's goals and objectives and for the observance of Management limits. The CEO is expected to act within all specific authorities delegated to him by the Board.

The CEO is accountable to the Board for the profitability and development of Hektar REIT, with the main purpose of enhancing long-term Unitholder value. The presence of Independent Non-Executive Directors provides the element of balance to the Board as they are not involved in the daily affairs of the REIT.

Generally, the CEO is responsible to the Board for, amongst others, the following:

- executive management of the Manager's and the REIT's business, covering the development of a sustainable strategic plan, an annual operating plan and budget, performance benchmarks to gauge Management's performance, and an analysis of Management reports;
- developing long-term strategic and short-term profit plans, designed to ensure that the Company's and REIT's requirements for growth, profitability and return on capital are achieved;
- effectively overseeing the human resource of the organisation with respect to key positions in the Manager's hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment for Management personnel and issues pertaining to discipline of all employees;
- effectively representing the interest of the REIT and the Manager with major stakeholders, governments and their agencies, and industries at large, to ensure general goodwill towards the REIT and cooperation in planned development;
- providing assistance to members of the Audit and Nomination Committee or other relevant Board Committees, as required, in discharging their duties; and
- assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Directors on a timely basis.

## Company Secretaries

The Board is assisted by two professionally-qualified, experienced and competent Company Secretaries, Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820) and Madam Lim Seck Wah (MAICSA 0799845) who each have more than 20 years of experience in the secretarial line.

The roles and responsibilities of the secretaries are:

- ensuring that Board procedures and applicable rules are observed;
- maintaining records of the Board and its meeting as well as ensuring effective management of the Company's and REIT's records;
- preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded;
- carrying out other functions as deemed appropriate by the Board from time to time; and
- keeping the Board informed on updates on relevant regulations, laws and requirements.



For 2018, every Board meeting and Board Committee meeting is attended by at least one Company Secretary who thereafter prepares the minutes of proceedings for approval by the respective Chairman.

The advice and services of the Company Secretary are available to all the Directors, and is necessary to ensure 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 Company Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board is confident that the two Company Secretaries are proficient in carrying out the appropriate duties to ensure the effective functioning of the Board while their terms of appointment permit the total removal and appointment by the Board.

## Board Committees and their Roles

The Board is adequately resourced and supported by the Executive Committee (“EXCO”), Nomination Committee (“NomCom”) and Audit Committee (“AC”), each with specific authorities and responsibilities to assist the Board in discharging its functions, duties and responsibilities effectively.

Each Committee will review, scrutinize, deliberate and challenge the strategic issues and overall business proposals presented and the various Committees will report on their deliberations and recommendations to the Board. Ultimately, the Board will make the final decision taking into consideration the Committees’ recommendation(s).

The composition, responsibilities and activities of the Committees are as below.

### A) Executive Committee (“EXCO”)

The EXCO, comprising 3 members (2 Executive Directors and 1 Non-Executive Director), under the delegated authority limits conferred by the Board, have the right to:

- i. make decisions in relation to investments to be made or expenditure to be incurred in relation to Hektar REIT;
- ii. make decisions in relation to operations and management of Hektar REIT; and
- iii. 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 attendance by the members at the EXCO meeting held during 2018 is as follows:

Executive Committee Member	Designation	Attendance
Dato’ Hisham Bin Othman	Chairman	3/4
Pn Zarina Halim	Member	4/4
Dr Chew Tuan Chiong	Member	3/4

## CORPORATE GOVERNANCE

### B) Nomination Committee (“NomCom”)

The NomCom comprises 3 Independent Directors who meet at least once a year and monitors matters pertaining to the nomination of new Directors, examines the required mix of skills, experience, and evaluation of Independent Directors, analyses the succession planning and Board diversity, as well as assesses the effectiveness of the Board as a whole, its Committees and each individual Director’s contribution.

The NomCom is delegated with, amongst others, the following functions:

- i. To identify and recommend candidates to the Board based on their skills, knowledge and experience, professionalism and integrity. In the case of Independent Non-Executive Directors (“INEDs”), the Committee shall evaluate the candidate’s ability to discharge such responsibilities as expected from INEDs.
- ii. To assess on an annual basis, the effectiveness of the Board as a whole and its Board Committees, in light of the needs of the Manager and the REIT and its operating environment.
- iii. To assess on an annual basis, the contribution of each individual Director.
- iv. To conduct a training needs analysis and recommend a continuous education program for Board members to enhance their effectiveness.
- v. To work together with the Board to develop an effective development and succession plan for Directors and Management members.

The attendance of the members at the NomCom meetings held during 2018 is as follows:

Nomination Committee Member	Designation	Attendance
En Mahusni Bin Hasnan	Chairman	1/1
Mr Phillip Eng Heng Nee	Member	1/1
Cik Rahanawati Binti Ali Dawam	Member	1/1

During the financial year ended 31 December 2018, the NomCom had assessed, reviewed and recommended those Directors retiring be nominated for re-election / re-appointment having regard to the individual’s experience, contributions and performance; and to review and recommend the resignation and appointment of a new Director.

Mr. Philip Eng Heng Nee would have rendered his services as an Independent Non-Executive Director of the Company for a cumulative tenure of 10 years with the Manager. The Nomcom has consequently recommended Mr. Philip Eng Heng Nee continue to act as an Independent Non-Executive Director with the following justifications:

- i. He still fulfils the criteria under the definition of Independent Director as defined under the Listing Requirements of Bursa Malaysia Securities Berhad;
- ii. He is still able to proactively participate in the Board’s deliberations and provide unbiased independent views in decision-making.
- iii. His vast knowledge in the property sector and financial literacy makes him highly indispensable to The Manager / HAMS Board and Audit Committee.
- iv. He has demonstrated due care during his tenure and carried out his duties in the best interest of the Company and unitholders and is anticipated to be able to uphold these qualities and attributes.

In accordance with the Company’s Board Charter, shareholders’ approval has been obtained for retention of this Independent Director based on the certainty that his independence is not compromised even with such tenure.

## C) Audit Committee (“AC”)

The AC comprises three members which assists and supports the Boards’ responsibility to oversee the Company’s and REIT’s operations. The AC reviews the processes for producing the financial data, its internal controls, risk management activities and independence of the REIT’s internal and external auditors.

The functions of the AC are as follows:

- i. To review the quarterly and annual financial statements of the REIT, before the approval of the Board.
- ii. To review any related party transaction and conflict of interest situation that may arise within the Manager and the REIT including any transaction, procedure or course of conduct that raises questions of management integrity.
- iii. To review, on bi-annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- iv. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- v. To review the extent of compliance with established internal policies, standards, plans and procedures.
- vi. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- vii. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the REIT.
- viii. To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
- ix. To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
- x. To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.
- xi. To be advised of significant use of the External Auditors in performing non-audit services, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.
- xii. To review the External Auditors’ findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Manager in order to be satisfied that appropriate action is being taken.
- xiii. To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself.
- xiv. To prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- xv. To review the Board’s statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.

## CORPORATE GOVERNANCE

xvi. To review ordinary and extraordinary dividend payments.

xvii. To review the assistance given by the employees of Manager to the External Auditors.

xviii. To recommend the nomination of a person or persons as External Auditors.

The attendance of the members at the Audit Committee Meetings held during the period are as follows:

Audit Committee Member	Designation	Attendance
En Mahusni Bin Hasnan	Chairman	4/4
Mr Philip Eng Heng Nee	Member	4/4
Cik Rahanawati Binti Ali Dawam	Member	4/4

For the financial year ended 2018, the following is a summary of the duties and responsibilities carried out and discharged by the AC:-

- Reviewed the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board of Directors for approval;
- Reviewed the audited financial statements of Hektar REIT for the financial year ended 31 December 2018 ("FYE2018"), and discussed with the External Auditors the results of the final audit conducted on Hektar REIT prior to recommending the same to the Board of Directors for approval. There were no significant audit issues raised by the External Auditors;
- Reviewed with the External Auditors, their audit plan for FYE2018, audit approach and reporting requirements prior to the commencement of audit works for the year under review;
- Reviewed the key audit matters and other audit focus areas in respect of FYE2018. The audited financial statement for FYE2018 were finalised with valuation of investment properties being the most significant audit area for Hektar REIT given that investment properties represented the single largest category of assets on the Fund's statement of financial position as at 31 December 2018;
- Kept abreast and informed of the nature and applicability of new accounting standards i.e. Malaysian Financial Reporting Standard ("MFRS") 15 (Revenue from Contracts with Customers), MFRS 9 (Financial Instruments) and MFRS 16 (Leases).
- Reviewed with the outsourced Internal Auditors, the internal audit plan for the year 2018/2019 which cover four audit cycles and agreed with the methodologies (risk-driven approach) employed by the Internal Auditors;
- Reviewed the internal audit reports with the Internal Auditors, and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis. The summary activities of the internal audit functions are contained in the Statement of Risk Management and Internal Control of this Annual Report;
- Evaluated the outsourced Internal Auditors and recommended to the Board of Directors their re-engagement to carry out the internal audit function in respect of the year 2018/2019. The Audit Committee also reviewed the internal audit fees applicable for the audit cycles under engagement for the year 2018/2019 before the same was approved by the Board of Directors.
- Reviewed the Risk Management Report containing the Risk Register on a semi-annual basis. Details of the risk management processes of the Manager are contained in the Statement on Risk Management and Internal Control of this Annual Report.
- Reviewed on a quarterly basis, the list of related party transactions involving interests of related parties who are Directors of the Manager, substantial Unitholders of Hektar REIT and ultimate major shareholders of the Manager or persons connected to them (more details relating to this responsibility are elaborated in Section 5 below);



## 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 financial position of Hektar REIT as at the end of the accounting period and of their financial performance and cash flows for the period ended. In preparing the financial statements, the Directors endeavour to ensure that in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

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.

### Internal Audit

The Internal Audit function of the Manager is outsourced to an independent and reputable accounting firm. The AC has appointed KPMG Management & Risk Consulting Sdn Bhd (KPMG) as the Manager's internal auditors to provide audit services for the financial year ended 31 December 2018. KPMG is responsible for carrying out the following internal audit activities during the financial year under review:

- to report to the AC and provide independent and objective reports on the adequacy and effectiveness of the Manager's internal controls, risks and governance framework;
- to issue internal auditor's report for the Manager's response and implementation; and
- to issue a final internal auditor's report to the AC for deliberation and approval.

KPMG adopts a risk-based auditing approach, taking into account global best practices and industry standards consistent with the Manager's objectives and goals.

The remuneration for the internal audit function in respect of the financial year ended 31 December 2018 amounted to RM125,000

### External Audit

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors who is nominated by the Manager has been approved by the Trustee. The Trustee has re-appointed BDO PLT as the external auditors to conduct the statutory audit for financial year ended 31 December 2018.

The AC has also evaluated reappointment of the External Auditors of Hektar REIT during financial year ended 2018 in order to determine their suitability for re-appointment and independence. The appointment satisfies the requirements of Paragraph 15.21 under the Listing Requirements.

BDO PLT is responsible for and has carried out the following external audit activities during the financial year under review:

- presented the statutory audit plan, scope of work and result of the annual audit for the REIT.
- convened meetings with the Board and the Manager to discuss significant issues and results in relation to the statutory audit.

The remuneration of the external auditors is approved by the Trustee based on the Manager's recommendation. The remuneration for the external audit function in respect of the financial year ended 31 December 2018 amounted to RM105,000.

# CORPORATE GOVERNANCE

## Dealings with Related Parties

For financial year ended 31 December 2018, the AC is satisfied and hereby confirms that there were no material related party transactions and conflict of interest in respect of commercial transactions of the Manager. All commercial transactions were in compliance with the SC's REIT Guidelines, the Deed and the Listing Requirements. The Manager has demonstrated to the AC that all commercial transactions were carried out in the best interest of Hektar REIT and were not detrimental to the interests of unitholders.

The Terms of Reference for each committee are continuously reviewed and updated to ensure its relevance operationally as well as compliance with legislation and standards.

## 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 2018, the Board met on 4 occasions, where it deliberated upon and considered a variety of matters including Hektar REIT's financial results and strategic investment decisions.

Below is the Directors' attendance for the board meetings held in the financial year ended 2018:-

Member	Designation	Board Meeting
Mr. Michael Lim Hee Kiang (Resigned w.e.f 13 April 2018)	Independent Non-Executive Chairman	0/1
Dato' Hisham bin Othman	Executive Director and Chief Executive Officer	4/4
Pn. Zarina Halim (Appointed w.e.f 1st February 2018)	Executive Director and Chief Corporate Officer	4/4
Dr. Chew Tuan Chiong	Non-Executive Director	3/4
Ms. Tay Hwee Pio	Non-Executive Director	4/4
En. Mahusni bin Hasnan	Independent Non-Executive Director	4/4
Mr. Philip Eng Heng Nee	Independent Non-Executive Director	4/4
Cik Rahanawati binti Ali Dawam	Independent Non-Executive Director	4/4
Mr. Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	Non-Executive Alternate Director	N/A

Note :

\* The attendances reflected were during the Director's tenure of service

The Board is satisfied with the level of time commitment of the Directors in attending all the Board meetings during the financial year of 2018.

