

Creating The Places People Love

**HEKTAR REAL ESTATE INVESTMENT TRUST**  
ANNUAL REPORT 2020



# Hektar Real Estate Investment Trust (Hektar REIT) is Malaysia's first retail focused REIT.

Hektar REIT's principal objective is to provide its Unitholders with a defensible income distribution and to enhance the long-term value of the fund.

Hektar REIT invests in income-producing real estate primarily used for retail purposes. Hektar REIT's portfolio currently consists of quality properties situated in Subang Jaya, Melaka, Muar, Sungai Petani, Kulim and Segamat with a combined value of RM1.2 billion.

Hektar REIT was listed on the Main Board of Bursa Malaysia on 4 December 2006 and has continuously recorded stable performance since its listing. The REIT's strategic partner is Frasers Centrepoint Trust, part of the Frasers Property Group, headquartered in Singapore.

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



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## Creating The Places People Love

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



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# STRATEGY



The REIT's strategy is to focus on retail assets in underserved markets across Malaysia, to create lifestyle places where people love to shop, dine and play.

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## GOALS

- To form a solid and defensible portfolio to create stable and sustainable value to its Stakeholders
- To pay attractive Distribution Per Unit ("DPU") relative to the market

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## PORTFOLIO OPTIMISATION

Providing Sustainable Returns and Income Defensibility of portfolios by:

- **Active Leasing:** aligning the tenancy mix to the needs of the target shoppers
- **Marketing:** strategic promotion and marketing to attract visitor traffic and improve tenant sales
- **Value Creation Initiatives:** asset enhancement and refurbishment designed to improve long-term yields

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## YIELD-ACCRETIVE ACQUISITIONS

Enhancing the Long-Term Value and Growth of Hektar REIT by systematic and diligent efforts in acquisition of:

- **Stabilised Properties:** assets with sustainable cash flow, requiring selective optimisation initiatives
- **Turnaround Properties:** assets with solid fundamentals which are underserving their current market, requiring intensive value creation initiatives to 'turnaround' the property, increasing yields in the long term

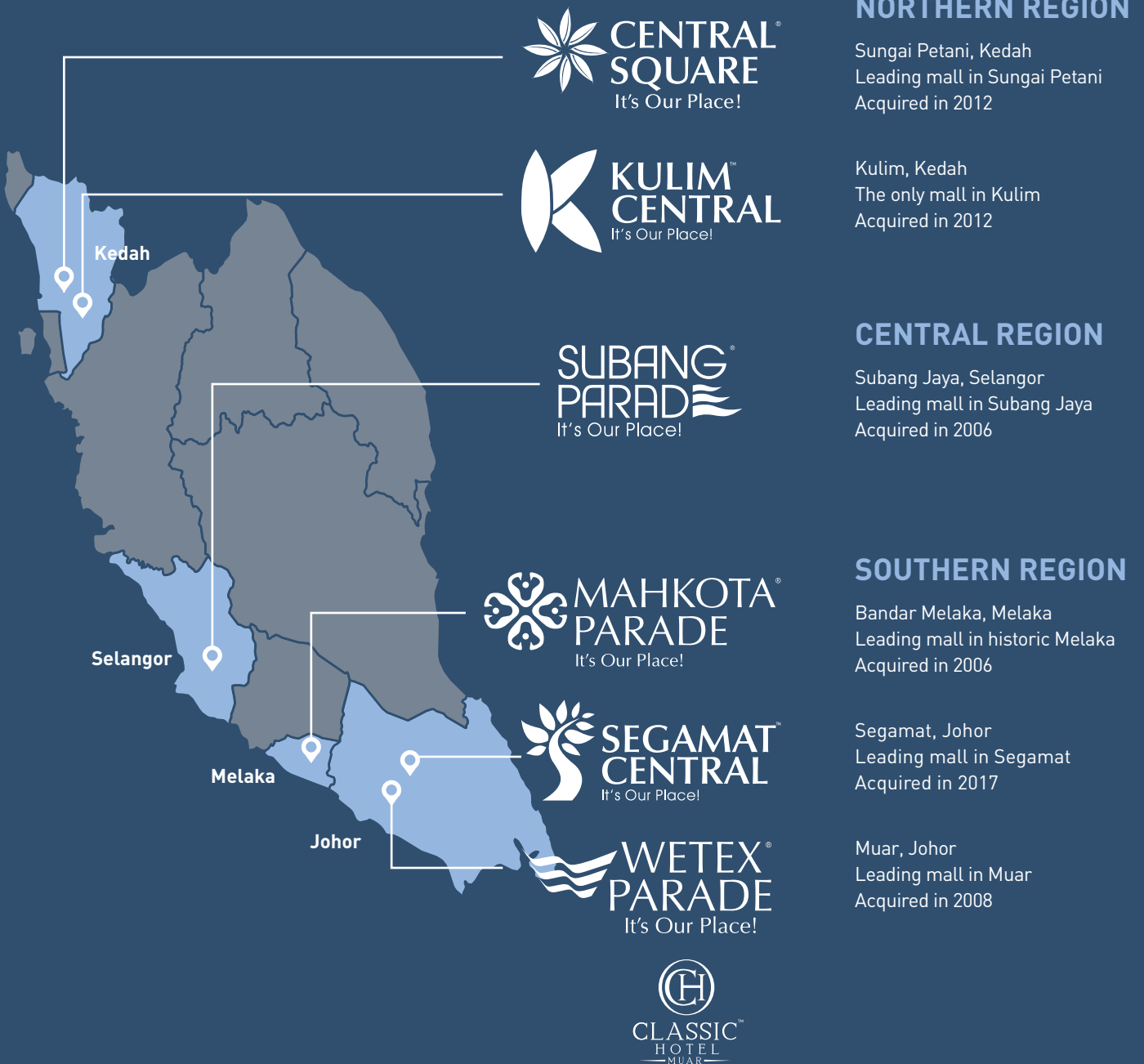
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## CAPITAL MANAGEMENT

Optimising the capital structure to fund acquisitions and asset enhancements through a combination of debt and equity within a flexible framework to provide a low cost of capital by:

- Implementing initiatives to reduce borrowing costs
- Undertaking initiatives to diversify sources of debt financing
- Maintaining a reasonable level of debt service capability

# Hektar REIT owns 6 neighbourhood shopping centres throughout Peninsular Malaysia.



**2** Million<sup>sq ft</sup>  
NET LETTABLE AREA

**19** Million  
ANNUAL VISITOR TRAFFIC

**434** Tenants  
NLA TENANTS ONLY

# FINANCIAL HIGHLIGHTS

## Profit & Loss

For Financial Year ended 31 December

	FY2020	FY2019	FY2018	FY2017	FY2016
Gross Revenue (RM'000)	<b>111,139</b>	137,089	135,107	125,543	124,571
Direct Cost & Property Expenses (RM'000)	<b>58,168</b>	61,654	56,390	51,805	50,236
Net Property Income (NPI) (RM'000)	<b>52,971</b>	75,436	78,716	73,738	74,335
Net (Loss)/Income (RM'000)	<b>(24,086)</b>	39,614	33,129	32,696	43,158
(Loss)/Earnings Per Unit (sen)	<b>(5.16)</b>	2.48	7.17	7.82*	10.53
Net Income – Realised (RM'000)	<b>14,223</b>	35,874	42,269	40,134	41,546
Earnings Per Unit – Realised (sen)	<b>3.08</b>	7.77	9.15	9.60	10.14
Income Distribution (RM'000)	<b>4,158</b>	35,894	41,623	40,485	42,067
Distribution Per Unit (DPU) (sen)	<b>0.90</b>	7.77	9.01	9.60	10.50
Change in Unit Price (sen)	<b>(36.5)</b>	(12.0)	(8.0)	(28.0)	4.0
Annual Total Return per Unit (sen)	<b>(35.6)</b>	(4.2)	1.0	(18.4)	14.5
Annual Total Return per Unit (%)**	<b>(35.8)</b>	(3.8)	0.8	(11.6)	9.5

\*Calculated based on Weighted Average No. of Units in Circulation 418,009,834 (pro-rated basis)

\*\*Calculated based on DPU and unit price change over opening market price for respective financial year

## Balance Sheet

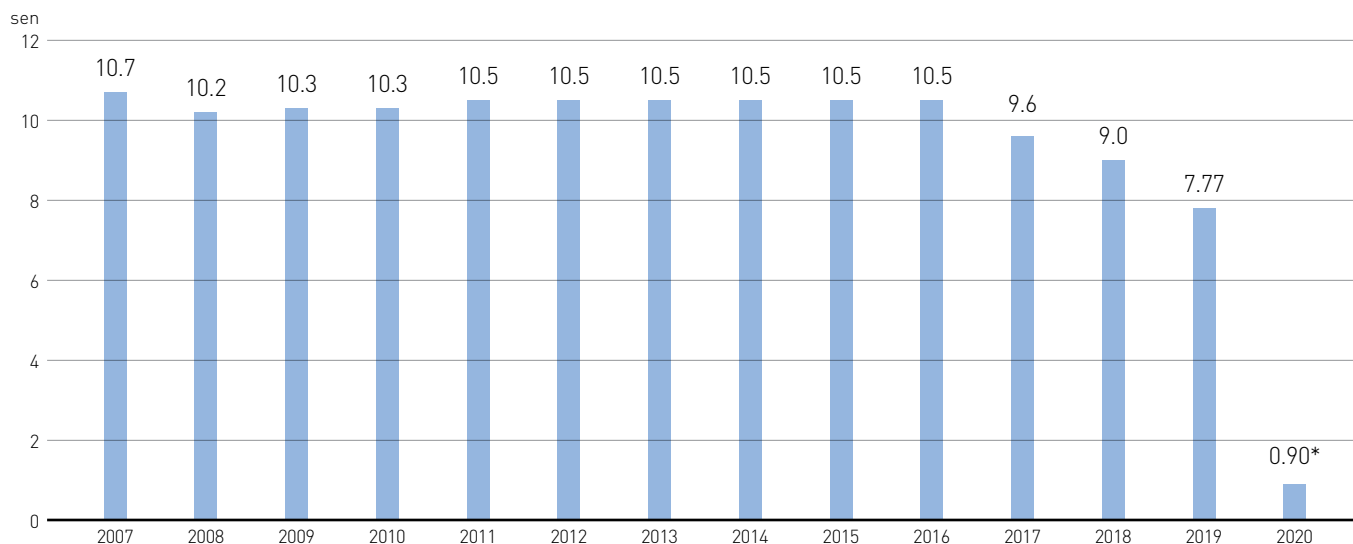
As at 31 December

	FY2020	FY2019	FY2018	FY2017	FY2016
Total Assets (RM'000)	<b>1,258,975</b>	1,276,076	1,268,273	1,252,357	1,131,863
Total Liabilities (RM'000)	<b>682,620</b>	666,645	632,957	603,488	546,395
Total Borrowings (RM'000)	<b>581,091</b>	563,091	563,072	557,057	508,200
Gearing Ratio (%)	<b>46.2</b>	44.1	44.4	44.5	44.9
No. of Units in Circulation (Units)	<b>461,960</b>	461,960	461,960	461,960	400,634
Net Asset Value (NAV)	<b>576,355</b>	609,432	635,316	648,869	585,468
NAV per Unit (RM)	<b>1.25</b>	1.32	1.38	1.40	1.46
NAV – before income distribution (RM'000)	<b>576,355</b>	609,418	635,334	648,869	723,614
NAV – after income distribution (RM'000)	<b>572,197</b>	600,179	624,663	633,625	675,109
NAV per unit before income distribution (RM)	<b>1.25</b>	1.32	1.38	1.40	1.57
NAV per unit after income distribution (RM)	<b>1.24</b>	1.30	1.35	1.37	1.46
Lowest NAV during the period (RM)	<b>1.25</b>	1.32	1.38	1.38	1.46
Highest NAV during the period (RM)	<b>1.33</b>	1.38	1.39	1.46	1.46
Unit Price as at 31 December (RM)	<b>0.63</b>	0.99	1.11	1.30	1.56
Premium/(Discount) to NAV (%)	<b>(49.6)</b>	(25.0)	(19.6)	(7.1)	6.8

Note: NAV based on quarterly filings

DISCLAIMER: This annual report may contain forward-looking statements that involve risks and uncertainties. Past performance is not necessarily indicative of future performance and investment returns may fluctuate. Actual future performance and results may vary materially from those expressed or implied in forward-looking statements as a result of a number of risks, uncertainties and assumptions. You are cautioned not to place undue reliance on these forward-looking statements which are based on the Manager's current view of future events.

## Hektar REIT Annual DPU (2007-2020)

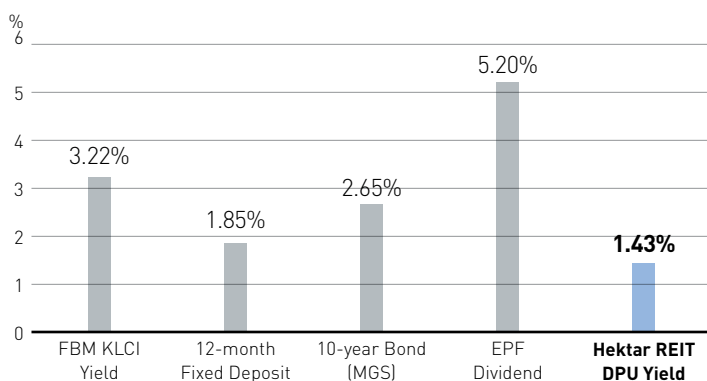


Note: 2007 DPU based on Financial Year of 13 months

\*The performance of Hektar REIT was significantly affected by the unprecedented COVID-19 pandemic which caused massive disruption to the retail sector in 2020.

## Distribution Yields

Comparative Yields\*



\*Source: EPF Dividend Yield (Conventional Savings), Bank Negara (2020), Maybank

## Income Distributions

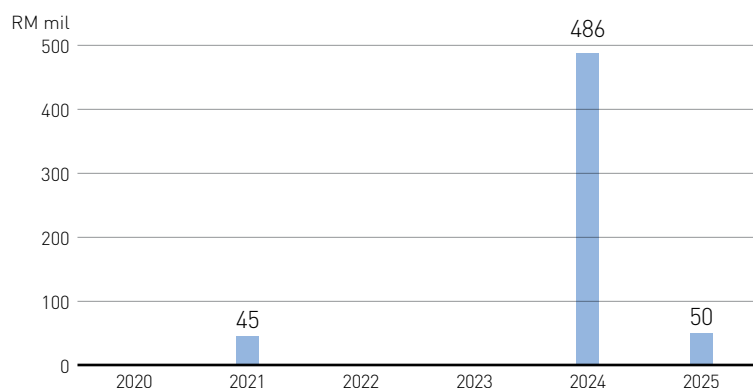
FY2020

4 <sup>th</sup> Quarter 2020	0.90 sen
Total DPU	0.90 sen
DPU Yield*	1.43%

\*Based on DPU of 0.90 sen and the closing unit price of RM0.63 for FY2020

## Debt Expiry Profile

As at 31 December 2020



## Debt Structure

As at 31 December 2020

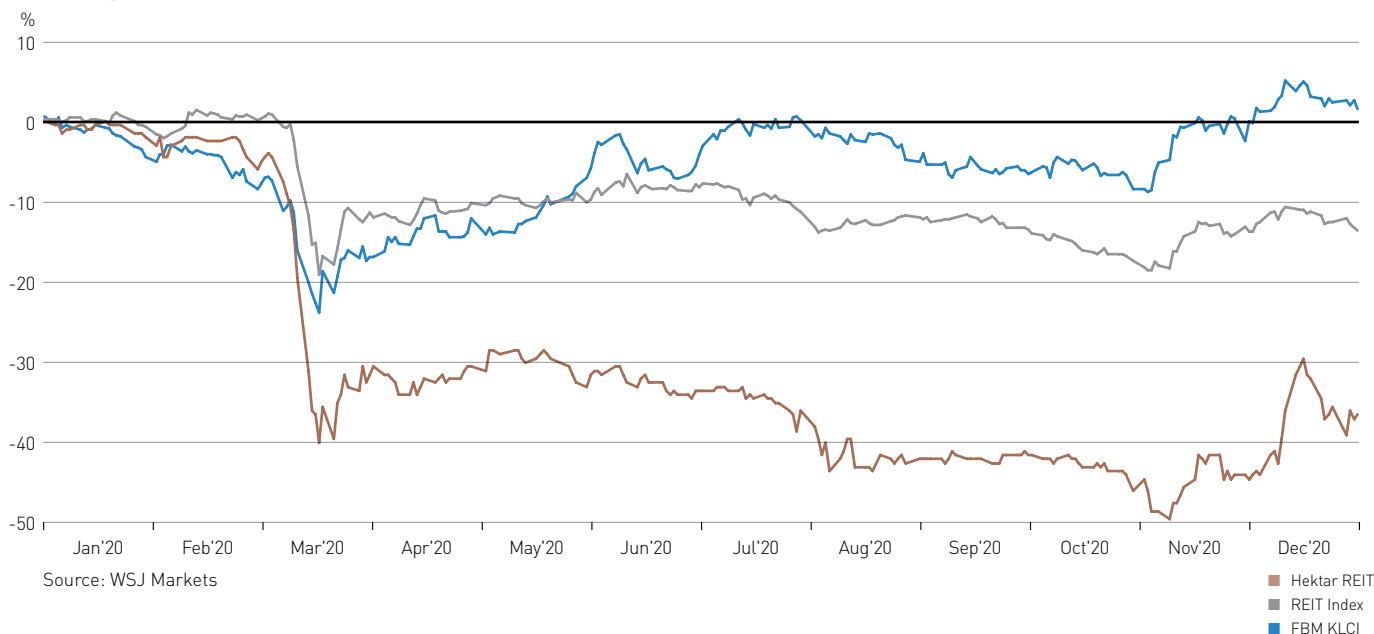
Al-Murabahah/Overdraft/Term Loan  
Fixed Term Loan, Annual Floating Rate

Total Debt	RM581 million
Weighted Cost of Debt	3.74%
Gearing Ratio <sup>1</sup>	46.2%
Interest Cover	1.69%

<sup>1</sup>Gearing ratio calculated by total borrowings over Gross Asset Value (GAV)

# FINANCIAL HIGHLIGHTS

## Comparative One-Year Price Performance



## Trading Summary

For Financial Year ended 31 December

	FY2020	FY2019	FY2018	FY2017	FY2016
Opening Unit Price (RM)	1.00	1.11	1.19	1.58	1.52
Closing Unit Price (RM)	0.63	0.99	1.11	1.30	1.56
52-Week Highest Traded Price (RM)	1.00	1.17	1.27	1.67	1.70
52-Week Lowest Traded Price (RM)	0.49	0.97	1.09	1.14	1.48
Unit Price Change (%) <sup>1</sup>	(36.7)	(10.8)	(6.7)	(17.7)	2.6
DPU (sen)	0.9	7.8	9.0	9.6	10.5
DPU Yield (%) <sup>2</sup>	1.4	7.8	8.1	7.4	6.7
Annual Total Return (%) <sup>3</sup>	(35.8)	(3.8)	0.8	(11.6)	9.5

<sup>1</sup> Based on difference between opening and closing market prices of the respective financial year

<sup>2</sup> Based on DPU over closing price of the respective financial year

<sup>3</sup> Based on DPU and unit price change over opening market price for respective financial year

## Average Total Return\*

For 1 year (2020)	-35.8%
For 3 years (2018–2020)	-32.2%
For 5 years (2016–2020)	-33.7%

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

## Unit Price Statistics (2020)

High	RM1.00
Low	RM0.49
Opening Price (2 Jan 2020)	RM1.00
Closing Price (31 Dec 2020)	RM0.63
Change In Price	-36.7%

## Annualised Total Return\*

For 3 year (2018–2020)	-12.2%
For 5 years (2016–2020)	-7.9%
For 10 years (2011–2020)	1.3%

\*Based on the Total Return of each year and the Opening Price as at 31 December 2020

## Comparative Return (2020)

FBM KLCI	1.5%
REIT Index	-13.7%
Hektar REIT	-36.7%



**“Our management team nevertheless remains steadfast in steering the REIT towards gradual recovery in 2021 and beyond.”**

**Dato' Hisham bin Othman**  
Executive Director & Chief Executive Officer

Dear Valued Unitholders,

2020 has been an extremely challenging year with the unprecedented outbreak of the COVID-19 pandemic which has severely disrupted the global economy. In Malaysia, the adverse impact has been significant on businesses across different industries, including the retail industry which Hektar REIT is primarily focused on. While uncertainties continue to dominate 2021, our management team nevertheless remains steadfast in steering the REIT towards gradual recovery in 2021 and beyond.

88%

**Portfolio  
occupancy rate**

### Market Review

Just a year ago, no one would have predicted the depth of the impact of the COVID-19 pandemic outbreak, which resulted in lifestyle-changing experiences for everyone. The extent of the economic disruption from the pandemic is the worst the world has experienced since World War 2. The International Monetary Fund (IMF) has forecasted the global Gross Domestic Product (GDP) to contract by 3.5% in 2020. For perspective, the global GDP fell 1.7% in 2009, at the height of the global financial crisis. For this COVID-19 pandemic, almost every major country in the world is expected to report a deep recession in 2020, save for China, whose economy is projected to grow by 2%.

19.2m

**Visitor Traffic**

In Malaysia, the imposition of the Movement Control Order (MCO) leading to the introduction of mobility restriction measures and closure of businesses nationwide caused massive disruption to the economy. The Malaysian economy contracted by 8.3% in the first half of 2020 due to the COVID-19 pandemic, with a contraction of 17.1% recorded in the second quarter of 2020.

The retail industry meanwhile suffered its worst decline since 1987, recording a negative growth rate of 30.9% year-on-year in the second quarter of 2020 as the MCO imposed in mid-March led to a standstill in retail activity for most of the quarter.

To mitigate the economic impacts of the movement restrictions, the Government implemented several stimulus packages worth RM320 billion to revive the economy, while Bank Negara Malaysia (BNM) slashed the Overnight Policy Rate (OPR) by 125 bps to a record low of 1.75% in 2020 to support a more sustained recovery.

The movement restrictions under MCO were subsequently eased under the Conditional Movement Control Order (CMCO) and later the Recovery Movement Control Order (RMCO) with the reopening of the economy and resumption of business operations which saw partial recovery in malls' footfall and tenant sales in the third quarter. However, the reintroduction of CMCO in several states in October 2020 and the recent reimplementing of the MCO on the back of a third-wave of increase in COVID-19 cases in the country has derailed the recovery of the retail sector for now. For the first time in 22 years, Malaysia's retail sales are expected to contract by as much as 15.8% in 2020. Even an established and renowned premium departmental store operator which had been in business for over a century has gone into liquidation and as a result has shut its doors in Singapore and Malaysia for good in November 2020 while many other retail stores throughout the country have similarly suffered the same fate. The Malaysian Association of Film Exhibitors (MAFE) meanwhile collectively decided to temporarily suspend their cinemas' operations in November 2020 though some have subsequently reopened briefly in December.

## CEO'S LETTER TO UNITHOLDERS

The COVID-19 pandemic has indeed created massive disruptions globally and is still raging. However, it has been encouraging to note that there has been a steady roll-out of vaccination programs across the globe, in countries such as the United States of America, China, the European Union member states, the United Kingdom, and Singapore amongst others. Progressive vaccination of the world's population will underpin the global economic recovery, being a key catalyst for the relaxation of mobility restrictions and normalisation of economic activities including eventually the reopening of international borders to investments, travel and tourism.

The IMF forecasts global GDP growth to be at 5.5% in 2021, which will be the strongest in more than four decades. Despite the recent implementation of MCO 2.0, the Finance Minister has maintained Malaysia's Gross Domestic Product (GDP) growth target of between 6.5% and 7.5% for 2021 after a 5.6% contraction in 2020 due to the COVID-19 pandemic.

### Portfolio Review

Despite this extremely difficult period, overall portfolio occupancy remained a healthy 88% in 2020 with Mahkota Parade, Wetex Parade and Kulim Central maintaining commendable occupancy rates of above 90% each. The fact that our portfolio is geographically well diversified with our malls being either the dominant mall or the only mall operator in a particular town has also helped to cushion the overall impact on Hektar REIT's portfolio occupancy. Visitor traffic declined to 19.2 million visits in 2020 on the back of the implementation of the various phases of movement control order. Meanwhile, the portfolio overall rental reversion rate was a negative 28% on the back of interim rental reviews and rebate offers implemented by the REIT to support eligible tenants.

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84%

**Subang Parade  
occupancy rate**

**SUBANG PARADE.** Subang Parade's occupancy declined to 84% at the end of 2020 as a number of tenants opted for early termination of their tenancy due to the challenging retail environment. However, we welcomed the opening of Village Grocer, a premium supermarket at Subang Parade in September 2020 and the reopening of Parkson in the same mall after refurbishment of its lower ground floor space which now reflects the store's latest contemporary brands and trends in homeware and electrical products. February 2020 also saw Best Denki reopening at the East Wing of the mall with a revamped and refreshed outlook.

We are pleased to update that our rejuvenation plans for Subang Parade are on track and we are positive that having good anchor tenants and the right tenancy mix in our mall will help to attract visitor traffic to Subang Parade which in turn will provide the mall with a strong foundation for recovery in 2021 once economic activities are normalised.

92%

**Mahkota Parade  
occupancy rate**

**MAHKOTA PARADE.** Mahkota Parade, the leading mall in Melaka, achieved an occupancy rate of 92% in 2020 while visitor traffic dipped to 4.5 million. Despite market uncertainties, Parkson, our longstanding departmental store anchor tenant, renewed its tenancy for a further term of 3 years. Meanwhile, the Management also continued to enhance the tenancy mix of the mall in 2020 with the introduction of new retailers such as Hummer, Pandora, and Wonderlab as well new F&B tenants such as Rollseriez, Koi, Fuji Sushi and Llao Llao in 2020. Mahkota Parade remains as the main shopping destination in Melaka with a traffic count of 4.5 million visits in 2020.

94%

**Wetex Parade  
occupancy rate  
with +8% rental  
reversions**

**WETEX PARADE & CLASSIC HOTEL.** Wetex Parade, the only mall in Muar ended the year 2020 with its occupancy at 94% and total visitor traffic recorded at 2.5 million visits. Overall rental reversion was commendable at 8%.

We are pleased to update that The Store, our anchor tenant at Wetex Parade, has recently signed a new tenancy agreement effective 1 January 2021 for a period of 3 years, with options to renew for a further 4 terms of 3 years. The Store's continued support and confidence in the mall is driven by the mall's leading market positioning, future prospects and strong management team which has delivered continuous success to the mall and its tenants for many years.

Meanwhile, Wetex Parade also saw the entry of Switch, the authorised Apple reseller which opened in August 2020 with much fanfare, offering Muarian shoppers access to the much sought after Apple products as demand for laptops, tablets and smartphones increased tremendously due to the Government's encouragement for more people to work from home and students to undergo virtual or online learning under the new normal trends or procedures. Indeed, Switch recorded strong sales for the first few months since its opening, which has exceeded initial expectations.

Being the largest hotel in Muar with the largest ballroom facilities, Classic Hotel Muar recorded overall occupancy of 27% in 2020 with an average room rate of RM125. As you are aware, the hospitality sector is one of the hardest hit industries in Malaysia during the COVID-19 pandemic, where more than 100 establishments in the hotel sector have closed permanently or temporarily since the COVID-19 pandemic broke out last year. Notwithstanding, we are cautiously optimistic that the hotel's performance will improve in 2021 once travelling restrictions are lifted and economic activities normalised.

**CENTRAL SQUARE.** The leading mall in Sungai Petani recorded visitor traffic of 2.8 million in 2020 while occupancy dipped marginally to 88% as the Management is continuing initiatives to upgrade the quality of the tenant mix and positioning of the mall, as reflected by the entry of a new mini-anchor tenant i.e. Ipoh Bowl and Empire Sushi, a new food & beverage tenant in 2020. Our anchor tenant, The Store, has also recently signed a new tenancy agreement for a period of 3 years, with options to renew for a further 4 terms of 3 years.

**KULIM CENTRAL.** The only mall in Kulim continues to maintain occupancy of above 90% for 2020, with an occupancy rate of 94% being recorded as at end 2020. Visitor traffic was about 3 million while tenancy reversion remained positive at 0.6%. The positive effects from the asset enhancement initiative in 2017 continues till today with new middle-class brands such as Watsons, AEON Wellness and FOS making their entry into Kulim Central in late 2019, adding to the vibrancy of the tenancy mix in the mall. One of our anchor tenants, The Store, has also recently signed a new tenancy agreement for a period of 3 years, with options to renew for a further 4 terms of 3 years.

**SEGAMAT CENTRAL.** Segamat Central's occupancy remained stable at 78% with visitor traffic at 1.5 million visits in 2020. The Management remains focused on an "occupancy first" strategy by executing a rental revision strategy to retain existing tenants as well as attract specialty anchors and more F&B retailers to the mall.

Given the anticipated challenging market environment post-COVID-19, the Management is of the view that the revision in rental rates to improve Segamat Central's occupancy is the right strategy and necessary to ensure the sustainability of the Mall in the short to medium term.

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88%

Central Square  
occupancy rate

94%

Kulim Central  
occupancy rate

78%

Segamat Central  
occupancy rate

## Financial Review

The REIT recorded revenue of RM111 million in 2020, down 19% compared to 2019 whilst operating expenses reduced by 6% to RM58 million. Meanwhile Net Property Income declined to RM53 million, down by about 30% from 2019 while realised net income before tax was RM14 million. There was a net loss before tax of about RM24 million due to the fair value decline of the portfolio.

**FINANCING.** Hektar REIT's current financing includes debt facilities of up to RM581million, with 92% of the amount due in 2024-2025.

Hektar REIT's gearing ratio stood at 46.2% as at end 2020, well below the increased 60% gearing limit announced by the Securities Commission, on 11 August 2020, an increase of 10% from the 50% limit previously. The increased gearing limit is effective until 31 December 2022.

The unprecedented impact of the COVID-19 outbreak on the global economy has also led to Bank Negara Malaysia (BNM) cutting the Overnight Policy Rate (OPR) to a record low of 1.75% in July 2020. The accommodative interest rate environment as well as the higher gearing limit will provide the REIT with more flexibility to run our debt and capital structures more efficiently amid the COVID-19 pandemic.

**DISTRIBUTION.** The COVID-19 pandemic has impacted the retail industry significantly and the REIT has also not been spared. However, we remain committed to maintaining a distribution policy of at least 90% of our distributable income and have declared a fourth quarter/total DPU of 0.90 sen for the year 2020 reflecting a total distribution pay out of approximately RM4.2 million. Based on the final price of RM0.63 on 31 December 2020, the DPU represents a yield of approximately 1.4%. At the end of 2020, Hektar REIT had over 5,600 unitholders.

## Sustainability

Hektar REIT is committed to fulfill our obligation to ensure that all our business activities are performed to high standards of Environmental, Social and Governance (ESG). Hektar REIT is a constituent member of the FTSE4Good Bursa Malaysia Index and in its latest December 2020 evaluation, its ESG conduct has been recognised with a 3-star ESG rating by FTSE Russell.

## CEO'S LETTER TO UNITHOLDERS

As an extension of our ongoing energy efficiency initiative since 2017, the Management is planning to embark upon a 20-year Renewable Energy Programme by commissioning the installation of Solar Photovoltaic (PV) systems on the rooftop of Hektar's shopping malls by the end of 2021. The proposed Solar PV systems are estimated to have a combined generation capacity of over 6,000 kWp. The Solar PV systems are estimated to generate a total output of about 157 million kWh of energy over a period of 20 years which potentially translates to carbon emission reduction of about 109 million kg CO<sub>2</sub> or the planting of about 654,000 trees on planet earth.

While 2020 has been an extremely challenging year for the REIT, we strived to remain relevant to our communities by working with local organisations to address the needs in our communities. Through the "1 Ringgit Feed 5" campaign, we collaborated with The Lost Food Project (TLFP), a non-profit organisation which rescues surplus quality, nutritious food and other essential goods and redistribute them to those in need. The campaign successfully raised funds to feed over 7,000 people.

Our malls also initiated the "Hektar Helping Hand" campaign after the Movement Control Order (MCO) was lifted in June 2020, serving as a community hub to generate donations either in monetary form or contribution of essential items for those who are affected and struggling to cope with the COVID-19 pandemic.

### Steering Towards Recovery

The recent reimplementing of MCO in January 2021 to curb the alarming increase of COVID-19 cases in the country is expected to dampen the recovery of the economy, in particular the retail sector, in the short-term.

However, in the longer-term, we are hopeful that the planned vaccine roll-out by the first half of 2021 and the eventual lifting of the MCO will aid the recovery of the economy. We are encouraged by the firm pledge by our government to begin mass vaccination by the first half of the year and with countries such as China, Singapore, United Kingdom, and the United States having started their vaccine rollout programmes, this seems achievable. Malaysia is expected to need a year to achieve herd immunity for the coronavirus through the National COVID-19 Immunisation Plan. This will hopefully kick-start the normalisation of economic activities and eventually allow for a recovery, especially for the retail sector. We hold steadfast in our view that at the end of the day, malls can offer social and retail experiences to shoppers which cannot be replicated by online shopping platforms. As such, given the preference for physical social and retail experience, there is bound to be pent-up demand for shopping, dining and entertainment once sentiment improves.

Notwithstanding the market uncertainties moving forward, we remain focused in steering our portfolio towards recovery in 2021 by ensuring the sustainability of our tenants through the provision of rental assistance to eligible tenants and ensuring the safety of shoppers by adopting stringent COVID-19 standard operating procedures (SOPs) at our shopping malls. In addition, we intend to implement strategic marketing initiatives to drive traffic back to our malls as well as ensure our malls remain relevant through various tenancy remixing and other optimum asset enhancement initiatives.

To ensure that we have a good foundation for recovery, we have also actively reduced or deferred non-essential operational and capital expenditures to contain costs and conserve cash, while strengthening the balance sheet via continued prudent and proactive capital management.

### Acknowledgments

On behalf of the Board of Directors of Hektar Asset Management, I would like to express our thanks and appreciation to our alternate Director, Mr. Alex Chia Soon Ren who retired from our Board in the past year. We sincerely appreciate his dedication and support over the years. We also welcome his successor, Miss Pauline Lim Poh Noy and look forward to working with her.

