

Creating The Places People Love

HEKTAR REAL ESTATE INVESTMENT TRUST
ANNUAL REPORT 2019



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 cornerstone investor 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.





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.

Goals

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

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:** aggressive promotion and marketing to attract and retain consumer interest and improve visitor traffic
- **Value Creation Initiatives:** asset enhancement and refurbishment designed to improve long-term yields

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

Capital Management

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

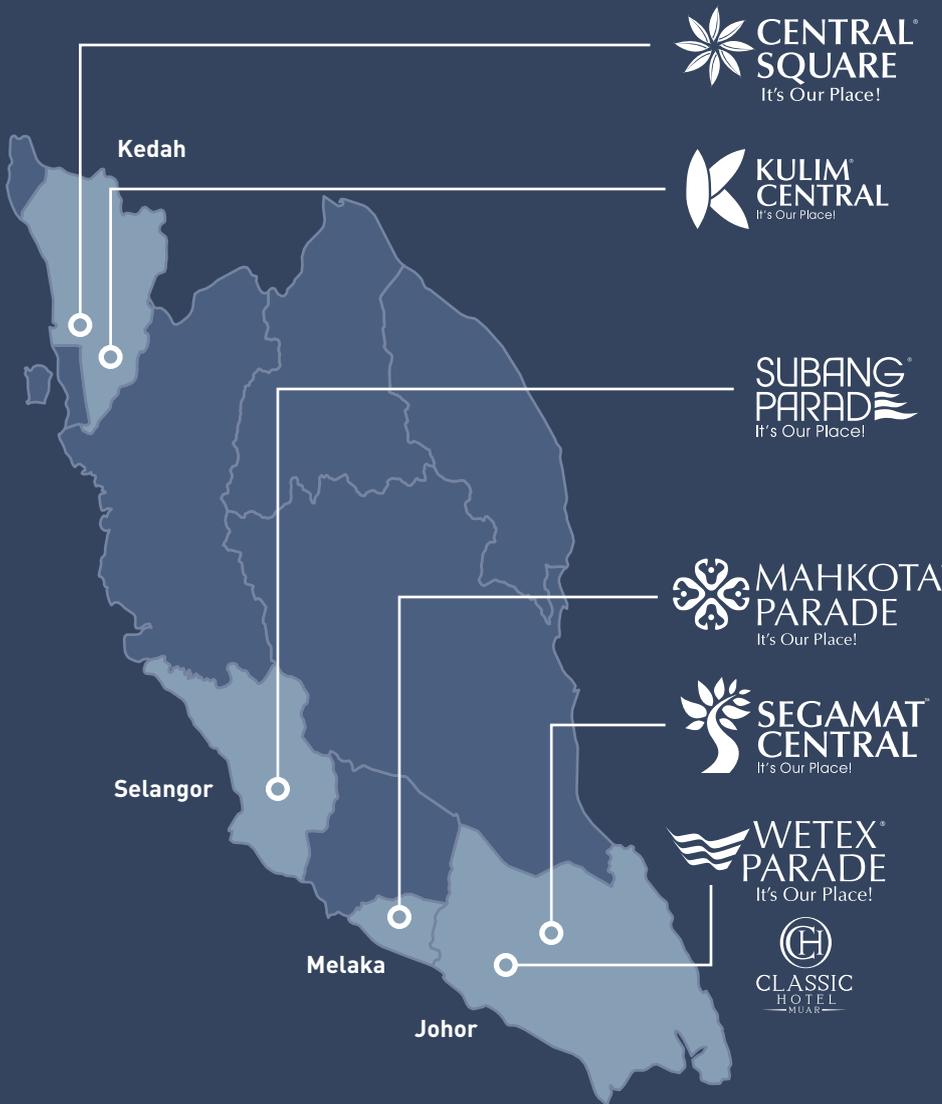
- Implementing initiatives to reduce borrowing costs
- Undertaking initiatives to diversify sources of financing
- Maintaining a reasonable level of debt service capability

PORTFOLIO HIGHLIGHTS

Hektar REIT owns 6 neighbourhood shopping centres throughout Peninsular Malaysia.

2 Million^{sq ft}
NET LETTABLE AREA

32 Million
ANNUAL VISITOR TRAFFIC



NORTHERN REGION

Sungai Petani, Kedah
Leading mall in Sungai Petani
Acquired in 2012

Kulim, Kedah
Leading mall in Kulim
Acquired in 2012

CENTRAL REGION

Subang Jaya, Selangor
Leading mall in Subang Jaya
Acquired in 2006

SOUTHERN REGION

Bandar Melaka, Melaka
Leading mall in historic Melaka
Acquired in 2006

Segamat, Johor
Leading mall in Segamat
Acquired in 2017

Muar, Johor
Leading mall in Muar
Acquired in 2008

FINANCIAL HIGHLIGHTS

Profit & Loss

For Financial Year ended 31 December

	FY2019	FY2018	FY2017	FY2016	FY2015
Gross Revenue (RM'000)	137,089	135,107	125,543	124,571	125,511
Direct Cost & Property Expenses (RM'000)	61,654	56,390	51,805	50,236	49,028
Net Property Income (NPI) (RM'000)	75,436	78,716	73,738	74,335	76,483
Net Income (RM'000)	39,614	33,129	32,696	43,158	4,759
Earnings Per Unit	2.48	7.17	7.82*	10.53	1.19
Net Income – Realised (RM'000)	35,874	42,269	40,134	41,546	44,693
Net Income Per Unit – Realised (sen)	7.77	9.15	9.60	10.14	11.16
Income Distribution (RM'000)	35,894	41,623	40,485	42,067	42,067
Distribution Per Unit (DPU) (sen)	7.77	9.01	9.60	10.50	10.50
Change in Unit Price (sen)	(12.0)	(8.0)	(28.0)	4.0	3.0
Annual Total Return per Unit (sen)	(4.2)	1.0	(18.4)	14.5	13.5
Annual Total Return per Unit (%)**	(3.8)	0.8	(11.6)	9.5	9.1

*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

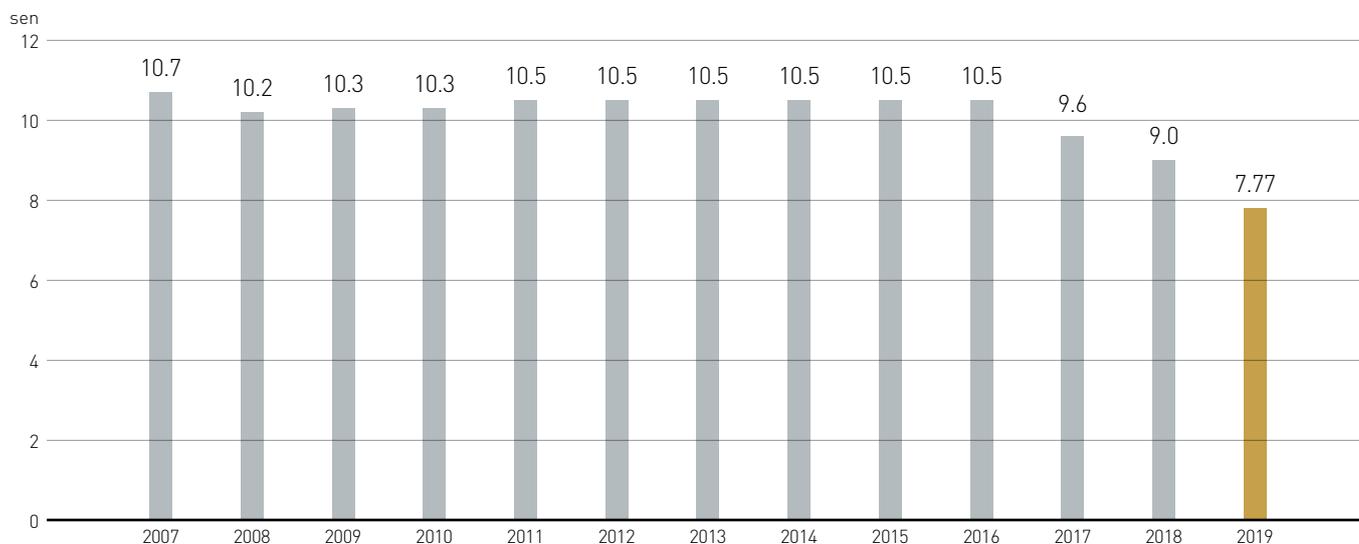
As at 31 December

	FY2019	FY2018	FY2017	FY2016	FY2015
Total Assets (RM'000)	1,276,076	1,268,273	1,252,357	1,131,863	1,116,315
Total Liabilities (RM'000)	666,645	632,957	603,488	546,395	531,938
Total Borrowings (RM'000)	563,091	563,072	557,057	508,200	494,215
Gearing Ratio (%)	44.1	44.4	44.5	44.9	44.3
No. of Units in Circulation (Units)	461,960	461,960	461,960	400,634	400,634
Net Asset Value (NAV)	609,432	635,316	648,869	585,468	584,377
NAV per Unit (RM)	1.32	1.38	1.40	1.46	1.46
Lowest NAV during the period (RM)	1.32	1.38	1.38	1.46	1.46
Highest NAV during the period (RM)	1.38	1.39	1.46	1.46	1.56
Unit Price as at 31 December (RM)	0.99	1.11	1.30	1.56	1.52
Premium/(Discount) to NAV (%)	(25.0)	(19.6)	(7.1)	6.8	4.1

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 (2007-2019)



Note: 2007 DPU based on Financial Year of 13 months

Income Distributions

FY2019

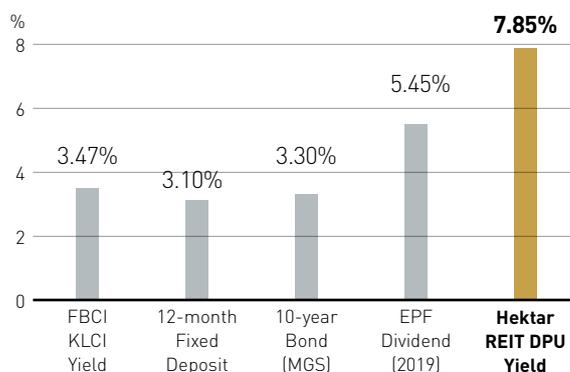
Interim 1 st Quarter DPU	1.93 sen
Interim 2 nd Quarter DPU	2.00 sen
Interim 3 rd Quarter DPU	1.84 sen
Final 4 th Quarter DPU	2.00 sen
Total DPU	7.77 sen
DPU Yield*	7.85%

*Based on DPU of 7.77 sen and the closing unit price of RM0.99 for FY2019

Distribution Yields

Comparative Yields*

FY2019



*Source: EPF, Bank Negara (2019), Maybank

Debt Structure

As at 31 December 2019

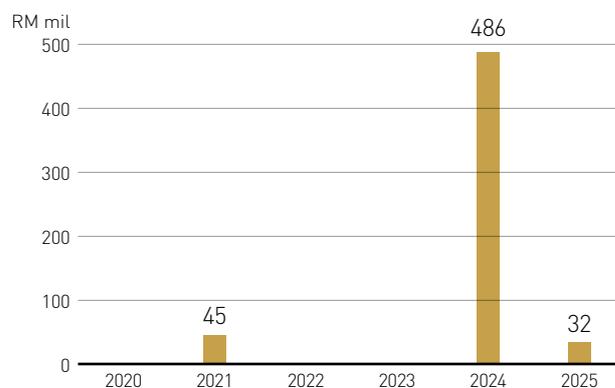
Al-Murabahah/Overdraft/Term Loan
Fixed Term Loan, Floating Rate

Total Debt	RM563 million
Weighted Cost of Debt	4.77%
Gearing Ratio ¹	44.1%
Interest Cover	2.38%

¹Gearing ratio calculated by total borrowings over Gross Asset Value (GAV)

Debt Expiry Profile

As at 31 January 2020*



FINANCIAL HIGHLIGHTS

Comparative One-Year Price Performance



Source: WSJ Markets

■ Hektar
■ REIT
■ KLCI

Trading Summary

For Financial Year ended 31 December

	FY2019	FY2018	FY2017	FY2016	FY2015
Opening Unit Price (RM)	1.11	1.19	1.58	1.52	1.49
Closing Unit Price (RM)	0.99	1.11	1.30	1.56	1.52
52-Week Highest Traded Price (RM)	1.17	1.27	1.67	1.70	1.56
52-Week Lowest Traded Price (RM)	0.97	1.09	1.14	1.48	1.43
Unit Price Change (%) ¹	(10.8)	(6.7)	(17.7)	2.6	2.0
DPU (sen)	7.8	9.0	9.6	10.5	10.5
DPU Yield (%) ²	7.8	8.1	7.4	6.7	6.9
Annual Total Return (%) ³	(3.8)	0.8	(11.6)	9.5	9.1

¹ Based on difference between opening and closing market prices of the respective financial year

² Based on DPU over closing price of the respective financial year

³ Based on DPU and unit price change over opening market price for respective financial year

Average Total Return*

For 1 year (2019)	-3.8%
For 3 years (2017–2019)	-20.6%
For 5 years (2015–2019)	-1.8%

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

Unit Price Statistics (2019)

High	RM1.17
Low	RM0.97
Opening Price (2 Jan 2019)	RM1.11
Closing Price (31 Dec 2019)	RM0.99
Change In Price	-10.8%

Annualised Total Return*

For 3 year (2017–2019)	-7.4%
For 5 years (2015–2019)	-0.4%
For 10 years (2010–2019)	5.9%

*Based on the Total Return of each year and the Opening Price as at 31 December 2019

Comparative Return (2019)

Bursa Malaysia	-4.8%
REIT Index	3.7%
Hektar REIT	-11.6%

CEO'S LETTER TO UNITHOLDERS

“The portfolio has had a mixed year in 2019 with variances among the different malls. Portfolio occupancy remained a high 92% in 2019.”

Dato' Hisham bin Othman

Executive Director and Chief Executive Officer

Dear Unitholder,

On reflection, the past year has been a challenging one for Hektar REIT. Our management team continued to work hard on efforts to revitalise the portfolio. The initial results have been very encouraging but the period ahead will continue to be a testing time. Nevertheless, we remain confident that our efforts will yield positive outcomes in the long term.

Observations

In 2019, we experienced the protracted effects of a US-China Trade War and the uncertainties of BREXIT extending from the previous year. Malaysia's economy continued to stutter under global uncertainties and external headwinds. The World Bank has forecasted revised GDP growth of 4.5% in 2020. Political uncertainty coupled with growing civil discontent worldwide and a weakening currency has heightened the average Malaysian household's sentiment towards conservative financial management.

The mall still serves as a platform for the Malaysian community. Due to the tropical climate, the majority of Malaysians spend their daylight hours in offices and their leisure time indoors. Between home, school and the office, Malaysians will likely visit their “third home”, the mall. There, they hope to seek social comforts and entertaining retail experiences complementary to the online world. In general, the retail industry continues to undergo a structural change, with the inexorable growth of online retail activity shifting consumer consumption patterns. We will monitor the digital transformation of retail along with the rise of social influencers which continues to impact certain categories of retailers. Businesses will evolve as they embrace omni-channel platforms to facilitate a seamless experience from online to offline. Well established online brands are opening physical stores. The world's largest and most famous retail disrupter, Amazon opened physical Amazon stores and bought a premium grocery chain, Whole Foods Markets for US\$13.7 billion in 2017. The conclusion is that in the daily life of many, the mall serves as the meeting place for people seeking friends, leisure and enriching experiences. We conclusively believe that the business models of malls will continue to evolve and remain vigilant in observing the trends both in the online and offline world.

RM137m
Revenue

92%
Occupancy

7.77 sen
Dividend Per Unit

Hektar REIT recorded revenue of RM137 million in 2019, up 1.5% over the preceding year.

CEO'S LETTER TO UNITHOLDERS

Portfolio Review

The portfolio has had a mixed year in 2019 with variances among the different malls. Portfolio occupancy remained a high 92% in 2019. Subang Parade's occupancy rebounded to 94% while Central Square and Segamat Central saw declines due to tenant remixing initiatives. Visitor traffic was relatively stable throughout the portfolio, with total traffic reaching 32.3 million visits in 2019. Rental reversions were flat at +0.5% for the overall portfolio, with Subang Parade leading the decline while the other malls posted positive returns including Wetex Parade with an impressive increment of 24.8%.

94%

**Subang Parade
occupancy rate
rebounded**

SUBANG PARADE. Our patient approach to Subang Parade has yielded positive prospects for the future. Occupancy rebounded to 94% from 88%. Rental reversions were negative at -13.7%, reflecting our interim strategy of "occupancy first" but with a focus on maintaining a quality tenancy mix. Owing to the challenging conditions in the Klang Valley and Subang Parade's excellent location and positioning in its respective market, management felt the need to rejuvenate the centre first by bringing in selected quality tenants at a lower rental rate and collecting on the upside through turnover rent when the mall traffic rebounds. Our refurbished Food Garden was opened in 2019, which incorporated more casual dining concepts to accompany our upmarket dining options which opened in Subang Parade.

The revised plan for Subang Parade covers key anchors. Parkson is planning its refurbishment in 2020 to upgrade the department store to reflect the latest contemporary trends. Parkson has been open since 1988 and thus has a dedicated, loyal shopper base. MBO has expanded to nine screens with the opening of the 'Kecil' cinema catering towards young families, a key demographic segment. Best Denki will be relocated to the eastern section of the mall, while a brand new supermarket will take its place. An upmarket brand, Village Grocer will open in the third quarter of 2020 and will present a modern grocer of choice to Subang Jaya residents. Overall, net lettable area has increased by another 10,000 sq ft to an all-time high of 521,464 sq ft. These anchor initiatives will re-balance traffic movements and circulation within Subang Parade and will position the mall towards securing new and exciting specialty retailers in the future.

8.4 million

**Mahkota Parade
Visitor Traffic**

MAHKOTA PARADE. The leading mall of Melaka enjoys its status due to its location in the heart of the tourist district. The management conducted an exit survey in March 2019 and gathered over 1,020 shopper responses to 41 questions. The data is important as we look to analyse the demographics and behaviours of our shoppers. Of significance, Mahkota Parade is the most tourist-centric of our portfolio with one in five of all shopper respondents originating from outside of Melaka. This is significant as it follows that people on vacation are likely to spend more on shopping, which is reflected in the tenant sales records which have been on the uptrend since Hektar started collecting records before the IPO in 2006. The new supermarket anchor, Family Store, a local brand, opened in the fourth quarter of 2019 to much fanfare. Mahkota Parade ended the year 2019 with an occupancy of 96%, visitor traffic of approximately 8.4 million and positive rental reversions of 0.8%.

+ 24.8%

**Wetex Parade
rental reversions**

WETEX PARADE & CLASSIC HOTEL. Wetex Parade as the only mall in Muar enjoyed another positive year. Similar to Melaka, tenant sales recorded by Hektar posted decent numbers with jewellery stores leading the increase. Rental reversions were an excellent 24.8% in 2019 with occupancy at 96% and traffic at a stable 4.2 million visits. Management also completed the shopper exit survey in August 2019 with over 1,260 responses to derive insights into Muarian shopper demographics and behaviours.