The Directors will be notified in advance on the date of the next Board Meeting at the previous Board meeting. The Company Secretary shall, seven (7) days prior to the upcoming Board Meeting, email the notice of meeting and the agendas to all Directors. Should a Director be unable to be physically present at the Board meeting, tele-conferencing can be arranged for participation.

Senior management staff as well as external parties related to the discussion and matters at hand, may be invited to attend the Board meetings to furnish the Board with clarifications and their views on a particular subject matter in the agenda.

All proceedings from the Board meetings are minuted by the Company Secretary and are securely kept at the registered office.

## Board Process

The Board and its Committees receives their respective Board papers at least seven (7) days prior, on matters requiring its consideration prior to and in advance of each meeting. The Board papers are a comprehensive balance of financial and non-financial information covering strategic, operational, financial, regulatory and marketing issues so that informed decisions can be made.

Prior to each Board meeting, the EXCO of the Board would meet with the management team, to review all the key reports and proposals being compiled to be presented to the Directors and to make appropriate recommendation for the Board's consideration. The reports and proposals include regular updates on business development, acquisition / activities, operational updates and financial results for the Board's review, consideration and approval.

## Board Remuneration

Given the current size of the Board, the Board is of the view that it is not necessary for the Manager to establish a Remuneration Committee for the time being and the Board as a whole will serve and undertake the function of the Remuneration Committee and is responsible to oversee the remunerating responsibilities.

In the absence of the Remuneration Committee, the Board holds the primary responsibility to establish a remuneration framework and terms of employment for all Directors, including Independent Non-Executive Directors and senior Management personnel of the Manager.

The Board, in determining the remuneration package for the Directors takes into account the remuneration best practices of other companies. However, the Board will consider and make the final decision on the remuneration packages which are subject to the approvals of the shareholders of the Manager. As transparent remuneration policies and procedures have been practiced by the Board, the remuneration of Executive Directors is based on individual performance and rewards. All Directors receive Directors' fees and all Non-Executive Directors receive meeting allowance for their attendance to Board meetings and any other Board Committee meetings that require their presence. The Board confirms that the Directors are not involved in the approval of their own remuneration.

The remuneration of the Directors is paid by the Manager, which is a privately-owned company and not Hektar REIT. An overview of the Director's remuneration during the financial year are as follows:

### Remuneration of Executive and Non-executive Directors for Financial Year Ended 2018

	RM
Salaries and Other Remuneration	1,465,924
Directors Fee	618,900
Meeting Attendance Allowance	18,500
Total	2,103,324

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
Above RM150,000	2	–
Below RM150,000	–	6
Total	2	6

# CORPORATE GOVERNANCE

## Directors' Training

During the financial period under review, all Directors have attended training programmes in compliance with the Listing Requirements. A new Director appointed in February 2018 has attended the Mandatory Accreditation Programme within the time frame required by Bursa.

The Manager ensures that the Board is regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to the Manager or Hektar REIT and the Auditors regularly update the Board on this at Board meeting. The Manager maintains a training record to track Directors' attendance at training and professional development courses. During the financial year ended 2018, the Board was briefed and updated on key changes to the Code of Corporate Governance and new accounting standards adopted during the year.

Members of the Board are encouraged to attend relevant courses and seminars so as to keep themselves updated on development and changes in Hektar REIT's operating environment.

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

The Company is a member of the Malaysia Institute of Corporate Governance and therefore the Institute regularly updates the Company on relevant Corporate Governance training suitable for Directors.

The Executive Directors are also members of the Institute of Corporate Directors Malaysia and are regularly advised by the Institute regarding training programmes which are tailor made for Company Directors for attendance.

All the Directors of the Manager have attended training programmes during the Financial Year Ended 2018 in compliance with the Main Market Listing Requirement. The details are as follows:

Director	Date	Events
Dato' Hisham bin Othman	23 January 2018	11 <sup>th</sup> Malaysia Property Summit 2018
	14 March 2018	China's One Belt, One Road (OBOR) Initiative
	23 March 2018	Digital Economy and Capital Market Series: Financial Technology, Artificial
	11 October 2018	AMLA, Marketing Misconduct, Chinese Wall & Prevention of Insider Trading.
	22-25 October 2018	Recon Asia Pacific
	28 December 2018	Sun Tzu's Art of War
Pn. Zarina Halim (Appointed w.e.f 1st February 2018)	18 January 2018	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
	9-10 April 2018	Mandatory Accreditation Programme
	30 April 2018	Annual Report & Sustainability Statement Disclosure Standards
	25-26 April 2018	8 <sup>th</sup> Annual Shopping Malls
	16 July 2018	Financial Reporting by Listed Issuer
	18 September 2018	KING on Governance, Value Creation in Era of Seismic Disruption



Dr. Chew Tuan Chiong	16 January 2018	ACRA-SGX-Singapore Institute of Directors Audit Committee Seminar
	13 April 2018	Singapore Institute of Directors – Strategic Use of Design in Businesses for Innovation and Transformation
	31 May 2018	Singapore Institute of Directors – Managing Millennials In A Multi-Cultural Work Place
	31 August 2018	KPMG Procurement ignite Summit 2018 – Unlocking Sustainable Value for the Future
	3 October 2018	Singapore Institute of Directors – Launch of the Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition
	25 October 2018	Orchard Road Business Association (ORBA) Industry Briefing
	26 October 2018	Singapore Institute of Directors CEO Conversation 2018 – Leadership for the Firm of the Future
Ms. Tay Hwee Pio	21 February 2018	Singapore Institute of Directors – Business Future Series (BFS3) Programme: Sustainability for Directors
	1 March 2018	KPMG Singapore Budget Seminar
	5 March 2018	Lean Six Sigma Management Briefing
	20 March 2018	Lean Six Sigma Yellow Belt Programme
	16 May 2018	Monetary Authority of Singapore Industry Engagement for REIT Managers
	22-23 May 2018	GST Training
	30 May 2018	Finance & Accounting Seminar
	25 June 2018	Hedge Accounting Training
	19 November 2018	Loan Documentation
En. Mahusni bin Hasnan	14 September 2018	Responsibilities and Liabilities of Directors of PLC
	1 October 2018	Official Launching of Institute of Corporate Directors Malaysia
	31 October 2018	Power Talk – Effective Boards in a Volatile, Uncertain, Complex and Ambiguous World
	6 December 2018	High Impact Governance on Corporate Compliance
Mr. Philip Eng Heng Nee	12 December 2018	Indonesian Economy in the Midst of Uncertainty by Centre for Strategic and International Studies
Cik Rahanawati Binti Ali Dawam	28 August 2018	International Professional Practices Framework Audit Committee
	10 October 2018	Gearing up for Corporate Liability
	5 December 2018	Breakfast Series: Non-Financials – Does It Matter?

## CORPORATE GOVERNANCE

Mr. Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	4 May 2018	Seamless Asia
	16 May 2018	Monetary Authority of Singapore Industry Engagement for REIT Managers
	17 August 2018	Talk on Competition Law

The Directors of the Manager have attended various training programmes during the financial year 2018 which encompass a variety of topics such as corporate governance, financial reporting, and retail industry trends.

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Currently, all three members of the AC are Independent Directors and are in line with the requirement of MCCG 2017 which states that the AC should solely comprise Independent Directors. The Chairman of the AC is not the Chairman of the Board.

The AC ensures that the primary responsibilities are discharged in accordance with its terms of reference and has explicit authority to investigate any matter within its terms of reference. The AC has direct and full access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings and the Chairman or members of the AC has had independent counsel with management. Both internal and external auditors are given unrestricted access to the AC.

Collectively, members of the AC have a good understanding of REIT operations and its financial reporting requirement and possess the necessary skills required to effectively discharge its duties. The AC members have extensive experience and knowledge in accounting, finance and legal matters.

Further information of Risk Management is covered under “Statement on Internal Control and Risk Management”.

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Unitholders & relationship

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

The Board recognises the need to establish regular communication with its stakeholders to disseminate Hektar’s activities, performance and other relevant information. Unitholders and investors are able to obtain an overview of performance and operations via the release of various announcements to Bursa Malaysia.

#### Disclosure and Corporate Transparency

The Manager strives to uphold high standards of disclosure and corporate transparency. In line with Hektar REIT’s disclosure obligations, all significant and material development which could impact Hektar REIT’s fundamentals, performance and its developments is announced to Bursa Malaysia. Such information will be available to unitholders on Bursa Malaysia’s website under ‘Listed Companies’. Other information such as corporate and investor information are also disclosed on Hektar REIT’s website.

Hektar has established its website at [www.hektarreit.com](http://www.hektarreit.com) and all information with reference to material information are available there. An investor relations section in Hektar’s website is also regularly maintained, allowing the unitholders and other stakeholders to be informed of the past and current developments of Hektar REIT.

## Conduct of Annual General Meetings & Extraordinary General Meetings

In efforts to strengthen the relationship between the Company and its shareholders and unitholders, the Annual General Meeting (“AGM”) and/ or Extraordinary General Meeting (“EGM”) serves as crucial mechanisms in communication.

All unitholders are given at least 28 days’ notice prior to the Annual General Meetings which exceed the minimum requirement of 21 days. The notice includes details of resolutions proposed along with relevant explanation as required under the Trust Deed.

The Annual General Meeting of Hektar REIT for 2019 will take place on 16 April 2019. The Notice of Meeting and Proxy Form can be found at the end of this Annual Report.

## Additional Information

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

### A. Sanctions and/or penalties

There are no public sanction and/or penalty imposed on Hektar REIT, its Directors or management of the Manager, by relevant regulatory bodies during the financial year ended 31 December 2018.

### B. Non-audit fees

The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2018 amounts to RM33,000.

### C. Soft commission

For the year ended 31 December 2018, the Manager did not receive any soft commission.

### D. Variation in results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2018 and the unaudited results previously announced during the quarterly announcement. Hektar REIT did not release any profit estimate, forecast or projection for the financial year.

### E. Material contracts involving the interests of Directors and major unitholders

There were no material contracts entered into by Hektar REIT involving the interests of the Directors and major unitholders during the financial year ended 31 December 2018.

# STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it is ultimately responsible for maintaining sound internal control systems to safeguard unitholders' interests and Hektar REIT's assets and for reviewing the adequacy and integrity of these systems.

## Our approach to Risk Management

Hektar REIT's Board of Directors uses the Enterprise Wide Risk Management Framework (ERM) which encompasses the identification of risks, analysis of risk impact and probability, assessment of appropriate management actions and risk controls and review of business. Our Risk Management Framework, is maintained by the Management Team and is monitored by the Group's Audit Committee (on behalf of the Board of Directors) which oversees the effectiveness of the risk management activities and its internal control systems. It also advises the Board of Directors on the principal risks facing the group including those that would threaten its solvency or liquidity.

With the ERM in place, Hektar REIT aims to:-

- Establish systematic and periodic processes to identify, assess and manage and monitor risk within the organization. The risk assessment is intended to provide the Board of Directors and the management with a view of events that could impact the achievement of its business objectives;
- Safeguard shareholders' interests and the REIT's assets;
- Maximize opportunities across the group to achieve the REIT's mission and vision;
- Achieve an enterprise-wide consistent and cohesive framework for risk management by establishing a risk register for each department and business unit within the Hektar Group ("Hektar Group" being Hektar REIT, Hektar Asset Management Sdn. Bhd. and relevant departments of its appointed property manager), through the use of the Corporate Risk Scorecard ("CRS").