Finally, I would also like to acknowledge the dedication and perseverance of our team and the guidance from the Board of Directors during this difficult period. We will continue to work hard and look forward to the continued support of all our stakeholders' as we strive to steer Hektar REIT towards recovery in 2021.

#### **Dato' Hisham bin Othman**

Executive Director & Chief Executive Officer

# PERUTUSAN KETUA PEGAWAI EKSEKUTIF KEPADA PEMEGANG-PEMEGANG UNIT

Pihak pengurusan tetap teguh untuk mengemudi REIT ke arah proses pemulihan secara beransur-ansur pada 2021 dan tahun-tahun seterusnya.

Para Pemegang Unit Yang Dihargai,

Tahun 2020 merupakan tahun yang amat mencabar dengan tercetusnya penularan wabak COVID-19 buat pertama kali yang telah mengakibatkan gangguan teruk kepada ekonomi dunia. Di Malaysia, impaknya amat ketara kepada semua jenis industri termasuk bidang peruncitan yang menjadi fokus utama Hektar REIT. Walaupun ketidakpastian masih terus mendominasi tahun 2021, pihak pengurusan tetap teguh untuk mengemudi REIT ke arah proses pemulihan secara beransur-ansur pada tahun 2021 dan seterusnya.

## Ulasan Pasaran

Setahun yang lalu, tiada sesiapa yang dapat menjangka sejauh mana impak pandemik COVID-19 yang telah menyebabkan perubahan gaya hidup ketara yang dialami oleh semua orang. Kesan gangguan ekonomi disebabkan pandemik ini adalah yang terburuk pernah dialami dunia sejak perang dunia kedua. Tabung Kewangan Antarabangsa (IMF) menjangkakan Keluaran Dalam Negeri Kasar (KDNK) dunia menguncup sebanyak 3.5% untuk 2020. Sebagai perspektif, KDNK dunia jatuh 1.7% pada tahun 2009 semasa kemuncak krisis kewangan dunia. Disebabkan pandemik COVID-19, hampir semua negara utama di dunia dijangka melaporkan kemelesetan ekonomi yang ketara pada tahun 2020 kecuali negara China, yang ekonominya diunjurkan berkembang sebanyak 2%.

Di Malaysia, pelaksanaan Perintah Kawalan Pergerakan (PKP) yang memperkenalkan tindakan sekatan pergerakan dan penutupan perniagaan di seluruh negara, telah menyebabkan gangguan yang teruk kepada ekonomi. Ekonomi Malaysia menguncup sebanyak 8.3% pada separuh penggal pertama tahun 2020 disebabkan pandemik COVID-19, dengan penguncupan sebanyak 17.1% direkodkan pada suku kedua tahun 2020.

Sementara itu, industri peruncitan mengalami kejatuhan yang paling teruk semenjak tahun 1987, mencatatkan kadar pertumbuhan negatif dari tahun ke tahun sebanyak 30.9% pada suku kedua tahun 2020 di mana PKP yang dilaksanakan pada pertengahan Mac telah mengakibatkan aktiviti peruncitan terhenti untuk hampir keseluruhan suku tersebut.

Untuk mengurangkan kesan-kesan ekonomi akibat sekatan pergerakan, pihak Kerajaan telah melaksanakan beberapa pakej perangsangan ekonomi berjumlah RM320 bilion untuk memulihkan semula ekonomi, sementara itu Bank Negara Malaysia (BNM) menurunkan Kadar Dasar

Semalaman (OPR) sebanyak 125 mata asas kepada rekod terendah 1.75% pada 2020 untuk menyokong pemulihan jangka panjang yang berkekalan.

Sekatan pergerakan di bawah PKP telah dilonggarkan di bawah Perintah Kawalan Pergerakan Bersyarat (PKPB) dan diikuti Perintah Kawalan Pergerakan Pemulihan (PKPP) dengan pembukaan semula ekonomi dan aktiviti perniagaan yang menyaksikan pemulihan separa jumlah pengunjung dan jumlah jualan penyewa pada suku ketiga. Walaubagaimanapun, pelaksanaan semula PKPB di beberapa negeri pada bulan Oktober 2020 dan pelaksanaan semula PKP baru-baru ini disebabkan gelombang ketiga

kenaikan kes COVID-19 di dalam negara telah menjejaskan pemulihan sektor peruncitan buat masa ini. Buat pertama kali dalam 22 tahun, jumlah jualan peruncitan di Malaysia dijangka menguncup sebanyak 15.8% pada tahun 2020. Bahkan gedung membeli-belah premium terkenal yang telah beroperasi lebih satu abad lamanya telah mengalami pembubaran yang mengakibatkan penutupan kekal kesemua cawangan di Singapura dan Malaysia pada November 2020 manakala banyak juga kedai peruncitan yang lain di seluruh negara mengalami nasib yang sama. Pada masa yang sama, Persatuan Pemamer Filem Malaysia (*The Malaysian Association of Film Exhibitors (MAFE)*) telah membuat keputusan untuk memberhentikan operasi kesemua pawagam buat sementara waktu pada bulan November 2020 walaupun ada sebahagian pengusaha yang telah membuka semula operasi mereka untuk seketika pada bulan Disember.

Pandemik COVID-19 telah menyebabkan gangguan yang teruk di seluruh dunia dan situasi ini masih terus mengganas. Walaubagaimanapun, keadaan kini adalah menggalakkan dengan adanya pelancaran program vaksinasi yang memberangsangkan di seluruh dunia, seperti di Amerika Syarikat, China, Negara-negara Kesatuan Eropah, United Kingdom dan Singapura di samping negara-negara lain. Pemberian vaksinasi secara progresif kepada penduduk dunia akan menyokong pemulihan ekonomi dunia dengan menjadi pemangkin utama kepada perlonggaran sekatan pergerakan dan normalisasi aktiviti ekonomi dan seterusnya membolehkan pembukaan semula sempadan antarabangsa untuk pelaburan, perjalanan dan pelancongan.

IMF meramalkan pertumbuhan KDNK dunia pada 5.5% di bagi tahun 2021, ini merupakan pertumbuhan tertinggi dalam tempoh lebih daripada empat dekad. Walaupun dengan

88%  
Penghunian

19.2 j  
Pengunjung

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perlaksanaan MCO 2.0 baru-baru ini, Menteri Kewangan mengekalkan unjuran KDNK Malaysia pada kadar di antara 6.5% dan 7.5% untuk 2021 selepas penguncupan sebanyak 5.6% pada tahun 2020 akibat pandemik COVID-19.

### Ulasan Portfolio

Walaupun menghadapi keadaan semasa yang amat sukar, keseluruhan kadar penghunian portfolio kekal baik pada kadar 88% untuk tahun 2020 di mana Mahkota Parade, Wetex Parade dan Kulim Central berjaya mengekalkan kadar penghunian melebihi 90%. Oleh kerana portfolio pusat beli-belah kami mempunyai kedudukan kepelbagaian geografi dan merupakan pusat beli-belah yang terunggul atau satu-satunya pusat beli-belah di sesetengah bandar, kesan keseluruhan ke atas kadar penghunian portfolio Hektar REIT telah dapat dikurangkan. Jumlah trafik pengunjung susut kepada 19.2 juta pada tahun 2020 disebabkan oleh pelaksanaan beberapa fasa perintah kawalan pergerakan. Manakala, kadar pembaharuan sewaan keseluruhan adalah negatif iaitu -28% disebabkan kadar sewaan sementara yang disemak semula dan tawaran rebat yang dilaksanakan oleh REIT untuk menyokong penyewa-penyewa yang layak.

**SUBANG PARADE.** Kadar penghunian Subang Parade susut kepada 84% pada akhir tahun 2020 disebabkan beberapa penyewa yang memilih untuk memberhentikan penyewaan lebih awal akibat daripada keadaan peruncitan yang mencabar. Walaubagaimanapun, kami mengalu-alukan pembukaan pasaraya premium Village Grocer di Subang Parade pada September 2020 dan pembukaan semula Parkson selepas ruang tingkat bawahnya diperbaharui semula dengan bercirikan tren dan jenama kontemporari barangan dapur dan elektrik terkini. Bulan Februari 2020 juga memperlihatkan pembukaan semula Best Denki di sebelah sayap timur Subang Parade dengan penampilan yang baru dan menarik.

Kami berbesar hati melaporkan bahawa pelan menaik taraf Subang Parade telah berjalan lancar mengikut jadual yang ditetapkan dan kami positif dengan adanya penyewa-penyewa utama yang bagus dan campuran penyewa yang betul akan membantu menarik pengunjung ke Subang Parade dan seterusnya akan memberikan asas yang kukuh untuk pemulihan pada tahun 2021 setelah aktiviti ekonomi kembali seperti normal.

**MAHKOTA PARADE.** Mahkota Parade, yang merupakan pusat beli-belah utama di Melaka, mencapai kadar penghunian 92% pada tahun 2020 manakala jumlah pengunjung susut kepada 4.5 juta. Walaupun terdapat ketidakpastian pasaran, gedung beli-belah Parkson, penyewa utama yang telah lama bersama kami, telah memperbaharui penyewaan untuk tempoh tiga tahun lagi. Sementara itu, pihak Pengurusan terus memperbaiki campuran penyewa pada tahun 2020 dengan memperkenalkan peruncit baru seperti Hummer,

Pandora dan Wonderlab serta penyewa kategori makanan dan minuman seperti Rollseriez, Koi, Fuji Sushi dan Llao Llao. Mahkota Parade kekal sebagai destinasi pusat beli-belah utama di Melaka dengan jumlah pengunjung 4.5 juta pada tahun 2020.

**WETEX PARADE & HOTEL CLASSIC.** Wetex Parade, pusat beli-belah yang terulung di Muar mengakhiri tahun 2020 dengan kadar penghunian 94% dan mencatatkan jumlah pengunjung sebanyak 2.5 juta. Keseluruhan pembaharuan sewaan adalah memberangsangkan pada tahap 8%.

Kami juga bangga melaporkan bahawa The Store, penyewa utama di Wetex Parade, telah memeterai perjanjian penyewaan yang baru efektif 1 Januari 2021 untuk tempoh 3 tahun dengan opsyen memperbaharui penyewaan untuk 4 penggal lagi, dengan tempoh 3 tahun untuk setiap penggal. Sokongan berterusan dan keyakinan yang ditunjukkan oleh The Store adalah disebabkan keunggulan pusat beli-belah ini, prospek akan datang dan keteguhan pihak pengurusan yang telah membawa kejayaan yang berterusan kepada pusat beli-belah ini dan para penyewanya selama bertahun-tahun.

Sementara itu, Wetex Parade menyaksikan kemasukan Switch, penjual semula berdaftar Apple, yang memulakan operasinya pada bulan Ogos 2020 dengan penuh sambutan, menawarkan pembeli-pembeli dari Muar akses kepada produk Apple yang popular seiring dengan permintaan tinggi untuk laptop, tablet and telefon pintar disebabkan oleh saranan Kerajaan untuk lebih ramai orang bekerja dari rumah dan pelajar mengikuti pembelajaran secara dalam talian atau maya di bawah tren atau prosedur norma yang baharu. Switch, sememangnya, merekodkan jualan yang kukuh selama beberapa bulan selepas pembukaannya dan prestasi ini telah melebihi jangkaan awal.

Sebagai hotel terbesar di Muar yang juga mempunyai fasiliti dewan acara yang terbesar, Classic Hotel Muar merekodkan kadar penghunian sebanyak 27% pada tahun 2020 dengan purata kadar bilik sebanyak RM125. Seperti yang diketahui umum, sektor perhotelan merupakan salah satu industri yang paling teruk terjejas di Malaysia akibat pandemik COVID-19 di mana lebih daripada 100 buah penginapan di dalam sektor perhotelan telah tutup secara kekal atau buat sementara waktu sejak pandemik COVID-19 meletus tahun lepas. Walaubagaimanapun, secara berwaspada, kami optimistik yang prestasi hotel akan bertambah baik pada 2021 apabila larangan perjalanan ditarik semula dan aktiviti ekonomi kembali seperti sedia kala.

**CENTRAL SQUARE.** Central Square, pusat beli-belah yang terutama di Sungai Petani mencatatkan jumlah pengunjung sebanyak 2.8 juta pada 2020 meskipun kadar penghunian merosot sedikit kepada 88%, sementara pihak Pengurusan meneruskan inisiatif untuk menaiktaraf kualiti campuran penyewa dan kedudukan pusat beli-belah seperti yang dicerminkan melalui kemasukan penyewa utama mini yang

baru iaitu Ipoh Bowl dan Empire Sushi yang merupakan penyewa kategori makanan dan minuman baru pada tahun 2020. Penyewa utama Central Square, The Store juga telah baru-baru ini memeterai perjanjian penyewaan yang baru untuk tempoh 3 tahun dengan opsiyen memperbaharui penyewaan untuk 4 penggal lagi dengan tempoh 3 tahun untuk setiap penggal.

**KULIM CENTRAL.** Kulim Central, satu-satunya pusat beli-belah di Kulim terus mengekalkan kadar penghunian lebih daripada 90% pada tahun 2020, dengan kadar penghunian sebanyak 94% dicatatkan pada penghujung tahun 2020. Kehadiran pengunjung adalah sebanyak 3 juta manakala pembaharuan sewaan kekal positif pada kadar 0.6%. Kesan positif daripada inisiatif peningkatan taraf aset yang telah dijalankan pada tahun 2017 berterusan sehingga kini dengan jenama kelas pertengahan yang baru seperti Watsons, AEON Wellness dan FOS memasuki Kulim Central pada lewat tahun 2019, justeru menambahkan kemeriahan campuran penyewa di pusat beli-belah ini. The Store, salah satu daripada penyewa utama Kulim Central juga telah baru-baru ini memeterai perjanjian penyewaan yang baru untuk tempoh 3 tahun dengan opsiyen memperbaharui penyewaan untuk 4 penggal lagi dengan tempoh 3 tahun untuk setiap penggal.

**SEGAMAT CENTRAL.** Kadar penghunian di Segamat Central kekal stabil pada 78% dengan jumlah pengunjung sebanyak 1.5 juta pada tahun 2020. Pihak pengurusan kekal fokus kepada strategi "mengutamakan penghunian" dengan melaksanakan strategi pembaharuan sewaan untuk mengekalkan penyewa-penyewa yang sedia ada dan juga untuk menarik penyewa utama khusus dan lebih banyak pengusaha makanan dan minuman.

Oleh kerana keadaan pasaran selepas pandemik COVID-19 dijangka mencabar, pihak Pengurusan berpandangan bahawa penyemakan semula kadar sewaan bagi memperbaiki kadar penghunian di Segamat Central adalah strategi yang tepat dan perlu untuk memastikan kelestarian pusat beli-belah ini bagi jangka masa terdekat.

## Ulasan Kewangan

REIT mencatatkan pendapatan sebanyak RM111 juta pada tahun 2020, susut 19% berbanding tahun 2019, manakala perbelanjaan operasi menurun sebanyak 6% kepada RM58 juta. Pendapatan hartanah bersih pula menurun kepada RM53 juta, susut sebanyak 30% berbanding tahun 2019 manakala pendapatan bersih sebelum cukai adalah RM14 juta. Kerugian sebelum cukai sebanyak RM24 juta telah dicatatkan disebabkan penurunan nilai saksama portfolio.

**PEMBIAYAAN.** Pembiayaan Hektar REIT terkini merangkumi kemudahan hutang sehingga RM581 juta, dengan 92% daripada jumlah hutang tersebut perlu dibayar pada tahun 2024–2025.

Nisbah gearing Hektar REIT adalah 46.2% pada akhir tahun 2020, masih di bawah had gearing yang telah dinaikkan kepada 60% seperti yang diumumkan oleh Suruhanjaya Sekuriti (SC) pada 11 Ogos 2020, iaitu penambahan 10% daripada had 50% sebelum ini. Kenaikan had gearing ini berkuatkuasa sehingga 31 Disember 2022.

Impak pengalaman yang tidak ada bandingnya daripada wabak COVID-19 kepada ekonomi global telah menyebabkan Bank Negara Malaysia (BNM) menurunkan Kadar Dasar Semalaman (OPR) kepada paras terendah iaitu 1.75% pada bulan Julai 2020. Kadar bunga yang akomodatif dan had gearing yang lebih tinggi memberikan lebih fleksibiliti kepada REIT untuk menguruskan struktur modal dan pembiayaan menjadi lebih efisien di sebalik pandemik COVID-19.

**PENGAGIHAN.** Pandemik COVID-19 telah memberikan impak yang ketara kepada industri peruncitan dan Hektar REIT juga tidak terkecuali. Walaubagaimanapun, kami tetap komited untuk mengekalkan polisi pengagihan sekurang-kurangnya 90% daripada perolehan yang boleh diagihkan dan telah mengumumkan untuk suku keempat/jumlah keseluruhan DPU sebanyak 0.90 sen bagi tahun 2020 dengan jumlah keseluruhan bayaran sebanyak RM4.2 juta. Berdasarkan harga saham RM0.63 pada 31 Disember 2020, hasil dividen daripada DPU adalah sebanyak 1.4%. Hektar REIT mempunyai lebih daripada 5,600 pelabur pada akhir tahun 2020.

**KEMAMPANAN.** Hektar REIT komited untuk memenuhi tanggungjawab kami bagi memastikan keseluruhan aktiviti perniagaan dilaksanakan dengan standard Persekitaran, Sosial dan Tadbir (ESG) yang tinggi. Hektar REIT adalah merupakan ahli konstituen kepada Indeks FTSE4Good Bursa Malaysia dan dalam penilaian yang terkini pada Disember 2020, konduk ESGnya telah diperakui dengan penilaian ESG 3-bintang oleh FTSE Russel.

Sebagai kesinambungan kepada inisiatif berterusan kami di dalam penggunaan tenaga yang efisien sejak 2017, pihak Pengurusan merancang untuk memulakan program Renewable Energy selama 20 tahun dengan pemasangan sistem-sistem Solar Photovoltaic (PV) di atas bumbung pusat beli-belah yang dimiliki Hektar sebelum akhir 2021. Sistem-sistem Solar PV ini dianggarkan akan menjana kapasiti keseluruhan melebihi 6,000 kWp. Sistem-sistem Solar PV yang dicadangkan ini juga dianggarkan menjana jumlah pengeluaran tenaga sebanyak 157 juta kWh sepanjang tempoh 20 tahun yang berpotensi mengurangkan pengeluaran gas karbon sebanyak 109 juta kg CO<sub>2</sub> ataupun bersamaan dengan penanaman sejumlah 654,000 batang pokok di planet bumi.

Walaupun 2020 merupakan tahun yang amat mencabar kepada REIT, kami gigih berusaha untuk kekal relevan kepada komuniti melalui kerjasama dengan pertubuhan setempat sebagai memenuhi keperluan mereka. Melalui

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kempen “1 Ringgit Feed 5”, kami bekerjasama dengan *The Lost Food Project (TLFP)*, sebuah organisasi tidak berasaskan keuntungan yang mengumpulkan lebih makanan yang berkualiti dan berkhasiat dan barangan keperluan lain yang penting dan seterusnya mengedarkan makanan dan barangan tersebut kepada golongan yang memerlukannya. Kempen ini telah berjaya mengumpulkan dana untuk memberi makan kepada 7,000 orang.

Pusat beli-belah kami juga memulakan kempen “*Hektar Helping Hand*” sejurus PKP ditamatkan pada bulan Jun 2020, dengan menyediakan pusat komuniti untuk mengumpul sumbangan samaada dalam bentuk wang ringgit ataupun barang-barang keperluan untuk mereka yang terkesan dan bergelut dalam menangani pandemik COVID-19.

### Mengemudi Kearah Pemulihan

Perlaksanaan semula PKP pada bulan Januari 2021 untuk mengekang kenaikan kes COVID-19 di dalam negara yang amat membimbangkan dijangka akan melembabkan pemulihan ekonomi, terutamanya bagi sektor peruncitan, untuk tempoh terdekat.

Walaubagaimanapun, untuk tempoh jangka panjang, kami yakin perancangan pelancaran vaksin dalam penggal pertama tahun 2021 dan seterusnya penamatan PKP akan membantu pemulihan ekonomi. Ikrar pihak Kerajaan untuk melancarkan vaksinasi secara meluas di separuh penggal pertama tahun ini dan pelancaran program vaksinasi di negara-negara seperti China, Singapura, United Kingdom dan Amerika Syarikat membayangkan ianya boleh dicapai. Malaysia dijangka akan dapat mencapai imuniti kelompok bagi coronavirus dalam masa setahun melalui Program Imunisasi COVID-19 Kebangsaan. Ini akan menjadi permulaan untuk aktiviti ekonomi kembali normal dan akhirnya membolehkan pemulihan terutamanya kepada sektor peruncitan. Pada akhirnya, kami tetap yakin dengan pandangan kami bahawa pusat beli-belah boleh memberikan pengalaman sosial dan runcit kepada pengunjung yang tidak dapat ditawarkan oleh pembelian dalam talian. Oleh itu, dengan kecenderungan terhadap pengalaman sosial dan runcit secara fizikal, permintaan untuk membeli-belah, makan dan berhibur di luar akan tercetus apabila sentimen bertambah baik.

Meskipun keadaan pasaran tidak menentu pada masa hadapan, kami kekal fokus untuk mengemudi portfolio kami ke arah pemulihan pada tahun 2021 dengan memastikan kemampuan penyewa-penyewa kami melalui peruntukan bantuan sewaan kepada penyewa-penyewa yang layak dan memastikan keselamatan pengunjung dengan melaksanakan prosedur operasi standard (SOP) COVID-19 yang ketat di pusat-pusat beli-belah kami. Tambahan pula, kami bercadang untuk melaksanakan inisiatif strategi pasaran untuk mengembalikan semula pengunjung ke pusat-pusat beli-belah kami serta memastikan pusat-pusat beli-belah kami kekal relevan melalui pelbagai campuran penyewa dan inisiatif menaikkan taraf aset secara optimum. Bagi memastikan kami mempunyai asas yang baik untuk pemulihan, kami juga secara aktif mengurangkan atau menangguhkan perbelanjaan operasi dan modal yang kurang penting bagi mengekang kos dan memelihara aliran tunai sambil memperkuat penyataimbangan melalui pengurusan modal secara berhemah dan proaktif yang berterusan.

### Penghargaan

Bagi pihak Lembaga Pengarah Hektar Asset Management, saya ingin merakamkan setinggi penghargaan kepada Pengarah Alternatif kami, iaitu Encik Alex Chia Soon Ren yang telah bersara daripada Lembaga Pengarah kami pada tahun lalu. Kami benar-benar menghargai dedikasi dan sokongan beliau yang telah diberikan selama ini. Kami juga mengalu-alukan pengganti beliau, Cik Pauline Lim Poh Noy dan bersedia untuk bekerjasama dengan beliau pada tempoh yang akan datang.

Akhir kata, saya ingin merakamkan penghargaan kepada pihak pengurusan dan kakitangan kami yang berdedikasi dan tabah dan juga kepada ahli-ahli Lembaga Pengarah yang telah memberi petunjuk dan bimbingan sewajarnya semasa menghadapi tempoh yang sukar ini. Kami akan terus bekerja kuat dan mengharapkan sokongan berterusan daripada semua pihak yang berkepentingan sementara kami berusaha mengemudi Hektar REIT ke arah pemulihan pada tahun 2021.

### Dato' Hisham bin Othman

Pengarah Eksekutif & Ketua Pegawai Eksekutif



## 我们的管理团队依旧坚定不移地带领产托迈向2021和未来循序渐进的复苏之路。

致信托基金单位持有人，

2020年是极具挑战的一年，前所未有的新冠肺炎疫情对全球经济带来严重的破坏。在马来西亚，疫情带来的负面冲击对不同行业带来显著影响，其中包括贺达房地产投资信托基金专注的零售行业。尽管不确定因素将在2021年占据主导地位，但我们的管理团队依旧坚定不移地带领产托迈向2021和未来循序渐进的复苏之路。

### 市场概况

一年前，没有人能预料新冠肺炎疫情带来的影响有多深，甚至导致每个人的生活方式出现改变。疫情对全球经济的破坏程度，为第二次世界大战以来最糟。国际货币基金组织 (IMF) 预测2020年全球国内生产总值 (GDP) 将萎缩3.5%。相比之下，在2009年全球金融危机最严峻时期，全球GDP仅下跌1.7%。在新冠肺炎疫情下，除了中国预期经济增长2%以外，几乎每个主要国家的经济都将在2020年陷入深度衰退。

马来西亚落实的行动管制令 (MCO) 带来的流动性限制措施，以及全国商业停运对经济带来重大破坏。在新冠肺炎疫情的影响下，马来西亚经济在2020年上半年萎缩8.3%，其中2020年第二季更录得17.1%缩幅。

与此同时，零售业也遭遇1987年以来最大跌幅，2020年第二季按年下跌30.9%，主要是3月中旬落实的MCO导致第二季多数时间的零售活动陷入停滞。

为了转嫁行动管制对经济带来的冲击，政府落实总值3200亿令吉的多项振兴配套来提振经济，同时国家银行大砍隔夜政策利率 (OPR) 125个基点，至2020年的1.75%纪录创新低，以扶持经济持续复苏。

MCO当中的行动管制随后逐步放宽成为有条件行动管制令 (CMCO)，以及之后的复原期行动管制令 (RMCO)，让经济得以重开，商业活动也重启，使得第三季购物中心的客流量和租户销售出现局部复苏。不过，我国爆发第三波疫情，导致多个州属在10月重新落实CMCO，以及近期重新落实的MCO使得当前零售业复苏步履蹒跚。大马2020年零售销售预计萎缩15.8%，为22年来首见。即使是营业超过一个世纪的知名高级百货商店也陷入清盘窘境，并导致新加坡和马来西亚门店在2020年11月关门大吉，而全国各地的许多零售商也面对相同的命运。同时，马来西亚电影商协会 (MAFE) 集体决定在2020年11月暂停所有电影院的营运，但部分电影院曾在12月短暂重开。

新冠肺炎疫情确实在全球造成大规模破坏，而疫情现在仍在肆虐。不过，令人鼓舞的是美国、中国、欧盟成员国、英国和新加坡等全球各国已稳步推出疫苗接种计划。全球人口逐步接种疫苗将为全球经济复苏奠定基础，逐渐放宽行动管制措施和经济活动正常化，使投资、出游和旅游业可以重新开放和运作。

IMF预测2021年全球GDP将增长5.5%，为逾40年最强。尽管近期重新落实MCO 2.0，财政部长仍维持2021年马来西亚国内生产总值 (GDP) 增长6.5%至7.5%目标不变，对比2020年受新冠肺炎疫情影响萎缩5.6%。

### 投资组合概况

尽管在如此严峻的时期，2020年整体投资组合的出租率仍保持在健康的88%水平，其中皇冠百利、威德百利和居林中环广场仍分别维持90%以上的良好出租率。我们的投资组合地缘分布多元化，而我们的购物商场作为特定城镇的主要购物中心或唯一的购物中心成功缓解对贺达房地产投资信托基金旗下投资组合的整体出租率表现。各个阶段的行动管制令，导致2020年客流量减少至1千9百20万。同时，在中期租金调整，以及产托为支援合格租户给予回扣下，投资组合的整体租金调整率为负28%。

**首邦百利购物广场。**首邦百利购物广场截至2020年抄出租率下跌至84%，主要因素是部分租户碍于零售环境严峻选择提前解除租约。不过，我们在2020年9月为首邦百利迎来高档超级市场—Village Grocer开业，同时百盛也在完成低楼层整修工程后重开，并展示最新的当代家居用品与电器产品的品牌和趋势。Best Denki也在2020年2月于东翼重开，带来改头换面和清新的外观。

我们很欣慰首邦百利的复兴计划上轨，并正面看待拥有良好的租户和合适的租户组合将有助首邦百利在经济活动正常化后吸引客流，从而为商场2021年奠定强而有力的复苏基础。

**马六甲皇冠百利购物广场。**皇冠百利是马六甲领先商场，2020年出租率达到92%，客流量则下跌至4百50万。尽管市场不明朗，我们的长期百货主要租户—百盛仍选择续租3年。同时，管理层也持续在2020年进一步优化租户组合，并引进Hummer、Pandora和Wonderlab等新零售商，以及Rollseriez、Koi、Fuji Sushi和Lao Liao等新餐饮租户。皇冠百利依旧是马六甲首屈一指的购物中心，2020年客流量达到4百50万。

**麻坡威德百利广场与经典酒店。**作为麻坡唯一商场的威德百利，以94%出租率和总客流量2百50万告别2020年。整体租金调整率企于8%的舒适水平。

我们很欣慰威德百利的主要租户—The Store近期签署从2021年1月1日起生效的3年新租赁协议，另可分4期进一步延长3年选项。The Store的持续支持，以及对商场的信心源自于商场的市场领先地位、未来前景，以及多年来持续为商场和租户带来成功的强大管理团队。

同时，威德百利也迎来苹果授权经销商Switch进驻，并在2020年8月开门迎客和获得市场广泛赞誉，为麻坡民众提供入手备受追捧的苹果产品机会，主要是政府鼓励更多人民在新常态趋势或过程下居家办公，以及学生透过虚拟或线上学习，带动笔记型电脑、平板电脑和智能手机需求大增。确实，Switch在开业后首几个月销售表现强劲，大大超越初步预期。

作为麻坡拥有最大宴会厅设施的酒店，麻坡经典酒店于2020年录得27%的整体入住率，平均房价为125令吉。如您所知，酒店领域是新冠肺炎疫情受灾最严重的领域之一，酒店业自去年爆发疫情以来已有超过100家酒店永久歇业或暂时关闭。尽管如此，我们仍审慎乐观一旦旅游禁令解除，以及经济活动恢复正常，2021年酒店表现将有所改善。

## 首席执行官 (CEO) 致信托基金单位持有者的信

**双溪大年中环广场。**双溪大年领先商场在2020年录得2百80万客流量，出租率则微跌至88%，主要是管理层延续升级租户组合素质，以及商场定位策略，并反映在新迷你主要租户Ipoh Bowl，以及全新的餐饮租户Empire Sushi在2020年入驻。我们主要租户The Store近期签署为期3年的新租赁协议，另可分4期进一步延长3年选项。

**居林中环广场。**居林唯一商场在2020年维持90%以上的出租率，而截至2020年杪的出租率为94%。客流量约为3百万，同时租金调整率介于0.6%的正水平。2017年落实的资产优化措施带来的正面效益延续至今，Watsons、AEON Wellness和FOS等全新的中档品牌在2019年杪进驻居林中环广场，为商场的租户组合增添新的活力。我们主要租户之一The Store近期签署为期3年的新租赁协议，另可分4期进一步延长3年选项。

**昔加末中环广场。**昔加末中环广场2020年出租率依旧靠稳于78%，客流量为1百50万。管理层依旧专著于“租赁第一”策略，并透过落实租金调整策略来留住现有租户，以及吸引特殊租户和更多餐饮零售商进驻商场。

鉴于后疫情时期市场环境持续严峻，管理层认为调整租金来改善昔加末中环广场出租率是确保商场中短期可持续发展的正确和必要之举。

### 财务表现回顾

贺达产托2020年录得1亿1千1百万令吉营业额，较2019年减少19%，而营运开销也减少6%至5千8百万令吉。同时，净房产收入减少至5千3百万令吉，较2019年下跌约30%，而已实现税前净收入为1千4百万令吉。受投资组合公允价值下跌影响，税前亏损约为2千4百万令吉。

**融资。**贺达产托现有融资，包括5亿8千1百万令吉的债务融资，当中92%将在2024至2025年到期。

贺达产托截至2020年杪负债比企于46.2%，远低于证券监督委员会在2020年8月11日公布调高的60%负债比限制。新负债比限制和之前的50%上限增加10%，将持续生效至2022年12月31日止。

新冠肺炎疫情爆发对全球经济带来空前的冲击，也促使国家银行(BNM)下砍隔夜政策利率(OPR)至2020年7月的1.75%的纪录低位。宽松的利率环境，甚至是负债比上限调高将为产托在疫情期间带来更大的弹性，以更有效地管理债务和资本架构。

**派息。**新冠肺炎疫情显著冲击零售业，贺达产托也未能幸免。尽管如此，我们仍立志维持可分配收入至少90%的派息政策，并宣布派发2020年第四季总单位股息0.9仙，反映出总派息约4百20万令吉。以截至2020年12月31日止每股63仙最终价格为准，每单位股息相等于1.4%回报率。截至2020年杪，贺达产托拥有超过5600位单位信托持有人。

### 可持续性

贺达产托承诺将履行我们的义务，以确保所有的业务按照高标准的环境、社会和监管(ESG)进行。贺达产托是大马交易所富时社会责任指数(FITSE4Good)成员，ESG操行更在2020年12月最新评估中获得富时罗素(FITSE Russell)给予3星评级。

作为2017年能源效率计划的延伸，管理层计划在2021年杪通过在贺达旗下购物商场屋顶安装太阳能光伏(PV)系统，开展20年期的再生能源计划。献议中的太阳能光伏系统预估发电量超过6000峰瓦(kWp)。太阳能光伏系统预估在20年内产出约1亿5700万千瓦小时(kWh)电力，并可能转换成减少1亿零900万公斤二氧化碳或在地球栽种约65万4000棵树。

尽管2020年对贺达产托是异常挑战的一年，但我们通过与当地组织合作来满足社区的需求，努力与社区保持联系。我们通过“1令吉温饱5口”(1 Ringgit Feed 5)活动，与收集过剩的优质、营养食品和其他必需品，并将其重新分配给有需要的人的非营利组织The Lost Food Project (TLFP) 进行合作。该活动成功筹措资金，让超过7000人得到温饱。

在行动管制令(MCO)于2020年6月解除后，我们的购物中心也发起“贺达援手”活动，透过扮演社区枢纽角色来为受新冠肺炎疫情影响和苦苦挣扎的人士募集捐款或捐助必需品。