The refurbished Classic Hotel recorded occupancy of 41% in 2019 with an average room rate of RM122. We expect these figures to improve as we invest in an improved repositioning and pricing strategy towards corporate clients in 2020. Muar is home to a few multinationals and a large number of SMEs. It is known as the "furniture capital" of Malaysia with over 700 factories exporting almost half of Malaysia's exports, according to the Muar Furniture Association.

+ 9.2%

**Central Square
rental reversions**

CENTRAL SQUARE. Visitor traffic held steady at 4.5 million visits in Sungai Petani's leading mall. Occupancy however, dipped to 90%, due to leasing initiatives to refresh and upgrade the tenant mix. A new and refurbished food court, Seleria opened in the first quarter of 2019. Importantly, rental reversions were a solid 9.2% reflecting successful leasing efforts to focus on quality tenants. Management is continuing the initiative to upgrade the quality of tenant mix and positioning of the mall.

KULIM CENTRAL. The only mall in Kulim continues to record positive growth with visitor traffic at approximately 4.6 million visits in 2019, up 15.0% from 2018. Occupancy improved to 95% up from 93.5% and rental reversions were up strongly at 15.6% in 2019. The positive payoff from the mall refurbishment in 2017 continues till today as new middle-class brands build their interest in the Kulim market.

Both Central Square and Kulim Central completed their shopper exit surveys in late 2019 with over 1,000 respondents each. The data is currently being analysed to create refined strategies to improve the tenant mix and customer marketing approach for their respective markets.

SEGAMAT CENTRAL. The only mall in Segamat requires patient handling as the management is re-focusing on an “occupancy first” approach, favouring relevant retailers. Mall occupancy is 77% with visitor traffic at 3 million visits in 2019. The market research results yielded important findings with 69% of shoppers having families and 46.5% of shoppers below 24 years of age, reflecting the large number of tertiary students in the area. Leasing strategies will focus on mid-range brands and a family-friendly environment. New retailers will be enticed to enter the Segamat market at lower rental rates on the back of turnover rent when shopper traffic and sales improve.

Financial Review

The REIT recorded revenue of RM137 million in 2019, up 1.5% over the preceding year. Operating expenses increased 9.3% to RM61.6 million resulting in a Net Property Income of RM75.4 million, down 4.2%. The biggest contributor to expenses was Property Maintenance, up 13.7% to RM43.9 million. Net income before tax was however increased by 19.6% to RM39.6 million, as compared to 2018 due to the fair value increase on the portfolio.

General maintenance of the portfolio has risen, given that the average age of the portfolio is over 20 years – our youngest mall, Segamat Central was opened in 2011 and our oldest, Subang Parade was opened in 1988. Personnel costs have also contributed to the rise in expenses. As a service-oriented business, asset management requires talented people to sustain the business performance over the long run. Hektar is committed to investing in talent.

FINANCING. Hektar REIT’s financing includes debt facilities of up to RM563 million, providing Hektar REIT with a gearing ratio of 44.1%. Of this amount, 92% is due in 2024-2025, leaving RM45 million due in 2021. Management welcomes CIMB Bank Berhad as a new lender to Hektar REIT, where it provided up to RM60 million in facilities for the refinancing of Central Square, of which RM32 million has been drawn down to date. The Board has previously recommended the diversification of financing partners to serve as a foundation for Hektar REIT’s expansion in the future. We look forward to continue building Hektar REIT with our two financing partners, Maybank and CIMB. We appreciate their support as a vote of confidence in our business.

DISTRIBUTION. Hektar REIT declared a fourth quarter DPU of 2.00 sen. For the year 2019, total DPU was 7.77 sen, down 15% from 2018, reflecting a total distribution payout of approximately RM35.9 million. Based on the final price of RM0.99 on 31 December 2019, the DPU represents a yield of approximately 7.8%. At the end of 2019, Hektar REIT had over 5,365 investors.

ACQUISITIONS. In the past year, we were not able to close our target acquisitions, although negotiations and the lines of communications remain open. In a relatively quiet year with no key catalysts, vendors continue to play a “wait-and-see” approach as to the direction of the economy before making any key decisions, whether divestments or acquisitions. Hektar remains “open for business” however, with a continued focus on neighbourhood malls throughout Malaysia.

SUSTAINABILITY. Hektar continues to implement initiatives to improve Environmental, Social and Governance (ESG) factors measuring the sustainability and impact of our business. Management believes in the continuous evolution of cost and operational efficiency plans designed to improve profitability in a responsible and sustainable manner. This is also reflected in the governance framework which encourages participation with key stakeholders throughout the organisation.

+ 15.6%
Kulim Central
rental reversions

Enticing
new retailers with
lower rental rates

+ 1.5%
Revenue

- 4.2%
Net Property Income

CEO'S LETTER TO UNITHOLDERS



The Edge Malaysia Centurion Club 2019 Awards
"Highest Return on Equity over Three Years" for Hektar REIT.

Awards & Acknowledgments

Hektar was awarded with numerous accolades in 2019. Hektar REIT's property manager, Hektar Property Services was honoured at the CSR Malaysia Awards 2019 (Company of the Year Award – Property Management Category) and the Asia Top 10 Best Property Management Company Award. Hektar REIT was honoured at the ASEAN Energy Awards 2019, the National Energy Awards 2019 (both Energy Efficient Building – Retrofitted Building categories) and the Asia Corporate Excellence & Sustainability Awards 2019 (Green Initiative Award). Finally, The Edge awarded Hektar REIT with the "Highest Return on Equity Over Three Years" Award at The Edge Malaysia Centurion Club 2019 Awards. We are humbled by these accolades in recognising Hektar's achievements. We will continue to work hard and strive to enhance the confidence of our unitholders, retailer and shoppers in Hektar REIT.

On behalf of the Board of Directors, I would like to express our thanks and appreciation to Dr. Chew Tuan Chiong who retired from our Board and Frasers Centrepoint Asset Management in the past year. We sincerely appreciate his dedication and support over the years. We also welcome his successor, Mr. Richard Ng and look forward to working with him.

I would like to acknowledge the hard work of our team for their contributions throughout this challenging year and urge them to persevere in 2020 and also wish to thank the Board of Directors for their guidance.

Dato' Hisham Bin Othman

Executive Director & Chief Executive Officer



CSR Malaysia Awards 2019
Company of the Year Award (Property Management Category)
for Hektar Property Services Sdn Bhd



National Energy Awards 2019
Energy Efficiency – Retrofitted Building Award for Subang Parade



ASEAN Energy Awards 2019
ASEAN Energy Efficient Building (Retrofitted Building) Award
for Subang Parade



Asia Corporate Excellence & Sustainability Awards 2019
Green Initiative Award 2019 for Hektar Asset Management



We are humbled by these accolades in recognising Hektar's achievements. We will continue to work hard and strive to enhance the confidence of our unitholders, retailer and shoppers in Hektar REIT.

PERUTUSAN KETUA PEGAWAI EKSEKUTIF KEPADA PEMEGANG-PEMEGANG UNIT

Hektar REIT merekodkan pendapatan sebanyak RM137 juta pada tahun 2019, meningkat 1.5% berbanding tahun sebelumnya.

Para Pemegang Unit Yang Dihargai,

Merengus kembali, tahun 2019 merupakan tahun yang mencabar untuk Hektar REIT. Pihak pengurusan terus bekerja keras ke arah usaha-usaha pemulihan dan pembaharuan portfolio. Keputusan awal adalah sangat menggalakkan tetapi tempoh yang akan datang akan terus menjadi tempoh yang mencabar. Walau bagaimanapun, kami tetap yakin bahawa usaha kami akan memberikan hasil yang positif dalam jangka panjang.

Pemerhatian

Pada tahun 2019, kami mengalami kesan yang berpanjangan akibat daripada Perang Perdagangan AS-China dan ketidakpastian BREXIT dari tahun sebelumnya. Ekonomi Malaysia terus goyah di bawah ketidakpastian global dan halangan luaran. Bank Dunia meramalkan pertumbuhan KDNK yang disemak semula sebanyak 4.5% pada tahun 2020. Ketidakpastian politik ditambah dengan ketidakpuasan awam yang semakin meningkat di seluruh dunia dan mata wang yang lemah telah meningkatkan sentimen isi rumah Malaysia ke arah pengurusan kewangan yang konservatif.

Pusat membeli-belah masih berfungsi sebagai platform untuk komuniti Malaysia. Oleh kerana iklim tropika, majoriti rakyat Malaysia akan menghabiskan waktu siang mereka di pejabat dan masa lapang mereka di dalam rumah. Di antara rumah, sekolah dan pejabat, rakyat Malaysia mungkin akan melawat "rumah ketiga" mereka iaitu pusat membeli-belah. Di sana, mereka berharap untuk mencari keselesaan sosial dan pengalaman membeli-belah yang menghiburkan yang melengkapi dunia dalam talian. Secara umumnya, industri runcit terus mengalami perubahan struktur, dengan pertumbuhan aktiviti runcit dalam talian mengubah corak perbelanjaan pengguna. Kami akan memantau transformasi digital runcit yang bersama dengan kebangkitan pemengaruh sosial akan terus memberi impak kepada kategori peruncit tertentu. Perniagaan akan berkembang apabila mereka memasuki platform pelbagai saluran untuk memudahkan pengalaman lancar dari dalam talian ke luar talian. Jenama dalam talian yang mantap kini mulai membuka kedai fizikal. Amazon yang merupakan pengganggu runcit terbesar dan paling terkenal di dunia, telah membuka kedai-kedai fizikal dan membeli rantaian runcit premium, Whole Foods Markets dengan harga US\$13.7 bilion pada tahun 2017. Kesimpulannya, dalam kehidupan seharian ramai orang, pusat membeli-belah berfungsi sebagai tempat pertemuan untuk orang yang mencari persahabatan, bersantai dan yang menginginkan pengalaman yang memperkayakan. Kami yakin bahawa model perniagaan

pusat membeli-belah akan terus berubah dan akan terus peka dalam memerhatikan trend kedua-dua dunia dalam talian dan luar talian.

Ulasan Portfolio

Portfolio kami mempamerkan prestasi bercampur pada tahun 2019 dengan pencapaian yang berbeza bagi setiap pusat membeli-belah. Kadar penghunian portfolio kekal tinggi pada 92% pada tahun 2019. Kadar penghunian Subang

Parade meningkat kepada 94% manakala kadar penghunian Central Square dan Segamat Central mengalami penurunan disebabkan oleh inisiatif pengubahan campuran penyewa. Jumlah pengunjung secara relatifnya adalah stabil di seluruh portfolio, dengan jumlah pengunjung mencapai 32.3 juta kunjungan pada tahun 2019. Kadar pembaharuan sewaan pula tidak banyak berubah iaitu pada kadar +0.5% untuk keseluruhan portfolio, dengan Subang Parade mendahului penurunan manakala pusat-pusat membeli-belah yang lain mencatatkan kadar pembaharuan sewaan yang positif dengan Wetex Parade mencatatkan peningkatan sebanyak 24.8%.

SUBANG PARADE. Pendekatan kami yang teliti terhadap Subang Parade telah menghasilkan prospek yang positif untuk masa depan. Kadar penghunian meningkat kepada 94% daripada 88%. Kadar pembaharuan sewaan yang negatif iaitu -13.7%, mencerminkan strategi interim kami untuk meningkatkan kadar penghunian terlebih dahulu tetapi pada masa yang sama tetap fokus untuk mengekalkan campuran penyewa yang berkualiti. Disebabkan keadaan pasaran yang mencabar di Lembah Klang dan lokasi Subang Parade serta kedudukannya di pasaran, yang sangat baik pihak pengurusan merasakan perlu untuk memperbaharui pusat itu terlebih dahulu dengan membawa masuk penyewa berkualiti yang terpilih pada kadar sewaan yang lebih rendah dan mendapatkan pulangan yang lebih tinggi melalui kenaikan pada jumlah sewa berdasarkan jualan apabila jumlah pengunjung pusat membeli-belah meningkat kelak. "Food Garden" kami yang telah diperbaharui telah dibuka semula pada tahun 2019, yang menggabungkan lebih banyak konsep makan secara santai untuk melengkapi pilihan menjamu-selera lebih mewah yang sedia ada di Subang Parade.

Pelan baharu untuk Subang Parade meliputi penyewa-penyewa utamanya. Parkson sedang merancang pengubahsuaian pada tahun 2020 untuk mengemaskini gedung membeli-belahnya untuk mencerminkan trend kontemporari terkini.

RM137j

Pendapatan

92%

Penghunian

7.77 sen

Dividen Se Unit

PERUTUSAN KETUA PEGAWAI EKSEKUTIF KEPADA PEMEGANG-PEMEGANG UNIT

Parkson telah dibuka sejak 1988 dan dengan itu mempunyai kumpulan pembeli yang berdedikasi dan setia. MBO pula telah menambah bilangan skrinnya ke sembilan dengan pembukaan pawagam 'Kecil' untuk kemudahan keluarga muda, yang merupakan segmen demografi utama. Best Denki pula akan berpindah ke bahagian timur Subang Parade, sementara pasar raya baharu akan mengambil tempatnya. Jenama pasaraya mewah, Village Grocer akan dibuka pada suku tahun ketiga 2020 dan akan menawarkan pelbagai pilihan barangan runcit moden kepada penduduk Subang Jaya. Secara keseluruhannya, kawasan sewaan bersih telah meningkat sebanyak 10,000 kaki persegi kepada 521,464 kaki persegi yang merupakan keluasan terbesar setakat ini. Inisiatif penambahbaikan serta pembaharuan penyewa-penyewa utama ini akan mengimbangi pergerakan pengunjung dan peredaran dalam Subang Parade dan menambahbaik kedudukan pusat membeli-belah tersebut ke arah mendapatkan peruncit khusus yang baharu dan menarik pada masa hadapan.

MAHKOTA PARADE. Pusat membeli-belah utama di Melaka ini menikmati statusnya kerana lokasinya di tengah-tengah daerah pelancongan. Pihak pengurusan telah menjalankan kaji selidik keluar pada bulan Mac 2019 sebagai usaha berterusan untuk mengumpul dan menganalisa maklumat pasaran, dan telah mengumpul maklumbalas daripada lebih 1,020 pengunjung kepada 41 soalan. Data ini adalah penting bagi menganalisis demografi dan tingkah laku pengunjung kami. Apa yang penting ialah Mahkota Parade adalah pusat membeli-belah kami yang mempunyai tumpuan pelancong yang tertinggi, dengan satu daripada lima pengunjung berasal dari luar Melaka. Ini adalah penting kerana orang yang bercuti adalah lebih cenderung untuk berbelanja dengan lebih banyak. Ini tercermin pada jualan penyewa yang terus meningkat sejak Hektar mula mengumpul rekod sebelum IPOnya pada tahun 2006. Penyewa utama kami yang baharu, pasaraya Family Store yang merupakan sebuah jenama tempatan, telah dibuka pada suku tahun keempat 2019 dengan penuh kemeriahan. Mahkota Parade menamatkan tahun 2019 dengan kadar penghunian sebanyak 96% dengan jumlah pengunjung kira-kira 8.4 juta serta kadar pembaharuan sewaan positif sebanyak 0.8%.

WETEX PARADE & HOTEL CLASSIC. Wetex Parade sebagai pusat membeli-belah yang terulung di Muar telah menikmati satu lagi tahun yang positif. Sama seperti Mahkota Parade, jualan penyewa yang direkodkan oleh Hektar mencatatkan peningkatan, didorong oleh peningkatan jualan oleh kedai-kedai barang kemas. Kadar pembaharuan sewaan adalah cemerlang pada tahun 2019, mencapai 24.8%. Kadar penghunian pula mencapai 96% dan jumlah kunjungan stabil pada 4.2 juta kunjungan. Pengurusan juga telah melakukan kaji selidik keluar pada Ogos 2019 dengan lebih daripada 1,260 maklum balas diperolehi yang memberikan kami perspektif mengenai demografi dan tingkah laku pembeli di Muar.

Hotel Classic yang telah diubahsuai merekodkan kadar penghunian sebanyak 41% pada tahun 2019 dengan kadar

purata sewaan bilik pada RM122. Kami menjangkakan angka-angka ini akan bertambah baik apabila kami melaksanakan strategi menambahbaik kedudukan dan penawaran harga kepada pelanggan korporat pada tahun 2020. Muar adalah pusat kepada beberapa syarikat multinasional dan sebilangan besar PKS. Ia juga dikenali sebagai "pusat perabot" Malaysia dengan lebih 700 kilang menghasilkan hampir separuh daripada eksport perabot Malaysia, menurut Persatuan Perabot Muar.

CENTRAL SQUARE. Jumlah pengunjung ke pusat membeli-belah terkemuka di Sungai Petani ini kekal kukuh pada 4.5 juta kunjungan. Kadar penghunian bagaimanapun menurun kepada 90%, disebabkan oleh inisiatif kami untuk menyegarkan dan menambahbaik campuran penyewa. Sebuah medan selera yang baharu, "Seleria" telah dibuka pada suku tahun pertama 2019. Apa yang penting, kadar pembaharuan sewaan adalah kukuh pada kadar 9.2%, mencerminkan usaha kami untuk memberi tumpuan kepada penyewa yang berkualiti. Pengurusan akan meneruskan inisiatif untuk menaik taraf kualiti campuran penyewa dan kedudukan pusat membeli-belah.

KULIM CENTRAL. Satu-satunya pusat membeli-belah di Kulim ini terus mencatatkan pertumbuhan positif dengan jumlah pengunjung mencapai kira-kira 4.6 juta kunjungan pada tahun 2019, meningkat 15.0% daripada tahun 2018. Kadar penghunian pula meningkat kepada 95% daripada 93.5% manakala kadar pembaharuan sewaan meningkat dengan kukuh pada kadar 15.6% pada tahun 2019. Pulangan positif daripada inisiatif penambahbaikan pusat membeli-belah tersebut pada tahun 2017 berterusan sehingga hari ini dengan jenama kelas menengah yang baharu meningkatkan minat mereka terhadap pasaran Kulim.

Kedua-dua buah pusat membeli-belah Central Square dan Kulim Central telah melaksanakan kaji selidik keluar mereka pada akhir 2019 dengan lebih daripada 1,000 responden. Data ini sedang dianalisa untuk merangka strategi untuk menambahbaik campuran penyewa dan pendekatan pemasaran pelanggan untuk pasaran masing-masing.