Our effective day-to-day management of risk is embedded in our operational processes at all levels:

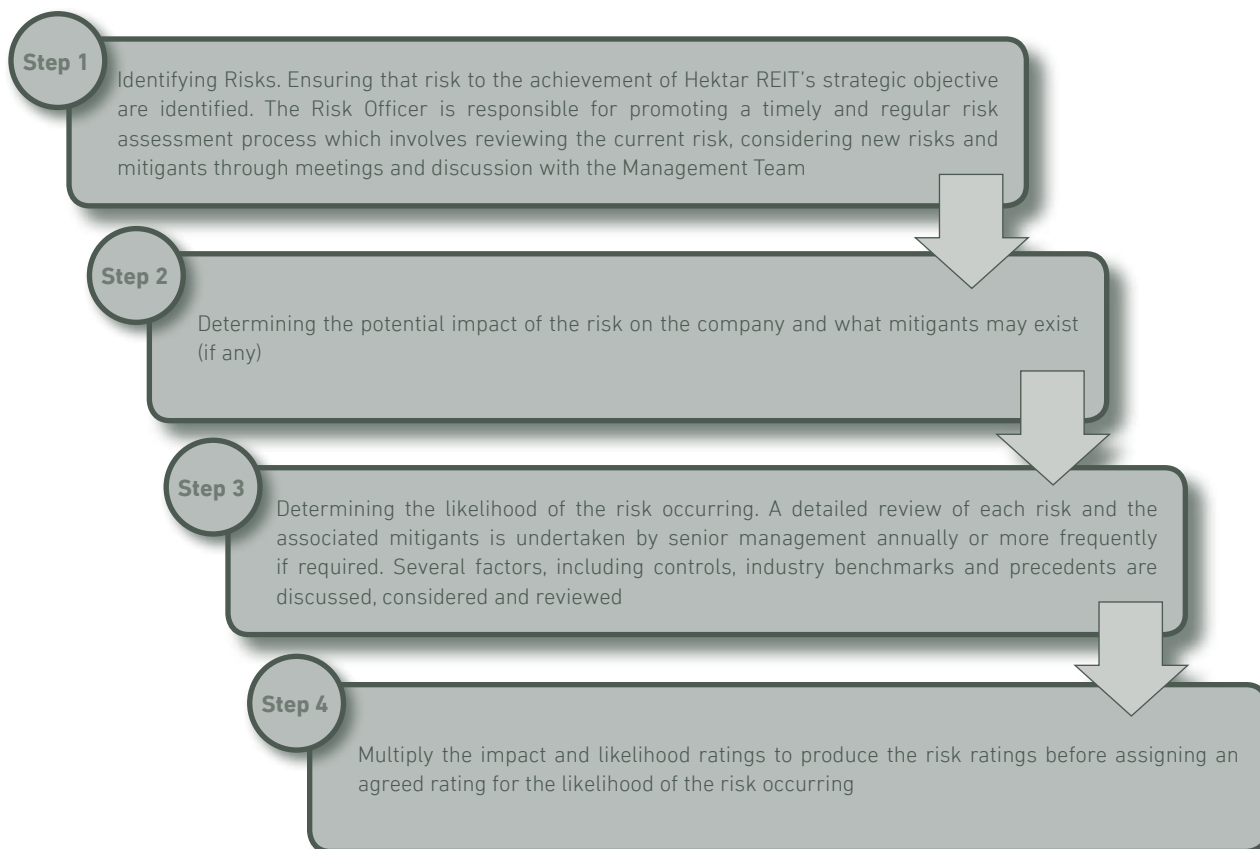
- The Board and Senior Management encourages a culture of openness and transparency throughout the organization.
- The Directors are closely involved in the business by helping to identify new risks or system weaknesses quickly.
- The Audit Committee has appointed KPMG to act as internal auditors and undertake further testing of the risk management framework and controls.
- The management team holds weekly meetings and bi-weekly departmental update meetings with the property manager to discuss progress in each area of the business.

Under the enterprise-wide risk management framework ("ERM"), Hektar REIT's key risks and controls are continually identified, reviewed and monitored as part of the process. Quantitative and qualitative analyses are performed to identify and quantify the most important risks. The system's outputs include a risk register, risk monitoring plan and risk metrics which the business is measured against. Under the ERM, a Risk Management Unit is set up and the main responsibilities of the Risk Management Unit are:

- Compliance of the ERM process and methodology;
- Flow through of ERM concept to the respective departments / business units and each process levels;
- Continual risk assessment by each department using the methodology, assessing and monitoring management actions taken;
- Timely identification, mitigation and management of key risks that may have a material impact on Hektar REIT's profit and loss, balance sheet and corporate objectives;
- Communication and understanding of risk tolerance statements adopted by the relevant departments;
- Periodic discussions of risks and risk issues with Management and its departments;
- Ensuring that the ERM process is carried out by each department / business unit and is endorsed by the CEO; and
- Assurance to the CEO, CFO and CCO regarding the effectiveness of the ERM.

## Risk assessment

Risk assessment exercise is carried out every six (6) months by the Management where key risks are being reported to the Audit Committee. The main objective is to provide the Board of Directors and the Management with a view of events that could impact the achievement of its business objectives. This involves a four step process, led by the Risk & Compliance Officer ("RCO"), with other members of the Management Team providing input.



The impact and potential likelihood of a risk are determined by the Management Team using their knowledge and experience. These determinations are generally subjective given the uncertainty involved in assessing impact and likelihood. If it is not possible to mitigate a risk to an acceptable level, then the Group will take steps to avoid incurring that risk. Risks that are rated high are reviewed regularly so that additional mitigating factors can be considered.

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 provides 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 / Finance Head 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 ON INTERNAL CONTROL AND RISK MANAGEMENT

The identified Risk categories at Hektar REIT are as follows:

No	Risk Categories	Description
1	Market Risk	External factors such as globalisation, economic conditions, competition, political changes, reputation and public image.
2	Strategic Risk	<p>Corporate framework for managing the strategic direction and performance of the organisation which includes strategic management, scenario planning, performance and portfolio reviews.</p> <p>Investment risk and acquisition risk management means ensuring that the acquired assets are yield accretive or at least provides for good growth potential. The Manager is cautious in conducting its due diligence on potential acquisitions. Before recommending to the Board for approval, the Manager carry out reviews and assessment on the viability of properties based on their physical, financial, market, technical and legal characteristics.</p>
3	Operational Risk	<p>Risk of loss resulting from failure of internal processes, operational procedures or external events. Operational risks are mitigated by having standard operating procedures that are adopted and are continuously reviewed for all properties in the REIT portfolio, comprising operational guidelines, control and monitoring procedures including reports on :-</p> <ul style="list-style-type: none"> <li>• Sourcing, negotiations with potential or existing tenants, rental reversion reports, renewal reports, expiry reports</li> <li>• Procurement, tender and purchasing procedures</li> <li>• Approval processes for tenancies, leases and licenses</li> <li>• Billing, payment, collection and refund as well as arrears reporting</li> <li>• Employee recruitment, training and performance reviews</li> </ul>
4	Corporate Governance / Compliance Risk	All risks related to the policy setting of the Board and in relation to the rules and regulations set by bodies governing the REIT industry. See the Corporate Governance section in this report for more details.
5	Financial and Credit Risk	<p>Risks relating to financial considerations such as profitability, cash flow and cost management, asset and liability management.</p> <ul style="list-style-type: none"> <li>• Due to the current market conditions, the REIT is exposed to higher non-payment by non performing tenants and measures have been taken to reduce risk by carrying out credit checks and assessments before offering Letters of Offer to tenants. Monthly monitoring of a tenant's turnover and occupancy cost is also carried out to evaluate a tenant's business performance and health.</li> <li>• Risks relating to the source of tenants income which is required to be addressed under the Anti-Money Laundering &amp; Counter Terrorism Financing Act (AMLA) is also mitigated by conducting proper background checks on tenants.</li> </ul>

		<ul style="list-style-type: none"> <li>Small businesses, specifically single-store tenants which form a percentage of our tenants, depend mostly on their operational cash flows and without other resources could be at a higher risk of bankruptcy or insolvency than larger, national tenants. The failure of a tenant to perform under a tenancy could require us to declare a default, repossess the space and find a suitable replacement tenant. There is no assurance that we would be able to rent out the space on substantially equivalent or better terms than the prior tenancy, or at all, or successfully reposition the space for other uses.</li> </ul> <p>The bankruptcy or insolvency of a number of smaller tenants may have an adverse impact on operational results. Since Hektar REIT's portfolio is made up of mainly neighbourhood shopping centres, it is impossible to do away with smaller businesses and local retailers, as they also form an important part of the local community. However, with careful tenant management, Hektar can try to lower the overall risk by carefully balancing the mix between local, national and international retailers.</p> <ul style="list-style-type: none"> <li>Tenant concentration risk is dependent upon key tenants that contribute a significant portion of revenue to the REIT. This is monitored by reviewing the top ten tenant's contribution as a percentage of the REIT's monthly rental income. Analysis involves reviewing the financial health of those tenants, particularly if they are also public-listed, to determine their overall financial health and prospects.</li> </ul>
6	Interest Rate Risk	Interest rate risk is managed to maintain a balanced borrowings portfolio of floating, fixed and hedged rate instruments. The REIT has in the past, entered into a multi-year interest rate swap contract to exchange floating interest rate for fixed interest rates in order to minimize exposure from the fluctuation of interest rates. Other avenues include exploring different loan instruments that offer different tenures combined with fixed or floating interest rates.
7	Legal Risk	Risks involved in legal arrangements, contracts, agreements and obligations. The Manager has a dedicated Compliance Officer, reporting directly to the CEO and Board, who is responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to. The Manager also actively monitors litigation cases involving the REIT, which consists of mainly debt/rental recovery cases against defaulting tenants, lessees and licensees.
8	Fraud Risk	Risk that could impact the organisation's ethics, business integrity and practices. Comprehensive standard operating procedures can provide a check-and-balance to reduce the scenarios for fraud. A Code of Ethics and Conduct is also issued to all employees.
9	Security Risk	<p>Risk involving the safety and security of each operational unit:</p> <ul style="list-style-type: none"> <li>Shopper security is our utmost priority. Security workforce from reputable security companies or employed in-house are deployed to ensure that the shopping centre is secured, providing shoppers with ease of mind during their visits. The hired security officers are given tasks to conduct routine rounds within the shopping centre and its secluded areas.</li> <li>Advanced internal security surveillance and alarm systems have been installed throughout all shopping centres, equipped with security cameras in key corners of the building to facilitate monitoring throughout the day.</li> </ul>

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

10	Information Technology Risk	Risk that may arise from faults and failures in the information technology system. Procedures for data backup and disaster recovery processes are being reviewed. Manual operating processes are also available for selected business functions.
11	Human Resource Risk	Risk due to possible turnover or loss of talent and manpower. Our human resource department is focusing on strengthening our manpower as well as looking into staff welfare and retention via succession planning, staff engagement, annual review of compensation and training that is in line with industry practice.
12	Valuation Risk	The valuation of our properties is predominantly driven by the income-based method of valuation. This method of valuation assesses various factors including rental rates, operating costs, revenue growth and occupancy rate. The valuation of our properties is thus subject to the risk of changes due to fluctuations in the above factors.
13	Tenant Risk	<p>The REIT faces the risk of non-renewal of tenancies and the risk of letting out available space. Our failure to meet tenancy targets and fill the vacancies at our properties could adversely affect our rental revenue, operating expenses and overall performance. We are therefore subject to the risk that:</p> <ul style="list-style-type: none"> <li>• tenants may choose not to, or may not have the financial resources to, renew these tenancies;</li> <li>• experience difficulties and significant time delays to let vacated space which may cause us to fail to meet our occupancy and rent targets;</li> <li>• terms for renewals for new tenants may be less favorable than the terms of the current tenancies.</li> </ul> <p>We normally seek to renew tenancies with our existing tenants prior to their expiration and typically begin discussions with tenants as early as 6 to 12 months prior to the expiration date of the existing tenancy. However, market conditions, including new supply of shopping centres and macroeconomic conditions in our markets could adversely impact our renewal rate and/or the rental rates that we are able to negotiate. If any of these risks materialize, our rental revenue could be adversely affected.</p>

## STATEMENT BY MANAGER

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements are drawn up in accordance with the provisions of the Trust Deed dated 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between Hektar Asset Management Sdn. Bhd. and MTrustee Berhad, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust ("Hektar REIT") as at 31 December 2018 and of the financial performance and cash flows for the financial year then ended.

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

**DATO' HISHAM BIN OTHMAN**  
Executive Director  
& Chief Executive Officer

**ZARINA HALIM**  
Executive Director  
& Chief Corporate Officer

Kuala Lumpur  
28 February 2019

## STATUTORY DECLARATION

I, Dato' Hisham bin Othman, being the Director primarily responsible for the financial management of Hektar Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by     )  
the abovenamed at Kuala Lumpur on     )  
28 February 2019                             )

**DATO' HISHAM BIN OTHMAN**

Before me:

Commissioner for Oaths

# TRUSTEE'S REPORT

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

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or the "Trust") for the financial year ended 31 December 2018. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd. (the "Manager") has managed Hektar REIT during the period covered by these financial statements, in accordance with the limitations imposed on the investment powers of the Manager, the provisions of the Trust Deed dated 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and the applicable securities laws.