### 引导迈向复苏

为遏制国内拉响警报的新增新冠肺炎确诊病例，MCO于2021年1月重新落实，预期将打击短期经济，特别是零售业的复苏。

不过，从长期来看，我们憧憬2021年上半年推介的疫苗计划，以及最终解除MCO将有助于经济复苏。政府坚定于2021年上半年开始展开大规模疫苗接种计划令我们感到鼓舞，而中国、新加坡、英国和美国等国家已经开始疫苗推广计划，让整个计划可以达成。马来西亚透过国家新冠肺炎免疫计划，预期需要一年的时间才能达到群体免疫效果，而这有望启动经济活动正常化，并最终驱动经济，特别是零售业走向复苏。我们坚信购物广场依旧可以为购物者提供线上购物平台无可复制的社交与零售体验。因此，考量到身体社交和零售体验的偏好，一旦市场信心改善，被抑制的购物、用餐和娱乐需求将会爆发。

尽管未来市场仍充斥不确定因素，但我们仍将专注透过向合格租户给予租金援助来确保租户的可持续性，并采取严格的新冠肺炎标准作业程序(SOPs)来确保购物者的安全，以引导投资组合在2021年走向复苏。此外，我们有意落实战略性行销措施，将流量重新引入商场之内，并透过多元租赁重组和其他资产优化措施来确保购物商场的适宜性。为确保我们拥有强稳的复苏基础，我们也将积极减少或推迟非必要的营运和资本开销来控制成本和保留现金，同时透过持续谨慎和积极的资本管理来强化资产负债表。

### 鸣谢

我谨代表贺达资产管理董事会，向在去年荣休的代理董事Alex Chia Soon Ren表达谢意与敬意。我们衷心感谢他多年来的奉献与支持。我们也欢迎新继任者Pauline Lim Poh Noy女士，并期待与她一起工作。

最后，我要衷心感谢我们团队在这个困难时期的奉献精神 and 毅力，以及董事会的指导。我们将继续努力，并期待获得所有利益关系者持续支持，因为我们将努力引导贺达产托在2021年迈向复苏。

**Dato' Hisham bin Othman**

执行董事兼首席执行官

# Portfolio Performance



## PORTFOLIO PERFORMANCE

### Property Profiles

Hektar REIT's portfolio consists of six established neighbourhood-focused shopping centres in the Northern, Central and Southern Regions of Peninsular Malaysia:



### Portfolio Facts

Financial Year 2020

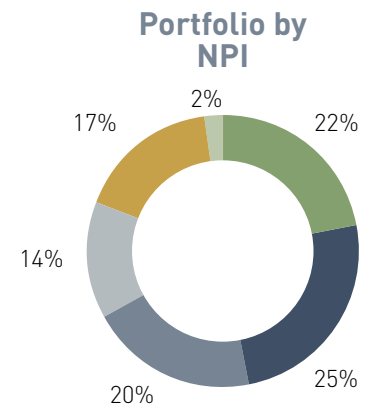
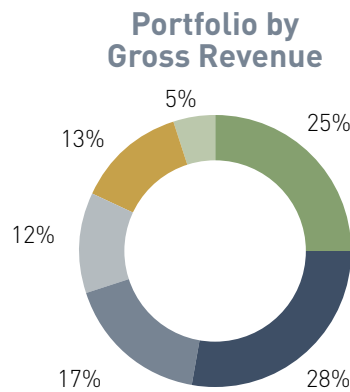
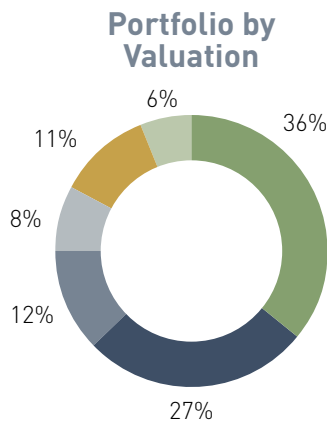
	Subang Parade	Mahkota Parade	Wetex Parade & Classic Hotel	Central Square	Kulim Central	Segamat Central
State	Selangor	Melaka	Johor	Kedah	Kedah	Johor
Title	Freehold	Leasehold	Freehold	Freehold	Freehold	Leasehold
Lease Expiry	—	2101	—	—	—	2116
Primary Trade Area (population)	1,834,000	382,200	201,600	406,870	287,694	190,000
NLA - Retail (sq ft)	521,247	521,178	175,014	310,564	299,781	211,910
Tenancies (NLA lots only)	103	101	67	49	70	44
Occupancy (%)	83.7	92.5	94.5	87.9	93.9	77.9
Visitor Traffic (million)	4.9	4.5	2.5	2.8	3.0	1.5
Acquisition Price (RM million)	280.0	232.0	117.5	83.3	98.0	106.1
Valuation (RM million)	441.0	329.0	146.0	92.0	130.0	69.0
Gross Revenue (RM million)	27.9	31.6	18.3	12.8	14.8	5.7
Net Property Income (NPI) (RM million)	11.7	13.4	10.5	7.5	9.0	0.9





## Portfolio Diversification

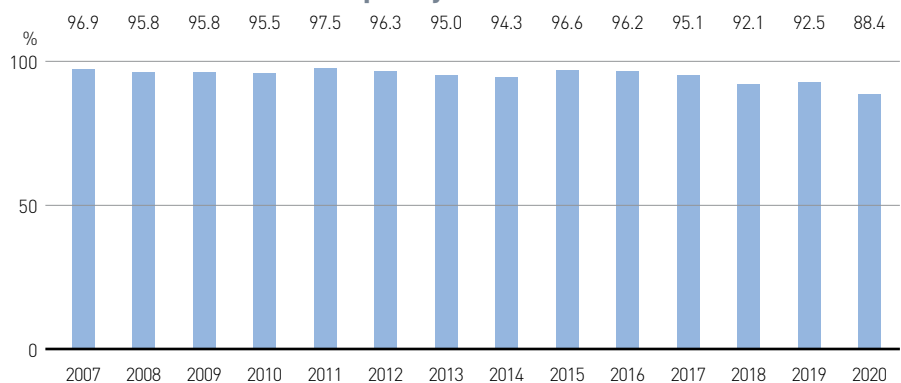
- Subang Parade
- Mahkota Parade
- Wetex Parade & Classic Hotel
- Central Square
- Kulim Central
- Segamat Central



## Portfolio Occupancy

The portfolio achieved an overall occupancy rate of 88.4% as at 31 December 2020, down from the previous year as struggling tenants exited due to the challenging retail environment. Hektar REIT has reached out to extend a supporting hand by providing rental assistance to eligible tenants and engaging with our shoppers with a view to boosting tenant sales through marketing promotions via both physical and digital platforms.

## Portfolio Overall Occupancy Trend (2007-2020)



Note: Weighted average portfolio occupancy according to NLA

## Property

(As at 31 December)

Occupancy (%)	2020	2019	2018	2017	2016
Subang Parade	83.7	93.9	88.2	90.9	93.0
Mahkota Parade	92.5	96.4	96.0	96.1	96.4
Wetex Parade	94.5	96.2	98.5	100.0	100.0
Central Square	87.9	89.7	96.9	95.3	96.6
Kulim Central	93.9	95.0	93.5	98.2	98.9
Segamat Central	77.9	77.1	78.6	94.7	n/a
<b>Overall*</b>	<b>88.4</b>	92.5	92.1	95.1	96.2

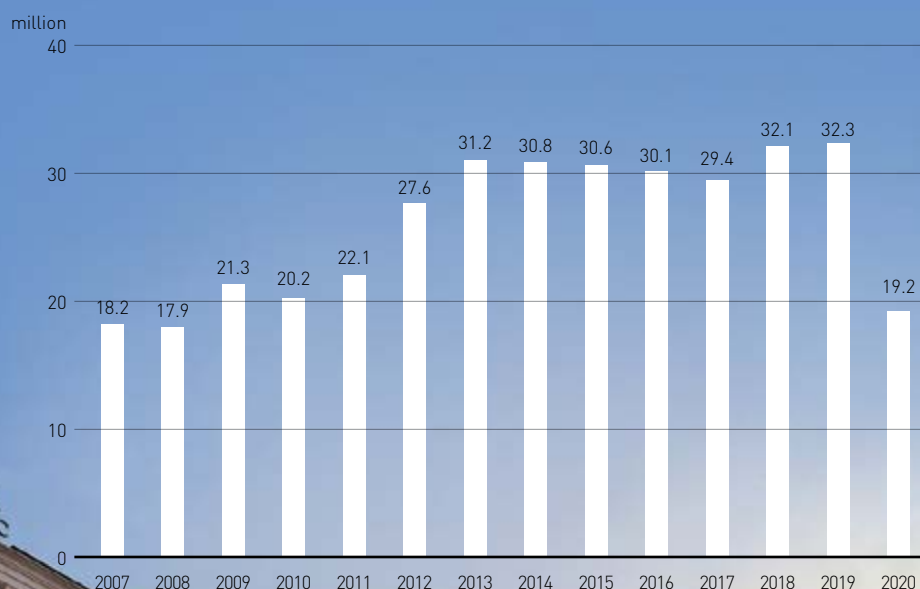
\*The weighted average occupancy rate is calculated based on NLA

## PORTFOLIO PERFORMANCE

### Visitor Traffic

Overall visitor traffic decreased to 19.2 million visits in 2020, impacted by the implementation of mobility restrictions throughout the year to curb the COVID-19 pandemic in Malaysia.

Visitor Traffic Trend (2007-2020)



Wetex Parade and Classic Hotel

Visitor Traffic (million)	2020	2019	2018	2017	2016
Subang Parade	4.9	7.6	7.8	9.9	9.2
Mahkota Parade	4.5	8.4	8.3	9.1	9.4
Wetex Parade	2.5	4.2	4.3	4.4	4.6
Central Square	2.8	4.5	4.5	3.8	3.9
Kulim Central	3.0	4.6	4.0	2.2	3.0
Segamat Central	1.5	3.0	3.2	—	—
<b>Total</b>	<b>19.2</b>	<b>32.3</b>	<b>32.1</b>	<b>29.4</b>	<b>30.1</b>

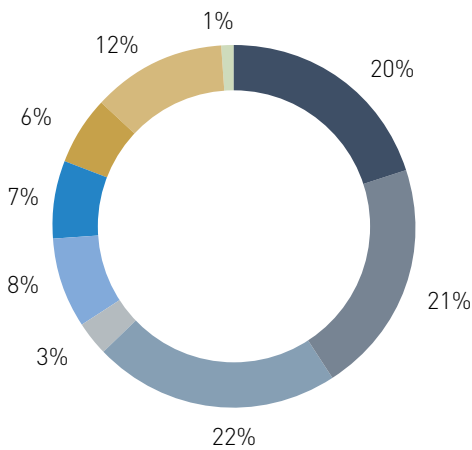
Footnote: Figures rounded up

## Portfolio Tenancy Mix

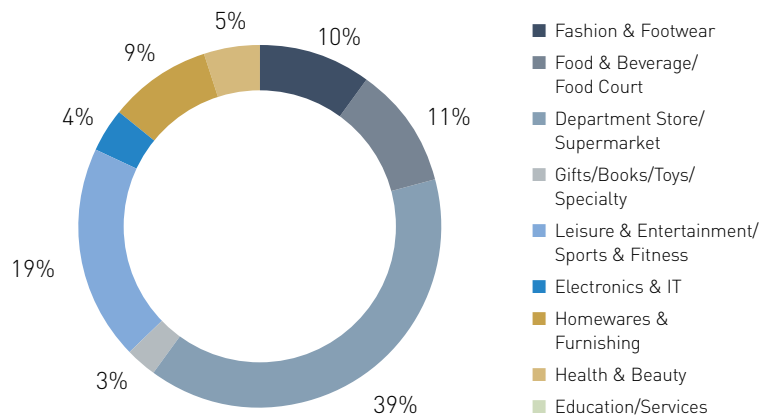
The largest rental contributors to the portfolio are tenants from the food & beverage and the departmental store segments. Both segments contributed 43% of the portfolio's total rental income. In terms of NLA occupancy, department stores and supermarkets continue to dominate the portfolio by taking up 39% of all available NLA.

### Overall Portfolio by Rental Income

\*Based on monthly rental income for December 2020



### Overall Portfolio by NLA



- Fashion & Footwear
- Food & Beverage/ Food Court
- Department Store/ Supermarket
- Gifts/Books/Toys/ Specialty
- Leisure & Entertainment/ Sports & Fitness
- Electronics & IT
- Homewares & Furnishing
- Health & Beauty
- Education/Services



Central Square

## PORTFOLIO PERFORMANCE



Parkson @ Subang Parade

### Portfolio's Top Ten Tenants

The top ten tenants in the portfolio contributed approximately 33.7% of total monthly rental income, providing a diversified revenue base. Aside from the top tenant, Parkson, which contributed approximately 11.0% of monthly rental income, no other tenant contributed more than 10%.

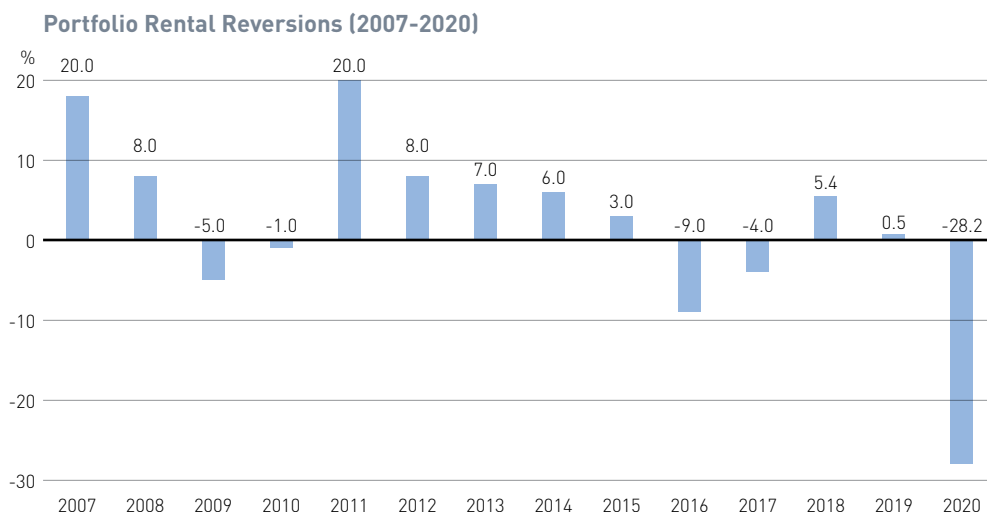
Tenant	Trade Sector	NLA (Sq Ft)	% of total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	252,515	12.4%	11.0%
The Store	Department Store/Supermarket	273,198	13.4%	6.7%
Seleria Food Court	Food & Beverage/Food Court	41,243	2.0%	2.4%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	88,670	4.3%	2.2%
MR. D.I.Y.	Homewares & Furnishing	74,301	3.6%	2.2%
Watson's	Health & Beauty	11,965	0.6%	2.2%
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	75,928	3.7%	1.9%
Guardian	Health & Beauty	12,164	0.6%	1.9%
Giant Superstore	Department Store/Supermarket	72,140	3.5%	1.7%
KFC	Food & Beverage/Food Court	15,792	0.8%	1.5%
Top 10 Tenants (by monthly rental income)		917,915	45.0%	33.7%
Other Tenants		1,121,779	55.0%	66.3%
Total		2,039,694	100.0%	100.0%

\* Based on monthly rental income for December 2020



## Portfolio Rental Reversions

For the year ended 31 December 2020, the portfolio recorded 80 new and renewed tenancies, with an overall weighted average negative rental reversion of 28.2% on the back of interim rental assistance implemented by the REIT to support eligible tenants in the current challenging retail environment.



Full Year (12 months) (Ended 31 December)	No. of New Tenancies/ Renewals	NLA (Sq Ft)	% of Total NLA	% Increase/ (Decrease) Over Previous Rent Rates
Subang Parade	27	123,146	23.6%	(44.7%)
Mahkota Parade	21	187,370	36.0%	(7.8%)
Wetex Parade	9	4,878	2.8%	8.1%
Central Square	6	28,254	9.1%	(44.0%)
Kulim Central	8	7,213	2.4%	0.6%
Segamat Central	9	13,153	6.2%	(42.1%)
Total/Average	80	364,014	17.8%	(28.2%)

Figures as at 31 December 2020



Kulim Central

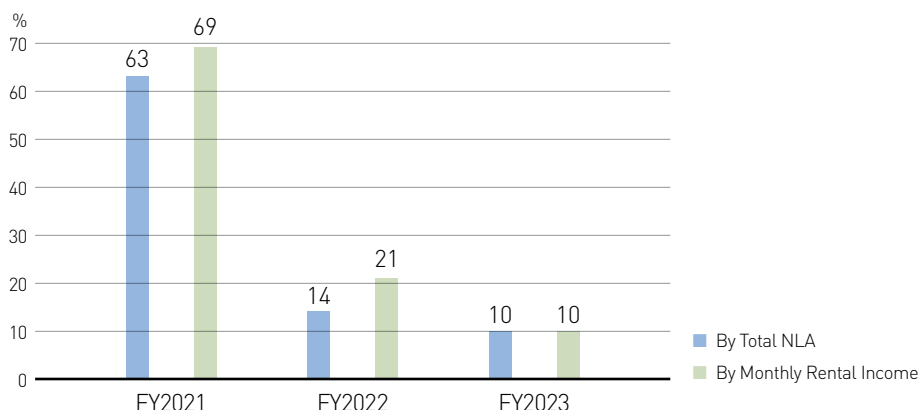
## PORTFOLIO PERFORMANCE

### Portfolio Tenancy Expiry Profile

A total of 307 tenancies will expire in 2021 representing approximately 63% of NLA and 69% of monthly rental income as at 31 December 2020. The management's strategy is to continue tenancy remixing exercises by refreshing the tenant mix as tenant contracts expire. Key tenancies are secured with options to renew and are usually confirmed six months prior to their expiry.

Portfolio For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2021	307	1,289,946	63%	69%
FY 2022	98	295,680	14%	21%
FY 2023	29	209,831	10%	10%

\* Based on monthly rental income for December 2020

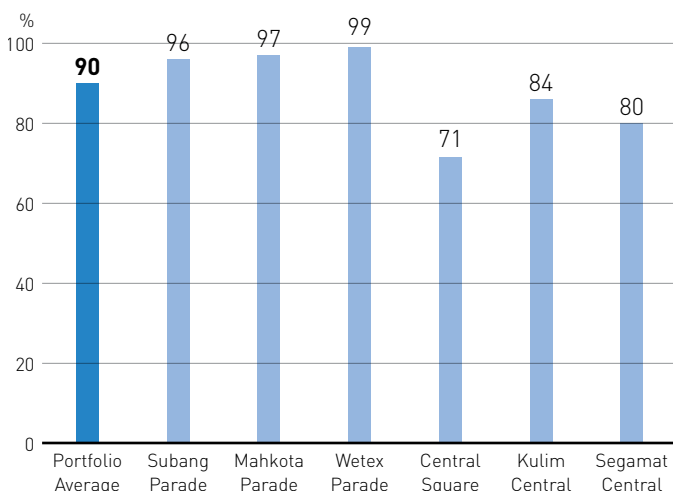


### Portfolio Tenancy Provisions

As at 31 December 2020, turnover rent provisions were present in 90% of tenancy contracts within the portfolio. Step-up rent provisions were present in 14% of tenancy contracts within the portfolio. A turnover rent provision allows for rent calculated as a proportion of monthly or yearly turnover of the tenant's business. Turnover rent is paid to the REIT if it exceeds the base rent specified in tenancy agreements on a monthly or yearly basis. A step-up rent provision stipulates pre-determined increases in rent at defined intervals during a tenancy agreement.

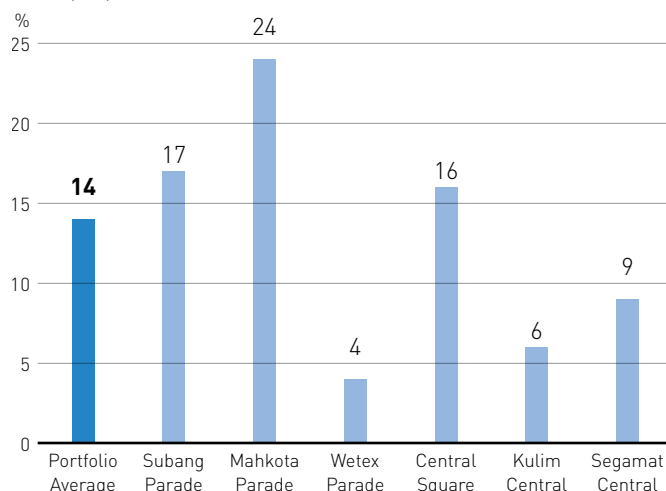
#### Hektar REIT Tenancy Provisions

##### Turnover Rent



#### Hektar REIT Tenancy Provisions

##### Step-up Rent



**SUBANG  
PARADE**  
It's Our Place!



**MAHKOTA  
PARADE**  
It's Our Place!



 **WETEX<sup>®</sup>  
PARADE**  
It's Our Place!

  
**CLASSIC<sup>™</sup>  
HOTEL  
MUAR**



 **CENTRAL<sup>®</sup>  
SQUARE**  
It's Our Place!





## PORTFOLIO PERFORMANCE



Subang Parade was the first 'regional' shopping centre in Selangor when it opened in 1988. Subang Parade's positioning strategy is neighbourhood-focused with an emphasis on its primary trade area which provides the centre with a 'captive' customer base. The appeal of the shopping centre lies in its ability to provide value and convenience to its shoppers.

We welcomed the opening of the Village Grocer premium supermarket at Subang Parade in September 2020 and the introduction of Parkson's refurbished lower ground floor space which now reflects the latest contemporary trends. 2020 also saw Best Denki reopening at east wing of the mall with a revamped outlook.

These anchor initiatives re-balance traffic movements and circulation within Subang Parade and will position the mall towards securing new and exciting specialty retailers in the future.

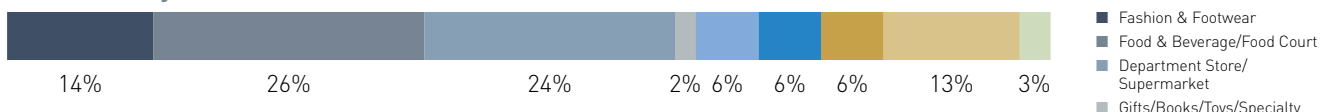
<b>Location</b>	No. 5, Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	1,834,000 within 20-mins drive time
<b>Gross Floor Area</b>	1,169,038 sq ft
<b>Net Lettable Area</b>	521,247 sq ft
<b>Car Park</b>	1,288 bays
<b>Acquisition Price</b>	RM280.0 million
<b>Valuation</b>	RM441.0 million
<b>Tenants*</b>	103
<b>Key Tenants</b>	Parkson, MBO Cinemas, Best Denki, Celebrity Fitness, Village Grocer
<b>Occupancy</b>	83.7%
<b>Visitor Traffic</b>	4.9 million per annum
<b>Year Opened</b>	1988
<b>Year Acquired</b>	2006
<b>Year Refurbished</b>	2006-2007 / 2019-2020

Data as of 31 December 2020

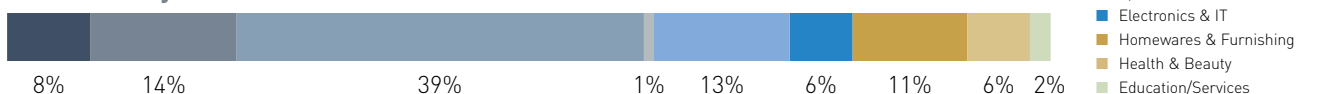
\* Only NLA Lots



### Subang Parade's Tenancy Mix Portfolio by Rental Income



### Portfolio by NLA



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.

## Subang Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	140,620	27.0%	21.0%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	30,258	5.8%	3.4%
Best Denki	Electronics & IT	20,930	4.0%	3.1%
Celebrity Fitness	Health & Beauty	21,646	4.2%	2.7%
Village Grocer	Department Store/Supermarket	26,375	5.1%	2.6%
Nando's Chickenland	Food & Beverage/Food Court	2,610	0.5%	1.9%
Caring Pharmacy	Health & Beauty	2,679	0.5%	1.9%
Yamaha Music School & Showroom	Education/Service	5,733	1.1%	1.7%
Optical 88	Fashion & Footwear	1,365	0.3%	1.7%
Uncle Lim's Café	Food & Beverage/Food Court	2,500	0.5%	1.6%
Top 10 Tenants (by monthly rental income)		254,716	48.9%	41.7%
Other Tenants		266,531	51.1%	58.3%
Total		521,247	100.0%	100.0%

\* Based on monthly rental income for December 2020. Note: changes in NLA due to reconfiguration.



## Subang Parade's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	64	264,119	51%	65%
2022	31	92,598	18%	26%
2023	8	71,935	14%	9%

\* Based on monthly rental income for December 2020.

## PORTFOLIO PERFORMANCE



Mahkota Parade was the first 'regional' shopping centre located in the heart of historic Melaka.

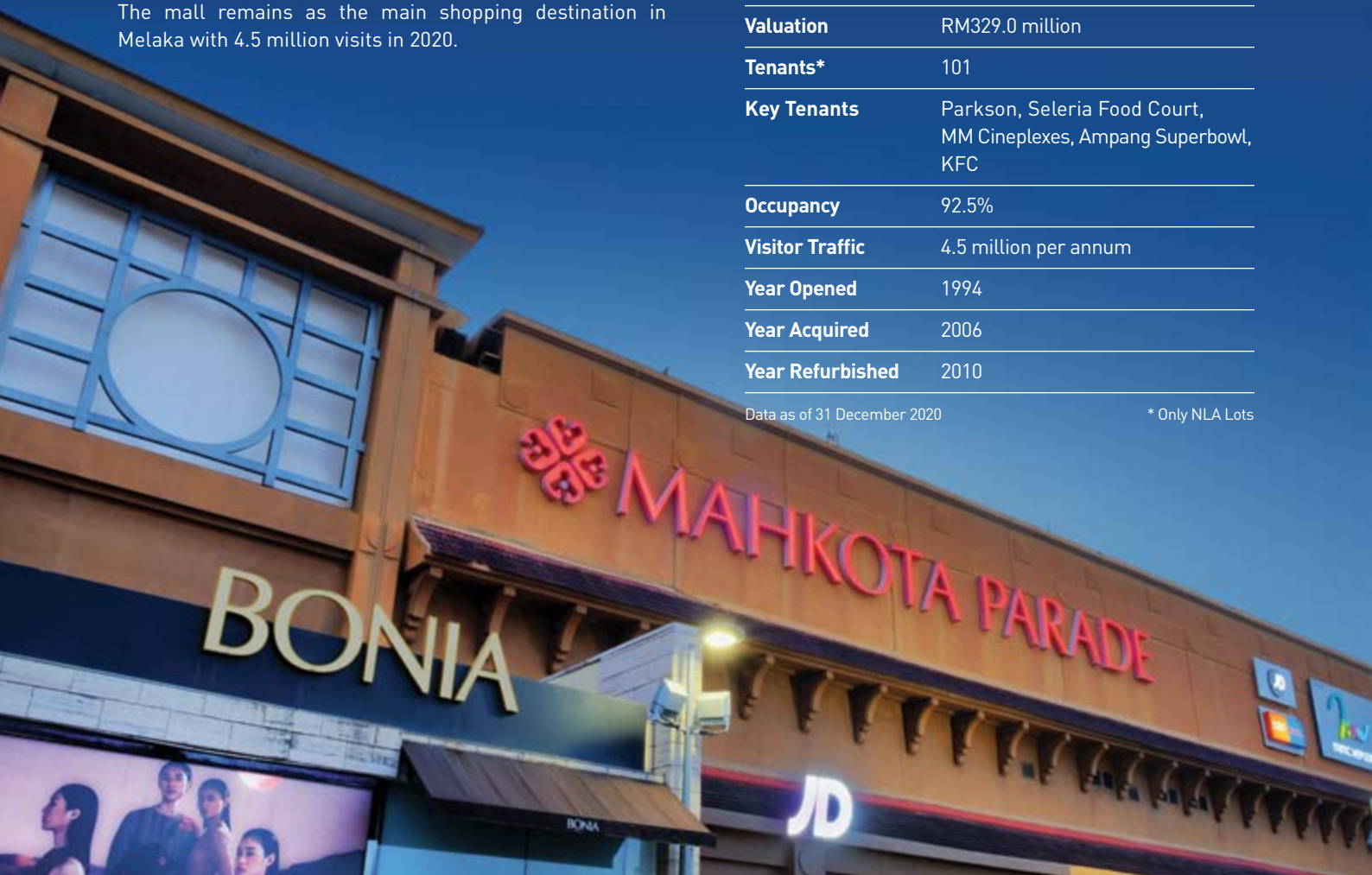
Occupancy remained stable at 92.5% in 2020. Parkson, our long term anchor tenant, renewed for a further term of 3 years. Management continued to enhance the tenancy mix of the mall with the entry of new F&B tenants i.e. Rollseriez, Koi, Fuji Sushi and Llao Llao as well as other new retailers such as Hummer, Pandora and Wonderlab in 2020.

The mall remains as the main shopping destination in Melaka with 4.5 million visits in 2020.

<b>Location</b>	No. 1 Jalan Merdeka 75000 Bandar Melaka, Melaka
<b>Title</b>	Leasehold (until 2101)
<b>Primary Trade Area</b>	382,200 within 20-mins drive time
<b>Gross Floor Area</b>	1,392,623 sq ft
<b>Net Lettable Area</b>	521,178 sq ft
<b>Car Park</b>	1,079 bays
<b>Acquisition Price</b>	RM232.0 million
<b>Valuation</b>	RM329.0 million
<b>Tenants*</b>	101
<b>Key Tenants</b>	Parkson, Seleria Food Court, MM Cineplexes, Ampang Superbowl, KFC
<b>Occupancy</b>	92.5%
<b>Visitor Traffic</b>	4.5 million per annum
<b>Year Opened</b>	1994
<b>Year Acquired</b>	2006
<b>Year Refurbished</b>	2010

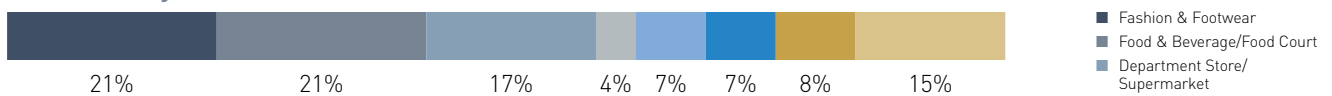
Data as of 31 December 2020

\* Only NLA Lots

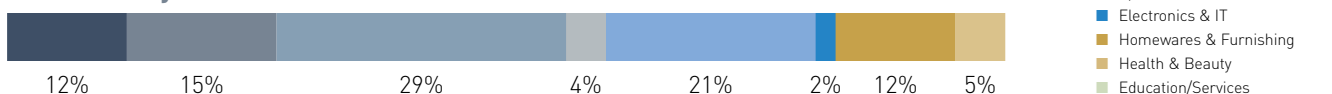


### Mahkota Parade's Tenancy Mix

#### Portfolio by Rental Income



#### Portfolio by NLA



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.



## Mahkota Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	111,895	21.5%	14.5%
Seleria Food Court	Food & Beverage/Food Court	31,022	6.0%	4.1%
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	43,496	8.3%	3.1%
Ampang Superbowl	Leisure & Entertainment/Sports & Fitness	36,717	7.0%	2.8%
KFC	Food & Beverage/Food Court	5,403	1.0%	2.6%
Guardian	Health & Beauty	3,800	0.7%	2.2%
Family Store	Department Store/Supermarket	25,758	4.9%	2.2%
Aeon Wellness	Health & Beauty	4,112	0.8%	2.2%
Kaison	Homewares & Furnishing	9,655	1.9%	2.0%
MR. D.I.Y.	Homewares & Furnishing	16,690	3.2%	1.8%
Top 10 Tenants (by monthly rental income)		288,548	55.4%	37.6%
Other Tenants		232,630	44.6%	62.4%
Total		521,178	100.0%	100.0%

\* Based on monthly rental income for December 2020. Note: changes in NLA due to reconfiguration.



## Mahkota Parade's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	74	240,702	46%	61%
2022	21	116,594	22%	20%
2023	6	124,886	24%	19%

\* Based on monthly rental income for December 2020.

## PORTFOLIO PERFORMANCE



Wetex Parade and Classic Hotel is an integrated retail and hotel development located within the commercial heart of Muar, Johor. Opened in 1996, Wetex Parade remains as the only department store anchored shopping centre in town and serves as the premier retail destination for the royal town. Wetex Parade and Classic Hotel was

Hektar REIT's maiden acquisition in 2008.

The Store, our major anchor tenant at Wetex Parade, has recently signed a new tenancy agreement for a period of 3 years. Switch, the authorised Apple reseller opened in August 2020 with much fanfare, offering Muarian shoppers a new shopping experience and access to the much acclaimed Apple products.

Overall, despite the challenging operating environment, the mall remained resilient with occupancy stable at 94.5% in 2020.

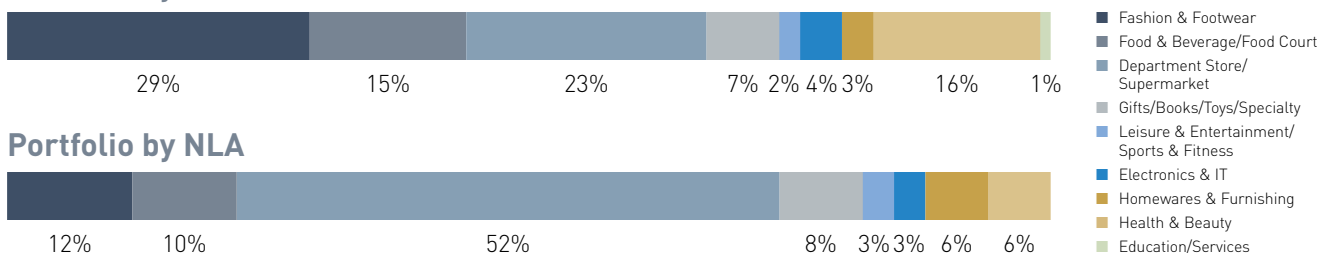
Classic Hotel, the largest hotel in Muar and with the largest ballroom facilities recorded occupancy of 27% in 2020 with an average room rate of RM125.