SEGAMAT CENTRAL. Satu-satunya pusat membeli-belah di Segamat ini memerlukan pengendalian yang teliti dengan pihak pengurusan memfokuskan semula pendekatan ke arah meningkatkan kadar penghunian terlebih dahulu dengan peruncit yang relevan. Kadar penghunian adalah 77% dengan jumlah pengunjung mencapai 3 juta kunjungan pada tahun 2019. Kajian pasaran kami telah memberikan penemuan penting dengan 69% daripada pembeli terdiri daripada keluarga dan 46.5% daripada pembeli di bawah umur 24 tahun yang mencerminkan jumlah pelajar tertiar yang besar di daerah Segamat. Strategi kami akan memberi tumpuan kepada jenama pertengahan dan persekitaran mesra keluarga, serta menarik peruncit baharu untuk memasuki pasaran Segamat dengan kadar sewa yang lebih rendah tetapi dengan potensi untuk mendapatkan sewa berdasarkan jualan yang lebih tinggi apabila jumlah pengunjung dan jualan meningkat.

Ulasan Kewangan

Hektar REIT merekodkan pendapatan sebanyak RM137 juta pada tahun 2019, meningkat 1.5% berbanding tahun sebelumnya. Perbelanjaan operasi meningkat 9.3% kepada RM61.6 juta yang menyebabkan pendapatan hartanah bersih menurun 4.2% kepada RM75.4 juta. Penyumbang terbesar perbelanjaan adalah penyelenggaraan hartanah yang meningkat 13.7% kepada RM43.9 juta. Walau bagaimanapun pendapatan bersih sebelum cukai meningkat sebanyak 19.6% berbanding 2018 kepada RM39.6 juta, disebabkan oleh peningkatan nilai saksama portfolio.

Kos penyelenggaraan portfolio telah meningkat, memandangkan usia rata-rata portfolio lebih daripada 20 tahun – pusat membeli-belah termuda kami, Segamat Central dibuka pada tahun 2011 dan yang tertua, Subang Parade telah dibuka pada tahun 1988. Kos kakitangan juga telah menyumbang kepada peningkatan dalam perbelanjaan. Sebagai perniagaan yang berorientasikan perkhidmatan, pengurusan aset memerlukan staf yang berkebolehan untuk mengekalkan prestasi perniagaan dalam jangka panjang. Hektar komited untuk melabur dalam pembangunan sumber manusia.

PEMBIAYAAN. Pembiayaan Hektar REIT termasuk kemudahan hutang sehingga RM563 juta, membawa nisbah gearing Hektar REIT kepada 44.1%. 92% daripada jumlah pembiayaan ini perlu dibayar pada tahun 2024-2025 manakala baki RM45 juta perlu dibayar pada 2021. Pengurusan mengalu-alukan CIMB Bank Berhad sebagai rakan pembiaya baru kepada Hektar REIT dengan menyediakan kemudahan sehingga RM60 juta bagi pembiayaan semula Central Square, di mana RM32 juta telah digunakan sehingga kini. Lembaga Pengarah sebelum ini telah mencadangkan kepelbagaian sumber pembiayaan sebagai asas kepada pengembangan Hektar REIT pada masa akan datang. Kami berharap dapat terus membina Hektar REIT dengan kedua-dua rakan pembiaya kami, Maybank dan CIMB. Kami menghargai sokongan mereka sebagai undi keyakinan terhadap perniagaan kami.

PENGAGIHAN. Hektar REIT mengisytiharkan DPU bagi suku tahun keempat sebanyak 2.00 sen. Bagi tahun 2019, jumlah DPU adalah 7.77 sen, turun 15% dari 2018, dengan jumlah pembayaran agihan sebanyak kira-kira RM35.9 juta. Berdasarkan harga akhir unit RM0.99 pada 31 Disember 2019, hasil dividen adalah kira-kira 7.8%. Hektar REIT mempunyai lebih daripada 5,365 pelabur pada akhir tahun 2019.

PEMBELIAN ASET BAHARU. Pada tahun lalu, kami tidak dapat menyempurnakan pembelian sasaran kami, walaupun rundingan dan saluran komunikasi masih terbuka. Dalam tahun yang agak tenang tanpa kewujudan pemangkin utama, pemilik bangunan terus memainkan pendekatan "tunggu-dan-lihat" mengenai arah ekonomi sebelum membuat sebarang keputusan penting, sama ada penjualan

+ 1.5%
Pendapatan

- 4.2%
Pendapatan
Hartanah Bersih

atau pembelian. Hektar tetap menjalankan perniagaan seperti biasa dengan tumpuan berterusan terhadap pusat membeli-belah kejurangan di seluruh Malaysia.

KEMAMPANAN. Hektar terus melaksanakan inisiatif untuk meningkatkan faktor-faktor Persekitaran, Sosial dan Tadbir (ESG) yang mengukur kemampuan dan impak perniagaan kami. Pengurusan percaya dalam evolusi berterusan kos dan pelan kecekapan operasi yang direka untuk meningkatkan keuntungan

dengan cara yang bertanggungjawab dan mampan. Ini juga dicerminkan dalam rangka kerja tadbir urus yang menggalakkan penyertaan daripada pihak berkepentingan utama di seluruh organisasi.

Anugerah & Pengiktirafan

Hektar telah dianugerahkan dengan pelbagai penghargaan pada tahun 2019. Pengurus hartanah Hektar REIT, Hektar Property Services mendapat pengiktirafan pada "CSR Malaysia Awards 2019" (Kategori "Company of the Year Award – Property Management") dan "Asia Top 10 Best Property Management Company Award". Hektar REIT pula telah dianugerahkan pada "ASEAN Energy Awards 2019" dan "National Energy Awards 2019" (Kategori "Energy Efficient Building – Retrofitted Building") dan "Asia Corporate Excellence & Sustainability Awards 2019" ("Green Initiative Award"). Akhir sekali, The Edge telah menganugerahkan Hektar REIT dengan anugerah "Highest Return on Equity Over Three Years" pada "The Edge Malaysia Centurion Club 2019 Awards". Kami merasa dihargai di atas pengiktirafan terhadap pencapaian Hektar ini. Kami akan terus bekerja keras dan berusaha untuk memperoleh keyakinan para pemegang unit, peruncit dan pembeli kami terhadap Hektar REIT.

Bagi pihak Lembaga Pengarah, saya juga ingin merakamkan setinggi penghargaan kepada Dr. Chew Tuan Chiong yang telah bersara sebagai ahli Lembaga Pengarah kami serta Frasers Centrepoint Asset Management pada tahun lalu. Kami benar-benar menghargai dedikasi dan sokongan yang telah beliau berikan selama ini. Kami juga ingin mengalu-alukan pengganti beliau, Encik Richard Ng dan bersedia untuk bekerja dengan beliau pada tempoh yang akan datang.

Saya ingin merakamkan penghargaan kepada pengurusan serta kakitangan kami di atas kerja keras dan sumbangan mereka sepanjang tahun 2019 dan menyeru mereka untuk terus bekerja keras pada tahun 2020. Saya juga ingin mengucapkan terima kasih kepada ahli Lembaga Pengarah di atas bimbingan mereka.

Dato' Hisham Bin Othman

Pengarah Eksekutif & Ketua Pegawai Eksekutif

首席执行官 (CEO) 致信托基金单位持有者的信

2019年度的总营业额达1亿3700万令吉，比上一年增长1.5%。

亲爱的信托基金单位持有人，

回首过去一年，对贺达房地产投资信托基金（简称“贺达产托”）来说可是充满挑战。我们的管理团队持续努力振兴和重组投资组合。初步结果非常令人鼓舞，但是接下来还有待时间考验。尽管如此，我们仍然有信心，相信所付出的努力将带来长期正面的成果。

市场概况

我们在2019年经历了中美贸易战，及从去年环绕至今的英国脱欧不明朗因素所带来旷日持久的影响。在全球不确定因素和外围逆风环绕的情况下，马来西亚的经济继续裹足不前。世界银行修正2020年国内生产总值增长目标至4.5%。在政治不明朗，外加全球民众不满情绪日益提升，以及货币贬值，促使一般马来西亚家庭的财务管理心态日趋保守。

购物中心依旧扮演着马来西亚社区的平台角色。因为热带气候影响，多数马来西亚人日间都选择在办公室消磨时间，以及在室内度过闲暇时光。在家庭、学校和办公室之间，马来西亚人可能会前往他们的“第三家园”——购物中心。他们希望在那里寻找能填补网络世界匮乏的社交安慰，以及令人愉悦的零售体验。总体而言，随着势不可挡的网上零售活动改变了消费者消费模式，零售业继续发生结构性变革。我们将监控零售业的数码化转型，以及社交红人窜起持续对特定类别零售商带来的影响。随着企业拥抱全渠道平台，从打造线上与线下无缝体验，企业将逐步发展。著名的线上品牌也开设实体店。亚马逊这家全球最大及最著名的零售颠覆者，在2017年开设亚马逊实体店，并以137亿美元的价格收购了高级食品杂货连锁店全食超市（Whole Foods Market）。结论是，购物中心依旧成为许多人日常生活中与朋友聚会、休闲和丰富体验的场所。我们坚信商场的商业模式将继续蜕变，同时保持警惕心态来观察线上和线下世界的趋势。

投资组合概况

基于不同的商场表现存在差距，2019年投资组合表现良莠不一。2019年投资组合出租率保持在92.5%的高位。首邦百利购物广场出租率反弹至93.9%，而双溪大年中环广场和昔加末中环广场则因租户调整计划呈跌。投资组合客流量相对稳定，2019年总客流量达到3千230万人次。整体投资组合的租金调升率为0.5%，主要是其他购物中心取得正面回酬，当中麻坡威德百利广场更取得令人印象深刻的24.8%增幅，仅首邦百利购物广场走跌。

首邦百利购物广场。我们对首邦百利购物广场的耐心投入，打造出正面的未来前景。出租率从88.2%反弹至93.9%。租金下滑了13.7%，反映出我们的“出租为先”的中期策略，同时专注维持优质的租赁组合。由于巴生河流域地区环境严峻，首邦百利购物广场卓越的地理位置，以及个别市场的明确定位，管理层认为有必要透过较低的租金来引进一些优质租客，以先振兴购物广场，并在购物广场客流量反弹时，透过销售租金来取得租金调涨。我们翻新后的美食花园已于2019年开业，其中更结合了诸多休闲餐饮概念，以补全我们在首邦百利购物广场提供的更多高档餐饮选择。

首邦百利购物广场的翻修计划涵盖了主要租户。百盛计划在2020年翻新，以提升百货商店来反映最新的现代趋势。百盛1988年开始营业，因此拥有忠实购物社群。随着面向主要人口环节，即年轻家庭

的“Kecil”电影院开业，MBO现已扩展到9个荧幕。Best Denki则将搬迁至购物广场的东部，并由一家全新的超级市场取而代之。高端品牌 Village Grocer 将于2020年第三季度开业，并将为首邦再也为居民提供现代杂货店选择。整体来看，可出租净面积增加了1万平方呎，达到52万1464平方呎的历史新高。这些主要租户活动将重新平衡首邦百利购物广场的客流量和流通量，并使购物广场朝崭新和令人兴奋的专业零售商未来定位迈进。

马六甲皇冠百利广场。这家马六甲购物中心凭着位于旅游区中心的卓越地理位置，持续保持领先地位。管理层在2019年3月进行了一次出口处市场调查，并收集1020位购物者对41条问题的反馈。相关数据非常重要，主要是放眼分析我们购物者的人口统计和购物趋势。值得注意的是，皇冠百利购物广场是我们旗下投资组合中最以旅客为中心的资产，超过五分之一的受访者源自马六甲以外地区。这样的数据是相当惊人，显示出度假人士会花费更多的金钱购物，而这也反映贺达在2006年展开首次公开售股计划（IPO）前开始收集的租户销售记录持续处于涨势之中。全新的本地超级市场品牌租户——Family Store 在2019年第四季开业，迅速获得大众支持。皇冠百利广场在2019年杪取得96.4%出租率、约为8百40万客流量，以及0.8%的租金调升。

麻坡威德百利广场与经典酒店。威德百利广场是麻坡唯一的购物中心，并迎来另一个丰收年。与马六甲一样，贺达取得可观的租户销售，当中以金钻行增速最快。2019年租金调涨达到亮眼的24.8%，出租率为96.2%，客流量则企稳于4百20万。管理层也在2019年8月完成了购物者出口处市场调查，超过1260位受访者给予反馈，以深入了解麻坡购物者的人口统计与购物趋势。

翻新的经典酒店在2019年的入住率为41%，平均房价为RM122。我们预计随着2020年投资强化重新定位，以及面向企业客户的定价策略，这些数字有望进一步提升。麻坡是少数几家跨国公司，以及大量中小企业的所在地。根据麻坡家具协会，麻坡被誉为马来西亚“家具之都”，700多家工厂贡献了马来西亚几乎一半的出口量。

双溪大年中环广场。双溪大年（Sungai Petani）中环广场是首屈一指的购物中心，客流量持续稳定，达到4百50万人次。然而，受到更新和升级租户组合的租赁计划影响，出租率下滑至89.7%。全新的美食广场Seleria于2019年第一季开业。重要的是，租金调升率企稳于9.2%水平，反映出专注优质租户的租赁政策奏效。管理层也将延续相关努力，提升租户组合的素质，以及购物广场的定位。

居林新世纪广场。居林新世纪广场是居林唯一的一家购物中心，继续保持正面增长，2019年客流量约为4百60万人次，较2018年增长15.0%。2019年出租率从93.5%增长至95.0%，租金调升率也大幅增长达15.6%。2017年商场翻新工程带来的正面效益延续至今，主要是新的中阶品牌对居林市场的兴趣日趋增强。

双溪大年中环广场和居林新世纪广场都在2019年杪完成出口处市场调查，并分别获得超过1000名受访者提供反馈。目前，相关数据正在进行分析，以针对他们个别市场定位创建完善的策略来改善租户组合，以及客户营销方式。

昔加末中环广场。昔加末是唯一的一家购物中心需要耐心经营。管理层需以“出租为先”为首要考量，与适宜的零售商合作。昔加末中环广场2019年的出租率为77.1%，客流量达到3百万人次。市场调查结果是

重大发现，其中69%的购物者已经组建家庭，以及46.5%的购物者年龄低于24岁以下，反映出当地有大量的大学毕业生。租赁策略将侧重于中档品牌 and 打造家庭友好的环境。当购物者客流量和销售情况改善后，在周转租金的支持下，新零售商将以较低的租金入驻昔加末市场。

财务表现回顾

2019年度的总营业额达1亿3700万令吉，比上一年增长1.5%。营运开销增加9.3%至6千160万令吉，导致净产业收入为7千540万令吉，减少4.2%。房产维修是最大的开销环节，增加13.7%至4千390万令吉。税前净收入为3千960万令吉，比2018年增加19.6%，主要是来自于投资组合的公允价值增值。

我们最新的购物广场昔加末中环广场于2011年开业，而最久的购物广场首邦百利购物广场则于1988年开业，考虑到投资组合平均年龄超过20年，总体维修成本也持续攀升而人事成本也提高了总开销。作为服务导向事业，资产管理需要对的人选才来维持长期的业务绩效，因此贺达致力于寻找适当的人才。

融资。贺达产托的融资，包括高达5亿6300万令吉的债务融资，导致资产负债率达到44.1%。这些融资中，92%将于2024至2025年到期，其余4500万令吉则在2021年到期。管理层欢迎联昌银行作为贺达产托的新贷方，为双溪大年中环广场提供至少6000万令吉的再融资，其中3200万令吉已经兑现。董事部先前已建议多元化融资伙伴，以作为贺达产托未来扩张的基础。我们期待与两位融资伙伴—马来亚银行和联昌银行继续壮大贺达产托。我们感谢他们对我们业务上的信任和支持。

派息。贺达产托宣布第四季派发每基金单位派息2仙。2019年的每单位总派息为7.77仙，较2018年下降15%，总派息约为3千590万令吉。以2019年12月31日的最终报价99仙为准，每单位派息相等与7.8%周息率。截至2019年杪，贺达产托已拥有超过5365位投资者。

收购。过去的一年里，尽管我们敞开谈判和沟通渠道，仍无法完成目

标收购。在没有关键催化剂的平静之年，卖家在做出任何关键决定（出售或收购）之前，继续对经济发展方向采取“静观其变”态度。不过，贺达产托仍然“开放门槛”，继续专注于遍布马来西亚的邻里购物中心。

可持续性。贺达产托持续落实措施，来改善衡量业务可持续性和影响的环境、社会与监管（ESG）因素。管理层相信通过不断演变的成本和营运效率计划，将可以负责任和可持续的方式提高盈利能力。这也反映在鼓励主要利益关系者一同参与公司运作的监管框架之中。

奖励与鸣谢

贺达产托在2019年获得无数殊荣。贺达产托的房地产经理——贺达产业服务荣获2019年马来西亚企业社会责任大奖（年度公司奖-房地产管理类）和亚洲十大最佳房地产管理公司奖。贺达产托也分别获得2019年东盟能源奖、2019年国家能源奖（节能建筑-建筑改造类）和2019年亚洲企业卓越与可持续发展奖（绿色倡议奖）。最后，The Edge在2019年“The Edge百夫长俱乐部奖”授予贺达产托“3年最高股本回酬奖”。我们以谦卑的心接受这些认可贺达产托成就的荣誉。我们将继续努力与奋斗，以赢得我们信托基金单位持有者、零售商和购物者对贺达产托的信任。

我谨代表董事会，向董事会和 Frasers Centrepoint 资产管理公司已经荣休的 Dr. Chew Tuan Chiong 表示敬意与谢意。我们衷心感谢他多年来的奉献和支持。我们也欢迎新继任者 Richard Ng，期待与他更密切的合作。

在此，我要衷心感谢我们的团队，在这充满挑战的一年所付出的辛勤劳动，并敦促他们要在2020年坚持不懈，同时也感激董事部所给予的指导。

Dato' Hisham Bin Othman

执行董事兼首席执行官



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:



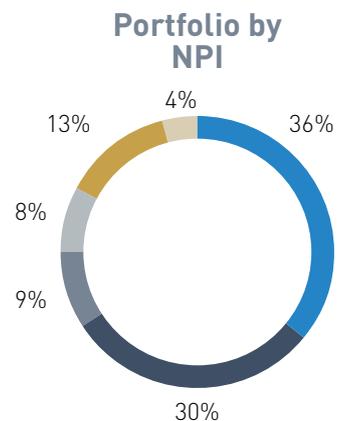
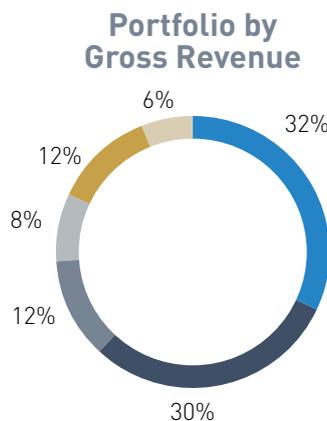
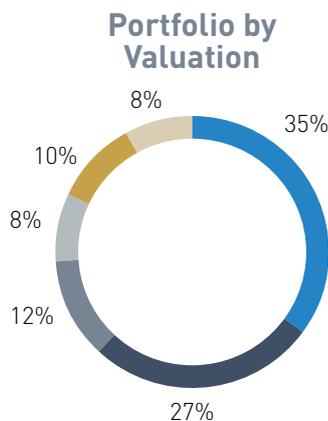
Portfolio Facts