We have ensured that the procedures and processes employed by the Manager to value/ price the units of Hektar REIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2018 are in line with and are reflective of the objective of Hektar REIT.

For and on behalf of the Trustee,  
MTrustee Berhad

**NURIZAN BINTI JALIL**  
Chief Executive Officer

Selangor, Malaysia  
22 February 2019



# INDEPENDENT AUDITORS' REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Hektar Real Estate Investment Trust ("Hektar REIT" or "Trust"), which comprise the statement of financial position as at 31 December 2018 of the Trust and statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows of the Trust for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2018 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Trust in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Trust for the current year. These matters were addressed in the context of our audit of the financial statements of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Valuation of investment properties*

With reference to Note 5 to the financial statements, the Trust's investment properties were recorded as RM1,221,500,000 as at 31 December 2018.

There were significant judgements and estimates used by management in relation to the valuation of Trust's investment properties including allowance for void, term yield rates, reversionary yield rates and discount rates.

# INDEPENDENT AUDITORS' REPORT

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

## Key Audit Matters (continued)

### *Audit responses*

Our audit procedures included the following:

- (i) Assessed and discussed with management of their process for reviewing the work of the independent valuers.
- (ii) Assessed the competency, independence and integrity of the independent valuers.
- (iii) Obtained the valuation reports and discussed with the independent valuers the results of their work.
- (iv) Tested the integrity of the data provided to the independent valuers to underlying lease agreements.
- (v) Benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates and discount rates.

### *Impairment of trade receivables*

With reference to Note 7 to the financial statements, the Trust's trade receivables were recorded as RM18,216,824 as at 31 December 2018.

There were significant judgements and estimates used in relation to the impairment assessment of the Trust's trade receivables including the probability of default by trade receivables and estimated cash flows recoverable in worst-case scenario.

### *Audit responses*

Our audit procedures included the following:

- (i) Recomputed the probability of default using historical data and forward looking information adjustments applied by the Trust.
- (ii) Recomputed the correlation coefficient between the macroeconomic indicator used by the Trust and historical losses to determine the appropriateness of the forward looking information used by the Trust.
- (iii) Inquiries of management to assess the rationale underlying the relationship between the forward looking information and expected credit losses.
- (iv) Assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.
- (v) Challenged management on the basis for determining cash flows recoverable in worst-case scenario.

## **Information Other than the Financial Statements and Auditors' Report Thereon**

The Manager of the Trust is responsible for the other information. The other information comprises of all information included in the annual report, but does not include the financial statements of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibility of the Directors of the Manager and Trustee for the Financial Statements**

The Directors of the Manager are responsible for the preparation of financial statements of the Trust that give a true and fair view in accordance with MFRSs, IFRSs and the Securities Commission's Guidelines on Real Estate Investment Trust. The Directors of the Manager are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Trust that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Directors of the Manager maintain proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

In preparing the financial statements of the Trust, the Directors of the Manager are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 internal control of the Trust.

# INDEPENDENT AUDITORS' REPORT

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

## Auditors' Responsibility for the Audit of the Financial Statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Hektar REIT to express an opinion on the financial statements of the Hektar REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

This report is made solely to the Unitholders of the Trust in accordance with the 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.

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

Kuala Lumpur  
28 February 2019

**Ng Soe Kei**  
02982/08/2019 J  
Chartered Accountant

# Financials

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# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	140,776	94,478
Investment properties	5	1,227,628,723	1,209,927,934
Fixed deposits with a licensed bank	6	1,447,434	1,328,404
		1,229,216,933	1,211,350,816
<b>Current assets</b>			
Trade receivables	7	18,216,824	11,558,842
Other receivables, deposits and prepayments	8	7,504,339	7,351,905
Cash and bank balances	9	13,334,709	22,095,767
		39,055,872	41,006,514
<b>TOTAL ASSETS</b>		<b>1,268,272,805</b>	<b>1,252,357,330</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables and accruals	11	15,901,825	13,825,129
Bank borrowings	12	548,071,883	542,057,483
Derivative financial instruments	13	–	265,527
		563,973,708	556,148,139
<b>Current liabilities</b>			
Trade payables	10	5,588,271	2,524,140
Other payables and accruals	11	48,395,279	29,816,123
Bank borrowings	12	15,000,000	15,000,000
		68,983,550	47,340,263
<b>TOTAL LIABILITIES</b>		<b>632,957,258</b>	<b>603,488,402</b>
<b>NET ASSET VALUE ("NAV")</b>		<b>635,315,547</b>	<b>648,868,928</b>

	Note	2018 RM	2017 RM
<b>FINANCED BY:</b>			
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital	14	492,500,449	492,500,449
Undistributed income - realised		43,139,627	47,552,935
Undistributed income - unrealised		99,675,471	108,815,544
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>635,315,547</b>	<b>648,868,928</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>			
	14	461,960,178	461,960,178
<b>NAV PER UNIT (RM)</b>			
Before income distribution <sup>1</sup>		1.3753	1.4046
After income distribution <sup>2</sup>		1.3522	1.3716

<sup>1</sup> Before the proposed final income distribution of 2.31 sen per unit (2017: 3.30 sen per unit)

<sup>2</sup> After the proposed final income distribution of 2.31 sen per unit (2017: 3.30 sen per unit)

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Gross revenue	15	135,106,718	125,542,820
Property operating expenses	16	(56,390,477)	(51,805,268)
<b>Net property income</b>		<b>78,716,241</b>	<b>73,737,552</b>
Interest income		403,553	304,964
Other income		344,285	53,854
Bad debts recovered		18,175	–
Sundry income		10,000	–
Changes in fair value of derivative financial instrument	13(a)	265,527	548,486
Reversal of impairment loss on trade receivables	7(d)	485,938	96,126
<b>Total income</b>		<b>80,243,719</b>	<b>74,740,982</b>
Manager's fees	17	(8,443,864)	(7,905,394)
Trustee's fees	18	(522,486)	(485,861)
Auditors' remuneration:			
– statutory audit		(105,000)	(106,400)
– others		(77,819)	(99,000)
Valuation fees		(196,000)	(240,000)
Professional fee		(953,015)	(475,170)
Impairment loss on trade receivables	7(d)	(1,266,563)	(859,056)
Administration expenses		(632,953)	(721,552)
Interest expense	19	(25,284,164)	(23,166,443)
Bad debts written off		(227,679)	–
Changes in fair value of investment properties	5(g)	(9,405,600)	(7,986,471)
<b>Total expenses</b>		<b>(47,115,143)</b>	<b>(42,045,347)</b>
<b>Profit before tax</b>		<b>33,128,576</b>	<b>32,695,635</b>
Tax expense	20	–	–
<b>Profit for the financial year</b>		<b>33,128,576</b>	<b>32,695,635</b>
<b>Other comprehensive income for the financial year, net of tax</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive income for the financial year</b>		<b>33,128,576</b>	<b>32,695,635</b>

	Note	2018 RM	2017 RM
Profit for the financial year comprises the following:			
Realised		42,268,649	40,133,620
Unrealised - changes in fair value of investment properties		(9,405,600)	(7,986,471)
Unrealised - changes in fair value of derivative financial instrument		265,527	548,486
		33,128,576	32,695,635
<b>Earning per unit (Total)</b>			
Before Manager's fees (sen)	21(a)	9.00	9.71a
After Manager's fees (sen)	21(b)	7.17	7.82a
<b>Earning per unit (Realised)</b>			
Before Manager's fees (sen)	21(c)	10.98	11.49a
After Manager's fees (sen)	21(d)	9.15	9.60a
<b>Net income distributions</b>			
Interim income distribution of 6.70 sen (2017: 6.30 sen) per unit		30,951,334	25,239,950
Proposed final income distribution of 2.31 sen (2017: 3.30 sen) per unit		10,671,280	15,244,685
		41,622,614	40,484,635
<b>Interim income distribution per unit</b>			
Gross (sen)	22	6.70	6.30
Net (sen)	22	6.70	6.30
<b>Final income distribution per unit</b>			
Gross (sen)	22	2.31	3.30
Net (sen)	22	2.31	3.30

- a. *Earnings per unit for the financial year ended 31 December 2017 was calculated based on a weighted average of 418,009,834 units.*

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

# STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Unitholders' capital RM	--- Undistributed income ---		Unitholders' fund RM
		Realised RM	Unrealised RM	
<b>At 1 January 2018</b>	492,500,449	47,552,935	108,815,544	648,868,928
Effects of MFRS 9	–	(485,938)	–	(485,938)
<b>Restated as at 1 January 2018</b>	492,500,449	47,066,997	108,815,544	648,382,990
Profit for the financial year	–	42,268,649	(9,140,073)	33,128,576
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, representing the increase in net assets resulting from operations	–	42,268,649	(9,140,073)	33,128,576
<b>Unitholders' transaction</b>				
Distributions to unitholders	–	(46,196,019)	–	(46,196,019)
Decrease in net assets resulting from unitholders' transaction	–	(46,196,019)	–	(46,196,019)
<b>At 31 December 2018</b>	492,500,449	43,139,627	99,675,471	635,315,547
<b>At 1 January 2017</b>	425,738,255	43,476,386	116,253,529	585,468,170
<b>Total comprehensive income</b>				
Profit for the financial year	–	40,133,620	(7,437,985)	32,695,635
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, representing the increase in net assets resulting from operations	–	40,133,620	(7,437,985)	32,695,635
<b>Unitholders' transactions</b>				
Unitholders' capital	68,143,928	–	–	68,143,928
Unit issuance expenses	(1,381,734)	–	–	(1,381,734)
Distributions to unitholders	–	(36,057,071)	–	(36,057,071)
Increase in net assets resulting from unitholders' transactions	66,762,194	(36,057,071)	–	30,705,123
<b>At 31 December 2017</b>	492,500,449	47,552,935	108,815,544	648,868,928

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



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		33,128,576	32,695,635
Adjustments for:			
Bad debts written off		227,679	–
Changes in fair value of derivative financial instrument	13(a)	(265,527)	(548,486)
Changes in fair value of investment properties	5	9,405,600	7,986,471
Depreciation of property, plant and equipment	3	17,919	5,881
Impairment loss on trade receivables	7(d)	1,266,563	859,056
Interest expense		25,284,164	23,166,443
Interest income		(403,553)	(304,964)
Reversal of impairment loss on trade receivables	7(d)	(485,938)	(96,126)
Operating profit before changes in working capital		68,175,483	63,763,910
Trade and other receivables		(8,304,658)	4,351,374
Trade and other payables		23,719,983	8,785,198
Net cash from operating activities		83,590,808	76,900,482
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment properties	5	–	(72,000,000)
Incidental cost on acquisition of investment properties	5	–	(2,068,739)
Purchase of investment properties	5	(97,500)	(468,763)
Purchase of property, plant and equipment	3	(64,217)	(100,359)
Capital work in progress of investment properties	5	(27,008,889)	(18,764,823)
Interest received		403,553	304,964
Placement of fixed deposits		(119,030)	(663,035)
Net cash used in investing activities		(26,886,083)	(93,760,755)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid	19	(25,284,164)	(23,166,443)
Drawdown of borrowings	12(k)	6,014,400	16,857,111
Distributions paid to unitholders		(46,196,019)	(36,057,071)
Proceeds from issuance of right issue	14	–	66,762,194
Net cash (used in)/from financing activities		(65,465,783)	24,395,791
Net (decrease)/increase in cash and cash equivalents		(8,761,058)	7,535,518
Cash and cash equivalents at beginning of financial year		22,095,767	14,560,249
Cash and cash equivalents at end of financial year	9	13,334,709	22,095,767

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 1. GENERAL INFORMATION

Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") was constituted on 5 October 2006 pursuant to the Deed dated 5 October 2006 and the supplementary deeds dated 20 March 2012 and 23 November 2016 respectively between MTrustee Berhad as the Trustee and Hektar Asset Management Sdn. Bhd. as the Manager.

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

The Manager's registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor.

The principal place of business of the Manager is located at D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The 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 has been no significant change in the nature of the principal activity 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 financial statements comprise the Trust and its subsidiaries.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 28 February 2019.

## 2. BASIS OF PREPARATION

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

The financial statements of the Trust have been prepared under the historical cost convention, except as otherwise stated in the financial statements and on a going concern basis.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Trust.

## 2. BASIS OF PREPARATION (continued)

The Trust has net current liabilities of RM29,927,678 as at 31 December 2018.