<b>Location</b>	69 Jalan Ali, Off Jalan Sulaiman 84000 Muar, Johor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	201,600 within 20-mins drive time
<b>Gross Floor Area</b>	281,590 sq ft
<b>Net Lettable Area</b>	175,014 sq ft
<b>Classic Hotel GFA</b>	125,931 sq ft
<b>Car Park</b>	177 bays
<b>Acquisition Price</b>	RM117.5 million
<b>Valuation</b>	RM146.0 million
<b>Tenants*</b>	67
<b>Key Tenants</b>	The Store, Watson's, MR. D.I.Y., Guardian, McDonald's
<b>Occupancy</b>	94.5%
<b>Visitor Traffic</b>	2.5 million per annum
<b>Year Opened</b>	1996
<b>Year Acquired</b>	2008
<b>Year Refurbished</b>	2010 (Mall) 2018 (Hotel)

Data as of 31 December 2020

\* Only NLA Lots

### Wetex Parade's Tenancy Mix Portfolio by Rental Income



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.

## Wetex Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store/Supermarket	85,413	48.8%	23.0%
Watson's	Health & Beauty	2,824	1.6%	6.0%
MR. D.I.Y.	Homewares and Furnishing	9,577	5.5%	2.9%
Guardian	Health & Beauty	2,949	1.7%	2.9%
McDonald's	Food & Beverage/Food Court	2,489	1.4%	2.6%
Popular Bookstore	Gifts/Books/Toys/Specialty	7,190	4.1%	2.4%
Baker House Confectionery	Food & Beverage/Food Court	990	0.6%	2.4%
Tanjongmas Bookcentre	Gifts/Books/Toys/Specialty	4,037	2.3%	2.3%
Sukan Muara	Leisure & Entertainment/Sports & Fitness	1,356	0.8%	2.0%
Little Muar	Food & Beverage/Food Court	2,750	1.6%	2.0%
Top 10 Tenants (by monthly rental income)		119,575	68.3%	48.3%
Other Tenants		55,439	31.7%	51.7%
Total		175,014	100.0%	100.0%

\* Based on monthly rental income for December 2020.



## Wetex Parade's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	39	140,169	80%	69%
2022	21	21,452	12%	27%
2023	7	3,716	2%	4%

\* Based on monthly rental income for December 2020.

## PORTFOLIO PERFORMANCE



Completed in 1997, Central Square is the most established retail centre in Sungai Petani and is considered as one

of the most recognisable landmarks in town. Strategically situated in the commercial centre and being the leading mall in town, Central Square was acquired by Hektar REIT in 2012.

Management remains focused on improving the tenant mix in the medium term as reflected in the entry of a new mini-anchor tenant i.e. Ipoh Bowl and Empire Sushi, a new food & beverage tenant in 2020. Our anchor tenant, The Store, has also recently signed a new tenancy agreement for a period of 3 years, with options to renew for a further 4 terms of 3 years.

<b>Location</b>	23, Jalan Kampung Baru 08000 Sungai Petani, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	406,870 within 20-mins drive time
<b>Gross Floor Area</b>	743,117 sq ft
<b>Net Lettable Area</b>	310,564 sq ft
<b>Car Park</b>	478 bays
<b>Acquisition Price</b>	RM83.3 million
<b>Valuation</b>	RM92.0 million
<b>Tenants*</b>	49
<b>Key Tenants</b>	The Store, MBO Cinemas, CS One Station Mobile, KFC, Seleria Food Court
<b>Occupancy</b>	87.9%
<b>Visitor Traffic</b>	2.8 million per annum
<b>Year Opened</b>	1997
<b>Year Acquired</b>	2012
<b>Year Refurbished</b>	2015

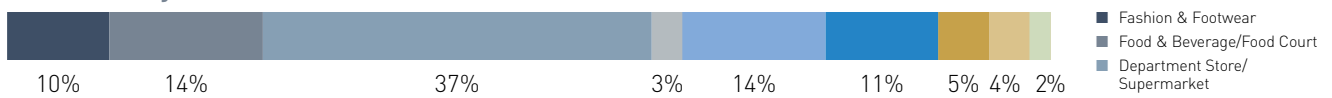
Data as of 31 December 2020

\* Only NLA Lots

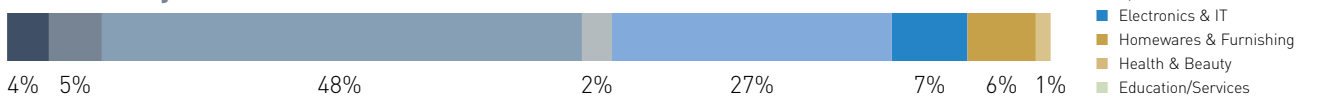


### Central Square's Tenancy Mix

#### Portfolio by Rental Income



#### Portfolio by NLA



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.

## Central Square's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store/Supermarket	130,000	41.9%	37.1%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	34,412	11.1%	7.1%
CS One Station Mobile	Electronics & IT	13,229	4.3%	4.8%
KFC	Food & Beverage/Food Court	3,619	1.2%	4.2%
Seleria Food Court	Food & Beverage/Food Court	5,823	1.9%	4.0%
MR. D.I.Y.	Homewares & Furnishing	11,968	3.9%	3.1%
Popular Bookstore	Gifts/Books/Toys/Specialty	6,450	2.1%	3.0%
Guardian	Health & Beauty	1,443	0.5%	2.4%
Wow Wonderland Box	Leisure & Entertainment/Sports & Fitness	5,600	1.8%	2.0%
Poly Shoe	Fashion & Footwear	1,521	0.5%	2.0%
Top 10 Tenants (by monthly rental income)		214,064	68.9%	69.7%
Other Tenants		96,500	31.1%	30.3%
Total		310,564	100.0%	100.0%

\* Based on monthly rental income for December 2020.



## Central Square's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	37	231,448	75%	80%
2022	8	39,480	13%	17%
2023	4	1,915	1%	3%

\* Based on monthly rental income for December 2020.

## PORTFOLIO PERFORMANCE



Kulim Central is the only shopping centre in Kulim, Kedah and it was acquired by Hektar REIT in 2012.

The mall formerly known as Landmark Central was rebranded in 2017, and is now known as Kulim Central following the completion of the refurbishment and AEI exercise. The positive payoff from the asset enhancement initiative continues till today with the mall becoming the preferred place for new middle-class brands such as Starbucks. Occupancy remained steady at 94% in 2020. One of our anchor tenants, The Store, has also recently signed a new tenancy agreement for a period of 3 years, with options to renew for a further 4 terms of 3 years.

<b>Location</b>	No. 1 Jalan KLC Satu (1) 09000 Kulim, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	287,694 within 20-mins drive time
<b>Gross Floor Area</b>	513,333 sq ft
<b>Net Lettable Area</b>	299,781 sq ft
<b>Car Park</b>	519 bays
<b>Acquisition Price</b>	RM98.0 million
<b>Valuation</b>	RM130.0 million
<b>Tenants*</b>	70
<b>Key Tenants</b>	Giant, The Store, Seleria Food Court, MBO Cinemas, Ole Ole Super Bowl
<b>Occupancy</b>	93.9%
<b>Visitor Traffic</b>	3.0 million per annum
<b>Year Opened</b>	2009
<b>Year Acquired</b>	2012
<b>Year Refurbished</b>	2017

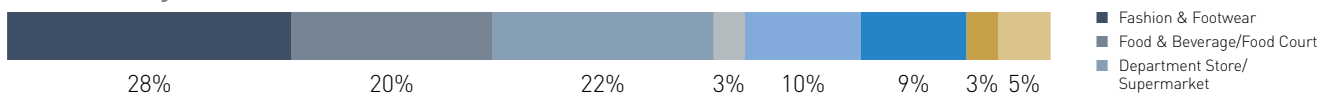
Data as of 31 December 2020

\* Only NLA Lots



### Kulim Central's Tenancy Mix

#### Portfolio by Rental Income



#### Portfolio by NLA



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.

## Kulim Central's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Giant Superstore	Department Store/Supermarket	72,140	24.1%	13.8%
The Store	Department Store/Supermarket	57,785	19.3%	7.9%
Seleria Food Court	Food & Beverage/Food Court	4,398	1.5%	6.8%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	24,000	8.0%	4.9%
Ole Ole Super Bowl	Leisure & Entertainment/Sports & Fitness	23,670	7.9%	3.0%
MR. D.I.Y.	Homewares & Furnishing	11,711	3.9%	2.7%
Watson's	Health & Beauty	2,238	0.7%	2.6%
Hasani Bookstore	Gifts/Books/Toys/Specialty	5,228	1.7%	2.4%
Hanzo	Fashion & Footwear	5,755	1.9%	2.2%
Pizza Hut	Food & Beverage/Food Court	3,530	1.2%	2.2%
Top 10 Tenants (by monthly rental income)		210,455	70.2%	48.4%
Other Tenants		89,326	29.8%	51.6%
Total		299,781	100.0%	100.0%

\* Based on monthly rental income for December 2020.



## Kulim Central's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	54	256,902	86%	83%
2022	13	22,069	7%	15%
2023	3	2,481	1%	2%

\* Based on monthly rental income for December 2020.

## PORTFOLIO PERFORMANCE



Segamat Central is the only purpose-built shopping centre in Segamat and was acquired by Hektar REIT

in 2017. It has the largest cinema in Segamat, a direct link to Segamat's main bus terminal and is within walking distance of the KTM railway station.

Following the acquisition of the mall by Hektar REIT, the mall was rebranded from "1Segamat" to Segamat Central, as it is known today. Management remains focused on an "occupancy first" strategy by executing rental revision strategy to retain existing tenants as well as attract specialty anchors and more F&B retailers to the mall. Despite the tough retail environment, occupancy has improved slightly to 77.9% in 2020.

<b>Location</b>	Jalan Kolam Air, Kampung Gubah 85000 Segamat, Johor
<b>Title</b>	Leasehold (until 2116)
<b>Primary Trade Area</b>	190,000 within 20-mins drive time
<b>Gross Floor Area</b>	486,789 sq ft
<b>Net Lettable Area</b>	211,910 sq ft
<b>Car Park</b>	389 bays
<b>Acquisition Price</b>	RM106.1 million
<b>Valuation</b>	RM69.0 million
<b>Tenants*</b>	44
<b>Key Tenants</b>	MM Cineplexes, TF ValueMart, MR. D.I.Y.
<b>Occupancy</b>	77.9%
Visitor Traffic	1.5 million per annum
Year Opened	2011
Year Acquired	2017
Year Refurbished	In Planning

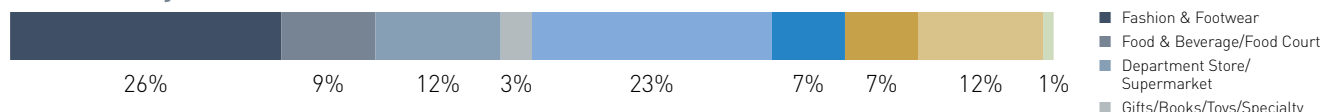
Data as of 31 December 2020

\* Only NLA Lots

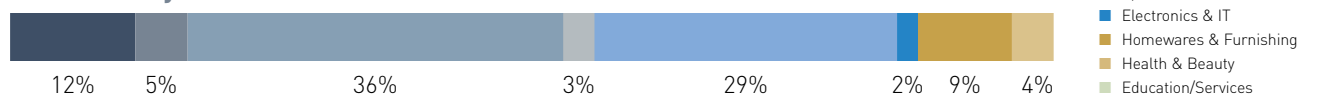


### Segamat Central's Tenancy Mix

#### Portfolio by Rental Income



#### Portfolio by NLA



\* Based on monthly rental income for December 2020. Numbers may exceed 100% due to rounding up.



## Segamat Central's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	32,432	15.3%	17.0%
TF Value Mart	Department Store/Supermarket	59,093	27.9%	12.3%
MR. D.I.Y.	Homewares & Furnishing	13,896	6.6%	6.8%
XES Premium	Fashion & Footwear	1,991	0.9%	3.5%
Dees	Fashion & Footwear	2,003	0.9%	3.4%
Guardian	Health & Beauty	1,615	0.8%	3.2%
Aeon Wellness	Health & Beauty	1,551	0.7%	3.2%
Popular Bookstore	Gifts/Books/Toys/Specialty	4,898	2.3%	3.1%
Sportsz HT Jeans	Fashion & Footwear	4,898	2.3%	3.0%
HockhuaTonic	Health & Beauty	1,872	0.9%	2.6%
Top 10 Tenants (by monthly rental income)		124,249	58.6%	58.0%
Other Tenants		87,661	41.4%	42.0%
Total		211,910	100.0%	100.0%

\* Based on monthly rental income for December 2020. Note: changes in NLA due to reconfiguration.



## Segamat Central's Expiry Profile

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
2021	39	156,606	74%	93%
2022	4	3,487	2%	5%
2023	1	4,898	2%	3%

\* Based on monthly rental income for December 2020.

## HEKTAR RETAILER TESTIMONIALS

“Our relationship with Subang Parade dates back to the 80’s when we became the first anchor tenant to open a department store in the then iconic Subang Parade Shopping Centre in 1988. It has since withstood the test of time and Subang Parade today is still very much the preferred shopping destination for its loyal customers and surrounding residents. We have had a long and cordial tenant-landlord partnership with the Hektar Group. Our partnership continues to the south in the 90’s when we open our very first store in Mahkota Parade in 1994. This year marks 33 years of Parkson’s positive development and growth, and we look forward to many more beneficial years ahead with Hektar.”

**B.E. Law**

*Chief Operating Officer  
Parkson Corporation Sdn Bhd*



“Hektar REIT has been one of MR.D.I.Y.’s key business partners for the past 7 years, ever since our first store with them opened its doors at Mahkota Parade in 2014. Today, we operate six stores in Hektar REIT’s malls throughout West Malaysia. As a tenant, we have certainly benefited from Hektar REIT’s efficient tenant support and innovative marketing initiatives and delighted with this dynamic partnership. Overall, we look forward to forging stronger ties with Hektar REIT in the years to come.”

**Andy Chin**

*Vice President of Marketing  
MR. D.I.Y. Group (M) Berhad*

“It has been a pleasure working with the professional and experienced Hektar Team. We are proud that Watsons is currently in all of the well-established property portfolios of Hektar REIT. Despite the weakened economy, Hektar REIT is still taking proactive actions to enhance their portfolios by refurbishing the malls and attracting or retaining quality tenants. We look forward to continuing our good business relationship with Hektar.”

**K. Kim**

*Property & Business Development Director  
WATSON'S Personal Care Stores Sdn Bhd*



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.

## Our Commitment

Hektar REIT's management is committed to fulfill our obligations to ensure all our business activities are performed to high standards of social and environmental conduct to maximise long-term value creation benefitting our stakeholders. It is our responsibility to ensure that the assets under our portfolio and our business are conducted in a manner that generates positive environment outcomes and is engrained in the way we operate specifically 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 stakeholders' expectations in the discipline 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 our stakeholders including local community and authorities;
- c. Appraise our current challenges and solutions; and
- d. Constantly raising our standards of our business processes for resource efficiencies and productivity.

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 fairly and adequately. Our approach is centred on the issues stated below:

- 1 How can we create value through sustainability?
- 2 What is important to our overall business?
- 3 Which issues can we impact directly?

## About this Report

Hektar REIT's sustainability report has been prepared in accordance with the Global Reporting Initiatives (GRI). This report covers the Environmental, Social and Governance (ESG) performance of all of Hektar REIT's properties in Malaysia from 1 January 2020 up to 31 December 2020 and is committed to fulfill our obligation to ensure that all our business activities are performed to high standards of ESG. Hektar REIT is a constituent member of the FTSE4Good Bursa Malaysia Index and in its latest December 2020 evaluation, its ESG conduct has been recognised with a 3-star ESG rating by FTSE Russell.

This report covers the sustainability aspects of all Hektar REIT's properties, which include:

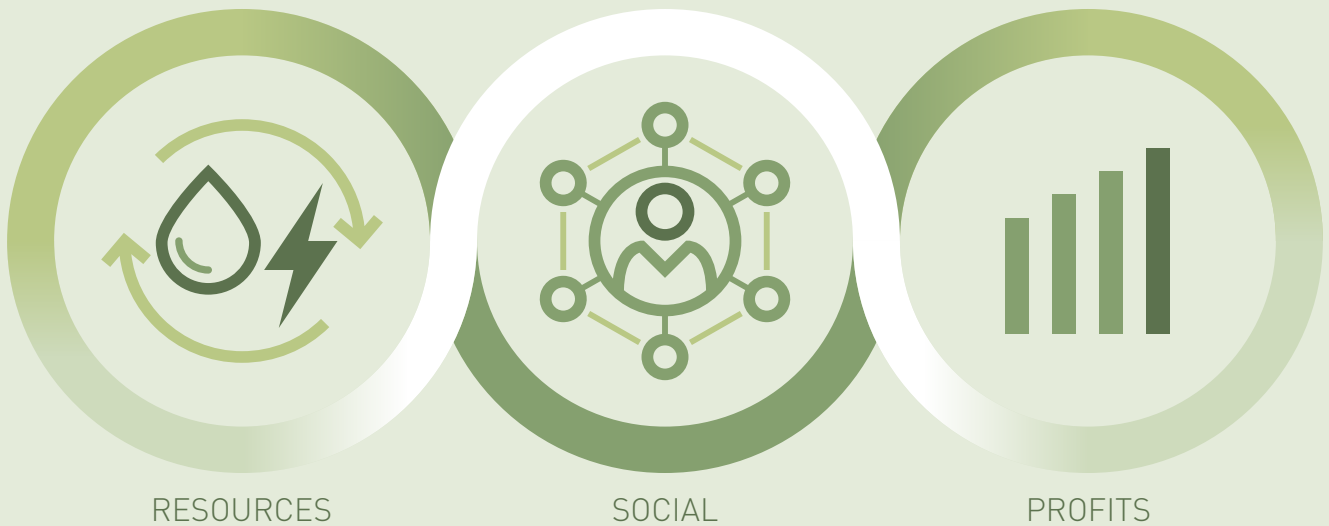
- Subang Parade in Subang Jaya, Selangor
- Mahkota Parade, Melaka
- Central Square in Sungai Petani, Kedah
- Kulim Central in Kulim, Kedah
- Wetex Parade in Muar, Johor
- Segamat Central in Segamat, Johor
- Classic Hotel in Muar, Johor

For any queries in relation to this Sustainability Report, please feel free to contact:

### **Hektar Asset Management Sdn. Bhd. ("HAMSB")**

D1-U3-10, Solaris Dutamas,  
No 1, Jalan Dutamas 1, Sri Hartamas,  
50480 Kuala Lumpur  
Tel: +6 03 6205 5570  
Fax: +6 03 6205 5571

## SUSTAINABILITY COMMITMENTS



### Governance Structure

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

The management recognises that an operative corporate governance culture is crucial in managing the economic, environmental and social risks and opportunities. With a steadfast Board, vigorous policies and continuously improving procedures, we are positioned to achieve continued success at Hektar REIT.

In order to better understand the requirements for Sustainability Reporting, our management team attended several workshops on Sustainability Reporting guidelines organised by Bursa Malaysia. The Board has also established a committee to assist in discharging its duties. The committee consist 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 Ethics and Conduct.

The Sustainability Committee has been introduced and formed since 2017, comprising key representatives from relevant departments. Our Sustainability Steering Committee is chaired by our Executive Director and Chief Executive Officer of our asset manager, HAMS B and supported by the Chief Corporate Officer of HAMS B. Other members of the Steering Committee include the Chief Operating Officer and Chief Leasing Officer of our property manager, Hektar Property Services Sdn. Bhd. (“HPS”), while our Sustainability Working Committee are represented by members of our Finance, HR, Maintenance, Marketing, Leasing and Quality departments as well as our Centre Managers. These committees meet every quarter 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

We believe long-term success relies on the support and contribution of different stakeholders, which include our unitholders, tenant, shoppers, employees, property management team, communities, partners, media and investment community.

Our approach to sustainability ties directly with our business objectives to operate and manage excellent shopping centres and our commitment to deliver value to our stakeholders. This is executed through a sustainable and respectable operation that cares for our marketplace, work spaces, community and the environment.

### SHOPPERS

#### Engagement Methods

- Shoppers surveys
- Focus group studies
- Feedback via online and social media
- Regular shopper events to engage customers
- Feedback forms
- Social media engagement

#### Key Topics

- Meeting the shopping needs of our shoppers
- Quality of services and facilities
- Providing a comfortable shopping environment and family-friendly amenities
- Considerations for safety and easy accessibility
- Good connectivity to public transport

### TENANTS AND PROSPECTS

#### Engagement Methods

Our tenants are our strategic partners in delivering a desirable environment to our shoppers.

- Partnership in promotional events
- Regular tenant feedback meetings
- Direct meeting and email exchanges
- Participating in events organised by trade associations

#### Key Topics

- Maintaining high shopper traffic
- Competitive rental rates
- Collaboration in marketing and promotional events
- Good property maintenance
- Dedicated property management teams to respond to tenant concerns and feedback

### PROPERTY MANAGER

#### Engagement Methods

- Fortnightly meetings with Leasing, Projects, Marketing and Quality departments
- Email exchanges
- Ad-hoc meetings

#### Key Topics

- Key Performance Indicators for property managers and centre management
- Business and operations performance
- Business strategy and outlook
- Sustainability concerns

### EMPLOYEES

#### Engagement Methods

- Annual Performance appraisals
- Orientation and training programs
- Regular department meetings
- Annual Dinners
- Staff get-together events
- Hektar Sports and Recreational Club

#### Key Topics

- Compensation and benefits
- Succession planning and career progression
- Continuous learning and skills upgrading
- Employees well-being and welfare
- Long service awards

## STAKEHOLDERS' ENGAGEMENT

### COMMUNITY

#### Engagement Methods

- Festive season celebration events
- Charity drives and events
- Venue sponsorships
- Collaborations
- Community engagement (e.g., schools, local councils, local NGOs)
- Donations and sponsorships to charitable organisations

#### Key Topics

- Platform for CSR Events
- Helping the needy in the community
- Shopping mall lifestyle activities and social events
- Venue sponsors and donations
- Casual lease kiosks

### INVESTMENT COMMUNITY

#### Engagement Methods

We engage with unitholders, banks and investors to keep them up-to-date on the financial performance and overall sustainability of Hektar REIT:

- Quarterly result announcements and analyst briefings
- Annual reports
- Annual General Meeting and Extraordinary General Meeting
- Walk-in visits and enquiries
- Two-sided communication, emails and tele-conference calls
- Non-deal roadshows
- Hektar REIT website updates

#### Key Topics

- Performance and financial results
- Business strategy and outlook
- Timely and transparent reporting
- Net asset value growth
- Acquisition pipeline
- Business operations

### INDUSTRY

#### Engagement Methods

- REIT industry performance
- Industry issues
- Government policies

#### Key Topics

- Meetings and business dialogues
- Participation in social events and forums
- REIT Managers' association meetings

### JOINT MANAGEMENT BODY AND MANAGEMENT CORPORATION

#### Engagement Methods

- JMB and MC periodic meetings
- Voting
- Audited accounts submission

#### Key Topics

- Operations

# SUSTAINABILITY REPORT



## Material Sustainability Matters

Hektar REIT acknowledges the material sustainability matters by taking into account the potential risk in our business activities in relation of our social and environmental needs and 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 left.

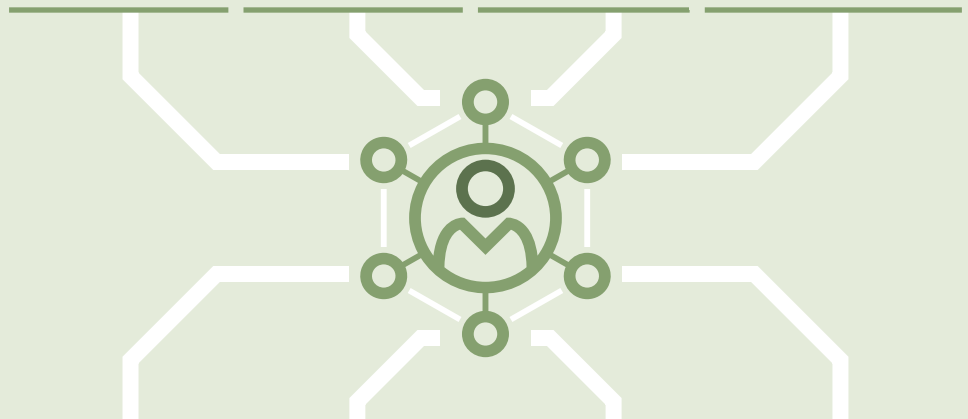
Aspects considered when identifying material items:

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	Organisation	Community	Investment community
<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Tenant satisfaction and cooperation</li> <li>• Community engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency and resources management</li> <li>• Human resources management</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement</li> <li>• Corporate social responsibility</li> <li>• Shoppers satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Ethical business conduct and transparency in reporting</li> </ul>



<p><b>1 High business importance and immediate possibility to impact</b></p> <ul style="list-style-type: none"> <li>• Health and safety at malls/ hotel and workplace</li> <li>• Energy efficiency and resource management</li> <li>• Shopper satisfaction</li> <li>• Financial performance</li> <li>• Ethical business conduct and transparency in reporting</li> </ul>	<p><b>2 High business importance and indirect possibility to impact</b></p> <ul style="list-style-type: none"> <li>• Tenant satisfaction and cooperation</li> <li>• Employee management</li> </ul>	<p><b>3 Medium high business importance and direct possibility to impact</b></p> <ul style="list-style-type: none"> <li>• Community engagement</li> <li>• Corporate Social Responsibility</li> <li>• Employee well being</li> </ul>	<p><b>4 Medium business importance and indirect possibility to impact</b></p> <ul style="list-style-type: none"> <li>• Sustainable procurement</li> </ul>
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## Sustainability Goals: Resilient Assets, Robust Governance and Relevant Investments

1. Prioritising optimal 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
    - Continuous education provided to employees, tenants, shoppers and the community.
  2. Prioritising safety of employees, tenants and shoppers by:
    - Maintaining best practices in health and safety management to the benefit of tenants, contractors, customers and employees;
    - Maintaining zero fatalities at the 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. We seek to operate in a manner that fosters open stakeholder engagement and demonstrates best practices in risk management. This means:
    - Adherence to corporate governance and the practice of high standards of disclosures, bilateral communication, risk management audits; and
    - Implemented a whistle-blowing reporting program.
  4. Reducing the environmental impact by 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 2022;
    - Introducing an energy benchmarking system across the portfolio;
    - Engaging with our new and existing tenants within our multi-tenant buildings to encourage optimum operational efficiency of their premises; and
    - Reducing wastage at our offices, including defaulting to double-sided, black and white printing, encouraging the use of e-mails, e-fax and encouraging employees to reduce paper use and paper wastage.
  5. Maintaining financial performance and governance by
    - Ensuring sustainable returns to unitholders, stability in capital structure and continuity of growth in DPU through our strategies; and
    - Monitoring and measuring our resource consumption to identify productivity improvements.
  6. Engaging and contributing to the community with the aim of:
    - Supporting the communities in which we operate; being responsible neighbours and developing and maintaining strong relationships;
    - Collaborating with tenants in organising and promoting community projects;
    - Understanding our roles as placemakers by focusing on creating opportunities for prosperous communities in the areas our assets, organising relevant events and becoming venue sponsors to enable community projects; and
    - Engaging with local authorities and supporting their community campaigns.
  7. Ensuring a higher level of tenant satisfaction by:
    - Analysing information received from tenant feedback from marketing events and their correlation with tenant performance;
    - Collation and analysis of data from tenant survey results;
    - Strengthening relationship with tenants by educating and engaging tenants with periodic and annual events; and
    - Addressing key topics to tenants such as building maintenance and visitor traffic.
  8. Reducing inequalities in employment, training, career advancement and top positions by:
    - Providing an inclusive, open environment for our employees with equal opportunities for individuals and teams to realise their full potential and enable the business to meet its strategic objectives; and
    - Commitment to having an appropriate level of diversity that reflects the nature of our operations which best supports the achievement of our objectives.
  9. Our sustainable procurement consists of processes involving search acquisition and purchase of goods and services from an external source, predominantly via a competitive tender bidding process though
    - Fair opportunities: encouraging local procurement and SMEs as our supply chain partners; and
    - Developing a competitive and sustainable supply chain by maintaining or improving the procurement process through competitive markets.
- An analysis of the data from the recent two years was conducted to determine our performance in achieving these goals and qualified areas for improvement through the respective management approaches employed. We have reviewed its relevance to our overall sustainability performance to help improve our list of material factors for the next reporting cycle.

# SUSTAINABILITY REPORT

## Organisational Capital

### Obligations to tenant

The success of our business is linked to the prosperity of our communities and the occupiers of our properties. Our tenants are the core of Hektar REIT's business. We depend on our tenants' capability to carry out their business in a manner that will allow them to meet their obligations to us, including paying rent, maintaining adequate insurance coverage, as well as maintaining their premises. In general, we:

- Aim to create environments that inspire good performance to increase value for our tenants;
- 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;
- Invest extensively in the repair and maintenance of the common areas, facilities and car park areas across our portfolio. These investments are made with a view to enhancing the shopping experience and providing a sustainable operating platform for the tenants' businesses; and
- Enhance our tenants' competitiveness by providing the latest industry insights and business suggestions to our tenants, besides encouraging tenants to upgrade their store outlook.

### Tenants and prospects

Hektar REIT understands the importance of achieving its sustainability goals of engaging and communicating with the community by securing long-term tenant-partnerships with well-known household brands to sustain a desirable shopping environment and experience for the community we serve. In 2020, Hektar REIT, through its leasing strategies had managed to secure long-term tenant partnerships with Village Grocer in Subang Parade, Eco Shop and SSF in both Subang Parade and Mahkota Parade and Switch Apple Retailer in Wetex Parade. New long term tenancies were also signed with The Store, our anchor tenant for Central Square, Kulim Central and Wetex Parade.

Hektar REIT also continuously builds partnerships and collaboration attempts with existing tenants by sub-letting promotional space in its shopping malls. We also regularly engage and communicate with the local community on promotions and bargain fares on all our social media and local print media platforms.

## Human Resource Management

### Work Place

We recruit, develop, and deploy high performing, motivated employees and leaders who are open-minded and possess extensive knowledge of regional and local markets. We cultivate these people by exposing them to both local and overseas conferences and training to widen their learning experiences.

### Equal Opportunities

Hektar REIT follows the principle of equal opportunity in regards to its hiring and promotional procedures. As an equal opportunity employer, we do not discriminate based on race, age or gender and try our best to uphold equal opportunities either in hiring or in promotion, based on merits. Some observations:

- Our asset manager, HAMS B, as at 31 December 2020, has a total of 24 employees and more than 50% of its employees at the corporate office are women.
- Our property manager, HPS, as at 31 December 2020, has a total of 318 employees and more than 48% of the workforce comprises female employees holding executive level and senior management positions.

### Safety and Health

Our management undertakes great 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 at our properties. The procedures and processes are periodically reviewed by our internal auditor;
- Apart from regular maintenance work at our facilities, routine inspections of lifts, escalators, electrical switch gears, chillers and other electrical equipment are carried out;
- Employees at our centres are required to attend refresher training programs conducted by *Jabatan Bomba* on safety and health matters. Desktop fire drills are also conducted regularly with the respective property stakeholders;
- Safety is paramount when designing retail spaces and during preparations of asset enhancement initiatives, renovations or routine maintenance works. We ensure all contractors and their workers go through a safety briefing before any renovation, fit-out and maintenance works are allowed to commence. Routine safety site inspections are also conducted to ensure that all our contractors and their workers adhere to the mandatory regulations and our internal safety procedures;
- All fit-out works are carried out in a safe and responsible manner based on approved drawings which comply with regulations and fit-out management guidelines;
- Regular on-site meetings and inspections are held to discuss the progress and related safety and health issues with the tenants and contractors to ensure compliance;
- Occupational Safety and Health (OSH) program has been successfully implemented at all our properties. This covers the setup of OSH committees at all our properties which consist of centre managers, security, maintenance and representative from tenants. Meetings are held every quarterly to monitor each centre and their compliance to OSH requirements;



- Fire drills are conducted annually and monthly safety inspections are carried out at all our properties; and
- Refresher trainings for all head of departments and centre managers in addition to the standard operating procedure and guidelines.

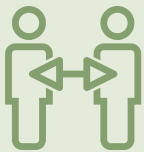
### Managing the COVID-19 Pandemic

The management is fully committed in ensuring the wellbeing of all its shoppers, tenants, visitors, guests, vendors/suppliers, outsourced service personnel and its own employees during the COVID-19 pandemic. In light of the pandemic that has affected the retail sector due to implementation of the Movement Control Order ("MCO"), Management's Tenant

Support Program provided assistance to eligible tenants which were negatively impacted by the pandemic. Hektar REIT offered relief through this program for qualifying tenants to ensure the retailers' remain in business and reinforce long-term partnerships. Through the centre management and its respective safety and health committees, the management was able to take measures to effectively implement all requirements stipulated in the standard operating procedures (SOPs) issued by the *Majlis Keselamatan Negara* and the guidelines/protocols issued by the respective local councils.

All entrances into our properties are manned by security personnel to manage the movement of shoppers and visitors to ensure full compliance with the relevant SOPs, such as performing body temperature monitoring and recording activities, physical distancing practices, use of the *MySejahtera* tracing application and wearing of face masks at all times. All our entrances are also equipped with infrared thermal scanners and hand sanitisers. Awareness posters are put up and regular announcements through the property PA system are made by the guest services department to remind shoppers and visitors to take all necessary precautions to ensure their own safety and wellbeing in public places.

In terms of hygiene and safety, all our properties are also sanitised several times daily with emphasis on common areas and key touch points such as washrooms, lifts and escalators, car park autopay machines, door knobs, etc. to ensure improved hygiene and safety levels in our properties for everyone.



We also closely monitor and record the body temperature of all our personnel including those from the outsourced service providers and contractors on a daily basis. COVID-19 test results of the outsourced personnel especially foreign employees are also required and monitored.

The management has also introduced and implemented the work from home arrangement for the safety of all employees and to minimise the risk of COVID-19 transmission in the office. When employees are required to work in the office, all employees must adhere to our standard operating procedures by getting their body temperature monitored and recorded, using the *MySejahtera* tracing application, using face masks and keeping a physical distance of at least 1 meter apart from each other. Conducting online meetings (both internal and external with third parties) is now a common practice for all employees in the organisation.