Financial Year 2019

	Subang Parade	Mahkota Parade	Wetex Parade & Classic Hotel	Central Square	Kulim Central	Segamat Central
State	Selangor	Melaka	Johor	Kedah	Kedah	Johor
Title	Freehold	Leasehold (2101)	Freehold	Freehold	Freehold	Leasehold (2116)
Primary Trade Area (population)	1,834,000	382,200	201,600	406,870	287,694	190,000
NLA – Retail (sq ft)	521,464	519,663	175,014	310,564	299,781	216,345
Tenancies	120	110	71	55	76	51
Occupancy (%)	93.9	96.4	96.2	89.7	95.0	77.1
Visitor Traffic (million)	7.6	8.4	4.2	4.5	4.6	3.0
Acquisition Price (RM million)	280.0	232.0	117.5	83.3	98.0	106.1
Valuation (RM million)	440.0	329.0	144.5	97.0	130.0	96.0
Gross Revenue (RM million)	43.5	41.7	16.1	11.3	15.7	8.8
Net Property Income (NPI) (RM million)	27.4	22.8	7.0	5.8	9.4	3.1

Portfolio Diversification

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





**CENTRAL
SQUARE**

Central Square Shopping Centre,
located in Sungai Petani, Kedah



**KULIM
CENTRAL**

Kulim Central Shopping Centre,
located in Kulim, Kedah



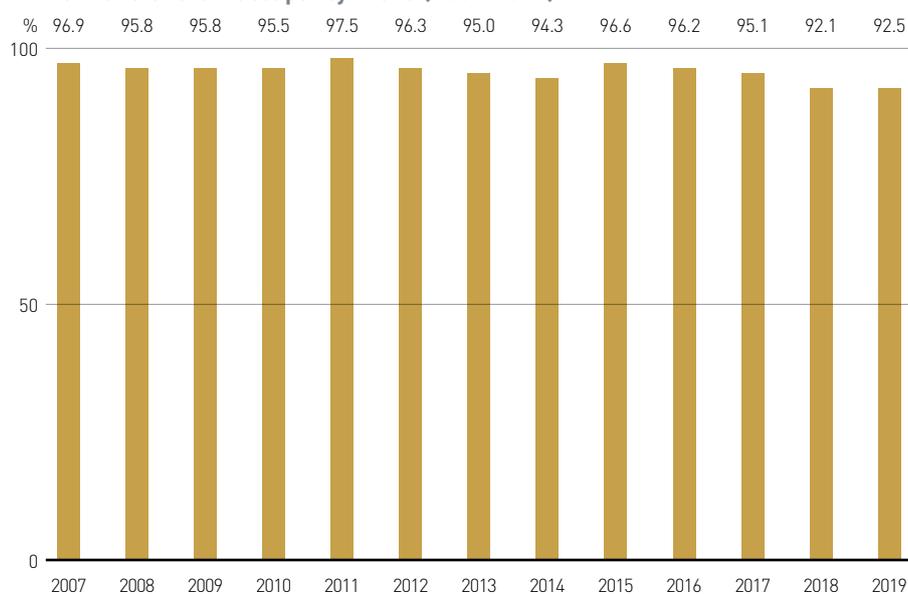
**SEGAMAT
CENTRAL**

Segamat Central Shopping Centre,
located in Segamat, Johor

Portfolio Occupancy

The portfolio achieved an overall occupancy rate of 92.5% as at 31 December 2019, up slightly from the previous year. In general, initiatives to upgrade the tenant mix can result in short-term fluctuations as has been experienced in Subang Parade. Currently, Central Square and Segamat Central are undergoing tenancy remixing with the objective of upgrading the tenant mix in the medium term.

Portfolio Overall Occupancy Trend (2007-2019)



Note: Weighted average portfolio occupancy according to NLA

Property

(As at 31 December)

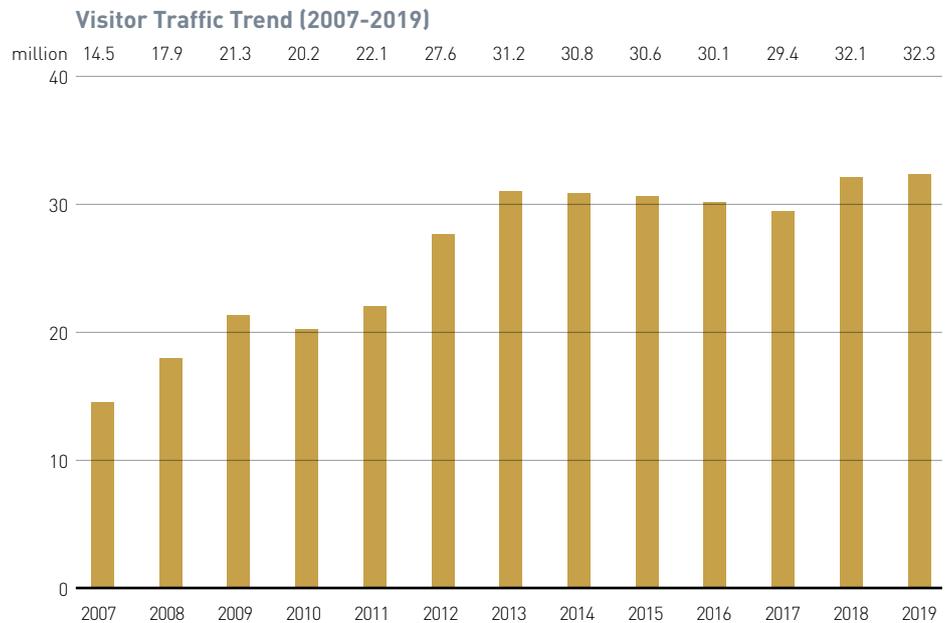
	2019	2018	2017	2016	2015
Subang Parade	93.9%	88.2%	90.9%	93.0%	94.7%
Mahkota Parade	96.4%	96.0%	96.1%	96.4%	95.5%
Wetex Parade	96.2%	98.5%	100.0%	100.0%	98.7%
Central Square	89.7%	96.9%	95.3%	96.6%	98.0%
Kulim Central	95.0%	93.5%	98.2%	98.9%	99.3%
Segamat Central	77.1%	78.6%	94.7%	n/a	n/a
Overall*	92.5%	92.1%	95.1%	96.2%	96.6%

*The weighted average occupancy rate is calculated based on NLA

PORTFOLIO PERFORMANCE

Visitor Traffic

Overall visitor traffic increased to 32.3 million visits in 2019, up slightly from the previous year. Major changes were experienced in Kulim Central, continuing a positive trend since the refurbishment in 2017. The rest of the portfolio experienced a plateau in visitor traffic. Traffic is captured by computerised counting solutions installed in all malls.



Visitor Traffic (million)	2019	2018	2017	2016	2015
Subang Parade	7.6	7.8	9.9	9.2	9.8
Mahkota Parade	8.4	8.3	9.1	9.4	9.1
Wetex Parade	4.2	4.3	4.4	4.6	4.6
Central Square	4.5	4.5	3.8	3.9	3.9
Kulim Central	4.6	4.0	2.2	3.0	3.2
Segamat Central	3.0	3.2	—	—	—
Total	32.3	32.1	29.4	30.1	30.6

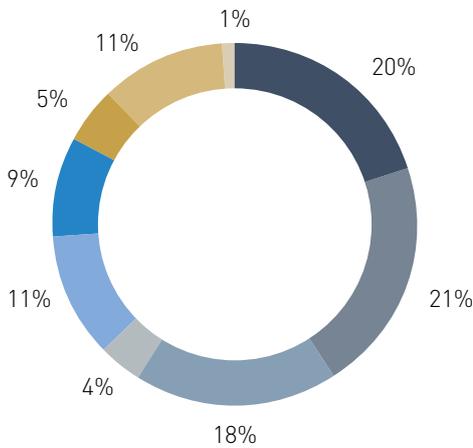
Footnote: Figures rounded up

Portfolio Tenancy Mix

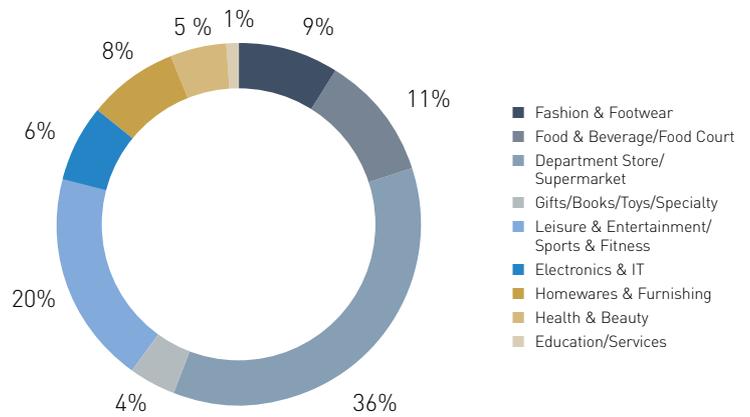
The largest rental contributors to the portfolio are tenants from the fashion & footwear and the food & beverage segments. Both segments contributed 41% of the portfolio's total rental income. In terms of NLA occupancy, department stores and supermarkets continue to dominate the portfolio by taking up 36% of all available NLA.

Overall Portfolio by Rental Income

*Based on monthly rental income for December 2019



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



Subang Parade

PORTFOLIO PERFORMANCE

Portfolio's Top Ten Tenants

The top ten tenants in the portfolio contributed approximately 31% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 9.5% of monthly rental income, no other tenant contributed more than 5.9%.

Tenant	Trade Sector	NLA (Sq Ft)	% of total NLA	% of Monthly Rental Income*
Parkson Grand	Department Store/Supermarket	252,515	12.4%	9.5%
The Store	Department Store/Supermarket	273,198	13.4%	5.9%
Seleria Food Court	Food & Beverage/Food Court	43,134	2.2%	3.2%
Mr D.I.Y.	Homewares & Furnishing	75,808	3.7%	2.0%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	88,670	4.3%	2.0%
Watson's	Health & Beauty	12,472	0.6%	1.9%
Best Denki	Electronics & IT	45,669	2.2%	1.8%
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	75,928	3.7%	1.7%
Guardian	Health & Beauty	12,164	0.6%	1.6%
Giant Superstore	Department Store/Supermarket	72,140	3.5%	1.4%
Top 10 Tenants (by monthly rental income)		951,698	46.6%	31.0%
Other Tenants		1,091,133	53.4%	69.0%
Total		2,042,831	100.0%	100.0%

* Based on monthly rental income for December 2019



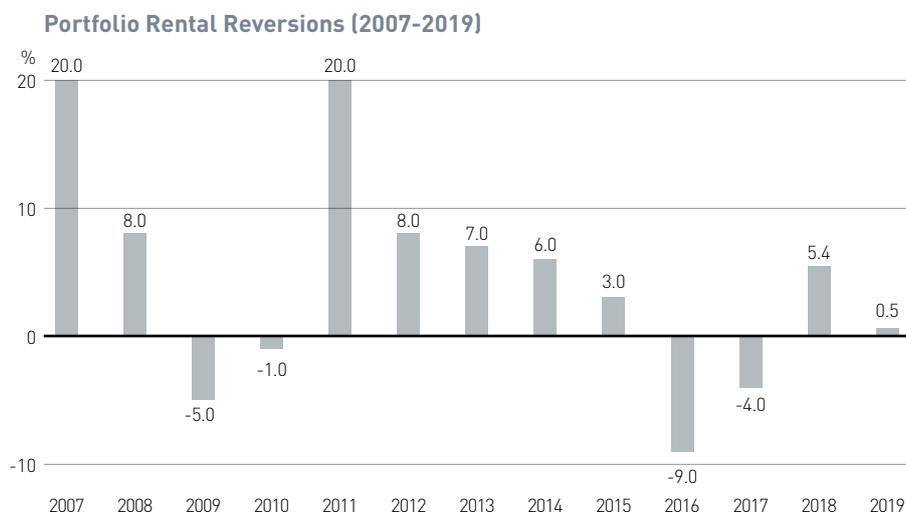
Mahkota Parade



Wetex Parade and Classic Hotel

Portfolio Rental Reversions

For the year ended 31 December 2019, the portfolio recorded 146 new and renewed tenancies, with an overall weighted average rental reversion of 0.5%. Subang Parade recorded negative growth, largely due to the ongoing tenancy remixing and the provision for a new supermarket to open in 2020. Four of our centres recorded positive increases with three of them at double digit rental reversions.



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	41	95,737	18.4%	(13.7%)
Mahkota Parade	26	129,588	24.9%	0.8%
Wetex Parade	26	29,265	16.7%	24.8%
Central Square	16	53,209	17.1%	9.2%
Kulim Central	21	79,639	26.6%	15.6%
Segamat Central	16	33,545	15.5%	10.6%
Total/Average	146	420,983	20.6%	0.5%

Figures as at 31 December 2019

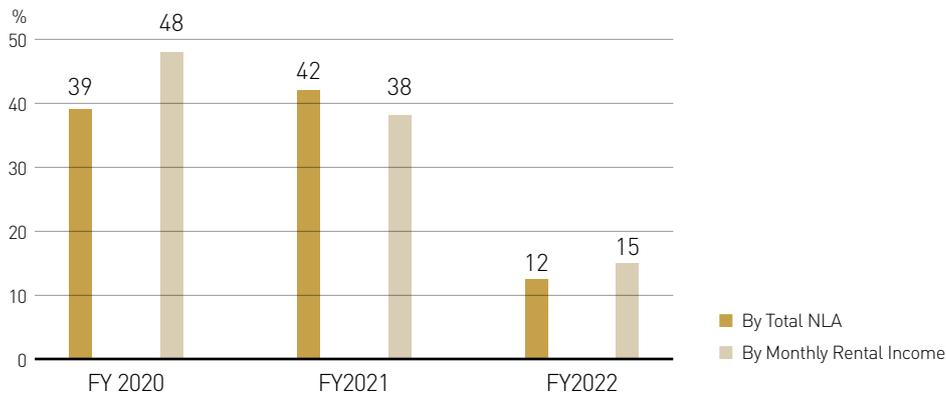
PORTFOLIO PERFORMANCE

Portfolio Tenancy Expiry Profile

A total of 233 tenancies will expire in 2020 representing approximately 39% of NLA and 48% of monthly rental income as at 31 December 2019. 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 2020	233	794,912	39%	48%
FY 2021	170	849,482	42%	38%
FY 2022	80	245,204	12%	15%

* Based on monthly rental income for December 2019

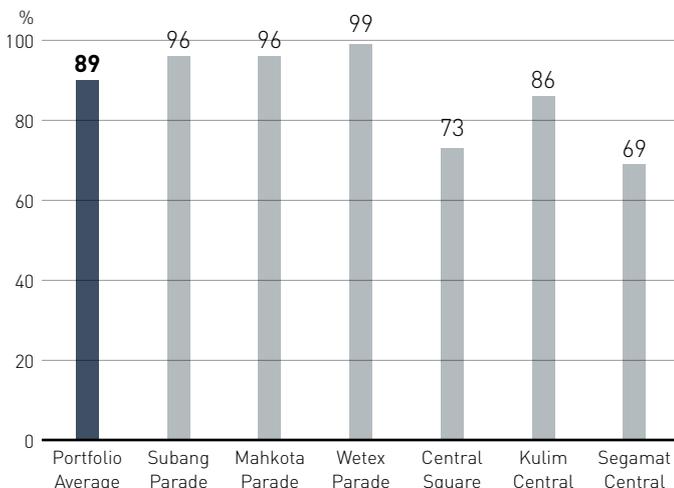


Portfolio Tenancy Provisions

As at 31 December 2019, turnover rent provisions were present in 89% of tenancy contracts within the portfolio. Step-up rent provisions were present in 15% 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.

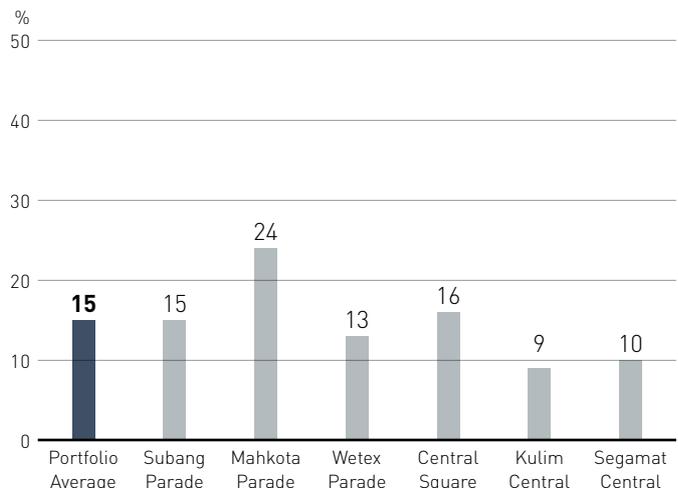
Hektar REIT Tenancy Provisions

Turnover Rent



Hektar REIT Tenancy Provisions

Step-up Rent



SUBANG
PARADE
It's Our Place!



MAHKOTA
PARADE
It's Our Place!



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


**CLASSIC
HOTEL**
— MUAR —

WETEX PARADE


**CENTRAL
SQUARE**
It's Our Place!





PORTFOLIO PERFORMANCE

SUBANG PARADE

It's Our Place!

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.

In the past year, a new Food Garden opened with an emphasis on casual dining. A more upscale dining zone is opening with established chains such as Super Saigon along with a craft beer specialist Farmer's Bar which serves 300 types of beers.

The major changes in Subang Parade are the long awaited anchor changes: MBO added a ninth screen, the 'Kecil' format which focuses on young families. Parkson is renovating its department store while Village Grocer will open an upmarket grocery-store in the third quarter of 2020 which will also face a relocated and revitalised Best Denki.