The following matter has been considered by the Directors of the Manager in determining the appropriateness of the going concern basis in the preparation of the financial statements of the Trust:

- RM15.0 million relates to borrowings in which are secured by the investment properties as mentioned in Note 5 to the financial statements and borrowings as at 31 December 2018 are likely to be refinanced with the existing debt programme underpinned by the strength of the underlying assets and adequate liquidity in the debt market;
- RM6.8 million relates to accrual for subsequent expenditure of the investment property of which will be funded by the current operating cash flows and available reserves of the Trust and the Trust is in the midst of negotiating for a new financing or refinancing the current debt facilities which will be utilised within the gearing allowed under the Securities Commission's Guidelines on Real Estate Investment Trust for the next twelve months;
- the Trust generating net operating cash inflows of RM83,590,808 for the financial year ended 31 December 2018. The Directors of the Manager projects continued profitability and operating cash inflows for the Trust in the next twelve months.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 31.1 to the financial statements.

The Trust applied MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

## 3. PROPERTY, PLANT AND EQUIPMENT

2018	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2018 RM
<b>Carrying amount</b>				
Computer equipment	79,565	32,997	(14,488)	98,074
Office equipment	14,913	28,020	(3,431)	39,502
Plant and machinery	–	3,200	–	3,200
	94,478	64,217	(17,919)	140,776

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

[----- At 31.12.2018 -----]				
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Computer equipment	117,988	(19,914)	98,074	
Office equipment	43,388	(3,886)	39,502	
Plant and machinery	3,200	–	3,200	
	164,576	(23,800)	140,776	
<hr/>				
2017	Balance as at 1.1.2017 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2017 RM
<hr/>				
<b>Carrying amount</b>				
Computer equipment	–	84,991	(5,426)	79,565
Office equipment	–	15,368	(455)	14,913
	–	100,359	(5,881)	94,478
<hr/>				
[----- At 31.12.2017 -----]				
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Computer equipment	84,991	(5,426)	79,565	
Office equipment	15,368	(455)	14,913	
	100,359	(5,881)	94,478	
<hr/>				

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

(b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Computer equipment	15%
Office equipment	10% - 15%
Plant and machinery	15%

#### 4. INVESTMENTS IN SUBSIDIARIES

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, if any.
- (b) The details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Effective interest in equity		Principal activities
	2018	2017	
Pure Quantum Sdn. Bhd.	100%	100%	Property investment
Plenitude Sunlight Sdn. Bhd.	100%	100%	Property investment

Subsidiaries are entities, including structured entities, controlled by Hektar REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Hektar REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

#### 5. INVESTMENT PROPERTIES

	2018 RM	2017 RM
<b>A. At fair value</b>		
Freehold land and buildings	786,500,000	767,500,000
Leasehold land and building	435,000,000	427,068,739
	<b>1,221,500,000</b>	<b>1,194,568,739</b>
At beginning of financial year	1,194,568,739	1,092,450,000
Additions	97,500	468,763
Additions from acquisition	–	104,000,000
Incidental cost on acquisition	–	2,068,739
Transferred from capital work in progress	36,239,361	3,567,708
Changes in fair value	(9,405,600)	(7,986,471)
At end of financial year	<b>1,221,500,000</b>	<b>1,194,568,739</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 5. INVESTMENT PROPERTIES (continued)

	2018 RM	2017 RM
<b>B. Capital work in progress</b>		
At beginning of financial year	15,359,195	162,080
Additions	27,008,889	18,764,823
Transferred to investment properties	(36,239,361)	(3,567,708)
At end of financial year	6,128,723	15,359,195
Total end of financial year (A + B)	1,227,628,723	1,209,927,934

- (a) Capital work in progress related to the renovation cost capitalised, which shall be transferred to investment property to be measured at fair value upon it is available for rental.
- (b) Investment properties with an aggregate carrying amount of RM1,114,500,000 (2017: RM1,088,500,000) are charged to a financial institution for banking facilities granted to the Trust as disclosed in Note 12 to the financial statements.
- (c) Included in the incidental cost on acquisition in previous financial year is interest expense of RM209,331 as disclosed in Note 19 to the financial statements.
- (d) In the previous financial year, Hektar REIT acquired a shopping mall located at Segamat, Johor for a purchase consideration of RM104,000,000, which was financed through drawdown of borrowings and issuance of rights units.

The Trust made the following cash payments to acquire investment properties:

	2017 RM
Purchase of investment properties	104,000,000
Financed by bank borrowings	(32,000,000)
Cash payment for acquisition of investment properties	72,000,000



## 5. INVESTMENT PROPERTIES (continued)

Details of the investment properties are as follows:

2018				Cost of investment as at 31 December 2018 RM	Fair value as at 31 December 2018 RM	Percentage of fair value over net asset value as at 31 December 2018 %
Description of property	Tenure of land	Location	Existing use			
Subang Parade*	Freehold	Subang	Commercial	286,980,000	437,000,000 <sup>a</sup>	69
Mahkota Parade*	Leasehold <sup>^</sup>	Melaka	Commercial	257,538,630	328,000,000 <sup>a</sup>	52
Wetex Parade*	Freehold	Muar	Commercial	117,500,000	138,500,000 <sup>a</sup>	22
Kulim Central*	Freehold	Kedah	Commercial	98,000,000	115,000,000 <sup>b</sup>	18
Central Square*	Freehold	Kedah	Commercial	83,330,000	96,000,000 <sup>b</sup>	15
Segamat Central	Leasehold <sup>^</sup>	Segamat	Commercial	106,068,739	107,000,000 <sup>b</sup>	17
					1,221,500,000	

<sup>a</sup> Based on valuation carried out by Savills (Malaysia) Sdn. Bhd. on 31 December 2018

<sup>b</sup> Based on valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 31 December 2018

\* The properties are charged to financial institutions for banking facilities granted to the Trust.

<sup>^</sup> The leasehold land for Mahkota Parade and Segamat Central expires in year 2101 and 2116 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 5. INVESTMENT PROPERTIES (continued)

Details of the investment properties are as follows (continued):

2017				Cost of investment as at 31 December 2017 RM	Fair value as at 31 December 2017 RM	Percentage of fair value over net asset value as at 31 December 2017 %
Description of property	Tenure of land	Location	Existing use			
Subang Parade*	Freehold	Subang	Commercial	286,980,000	426,000,000 <sup>a</sup>	66
Mahkota Parade*	Leasehold <sup>^</sup>	Melaka	Commercial	257,538,630	321,000,000 <sup>a</sup>	49
Wetex Parade*	Freehold	Muar	Commercial	117,500,000	135,500,000 <sup>a</sup>	21
Kulim Central*	Freehold	Kedah	Commercial	98,000,000	110,000,000 <sup>b</sup>	17
Central Square*	Freehold	Kedah	Commercial	83,330,000	96,000,000 <sup>b</sup>	15
Segamat Central	Leasehold <sup>^</sup>	Segamat	Commercial	106,068,739	106,068,739 <sup>c</sup>	16
					1,194,568,739	

<sup>a</sup> Based on valuation carried out by Savills (Malaysia) Sdn. Bhd. on 30 September 2017

<sup>b</sup> Based on valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 30 September 2017

<sup>c</sup> Based on valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 22 June 2017

\* The properties are charged to financial institutions for banking facilities granted to the Trust.

<sup>^</sup> The leasehold land for Mahkota Parade and Segamat Central expires in year 2101 and 2116 respectively.

(e) Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year which they arise.

(f) Fair value is determined in accordance with the Deed, the REIT Guidelines and the Guidelines on Asset Valuation issued by the Securities Commission which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates. In relying on the valuation reports, the Directors of the Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions.

The fair values of investment properties of the Trust are categorised as Level 3. Level 3 fair value is estimated using unobservable inputs for the investment properties. There is no transfer between levels in fair value hierarchy during the financial year.

## 5. INVESTMENT PROPERTIES (continued)

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

Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method	<ul style="list-style-type: none"> <li>- Allowance for void of 2.00% - 15.00% (2017: 1.50% - 6.50%)</li> <li>- Term yield rate of 6.25% - 6.75% (2017: 6.25% - 6.75%)</li> <li>- Reversionary yield rate of 6.75% - 7.25% (2017: 6.75% - 7.25%)</li> <li>- Discount rate of 6.75% (2017: 6.75%)</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>- Allowance for void was lower/(higher)</li> <li>- Term yield rate was higher/(lower)</li> <li>- Reversionary yield rate was higher/ (lower)</li> <li>- Discount rate was lower/(higher)</li> </ul>

The investment method involves capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived discount rate.

(g) The following table shows a reconciliation of Level 3 fair value:

	2018 RM	2017 RM
At beginning of financial year	1,194,568,739	1,092,450,000
Additions	36,336,861	110,105,210
Change in fair value	(9,405,600)	(7,986,471)
At end of financial year	1,221,500,000	1,194,568,739

(h) Classification between investment properties and plant and equipment

The Trust has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Trust would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(i) The direct operating expenses are disclosed in Note 16 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 6. FIXED DEPOSITS WITH A LICENSED BANK

- (a) The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 3.13% (2017: 3.13%) per annum.
- (b) The fixed deposits have been pledged to a licensed bank for bank guarantee facility granted to the Trust.
- (c) The fixed deposits are denominated in RM.
- (d) In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk:

	Within 1 year RM	One to five years RM	Total RM
<b>2018</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	1,447,434	–	1,447,434
<b>2017</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	1,328,404	–	1,328,404

## 7. TRADE RECEIVABLES

	2018 RM	2017 RM
<b>Trade receivables</b>		
Third parties	20,743,261	13,304,654
Less: Impairment losses	(2,526,437)	(1,745,812)
Total trade receivables	18,216,824	11,558,842

## 7. TRADE RECEIVABLES (continued)

- (a) Trade receivables are classified as financial assets measured at amortised cost.
- (b) The normal credit terms granted by the Trust to the trade receivables are 7 days (2017: 7 days). Interest ranging from 12% to 18% (2017: 12% to 18%) per annum will be imposed on overdue amount.
- (c) The ageing analysis of the Trust's gross receivables (before deducting allowance for impairment loss) is as follows:

31 December 2018				Past due not impaired		
	Total RM	Impaired RM	Neither past due nor impaired RM	<30 days RM	31 - 60 days RM	>60 days RM
Trade receivables	20,743,261	2,526,437	3,161,149	879,601	1,466,933	12,709,141

31 December 2017				Past due not impaired		
	Total RM	Impaired RM	Neither past due nor impaired RM	<30 days RM	31 - 60 days RM	>60 days RM
Trade receivables	13,304,654	1,745,812	2,210,937	1,481,298	1,472,083	6,394,524

- (d) Credit risk

(i) Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Trust. The Trust's trade receivables credit term is 7 days.

None of the Trust's receivables that are neither past due nor impaired have been renegotiated during the current and previous financial years.

The Trust have no significant concentration of credit risk that may arise from exposure to a single clearing participant or counterparty.

(ii) Receivables that are past due not impaired

Included in the past due not impaired of the Trust is an amount of RM5,329,309 (2017: RM5,295,207) being amount due from an anchor tenant whom has a long business relationship with the Trust. Despite the outstanding amount being currently in the process of litigation, the Directors of the Manager opined that it is highly probable of recovering the outstanding amount and will continue to take all necessary action to fully defend the Trust's right and interest in this litigation matter.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 7. TRADE RECEIVABLES (continued)

### (d) Credit risk (continued)

#### (iii) Receivables that are impaired

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the Trust expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment. Estimated cash flows recoverable in worst-case scenario are based on the fair value of the collateral.

It requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenario.

The movement of the allowance for impairment loss on trade receivables is as follows:

	Lifetime ECL allowance RM	Specific allowance RM
<b>2018</b>		
At beginning of financial year	–	1,745,812
Charge for the year	–	1,266,563
Reversal for the year	–	(485,938)
At the end of financial year	–	2,526,437
<b>2017</b>		
At beginning of financial year	–	982,882
Charge for the year	–	859,056
Reversal for the year	–	(96,126)
At the end of financial year	–	1,745,812

Lifetime ECL is negligible as the management is in view that the losses, if any can be offset against the rental deposits received from tenants as disclosed in Note 7(e) to the financial statements.

Receivables that are individually determined to be impaired at the financial year end relate to trade receivables who are in significant financial difficulties and have defaulted on payments. The nominal amounts of receivables that specific allowances for impairment loss are provided for are as follows:

	2018 RM	2017 RM
At nominal amounts	2,526,437	1,745,812
Less: Allowance for impairment loss	(2,526,437)	(1,745,812)
At 31 December	–	–

## 7. TRADE RECEIVABLES (continued)

(d) Credit risk (continued)

(iii) Receivables that are impaired (continued)

The Trust's allowance for impairment loss on trade receivables during the current financial year increased by RM780,625 (2017: RM762,930) mainly due to an increased in impaired receivables during the financial year.