In addition, the centre management teams are also committed to oversee and monitor that all SOP requirements are strictly met by all our tenants. The safety and health committee regularly performs walkabouts and inspections in the respective malls to ensure compliance among our tenants. The centre management will continue to work closely with all tenants and local authorities to ensure that the safety and wellbeing of everyone is prioritised during this pandemic.

### Diversity

The management acknowledges that it is crucial to practice mutual respect for qualities and experiences that are different from our own. Embracing diversity means recognising that personal, cultural 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. This diversity includes, but is not limited to age, ethnicity, class, gender, physical abilities, race, sexual orientation, as well as religious status, gender expression, educational background, geographical location, income, marital status, parenteral status and prior work experiences.

### Long Service Award

In recognition of our employees' commitment and dedication that they have put forward through the years of service in 2020, HPS awarded 6 employees with appreciation certificates and valuable gifts as a gesture to express its gratitude. The Long Service Award is given to employees who have served continuously with Hektar for at least 10 years. The award was introduced in 2013 with intentions to promote a positive sense of loyalty and commitment amongst the employees. This year, the employees were each presented with a gold coin of high quality up to a value of RM2,000 and a certificate of appreciation.

# SUSTAINABILITY REPORT

The management is committed to create a workplace environment where employees feel valued and inspired to work every day. As at 31 December 2020, more than 30% of HAMSMB have chosen to stay with the company for more than 10 years and 18% of the workforce of HPS has been loyally serving the company for more than 10 years.

## Employees Years of Service

Hektar Asset Management Sdn Bhd	%	Number of Employees
Under 2 years	37.5	9
2 – 5 years	29.2	7
6 – 9 years	0.0	0
10 years & above	33.3	8
<b>Total</b>	<b>100.0</b>	<b>24</b>



Hektar Property Services Sdn Bhd	%	Number of Employees
Under 2 years	22.3	71
2 – 5 years	40.3	128
6 – 9 years	19.2	61
10 years & above	18.2	58
<b>Total</b>	<b>100.0</b>	<b>318</b>



## Work Life Balance

The management encourages a balanced lifestyle as well as promotes healthy interactions among employees. Every centre and hotel management tries to organise casual outings such as bowling tournaments, celebration of birthdays and festive celebrations at their respective offices for everyone. It is not uncommon to hold Hari Raya 'Open House', CNY Yee Sang tossing or organising Secret Santa gift exchange program at our offices during festive seasons. The company also provides parental leave, medical insurance for all level of employees and their families and also allows early work release prior to festive days. The management of Subang Parade has a 'Chill Out' area, which is specifically designed to be open to encourage brainstorming sessions and is equipped with a TV, reading corner, training/discussion rooms and a pantry area. Hektar encourages and supports its employees to participate in friendly inter-mall competitions held by the Malaysia Shopping Malls Association to foster strong team spirit and teamwork amongst employees.

## Staff Hiring and Retention

Contented and motivated employees translate to better performance, greater productivity and better quality of work. These factors will inevitably contribute to our financial performance and ultimately, unitholder returns. To attract the right talent and to retain the current employees, the management ensures that remuneration is competitive through market benchmarking. Employee retention strategies include maintaining employee salaries that are fair and providing employees with learning opportunities to positively contribute to their department and to the company.

We monitor our hiring statistics and try to understand the drivers for employees' turnover by carrying out exit interviews.

We approach talent management comprehensively and at all stages, keep an open mind to suggestions and allow employees to be heard by engaging them. To ensure harmony, we often have brainstorming sessions and social activities at each centre to understand their perspective and aspirations. This includes "teh tarik" sessions between the management and all level of employees to address work-related challenges, which also serve as a forum to contribute ideas towards continual improvement initiatives. The senior management will continuously review and update programs for employee development based on participant feedback, current issues and anticipated trends.

## Training and Development

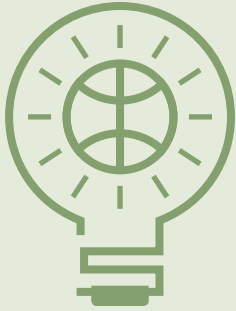
The management puts strong emphasis on developing the careers of all employees as it believes that continuous learning is a fundamental building block towards their individual growth, the Group Human Resources has been continually developing strategic plans to further develop employees' careers by setting a target of 18.5 training hours per employee per annum.

However, due to the ongoing COVID-19 pandemic and the resulting requirements of the various movement control orders, many training programs have been deferred to 2021. However, employees were encouraged to enroll for online training programs and webinars. The training that employees attended include job specific courses such as operations, marketing, leasing, facilities management, finance and legal courses as well as general leadership and soft skill programs. Under HAMSMB, there were 13 type of trainings in 2020 involving 19 participants with an accumulated 160 man-hours worth of trainings. For HPS, 32% of the training budget was devoted to management while the remaining 68% was allocated for the non-management employees.

In 2019, the Group Human Resources department had issued the Training and Development standard operating procedure and have developed and implemented the Post-Training Analysis, Competency Matrix and the Training Needs Analysis to measure the effectiveness of the trainings attended and the overall productivity of employees. These practices and measures have since continued to be adopted.

## Respect for the Environment

The year 2020 has been more challenging than the previous year but a steadfast one for Hektar REIT to pursue better energy optimisation of its properties. With rising costs in operation, the management has continued to implement and refine energy management measures to reduce the impact on operating costs and the environment. Hektar REIT has put in place various energy utilisation and optimisation initiatives since 2017 for all its shopping malls and demonstrated a significant reduction in energy usage in these four years up to 2020. Some of the ongoing initiatives under the Energy Efficiency (EE) program are:



Overall, energy consumption declined across the portfolio by 19.1% in 2020 as compared to 2019. This translate into a reduction in carbon emission of 1.2 million kg CO<sub>2</sub>.

- Upgrading of ageing equipment including the deployment of LED lightings and de-lamping (reducing and relocation of redundant lightings);
- Implementation of monitoring programs by the in-house maintenance teams to optimise electricity consumption through the reduction of maximum demand, application of the Off-Peak Tariff Rider (OPTR) scheme and controlled use of chillers;
- Reconfiguration and fine-tuning of the ACMV equipment by setpoint adjustments, capacity capping and load balancing;
- Minimising reliance on equipment with heavy consumption and shifting towards energy-efficient designs;
- Installation of demand control devices for Air Handling Units (AHUs) to further help optimise and regulate the consumption of energy;
- Installation of heat reflective sheets on roofs and glass window panels;
- Preventing the loss of cold air by taking appropriate measures such as upgrading and installing air curtains, push button door devices and sealing works; and
- Installation of inverter sensors and soft starters on electrical equipment that require a higher demand of electricity to operate.

From 2016 to 2020, Subang Parade's average monthly electricity consumption, maximum demand and annual carbon emissions declined 49%, 43% and 49% respectively. Ultimately, Subang Parade's average electricity billing per month in 2020 decreased by 52% to RM278,614 monthly compared to RM583,701 in 2016.

Subang Parade Energy Statistics (2016-2020)	Monthly Consumption (kWh)	Monthly Maximum Demand (kW)	Monthly Electricity Cost (RM)	Annual Carbon Emissions (CO <sub>2</sub> )
2016	1,278,417	3,134	583,701	10,647,206
2017	1,184,325	3,233	544,877	9,863,570
2018	846,096	2,462	422,291	7,854,735
2019	696,979	2,037	370,689	6,658,639
2020	649,353	1,786	278,614	5,423,398
Change	-49.3%	-43.1%	-52.3%	-49.1%

Figure: Subang Parade Electric Usage Post Retrofit.

In 2020, all our shopping malls also enjoyed considerable savings in electricity consumption due to the partial closure of our malls as a result of the Movement Control Order (MCO) imposed by the Government from mid-March to the end of April 2020 to combat the COVID-19 outbreak and flatten the curve of infection. During this time, only tenants offering essential services were allowed to operate with shorter business hours. In addition, the Government had also provided 15% discounts on electricity tariffs for the period March to September 2020 as part of the Government's Economic Stimulus Package (PRIHATIN) which has also aided our efforts to save on electricity cost.

Similar energy saving initiatives have been applied to our other shopping centres and the management is continuously monitoring and analysing the efficiency of these initiatives. All centres showed positive savings and a general downward trend in accumulated electricity consumption. Overall, energy consumption declined across the portfolio by 19.1% in 2020 as compared to 2019. The detailed breakdown of the savings data on a mall by mall basis are as follows:

Centre	2019 Total (kWh)	2020 Total (kWh)	Saving (kWh)	Savings (%)
Subang Parade	9,594,083	7,792,239	1,801,844	18.8
Mahkota Parade	9,408,426	7,442,313	1,966,113	20.9
Wetex Parade	3,505,754	2,944,788	560,966	16.0
Central Square	11,250,062	8,855,459	2,394,603	21.3
Kulim Central	7,394,429	5,890,974	1,503,455	20.3
Segamat Central	3,452,113	3,158,323	293,790	8.5
Total	44,604,867	36,084,096	8,520,771	19.1

Moving forward, Hektar REIT is now exploring opportunities in Renewable Energy programs where the management is actively looking at implementing the installation of Solar Photovoltaic (PV) panels across our portfolio of retail malls with a combined generation capacity of over 6,000 kWp in total. With these initiatives, Hektar REIT is continuing its pursuit in achieving a minimum 10% reduction in energy consumption across the investment portfolio by the year ending 2022.

## CORPORATE SOCIAL RESPONSIBILITY

Our buildings are located at the heart of a community and have a key role 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. Indeed, this year has been an extremely challenging year for individuals and businesses alike in Malaysia due to the COVID-19 pandemic that has hit not just our nation but the entire world. Retail was one of the most adversely impacted industry from this pandemic. Nevertheless, we strive to continue to remain relevant to the surrounding community. Our focus this year was to work with local community organisations to address the needs in our communities. We have taken more initiatives to continuously carry on our CSR activities following the new standard operating produces (SOPs) introduced by the relevant authorities which has resulted in a reduction of our crowd gathering events during this challenging time. Notwithstanding, impactful CSR programs such as blood donation drives and necessity collection were important programs that were carried out throughout the malls to truly benefit those affected by the pandemic.

### CHARITY

**1 Ringgit Feed 5.** Prior to the COVID-19 pandemic, all centres collaborated with an NGO called The Lost Food Project Malaysian (TLFP) not-for-profit organisation dedicated to a sustainable future by rescuing 'lost' food and finding it a new home with people who need it most with a campaign called '1 Ringgit Feed 5' which was carried out from Christmas 2019 through the New Year 2020. TLFP prevents quality, nutritious food and other surplus goods from going to the landfill, and redistributes these food and other essential items to those in need – regardless of religion, gender, age, disability or ethnic group. The campaign had successfully collected a sufficient amount to feed over 7,000 recipients. The cheque for the total collection was presented by our Executive Director and Chief



Hektar Cares (Flood Relief Program).

Executive Officer, Dato' Hisham bin Othman, to The Lost Food Project in February 2020 in Subang Parade.

**Hektar Cares (Flood Relief Program).** Muar town was hit by a flash flood on 13 July 2020 due to a heavy downpour. 11 staff from Classic Hotel and Wetex Parade were badly affected whereby their homes were inundated with water causing damages to furnitures and electrical equipments. Hektar presented RM500 to each affected staff as a financial relief and donation to ease the burden of those affected with a total of RM5,500 given out as part of our CSR initiative.

**Hektar Helping Hand.** This campaign was initiated after the Movement Control Order (MCO) was lifted in June 2020 with an objective to strengthen all Hektar malls' position as a community mall. It is a community-driven project where our mall would serve as a hub to generate donations either in monetary or item contributions that will greatly benefit those who are affected and struggling to cope with the COVID-19 pandemic.

Subang Parade implemented a monetary donation drive for the period of August to December 2020 for Yi Jing Old Folks Home in USJ 2 as the home was heavily impacted by the pandemic. Subsequently, in October 2020, Subang Parade then provided space for the Sri Agathiar Sanmarka Sangam & Persatuan Kebajikan Thirumular Malaysia to collect food and donations for the underprivileged families which were also impacted by the pandemic. Mahkota Parade, on the other hand, collected monetary contributions from the shoppers to be given to the needy in Malacca that's affected by the pandemic with a joint collaboration with Majlis Bandaraya Melaka Bersejarah (MBMB) that will also be contributing groceries and necessities to the identified families.



1 Ringgit Feed 5 Cheque Presentation to The Lost Food Project (Pre MCO).



Hektar Helping Hand.

In Muar, Wetex Parade collaborated with *Pusat Khidmat Rakyat Parlimen Bakri* to help struggling Indian families who were affected by the COVID-19 pandemic in Muar. Donations for necessity items such as rice, oil and other food items as well as toiletries were given to the families. In Sungai Petani, Central Square collaborated with the Department of National Unity and Integration Kedah to distribute grocery items to a total of 30 affected families. This program was held from 15 June to 31 December 2020.

Meanwhile, Kulim Central collaborated with *Jabatan Kebajikan Masyarakat Kedah*, *W1SEE*, *Kelab Belia & Sukan Kulim*, *Kak Sal Sardine*, *Hang Tuah Coffee*, *Giant*, and *Alagappas Mills* Overall on the collection of donations since August 2020 where 16 local families selected by *Jabatan Kebajikan* and *Kelab Belia & Sukan Kulim* were the beneficiaries and recipients of the donations. In Johor, Segamat Central collected donations and worked with Junior Chamber International (Segamat Area) on a campaign called 1Food1Love where collection of daily necessities and monetary donations were dedicated to local families who were affected.

**Chinese New Year Giving.** During the 2020 Chinese New Year festivities, Mahkota Parade collaborated with the local municipal, *Majlis Bandaraya Melaka Bersejarah (MBMB)* to visit 10 Chinese families around Melaka Tengah district, who were from the bottom 40 (“B40”) income group (families with household incomes below RM1,500). Support in the form of providing household goods and red packets giveaways were given to the families.



Chinese New Year Giving (Pre MCO).



CNY Lou Sang with Rotary Club (Pre MCO).

**CNY Lou Sang with Rotary Club.** On 3 February 2020, Central Square kick-started the CSR program with the Chinese New Year Campaign themed ‘Abundant Blessing’, in collaboration with the Rotary Club of Sungai Petani which regularly helps orphanages, underprivileged children and autistic children. The Management also celebrated the Lou Sang Party with lion dance blessing and were joined in the celebrations by the tenants and media on the concourse area at the ground floor. This event was featured in several local newspapers, namely *Sin Chew Daily*, *Kwong Wah Yit Poh*, and *China Press*.

**CNY with Old Folks.** Kulim Central, in collaboration with the Lions Club Malaysia, Kulim General Hospital, McDonald’s, De’ Touch Hair Saloon, Mee Tarik Warisan and Giant Super Store invited *Pusat Jagaan Saw* (local Old Folks Home) for free haircut and health screening sessions for 30 old folks from the Home. Those who have serious cataract issues were referred to an eye specialist for free surgery. McDonald’s sponsored breakfast meals for the event while Mee Tarik Warisan and Giant offered lunch meals goody bags to the participants respectively. The old folks were happy and grateful and sang the “Chinese New Year Thank You” song in appreciation of the efforts and initiatives by the Kulim Central management.



Kulim Central CNY treat for 30 old folks from Pusat Jagaan Saw (Pre MCO).

Meanwhile, Segamat Central also celebrated their Chinese New Year with the old folks when they held a Reunion Luncheon with senior citizens at the old folk’s home of *Pusat Jagaan Persatuan Kebajikan Kasih Segamat* on 6 February 2020. At the Luncheon, Segamat Central also made monetary donations to the home.

**Deepavali with MP.** For the 2020’s Deepavali, Mahkota Parade collaborated with the Family Store to give away groceries to 10 chosen SJK Tamil Kubu Melaka students, who came from broken families and were financially affected by the pandemic. The teachers joined the management of Mahkota Parade and the Family Store to visit the families of the students where the groceries were then handed over to the recipients.

# CORPORATE SOCIAL RESPONSIBILITY

## COMMUNITY



**Frontliner's Appreciation.** This year's Christmas was special as Mahkota Parade created a campaign to thank the country's frontliners that stood firm whilst the country struggled to contain the effects of the pandemic. Mahkota Parade decided to give away goodie bags, consisting of shopping vouchers and gifts to the frontliner workforce as a token of appreciation and respect.

**Mahkota's Christmas CSR Campaign.** Starting November 2020, small local entrepreneurs joined the "Program Kempen Promosi Perniagaan Kecil Tempatan Negeri Melaka" which was held in Mahkota Parade every Friday to Sunday. This program was held in collaboration with the *Pengerusi Jawatankuasa Pertanian, Penternakan, Pembangunan Usahawan & Koperasi Negeri Melaka*, Federal Agricultural Marketing Authority (FAMA), *Jabatan Pertanian*, and was supported by agencies such as Melaka Halal Hub, SME Corp, Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) and Kraftangan Malaysia Melaka in efforts to assist small businesses that were badly affected during the MCO period, and also to help boost the state's economy with the promotion and sale of locally made products.



Mahkota's Christmas CSR Campaign.

**Sharing is Caring.** Central Square initiated this campaign with orphanages and children from low-income families during this year's Christmas celebrations in collaboration with *Jabatan Perpaduan Sungai Petani*. The management team treated 20 children to an enjoyable meal sponsored by D'sara Fried Chicken, one of the food court tenant at Central Square.

**Women's Day.** On 5 March 2020, before the implementation of the MCO, the management of Central Square collaborated with the Department of National Unity and Integration and the Royal Malaysian Police, Kedah on a crime prevention

awareness program for audiences and shoppers. This event was launched by the Deputy Chief of Police of Kedah. The Department of National Unity and Integration identified five selected families to be the recipient of a wheelchair each for their disabled family member. *Kelab Rukun Tetangga* also contributed umbrellas to the audiences who attended the event. Meanwhile, several exhibitions were also held at the Concourse area which consisted of exhibitions from the *Agensi AntiDadah Kebangsaan*, *Lembaga Penduduk dan Pembangunan Keluarga Negara (LPPKN)* and Royal Malaysian Police.

**Ambulance Service Launch.** Segamat Central and St. John Ambulance of Malaysia (SJAM) collaborated to hold the "Majlis Pelancaran Perkhidmatan Ambulans Kecemasan Sempena Tahun Baru Cina" at the Main Concourse Area of the Ground Floor, on 18 January 2020. This launch event was held to introduce the ambulance service from SJAM which was available to the community in Segamat.



Ambulance Service Launch at Segamat Central (Pre MCO).

**National Day at Segamat Central.** The "Program Mengibar Jalur Gemilang Sempena Hari Kebangsaan ke-63" was held on 29 August 2020 with the participation of *Jabatan Penerangan Daerah Segamat* at the Main Concourse Area on the Ground Floor of Segamat Central. The management of Central Square had sponsored hand flags to encourage the community in Segamat to display their love for the country's flag.



Central Square's Women's Day safety awareness campaign (Pre MCO).



Program Mengibar Jalur Gemilang Sempena Hari Kebangsaan ke-63 at Segamat Central.

**Valentine's Campaign at Kulim Central.** Kulim Central organised a campaign 'We Care and Love You' for Valentine's Day on 14 February 2020, in collaboration with Black Orchid Florist. A total of 300 stocks of roses were given to families as surprise gifts, especially to elderly couples who had visited Kulim Central on Valentine's Day.

**Cuti-Cuti Muar Merdeka Social Media Contest.** All centres collaborated with Classic Hotel Muar for this campaign that was held from August until October 2020. The winner of the contest at Wetex Parade, Ms Lim Ai Wei completed the slogan which read "I am a proud Malaysian because of the language diversity, delicious food, breath-taking places of interest, beautiful traditional costumes and the warmth in everyone's smile make me and every Malaysian beam with pride". Meanwhile, the winner of the contest at Segamat Central, Encik Ali Arshad won with his Bahasa Malaysia slogan which read "*Saya bangga sebagai anak Malaysia kerana dapat berbakti selama 34 tahun di JKR, sama-sama membantu membangunkan Malaysia dari segi pembangunan asas, diantaranya Kem Polis Bakri tahun 1970. Muar Bandar Maharani penduduknya ramah hidup harmoni*". Winners from each centre received a complimentary travel package gift consisting of a three days two nights stay package at Classic Hotel each valued at approximately RM770.



Cuti-Cuti Muar Merdeka Social Media Contest.

**Bukit Mor Clean-Up Day.** Classic Hotel Muar had organised a clean-up of Bukit Mor in Kampung Batu Mor, a small village in Parit Jawa, about 18km from Muar. This exercise was meant to conserve the place by creating awareness amongst the hikers to maintain the cleanliness of Bukit Mor. May the spirit of the Bukit Mor Clean-up Day live on in our every climb. The mission is more than just a clean-up effort but also a community service journey that embarks on opportunities for citizens of all races and creed to work together towards a common vision. Through this clean-up activity, we hope it will not only bring the people closer but also spread the spirit of unity.

## EDUCATION

**Earth Day Campaign.** Segamat Central, together with the Junior Chamber International (Segamat Area) organised a "Save the Earth" Colouring Contest on 14 March 2020 to create awareness on the importance of protecting flora and fauna. The contest drew the participation of an estimated 100 children aged from 4 to 12 years old.



"Save the Earth" Colouring Contest at Segamat Central.



**The Peace Campaign at Segamat Central.** Segamat Central and Lions Club Segamat jointly organised a peace poster competition for young children aged from 6 to 12 years old as part of a peace awareness campaign. Children who participated were encouraged to portray their thoughts and creativity on their understanding of peace. This competition attracted the participation of almost 100 children from Segamat.



Bukit Mor Clean-Up Day.

## CORPORATE SOCIAL RESPONSIBILITY



Central Square was selected to host the 1RAPI campaign.

### SAFETY

**Kempen Keselamatan Satu Rumah Satu Alat Pemadam Api (1RAPI).** On 14 December 2020, Central Square was selected by *Jabatan Bomba dan Penyelamat Malaysia Negeri Kedah* as a host venue for this campaign. Pengarah Bomba Negeri Kedah launched this campaign with thirty fire extinguishers given to the '*Rakan Pili Bomba*' during this campaign. As the main objective of this campaign was to educate people regarding fire safety, the fire department gave a safety talk and briefing to the audience and shoppers as well as a demonstration on how to put out a fire with the fire extinguisher. This campaign was held at the Ground Floor of the mall and on the Main Entrance's service road.



Kempen Keselamatan Satu Rumah Satu Alat Pemadam Api (1RAPI)

**Disability Awareness.** Taylor's University collaborated with Subang Parade for their AIESEC- Get Fit Get Inclusive campaign in mid-February 2020 to promote disability awareness and integration of people with disabilities within their communities.

**Blood Donation Drive.** As the nation went through the MCO, the Conditional Movement Control Order ("CMCO"),

the Recovery Movement Control Order ("RMCO") and the Enhanced Movement Control Order ("EMCO") for some areas, the amount of contribution for the blood bank had decreased while the demand for blood donation around the country had increased. In order to continuously support our local hospitals to ensure enough blood supply to help those in need, all centres supported this blood donation drive in compliance with the relevant SOPs during this trying time.

Subang Parade's blood donation campaign was jointly held with University Malaya *Kolej Kediaman Kelima* in February and March 2020 and with St John's Ambulance in June, July and December 2020. As for Mahkota Parade, four rounds of blood donation campaigns were held with NGOs such as *Majlis Belia Negeri Melaka* and *Lions Club of Melaka*, following the new SOP set by *Majlis Keselamatan Negara*. In Muar, *Wetex Parade* together with *Tabung Darah Hospital Muar* held a blood donation drive in June. In October 2020, *Wetex Parade* joined *Koperasi Perniagaan Guru-Guru Muar Berhad (KPGGMB)* in carrying out a blood donation drive for *Hospital Pakar Sultanah Fatimah*.

Kulim Central organised a campaign called 'Heroes come in all types and sizes' from March to December 2020 in collaboration with Kulim General Hospital, Blood Bank Malaysia, St. John Malaysia, PDRM, *Majlis Perbandaran Kulim, Kedah* and *Lions Club Malaysia* where monthly blood donation drives were held. Segamat Central also held collaborations with Hospital Segamat, Lions Club, Junior Chamber International, *Kelab Kebajikan Bandar Segamat Johor*, *Persatuan Buddhist Segamat*, *Persatuan Wu*, Rotary Opens Opportunity, *Persatuan Bulan Sabit Merah* and SJAM Johor which saw a total of 12 blood donation drives held in Segamat Central.



Blood Donation Drive

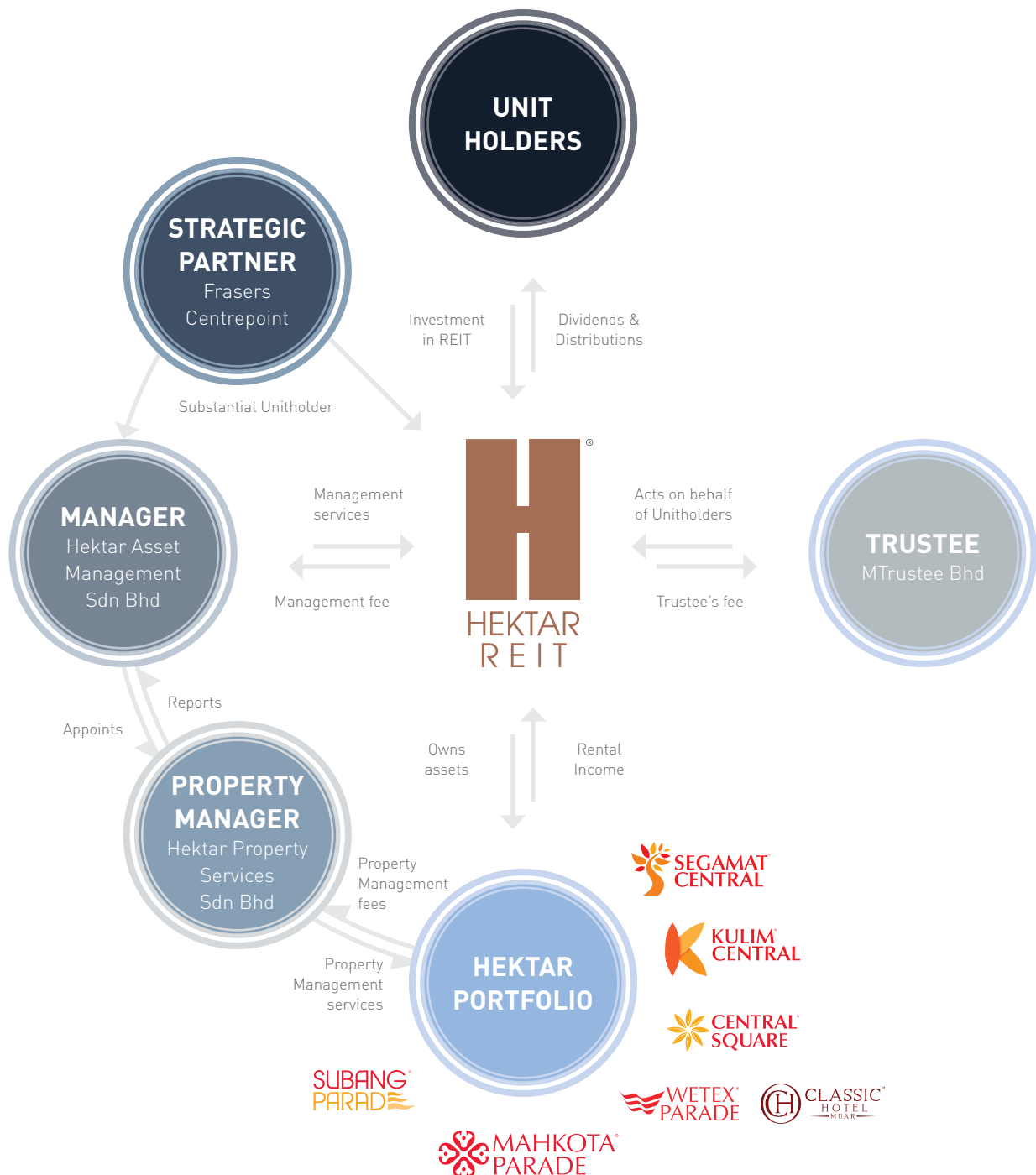


# Corporate Overview

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# CORPORATE ORGANISATION

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



## Manager

Hektar Asset Management Sdn Bhd  
Company Registration No. 200601012511 (732261-T)

### Manager's Principal

#### Place of Business

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

### Manager's Registered Office

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

## Board of Directors of the Manager

Dato' Hisham bin Othman  
Executive Director and Chief Executive Officer

Zarina Halim  
Executive Director and Chief Corporate Officer

Richard Ng  
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

Pauline Lim Poh Noy  
Alternate Director to Mr Richard Ng  
(Appointed w.e.f. 12 January 2021)

Alex Chia Soon Ren  
Alternate Director to Mr Richard Ng  
(Resigned w.e.f. 1 May 2020)

## Executive Committee

Dato' Hisham bin Othman  
Chairman

Zarina Halim

Richard Ng

## Audit and Risk Management Committee

Mahusni bin Hasnan  
Chairman

Philip Eng Heng Nee

Rahanawati binti Ali Dawam

## Nomination and Remuneration Committee

Rahanawati binti Ali Dawam  
Chairperson

Mahusni bin Hasnan

Philip Eng Heng Nee

## Joint Company Secretaries of the Manager

Dato' Muhammad Hafidz  
bin Nuruddin (MAICSA 7005820)

Lim Seck Wah (MAICSA 0799845)

## Trustee

MTrustee Berhad  
Company's Registration No. 198701004362 (163032-V)

Level 15, Menara AmFIRST  
No. 1, Jalan 19/3  
46300 Petaling Jaya, Selangor  
Tel: +6 03 7954 6862  
Fax: +6 03 7954 6595

## Property Manager

Hektar Property Services Sdn Bhd  
Company's Registration No. 200901025275 (868376-K)

Lot A, Basement, Subang Parade  
No. 5, Jalan SS 16/1  
47500 Subang Jaya, Selangor

## Principal Bankers of the Fund

Malayan Banking Berhad  
Company's Registration No. 196001000142 (3813-K)

Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur

CIMB Bank Bhd  
Company's Registration No. 197201001799 (13491-P)

CBC KL1, Level 9, Menara CIMB  
No.1 Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

## Auditor (External)

BDO PLT  
(LLP0018825-LCA & AF 0206)  
Level 8 BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur

## Auditor (Internal)

KPMG Management  
& Risk Consulting Sdn Bhd  
Company's Registration No. 198601000916  
(150059-H)  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor

## Tax Agent

BDO Tax Services Sdn Bhd  
Company's Registration No. 198401002347  
(114863-K)

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

## Registrar

Mega Corporate Services Sdn Bhd  
Company's Registration No. 198901010682  
(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's Registration No. 200301033577  
(635998-W)

Board: Main Market

Sector: Real Estate Investment Trusts

Short Name: HEKTAR

Stock Code: 5121

## THE BOARD OF DIRECTORS



### Dato' Hisham bin Othman

Executive Director and Chief Executive Officer

Y. Bhg. Dato' Hisham bin Othman, a Malaysian, male, aged 58, was appointed an Executive Director and Chief Executive Officer of the Company on 1 May 2016. Dato' Hisham is also the Chairman of the Executive Committee of the Company.

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.

Dato' Hisham 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, 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.

Dato' Hisham has over 30 years of 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. In the real estate sector, he was involved in the areas of property development, asset management and construction.

Dato' Hisham attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



### Zarina Halim

Executive Director and Chief Corporate Officer

Puan Zarina Halim, a Malaysian, female, aged 49, was appointed an Executive Director and Chief Corporate Officer of the Company on 1 February 2018. She is also a member of the Executive Committee of the Company.

Puan 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. Puan Zarina is a member of the Institute of Corporate Directors Malaysia (ICDM) and Malaysian Institute of Corporate Governance (MICG). She is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

Puan Zarina has more than 18 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. In her role as Chief Corporate Officer, she is responsible for the overall corporate and commercial affairs of the company of which Legal, Secretarial and Human Resource make up the main areas and provides support in the areas of Finance. She is the designated Compliance Officer under the Capital Market Services Licence (CMSL) granted to REIT Managers. Prior to Hektar, she was formerly with the United Engineers Malaysia Berhad ("UEM") Group of Companies for 9 years where she was initially involved in project management at Faber Hotels Holdings which culminated in the conversion of a series of Faber owned properties under the "Merlin" brand name to "Sheraton". She then became Head of Corporate Affairs and Business Development in ProLink Development Sdn Bhd, the UEM Group's subsidiary responsible for the development of Nusajaya. Her notable experience at ProLink included the implementation of corporate land sales to the value of over RM1 billion and the successful restructuring of ProLink's debt obligations under Danaharta. She then moved on to head the Business Development unit at OptixLab Sdn Bhd and was mainly responsible for strategic marketing and ICT-related investments.

Puan Zarina attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



## Richard Ng

Non-Independent Non-Executive Director

Mr Richard Ng, a Singaporean, male, aged 52, was appointed to the Board on 1 July 2019. He is also a member of the Executive Committee of the Company.

Mr Ng is presently the Chief Executive Officer of Frasers Centrepoint Asset Management Ltd, the Manager of Frasers Centrepoint Trust ("FCT"). Mr Ng has over 28 years of experience in the Singapore and regional property markets, spanning the areas of marketing, investment, asset and REIT management. Prior to joining the Frasers Property group, he was Executive Director, Asset Management, at PGIM (Singapore) Pte. Ltd., where he oversaw the asset management of retail and commercial property portfolio in Singapore and Malaysia. Mr Ng held senior management roles during his 14 years at the Capitaland Group, including 10 years at Capitaland Mall Trust ("CMT") where he was part of the team that oversaw the initial public offering of CMT in 2002. At CMT, Mr Ng was the Head of Asset Management, responsible for overall performance of CMT's assets.

Mr Ng holds a Bachelor of Science (Honours) degree in Estate Management and a Master of Science degree in Real Estate, both from the National University of Singapore.

Mr Ng attended 4 of the 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



## Tay Hwee Pio

Non-Independent Non-Executive Director

Ms Tay Hwee Pio, a Singaporean, female, aged 52, was appointed to the Board on 29 Nov 2016 as an Alternate Director and became Non-Independent Non-Executive Director of the Company on 1 November 2017.