Location	No. 5, Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor
Title	Freehold
Primary Trade Area	1,834,000 within 20-mins drive time
Gross Floor Area	1,169,038 sq ft
Net Lettable Area	521,464 sq ft
Car Park	1,288 bays
Acquisition Price	RM280.0 million
Valuation	RM440.0 million
Tenants*	120
Key Tenants	Parkson, MBO, Best Denki, Celebrity Fitness
Occupancy	93.9%
Visitor Traffic	7.6 million per annum
Year Opened	1988
Year Acquired	2006
Year Refurbished	2006-2007 / 2019-2020

Data as of 31 December 2019

* Only NLA Lots



New Farmer's Bar in Subang Parade



Super Saigon at Subang Parade

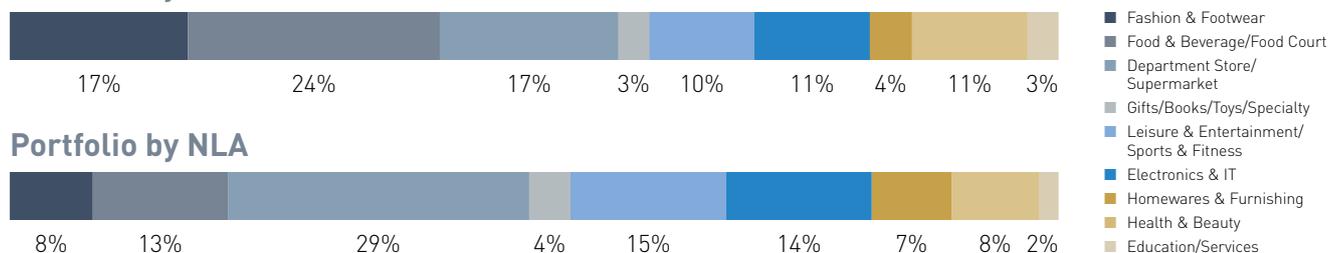
Subang Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson Grand	Department Store/Supermarket	140,620	27.0%	16.6%
Best Denki	Electronics & IT	45,669	8.8%	5.1%
Celebrity Fitness	Leisure & Entertainment/Sports & Fitness	21,646	4.2%	3.0%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	30,258	5.8%	2.7%
Voir	Fashion & Footwear	4,387	0.8%	2.0%
Yamaha Music School & Showroom	Education/Service	6,933	1.3%	1.7%
Nando's Chickenland	Food & Beverage/Food Court	2,610	0.5%	1.6%
Caring Pharmacy	Health & Beauty	2,679	0.5%	1.5%
The Manhattan Fish Market	Food & Beverage/Food Court	2,860	0.5%	1.5%
Bata	Fashion & Footwear	1,475	0.3%	1.4%
Top 10 Tenants (by monthly rental income)		259,137	49.7%	37.1%
Other Tenants		262,327	50.3%	62.9%
Total		521,464	100.0%	100.0%

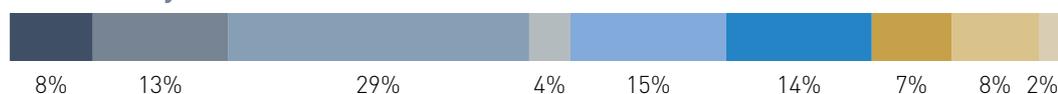
* Based on monthly rental income for December 2019. Note: includes additional NLA space.

Subang Parade's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	65	188,373	36%	45%
2021	29	211,256	41%	37%
2022	26	90,274	17%	18%

* Based on monthly rental income for December 2019

PORTFOLIO PERFORMANCE



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

Mahkota Parade is positioned as the premier shopping centre in the region with Parkson established as its main anchor. The centre serves as the main destination for major community events, tourist events and exhibitions in the state.

The management completed an exit survey of over 1,020 shoppers in 2019 to better understand shopper demographics and behaviours. The major anchor change in 2019 was the opening of the new supermarket, Family Store, a local chain. Occupancy was 96.4% with 8.4 million visits in 2019.

Location	No. 1 Jalan Merdeka 75000 Bandar Melaka, Melaka
Title	Leasehold (until 2101)
Primary Trade Area	382,200 within 20-mins drive time
Gross Floor Area	1,392,623 sq ft
Net Lettable Area	519,663 sq ft
Car Park	1,079 bays
Acquisition Price	RM232.0 million
Valuation	RM329.0 million
Tenants*	110
Key Tenants	Parkson, Seleria, Ampang Superbowl, MM Cineplexes, JD Sports
Occupancy	96.4%
Visitor Traffic	8.4 million per annum
Year Opened	1994
Year Acquired	2006
Year Refurbished	2010

Data as of 31 December 2019

* Only NLA Lots



Dynamix Dance Studio Anniversary at Mahkota Parade

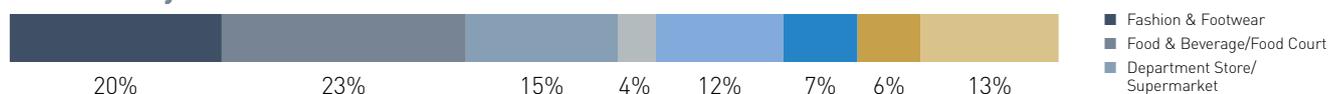
Mahkota Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	111,895	21.5%	12.6%
Seleria Food Court	Food & Beverage/Food Court	32,506	6.2%	7.4%
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	43,496	8.4%	2.7%
JD Sports	Leisure & Entertainment/Sports & Fitness	5,942	1.1%	2.5%
Restoran KFC	Food & Beverage/Food Court	5,403	1.0%	2.2%
Ampang Superbowl	Leisure & Entertainment/Sports & Fitness	36,717	7.1%	2.0%
Guardian	Health & Beauty	3,800	0.7%	1.9%
Family Store	Department Store/Supermarket	25,758	5.0%	1.9%
Aeon Wellness	Wellness Health & Beauty	4,112	0.8%	1.9%
Kaison	Homewares & Furnishing	9,655	1.9%	1.8%
Top 10 Tenants (by monthly rental income)		279,284	53.7%	36.9%
Other Tenants		240,379	46.3%	63.1%
Total		519,663	100.0%	100.0%

* Based on monthly rental income for December 2019

Mahkota Parade's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	62	346,594	67%	65%
2021	33	81,085	16%	24%
2022	15	73,399	14%	11%

* Based on monthly rental income for December 2019

PORTFOLIO PERFORMANCE

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



Parade and Classic Hotel was Hektar REIT's maiden acquisition in 2008. The management completed an exit survey of over 1,260 shoppers in 2019 to better understand shopper demographics and behaviours. The mall occupancy reached 96.2% with 4.2 million visits in 2019.

Classic Hotel, which is adjoining to Wetex Parade is the largest hotel with the largest ballroom facility in Muar. The hotel recorded average occupancy of 41% and an average room rate of RM122 in 2019. For the year ahead, management is investing in an improved repositioning and pricing strategy towards corporate clients. Muar is home to a few multinationals and a large number of SMEs. It is known as the "furniture capital" of Malaysia with over 700 factories exporting almost half of Malaysia's exports, according to the Muar Furniture Association.

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

Location	69 Jalan Ali, Off Jalan Sulaiman 84000 Muar, Johor
Title	Freehold
Primary Trade Area	201,600 within 20-mins drive time
Gross Floor Area	281,590 sq ft
Net Lettable Area	175,014 sq ft
Classic Hotel GFA	125,931 sq ft
Car Park	175 bays
Acquisition Price	RM117.5 million
Valuation	RM144.5 million
Tenants*	71
Key Tenants	The Store, Popular Bookstore, MR. D.I.Y.
Occupancy	96.2%
Visitor Traffic	4.2 million per annum
Year Opened	1996
Year Acquired	2008
Year Refurbished	2010 (Mall AEI) 2018 (Hotel)

Data as of 31 December 2019

* Only NLA Lots



Wetex Parade

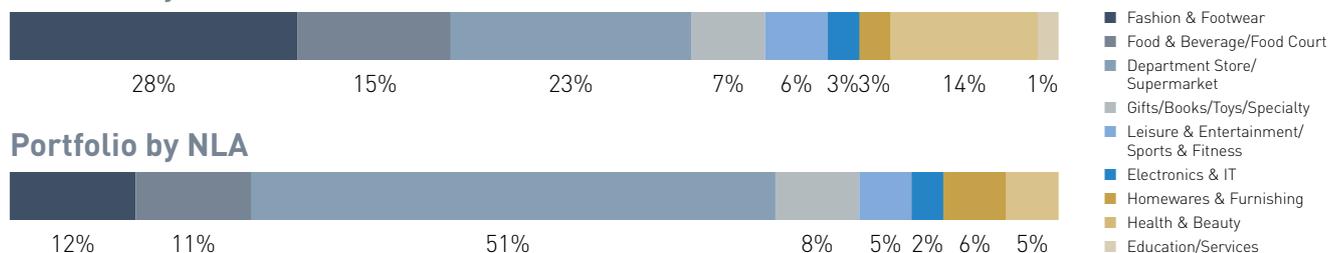
Wetex Parade's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store/Supermarket	85,413	48.8%	22.7%
Watson's	Health & Beauty	2,824	1.6%	5.9%
MR. D.I.Y.	Homewares and Furnishing	9,577	5.4%	2.9%
Guardian	Health & Beauty	2,949	1.7%	2.8%
McDonald's	Food & Beverage/Food Court	2,489	1.4%	2.5%
Popular Bookstore	Gifts/Books/Toys/Specialty	7,190	4.1%	2.3%
Baker House Confectionery	Food & Beverage/Food Court	990	0.6%	2.3%
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%	47.7%
Other Tenants		55,439	31.7%	52.3%
Total		175,014	100.0%	100.0%

* Based on monthly rental income for December 2019. Note: changes in NLA due to reconfiguration.

Wetex Parade's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	20	104,997	60%	37%
2021	31	42,623	24%	38%
2022	20	20,688	12%	25%

* Based on monthly rental income for December 2019

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.

The management completed an exit survey of over 1,000 shoppers in late 2019 to better understand shopper demographics and behaviours in Sungai Petani. Management is focusing on improving the tenant mix in the medium term as reflected in the dip in occupancy to 89.7% in 2019. During the year, a new food court, Seleria was opened while leasing activity recorded positive rental reversions of 9.2%. Management continues to develop collaborative events such as "Scouts Day Out" which involved 2,040 children and young adults, maintaining the mall's position at the heart of the community. Visitor traffic remained stable at 4.5 million in 2019.

Location	23, Jalan Kampung Baru 08000 Sungai Petani, Kedah
Title	Freehold
Primary Trade Area	406,870 within 20-mins drive time
Gross Floor Area	743,117 sq ft
Net Lettable Area	310,564 sq ft
Car Park	478 bays
Acquisition Price	RM83.3 million
Valuation	RM97.0 million
Tenants*	55
Key Tenants	The Store, MBO, CS One Station Mobile, KFC, PBA Premier Bowl
Occupancy	89.7%
Visitor Traffic	4.5 million per annum
Year Opened	1997
Year Acquired	2012
Year Refurbished	2015

Data as of 31 December 2019

* Only NLA Lots



Central Square Scouts Day Out

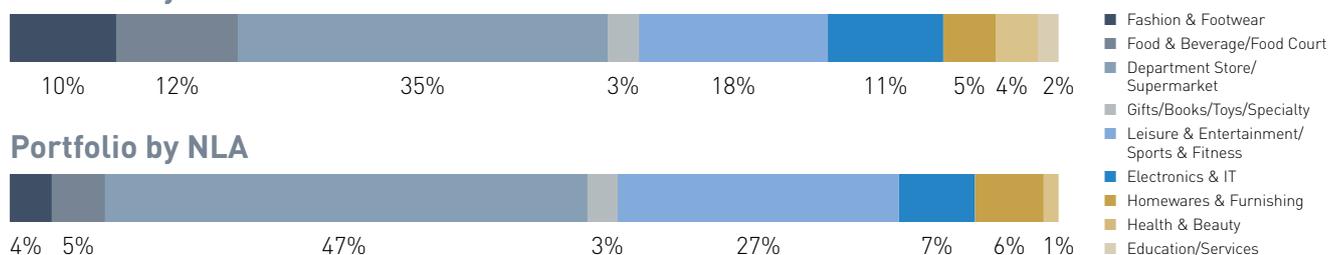
Central Square's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store/Supermarket	130,000	41.9%	34.7%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	34,412	11.1%	6.7%
CS One Station Mobile	Electronics & IT	13,229	4.2%	4.5%
KFC	Food & Beverage/Food Court	3,619	1.2%	4.0%
Seleria Food Court	Food & Beverage/Food Court	6,230	2.0%	3.7%
PBA Premier Bowl	Leisure & Entertainment/Sports & Fitness	25,000	8.0%	3.4%
MR. D.I.Y.	Homewares & Furnishing	11,968	3.8%	2.9%
Popular Bookstore	Gifts/Books/Toys/Specialty	6,450	2.1%	2.8%
Guardian Pharmacy	Health & Beauty	1,443	0.5%	2.3%
Wow Wonderland Box	Leisure & Entertainment/Sports & Fitness	5,600	1.8%	1.9%
Top 10 Tenants (by monthly rental income)		237,951	76.6%	66.9%
Other Tenants		72,613	23.4%	33.1%
Total		310,564	100.0%	100.0%

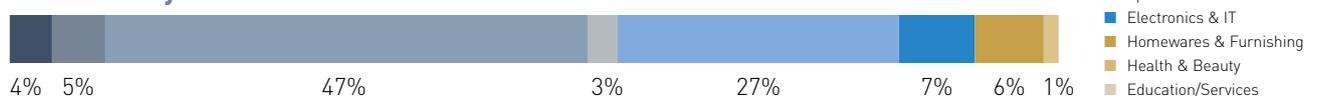
* Based on monthly rental income for December 2019. Note: changes in NLA due to reconfiguration

Central Square's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	28	51,951	17%	25%
2021	20	188,179	61%	60%
2022	7	38,548	12%	15%

* Based on monthly rental income for December 2019

PORTFOLIO PERFORMANCE



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

In 2017, a major refurbishment and AEI was carried out which resulted in new NLA space. Following the refurbishment, the mall was rebranded from Landmark Central to "Kulim Central". The initiative introduced a modern food court and overall improvement of the interior and exterior of the shopping centre. The mall has become the preferred destination for Kulim residents.

Two of its mini anchors: MBO and Ole Ole Superbowl, are the only cinema and bowling centre respectively in Kulim. The supermarket anchor, Giant relaunched after refurbishment in 2019.

The management completed an exit survey of over 1,000 shoppers in late 2019 to better understand shopper demographics and behaviours in Kulim. Occupancy climbed to 95% while visitor traffic improved to 4.6 million in 2019.

Location	No. 1 Jalan KLC Satu (1) 09000 Kulim, Kedah
Title	Freehold
Primary Trade Area	287,694 within 20-mins drive time
Gross Floor Area	513,333 sq ft
Net Lettable Area	299,781 sq ft
Car Park	528 bays
Acquisition Price	RM98.0 million
Valuation	RM130.0 million
Tenants*	76
Key Tenants	Giant, The Store, MBO Cinemas, Ole Ole Super Bowl, Seleria Food Court
Occupancy	95.0%
Visitor Traffic	4.6 million per annum
Year Opened	2009
Year Acquired	2012
Year Refurbished	2017

Data as of 31 December 2019

* Only NLA Lots



Merdeka Event at Kulim Central

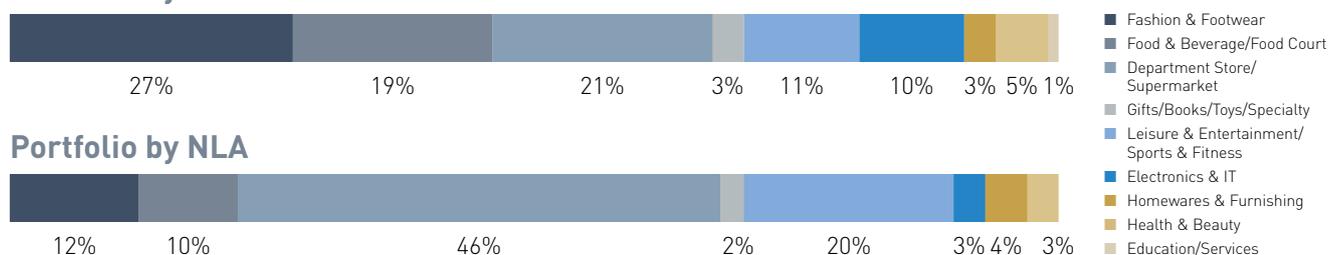
Kulim Central's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Giant Superstore	Department Store/Supermarket	72,140	24.1%	13.3%
The Store	Department Store/Supermarket	57,785	19.3%	7.7%
Seleria Food Court	Food & Beverage/Food Court	4,398	1.5%	6.2%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	24,000	8.0%	4.7%
Ole Ole Super Bowl	Leisure & Entertainment/Sports & Fitness	23,670	7.9%	2.9%
MR. D.I.Y.	Homewares & Furnishing	11,711	3.9%	2.6%
Watson's	Health & Beauty	2,238	0.7%	2.5%
Hasani Bookstore	Gifts/Books/Toys/Specialty	5,228	1.7%	2.3%
Hanzo	Fashion & Footwear	5,755	1.9%	2.1%
Pizza Hut	Food & Beverage	3,530	1.2%	2.1%
Top 10 Tenants (by monthly rental income)		210,455	70.2%	46.4%
Other Tenants		89,326	29.8%	53.6%
Total		299,781	100.0%	100.0%

* Based on monthly rental income for December 2019

Kulim Central's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	34	50,142	17%	37%
2021	31	214,146	71%	51%
2022	11	20,519	7%	12%

* Based on monthly rental income for December 2019

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.

New anchor TF Value Mart was introduced to the shopping centre in late 2018 and MM Cinemas is the largest cinema operator in town. Management completed the exit survey market research and analysis in 2019 and has planned to upgrade the tenant mix in 2020 with a renewed focus on middle-class retailers. As a result, occupancy has temporarily declined to 77.1% with visitor traffic steady at 3.0 million in 2019.

Location	Jalan Kolam Air, Kampung Gubah 85000 Segamat, Johor
Title	Leasehold (until 2116)
Primary Trade Area	190,000 within 20-mins drive time
Gross Floor Area	486,789 sq ft
Net Lettable Area	216,345 sq ft
Car Park	389 bays
Acquisition Price	RM106.1 million
Valuation	RM96.0 million
Tenants*	51
Key Tenants	TF ValueMart, MM Cineplexes, MR. D.I.Y.
Occupancy	77.1%
Visitor Traffic	3.0 million per annum
Year Opened	2011
Year Acquired	2017
Year Refurbished	In Planning

Data as of 31 December 2019

* Only NLA Lots



Segamat Central

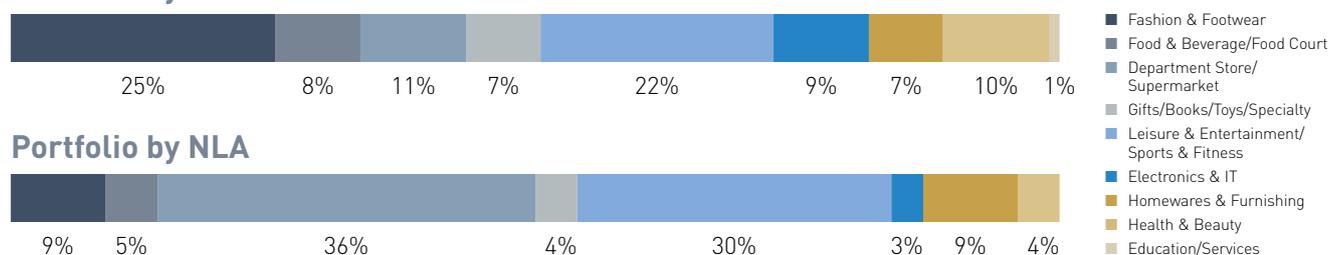
Segamat Central's Top Ten Tenants

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	32,432	15.0%	14.4%
TF Value Mart	Department Store/Supermarket	59,093	27.3%	10.5%
MR. D.I.Y.	Homewares & Furnishing	15,403	7.1%	6.8%
AD Jeans	Fashion & Footwear	3,218	1.5%	3.4%
XES Premium	Fashion & Footwear	1,991	0.9%	2.9%
Dees	Fashion & Footwear	2,003	0.9%	2.9%
Guardian	Health & Beauty	1,615	0.7%	2.7%
Aeon Wellness	Health & Beauty	1,551	0.7%	2.7%
Popular Bookstore	Gifts/Books/Toys/Specialty	4,898	2.3%	2.6%
Oppo	Electronics & IT	1,108	0.5%	2.2%
Top 10 Tenants (by monthly rental income)		123,312	56.9%	51.1%
Other Tenants		93,033	43.1%	48.9%
Total		216,345	100.0%	100.0%

* Based on monthly rental income for December 2019. Note: changes in NLA due to reconfiguration

Segamat Central's Tenancy Mix

Portfolio by Rental Income



Portfolio by NLA



* Based on monthly rental income for December 2019. Numbers may exceed 100% due to rounding up.