(e) As at the end reporting period, the credit risks exposures and concentration relating to trade receivables of the Trust are summarised in the table below:

	2018 RM	2017 RM
Maximum exposure, net of impairment	18,216,824	11,558,842
Collateral obtained	29,032,490	13,485,078
Net exposure to credit risk	–	–

The above collateral is rental deposits received from tenants.

During the financial year, the Trust did not renegotiate the terms of any trade receivables.

(f) Trade receivables are denominated in RM.

## 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RM	2017 RM
Other receivables	5,488,397	4,790,211
Deposits	368,689	367,289
Prepayments (Note 7)	5,857,086	5,157,500
	1,647,253	2,194,405
Total other receivables (Note 7)	7,504,339	7,351,905

(a) Total other receivables, net of prepayments are classified as financial assets measured at amortised cost.

(b) Included in other receivables are as follows:

	2018 RM	2017 RM
Amount owing from Property Manager	3,414,826	3,113,809

Amount owing from Property Manager is unsecured, interest free and repayable monthly in arrears.

(c) No expected credit loss is recognised arising from other receivables as it is negligible.

(d) Other receivables, deposits and prepayments are denominated in RM.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 9. CASH AND BANK BALANCES

	2018 RM	2017 RM
Cash and bank balances	13,334,709	22,095,767

(a) No expected credit loss is recognised arising from the deposits with a financial institution because the probability of default by this financial institution is negligible.

(b) Bank balances and deposits with licensed banks are denominated RM.

## 10. TRADE PAYABLES

	2018 RM	2017 RM
Third parties	5,588,271	2,524,140

(a) Trade payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal credit term granted by trade payables to the Trust are generally from 30 to 60 days (2017: 30 to 60 days).

(c) The maturity profile of the Trust's trade payables at the end of reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

(d) Trade payables are denominated RM.

## 11. OTHER PAYABLES AND ACCRUALS

	2018 RM	2017 RM
<b>Non-current liabilities</b>		
Deposits received from tenants	15,901,825	13,825,129
<b>Current liabilities</b>		
Other payables	4,887,129	626,867
Accruals	19,112,616	2,412,466
Advance received	1,159,466	1,100,145
Net output GST payable	–	325,406
Deferred income (Note 7(d)(ii))	5,329,309	5,295,207
Deposits received from tenants	17,906,759	20,056,032
	48,395,279	29,816,123
	64,297,104	43,641,252

## 11. OTHER PAYABLES AND ACCRUALS (continued)

(a) Other payables and accruals are classified as financial liabilities and measured at amortised cost.

(b) Included in other payables and accruals are as follows:

	2018 RM	2017 RM
Amount owing to Manager	30,718	–
Amount owing to Property Manager	2,416,410	423,650

Amount owing to Manager and Property Manager are unsecured, interest-free and payable monthly in arrears.

(c) Deposits received from tenants are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period of between one to three years. The deposits received from tenants are unsecured and non-interest bearing.

(d) The carrying amounts of the deposits received from the tenants as at reporting date were as follows:

	Carrying amount RM	Fair Value at level 3 RM
As at 31 December 2018	15,901,825	13,908,514
As at 31 December 2017	13,825,129	11,586,870

(e) Other payables and accruals are denominated RM.

(f) The table below summarises the maturity profile of the Trust's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2018</b>				
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	25,159,211	–	–	25,159,211
Deposits received from tenants	17,906,759	15,901,825	–	33,808,584
<b>2017</b>				
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	4,464,884	–	–	4,464,884
Deposits received from tenants	20,056,032	13,825,129	–	33,881,161

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 12. BANK BORROWINGS

	2018 RM	2017 RM
<b>Secured</b>		
Current liabilities		
- Short term revolving credit	15,000,000	15,000,000
<b>Secured</b>		
Non-current liabilities:		
- MOD 1	184,000,000	184,000,000
- MOD 2	150,000,000	150,000,000
- MOD 3	54,300,000	54,300,000
- MOD 4	32,800,000	32,800,000
- MOD 5	64,971,883	58,957,483
- MOD 6	32,000,000	32,000,000
- Term loan	30,000,000	30,000,000
	548,071,883	542,057,483
	563,071,883	557,057,483

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Trust for similar financial instruments.
- (c) The Murabahah Overdraft (MOD), MOD 1, MOD 2, MOD 3, MOD 4, MOD 5 and MOD 6 are secured by way of fixed charge over Subang Parade, Mahkota Parade, Wetex Parade, Kulim Central and Central Square respectively.

The MODs have a tenure of 5 years of which an extension period of another 5 years was granted for MOD 1, MOD 2, MOD 3, MOD 4, MOD 5, MOD 6 and they are now due for repayment in 2024.

MOD 1, MOD 2, MOD 3, MOD 4, MOD 5 and MOD 6 bear interest rate at cost of fund plus 70 basis points (2017: cost of fund plus 70 basis points). The effective interest rate on MODs is 4.33% to 4.54% (2017: 3.84% to 4.56%) per annum.

- (d) The term loan is secured by way of fixed charge over Mahkota Parade and the principal amount is repayable via a bullet repayment at the end of the 7 years tenure in 2021. The term loan bear interest rate at cost of funds plus 70 basis points and interest is to be serviced monthly in arrears. The effective interest rate on the term loans are 4.55% (2017: 4.18%) per annum.
- (e) Short term revolving credit is secured by way of fixed charge over Mahkota Parade and bears interest rate at cost of fund plus 70 basis points. The effective interest rate on short term revolving credit is 4.45% (2017: 4.85%) per annum. There would be no roll over risk for the short term revolving credit since the Trust is not in breach of any covenants that would trigger an event of default which would affect the bank's assessment to renew the facility. There was no history of non-renewal of the short term revolving credit with the latest Deed agreement with the bank and MTrustees Berhad on date 21 November 2018.
- (f) Borrowings are categorised as Level 2 in the fair value hierarchy.
- (g) All borrowings are denominated in RM.

## 12.BANK BORROWINGS (continued)

- (h) The table below summarises the maturity profile of the Trust's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2018</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	–	–	15,600,000
MODs	19,887,875	595,490,051	–	615,377,926
Term loan	1,200,000	30,000,000	–	31,200,000

<b>2017</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	–	–	15,600,000
MODs	19,647,299	535,544,782	–	555,192,081
Term loan	1,200,000	31,200,000	–	32,400,000

- (i) The following table sets out the carrying amounts as at the end of each reporting period and the remaining maturities of the Trust's borrowings that are exposed to interest rate risk:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2018</b>				
<b>Floating rates</b>				
Short term revolving credit	15,000,000	–	–	15,000,000
MODs	–	518,071,883	–	518,071,883
Term loan	–	30,000,000	–	30,000,000
	15,000,000	548,071,883	–	563,071,883

<b>2017</b>				
<b>Floating rates</b>				
Short term revolving credit	15,000,000	–	–	15,000,000
MODs	–	512,057,483	–	512,057,483
Term loan	–	30,000,000	–	30,000,000
	15,000,000	542,057,483	–	557,057,483

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 12. BANK BORROWINGS (continued)

- (j) The following table demonstrates the sensitivity analysis of the Trust if interest rates at the end of each reporting period changed by 100 basis points with all other variables held constant:

	2018 RM	2017 RM
Profit after taxation		
- increase by 1% (2017: 1%)	4,279,346	4,233,637
- decrease by 1% (2017: 1%)	(4,279,346)	(4,233,637)

The sensitivity for the Trust is higher in 2018 than in 2017 because of the higher loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

- (k) Reconciliation of liabilities from financing activities

	2018 RM	2017 RM
As at 1 January	557,057,483	508,200,372
Cash flows from financing activities	6,014,400	16,857,111
Acquisition of investment properties (Note 5)	–	32,000,000
As at 31 December	563,071,883	557,057,483

## 13. DERIVATIVE FINANCIAL INSTRUMENT

	2018		2017	
	Contract/ Notional Amount RM	Liability RM	Contract/ Notional Amount RM	Liability RM
<b>Non-current</b>				
Interest rate swap	–	–	150,000,000	265,527

- (a) An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. The Trust had entered into 4-year interest rate swap contract to exchange floating interest rates for fixed interest rates in order to minimise the exposure from fluctuation interest rate. The interest rate swap contract received floating interest rates equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR") per annum, pays fixed rate of interest of 4.90% per annum. The fair value of the interest rate swap contract is determined by using the market rate at the end of financial year and changes in fair value is recognised in the profit or loss. Accordingly, the Trust recognised an unrealised net gain of RM265,527 (2017: RM548,486) arising from changes in fair value of interest rate swap.
- (b) Derivative financial instrument is categorised as Level 2 in the fair value hierarchy.

## 14. UNITHOLDERS' CAPITAL

	2018		2017	
	Number of units	RM	Number of units	RM
<b>Issued and fully paid</b>				
Balance as at 1 January	461,960,178	492,500,449	400,634,117	425,738,255
Additions	–	–	61,326,061	68,143,928
Unit issuance expenses	–	–	–	(1,381,734)
Balance as at 31 December	461,960,178	492,500,449	461,960,178	492,500,449

In the previous financial year, the issued and paid-up unitholders' capital of Hektar REIT was increased from RM425,738,255 to RM492,500,449 by way of issuing 60,966,061 new units on the basis of 7 rights units for every 46 existing units and 360,000 new units to the Manager for part payment of the Manager's acquisition fee at an issue price of RM1.11 and RM1.31 per rights units respectively for the purpose of the acquisition of Segamat Central.

As at 31 December 2018, the Manager hold 1,089,172 (2017: 1,089,172) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:

	2018		2017	
	Number of units	%	Number of units	%
<b>Substantial unitholders' direct unitholdings in Hektar REIT:</b>				
HSBC Nominees (Asing) Sdn. Bhd. for Frasers Centrepoint Trust (As Trustee)	143,898,398	31.15	143,898,398	31.15
Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	164,231,266	35.55	187,862,266	40.67
<b>The Manager's related parties' direct unitholdings in Hektar REIT:</b>				
Hektar Black Sdn. Bhd.	164,231,266	35.55	187,862,266	40.67

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 15. GROSS REVENUE

	2018 RM	2017 RM
Rental income	118,625,021	111,568,265
Carpark income	13,287,228	13,082,328
Hotel income	171,359	–
Other operating income	3,023,110	892,227
	135,106,718	125,542,820

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

### (a) Rental Income

Rental income is derived from renting of retail properties to tenants and includes base rent, turnover rent and service and promotion charges from tenants. Base rent and service and promotion charges are recognised in profit or loss on a straight-line basis over the term of lease. Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

### (b) Carpark income

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

### (c) Hotel income

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

### (d) Other operating income

Other operating income mainly comprises rental from common area of the retail properties for promotional events and is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

## 16. PROPERTY OPERATING EXPENSES

	2018 RM	2017 RM
Assessment and quit rent	4,450,907	4,244,294
Marketing and promotions	3,167,148	3,164,384
Property management fee	2,310,675	2,101,486
Property maintenance	38,595,676	36,275,301
Utilities	6,696,212	4,939,049
Insurance	1,169,859	1,080,754
	56,390,477	51,805,268

Property management fee of RM2,310,675 (2017: RM2,101,486) incurred is payable to Hektar Property Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.



## 17. MANAGER'S FEES

	2018 RM	2017 RM
Base fee	4,391,416	4,041,934
Performance fee	4,052,448	3,863,460
	8,443,864	7,905,394

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

(i) Base fee

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

For the financial year ended 31 December 2018, the base fee shall be 0.35% (2017: 0.35%) per annum of the GAV of the Trust.

(ii) Performance fee

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

For the financial year ended 31 December 2018, the performance fee shall be 5.0% (2017: 5.0%) per annum of the NPI, before deducting the property management fee.

## 18. TRUSTEE'S FEES

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

For the financial year ended 31 December 2018, the Trustee's fee shall be 0.08% (2017: 0.08%) per annum of the Net Asset Value of the Trust including the Manager's fees.