Ms Tay is presently the Chief Financial Officer of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust ("FCT") where she is responsible for the financial, taxation, treasury and compliance functions of FCT. She has 25 years of financial experience in the real estate industry. Prior to joining FCT, Ms Tay was based in Shanghai for 10 years, where she was the financial controller for Frasers Property Limited's business operations in China since 2006. Before joining Frasers Property Limited, Ms Tay held financial positions at Keppel Land and Guocoland.

Ms Tay is a Singapore Chartered Accountant with the Institute of Singapore Chartered Accountants and she is a Fellow with the Association of Chartered Certified Accountants.

Ms Tay attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.

## THE BOARD OF DIRECTORS



### Mahusni bin Hasnan

Independent Non-Executive Director

Encik Mahusni bin Hasnan, a Malaysian, male, aged 56, was appointed to the Board on 23 January 2017. He is also the Chairman of the Audit and Risk Management Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Encik Mahusni graduated with a Bachelor of Arts (Honours) degree in Accounting & Finance from Thames Valley University, London, England (now known as University of West London). He further obtained a Masters in Business Administration (Finance) from University of Hull, England.

Encik Mahusni has more than 30 years of experience in wide ranging fields notably in corporate finance including mergers and acquisitions (M&A) and Initial Public Offerings (IPOs), cross border investment issues and risk assessment analysis, corporate tax advisory and planning, business operations and management in several different industries. He was the First Vice President of Affin Merchant Bank Berhad from 2002 to 2003. 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. Between 2011 and 2014, he was the CEO of Seaport Worldwide Sdn Bhd and CEO of JP Logistics Sdn Bhd, both wholly-owned subsidiaries of Johor Port Berhad which in turn is a wholly-owned subsidiary of MMC Corporation Berhad.

Encik Mahusni attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



### Philip Eng Heng Nee

Independent Non-Executive Director

Mr Philip Eng Heng Nee, a Singaporean, male, aged 74, was appointed to the Board on 17 April 2008. He is also a member of the Audit and Risk Management Committee, and the Nomination Committee and Remuneration Committee of the Company.

Mr Eng is a board member of Frasers Property Limited and PT Adira Dinamika Multi Finance Tbk. He also sits on the board of directors of several non-listed entities which include ALPS Pte. Ltd., Frasers Hospitality International Pte. Ltd., Frasers Property Australia Pty Limited and Transmex Systems International Pte. Ltd. Mr Eng is a member of the Corporate Governance Advisory Committee at the Monetary Authority of Singapore and he is Singapore's Non-Resident High Commissioner to Canada.

Mr Eng holds a Bachelor of Commerce degree in Accountancy from the University of New South Wales and is a Chartered Accountant (Singapore).

Mr Eng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



## Rahanawati binti Ali Dawam

Independent Non-Executive Director

Rahanawati binti Ali Dawam, a Malaysian, female, aged 68, was appointed to the Board on 16 February 2017. She is also the Chairman of the Nomination Committee and Remuneration Committee, and a member of the Audit and Risk Management Committee of the Company.

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 is a senior partner of Messrs Rahana Zurina & Partners, a legal firm which specialises in corporate and securities law, investments and cross border transactions. Prior to this, she was also a senior partner of Messrs Abu Talib Shahrom. 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 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 and also the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee.

She attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.



## Pauline Lim Poh Noy

Alternate Director to Mr Richard Ng

Ms Pauline Lim Poh Noy, a Singaporean, female, aged 48, was appointed to the Board on 12 January 2021.

Ms Lim is presently the Head of Investment and Asset Management of Frasers Centrepoint Asset Management Ltd ("FCAM"), the Manager of Frasers Centrepoint Trust ("FCT"), where she is responsible for the management of FCT's portfolio of retail assets in Singapore. She has over 20 years of real estate experience. Prior to joining FCAM, she was the Executive Director at PGIM Real Estate ("PGIM") and was responsible for the portfolio management of PGIM Real Estate AsiaRetail Fund. Before PGIM, Ms Lim was Vice-President, Investment Management of GIC Real Estate ("GIC RE"), where she was responsible for investment and asset management in the office, retail and residential sectors in various Asia Pacific markets and supported GIC RE senior management in global portfolio reporting, asset strategy and planning. Prior to GIC RE, she held various roles at DBS and Jones Lang LaSalle in Singapore and Hong Kong.

Ms Lim holds an MBA degree from the University of Western Australia and a Bachelor's degree in Business Administration from the National University of Singapore.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

# THE MANAGEMENT TEAM

## REIT Manager Team

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### **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**

Senior 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 10 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. She is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

### **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 13 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 award winning commercial 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 and has appeared before Strata Management Tribunals in relation to legal disputes concerning strata buildings. 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 also a Registered Property Manager, a profession 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 including undertaking business development initiatives as well as conducting due diligence on potential acquisitions and carrying out market research. Prior to joining Hektar, Syairul spent two decades with PLUS where he undertook senior roles 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 two decades 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 19 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.

### Abdul Razak bin Abd Rahman

Head, Group Finance

Abdul Razak is currently the Head for Group Finance of Hektar Property Services Sdn Bhd. He has over 30 years working experience in the areas of accounting, corporate finance, taxation and treasury in various industries. He has held management position in companies such as PLUS Berhad, Time dotcom Berhad, Scomi Group Berhad, Scomi Marine Berhad and CH Offshore Limited.

He is a Chartered Accountant with the Malaysia Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

### Abdul Aziz Shaazi

Head, Group Human Resource

Abdul Aziz Shaazi is currently the Head for Group Human Resource. He has more than 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, DRBHicom, 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.

### Mira Rahman

Head, Group Marketing

Mira is currently the Senior Manager and Head of Group Marketing of Hektar Property Services Sdn Bhd. She has more than 11 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 at Multimedia University Malaysia in Information Technology and Business Information Studies before pursuing her passion in marketing. Mira also holds a Certified Mall Marketing & Leasing Manager certification from the Malaysia Shopping Malls Association.

# THE MANAGEMENT TEAM

## Property Manager Team

### Amos Chew

Senior General Manager,  
Subang Parade

Amos is the Senior 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 the Malaysia Shopping Malls Association.

### Mohd Zahiruddin Ahmad

General Manager,  
Mahkota Parade

Zahiruddin is the General Manager of Mahkota Parade Shopping Centre. He initially started in 2015 in leasing and marketing. Over the last 5 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 & 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 11 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. She is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers [BOVEAP], Malaysia.

### 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.

# INVESTOR COMMUNICATIONS

Hektar Asset Management continues to cultivate a long-term approach to maintain investor relationships through transparent and timely disclosures. The management primarily focuses on regulatory disclosure, engagement with research houses, and analysts providing information to individual and institutional investors. Coverage extends to regular updates to the website, public relations coverage and direct engagement with the media and other stakeholders from time to time.

Briefing sessions are conducted for analysts and investors every quarter following the release of quarterly results, and on an ad hoc basis for material transactions and developments relating to Hektar REIT. Disclosures present financial and operational results and meetings are conducted to discuss the strategy and business model of Hektar REIT. Management aims to engage with potential investors for informational purposes and also to receive constructive feedback to gauge and monitor the overall perception of the REIT.

Hektar REIT's website contains comprehensive information on the REIT's strategy, organisation, manager, portfolio, and financials. The investor information section provides dividend information, current and historical quarterly presentations, annual reports, press releases and announcements, in downloadable format. The management strives to provide fair and transparent information to its investors through clear and consistent communications.

Unitholders are encouraged to attend and vote at the REIT's Annual General Meeting ("AGM"). This allows the Board to comprehend unitholders issues and respond to their questions, especially during the AGM. The 8th AGM was held on 29 June 2020 and it was conducted virtually in line with Securities Commission guideline in view of the COVID-19 Pandemic.

In line with Hektar's sustainability efforts, the management has opted to send an abridged version of the annual report for 2020 to all unitholders. The full version is available for download on the website. Limited physical copies are available on written request.

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 Communications  
Hektar Asset Management Sdn Bhd  
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Email: [ir@hektarreit.com](mailto:ir@hektarreit.com)  
Web: [www.hektarreit.com](http://www.hektarreit.com)

## The Registrar

Mega Corporate Services Sdn Bhd  
Level 15-2 Faber Imperial Court  
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P.O. Box 12337  
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Tel: +6 03 2692 4271  
Fax: +6 03 2732 5388

## 2020 Financial Year Calendar

Full Year Results Announcement	26 February 2020
Annual Report	27 February 2020
Fourth Quarter 2019 Distribution	9 April 2020
First Quarter Results Announcement	22 May 2020
Annual General Meeting	29 June 2020
Second Quarter Results Announcement	26 August 2020
Third Quarter Results Announcement	25 November 2020
Fourth Quarter Results Announcement	25 February 2021
Fourth Quarter 2020 Distribution	26 February 2021

# HEKTAR IN THE MEDIA



by The Star – 30 June 2020 @ www.thestar.com.my



by The Star – 28 Sept 2020 @ www.thestar.com.my



by The Edge – 26 January 2021 @ www.theedgemarkets.com



by NST Business – 25 November 2020 @ www.nst.com.my



by The Borneo Post – 1 July 2020 @ www.theborneopost.com



by The Sun Daily – 29 June 2020 @ www.thesundaily.my

# Corporate Governance and Accountability

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# CORPORATE GOVERNANCE

The manager of Hektar Real Estate Investment Trust (“Hektar REIT”), together with the Trustee, is committed to adopting the highest standards of corporate governance. Hektar REIT ensures that its day to day business affairs consider ethical behaviour, accountability, transparency and sustainability in its core practices. Under 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 strategic partner is Frasers Centrepoint Trust, who is part of Frasers Property, headquartered in Singapore. Frasers Centrepoint Trust is also a substantial unitholder in Hektar REIT.

Hektar REIT’s main investment objective is owning and investing in income-producing real estate and real estate related assets which are primarily used for retail purposes.

Being a Trust structure, Hektar REIT does not engage any officers and employees directly but is externally administered by the REIT Manager who appoints professionally qualified and experienced personnel to manage its day-to-day operations. In return, the REIT Manager is remunerated by way of performance fees and base fees.

## The Manager of Hektar REIT

Hektar REIT is managed by Hektar Asset Management Sdn Bhd (“the Manager”) which 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 potential acquisitions, investments and enhancement of assets under management.

The Manager has general powers of management over the assets and liabilities of Hektar REIT for the benefit of its Unitholders inclusive of business planning, capital management and risk management of the Fund. The Manager remunerates all directors and employees.

As required by the Capital Markets and Services Act 2007 (“CMSA”), the Manager holds a valid Capital Markets Services License (“CMSL”) issued by the Securities Commission (“SC”) to carry out REIT management activities.

The principal duty of the Manager is to manage and administer the REIT in accordance with Hektar REIT’s Trust Deed, the applicable Laws and Requirements and acceptable business practices of the REIT sector in Malaysia.

Primary roles, functions and responsibilities of the Manager are (but not limited to) as follows:-

- i. formulate Hektar REIT’s investment strategy, including determining the location, sub-sector, type and other characteristics of Hektar REIT’s portfolio;
- ii. observe and maintain high standards of integrity and fair dealing in managing the REIT to the best and exclusive interest of the Unitholders;
- iii. not act or conduct transactions in any manner which would result in unnecessary cost or risk to the REIT;
- iv. supervising and overseeing the Property Manager who performs the day to day property management functions concerning the REIT’s property (including leasing, finance, marketing and promotion);
- v. monitoring and ensuring compliance with all relevant regulatory filings, including but not limited to the Capital Markets and Services Act 2007, SC’s Guidelines on Listed Real Estate Investment Trusts (“REIT Guidelines”), Bursa Malaysia’s Main Market Listing Requirements (“Listing Requirements”), Trust Deed and all relevant authority’s guidelines.

Hektar REIT’s portfolio currently consists of 6 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 Hektar REIT’s assets can be found under the “Portfolio Performance” section of this annual report.

## The Trustee

MTrustee Berhad was appointed as the Trustee for Hektar REIT via a Trust Deed executed by the Manager and the Trustee. The Trust Deed has been updated and amended in the form of the Amended and Restated Trust Deed to be consistent with the revamped Guidelines on Listed REITs, other relevant SC Guidelines and the Listing Requirements. The Trust 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 Trust Deed, the Board of the Manager is also governed by the Board Charter, which outlines the principal roles of the Board, establishing the functions, responsibilities and powers of the Board and Board Committees. It also sets the policies of the Board to ensure that the principles and practices of good corporate governance are applied in all their dealings for Hektar REIT. The Board Charter is regularly reviewed to incorporate the latest statutory developments. The Board Charter was recently updated on 1 October 2020.

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 and has recently been updated to incorporate the new Corporate Liability Provision under Section 17A in the Malaysian Anti-Corruption Commission Act 2009 which has come into effect in June 2020. 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.

## 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 and quarterly announcements of results to Unitholders.

## Statement on Director' Responsibility

In accordance with Paragraph 15.26(a) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of Hektar REIT as at the end of the accounting period and of their profit & loss and cash flows for the period ended. In preparing the financial statements, the Directors endeavour to ensure that applicable approved accounting standards issued by the International Malaysian Accounting Standards Board, the requirements set out in the REIT Guidelines, and the provisions of the Companies Act 2016 are applied.

In preparing the financial statements, the Directors endeavour to select and apply consistently suitable accounting policies and make reasonable and prudent judgments and estimates. The Directors also have 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.

## 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 Malaysia as the external auditors to conduct the statutory audit for the financial year ended 31 December 2020.

The Audit and Risk Management Committee ("ARMC") has also evaluated the reappointment of the External Auditors of Hektar REIT during the financial year ended 2020 to determine their suitability for re-appointment and independence. The appointment satisfies the requirements of Paragraph 15.21 under the Listing Requirements.

## CORPORATE GOVERNANCE

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

- i. Presented the statutory audit plan, the scope of work and the result of the annual audit for the REIT; and
- ii. 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 2020 amounted to RM109,000.00.

### Dealings with Related Parties

For the financial year ended 31 December 2020, the ARMC 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 executed by the Manager have complied with the SC's REIT Guidelines, the Deed and the Listing Requirements. The Manager has demonstrated to the ARMC that all business transactions were carried out in the best interest of Hektar REIT and were not detrimental to the interests of Unitholders.

### Additional Compliance Information

- i. Sanctions and/or penalties

There are no public sanctions and/or penalties imposed on Hektar REIT, its Directors or the management of the Manager, by relevant regulatory bodies during the financial year ended 31 December 2020.

- ii. Non-audit fees

The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2020 amounts to RM34,650.00.

- iii. Soft commission

For the year ended 31 December 2020, the Manager did not receive any soft commission.

- iv. Variation in results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2020 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.

- v. 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 2020.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Hektar Real Investment Trust (“Hektar REIT”) for the financial year ended 31 December 2020. 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”), Securities Commission Guidelines on Listed Real Estate Investment Trusts, Capital Markets and Services Act 2007 and the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Listing Requirements”).

The MCCG is based on three fundamental 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.

This Corporate Governance Overview Statement should be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report.

The Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review, except for the following practices:

- i. Practice 4.1: At least half of the board comprises independent directors.
- ii. Practice 4.2: The tenure of an independent director does not exceed a cumulative term limit of 9 years. Upon completion of the 9 years, an independent director may continue to serve on the board as a non-independent director.
- iii. Practice 7.1: Disclosure on a named basis, the remuneration of individual directors.
- iv. Practice 7.2: Disclosure on a named basis the top 5 senior management’s remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Manager of Hektar REIT and the Board

A knowledgeable Board manages Hektar Asset Management Sdn Bhd (“the Manager/HAMSB”) with years of experience and a varied range of expertise. The Board is responsible for the stewardship of Hektar REIT to enhance long term unitholders’ value while taking into account the interests of other stakeholders. The Board must act honestly, with due care and diligence and work in the best interest of the Manager and Hektar 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 Board shall thoroughly and to the best of their knowledge evaluate all information presented to them in order to make informed decisions, taking into account the consequence to the shareholders including unitholders, minority unitholders as well as its stakeholders when discharging their obligations and authorising decisions for the Company. 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Chairman of the Board and Chief Executive Officer

To maintain effective segregation of roles and responsibilities, Hektar REIT practices the separation of the positions of Chairman of the Board ("Chairman") and the Chief Executive Officer ("CEO"). Both positions have been held by separate persons as recommended under practice 1.3 of the MCCG. 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 Hektar REIT.

However, with the resignation and subsequent demise of Hektar REIT's former Chairman, the late Mr Michael Lim Hee Kiang on 13 April 2018, the position still remains vacant. For the Board meetings, a member other than the chairman of the Audit and Risk Management Committee will be selected as chairman of the day to chair the meeting.

The Board is led by Dato' Hisham Bin Othman, the Executive Director/CEO and supported by Puan Zarina Halim the Executive Director/Chief Corporate Officer. The CEO is responsible for ensuring the effective implementation of the Manager's and Hektar 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 Hektar REIT's goals and objectives and is expected to act within the authorities delegated to him by the Board.

## Company Secretaries

The Board and Board Committees are supported by two professionally qualified, experienced and competent Company Secretaries, Dato' Muhammad Hafidz Bin Nuruddin and Madam Lim Seck Wah who each have more than 20 years of experience in the corporate secretarial field.

The advice and services of the Company Secretaries are available to all the Directors to ensure that the Board receives appropriate and timely information for its decision-making, Board procedures are followed and the statutory and regulatory requirements are met. The Company Secretaries also assist the chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings.

The Board is confident that the Company Secretaries are proficient in carrying out the appropriate duties to ensure the effective functioning of the Board.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

## Board Committees and their Roles

The Board is adequately resourced and supported by the following committees:

- i. Executive Committee ("EXCO");
- ii. Nomination and Remuneration Committee ("NRC"); and
- iii. Audit and Risk Management Committee ("ARMC").

All committees are accorded with specific authorities and responsibilities to assist the Board in discharging its functions, duties and responsibilities effectively. Where a Committee is formed, specific terms of reference of the Committee shall be established in writing to cover matters such as the purpose, composition and functions of the Committees. The respective Committee terms of reference are available in the Board Charter and are published on the Hektar REIT website. The terms of reference of the Committee are continuously reviewed and updated to ensure their relevance to the Company's operations as well as compliance with legislation and standards.

Generally, each Committee will review, scrutinise, 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 respective Committees are as follows:

## **EXCO**

The EXCO comprises 3 members, consisting of 2 Executive Directors and 1 Non-Executive Director. The EXCO is chaired by Dato' Hisham bin Othman and the members are Pn Zarina Halim and Mr Richard Ng.

Under the delegated authority limits conferred by the Board, the EXCO is tasked with the following responsibilities:

- i. Make decisions concerning investments to be made or expenditure to be incurred in relation to Hektar REIT;
- ii. Make decisions about 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 as per the instructions of the Board.

The EXCO met 7 times during the financial year and all the members attended.

## **NRC**

The NRC comprises 3 members, all of whom are Independent Non-Executive Directors. The NRC is chaired by Cik Rahanawati Ali Dawam and the members are En. Mahusni bin Hasnan and Mr. Philip Eng Heng Nee.

The NRC is delegated by the Board to carry out the following functions:

- i. To identify and recommend candidates for new appointments, whilst managing the orientation and the provision of continuous training for Directors;
- ii. To assess the effectiveness of the Board and the Board Committees as a whole and the individual Directors, including the Independent Directors in light of the needs of the Manager, the REIT and the operating environment; and
- iii. To assist the Board in the remuneration matters of Directors in line with good corporate governance principles and practices.
- iv. To work with the Board to develop a practical succession plan for the Directors and Management members.

The NRC met once during the financial year and all members attended the meeting.

For the financial year ended 31 December 2020, the NRC had assessed, reviewed and recommended those Directors retiring to be nominated for re-election/re-appointment, having regard to the individual's experience, contributions and performance and to review and recommend the appointment of a new Alternate Director.

In 2020, Mr Philip Eng Heng Nee would have rendered his services as an Independent Non-Executive Director of the Company for a cumulative tenure of 12 years with the Manager. After a thorough evaluation of his past contributions, the NRC has recommended Mr Philip Eng Heng Nee to continue 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;
- ii. He is still able to proactively participate in the Board's deliberations and provide unbiased independent views in decision-making;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

- iii. His vast knowledge in the property sector and financial literacy makes him highly indispensable to the Board and in the ARMC; and
- iv. He has demonstrated due care and diligence during his tenure, 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.

## ARMC

For information on the composition, responsibilities and activities, please refer to the Audit and Risk Management Committee Report section of this Annual Report.

## II. BOARD COMPOSITION

### Composition and Diversity

Currently, the Board has 7 members (and an alternate director), 5 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, whose presence are essential to protect the interests of unitholders of Hektar REIT and these Directors make significant contributions to the Company's decision-making by bringing in the qualities of objectivity and impartiality.

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. The Directors collectively bring with them a wide range of experience and knowledge 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 Hektar REIT. The profile of each Director is set out in the "Board of Directors" section of this Annual Report.

The Board acknowledges that although the current Board composition complies with and exceeds the Listing Requirements, Hektar REIT has not applied the recommendation of the MCCG whereby at least half of the board comprises independent directors. The Board will strive to meet the recommendation of the MCCG whereby the half of the board comprises independent directors.

With the composition of 43% of the Board held by Independent Directors, the Manager is of the view that the Board can uphold objectivity in reaching meaningful decisions in the best interest of all stakeholders.

The MCCG also recommends the Board of a large company to have at least 30% of women directors. Although REITs do not fall under the ambit of large companies as defined by the MCCG, the Board recognises that gender diversity makes good business sense, in line with the country's aspirational target of 30% representation of women Directors. The Board currently has 3 women Directors, representing more than 30% of the Board composition.

Any appointment of new Directors of the Manager will be evaluated by the NRC and after that, 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 NRC so that recommendations made on proposed candidates meet 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, the experience of the proposed candidate; and knowledge of matters relating to REIT Management.

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

## Directors' Training and Continuing Education Programme

During the financial period under review, all Directors have attended training programmes in compliance with the Listing Requirements.

The Manager ensures that the Board is regularly updated on new developments or changes in laws and regulations and financial reporting standards which are relevant to the Manager or Hektar REIT and the Internal Auditors regularly update the Board on this at Board meetings. The Manager maintains a training record to track Directors' attendance at training and professional development courses.

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

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 Malaysian Institute of Corporate Governance ("MICG"). MICG regularly updates the Company on relevant Corporate Governance training programmes 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 in attendance.

All the Directors of the Manager have attended training programmes during the financial year in compliance with the Listing Requirements. The details are as follows:

Director	Date	Events
Dato' Hisham bin Othman	20 February 2020	Induction Course for Newly Registered Property Managers
Pn. Zarina Halim	14 February 2020	Tea Talk - Digital Resilience – New Way to Combat Cybersecurity
	5 March 2020	Induction Course for Newly Registered Property Managers
	28 September 2020	Maybank Research Zoom Webinar
	1 December 2020	MRMA Second Annual Malaysian REIT Forum
Mr. Richard Ng	9 January 2020	Anti-Money Laundering and Countering the Financing of Terrorism
	25 - 26 June 2020	Rules, Regulations and Ethical Challenges in the New Digital Age
	25 August 2020	New Retail Landscape in Singapore Post-COVID 19
Ms. Tay Hwee Pio	25 - 26 June 2020	Rules, Regulations and Ethical Challenges in the New Digital Age
	25 August 2020	New Retail Landscape in Singapore Post-COVID 19

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

En. Mahusni bin Hasnan	8 January 2020	Coverage for Retail and SME Businesses
Mr. Philip Eng Heng Nee	1 October 2020	APPI Multifinance Indonesia Seminar: “Multifinance Road to Recovery”
Cik Rahanawati binti Ali Dawam	5 November 2020	Opportunities in Derivatives Market Explained - How To Trade in Crude Palm Oil Futures Contract (FCPO)
	11 November 2020	Opportunities in Derivatives Market Explained - How to Trade Single Stock Futures (SSFs)
Ms Pauline Lim Poh Noy	25 August 2020	New Retail Landscape in Singapore Post-COVID 19
	21 December 2020	Anti-Money Laundering and Countering the Financing of Terrorism

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

### III. REMUNERATION

Hektar REIT, being a trust, has no employees and the Directors sit on the Board of HAMSMB, as the REIT Manager. The Directors and senior management’s remunerations are remunerated by the Manager, which is a privately-owned company.

The NRC shall assist the Board to determine a remuneration framework and terms of employment for all Directors and senior management personnel of the Manager. The Board, in determining the remuneration package for the Directors, takes into account the remuneration level that is competitive with the relevant market and industry and the NRC’s recommendation. Remuneration packages of the Directors are subject to the approvals of the shareholders of the Manager.

The Board practices transparent remuneration policies and procedures and the remuneration of Executive Directors is based on individual performance and rewards. All Directors receive Directors’ fees and all Non-Executive Directors receive meeting allowances for their attendances at Board meetings and any other Board Committee meetings that require their presence. The Board confirms that the Directors do not participate in decisions regarding their remuneration.

The details of the remuneration, on a named basis, for directors and top 5 senior management personnel are not disclosed in the Annual Report due to confidentiality, business and personal security concerns. The Board is also of the view that the disclosure of such information may put Hektar REIT in a disadvantageous position given the competition for talent in the industries where it operates.

An overview of the Directors’ remuneration for the financial year ended 31 December 2020 are as follows:

	<b>RM</b>
Salaries and Other Remuneration	999,156.00
Directors’ Fees	588,000.00
Meeting Attendance Allowances	23,000.00
<b>Total</b>	<b>1,610,156.00</b>

The total top 5 senior management staff of HAMSMB was remunerated with total salaries and other remuneration amounting to RM1,125,108 for the financial year ended 31 December 2020.

## **PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I. AUDIT AND RISK MANAGEMENT COMMITTEE**

Currently, all 3 members of the ARMC are Independent Non-Executive Directors and are in line with the requirement of MCCG, which states that the ARMC should solely comprise Independent Directors. The Chairman of the ARMC is not the Chairman of the Board.

The ARMC 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 ARMC has direct and full access to the internal and external auditors and complete discretion to invite any Director or executive officer to attend its meetings. Both internal and external auditors are given unrestricted access to the ARMC. Collectively, members of the ARMC have a good understanding of REIT operations and its financial reporting requirement and possess the necessary skills required to discharge its duties effectively. The ARMC members have extensive experience and knowledge in accounting, finance and legal matters.

### **II. RISK MANAGEMENT AND INTERNAL CONTROL**

The Board recognises the importance of risk management to safeguard the interest of unitholders of Hektar REIT. The review and implementation of internal control systems to maintain the integrity of the businesses and assets is an essential part of the management strategy.

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

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

### **I. COMMUNICATION WITH STAKEHOLDERS**

#### **Unitholders and Relationship**

The Manager recognises 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 the 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 can obtain an overview of performance and operations via the timely 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 is also disclosed on Hektar REIT’s website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

## II. CONDUCT OF GENERAL MEETINGS

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

All unitholders are targeted to be given at least 28 days' notice prior to the Annual General Meeting which exceeds the minimum requirement of 21 days to enable good participation. The notice includes details of resolutions proposed along with a relevant explanation as required under the Trust Deed.

Due to the COVID-19 pandemic and observation of mobility restrictions, the next 9th Annual General Meeting of Hektar REIT will take place virtually on 9 April 2021. The Notice of Meeting and Proxy Form can be found at the end of this Annual Report.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## COMPOSITION

The composition of the Audit and Risk Management Committee (“ARMC”) is as follows:

### Members

En Mahusni bin Hasnan  
(Chairman, Independent Non-Executive Director)

Mr Philip Eng Heng Nee  
(Independent Non-Executive Director)

Cik Rahanawati binti Ali Dawam  
(Independent Non-Executive Director)

### Membership

The ARMC shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The members of the ARMC shall elect a chairman among themselves who is an independent Director and who is not the chairman of the Board. The composition of the ARMC shall fulfil the requirements as prescribed in the Bursa Securities Malaysia Berhad Main Market Listing Requirements (“Listing Requirements”). Currently, all ARMC members comprise Independent Directors.

None of the members of the ARMC was a former key audit partner of the External Auditors of the Group.

### Meetings

The ARMC shall meet at least 4 times annually. A majority of independent Directors present shall form a quorum.

## TERMS OF REFERENCE

The Terms of Reference of the ARMC which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance and other best practices are available for reference on the Company’s website at [www.hektarreit.com](http://www.hektarreit.com).

## ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 5 ARMC Meetings were held. The attendance of each member was as follows:

Name of Members	Attendance
En Mahusni bin Hasnan	5/5
Mr Philip Eng Heng Nee	5/5
Cik Rahanawati binti Ali Dawam	5/5

The ARMC carried out its duties for the year in accordance with its Terms of Reference. Summary of the work carried out and discharged by the ARMC for the financial year are as follows:

### Financial results

- i. Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements prior to submission to the Board for its consideration and approval.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Internal Audit

- i. Reviewed and approved the internal audit plan which covers 4 audit cycles and agreed with the methodologies (risk-driven approach) employed by internal auditors.
- ii. Reviewed the internal audit reports and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis.
- iii. Evaluated the internal auditors and recommended to the Board for their re-engagement to carry out the internal audit function.
- iv. Reviewed the internal audit fees applicable to the audit cycles under engagement before recommending the same to the Board for approval.

## External Audit

- i. Reviewed and approved the external auditor's audit plan, audit approach and reporting requirements prior to the commencement of audit works for the year under review;
- ii. Discussed the key audit matters and other audit focus areas raised by external auditors.

## Risk Management

- i. 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;

## Related Party Transactions

- i. 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.

## INTERNAL AUDIT FUNCTION

The Internal Audit function was outsourced and carried out by an independent and reputable firm, KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to assist the ARMC in discharging its duties and responsibilities. KPMG was responsible for carrying out the following internal audit activities during the financial year under review:

- i. to report to the ARMC and provide independent and objective reports on the adequacy and effectiveness of the Manager's internal controls, risks and governance framework;
- ii. to issue an internal auditor's report for the Manager's response and implementation; and
- iii. to issue a final internal auditor's report to the ARMC 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 cost incurred for the internal audit function for the financial year ended 31 December 2020 amounted to RM65,000.00.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

The Board of Directors (“Board”) of Hektar Asset Management Sdn Bhd (“the Manager”), as the Manager of Hektar Real Estate Investment Trust (“Hektar REIT”), is committed to maintain a sound and effective risk management and internal control system to safeguard the interest of unitholders of Hektar REIT.

## Board’s Responsibility

In discharging the Board’s principal responsibilities, the Board assumes the responsibility for the system of risk management and internal control as set up by the Manager for Hektar REIT. The Board is responsible for the adequacy and integrity of the system of risk management and internal control. It is an essential part of the Board’s responsibilities to identify principal risks and ensuring that there are appropriate systems and policies in place to manage these risks; and reviewing the adequacy and integrity of these internal control system and policies. However, the Board acknowledged that this system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives. A sound system of risk management and internal control therefore provides a reasonable but not absolute assurance that Hektar REIT will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

## Risk Management

The Board 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 controls of the business. Our ERM is maintained by the management team and is monitored by the Audit and Risk Management Committee (“ARMC”) on behalf of the Board. The ARMC oversees the effectiveness of the risk management activities and its internal control systems. It also advises the Board on the principal risks faced by Hektar REIT including those that would threaten its solvency or liquidity. Risks are identified by applying a two-way approach: “bottom up” at the operational level having established responsible risk owners throughout the business and a “top down” or corporate overlay as determined by the Board. The management has performed a risk assessment, reviewed and assessed key risk areas which may affect the achievements of Hektar REIT’s strategic priorities. As reviewed by the ARMC, a summary of these risks 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	Corporate framework for managing the strategic direction and performance of the organisation which includes strategic management and portfolio reviews. Investment risk and acquisition risk management means ensuring that the acquired assets are yield accretive or at least provides for a good growth potential. Hektar REIT is cautious in conducting its due diligence on potential acquisitions. Before recommending to the Board for approval, Hektar REIT carries out reviews and assessments on the viability of properties based on their physical, financial, market, technical and legal characteristics.

## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

3	Operational Risk	<p>Risk of loss resulting from the failure of internal processes, operational procedures or external events including the impact from the COVID-19 pandemic. Operational risks are mitigated by having Standard Operating Policies and Procedures (“SOP”) that are adopted and are continuously reviewed for all properties in the REIT’s portfolio, comprising operational guidelines, control and monitoring procedures including reports on:</p> <ul style="list-style-type: none"> <li>• Sourcing, negotiating with potential or existing tenants, rental reversions, renewal and expiry reports.</li> <li>• Procurement, tender and purchasing procedures.</li> <li>• Approval processes for tenancies, leases and licenses.</li> <li>• Billing, payment, collections and refunds as well as arrears reporting.</li> </ul>
4	Corporate Governance/ Compliance Risk	<p>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.</p>
5	Financial and Credit Risk	<p>Risks relating to financial considerations like profitability, cash flow and cost management, asset and liability management.</p> <ul style="list-style-type: none"> <li>• Due to the current market conditions, Hektar REIT is exposed to higher risk of 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 tenant’s turnover and occupancy cost is also carried out to evaluate a tenant’s business performance and health.</li> <li>• Risks relating to money laundering activities and/or the source of tenants’ income under the Anti-Money Laundering and Counter Terrorism Act (AMLA) are also mitigated by conducting proper background checks on tenants.</li> </ul>
6	Legal Risk	<p>Risks involved in legal arrangements, contracts, agreements and obligations. The Manager has a dedicated Compliance Officer, reporting directly to the CEO and the Board, who is responsible to guide and ensure that all regulatory and compliance matters are adhered to. The Manager also actively monitors litigation cases involving Hektar REIT, which consist of mainly rental recovery cases against defaulting tenants, and lease and license disputes.</p>
7	Fraud, Bribery & Corruption Risk	<p>Risk that could impact the organization’s ethics, business integrity and practices. A comprehensive SOP can provide a check-and-balance to reduce the scenarios for fraud, bribery and corruption. A Code of Ethics and Conduct is also issued to all employees.</p>

8	Security Risk	<p>Risk involving the safety and security of each operation units.</p> <ul style="list-style-type: none"> <li>Shoppers' security is our utmost priority. Security workforce from reputable security companies or employed in-house is deployed to ensure that the properties are secured, providing shoppers with ease of mind during their visits. The hired security officers are entasked to conduct routine patrolling within the property and secluded areas within and/or surrounding the property.</li> <li>Advanced internal security surveillance and alarm systems have been installed throughout all properties, equipped with security cameras in strategic locations of the buildings to facilitate monitoring throughout the day.</li> </ul>
9	Information Technology Risk	<p>Risk that may arise from faults and failures in the information technology system. Procedures for data backup and disaster recovery processes and steps to prevent cyber security attacks are being reviewed regularly. Manual operating processes are also available for selected business functions.</p>
10	Human Resource Risk	<p>Risk due to possible turnover or loss of tenant and manpower. Our human resources department focuses on strengthening our manpower as well as looking into employee welfare and retention via succession planning, employee engagement, annual review of compensation and training that is in line with industry practice.</p>

Identified risks are then assessed by rating each risk and its mitigating controls. The ARMC reviews the risk management plans with the design, implementation and monitoring being the responsibility of the management team on a day-to-day basis. Risks are considered in terms of their impact and likelihood from both a financial and reputational perspective.