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*
2020	24	52,856	24%	44%
2021	26	112,193	52%	55%
2022	1	1,776	1%	1%

* Based on monthly rental income for December 2019

SUSTAINABILITY REPORT

Our Commitment

Hektar REIT's management is committed to fulfil 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 environmental 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 expectations of our stakeholders within the area of sustainability. We are focused on efforts to address the material sustainable matters of Hektar REIT across our priority areas:

- Responsible business practices to shape our future in sustainability growth;
- Close liaison with all stakeholders including local community and authorities;
- Appraisal of current challenges and solutions; and
- Constantly raising our standards of our business processes for 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 both long-term 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:

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

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 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 Securities. The Board has also established a committee to assist in discharging its duties. The committee consists of an appointed Chairperson and several members. The Board has also formalised its commitment to high ethical values through the establishment of a Code of Ethics and Conduct.

In 2017, the sustainability committee was formed, comprising key representatives from relevant departments. Our Sustainability Steering Committee is chaired by our Executive Director and Chief Executive Officer and supported by our Chief Corporate Officer. Other members of the Steering Committee include the Chief Operating Officer and Chief Leasing Officer of Hektar Property Services Sdn Bhd, while our Sustainability Working Committee are represented by members from 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 that our long-term success relies on the support and contribution of different stakeholders, which includes our unitholders, shoppers, employees, property management team, communities, partners, media and investment community.

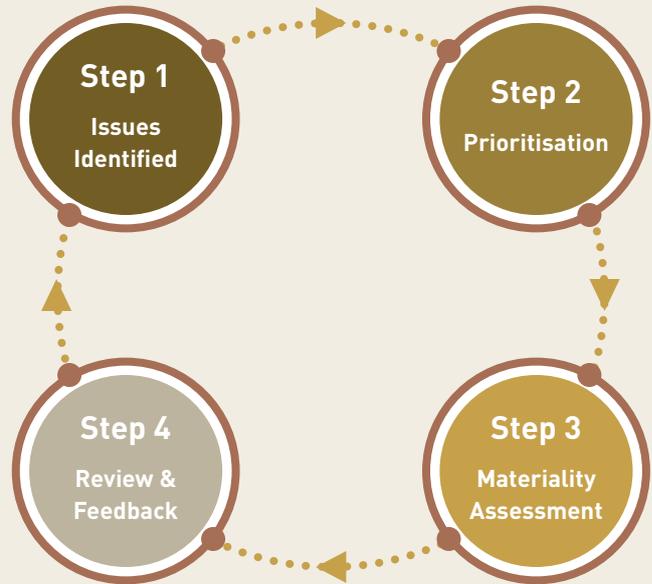
Our approach to sustainability ties directly with our business objective to operate and manage world-class shopping centres and our commitment to deliver value to our stakeholders. This is executed through a sustainable and respectable operation that cares for our marketplace, work spaces, community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

Key Stakeholder	Engagement Methods	Key Topics	
Shoppers	<ul style="list-style-type: none"> • Shoppers surveys • Focus group studies • Feedback via online and social media 	<ul style="list-style-type: none"> • Regular shopper events to engage customers • Feedback forms • Social media engagement 	<ul style="list-style-type: none"> • Meeting the needs of our shoppers • Quality of services and facilities • Considerations for safety and easy accessibility • Providing a comfortable shopping environment and family-friendly amenities • Good connectivity to public transport
Tenants and Prospects	<p>Our tenants are our strategic partners in delivering a desirable environment to our shoppers</p> <ul style="list-style-type: none"> • Partnership in promotional events • Regular tenant feedback meetings 	<ul style="list-style-type: none"> • Direct meetings and email exchanges • Participating in events organised by trade associations 	<ul style="list-style-type: none"> • Maintaining high shopper traffic • Collaboration in marketing and promotional events • Good property maintenance • Competitive rental rates • Dedicated property management teams to respond to tenant concerns and listen to constructive ideas
Property Manager	<ul style="list-style-type: none"> • Monthly meetings • Weekly meetings with project and leasing department 	<ul style="list-style-type: none"> • Email exchanges • Ad-hoc meetings 	<ul style="list-style-type: none"> • Key Performance Indicators for property and centre management • Business and operations performance • Business strategy and outlook • Sustainability concerns
Employees	<ul style="list-style-type: none"> • Annual performance appraisals • Orientation and training programs • Annual dinners 	<ul style="list-style-type: none"> • Regular department meetings • Staff get-together events • Hektar Sports & Recreation Club 	<ul style="list-style-type: none"> • Compensation and benefits • Career progression • Continuous learning and skills upgrading • Employee well-being • Long service awards
Community	<ul style="list-style-type: none"> • Festive season celebration events • Charity drives and events • Venue sponsorships 	<ul style="list-style-type: none"> • Collaborations • Donations and sponsorships to charitable organisations 	<ul style="list-style-type: none"> • Helping the needy group in the community • Foster strong community ties and promote family values • Shopping mall lifestyle activities and social events • Financial assistance and donation • Platform for CSR Events and marketing • Job opportunities • Education-related • Casual lease kiosks • Venue sponsors
Industry	<ul style="list-style-type: none"> • REIT industry performance • Industry issues • Government policies 		<ul style="list-style-type: none"> • Meetings and business dialogues • Participation in social events and forums • REIT Managers' association meetings
Investment Community	<p>We engage with unitholders, banks and investors to keep them up to date on the financial performance and overall sustainability of Hektar REIT</p> <ul style="list-style-type: none"> • Quarterly results announcement and analyst briefings • Annual reports • Annual General Meetings and Extraordinary General Meeting 	<ul style="list-style-type: none"> • Walk-in visits and inquiries • Two-sided communication, emails and teleconference calls • Non-deal roadshows • Hektar REIT website updates 	<ul style="list-style-type: none"> • Performance and financial results • Business operations • Timely and transparent reporting • Net asset value growth • Acquisition pipeline • Business strategy and outlook • Stable and sustainable distribution
Joint Management Body & Committees	<ul style="list-style-type: none"> • JMB and MC Periodic Meetings • Voting 	<ul style="list-style-type: none"> • Audited accounts submission 	<ul style="list-style-type: none"> • Operations

SUSTAINABILITY REPORT

Material Sustainability Matters

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



The aspects we consider when identifying material items:

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

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

Main Material Issues according to Stakeholder Type

Tenants

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

Organisation

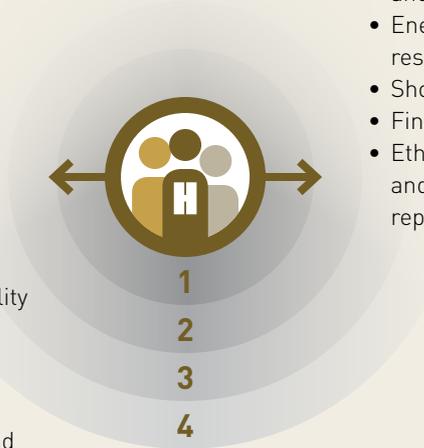
- Energy efficiency and resources management
- Human resources management

Community

- Community engagement
- Corporate social responsibility
- Shoppers satisfaction

Investment community

- Financial performance
- Ethical business conduct and transparency in reporting



1 High business importance and immediate possibility to impact

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

2 High business importance and indirect possibility to impact

- Tenant satisfaction and cooperation
- Employee management

3 Medium high business importance and direct possibility to impact

- Community engagement
- Corporate social responsibility
- Employee well being

4 Medium business importance and indirect possibility to impact

- Sustainable procurement

Sustainability Goals: Resilient Assets, Robust Governance and Relevant Investments

1. Prioritising 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
 - Implementing 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.

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.

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.

SUSTAINABILITY REPORT

Equal Opportunities

Hektar follows the principle of equal opportunity in regards to its hiring and promotion procedures. As an equal opportunity employer, we do not discriminate based on race, age or gender and give everyone an equal chance, either in hiring or in promotion, based on merit. Some observations:

- In our asset manager, Hektar Asset Management (HAMSB), as at 31 December 2019, we have a total of 24 employees. More than 50% of our employees are women in HAMSB's corporate office.
- In our property manager, Hektar Property Services (HPSSB), as at 31 December 2019, we had a total of 326 employees and 43% of the workforce comprised female employees holding executive level and senior management positions in the company.

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 in our centres. The procedures and processes are periodically reviewed both in-house and by an internal audit of processes by a reputable audit firm;
- Apart from regular maintenance work on our facilities, periodical inspection of lifts, escalators, fire systems, electrical switch gears and other electrical equipment are carried out regularly;
- Employees at our centres are required to attend refresher training programs conducted by Bomba on safety and health where they will be issued certificates which are valid for three years. Fire drills are also conducted regularly with the respective mall stakeholders;
- The safety aspect is paramount when designing retail spaces and when we prepare for the commencement of asset enhancement initiatives, renovations or routine maintenance works. As a safety procedure, we ensure that all contractors and their workers go through safety briefings before any renovation or fit out works are allowed to commence. This is to ensure that they follow all mandatory regulations to safeguard the safety of tenants, visitors, shoppers and employees;
- All fit out works are carried out in a safe and responsible manner based on approved drawings which comply with regulations and management fit out guidelines;
- Regular on-site meetings and inspections are held to discuss the progress and related issues with the tenants and contractors to ensure safety and compliance;

- We have successfully carried out our own Occupational Safety and Health ("OSH") program at every centre in 2019. The program covers the setup of OSH committees at all malls which consists of the centre manager, security, maintenance and representatives from tenants. Meetings are held every quarter to monitor each centre and their compliance to OSH requirements;
- Fire drills are conducted annually and monthly safety inspections are carried out at all properties; and
- We conduct refresher trainings for all heads of departments and centre managers in addition to the standard operating procedures and guidelines with a view of standardising practices at all properties.

Diversity

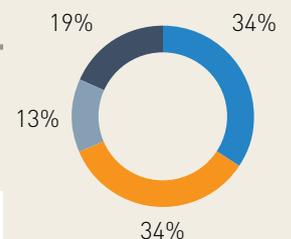
The management acknowledges that it is crucial to practice mutual respect for qualities and experiences that are different from our own. Embracing diversity means recognising that personal, cultural and institutionalised discrimination between any party creates and sustains privileges for some while creating and sustaining disadvantages for others. We do not tolerate any form of discrimination. 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, parental status and prior work experiences.

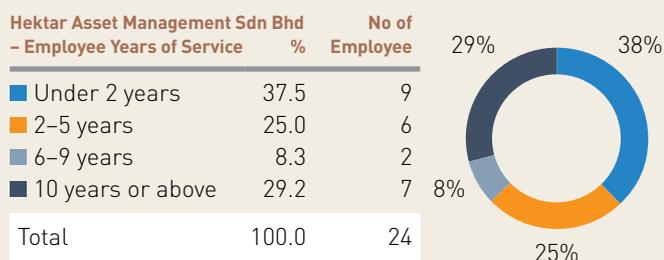
Long Service Award

In recognition of their commitment and dedication that they have put forward through the years of service in 2019, Hektar Property Services awarded 5 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 continuous employment with Hektar for at least 10 years. The award was introduced in 2013 with the intention 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 the value of RM2,000 and a certificate of appreciation.

The management is committed to create a workplace environment where employees feel valued and inspired to work every day. As at 31 December 2019, 19% of the workforce of Hektar Property Services has been loyally serving the company for more than 10 years and almost 30% of Hektar Asset Management employees have chosen to stay with the company for more than 10 years.

Hektar Property Services Sdn Bhd - Employee Years of Service	%	No of Employee
Under 2 years	34.1	111
2-5 years	33.7	110
6-9 years	13.5	44
10 years or above	18.7	61
Total	100.0	326





Work Life Balance

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



"CNY Yee Sang tossing event", Chinese New Year 2019 at Subang Parade's Chill-Out Room.

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 our current employees, the management ensures that remuneration is competitive through market benchmarking. Staff retention strategies include maintaining staff 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 of employee 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 perspectives and aspirations. This includes "teh tarik" sessions between the management and employees to address work-related challenges, which also serves as a forum to contribute ideas towards continuous improvement. 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 its employees as it believes that continuous learning is a fundamental building block towards their individual growth. Group Human Resource has been developing strategic plans to further develop employee careers through specific programs. For 2019, the average minimum training hours per employee was 18.5 training hours with a total investment of approximately RM110,000.

The training that employees attend include job specific courses such as operations, marketing, leasing, facilities management, finance and legal courses as well general leadership and soft skill programs. For Hektar Property Services, 32% of the training budget was devoted to management while the remaining 68% of the budget was to non-management employees. There were 37 types of trainings in 2019, involving 142 participants which accounted for 44% of the total employee count. Overall, the time spent for employee training in 2019 accumulated to 2,632 man-hours. Under Hektar Asset Management Sdn Bhd, there were 24 types of trainings in 2019 involving 19 participants with an accumulated 368 man-hours.

During the course of 2019, the Human Resource department had issued a Training and Development Standards of Procedures and has developed the Competency Matrix, Training Needs Analysis and Post Training Analysis to measure the productivity of the employees and the effectiveness of the training conducted.

As at 31 October 2019, 100% of the confirmed staff underwent their annual reviews and their performances were successfully appraised. As at 31 December 2019, we have a total of 326 employees under Hektar Property Services Sdn Bhd and a total of 24 employees in Hektar Asset Management Sdn Bhd.

Respect for the Environment

Energy Management

The year 2019 has been equally challenging as the previous year but a steadfast one for Hektar REIT in the pursuit of better energy utilisation and optimisation of its six properties. The implementation of the Imbalance Cost Pass-Through (ICPT) by TNB from 1 July 2018 had resulted in a considerable increase in the utility cost at each property. With rising costs in operation, the management has continued to implement and refine measures in energy management to reduce the impact on operating costs and the environment.

SUSTAINABILITY REPORT

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

- Replacement of the Air Conditioning and Mechanical Ventilation ("ACMV") system with application of variable and dynamic building controls and automation system for Subang Parade and Wetex Parade (i.e. Classic Hotel). Generally more than 65% of a building's energy costs are consumed by a building's ACMV system;
- Further revamp of the ACMV system were also extended to Mahkota Parade and Central Square under the JMB and MC of each property respectively;
- Implementation of monitoring programmes by the maintenance team to optimise electricity consumption through reduction of maximum demand, application of the Off-Peak Tariff Rider (OPTR) scheme and controlled use of chillers among other initiatives;
- Upgrading of ageing equipment including the deployment of LED lighting which commenced at Subang Parade on an increasing scale; and
- Minimising reliance on equipment with heavy energy consumption and shifting towards energy-efficient designs.

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

We are very pleased to announce that in 2019, we have won several awards for our Energy Saving Initiatives and have been recognised internationally for our efforts. Hektar REIT was awarded at the ASEAN Energy Awards 2019 and the National Energy Awards 2019 in the Energy Efficient Building – Retrofitted Building categories. This was based on the achievements made at Subang Parade.

Case Study: Subang Parade Energy Saving Initiatives

The initiatives at Subang Parade have demonstrated a clear reduction in energy usage in the three year period from 2017-2019. Despite the increase in the Imbalance Cost Past-Through (ICPT) which started in July 2018, Subang Parade was still able to provide significant savings to its bottom line. In 2017 energy saving measures included de-lamping (reducing redundant lighting), LED bulb retrofit, reconfiguration and fine tuning of ACMV equipment such as set point adjustment, capacity capping and load balancing. In late 2017, the chiller plant was totally overhauled with an optimisation programme. It is estimated that 23.7% of energy savings for Subang Parade came from the Chiller Plant system retrofit due to the replacement of high efficiency, MyHijau certified chillers, along with efficient new pumps, cooling towers complete with Variable Speed Drive (VSD), detailed set points and configuration of the Building Automated System (BAS). These achievements were made while maintaining the comfort of occupants using the MS1525 standards with 24°C ambient temperature and 65% Relative Humidity (RH). From 2016 to 2019, Subang Parade's average monthly electricity

consumption fell 45.5%, maximum demand declined 35% and annual carbon emissions declined 37.5%. Ultimately, Subang Parade's electricity billing per month in 2019 declined by 36.5% to RM370,689 monthly compared to RM583,686 in 2016. Buoyed by its successful initiatives, Subang Parade is in the process of obtaining the Green Building Index (GBI) certification.

Subang Parade Energy Statistics (2016-2019)	Monthly Consumption (kWh)	Monthly Maximum Demand (kW)	Monthly Electricity Cost (RM)	Annual Carbon Emissions (CO ₂)
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
Change	-45.5%	-35.0%	-36.5%	-37.5%

Figure 4: Subang Parade Electric Usage Post Retrofit.

Overall Portfolio Performance

Similar energy saving initiatives have been applied to our other centres and the management is monitoring and analysing the efficiency of these initiatives and the accuracy of the information received. Most of the centres showed positive savings and a general downward trend in accumulated electricity usage, with the exception of Mahkota Parade due to the replacement of chillers which took some time and the cost of the temporary initiatives taken to meet the consumption demands. Overall, energy usage declined across the portfolio by 5.4% in 2019 compared to 2018.

Centre	2018 Total (kWh)	2019 Total (kWh)	Saving (kWh)	Savings (%)
Subang Parade	11,317,476	9,594,083	-1,723,393	-15.2
Mahkota Parade	9,148,845	9,408,426	259,581	2.8
Wetex Parade	3,593,309	3,505,754	-87,555	-2.4
Central Square	11,953,958	11,250,062	-703,896	-5.9
Kulim Central	7,703,110	7,394,429	-308,681	-4.0
Segamat Central	3,447,589	3,452,113	4,524	0.1
Total	47,164,287	44,604,867	-2,559,420	-5.4

Hektar continues its pursuit in achieving a minimum 10% reduction in energy consumption across the investment portfolio by the year ending 2022. Existing measures under the EE programme will be enhanced in order to gain the maximum benefit from selective improvements, as exemplified below:

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

Moving forward, Hektar REIT will continue to explore the opportunities in Renewable Energy (RE) programmes. Hektar REIT's malls are currently looking at implementing solar panels and rainwater harvesting to demonstrate our participation in green causes and awareness campaigns.