## 19. INTEREST EXPENSE

	2018 RM	2017 RM
Interest paid/payable:		
- short term revolving credit	667,492	727,229
- MODs	23,251,685	21,820,255
- term loan	1,364,987	828,290
	25,284,164	23,375,774
Less: Interest expense capitalised in investment properties (Note 5)	–	(209,331)
	25,284,164	23,166,443

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 20. TAX EXPENSE

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

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

Hektar REIT will not incur any tax exposure during the financial year as it distributed more than 90% of its realised income available for distribution for the financial year ended 31 December 2018 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	2018 RM	2017 RM
Profit before tax	33,128,576	32,695,635
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	7,950,858	7,846,952
Tax effects in respect of:		
Non-allowable expenses	1,671,080	2,591,861
Income not subject to tax	(2,193,618)	(1,785,116)
Effect of income distribution exempted from tax	(7,428,320)	(8,653,697)
Income tax expense	–	–

### Taxation of Unitholders

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

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

## 21. EARNINGS PER UNIT

	2018 No. of unit	2017 No. of unit
At 31 December	461,960,178	418,009,834 <sup>i</sup>

*i- Earnings per unit for the financial year ended 31 December 2017 was calculated based on a weighted average of 418,009,834 units based on 461,960,178 units issued.*

- (a) The calculation of earnings per unit (total) before Manager's fee is based on Trust's net income for the financial year of RM41,572,440 (2017: RM40,601,029) after adding back Manager's fee and number of units in circulation for 2018 and 2017 respectively 461,960,178 (2017: 418,009,834).
- (b) The calculation of earnings per unit (total) after Manager's fee is based on Trust's net income for the financial year of RM33,128,576 (2017: RM32,695,635) to the number of units in circulation for 2018 and 2017 respectively of 461,960,178 (2017: 418,009,834).
- (c) The calculation of earnings per unit (realised) before Manager's fee is based on Trust's realised net income for the financial year of RM50,712,513 (2017: RM48,039,014) after adding back Manager's fee and number of units in circulation for 2018 and 2017 respectively of 461,960,178 (2017: 418,009,834).
- (d) The calculation of earnings per unit (realised) after Manager's fee is based on Trust's realised net income for the financial year of RM42,268,649 (2017: RM40,133,620) to the number of units in circulation for 2018 and 2017 respectively of 461,960,178 (2017: 418,009,834).

## 22. INCOME DISTRIBUTION

- (a) Distribution to unitholders are from the following sources:

	2018 RM	2017 RM
Net rental income	78,716,241	73,737,552
Interest income	403,553	304,964
Reversal of impairment loss on trade receivables	485,938	96,126
Other income	372,460	53,854
	79,978,192	74,192,496
Less: Expenses	(37,709,543)	(34,058,876)
As per realised undistributed income	42,268,649	40,133,620
Add: (Profit)/Loss not subject to distribution (Note 22 (b))	(71,767)	13,586
Balance undistributed income	42,196,882	40,147,206

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 22. INCOME DISTRIBUTION (continued)

(a) Distribution to unitholders are from the following sources (continued):

	2018 RM	2017 RM
Gross provision for distribution per unit (sen):		
- Interim	6.70	6.30
- Final	2.31	3.30
	9.01	9.60
Net provision for distribution per unit (sen)*:		
- Interim	6.70	6.30
- Final	2.31	3.30
	9.01	9.60

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

	2018 RM	2017 RM
Resident individual	10%	10%
Non-resident individual	10%	10%
Resident institutional investors	10%	10%
Non-resident institutional investors	10%	10%
Non-resident companies	24%	24%

(b) The statement of profit or loss of the subsidiaries which is income not subject to distribution are as follows:

	2018 RM	2017 RM
Revenue	124,095	73,523
Other income	876	1,418
Expenses	(53,204)	(88,527)
Profit/(Loss) for the financial year	71,767	(13,586)

## 23. PORTFOLIO TURNOVER RATIO

	2018	2017
Portfolio Turnover Ratio ("PTR") (times)	–	0.17

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Hektar REIT to the average net asset value for the financial year calculated on a quarterly basis.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Trust's PTR against other real estate investment trusts.

## 24. MANAGEMENT EXPENSE RATIO

	2018	2017
Management expense ratio ("MER") (%)	1.84	1.77

The calculation of MER is based on the total fees and expenses incurred by the Trust in the year, including Manager's fees, Trustee's fees, auditors' remuneration, tax agent's fee, valuation fees and other trust expenses to the net asset value (after proposed final income distribution) at end of financial year.

Since the basis of calculating MER can vary among real estate investment trusts, comparison of the Trust's MER with other real estate investment trusts which use a different basis of calculation may not be an accurate comparison.

## 25. TRANSACTION WITH PARTY RELATED TO THE MANAGER

In addition to the transactions and balances detailed elsewhere in the financial statements, the Trust had the following transactions with party related to the Manager during the financial year:

	2018 RM	2017 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	190,788	192,943

## 26. CAPITAL COMMITMENT

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

	2018 RM	2017 RM
Approved and contracted for: - Refurbishment of investment properties	4,879,395	15,026,066

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 27. CAPITAL MANAGEMENT

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

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

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

	2018 RM	2017 RM
Non-current assets	1,229,216,933	1,211,350,816
Current assets	39,055,872	41,006,514
Total assets value	1,268,272,805	1,252,357,330
Total borrowings	563,071,883	557,057,483
Gearing ratio	44.40%	44.48%

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 15 March 2018, the Directors of the Manager for Hektar REIT had signed sales and purchase agreement with Pure Quantum Sdn. Bhd. and completed the sale of a retail lot in Central Square for a purchase consideration of RM260,000 comprising 26,000 ordinary shares of RM10 each.
- (b) On 15 March 2018, the Directors of the Manager for Hektar REIT had signed sales and purchase agreement with Plenitude Sunlight Sdn. Bhd. and completed the sale of a retail lot in Central Square for a purchase consideration of RM220,000 comprising 22,000 ordinary shares of RM10 each.
- (c) The current 10 year lease for the Classic Hotel building granted to Wetex Realty Sdn. Bhd. ("Lessee") expired on 29 April 2018. The Lessee had decided not to exercise its option to renew the lease upon expiry of the current lease period. The Trust had decided to appoint Hektar Property Services Sdn. Bhd. to take over and manage the operations and business of the hotel.

In December 2018, Classic Hotel was officially re-opened for business after major refurbishment works.

## 29. MATERIAL LITIGATIONS

### **Writ of Summons by Mahkota Parade JMB against Hektar REIT**

(Civil Suit No: 22 NCVC-66-11)

On 16 October 2018, the Court of Appeal upheld the decision of the High Court and dismissed the respective appeals by Mahkota Parade JMB and Hektar REIT with no order as to cost.

### **Writ of Summons against The Store (Central Square and Kulim Central)**

(Appeal No: W-02(NCVC)(W)-2230/11/2017)

(Civil Suit No: WA-22NCVC-394-07/2016)

Following Hektar REIT successfully overturning the Kuala Lumpur High Court's earlier decision in favor of The Store at the Court of Appeal, The Store had, on 21 December 2018, filed an application for leave to appeal to the Federal Court against the Court of Appeal's order and another application to stay the execution of the Court of Appeal's order pending the disposal of the leave application. On 19 February 2019, at the Court of Appeal hearing on the application to stay the execution of the Court of Appeal's order, both parties recorded a consent order in respect of the following terms:

- i) That the stay application is allowed with no order as to costs of the stay application subject to the following conditions:
  - a. The Store is required to deposit a sum of RM4,000,000 into a joint stakeholders account of Hektar REIT's solicitors (Messrs Han & Partners) and The Store's solicitors (Messrs Gideon Tan Razali Zaini) pending the disposal of the application for leave to appeal and any subsequent appeal to the Federal Court;
  - b. The Store is required to pay costs awarded by the Court of Appeal by way of the Court of Appeal Order dated 27 November 2018 in the sum of RM100,000.00 together with allocatur fee to Hektar REIT's solicitors (Messrs Han & Partners); and
  - c. The sums of RM4,000,000 and RM100,000 stated above are to be paid within twenty one (21) days from 19 February 2019.
- ii) Apart from the above, on clarification of the costs awarded to Hektar REIT by the Court of Appeal on 27 November 2018, the Court of Appeal clarified that The Store is required to pay the costs of the proceedings in the Court of Appeal and the High Court in the sum of RM100,000 (together with allocatur fee) and a refund of the sum of RM70,000 (together with allocatur fee) to Hektar REIT.

The application for leave to appeal to the Federal Court is currently at case management stage.

### **Writ of Summons against The Store (Wetex Parade)**

(Appeal No: BA-12NCvC-46-06/2018)

(Civil Suit No: BA-A52NCVC-45-02/2017 and WA-24NCvC-266-02/2017)

The Shah Alam High Court had fixed 25 February 2019 to hear the appeal filed by The Store against the decision of the Shah Alam Sessions Court which was delivered on 31 May 2018.

The management will provide further updates on the matter in due course.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 29. MATERIAL LITIGATIONS (continued)

### **Strata Management Tribunal Claim Against Mahkota Parade JMB**

(Judicial Review No: MA-25-3-01/2019)

(Strata Management Tribunal, Putrajaya Case No. TPS/M-2024-11/2016)

On 30 October 2018, the Kuala Lumpur High Court granted leave for Hektar REIT to commence judicial review proceedings in respect of the Tribunal's decision on this matter. The Kuala Lumpur High Court had subsequently, on 7 January 2019, decided to transfer the matter to the Melaka High Court based on applications made by the respondents in the case and the matter is currently at case management stage with the Melaka High Court.

The management will continue to take all necessary action to fully defend Hektar REIT's rights and interest in this matter and will provide further updates on the matter in due course.

### **Writ of Summons by Hektar REIT against Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah**

(Civil Suit No. B53F-05-11/2017)

The Sessions Court fixed the trial dates for the defamation action on 8 November 2018, 3 December, 4 December and 6 December 2018. The trial for the defamation action commenced and was part heard on 8 November 2018. The Sessions Court trial had concluded on 4 December 2018 and the decision of the court is expected to be delivered on 28 February 2019.

The management will provide further updates on the matter in due course.

### **Writ of Summons by Sunway Leasing Sdn Bhd ("Sunway") against Hektar REIT**

(Civil Suit No: WA-24NCC-13-01/2018)

On 19 February 2018, both Hektar REIT and Sunway filed their respective submission summaries at the Kuala Lumpur High Court, followed by a submission in reply by Sunway on 14 March 2018 and further submission in reply by Hektar REIT on 19 March 2018.

On 12 April 2018, the Kuala Lumpur High Court had allowed Sunway's Originating Summons (in parts) as follows:

- (a) To declare that Sunway is the secured creditor based on the charge given to CYC pursuant to the Debentures;
- (b) To declare that CYC's assets seized pursuant to the Writ of Seizure on 28 November 2017 were assets charged under the said Debentures;
- (c) For Hektar REIT to refund the auction proceeds of RM110,500.00;
- (d) For costs of RM5,000.00; and
- (e) To dismiss Sunway's claim for USD271,540.00 and to declare that no damages is awarded.

## 29. MATERIAL LITIGATIONS (continued)

### **Writ of Summons by Sunway Leasing Sdn Bhd (“Sunway”) against Hektar REIT (continued)**

Hektar REIT has since filed a notice of appeal to the Court of Appeal on 7 May 2018 to appeal against the decision of the Kuala Lumpur High Court. Sunway has also filed their notice of appeal at the Court of Appeal on 8 May 2018. The hearing of the appeal at the Court of Appeal originally fixed on 28 November 2018, has been postponed to 29 April 2019.

The management will provide further updates on the matter in due course.

### **Writ of summons against 3 tenants & Tashima Development Sdn. Bhd.**

(Civil Suit No. JB-B52NCvC-14-08/2018)

(Civil Suit No. JB-B52NCvC-13-08/2018)

(Civil Suit No. JB-B52NCvC-12-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against 3 tenants at Segamat Central Shopping Centre, namely Agenda Fokus Sdn. Bhd., Tirai Prospektif Sdn. Bhd. and Dazzling Density Sdn. Bhd. and their guarantor, Tashima Development Sdn. Bhd. (“Tashima”) to seek, amongst others, the following:

- i) A declaration that the termination of tenancy agreements all dated 28 July 2015 and the tenancy renewal letter by the tenants through their notices of termination was invalid and unlawful;
- ii) An order for vacant possession of the demised premises be returned to Hektar REIT in its original state and condition or alternatively, if the demised premises is not returned in such state and condition, the tenants shall compensate Hektar REIT for the reinstatement cost which shall be assessed by the Court;
- iii) Compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) Payment of RM425,971.98, RM808,799.32 and RM465,613.99 respectively being the outstanding rental and other charges owing under the tenancy agreements and tenancy renewal letters, calculated as at July 2018 only.

On 3 October 2018, the tenants and Tashima have filed their respective defences to the writ of summons action.

The Muar Sessions Court has fixed the case management on 17 October 2018. The Muar Sessions Court had, on 10 January 2019, directed the cases to be transferred to the Segamat Sessions Court and the matter is currently at case management stage.

The management will provide further updates on the matter in due course.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 30. OPERATING SEGMENT

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

## 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

### 31.1 New MFRSs adopted during the financial year

The Trust adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Trust except for the adoption of MFRS 9 described in the following sections.

#### (a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Trust applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Trust has not restated the comparative information, which continues to be reported under MFRS 139. Difference arising from the adoption of MFRS 9 have been recognised directly in undistributed income.