With the ERM framework, the management aims to:

- Establish systematic and periodic processes to identify, assess and monitor risks with the organisation. The risk assessment is intended to provide the Board and the management with a view of events that could impact the achievements of its business objectives.
- Safeguard shareholders' interests and the company's assets.
- Maximise opportunities across Hektar REIT to achieve its corporate 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 Hektar REIT and its appointed property manager, through the use of corporate risk scorecard.

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

- The Board and senior management to encourage a culture of openness and transparency throughout the organisation.
- The Directors to be closely involved in the business by helping to identify new risks or system weaknesses quickly.
- The ARMC has appointed KPMG Management & Risk Consulting Sdn Bhd 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, and
- Hektar REIT's key risks and controls are continually identified, reviewed and monitored. Quantitative and qualitative analysis are performed to identify and quantify the most important risks. The system outputs include risk registers, risk monitoring plan and risk metrics from which the business is measured.

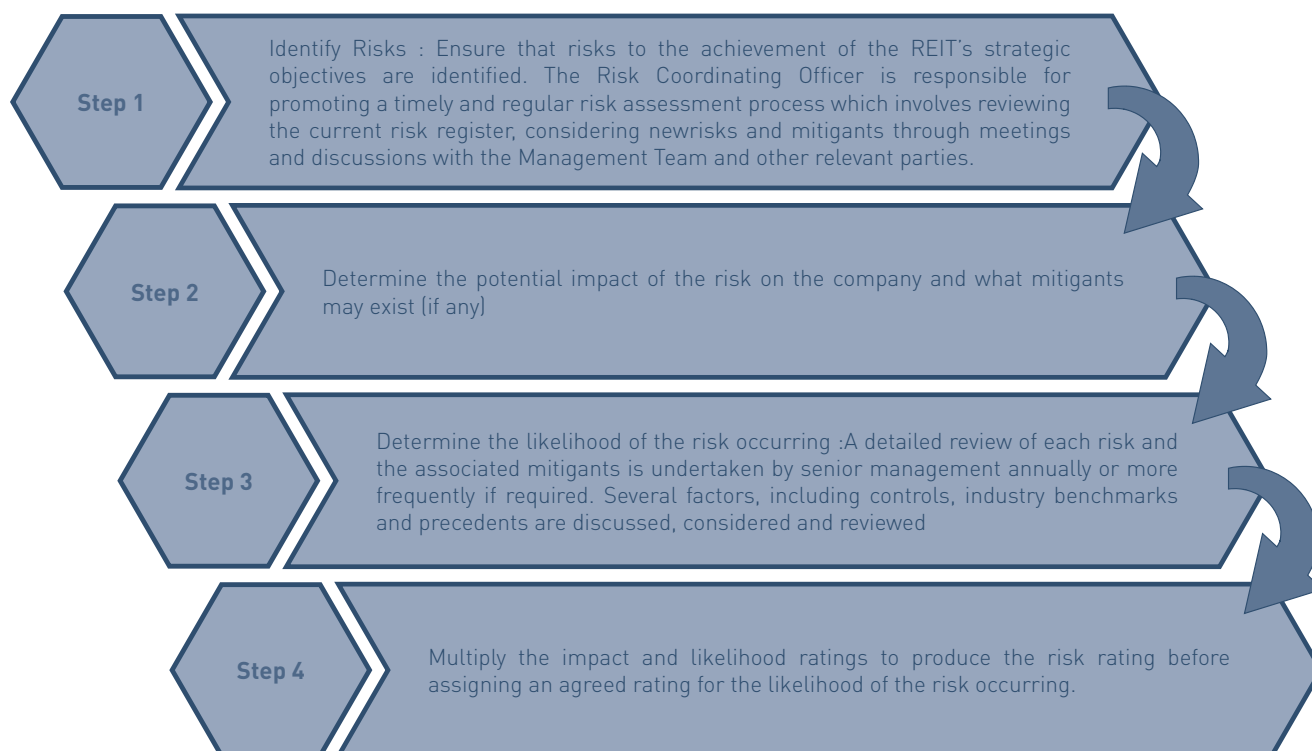
# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

A Risk Management Unit has been set up and its main responsibilities are:

- Compliance of the ERM process and methodology;
- Flow through of ERM concept to the respective departments and business units;
- Continuous risk assessment by each department using the methodology and monitoring management actions which have been taken;
- Timely identification, mitigation and management of key risks that may have a material impact on Hektar REIT's financial performance and corporate objectives;
- Communication and understanding of risk tolerance statements adopted by the relevant departments;
- Periodic discussions on key risks and issues at the management and departmental levels;
- Ensuring that the ERM process is carried out by each department and business unit and is endorsed by the Chief Executive Officer ("CEO") and Chief Corporate Officer ("CCO"); and
- Assurance to the CEO, CCO and management team regarding the effectiveness of the ERM.

## Key Internal Control Processes

The Manager has put in place systems of internal control and a set of procedures and processes to safeguard the assets of Hektar REIT and the interest of Unitholders. The Manager performs a risk assessment exercise every 6 months where key risks are reported to the ARMC. The main objective of this exercise is to provide the Board and the management with a view of events that could impact the achievements of its business objectives. This involves a four-step process, led by the Risk Officer with other members of the management team providing inputs.



The Board has put in place an organisation 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 Employee Handbook. There are also established procedures for planning, capital expenditure and for monitoring Hektar REIT's performance. These procedures provide continuous assurance given at higher levels of management and the Board.

Internal and external auditors will report any material non-compliance or weaknesses in the internal controls or recommendations to further improve the internal controls to the ARMC. The ARMC will also follow up on the actions taken by the management on these recommendations. The risk management and internal control procedures are continuously being developed by the management and reported to the ARMC and the Board for their approval.

Based on the reports submitted by the internal and external auditors to the ARMC and the Board, nothing material has come to the attention of the ARMC and the Board which may cause the ARMC and the Board to believe that the internal controls and risk management processes are not adequate nor satisfactory.

The CEO reports to the Board on significant changes in the business and external environment. The management provides the Board with quarterly financial information which includes key financial indicators. This includes, amongst others, the monitoring of financial results against budgets with variances being followed up and management action taken, where necessary.

Our CEO and Compliance Officer have also provided their assurance to the Board that to the best of their knowledge, the system of risk management and internal controls established and maintained by the Manager is adequate. Such view on adequacy of the system is based on outcomes of continuous reviews on risk management and internal controls by the Management and the Board and the work performed by the internal and external auditors.

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# MANAGER'S REPORT

Hektar Asset Management Sdn Bhd, the Manager for Hektar Real Estate Investment Trust ("Hektar REIT" or the "Trust"), has the pleasure in presenting its report together with the audited financial statements of the Trust for the financial year ended 31 December 2020.

Hektar REIT 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 is Malaysia's first retail-focused REIT listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006.

Hektar REIT's main investment objective is owning and investing in income-producing real estate and real estate related assets which are primarily used for retail purposes.

## DIRECTORS

The Directors of the Manager who have held office during the financial year until the date of this report are as follows:

Dato' Hisham bin Othman  
Zarina Halim  
Richard Ng  
Tay Hwee Pio  
Mahusni bin Hasnan  
Philip Eng Heng Nee  
Rahanawati binti Ali Dawam  
Alex Chia Soon Ren (Resigned w.e.f. 1 May 2020) (Alternate director to Mr Richard Ng)  
Pauline Lim Poh Noy (Appointed w.e.f. 12 January 2021) (Alternate director to Mr Richard Ng)

## DIRECTORS' BENEFITS

For the financial year ended 31 December 2020, 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 disclosed in the notes to the financial statements.

There were no arrangements during the financial year ended 2020, which had the objective of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of Hektar REIT or any other corporate body.

## DIRECTORS' INTERESTS

According to the register of depository of Hektar REIT, the Directors of the Manager in office at the end of the financial year did not have any interests in units in Hektar REIT during the financial year.

## SOFT COMMISSION

There was no soft commission received by the Manager during the financial year from any broker or dealer by virtue of transactions conducted for Hektar REIT.

## OTHER INFORMATION

- (a) Before the financial statements of the Trust were made out, the Manager took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their estimated realisable values.
- (b) At the date of this report, the Manager is not aware of any circumstances which would:
- (i) necessitate the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Trust inadequate to any substantial extent; and
  - (ii) render the values attributed to the current assets in the financial statements of the Trust misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Trust misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) any contingent liability of the Trust which has arisen since the end of the financial year.
- (f) In the opinion of the Manager:
- (i) the results of the operations of the Trust during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the impact arising from the COVID-19 pandemic as disclosed in Note 31 to the financial statements;
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made; and
  - (iii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months (12) after the end of the financial year which would or may affect the ability of the Trust to meet their obligations when they fall due.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 31 to the financial statements.

# MANAGER'S REPORT

## MATERIAL LITIGATIONS

Material litigations are disclosed in Note 28 to the financial statements.

## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

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  
and Chief Executive Officer

**Zarina Halim**  
Executive Director  
and Chief Corporate Officer

Kuala Lumpur  
25 February 2021

## STATEMENT BY DIRECTORS OF THE MANAGER

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd. (“the Manager”), the financial statements set out on pages 97 to 130 have been 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 Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust (“Hektar REIT” or “the Trust”) as at 31 December 2020 and of the financial performance and cash flows of the Trust 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 and Chief Executive Officer

**Zarina Halim**  
Executive Director and Chief Corporate Officer

Kuala Lumpur  
25 February 2021

## STATUTORY DECLARATION

I, Dato’ Hisham bin Othman, being the Director of the Manager, Hektar Asset Management Sdn. Bhd. primarily responsible for the financial management of Hektar Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 97 to 130 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 in )  
the Federal Territory this )  
25 February 2021 )

**Dato’ Hisham bin Othman**

Before me:-

## TRUSTEE'S REPORT

We, MTrustee Berhad, have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") for the financial year ended 31 December 2020.

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, set out on pages 97 to 130, 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 2020 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  
25 February 2021

# 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 "the Trust"), which comprise the statement of financial position as at 31 December 2020 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 97 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 RM1,207,000,000 as at 31 December 2020.

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 RM4,251,192 as at 31 December 2020.

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, appropriate forward looking information, significant increase in credit risk 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, considering the impact of the COVID-19 pandemic, 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 indicator 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 the 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)

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 (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, actions taken to eliminate threats or safeguards applied.

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  
25 February 2021

**Ng Soe Kei**  
02982/08/2021 J  
Chartered Accountant

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	90,579	113,099
Investment properties	5	1,208,379,757	1,237,657,929
Fixed deposits with a licensed bank	6	1,551,765	1,527,034
		1,210,022,101	1,239,298,062
<b>Current assets</b>			
Trade receivables	7	4,251,192	19,994,849
Other receivables, deposits and prepayments	8	17,356,146	6,316,665
Cash and bank balances	9	27,345,909	10,466,667
		48,953,247	36,778,181
<b>TOTAL ASSETS</b>		<b>1,258,975,348</b>	<b>1,276,076,243</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables and accruals	11	9,080,548	13,289,996
Bank borrowings	12	536,090,863	548,090,863
Deferred tax liabilities	13	27,922,384	28,171,132
		573,093,795	589,551,991
<b>Current liabilities</b>			
Trade payables	10	16,352,877	9,134,723
Other payables and accruals	11	48,173,733	52,957,878
Bank borrowings	12	45,000,000	15,000,000
		109,526,610	77,092,601
<b>TOTAL LIABILITIES</b>		<b>682,620,405</b>	<b>666,644,592</b>
<b>NET ASSET VALUE ("NAV")</b>		<b>576,354,943</b>	<b>609,431,651</b>

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

	Note	2020 RM	2019 RM
<b>FINANCED BY:</b>			
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital	14	492,500,449	492,500,449
Undistributed income - realised		46,671,543	41,687,502
Undistributed income - unrealised		37,182,951	75,243,700
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>576,354,943</b>	<b>609,431,651</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>		1.2476	1.3192
After income distribution <sup>2</sup>		1.2386	1.2992

<sup>1</sup> Before the proposed final income distribution of 0.90 sen per unit (2019: 2.00 sen per unit)

<sup>2</sup> After the proposed final income distribution of 0.90 sen per unit (2019: 2.00 sen per unit)

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Gross revenue	15	111,138,638	137,089,483
Property operating expenses	16	(58,167,771)	(61,653,767)
<b>Net property income</b>		<b>52,970,867</b>	<b>75,435,716</b>
Interest income		524,767	413,095
Other income		-	223,282
Bad debts recovered		-	17,376
Sundry income		114,345	281
Change in fair value of investment properties	5(e)	-	3,739,361
<b>Total income</b>		<b>53,609,979</b>	<b>79,829,111</b>
Manager's fees	17	(7,261,004)	(8,338,298)
Trustee's fees	18	(497,270)	(516,661)
Auditors' remuneration:			
- statutory audit		(109,000)	(109,000)
- others		(216,060)	(320,874)
Valuation fees		(165,360)	(81,380)
Professional fee		(1,987,457)	(1,586,467)
Impairment loss on trade receivables	7(e)	(7,777,708)	(2,499,143)
Administration expenses		(476,472)	(597,829)
Interest expense	19	(20,896,403)	(26,165,840)
Change in fair value of investment properties	5(e)	(38,309,497)	-
<b>Total expenses</b>		<b>(77,696,231)</b>	<b>(40,215,492)</b>
<b>(Loss)/Profit before tax</b>		<b>(24,086,252)</b>	<b>39,613,619</b>
Taxation	20	248,748	(28,171,132)
<b>(Loss)/Profit for the financial year</b>		<b>(23,837,504)</b>	<b>11,442,487</b>
<b>Other comprehensive income for the financial year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(23,837,504)</b>	<b>11,442,487</b>

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

	Note	2020 RM	2019 RM
<b>(Loss)/Profit for the financial year comprises the following:</b>			
Realised		14,223,245	35,874,258
Unrealised - change in fair value of investment properties		(38,309,497)	3,739,361
Unrealised - provision for deferred tax on change in fair value of investment properties		248,748	(28,171,132)
		(23,837,504)	11,442,487
<b>Earnings per unit (Total)</b>			
Before Manager's fees (sen)	21(a)	(3.59)	4.28
After Manager's fees (sen)	21(b)	(5.16)	2.48
<b>Earnings per unit (Realised)</b>			
Before Manager's fees (sen)	21(c)	4.65	9.57
After Manager's fees (sen)	21(d)	3.08	7.77
<b>Net income distributions</b>			
Interim income distribution of Nil (2019: 5.77 sen) per unit		-	26,655,103
Proposed final income distribution of 0.90 sen (2019: 2.00 sen) per unit		4,157,642	9,239,203
		4,157,642	35,894,306
<b>Interim income distribution per unit</b>			
Gross (sen)	22	-	5.77
Net (sen)	22	-	5.77
<b>Final income distribution per unit</b>			
Gross (sen)	22	0.90	2.00
Net (sen)	22	0.90	2.00

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

# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Unitholders' capital RM	--- Undistributed income ---		Unitholders' fund RM
		Realised RM	Unrealised RM	
<b>At 1 January 2020</b>	492,500,449	41,687,502	75,243,700	609,431,651
<b>Total comprehensive income</b>				
Loss for the financial year	-	14,223,245	(38,060,749)	(23,837,504)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss, representing the decrease in net assets resulting from operations	-	14,223,245	(38,060,749)	(23,837,504)
<b>Unitholders' transaction</b>				
Distributions to unitholders	-	(9,239,204)	-	(9,239,204)
Decrease in net assets resulting from unitholders' transaction	-	(9,239,204)	-	(9,239,204)
<b>At 31 December 2020</b>	492,500,449	46,671,543	37,182,951	576,354,943
<b>At 1 January 2019</b>	492,500,449	43,139,627	99,675,471	635,315,547
<b>Total comprehensive income</b>				
Profit for the financial year	-	35,874,258	(24,431,771)	11,442,487
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations	-	35,874,258	(24,431,771)	11,442,487
<b>Unitholders' transaction</b>				
Distributions to unitholders	-	(37,326,383)	-	(37,326,383)
Decrease in net assets resulting from unitholders' transaction	-	(37,326,383)	-	(37,326,383)
<b>At 31 December 2019</b>	492,500,449	41,687,502	75,243,700	609,431,651

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before tax		(24,086,252)	39,613,619
Adjustments for:			
Change in fair value of investment properties	5	38,309,497	(3,739,361)
Depreciation of property, plant and equipment	3	22,520	22,777
Impairment loss on trade receivables	7(e)	7,777,708	2,499,143
Interest expense	19	20,896,403	26,165,840
Interest income		(524,767)	(413,095)
Operating profit before changes in working capital		42,395,109	64,148,923
Trade and other receivables		(3,073,532)	(3,089,494)
Trade and other payables		(1,775,439)	5,505,222
Net cash from operating activities		37,546,138	66,564,651
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	-	(3,100)
Additions of capital work in progress of investment properties	5	(9,031,325)	(6,289,845)
Interest received		524,767	413,095
Placement of fixed deposits		(24,731)	(79,600)
Net cash used in investing activities		(8,531,289)	(5,959,450)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid	19	(20,896,403)	(26,165,840)
Drawdown of borrowings	12(l)	18,000,000	18,980
Distributions paid to unitholders		(9,239,204)	(37,326,383)
Net cash used in financing activities		(12,135,607)	(63,473,243)
Net increase/(decrease) in cash and cash equivalents		16,879,242	(2,868,042)
Cash and cash equivalents at beginning of financial year		10,466,667	13,334,709
Cash and cash equivalents at end of financial year	9	27,345,909	10,466,667

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 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 2020 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 25 February 2021.

## 2. BASIS OF PREPARATION

The financial statements of the Trust have been prepared in accordance with the provisions of the Trust 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.

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 30.1 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2. BASIS OF PREPARATION (continued)

The Trust has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

The Trust has net current liabilities of RM60,573,363 as at 31 December 2020. The Directors of the Manager are of the view that the going concern basis remains appropriate in the preparation of the financial statements of the Trust due to the following:

- RM21.5 million relates to other payables and accruals of which will be funded by the current operating cash flow and available reserves of the Trust;
- RM22.5 million relates to the deposits received from tenants of which RM17.9 million of tenancy agreements are expected to be renewed in the next 12 months after 31 December 2020;
- RM15.0 million relates to short term revolving credit in which are secured by the investment properties as mentioned in Note 5 to the financial statements and borrowings as at 31 December 2020. The short term revolving credit was renewed on 28 December 2020;
- RM30.0 million relates to term loan in which the Trust is in the midst of negotiating for a new financing or refinancing facility that will be utilised within the gearing ratio permitted under the Securities Commission's Guidelines on Real Estate Investment Trusts ("SC Guideline") for the next twelve months; and
- the Trust generating net operating cash inflows of RM37,546,138 for the financial year ended 31 December 2020. The Directors of the Manager projects continued profitability and operating cash inflows for the Trust in the next twelve months.

## 3. PROPERTY, PLANT AND EQUIPMENT

2020	Balance as at 1.1.2020 RM	Depreciation charge for the year RM	Balance as at 31.12.2020 RM
<b>Carrying amount</b>			
Computer equipment	76,149	(16,963)	59,186
Office equipment	34,470	(5,077)	29,393
Plant and machinery	2,480	(480)	2,000
	113,099	(22,520)	90,579

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

	[----- At 31.12.2020 -----]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
<b>Carrying amount</b>			
Computer equipment	113,088	(53,902)	59,186
Office equipment	43,388	(13,995)	29,393
Plant and machinery	3,200	(1,200)	2,000
	159,676	(69,097)	90,579

2019	Balance as at 1.1.2019 RM	Additions RM	Reversal RM	Depreciation charge for the year RM	Balance as at 31.12.2019 RM
<b>Carrying amount</b>					
Computer equipment	98,074	3,100	(8,000)	(17,025)	76,149
Office equipment	39,502	-	-	(5,032)	34,470
Plant and machinery	3,200	-	-	(720)	2,480
	140,776	3,100	(8,000)	(22,777)	113,099

	[----- At 31.12.2019 -----]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
<b>Carrying amount</b>			
Computer equipment	113,088	(36,939)	76,149
Office equipment	43,388	(8,918)	34,470
Plant and machinery	3,200	(720)	2,480
	159,676	(46,577)	113,099

- (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%

# NOTES TO THE FINANCIAL STATEMENTS

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## 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
	2020	2019	
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.

- (c) The subsidiaries are intended for better management of the strata malls within Hektar REIT's assets portfolio. As the subsidiaries' financial results are not significant to the Trust, hence these are not separately disclosed.

## 5. INVESTMENT PROPERTIES

	2020 RM	2019 RM
<b>A. At fair value</b>		
Freehold land and buildings	809,000,000	811,500,000
Leasehold land	98,041,443	102,621,526
Leasehold buildings	299,958,557	322,378,474
	1,207,000,000	1,236,500,000
At beginning of financial year	1,236,500,000	1,221,500,000
Transferred from capital work in progress	8,809,497	11,260,639
Change in fair value	(38,309,497)	3,739,361
At end of financial year	1,207,000,000	1,236,500,000

## 5. INVESTMENT PROPERTIES (continued)

	2020 RM	2019 RM
<b>B. Capital work in progress</b>		
At beginning of financial year	1,157,929	6,128,723
Additions	9,031,325	6,289,845
Transferred to investment properties	(8,809,497)	(11,260,639)
At end of financial year	1,379,757	1,157,929
Total end of financial year (A + B)	1,208,379,757	1,237,657,929

- (a) Capital work in progress related to the renovation cost capitalised, which shall be transferred to investment properties to be measured at fair value when it is available for use.
- (b) Investment properties with an aggregate carrying amount of RM1,138,000,000 (2019: RM1,140,500,000) are charged to a financial institution for banking facilities granted to the Trust as disclosed in Note 12 to the financial statements.

Details of the investment properties are as follows:

2020	Tenure of land	Location	Existing use	Cost of investment as at 31 December 2020 RM	Fair value as at 31 December 2020 RM	Percentage of fair value over net asset value as at 31 December 2020 %
Subang Parade*	Freehold	Subang	Commercial	286,980,000	441,000,000 <sup>a</sup>	77
Mahkota Parade*	Leasehold <sup>^</sup>	Melaka	Commercial	257,538,630	329,000,000 <sup>b</sup>	57
Wetex Parade*	Freehold	Muar	Commercial	117,500,000	146,000,000 <sup>a</sup>	26
Kulim Central*	Freehold	Kedah	Commercial	98,000,000	130,000,000 <sup>c</sup>	23
Central Square*	Freehold	Kedah	Commercial	83,330,000	92,000,000 <sup>c</sup>	16
Segamat Central	Leasehold <sup>^</sup>	Segamat	Commercial	106,068,739	69,000,000 <sup>b</sup>	12
					1,207,000,000	

<sup>a</sup> Based on valuation carried out by Exastrata Solutions Sdn. Bhd. on 31 December 2020

<sup>b</sup> Based on valuation carried out by First Pacific Valuers Property Consultants Sdn. Bhd. on 31 December 2020

<sup>c</sup> Based on valuation carried out by Savills (Malaysia) Sdn. Bhd. on 31 December 2020

\* 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.

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## 5. INVESTMENT PROPERTIES (continued)

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

2019				Cost of investment as at 31 December 2019 RM	Fair value as at 31 December 2019 RM	Percentage of fair value over net asset value as at 31 December 2019 %
Description of property	Tenure of land	Location	Existing use			
Subang Parade*	Freehold	Subang	Commercial	286,980,000	440,000,000 <sup>a</sup>	72
Mahkota Parade*	Leasehold <sup>^</sup>	Melaka	Commercial	257,538,630	329,000,000 <sup>a</sup>	54
Wetex Parade*	Freehold	Muar	Commercial	117,500,000	144,500,000 <sup>a</sup>	24
Kulim Central*	Freehold	Kedah	Commercial	98,000,000	130,000,000 <sup>b</sup>	21
Central Square*	Freehold	Kedah	Commercial	83,330,000	97,000,000 <sup>b</sup>	16
Segamat Central	Leasehold <sup>^</sup>	Segamat	Commercial	106,068,739	96,000,000 <sup>c</sup>	16
					1,236,500,000	

*a* Based on Directors' estimation derived from valuation carried out by Savills (Malaysia) Sdn. Bhd. on 30 September 2019

*b* Based on Directors' estimation derived from valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 30 September 2019

*c* Based on Directors' estimation derived from valuation carried out by First Pacific Valuers Property Consultants Sdn. Bhd. on 30 September 2019

\* 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.

(c) 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.

(d) 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 and significant unobservable inputs used in the determining the fair value measurement of investment property within Level 3, as well as the inter-relationship between key unobservable inputs and fair value used in the valuation model:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
Investment method	<ul style="list-style-type: none"> <li>- Allowance for void of 5.00% - 15.00% (2019: 4.00% - 15.00%)</li> <li>- Term yield rate of 6.25% - 6.75% (2019: 6.25% - 6.75%)</li> <li>- Reversionary yield rate of 6.50 - 7.25% (2019: 6.75% - 7.25%)</li> <li>- Discount rate of 6.50% - 7.25% (2019: 6.75% - 7.25%)</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 lower/(higher)</li> <li>- Reversionary yield rate was lower/ (higher)</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.

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

	2020 RM	2019 RM
At beginning of financial year	1,236,500,000	1,221,500,000
Additions	8,809,497	11,260,639
Change in fair value	(38,309,497)	3,739,361
At end of financial year	1,207,000,000	1,236,500,000

(f) 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. FIXED DEPOSITS WITH A LICENSED BANK

- (a) The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 2.95% (2019: 3.10%) 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 asset, the following table sets out the carrying amount, the weighted average effective interest rate 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 one year RM	One to five years RM	Total RM
<b>2020</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	1,551,765	–	1,551,765
<b>2019</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	1,527,034	–	1,527,034

## 7. TRADE RECEIVABLES

	2020 RM	2019 RM
Third parties	17,540,418	25,020,429
Less: Impairment losses	(13,289,226)	(5,025,580)
	4,251,192	19,994,849

- (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 (2019: 7 days). Interest ranging from 12% to 18% (2019: 12% to 18%) per annum will be imposed on overdue amount.



## 7. TRADE RECEIVABLES (continued)

(c) The ageing analysis of the Trust's gross receivables (before deducting allowance for impairment loss) is as follows:

### 31 December 2020

	Total RM	Not past due RM	Past due 0 to 30 days RM	Past due 31 to 60 days RM	More than 60 days RM
Trade receivables	17,540,418	3,208,022	1,428,449	1,660,617	11,243,330

### 31 December 2019

	Total RM	Not past due RM	Past due 0 to 30 days RM	Past due 31 to 60 days RM	More than 60 days RM
Trade receivables	25,020,429	2,559,049	1,063,010	996,762	20,401,608

(d) 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:

	2020 RM	2019 RM
Maximum exposure, net of impairment	4,251,192	19,994,849
Collateral obtained	28,049,126	31,122,562
Net exposure to credit risk	-	-

The above collateral is rental deposits received from tenants.

(e) 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.

The Trust has 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

In the previous financial year, included in the past due not impaired of the Trust was an amount of RM10,010,001 as disclosed in Note 11 to the financial statements being amount due from an anchor tenant whom had long business relationship with the Trust. The amount has been fully recovered during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. TRADE RECEIVABLES (continued)

(e) 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 which is adjusted by the consumer price index (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.

Included in the impairment for trade receivables of the Trust is an amount of RM4,135,480 (2019: Nil) as disclosed in Note 11 to the financial statements being amount due from tenants whom has long business relationship with the Trust.

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

	2020 RM	2019 RM
At beginning of financial year	5,025,580	2,526,437
Charge for the year	7,777,708	2,499,143
Reclassification from other receivables	485,938	-
At the end of financial year	13,289,226	5,025,580

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

(g) Trade receivables are denominated in RM.

## 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RM	2019 RM
Other receivables	16,353,770	3,997,605
Deposits	383,369	381,869
Prepayments	16,737,139	4,379,474
	619,007	1,937,191
Total other receivables	17,356,146	6,316,665

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

(b) Included in other receivables are as follows:

	2020 RM	2019 RM
Amount owing from stakeholders' sum account	11,709,260	-
Amount owing from Property Manager	93,369	110,285

(i) Amount owing from stakeholders' sum account is unsecured, interest free and repayable on demand.

(ii) 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.

## 9. CASH AND BANK BALANCES

	2020 RM	2019 RM
Cash and bank balances	27,345,909	10,466,667

(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) Cash and bank balances are denominated RM.

# NOTES TO THE FINANCIAL STATEMENTS

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## 10. TRADE PAYABLES

	2020 RM	2019 RM
Third parties	16,352,877	9,134,723

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

(b) Included in trade payables are as follows:

	2020 RM	2019 RM
Amount owing to Manager	4,199,745	3,540,140

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

(c) 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 (2019: 30 to 60 days).

(d) 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.

(e) Trade payables are denominated RM.

## 11. OTHER PAYABLES AND ACCRUALS

	2020 RM	2019 RM
<b>Non-current liabilities</b>		
Deposits received from tenants	9,080,548	13,289,996
<b>Current liabilities</b>		
Other payables	3,238,720	3,508,444
Accruals	16,221,478	16,691,773
Advance received	2,075,857	1,126,277
Deferred income (Note 7(e))	4,135,480	10,010,001
Deposits received from tenants	22,502,198	21,621,383
	48,173,733	52,957,878
	57,254,281	66,247,874

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

## 11. OTHER PAYABLES AND ACCRUALS (continued)

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

	2020 RM	2019 RM
Amount owing to Property Manager	765,655	1,020,532

Amount owing to 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) Other payables and accruals are denominated RM.
- (e) 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
<b>2020</b>				
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	21,536,055	-	-	21,536,055
Deposits received from tenants	22,502,198	9,080,548	-	31,582,746
<b>2019</b>				
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	21,326,494	-	-	21,326,494
Deposits received from tenants	21,621,383	13,289,996	-	34,911,379

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. BANK BORROWINGS

	2020 RM	2019 RM
<b>Secured</b>		
Current liabilities		
- Short term revolving credit	15,000,000	15,000,000
- Term loan	30,000,000	-
	45,000,000	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	64,990,863	64,990,863
- MOD 6	-	32,000,000
- Term loan	-	30,000,000
- Term financing-i	50,000,000	-
	536,090,863	548,090,863
	581,090,863	563,090,863

- (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 and MOD 5 are secured by way of fixed charge over Subang Parade, Mahkota Parade, Wetex Parade, Kulim Central 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 and they are now due for repayment in year 2024.

MOD 1, MOD 2, MOD 3, MOD 4 and MOD 5 bear interest rate at cost of fund plus 100 basis points (2019: cost of fund plus 100 basis points). The effective interest rates on MODs are ranging from 3.63% to 3.83% (2019: 4.50% to 4.70%) per annum.

In the previous financial year, the MOD 6 was secured by way of fixed charge over Central Square. It has been discharged during the financial year and in the previous financial year, MOD 6 bore interest rate at cost of funds plus 100 basis points.

- (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 Trust is in the midst of negotiating for a new financing or refinancing facility that will be utilised within the gearing ratio permitted under the SC Guideline prior to the expiry. The term loan bear interest rate at cost of funds plus 100 basis points (2019: cost of fund plus 100 basis points) and interest is to be serviced monthly in arrears. The effective interest rate on the term loan is 3.81% (2019: 4.64%) per annum.

## 12. BANK BORROWINGS (continued)

- (e) Short term revolving credit is secured by way of fixed charge over Mahkota Parade and bears interest rate at cost of fund plus 100 basis points (2019: cost of fund plus 100 basis points). The effective interest rate on short term revolving credit is 3.78% (2019: 4.53%) 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 defaults which would affect the bank's assessment to renew the facility. There was no history of non-renewal of the short term revolving credit and the latest Deed agreement with the bank and MTrustees Berhad was renewed on 28 December 2020.
- (f) During the financial year, the term financing-i is secured by way of fixed charge over Central Square and has a tenure of 5 years until year of 2025. The term financing-i bears interest rate at cost of funds plus 100 basis points. The effective interest rates on the term financing-i is 3.75% per annum.
- (g) Borrowings are categorised as Level 2 in the fair value hierarchy.
- (h) All borrowings are denominated in RM.
- (i) 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>2020</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	-	-	15,600,000
MODs	19,443,635	524,978,133	-	544,421,768
Term loan	31,200,000	-	-	31,200,000
Term financing-i	2,000,000	58,000,000	-	60,000,000

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2019</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	-	-	15,600,000
MODs	20,723,635	578,661,768	-	599,385,403
Term loan	1,200,000	30,000,000	-	31,200,000

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. BANK BORROWINGS (continued)

- (j) 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>2020</b>				
<b>Floating rates</b>				
Short term revolving credit	15,000,000	-	-	15,000,000
MODs	-	486,090,863	-	486,090,863
Term loan	30,000,000	-	-	30,000,000
Term financing-i	-	50,000,000	-	50,000,000
	45,000,000	536,090,863	-	581,090,863
<b>2019</b>				
<b>Floating rates</b>				
Short term revolving credit	15,000,000	-	-	15,000,000
MODs	-	518,090,863	-	518,090,863
Term loan	-	30,000,000	-	30,000,000
	15,000,000	548,090,863	-	563,090,863

- (k) 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:

	2020 RM	2019 RM
(Loss)/Profit after taxation		
- increase by 1% (2019: 1%)	(4,416,291)	4,279,491
- decrease by 1% (2019: 1%)	4,416,291	(4,279,491)

The sensitivity for the Trust is higher in 2020 than in 2019 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.