CORPORATE SOCIAL RESPONSIBILITY

The management believes that Hektar REIT's properties can play a significant role in their communities. We have an interest in improving the quality of life of not only our customers but also the families in their communities. Our buildings are often located at the heart of a community and have a key part to play in supporting the well-being and economic development of the residents. With our combined portfolio attracting 32 million shopper visits a year, Hektar REIT properties serve as the platform for many interesting activities for the public to enjoy and be entertained whilst at the mall.

We actively participate and seek collaboration with government agencies, charity foundations and independent bodies to organise events within the community. The objective is to give back to society, encourage responsibility and social awareness and to ensure that we leave a positive impact around our neighbourhood malls. Our focus in 2019 was to work with local community organisations to address needs in our communities through the activation of spaces for CSR activities. The management has organised donation campaigns and supported local fundraising events that involved charity, safety, health and awareness, environment, education and other community interests.

CHARITY

Jom Balik Sekolah. Subang Parade started off the year with a big bang by being partners in an annual back-to-school CSR initiative, "Jom Balik Sekolah" ("Back To School"). This was organised in conjunction with the local State Legislature Assembly representative of Subang Jaya ("ADUN"). The program was designed to assist 200 underprivileged children from the bottom 40 ("B40") income group (typically, families with household incomes below RM1,500). Support included the purchasing of school uniforms, supplies and other back-to-school essentials which may cost a lot for these families especially if they have more than one child. The team worked closely with local resident committee counsellors and 100 volunteers in conjunction with the office of the ADUN Subang Jaya, YB Michelle Ng. Subang Parade contributed vouchers worth up to RM10,000 for the children to shop at Parkson Department Store in Subang Parade.

Chinese New Year at Subang Parade. Subang Parade in collaboration with ADUN Subang Jaya hosted 50 special-needs children from a community-based rehabilitation centre, PDK Cahaya Kasih for a Chinese New Year celebration on 23 February 2019. A graduation ceremony for five children was also held at the same event. The children were treated to a meal at McDonald's and a movie at MBO in Subang Parade.

Bubur Lambuk and Dodol Giveaway during Ramadan. Hektar REIT's 2019 Raya theme was "The Virtue of Giving" which was inspired from learning about Ramadan, the month of giving, carrying out charitable deeds and acts of kindness. During the Ramadan month, all Hektar malls gave away delicious 'bubur lambuk' (porridge) to the shoppers to 'break their fast'. The response was wonderful for both the receivers and the givers. Mahkota Parade's staff who took part in preparing the ingredients and mixing their bubur lambuk while it was cooking mentioned that they really enjoyed the experience and were happy to see the smiles on shoppers' faces. On 19 May 2019, YB Syed Saddiq bin Syed Abdul Rahman was invited to Wetex Parade Shopping Centre for the 2019 Ramadan opening ceremony and the "Bubur Lambuk Give Away" to the public. Kulim Central's team participated in their "Bubur Lambuk Give Away" to shoppers during Ramadan. Every session, the team gave away 200 bowls at the concourse area and at Masjid Jammiur Makmur, the nearest mosque to Kulim Central. Central Square in Sungai Petani also prepared and gave away 'Dodol' to shoppers every weekend throughout the Hari Raya Campaign period.

Donation Drive for Pertubuhan Kebajikan Anak-Anak Yatim Islam Muar. To encourage the public to lend a helping hand to the orphanage, Wetex Parade's management placed a physical 'drop box' for the shoppers to donate daily necessity goods for the orphans of Pertubuhan Kebajikan Anak-Anak Yatim Islam Muar. The collection period was from 10 May to 4 June 2019. On 18 May 2019, the orphans were treated to a lovely 'Buka Puasa' feast at Classic Hotel and were entertained with Ghazal performances.

Visiting the Underprivileged Families with Global Peace Mission Malaysia. The Mahkota Parade team organised a successful charity project with Global Peace Mission Malaysia



Donation Drive for Pertubuhan Kebajikan Anak-Anak Yatim Islam Muar.

CORPORATE SOCIAL RESPONSIBILITY



Visiting the Underprivileged Families with Global Peace Mission Malaysia.

during Ramadan. Together with 30 volunteers, they visited 20 identified homes located in Jasin, Alor Gajah and Melaka Tengah districts. A total of RM20,000 worth of donations collected from Mahkota Parade and other companies were distributed to the underprivileged families.

Kulim Central Hari Raya Aidilfitri Open House. The centre held a wonderful Hari Raya Open House and invited 60 children and caretakers from Madrasah Darul Ulum Al-Muttaqqin and Madrasah Ashraful Madaris to attend. This year the event was officiated by Tuan Haji Zaidi Bin Zainun, Pengarah Jabatan Pembangunan Masyarakat, Majlis Perbandaran Kulim who was the guest of honour. Kulim Central contributed RM1,400 for both homes, while the local village community management council (MPKK) and Giant Supermarket prepared the green packets and sponsored goodie bags.

Central Square Hari Raya Aidilfitri celebration with Bengkel Daya and Maahad Tahfiz Darul Murtadha. Central Square collaborated with the Sungai Petani Municipal Council (MPSPK), Syarikat Air Darul Aman (SADA) and Jabatan Kerja Raya (JKR) for the Hari Raya campaign launch and CSR program. The underprivileged teenagers from the Social Welfare Department (Bengkel Daya) and the orphans from Maahad Tahfiz Darul Murtadha were invited as the special guests for 'Iftar' or 'buka puasa'. After the lovely breaking fast session, our generous tenants gave away 'Duit Raya' packets to every child and performed the "terawih" prayers together. A total of RM5,000 was presented to both organisations.

COMMUNITY

The management team is committed to building long-term relationships with the communities in which it operates by supporting efforts to improve living standards within the community.

CHINESE NEW YEAR OPEN HOUSE WITH SHOPPERS, TENANTS AND EMPLOYEES.

On 9 February 2019, Segamat Central organised an 'open house' to celebrate Chinese New Year together with YB Puan Hajah Nathrah and Junior Chamber International, a non-profit NGO. The shoppers, tenants and employees were treated to a series of performances such as the 24 drum festival performance, a Chinese orchestral music performance and Zumba which drew more than 100 participants. A total of 1,000 goodies bags and food were served to everyone.

Lou Sang Party with Tenants and Media. Central Square kick-started their CSR program with the Chinese New Year Campaign themed "The Joy of Reunion". During this festive season, the management collaborated with the Kedah Art Centre Association and gave a donation of RM3,000 to the organisation. The management also organised a Lou Sang Party with the tenants and media at the ground floor area of the mall. The annual event was featured in local newspapers such as Sin Chew Daily, Kwong Wah Yit Poh, China Press and Guang Ming Daily.

World Girl Guides Day. Mahkota Parade housed the inaugural event of state level World Girl Guides Day in April 2019 with the presence of more than 800 students from 20 schools around Melaka. The guides performed their Code of Honour and a few other performances that attracted a crowd of shoppers.

Unsung Heroes. Central Square celebrated Merdeka Day with their 'Unsung Heroes' CSR Program. Central Square collaborated with the Kedah Fire-Rescue Department to identify 4 selected Unsung Heroes that were injured in the line of duty to receive a donation of RM500 each from the management.



Unsung Heroes at Central Square.

Kulim Central's MBO Night. Kulim Central's CSR event during Deepavali involved a collaboration with MBO Cinemas. The management team treated 50 children from the Batu Grace Home and their dedicated care-takers out for a little cinema treat. First they were treated to snacks, popcorn and seats at MBO for a complete and enjoyable movie experience and then ushered to a lunch spread at KFC. Each child was given a back-to-school stationery set goodie bag.

Scout's Day at Central Square. Central Square's Scout's Day Out 2019 ("Hari Pengakap") in conjunction with Scouts' Day Celebration is now a yearly event. A total of 2,040 participants, consisting of the scouts in the whole Northern District of Malaysia including Perlis, Kedah, Perak, Pulau Pinang and special invitees from Terengganu, made their way to Central Square for this event. From 3-4 August 2019, together with the assistance of the scout's federation, Central Square successfully brought together 460 scouts to gather and experience 'urban camping' in the shopping centre as part of the two-day program.

Central Square's Christmas Movie Night. In conjunction with Christmas, on 23 December 2019 our team in Central Square partnered with MBO Cinemas again and collaborated with the Department of National Unity and Integration to bring 115 orphans and underprivileged families from the Rotary Club of Bandar Sungai Petani to watch the "Jumanji" movie. The program was supported by the Kedah State Economic Development Division who was represented by Mohd Fakzan Bin Nasir, Officer of the Department of National Unity and Integration, Sungai Petani.



Central Square's Christmas Movie Night.

Segamat Central's Outreach Program. On 27 May 2019, we collaborated with the Member of Parliament Sekijang, YB Puan Hajah Nathrah, the Segamat District Education Office (Pejabat Pendidikan Daerah Segamat) and Junior Chamber International to distribute dry foods and daily necessities to the families of 36 identified children to spread love and joy for those preparing for the upcoming Raya festival.

Riang Ria Aidilfitri in Segamat. On 20 June 2019, in conjunction with Hari Raya Aidilfitri, Segamat Central organised a special event with Pejabat Pendidikan Daerah Segamat called "Riang Ria Aidilfitri Pemimpin Segamat" and invited the handicapped, orphans and the less fortunate to celebrate together.



Riang Ria Aidilfitri in Segamat Central.

EDUCATION

Piala Hektar Choral Speaking 2019. Hektar REIT management has always been active in supporting educational institutions and associations. This year we initiated the "Piala Hektar" or the Hektar Championship Cup, an original initiative designed to empower students' educational efforts across the communities of Hektar REIT's malls in the six districts of Subang Jaya, Melaka, Muar, Sungai Petani, Kulim and Segamat. The management chose to organise a choral speaking competition as it aims at encourage and uplift the standard of spoken English among students.



Piala Hektar 2019 Champion – SMK Subang Utama.

In total, 42 schools comprising 1,160 students participated in the competition. The six qualifying schools, champions from their own respective communities, travelled for the grand finale which was held at Classic Hotel, Muar, Johor on 8 November 2019. SMK Subang Utama from Subang Jaya emerged as the first Piala Hektar Choral Speaking Champion when they wowed the judges with their faultless delivery and content on "The Use of Social Media for a Greener Future".



Contribution to Kiwanis Muar.

As part of our CSR initiative, we collaborated with Kiwanis Muar, an active NGO handling and supporting special needs children to help promote awareness and to collect donations for the association. Our team presented a cash contribution of RM2,000 which was collected prior to the grand finale and in return, the audience were treated to a very special and heart-warming performance by the Kiwanis special-needs children during the event.

CORPORATE SOCIAL RESPONSIBILITY



Central Square's Earth Day Campaign.

ENVIRONMENT

Earth Day 2019. For the Earth Day Campaign in April 2019, Central Square partnered with the Sungai Petani Department of Environment, Kedah State Forestry Department and Municipal Education Office in Sungai Petani. A total of 300 students from different secondary schools surrounding Kuala Muda Yan participated in planting the Mangrove Tree Program at Semeling, Kedah. The program was launched by YB Siew Leong, ADUN Kota Darul Aman and received support from local media such as China Press and Utusan Online.

Subang Parade's Green Initiative and "Go Green" Campaign. As part of our 'green initiative', Subang Parade held an alternative approach to CSR for our CNY campaign from January to February 2019. The management worked with Re-Tech Community e-waste recycling and contributed RM5,000 worth of Parkson vouchers to reward residents who brought their in e-waste for recycling. On top of that, Subang Parade held a "Go Green" weekend campaign from 26-27 April 2019 in collaboration with Eco Knights, WWF and e-Tech. The team arranged educational workshops, an authentic "green" market and cultural performances. A total of 102 children participated in the activities and workshops.

World Environment Day at Kulim Central. In conjunction with the World Environmental Day in June, Kulim Central collaborated with the Environmental Department (Jabatan Alam Sekitar) and the State Education Department (Jabatan Pendidikan Negeri) to organise numerous activities on



World Environment Day at Kulim Central.

site including an Arts and Craft Workshop using recycled materials, a talk and exhibition entitled "We Clean, We Educate, We Change", a Treasure Hunt, a Q&A session and an Inter-school Recycling Competition to educate the youth and shoppers. Around 10 secondary and primary schools from Kulim District took part in the one-month long campaign. The objective was to promote recycling and reuse of materials, to encourage creativity and innovation to reduce landfill waste. The panel of judges was made up of representatives from Jabatan Alam Sekitar, Jabatan Pendidikan Negeri and Kulim Central. The winner was selected based on their presentation and the invention, typically made from 100% recycled products.

Karnival Kedah Go Green at Kulim Central. Kulim Central's management collaborated with the Majlis Perbandaran Kulim (MPKK) in organising "Karnival Kedah Go Green" with Kerajaan Negeri Kedah dan Kempen Hari Tanpa Beg Plastik Peringkat Daerah Kulim ("Kulim District No Plastic Bag Day Campaign") in Kulim Central on 2 November 2019. The objective was to educate businesses to minimise or stop the use of plastic bags to save the environment. Approximately 200 retailers and business owners attended the event. In conjunction with the campaign, there was an awareness talk by Jabatan Kesihatan MPKK and Persatuan Pencinta Alam Malaysia, a featured fashion show using recycled materials by Kulim primary school students and an exhibition of inventions using recycled items by Kulim secondary school students.

Merdeka Day Campaign at Mahkota Parade. In August 2019, Mahkota Parade embarked on an enriching Merdeka Day Campaign which was led by Perbadanan Pembangunan Sungai dan Pantai Melaka (PPSPM). The management team was represented by 16 team members, who were joined by 20 PPSPM members and hopped on a boat to clean the Melaka River. Armed with fishing nets and other cleaning equipment, the team was overwhelmed with the amount of rubbish collected, which was mainly made up of plastic waste along the two kilometre stretch covered that day.

SAFETY

Fire Drill Training at Central Square. With the objective of ensuring that our shopping centres are safe for our customers, employees and tenants, our centres arranged fire drills, elevator and other forms of safety campaigns throughout the year. The Kementerian Kesihatan Malaysia organised a Fire Drill Training Day on 25 September 2019. A representative from Hospital Sungai Petani was also present at the event. An ambulance arrived with 7 hospital staff and a doctor. There were 20 Bomba officers along with a Bomba Sukarela unit, 2 units of Bomba Tanks and an Emergency Medical Rescue Services unit on site. The police department were represented by 10 officers and 2 traffic police officers. Apart from educating the public and staff in the centre, comprehensive training was done to prepare for any emergency situation. BOMBA and fire-fighting equipment in Central Square were also inspected. Similarly, Segamat Central had also carried out the same training exercise in its centre.



Central Square's Fire Drill Training Day.

HEALTH & AWARENESS

Our shopping centres organise numerous activities during festive seasons and throughout the year as we try to raise awareness about health issues.

Blood Donation Drives at Mahkota Parade. In 2019, the management oversaw five blood donation campaigns in Mahkota Parade. In March 2019, Universiti Malaya held their 2019 Blood Donation Drive in partnership with the National Blood Bank in Mahkota Parade and received a response of 80 participants. In April, IQI and St. John's Ambulance joined forces to organise another blood donation campaign. In August, the Lions Club of Melaka was in Mahkota Parade to run another blood donation drive. The NGO also held a health screening session in the centre for the public, offering to check their blood sugar and blood pressure with the aim of raising health awareness. In December, Mahkota Parade became the venue sponsor for another two blood donation campaigns for Lions Club of Melaka on 8 December 2019 and the Pandu Puteri Blood Donation Drive on 28 December 2019.

Health Screenings and Awareness. In November, the Lions Club of Melaka returned to Mahkota Parade for a second campaign which was for World Sight Day, offering free eye screenings to the public. A press conference for the event was held and was covered by three different newspapers. On the event day, several volunteer doctors and optometrists took part in providing free consultation to the public. A total of 300 visitors showed up at the stage area from as early as 9:30am and queued up for their turn.

In September, Kulim Central collaborated with Panel Kesihatan to organise the Health Campaign 2019 with various activities such as a blood donation drive, organ donation campaign, free health screening, Zumba performance, free dental check, kids colouring contest among other things and in November, Kulim Central partnered with the National Kidney Foundation and Yayasan Sultanah Bahiyah, Alor Setar for the Kidney Disease Awareness and Early



Blood Donation Drive at Mahkota Parade.

CORPORATE SOCIAL RESPONSIBILITY



World Arthritis Day event in Subang Parade

Detection Campaign. The program also educated the public on management of kidney disease and provided knowledge on how to support healthy lifestyles.

On 8 September 2019, Segamat Central collaborated with Pejabat Pendidikan Daerah Segamat and Bank Simpanan Nasional to organise the Outreach Program Peringkat Daerah Segamat 2019. This event is a health screening program for student groups with special education needs. On the day of the event, many doctors and general practitioners from local polyclinics participated and joined hands to help the community. If any of the participants had been identified with special needs, they will be eligible to apply for assistance and disabled (OKU) cards directly on the spot. To liven up the event, a magic show featuring Kiku Khairil was also organised.

On 12 October 2019, Deputy Prime Minister, Datuk Seri Dr Wan Azizah binti Wan Ismail graced the World Arthritis Day event in Subang Parade organised by Hospital Selayang to create awareness on arthritis to Subang folks and surrounding community. DPM herself spoke on the effects of arthritis to Malaysians especially.

Subang Parade was also the venue for SLE World Lupus Day Butterfly Trail Treasure Hunt, on 20 Oct 2019. The purpose of this event was to create awareness of Systemic Lupus Erythmatosus (SLE), an autoimmune disorder and to collect fund for needy SLE patients. ADUN Subang Jaya, YB Michelle Ng attended and gave her heartfelt speech on this subject.

Anti-Smoking Campaign in Subang Parade. Subang Parade management worked with Taylor's University College on an "Anti-Smoking" Campaign on 1 May 2019. This campaign involved 44 student volunteers and was held at the Beauty Zone, Ground Floor of Subang Parade. Besides exhibits on the dangers of smoking, there were free health screenings consisting of BMI, blood pressure, blood glucose and blood cholesterol testing. A total of 212 members of the public participated in these activities.