#### (i) Classification of financial assets and financial liabilities

The Trust classify their financial assets into the following measurement categories depending on the business model of the Trust for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

## 31.ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 31.1 New MFRSs adopted during the financial year

#### (a) MFRS 9 *Financial Instruments* (continued)

##### (i) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

##### (ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Trust by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Trust to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve months expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been earlier adopted by the Trust:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Trust does not expect the adoption of the above Standards to have a significant impact on the financial statements.

## 32. FINANCIAL REPORTING UPDATES

### 32.1 IFRIC Tentative Agenda Decision - Over time transfer of constructed good

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

The submission inquires whether the entity has a qualifying asset as defined in IAS 23 *Borrowing Costs* and identified 3 different views:

- A. Capitalise borrowing costs on only the unsold units;
- B. Capitalise borrowing costs on neither the unsold nor the sold units; and
- C. Capitalise borrowing costs on both the sold and unsold units.

IFRIC concluded in November 2018 that the entity applies View B because:

- i. Any receivable and contract asset that the entity recognises is not a qualifying asset.
- ii. Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The deadline for submitting comment letters was 6 February 2019, before the IFRIC meeting in March 2019.

If the tentative agenda decision is finalised in its current form, any consequential adjustments would be reflected in the future financial statements.

# Additional Information

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# ANALYSIS OF UNITHOLDERS

## TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2018 (AS PER RECORD OF DEPOSITORS)

No.	Name of Unitholders	No. of Units	%
1	HSBC NOMINEES (ASING) SDN BHD <i>HSBC-FS FOR FRASERS CENTREPOINT TRUST</i>	143,898,398	31.15
2	TMF TRUSTEES MALAYSIA BERHAD <i>HEKTAR BLACK SDN BHD</i>	96,170,600	20.82
3	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)</i>	53,060,666	11.49
4	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMBANK (M) BERHAD (HEDGING)</i>	18,499,100	4.00
5	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD</i>	15,000,000	3.25
6	VALUECAP SDN BHD	14,432,500	3.12
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	9,682,900	2.10
8	AFFIN HWANG INVESTMENT BANK BERHAD <i>IVT (FVOCI)</i>	1,959,575	0.42
9	CHIN THEN HEE	1,214,300	0.26
10	HEKTAR ASSET MANAGEMENT SDN BHD	1,089,172	0.24
11	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW SUN YICK</i>	1,080,000	0.23
12	RUZIAH BINTI MOHD AMIN	1,027,000	0.22
13	HO CHIN WEONG	1,022,000	0.22
14	KIM GAP YONG	1,008,600	0.22
15	CHAN KIN YOONG	1,000,000	0.22
16	HANG MEI LING	1,000,000	0.22
17	LING THIK PING	1,000,000	0.22
18	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (BALANCED FUND)</i>	951,551	0.21
19	LIM SAN LEE	938,152	0.20
20	LIEW YOON YEE	900,086	0.19



## TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2018 (AS PER RECORD OF DEPOSITORS) (continued)

No.	Name of Unitholders	No. of Units	%
21	CHOW HON KEONG	867,100	0.19
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ILIYAS BIN JAMIL</i>	865,600	0.19
23	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HEKTAR GREEN SDN BHD</i>	800,000	0.17
24	LIM PEK HOOI	779,000	0.17
25	NEOH CHOO EE & COMPANY, SDN. BERHAD	753,000	0.16
26	YEOH LAY ENG	750,113	0.16
27	TEO MEI CHING	625,000	0.14
28	LIEW CHUI KHENG	608,808	0.13
29	SYNERGY MOTION SDN. BHD.	600,000	0.13
30	YAU AH PENG	600,000	0.13
Total		372,183,221	80.57

## BREAKDOWN OF UNITHOLDERS AS AT 31 DECEMBER 2018

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	132	3.33%	3,099	0.00%
100 to 1,000	488	12.30%	308,009	0.07%
1,001 to 10,000	1826	46.04%	8,903,677	1.93%
10,001 to 100,000	1287	32.45%	40,156,118	8.69%
100,001 to less than 5% of Issued Units	230	5.80%	119,459,611	25.86%
5% and above of Issued Units	3	0.08%	293,129,664	63.45%
Total	3966	100	461,960,178	100.00%

## ANALYSIS OF UNITHOLDERS

### CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2018

Category of Unitholders	No. of Holders			No. of Units			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	61	2,936	61	1,896,551	74,550,334	2,947,662	0.41	16.14	0.64
2 Body Corporate									
a. Bank/Finance Companies	2	-	-	16,392,075	-	-	3.55	-	-
b. Investments trusts/ foundations/ charities	1	4	-	10,000	189,513	-	0.00	0.04	-
c. Other types of Companies	9	25	2	97,909,335	2,854,458	169,400	21.19	0.62	0.04
3 Government agencies Institutions	-	-	-	-	-	-	-	-	-
4 Nominees	24	812	29	70,016,737	49,271,406	145,752,707	15.16	10.67	31.55
5 Others	-	-	-	-	-	-	-	-	-
<b>Sub Total</b>	<b>97</b>	<b>3,777</b>	<b>92</b>	<b>186,224,698</b>	<b>126,865,711</b>	<b>148,869,769</b>	<b>40.31</b>	<b>27.47</b>	<b>32.23</b>
Malaysian Total		3,874			313,090,409			67.77	
<b>Grand Total (Malaysian + Foreign)</b>		<b>3,966</b>			<b>461,960,178</b>			<b>100.00</b>	

# GLOSSARY

The Trust / the Fund	: Hektar Real Estate Investment Trust
AEI	: Asset Enhancement Initiative
AGM	: Annual General Meeting
AUM	: Assets Under Management
Board	: Board of Directors of the Manager
bps	: Basis Point(s)
Bursa Securities / the Exchange	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
CAGR	: Compounded Annual Growth Rate
CAPEX	: Capital Expenditure
CEO	: Chief Executive Officer
CPI	: Consumer Price Index
CSR	: Corporate Social Responsibility
CDS	: Central Depository System
Deed	: The Trust Deed dated 5 October 2006 constituting Hektar REIT and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between the Manager and the Trustee
DPU	: Dividend Per Unit / Distribution Per Unit
EPU	: Earnings per Unit
F&B	: Food & Beverage
FP	: Financial period
FY / FYE	: Financial Year / Financial Year End
GAV	: Gross Asset Value
GDP	: Gross Domestic Product
Gearing	: Debt Financing to Total Assets
GFA	: Gross Floor Area
GLA	: Gross Lettable Area
Gross Revenue	: Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
HAMSB / HAMS	: Hektar Asset Management Sdn. Bhd., Manager of Hektar REIT
HPSSB / HPS	: Hektar Property Services Sdn. Bhd., the Property Manager of Hektar REIT
IPO	: Initial Public Offering. Hektar REIT's IPO was completed on 4 December 2006
KLCI	: FTSE Bursa Malaysia Kuala Lumpur Composite Index
Listing Requirements	: Bursa Malaysia Securities Berhad Main Market Listing Requirements
Manager	: Hektar Asset Management Sdn Bhd (Company No. 732261-T), being the management company of Hektar REIT
M-REIT	: Malaysian Real Estate Investment Trust
MER	: Management Expense Ratio
MTN	: Medium Term Note
N/A or NA	: Not Applicable
NAV	: Net Asset Value
NBV	: Net Book Value
NLA	: Net Lettable Area. Area available for leasing. Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building.
NPI	: Net Property Income
NTA	: Net Tangible Assets

## GLOSSARY

OMV	: Open Market Value
OPTR	: Off-Peak Tariff Rider. Energy efficiency scheme offered by Tenaga Nasional
Property Manager	: Hektar Property Services Sdn Bhd (868376-K)
Psf	: Per square foot
Psfpm	: Per square foot per month
PTR	: Portfolio Turnover Ratio
REIT(s)	: Real Estate Investment Trust(s)
ROI	: Return on Investment
RM and sen	: Ringgit Malaysia and sen, respectively
ROFR	: Right of First Refusal
SC	: Securities Commission
SC Guidelines	: Guidelines on Real Estate Investment Trusts issued by the Securities Commission in August 2008 and updated on 28 December 2012
SCA	: Securities Commission Act 1993
Share Registrar	: Mega Corporate Sdn Bhd (Company No. 187984-H)
Sq. ft. / sf	: Square feet
Sq. m. / sq m	: Square metre
Step-Up Rent	: Provision specified in tenancy agreement for pre-determined increase in rent at defined intervals during a tenancy agreement, usually each year
TAV	: Total asset value
Trustee	: MTrustee Berhad (Company No. 163032-V ) being the Trustee of Hektar REIT
Turnover Rent	: Provision for rent calculated as a proportion of annual turnover of the tenant's business
Unit(s)	: Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	: Holder(s) of the Units
VWAMP	: Volume Weighted Average Market Price
WALE	: Weighted Average Lease Expiry
YOY	: Year-On-Year

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 7th Annual General Meeting ("AGM") of Hektar Real Estate Investment Trust ("Hektar REIT") will be held at the Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 16th April 2019 at 10.30 a.m. for the following purpose :-

## AS ORDINARY BUSINESS

1. To lay the Audited Financial Statements of Hektar REIT for the financial year ended 31 December 2018 together with the Trustee's Report to the Unitholders issued by MTrustee Berhad, as Trustee of Hektar REIT and the Statement by the Manager issued by Hektar Asset Management Sdn Bhd, as the Manager of Hektar REIT and the Independent Auditors' Report thereon.

(Please refer Explanatory Note A)

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Ordinary Resolution:

2. **PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS PURSUANT TO CLAUSE 14.03 OF SECURITIES COMMISSION MALAYSIA'S GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS (REITS GUIDELINES) (PROPOSED AUTHORITY)**

**Resolution 1**

"**That** pursuant to the REITs Guidelines, Main Market Listing Requirement of Bursa Malaysia Securities Berhad and the approval of any relevant regulatory authorities (which includes the Securities Commission Malaysia and Bursa Malaysia Securities Berhad), where such approval is required, the Manager be and is hereby authorized to allot and issue new units in Hektar REIT (Units) from time to time to such persons and for such purposes as the Manager may in its absolute discretion deem fit and in the best interest of Hektar REIT, provided that the number of new Units to be allotted and issued pursuant to this resolution does not exceed 92,392,036 representing 20% of the existing fund size of Hektar REIT;

**AND THAT** the Proposed Authority shall be effective and continue to be in force from the date of receipt of all relevant authorities' approval or the date the Unitholders pass this resolution, whichever may be the later, until:

- (a) the conclusion of the next AGM of the Unitholders, at which time it shall lapse, unless the authority is renewed by Unitholders by a resolution passed at the meeting; or
- (b) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (c) the Proposed Authority is revoked or varied by the Unitholders in an Unitholders' Meeting;

whichever occurs first (Validity Period);

**AND THAT** the new Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank equally in all respects with the existing Units except that the new Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such new Units;

**AND FURTHER THAT** the Manager and the Trustee (acting for and on behalf of Hektar REIT) be and are hereby authorized to give effect to the aforesaid Proposed Authority with full power to assent to any condition, variation, modification and/or amendment in any manner as may be required by any relevant authorities or as the Manager and the Trustee may deem to be in the best interest of Hektar REIT and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority."

# NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

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

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

**Lim Seck Wah (MAICSA 0799845)**

Joint Company Secretaries

Kuala Lumpur, 28 February 2019

*Notes :*

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorized in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy shall be deposited at the Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 2 April 2019 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.

## **Explanatory Note A**

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

## **Explanatory Notes on Special Business**

*Ordinary Resolution 1 – Proposed authority to allot and issue new units pursuant to clause 14.03 of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts (REITS Guidelines) (Proposed Authority).*

*The purpose to seek the general mandate is to enable the Manager to issue and allot new units in Hektar REIT at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organize a general meeting. This authority unless revoked or varied by the unitholders in general meeting, will expire at the next AGM. The proceeds raised from the general mandate will provide flexibility to the Manager for any possible fund raising activities, including but not limited to further placing of new units, for purpose of funding future investment project(s), working capital and/or acquisitions.*



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

## PROXY FORM

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

CDS Account No.	
No. of units held	

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

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

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

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

Name of proxy, NRIC No. & Address	No. of units to be represented by proxy
1. _____	_____
2. _____	_____

As my/our proxy to attend on my/our behalf at the unitholders' AGM to be held at the Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 16th April 2019 at 10.30 a.m or at any adjournment thereof.

Dated this ..... day of ..... 2019

\_\_\_\_\_  
Signature/Common Seal of Unitholder(s)

**Notes :**

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy shall be deposited at the Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 2 April 2019 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.



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AFFIX  
STAMP

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

*Please fold here*



# Creating The Places People Love





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



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