- (l) Reconciliation of liabilities from financing activities:

	2020 RM	2019 RM
As at 1 January	563,090,863	563,071,883
Cash flows from financing activities	18,000,000	18,980
As at 31 December	581,090,863	563,090,863



### 13. DEFERRED TAX LIABILITIES

	2020 RM	2019 RM
At beginning of financial year	28,171,132	–
Recognised in profit or loss (Note 20)	(248,748)	28,171,132
At the end of financial year	27,922,384	28,171,132

The deferred tax liability relates to fair value gain of the investment properties which is expected to be recovered through sale.

Where investment properties are carried at fair value as disclosed in Note 5 to the financial statements, the amount of deferred tax recognised is measured using the tax rate that would apply on the sale of those assets at their carrying values at the reporting date unless the property is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Under the Finance Act 2019, the Real Property Gains Tax (“RPGT”) rate for disposal of real property which have been held in the sixth (6th) year and subsequent years for Trust is 10%.

### 14. UNITHOLDERS’ CAPITAL

	2020		2019	
	Number of units	RM	Number of units	RM
<b>Issued and fully paid</b>				
Balance as at 1 January/ 31 December	461,960,178	492,500,449	461,960,178	492,500,449

As at 31 December 2020, the Manager hold 1,089,172 (2019: 1,089,172) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:

	2020		2019	
	Number of units	%	Number of units	%
Substantial unitholders’ direct unitholdings in Hektar REIT:				
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.	144,274,666	31.23	150,814,666	32.65
The Manager’s related parties’ direct unitholdings in Hektar REIT:				
Hektar Black Sdn. Bhd.	144,274,666	31.23	150,814,666	32.65

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 15. GROSS REVENUE

	2020 RM	2019 RM
Rental income	78,353,716	95,053,646
Service and promotional charges	19,721,311	21,715,118
Carpark income	9,038,679	13,701,020
Hotel income	2,193,940	3,574,360
Other operating income	1,830,992	3,045,339
	111,138,638	137,089,483

### (a) Rental income

Rental income is derived from renting of retail properties to tenants and includes base rent and turnover rent charges from tenants. Base rent is 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.

The aggregate future minimum lease receivables for leasehold land and buildings as at the end of each reporting period are as follows:

	2020 RM	2019 RM
Not later than one (1) year	23,324,359	21,135,830
Later than one (1) year and not later than five (5) years	47,349,916	62,233,618
More than five (5) years	1,070,609	829,165
	71,744,884	84,198,613

### (b) Service and promotional charges

Service and promotional charges is recognised upon services being rendered.

### (c) Carpark income

Carpark income is recognised upon services being rendered.

### (d) Hotel income

Hotel income is recognised upon services being rendered.

### (e) 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

	2020 RM	2019 RM
Assessment and quit rent	4,456,629	4,434,243
Marketing and promotions	2,614,934	2,862,514
Property management fee	1,990,921	2,480,709
Property maintenance	42,387,008	43,872,854
Utilities	5,932,835	7,100,748
Insurance	785,444	902,699
	58,167,771	61,653,767

Property management fee of RM1,990,921 (2019: RM2,480,709) incurred is payable to Hektar Property Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

## 17. MANAGER'S FEES

	2020 RM	2019 RM
Base fee	4,501,242	4,418,557
Performance fee	2,759,762	3,919,741
	7,261,004	8,338,298

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 2020, the base fee shall be 0.35% (2019: 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 2020, the performance fee shall be 5.0% (2019: 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 2020, the Trustee's fee shall be 0.08% (2019: 0.08%) per annum of the Net Asset Value of the Trust including the Manager's fees.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 19. INTEREST EXPENSE

	2020 RM	2019 RM
Interest paid/payable:		
- short term revolving credit	566,801	686,794
- MODs	17,746,595	24,103,117
- term loan	1,141,917	1,375,929
- term financing-i	1,441,090	-
	20,896,403	26,165,840

## 20. TAXATION

	2020 RM	2019 RM
<b>Recognised in profit or loss</b>		
<b>Current tax expenses</b>		
- Current year	-	-
<b>Deferred tax expenses</b>		
- Relating to origination of temporary differences (Note 13)	(248,748)	28,171,132
Total taxation	(248,748)	28,171,132

Reconciliation of the taxation is as follows:

	2020 RM	2019 RM
(Loss)/Profit before tax	(24,086,252)	39,613,619
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(5,780,700)	9,507,269
Tax effects in respect of:		
Non-allowable expenses	14,915,280	2,753,581
Income not subject to tax	-	(6,397,225)
Effect of income distribution exempted from tax	(9,134,580)	(5,863,625)
Deferred real property gains tax on investment properties	(248,748)	28,171,132
Income taxation	(248,748)	28,171,132

## 20. TAXATION (continued)

### 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 for that year of assessment within two (2) months after the close of the financial year.

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 2020 within two (2) months after the close of the financial year, which translates to more than 90% of its total taxable income.

### Real property gains tax

For investment property carried at fair value, there is a presumption that its carrying amount will be recovered through sale. Hence, the measurement of deferred tax asset or liability pertaining to the investment property will be based on the Real Property Gains Tax ("RPGT") rate.

### 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

	2020 No. of unit	2019 No. of unit
At 31 December	461,960,178	461,960,178

- The calculation of earnings per unit (total) before Manager's fee is based on Trust's net loss of RM16,576,500 (2019: net income of RM19,780,785) for the financial year after adding back Manager's fee and number of units in circulation for 2020 and 2019 respectively of 461,960,178 (2019: 461,960,178).
- The calculation of earnings per unit (total) after Manager's fee is based on Trust's net loss of RM23,837,504 (2019: net income of RM11,442,487) for the financial year to the number of units in circulation for 2020 and 2019 respectively of 461,960,178 (2019: 461,960,178).
- The calculation of earnings per unit (realised) before Manager's fee is based on Trust's realised net income for the financial year of RM21,484,249 (2019: RM44,212,556) after adding back Manager's fee and number of units in circulation for 2020 and 2019 respectively of 461,960,178 (2019: 461,960,178).
- The calculation of earnings per unit (realised) after Manager's fee is based on Trust's realised net income for the financial year of RM14,223,245 (2019: RM35,874,258) to the number of units in circulation for 2020 and 2019 respectively of 461,960,178 (2019: 461,960,178).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 22. INCOME DISTRIBUTION

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

	2020 RM	2019 RM
Net rental income	52,970,867	75,435,716
Interest income	524,767	413,095
Other income	114,345	240,939
	53,609,979	76,089,750
Less: Expenses	(39,386,734)	(40,215,492)
As per realised undistributed income	14,223,245	35,874,258
Add: Loss/(Profit) not subject to distribution (Note 22 (b))	2,618	(48,184)
Balance undistributed income	14,225,863	35,826,074
Gross provision for distribution per unit (sen):		
- Interim	-	5.77
- Final	0.90	2.00
	0.90	7.77
Net provision for distribution per unit (sen)*:		
- Interim	-	5.77
- Final	0.90**	2.00
	0.90	7.77

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

	2020 RM	2019 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%

\*\* Distribution of 0.90 sen (gross) per unit for the fourth quarter ended 31 December 2020 has been declared to unitholders registered as at 16 February 2021 and payable on 26 February 2021.

## 22. INCOME DISTRIBUTION (continued)

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

	2020 RM	2019 RM
Revenue	84,065	128,552
Other income	103	967
Expenses	(86,786)	(81,335)
(Loss)/Profit for the financial year	(2,618)	48,184

## 23. PORTFOLIO TURNOVER RATIO

	2020	2019
Portfolio Turnover Ratio ("PTR") (times)	-	-

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

	2020	2019
Management expense ratio ("MER") (%)	1.78	1.84

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 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:

	2020 RM	2019 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	105,017	196,383

## 26. CAPITAL COMMITMENT

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

	2020 RM	2019 RM
Approved and contracted for: - Refurbishment of investment properties	512,165	1,273,040

## 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 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.

	2020 RM	2019 RM
Non-current assets	1,210,022,101	1,239,298,062
Current assets	48,953,247	36,778,181
Total assets value	1,258,975,348	1,276,076,243
Total borrowings	581,090,863	563,090,863
Gearing ratio	46.16%	44.13%

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.



## 28. MATERIAL LITIGATIONS

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

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

(Originating Summons No: MA-24-1-01/2019)

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

Further to our earlier announcements on this case, on 14 December 2020, the High Court had fixed the Judicial Review Application for hearing on 5 March 2021.

The Management 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)

(Civil Appeal No. MA-12BNCvC-7-03/2019)

Further to our earlier announcements on this case, due to the Movement Control Order 2.0 imposed by the Government from 13 January 2021 to 18 February 2021, the clarification and/or decision initially fixed on 8 February 2021 has been postponed and rescheduled to 5 March 2021.

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

### **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)

Further to our earlier announcements on this case, due to the prolonged Conditional Movement Control Order imposed by the Government, the hearing of the application for leave to issue the Writ of Possession has been postponed and rescheduled to 27 January 2021. The parties had, on 27 January 2021 agreed to an amicable settlement and filed a consent judgment at the Kuala Lumpur High Court on the same date. As part of the amicable settlement, The Store had agreed to pay an agreed compensation sum to Hektar REIT and parties have also executed new Tenancy Agreements for the letting of The Store's business premises in both Central Square and Kulim Central for a 3 year term commencing from 1 January 2021, subject to options to renew for a further 4 terms, comprising 3 years each.

### **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)

Further to our earlier announcements on this case, due to the prolonged Conditional Movement Control Order imposed by the Government, the hearing of the application for leave to issue the Writ of Possession has been postponed and rescheduled to 15 January 2021. The parties had, on 15 January 2021 agreed to an amicable settlement and filed a consent judgment at the Shah Alam Sessions Court on the same date. As part of the amicable settlement, The Store had agreed to pay an agreed compensation sum to Hektar REIT and parties have also executed a new Tenancy Agreement for the letting of The Store's business premises in Wetex Parade for a 3 year term commencing from 1 January 2021, subject to options to renew for a further 4 terms, comprising 3 years each.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

## 28. MATERIAL LITIGATIONS (continued)

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

(Civil Suit No. JD-B52NCVC-01-01/2019; JD-B52NCVC-02-01/2019 and JD-B52NCVC-03-01/2019)

Further to our earlier announcements on this case, on 13 January 2021, the Court had fixed the matter for further case management on 24 February 2021.

The Management will 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 Eng Hiap Seng (Rengit) Sdn Bhd against Hektar REIT & Hektar Property Services Sdn Bhd**

(Civil Suit No. JB-22NCvC-15-03/2019)

Further to our earlier announcements on this case, attempts to mediate the matter has now been aborted and the High Court had fixed the matter for case management on 15 March 2021.

The Management will 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 against Mahkota Parade JMB & 5 Others**

(Civil Suit No. 22 NCvC-22-06/2020)

On 2 March 2020, the Mahkota Parade JMB ("JMB") issued a Form 11 of the Strata Management (Maintenance and Management) Regulations 2015 ("Form 11") ("Regulations") to Hektar REIT, pursuant to Regulation 20 of the Regulations, which in essence was a notice to demand for payment of outstanding maintenance charges totalling RM 37,431,084 which was allegedly owed by Hektar REIT to the JMB.

Following the receipt of the Form 11 and having consulted Hektar REIT's solicitors, the following applications were filed at the Melaka High Court by Hektar REIT on 19 June 2020:-

- (i) Writ of Summons against the JMB and committee members (collectively "Defendants") for, (amongst others):-
  - (a) a declaration that in issuing the Form 11, the Defendants have breached the Strata Management Act 2013 ("SMA") and/or the Regulations and the Form 11 is void and of no effect;
  - (b) a declaration that the Form 11 statutory procedure has been employed by the Defendants not to recover a debt that is lawfully or legitimately due but represents an attempt by the Defendants to employ the SMA and the Regulations as an engine of fraud to serve their ulterior and extraneous purposes;
  - (c) a declaration that the share unit computation performed by the JMB is in breach of, inter alia, paragraph 5(1) of the First Schedule to the SMA;
  - (d) a declaration that the committee members have conspired to damage the interests (proprietary and otherwise) of Hektar REIT;
  - (e) a declaration that the JMB has abused the process of court as evident in the findings of the High Court on 21 August 2017;
  - (f) an injunction to restrain the Defendants from taking out any proceedings against Hektar REIT premised on the Form 11; and
  - (g) damages for breach of statutory duty by the JMB, conspiracy, abuse of court process, abuse of statutory power and process.

## 28. MATERIAL LITIGATIONS (continued)

### Writ of Summons against Mahkota Parade JMB & 5 Others (continued)

(Civil Suit No. 22 NCvC-22-06/2020)

- (ii) Notice of Application against the Defendants for an interim injunction to restrain the Defendants from taking out any proceedings or in any acting on or proceeding against Hektar REIT premised on the Form 11 and to restrain the Defendants from denying or refusing Hektar REIT's right to vote at a general meeting.

On 26 August 2020, the High Court granted an ad interim injunction in favor of Hektar REIT and subsequently extended the same until 17 December 2020.

On 17 December 2020, the High Court delivered its decision as follows:-

- (i) In relation to the Notice of Application for an interim injunction

An injunction is granted to restrain the JMB and its committee members from taking out any proceedings or in any way acting on or proceeding against the Plaintiff premised on the Form 11 until the disposal of the writ of summons action.

- (ii) In relation to the Writ of Summons

The High Court fixed the matter for trial on 29 March 2021, 31 March 2021 and 28 May 2021.

## 29. 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.

The Directors of the Manager assess the financial performance of the operating segment based on, including but not limited to, net property income ("NPI"). The NPI enables financial performance benchmarking which eliminates the effect of financing and investment decisions not adjusted at operating level.

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

### 30.1 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 <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Trust.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 30.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

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

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
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.

## 31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO until 4 March 2021.

Since then, the Trust has experienced certain disruption to its operations in the following respects:

- Temporary deferment of payment of lease income from its tenants;
- Rent assistance provided to its tenants subject to case-to-case basis upon evaluation of conditions and fulfilment of the criteria set; and
- Uncertainty concerning when government lockdown will be lifted, social distancing requirements will be eased and the long term effect of the pandemic on the demand of retail space and the Trust's services.

As a result, the impairment on trade receivables have increased by 164% as at 31 December 2020 and gross revenue for the financial year ended 31 December 2020 has been decreased by 19% as compared with prior financial year.

Based on the assessment and information available at the date of authorisation of the financial statements, The Trust has sufficient cash flows to meet its liquidity needs in the next twelve (12) months after the reporting date. The Trust has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

## ANALYSIS OF UNITHOLDERS

### TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2020 (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>	83,140,600	18.00
3	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)</i>	46,384,066	10.04
4	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD</i>	14,750,000	3.19
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR ASIAHALL SDN BHD (PB)</i>	4,398,800	0.95
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD</i>	3,383,400	0.73
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HALIM BIN SAAD</i>	3,287,300	0.71
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE BON HWA (E-TJJ/TMB)</i>	2,564,000	0.56
9	LIEW YOON YEE	1,463,586	0.32
10	MOK TECK LIANG	1,411,000	0.31
11	KIM GAP YONG	1,410,000	0.31
12	TEW PENG HWEE @ TEOH PENG HWEE	1,325,073	0.29
13	CHIN THEN HEE	1,214,300	0.26
14	CHOW HON KEONG	1,158,800	0.25
15	TIONG TAI CHEN	1,131,900	0.25
16	HEKTAR ASSET MANAGEMENT SDN BHD	1,089,172	0.24
17	YEOH LAY ENG	1,050,113	0.23
18	HO CHIN WEONG	1,032,000	0.22
19	LING THIK PING	1,000,000	0.22
20	DING SIEW CHOO	1,000,000	0.22

## ANALYSIS OF UNITHOLDERS

### TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2020 (AS PER RECORD OF DEPOSITORS) (continued)

No.	Name of Unitholders	No. of Units	%
21	LIM SAN LEE	938,152	0.20
22	TAN TZE LIM	900,000	0.19
23	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE BON HWA</i>	878,800	0.19
24	LIAN MONG YEE @ LIAN MUNG YEE	836,000	0.18
25	LIM PEK HOOI	794,000	0.17
26	CHOONG YEAN YAW	763,600	0.17
27	NEOH CHOO EE & COMPANY, SDN. BERHAD	753,000	0.16
28	CHONG TECK SENG	730,500	0.16
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)</i>	711,400	0.15
30	YUNG MOU SDN BHD	698,500	0.15
<b>Total</b>		<b>324,096,460</b>	<b>70.16</b>

### UNITHOLDERS AS AT 31 DECEMBER 2020

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	161	2.87%	4,135	0.00%
100 to 1,000	765	13.65%	481,617	0.10%
1,001 to 10,000	2,564	45.75%	13,240,366	2.87%
10,001 to 100,000	1,791	31.96%	58,220,785	12.60%
100,001 and above	323	5.76%	390,013,275	84.43%
Directors Shareholding	0	0.00%	0	0%
<b>Total</b>	<b>5,604</b>	<b>100.00%</b>	<b>461,960,178</b>	<b>100.00%</b>

## CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2020

Category of Unitholders	No. of Holders			No. of Units			% of Units		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	102	3,901	79	1,810,249	109,493,069	4,156,962	0.39	23.70	0.90
2 Body Corporate									
a. Bank/Finance Companies	-	-	-	-	-	-	-	-	-
b. Investments trusts/foundations/charities	1	4	-	10,000	143,013	-	0.00	0.03	-
c. Other types of Companies	12	29	3	1,964,740	3,495,458	83,310,000	0.43	0.76	18.03
3 Government agencies/Institutions	-	-	-	-	-	-	-	-	-
4 Nominees	1,002	421	50	90,547,087	19,915,819	147,113,781	19.60	4.31	31.85
5 Others	-	-	-	-	-	-	-	-	-
<b>Sub Total</b>	<b>1,117</b>	<b>4,355</b>	<b>132</b>	<b>94,332,076</b>	<b>133,047,359</b>	<b>234,580,743</b>	<b>20.42</b>	<b>28.80</b>	<b>50.78</b>
Malaysian Total		5,472			227,379,435			49.22	
<b>Grand Total (Malaysian + Foreign)</b>		<b>5,604</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
ARMC	: Audit and Risk Management Committee
AUM	: Assets Under Management
Board	: Board of Directors of the Manager
bps	: Basis Points
Bursa Securities / the Exchange	: Bursa Malaysia Securities Berhad (Registration No. 200301033577(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
ERM	: Enterprise-wide Risk Management
EXCO	: Executive Committee
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/Manager	: Hektar Asset Management Sdn. Bhd. (Registration No. 200601012511 (732261-T)), the Manager of Hektar REIT
HPSSB/HPS/Property Manager	: Hektar Property Services Sdn. Bhd. (Registration No. 200901025275 (868376-K)), 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
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
NRC	: Nomination and Remuneration Committee
NTA	: Net Tangible Assets
OMV	: Open Market Value
OPTR	: Off-Peak Tariff Rider. Energy efficiency scheme offered by Tenaga Nasional
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, 15 March 2018 and 18 June 2019.
SCA	: Securities Commission Act 1993
Share Registrar	: Mega Corporate Sdn Bhd (Registration No. 198901010682 (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 (Registration No. 198701004362 (163032-V)) being the Trustee of Hektar REIT
Turnover Rent	: Provision for rent calculated as a proportion of annual or monthly 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
YOY	: Year-On-Year

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 9th Annual General Meeting (“AGM”) of Hektar Real Estate Investment Trust (“Hektar REIT”) will be conducted on a fully virtual basis at the Broadcast venue at The Boardroom of Hektar Asset Management Sdn Bhd, D1-U3-10, Solaris Dutamas, No. 1 Jalan Dutamas 1, 50480 Kuala Lumpur on Friday, 9 April 2021 at 10.00 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 2020 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 PARAGRAPH 6.59 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PROPOSED AUTHORITY)** Resolution 1

“**That** pursuant to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad and the approval of any relevant regulatory authorities, where such approval is required, the Manager be and is hereby authorised 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 issued units 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 a 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 authorised 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.”

BY ORDER OF THE BOARD

**Hektar Asset Management Sdn Bhd (Registration No. 200601012511 (732261-T))**  
**(as the Manager of Hektar Real Estate Investment Trust)**

**Dato' Muhammad Hafidz bin Nuruddin (MAICSA 7005820)**  
**SSM PC NO. 202008001132**

**Lim Seck Wah (MAICSA 0799845)**  
**SSM PC NO. 202008000054**  
Joint Company Secretaries

Kuala Lumpur  
10 March 2021

*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 Office of the Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.*
- 7. Only unitholders registered in the Record of Depositors as at 31 March 2021 shall be entitled to attend participate and speak at the AGM or appoint proxy(ies) to attend on his behalf.*
- 8. In light of the Covid-19 pandemic, please refer to the Administrative Guide for the 9th AGM for registration and participation at the Meeting.*

# NOTICE OF ANNUAL GENERAL MEETING

## **Explanatory Note A**

*This Agenda is meant for discussion only as in accordance with the provision under the Guidelines on Listed Real Estate Investment Trusts, the 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 Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (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.*



## SECURITIES SERVICES e-PORTAL

### WHAT IS Securities Services e-Portal?

**Securities Services e-Portal** is an online platform that will allow both individual unitholders and body corporate unitholders through their appointed representatives, to -

- Submit proxy form electronically – paperless submission
- Register for remote participation and voting at meetings
- Participate in meetings remotely via live streaming
- Vote online remotely on resolution(s) tabled at meetings (referred to as “**e-Services**”).

The usage of the e-Portal is dependent on the engagement of the relevant e-Services by Hektar Real Estate Investment Trust and is by no means a guarantee of availability of use, unless we are so engaged to provide. **All users are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the e-Portal.**

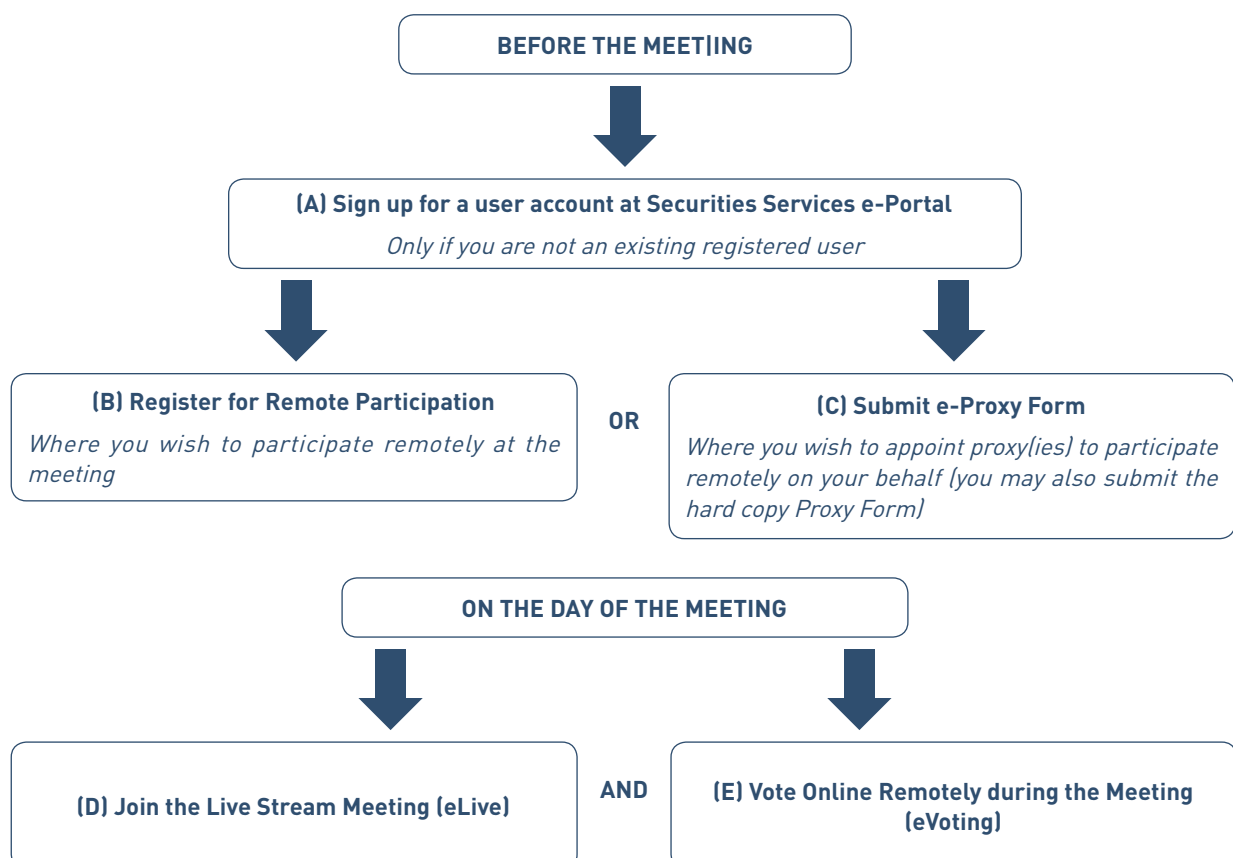
**Please note that the e-Portal is best viewed on the latest versions of Chrome, Firefox, Edge and Safari.**

### REQUIRE ASSISTANCE?

Please contact Mr. Wong Piang Yoong (DID: +603 2084 9168) or Ms. Lee Pei Yeng (DID: +603 2084 9169) or Ms. Evangeline Yeoh Ee Lynn (DID: +603 2084 9007) or our general line (DID: +603 2084 9000) to request for e-Services Assistance during our office hours on Monday to Friday from 8:30 a.m. to 12:15 p.m. and from 1:15 p.m. to 5:30 p.m. Alternatively, you may email us at [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my).

### SUBMISSION OF QUESTIONS

Unitholders, proxies or corporate representatives may also submit questions before the 9th AGM to the Chairman or Board of Directors electronically by email to [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my) no later than Wednesday, 7 April 2021 at 10.00 a.m. or via real time submission of typed texts through a text box within SS e-Portal at <https://sshsb.net.my/login.aspx> before the start or during the live streaming of the 9th AGM.



# ADMINISTRATIVE GUIDE

## BEFORE THE MEETING

(A) Sign up for a user account at Securities Services e-Portal	
Step 1 Visit <a href="https://sshsb.net.my/login.aspx">https://sshsb.net.my/login.aspx</a> Step 2 Sign up for a user account Step 3 Wait for our notification email that will be sent within one (1) working day Step 4 Verify your user account within seven (7) days of the notification email and log in	<ul style="list-style-type: none"> <li>We require 1 working day to process all user sign-ups. If you do not have a user account with the e-Portal, you will need to sign up for a user account by the deadlines stipulated below.</li> <li>Your registered email address is your User ID.</li> </ul>
<p><b>To register for the meeting under (B) below, please sign up for a user account by 7 APRIL 2021.</b></p> <p><b>To submit e-Proxy Form under (C) below, please sign up for a user account by 5 APRIL 2021, failing which you may only be able to submit the hard copy proxy form.</b></p> <p><b>This is a ONE-TIME registration only. If you already have a user account, please proceed to either (B) or (C) below.</b></p>	
(B) Register for Remote Participation at the Meeting	
<ul style="list-style-type: none"> <li>Log in to <a href="https://sshsb.net.my/login.aspx">https://sshsb.net.my/login.aspx</a> with your registered email and password</li> <li>Look for <b>Hektar Real Estate Investment Trust</b> under Company Name and <b>9th AGM on 9 April 2021 at 10:00 a.m. – Registration for Remote Participation</b> under Corporate Exercise / Event and click "&gt;" to register for remote participation at the meeting.</li> </ul>	
Step 1 Check if you are attending as – <ul style="list-style-type: none"> <li>Individual unitholder</li> <li>Corporate or authorised representative of a body corporate</li> </ul> <p><i>For body corporates, the appointed corporate / authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The <u>original</u> evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the registration closing date and time above.</i></p>	Step 2 Submit your registration.
<ul style="list-style-type: none"> <li>All unitholders must register for remote participation at the meeting and are <b>highly encouraged to register as early as possible and before the eLive access date and time [see (D) below]</b> in order to ensure timely access to the meeting. Access shall be granted only to eligible unitholders in accordance with the General Meeting Record of Depositors as at 31 March 2021.</li> <li>A copy of your e-Registration for remote participation can be accessed via <b>My Records</b> (refer to the left navigation panel).</li> <li>Your registration will apply to all the <b>CDS account(s)</b> of each individual unitholder / body corporate unitholder that you represent. If you are both an individual unitholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.</li> <li>As the meeting will be conducted on a fully virtual basis and only the Chairman and other essential individuals will be present at the broadcast venue, we highly encourage all unitholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.</li> </ul>	
(C) Submit e-Proxy Form	
Meeting Date and Time	Proxy Form Submission Closing Date and Time
Friday, 9 April 2021 at 10:00 a.m.	Wednesday, 7 April 2021 at 10:00 a.m.
<ul style="list-style-type: none"> <li>Log in to <a href="https://sshsb.net.my/login.aspx">https://sshsb.net.my/login.aspx</a> with your registered email and password</li> <li>Look for <b>Hektar Real Estate Investment Trust</b> under Company Name and <b>9th AGM on 9 April 2021 at 10:00 a.m. – Submission of Proxy Form</b> under Corporate Exercise / Event and click "&gt;" to submit your proxy forms online for the meeting by the submission closing date and time above.</li> </ul>	

- Step 1 Check if you are submitting the proxy form as –
- Individual unitholder
  - Corporate or authorised representative of a body corporate
- For body corporates, the appointed corporate / authorised representative is to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damantela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the proxy form submission closing date and time above.*
- Step 2 Enter your CDS account number or the body corporate’s CDS account number. Then enter the information of your proxy(ies) and the proportion of your securities to be represented by your proxy(ies).  
**You are strongly encouraged to appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.**
- Step 3 Proceed to indicate how your votes are to be casted against each resolution.
- Step 4 Review and confirm your proxy form details before submission.
- A copy of your submitted e-Proxy Form can be accessed via **My Records** (refer to the left navigation panel).
  - You need to submit your e-Proxy Form for **every CDS account(s)** you have or represent.

#### PROXIES

**All appointed proxies need not register for remote participation under (B) above but if they are not registered Users of the e-Portal, they will need to register as Users of the e-Portal under (A) above by 5 APRIL 2021. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY.** Upon processing the proxy forms, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the unitholder, provided the proxy must be a registered user of the e-Portal, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a fully virtual basis.

#### ON THE DAY OF THE MEETING

Log in to <https://sshsb.net.my/login.aspx> with your registered email and password

#### (D) Join the Live Stream Meeting (eLive)

Meeting Date and Time	eLive Access Date and Time
Friday, 9 April 2021 at 10:00 a.m.	Friday, 9 April 2021 at 9:30 a.m.
<p>➤ Look for Hektar Real Estate Investment Trust under Company Name and 9th AGM on 9 April 2021 at 10:00 a.m. – Live Stream Meeting under Corporate Exercise / Event and click “&gt;” to join the meeting.</p> <ul style="list-style-type: none"> <li>• The access to the live stream meeting will open on the abovementioned date and time.</li> <li>• If you have any questions to raise, you may use the text box to transmit your question. The Chairman / Board / Management / relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.</li> </ul>	

#### (E) Vote Online Remotely during the Meeting (eVoting)

Meeting Date and Time	eVoting Access Date and Time
Friday, 9 April 2021 at 10:00 a.m.	Friday, 9 April 2021 at 10:00 a.m.
<p>➤ If you are already accessing the Live Stream Meeting, click <b>Proceed to Vote</b> under the live stream player. OR</p> <p>➤ If are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for <b>Hektar Real Estate Investment Trust</b> under Company Name and <b>9th AGM on 9 April 2021 at 10:00 a.m. – Remote Voting</b> under Corporate Exercise / Event and click “&gt;” to remotely cast and submit the votes online for the resolutions tabled at the meeting.</p>	

## ADMINISTRATIVE GUIDE

Step 1 Cast your votes by clicking on the radio buttons against each resolution.

Step 2 Review your casted votes and confirm and submit the votes.

- The access to eVoting will open on the abovementioned date and time.
- Your votes casted will apply throughout all the CDS accounts you represent as an individual unitholder, corporate / authorised representative and proxy. Where you are attending as a proxy, and the unitholder who appointed you has indicated how the votes are to be casted, we will take the unitholder's indicated votes in the proxy form.
- The access to eVoting will close as directed by the Chairman of the meeting.
- A copy of your submitted e-Voting can be accessed via **My Records** (refer to the left navigation panel).





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

**PROXY FORM**

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

CDS Account No.	
No. of units held	

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

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

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

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

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

as my/our proxy to attend on my/our behalf at the unitholders' 9th Annual General Meeting ("AGM") of the Company to be held fully virtual basis at the Broadcast venue at The Boardroom of Hektar Asset Management Sdn Bhd, D1-U3-10, Solaris Dutamas, No. 1 Jalan Dutamas 1, 50480 Kuala Lumpur on Friday, 9 April 2021 at 10.00 a.m or at any adjournment thereof. My/our proxy is to vote as indicated below:-

Dated this ..... day of ..... 2021

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

No	RESOLUTION	FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1	Authority to allot and issue new units pursuant to Paragraph 6.59 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad				

*Representation at Meeting:*

- 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.*
- 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.*
- 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.*
- 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.*
- 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.*
- The instrument appointing a proxy shall be deposited at the Office of the Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.*
- Only unitholders registered in the Record of Depositors as at 31 March 2021 shall be entitled to attend participate and speak at the AGM or appoint proxy(ies) to attend on his behalf.*
- In light of the Covid-19 pandemic, please refer to the Administrative Guide for the 9th AGM for registration and participation at the Meeting.*



*Please fold here*

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AFFIX  
STAMP

The Poll Administrator  
SS E Solutions Sdn Bhd  
Level 7, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur  
Wilayah Persekutuan

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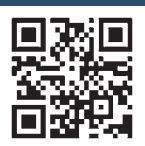
*Please fold here*

## 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 the 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>	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
<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 are incurred (Up to 60% until 31 December 2022)
<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 REIT Guidelines
<b>Management Fee</b>	<ul style="list-style-type: none"> <li>■ Base Fee: up to 1.0% per annum of the GAV (FY 2020 actual: 0.35%)</li> <li>■ Performance Fee: up to 5.0% per annum of the NPI (FY 2020 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 2020 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



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



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