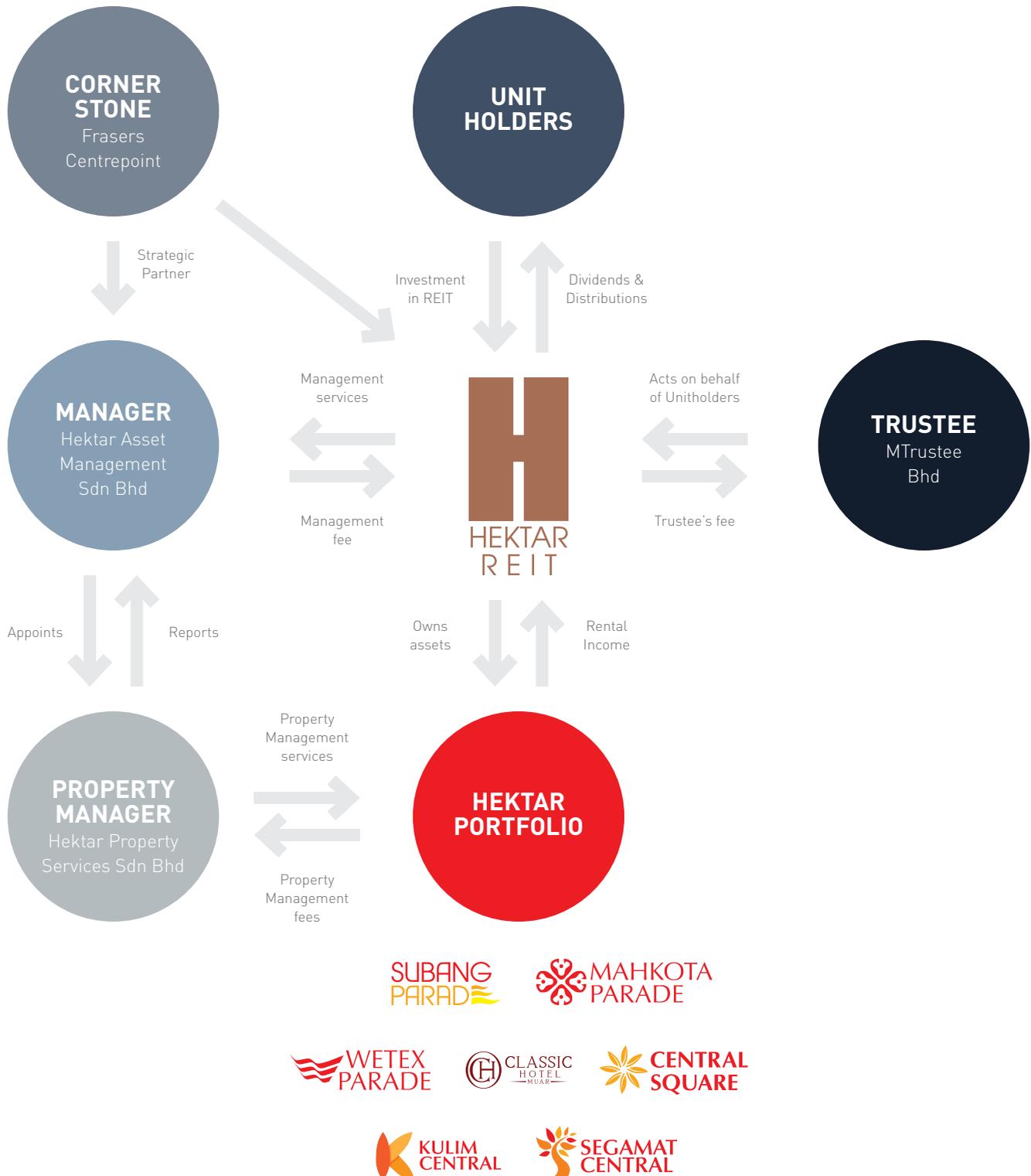
Corporate Governance

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CORPORATE ORGANISATION

Hektar REIT is a Real Estate Investment Trust managed by Hektar Asset Management. The Trust owns the shopping centres and a hotel, 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 cornerstone investor of Hektar REIT and is also a shareholder of Hektar Asset Management.



CORPORATE DIRECTORY

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

Dr. Chew Tuan Chiong
Non-Executive Director
(Resigned w.e.f. 1 July 2019)

Richard Ng
Non-Executive Director
(Appointed w.e.f. 1 July 2019)

Tay Hwee Pio
Non-Executive Director

Mahusni bin Hasnan
Independent Non-Executive Director

Philip Eng Heng Nee
Independent Non-Executive Director

Rahanawati binti Ali Dawam
Independent Non-Executive Director

Alex Chia Soon Ren
Alternate Director to Mr Richard Ng

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 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



Zarina Halim



Richard Ng



Tay Hwee Pio



Mahusni bin Hasnan



Philip Eng Heng Nee



Rahanawati binti Ali Dawam



Alex Chia Soon Ren

Dato' Hisham bin Othman

Executive Director & Chief Executive Officer,
Malaysian, Age 57

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

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

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

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

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

Dato' Hisham is the Vice Chairman of the Malaysian REIT Managers Association ("MRMA"), an organisation aimed at representing the collective interests of the Malaysian real estate investment trusts sector and acts as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

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

Zarina Halim

Executive Director & Chief Corporate Officer,
Malaysian, Age 48

Zarina has more than 17 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.

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

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

Richard Ng

Non-Executive Director,
Singaporean, Age 51

Mr Richard Ng is the CEO of Frasers Centrepoint Asset Management Ltd (FCAM), the Manager of Frasers Centrepoint Trust (FCT). Richard joined Frasers Property Limited in April 2018 as Executive Vice President, Head of Asset Management at Frasers Property Singapore, a role which oversees

the planning and implementation of asset enhancement strategies for the retail assets in Frasers Property Singapore’s portfolio.

Richard has 27 years of experience in the Singapore and regional property markets, spanning the areas of marketing, investment, asset and REIT management. Prior to joining Frasers Property, he was Executive Director, Asset Management, at PGIM (Singapore) Pte. Ltd., where he oversaw the asset management of portfolio comprising retail and commercial properties in Singapore and Malaysia. Richard has held senior management appointments 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, Richard was the Head of Asset Management, responsible for overall performance of CMT’s assets.

Richard 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.

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

Tay Hwee Pio

Non-Executive Director,
Singaporean, Age 51

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

Prior to joining FCT, Hwee Pio was based in Shanghai for 10 years, of which she was the financial controller for Frasers Property Limited’s (“FPL”) business operations in China since

year 2006. Before joining FPL, Hwee Pio held financial positions at Keppel Land Limited and Guocoland Limited. She started her career as an external auditor with KPMG.

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

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

Mahusni bin Hasnan

Independent Non-Executive Director,
Malaysian, Age 55

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

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

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

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

THE BOARD OF DIRECTORS

Philip Eng Heng Nee

Independent Non-Executive Director,
Singaporean, Age 73

Philip is an independent non-executive director and a member of the Audit Committee. His directorships in other companies include Frasers Property Limited, PT Adira Dinamika Multi Finance Tbk and several regional non-listed companies. Philip is Singapore's Non-Resident High Commissioner to Canada. He was previously the Group Managing Director at Jardine Cycle & Carriage Group before he retired in 2005.

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

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

Rahanawati Ali Dawam

Independent Non-Executive Director,
Malaysian, Age 67

Rahanawati Ali Dawam, is a senior partner of Messrs Rahana Zurina & Partners, a legal firm which specialises in corporate works and investments. Prior to this, she was also a senior partner of Messrs Abu Talib Shahrom. She advises clients on mergers and acquisitions, corporate restructuring, cross border transactions, private equity deals, corporate finance related works as well as debt capital market. The clients are mainly public listed companies (PLC) and government linked companies (GLC) and the State Government. She advises the board of directors of GLC and PLC, on inter alia, the corporate governance practices and compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and other relevant statutory requirements.

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

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

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

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

Alex Chia Soon Ren

Alternate Director to Richard Ng,
Singaporean, Age 52

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

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

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

THE MANAGEMENT TEAM

REIT Manager Team

Dato' Hisham bin Othman

Executive Director and Chief Executive Officer

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

Zarina Halim

Executive Director and Chief Corporate Officer

Please refer to Puan 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 D500 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 9 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 12 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 currently a member of the Malaysian Corporate Counsel Association. He is also a Registered Property Manager, governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP), Malaysia.

THE MANAGEMENT TEAM

Syairul Irwan bin Rased

Senior Manager, Strategy

Syairul is responsible for the strategic planning function for Hektar REIT and assists in conducting due diligence and analysing potential acquisitions, business development initiatives and market research. Prior to joining Hektar, Syairul spent two decades with PLUS where he undertook senior roles 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 18 years and was involved in various retail projects from planning to leasing and tenant management starting with The Curve @ Mutiara Damansara in 2002 and Heritage Village @ The Mines. In 2005, he spearheaded group leasing for Hektar Group (Mahkota Parade, Subang Parade and Wetex Parade) from 2009 to 2012. He also revamped and repositioned Avenue K in 2012, planned and leased One City @ USJ 25 in 2015 and KSL City Mall in Klang in 2016.

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

Amos Chew

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 PPK Malaysia.

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.

Michael Tan Chuan Kang

Centre Manager, Northern Region

Michael is currently in charge of two malls in the Northern Region: Central Square in Sungai Petani and Kulim Central in Kulim. He brings more than three decades of experience in property and retail management. Prior to joining Hektar, Michael was the General Manager of Megamall Pinang JMB. He has also worked for a number of other malls at the management level, including Straits Quay Mall, Kompleks Bukit Jambul, Penang Times Square, Sunway Carnival (Butterworth) and Central Square (as Centre Manager from 2000 to 2006). Michael started his career in Property Valuation and Consultancy firm, Ernest Cheong and Zaki Sdn Bhd from 1980 for a decade before working with the Penas Group to develop the One Stop Midlands integrated development in Penang.

Michael is a licensed Real Estate Agent and Registered Property Manager, as governed by The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEAP). Michael obtained his Diploma in Retail Leasing from the Property Council of Australia.

Mira Rahman

Head, Group Marketing

Mira is currently the Senior Manager, and head of Group Marketing of Hektar Property Services. 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 in Multimedia University Malaysia in Information Technology and Business Information Studies before pursuing her passion in marketing.

Adam Abdullah

Head, Group Human Resource

Adam Abdullah is the Head for Group Human Resources of Hektar Property Services Sdn Bhd. He is passionate and contributes to strategic and operations HR management. He has 28 years of human resource management working experience in various industries, 20 years at the senior management level leading strategic human resource management in organizational development and change management. Adam has local and regional HR experience and has worked for MNCs like Weir Minerals, Shell, Bristol Myers Squibb, Accenture and ABB and local conglomerates like Sime Darby, Hume, Naza Group and PLUS Malaysia. Prior to joining Hektar he was a freelance HR consultant.

Adam holds a Master in Business Administration majoring in Human Resources Management from the University of Southern Queensland, Australia.

Lim Ye Jhen

Advisor, Asset Management

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

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

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

INVESTOR COMMUNICATIONS

Hektar Asset Management 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 in providing information to individual and institutional investors. Coverage extends to recurring updates to the website, public relations coverage and direct engagement with the media and other stakeholders from time to time.

The management has maintained a disciplined approach since listing through quarterly updates to analysts and institutional investors throughout the year. Disclosures present financial and operational results and meetings are conducted to discuss the strategy and business model of Hektar REIT. The management conducts one-to-one and group meetings, conference calls and industry briefings. Since the IPO listing in 2006, Hektar has delivered presentations and briefings in equity roadshows, industry conferences, seminars and investor & media outreach programmes throughout Malaysia and Singapore.

In 2019, Hektar participated in non-deal roadshows with Bursa Malaysia to promote awareness on REITs and Hektar REIT to retail investors. The management aims to engage with potential investors for informational purposes and to also receive constructive feedback to gauge and monitor the overall perception of the REIT.

Hektar REIT's website contains comprehensive information on the strategy, organisation, manager, portfolio and financials of the REIT. 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 Company's Annual General Meeting ("AGM") with the opportunity to discuss governance and strategy. This also provides the opportunity for the Board to understand unitholders issues and respond to unitholder questions during the AGM.

In line with Hektar's sustainability efforts, the management has opted to send an abridged version of the annual report for 2019 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, or contact:

The Manager

Investor Communications
Hektar Asset Management Sdn Bhd
D1-U3-10, Block D1, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur, MALAYSIA
Tel: +6 03 6205 5570
Fax: +6 03 6205 5571
Email: ir@HektarREIT.com
Web: www.HektarREIT.com

The Registrar

Mega Corporate Services Sdn Bhd
Level 15-2 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur, MALAYSIA
Tel: +6 03 2692 4271
Fax: +6 03 2732 5388

Financial Year Calendar

	2019	2018
Full Year Results Announcement	28 February 2019	12 February 2018
Annual Report	28 February 2019	27 February 2018
Final Distribution	10 April 2019	16 March 2018
Annual General Meeting	16 April 2019	19 April 2018
First Quarter Results Announcement	23 May 2019	21 May 2018
First Quarter Distribution	10 July 2019	22 June 2018
Second Quarter Results Announcement	28 August 2019	16 August 2018
Second Quarter Distribution	3 October 2019	24 September 2018
Third Quarter Results Announcement	27 November 2019	27 November 2018
Third Quarter Distribution	9 January 2020	3 January 2019
Fourth Quarter Results Announcement	26 February 2020	28 February 2019
Fourth Quarter Distribution	9 April 2020	10 April 2019



Hektar REIT wins “Highest Return on Equity Over Three Years” Award at The Edge Malaysia Centurion Club 2019 Awards

Hektar Asset Management is proud to announce that Hektar Real Estate Investment Trust (“REIT”) has been honoured with an exceptional award at The Edge Malaysia Centurion Club 2019 Awards.

The Edge Media Group, together with banking outfit CIMB Group Holdings is jointly supporting this exclusive initiative. The objective of The Edge Malaysia Centurion Club Corporate Awards is to discover, celebrate and give recognition to the country’s best mid-cap companies that matched the multibillion-ringgit conglomerates in terms of performance. A total of 34 awards were presented to 25 companies across 12 different sectors.

Hektar REIT has won an award for the “Highest Return on Equity over Three Years” under the REIT category.

The prestigious award ceremony and gala dinner took place at W Hotel Kuala Lumpur, with the Minister of Finance Malaysia, YB Lim Guan Eng as the guest of honour.

To be a member of the The Edge Malaysia Centurion Club, an organisation must have a market capitalisation of above RM100 million but below RM1 billion. Financial data used

by The Edge to determine the member companies of The Edge Malaysia Centurion Club and winners for the awards is provided by Asia Analytica Data Sdn Bhd (formerly known as The Edge Markets Sdn Bhd). Following a stringent and transparent assessment, the results were audited by Deloitte Malaysia.

The award is the latest in a series of awards won by Hektar REIT, including the ASEAN Energy Awards 2019, the National Energy Awards 2019 (both Energy Efficient Building – Retrofitted Building categories) and the Asia Corporate Excellence & Sustainability Awards 2019 (Green Initiative Award). Hektar REIT’s property manager, Hektar Property Services was honoured at the CSR Malaysia Awards 2019 (Company of the Year Award – Property Management Category).



MANAGER'S REPORT

The Board of Directors of Hektar Asset Management Sdn Bhd, the Manager of Hektar REIT is pleased to submit their report to the Unitholders of Hektar REIT together with the audited financial statements of Hektar REIT for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

Hektar REIT was established on 5 October 2006 and listed on Bursa Malaysia Securities Berhad on 4 December 2006. The principal activity of Hektar REIT is to 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.

REVIEW OF PERFORMANCE

	As at 31 December 2019 RM	As at 31 December 2018 RM
Total Net Asset Value	609,431,651	635,315,547
Units in Circulation	(Units) 461,960,178	461,960,178
Net Asset Value per unit	1.32	1.38
Market Value per Unit	0.99	1.11
Highest Traded Price	1.17	1.27
Lowest Traded Price	0.97	1.09

OPERATING RESULTS

	As at 31 December 2019 RM	As at 31 December 2018 RM
Total Gross Income	137,743,517	136,634,196
Total Property Expenses	(61,653,767)	(56,390,477)
Fair Value Adjustment on Investment Properties	3,739,361	(9,405,600)
Total Non-Property Expenses	79,829,111 (40,215,492)	70,838,119 (37,709,543)
Net Income before taxation	39,613,619	33,128,576
Net Income before taxation – realized	35,874,258	42,268,649
Net Income before taxation – unrealized	3,739,361	(9,140,073)
Net Income after taxation	11,442,487	33,128,576
Earnings per Unit after Tax	(sen) 2.48	7.17
Realised Earnings per Unit after Tax	(sen) 7.77	9.15
Distribution per Unit ("DPU")	(sen) 7.77	9.01

The Manager is pleased to report that for the financial year ended 31 December 2019, the total revenue of Hektar REIT is RM137,743,517 comprising gross rental income of RM137,089,483, interest income of RM413,095, other income of RM240,939 and fair value change on investment properties of RM3,739,361.

MANAGER'S REPORT

The realised net profit FYE 2019 of RM35,874,258 is lower than FYE 2018 by RM6,394,391. The decrease is mostly due to higher operating cost with hotel in full operation, new food court at Central Square mall and also full impairment charges on receivables from major tenant defaulters.

The Manager has recommended and MTrustee Berhad ("Trustee") has approved a total income distribution of 7.77 sen per unit totaling RM35,894,306 for the year ended 31 December 2019.

The total income distribution of RM35,894,306 is RM5,728,308 lower than the previous period .

INCOME DISTRIBUTION

The schedule of the income distributions is as follows:

Distribution payment	Period covered	Income Distribution (RM)	Remarks
First interim distribution	Jan 19 - Mar 19	8,915,831	Paid in July 2019
Second interim distribution and special distribution	Apr 19 - Jun 19	9,239,204	Paid in Oct 2019
Third interim distribution	Jul 19 - Sep 19	8,500,067	Paid in Jan 2020
Final distribution	Oct 19 - Dec 19	9,239,204	Payable in Apr 2020
Total		35,894,306	

DIRECTORS OF THE MANAGER

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

Dato' Hisham bin Othman
 Puan Zarina Binti Halim
 Mr. Richard Ng
 Ms. Tay Hwee Pio
 En. Mahusni bin Hasnan
 Mr. Philip Eng Heng Nee
 Mr. Alex Chia Soon Ren
 Cik Rahanawati Ali Dawam

DIRECTORS BENEFITS

For the financial year ended 31 December 2019, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by Hektar REIT or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for note 25 as explained under the Notes to the Financial Statements.

There were no arrangements during the financial year ended 2019, which had the objective of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of the Hektar REIT or any other corporate body.

MANAGER'S REPORT

MANAGER'S FEE

For the financial year ended 31 December 2019, the Manager's fee comprised the following:

1. Base fee of RM 4,418,557 which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM 3,919,741 which is calculated at 5% of Net Property Income

The Manager's total management fee of RM8,338,298 represents 1.37% per annum of the Net Asset Value ("NAV") of Hektar REIT.

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

CORPORATE DEVELOPMENTS

Financing

The management successfully secured refinancing for Central Square in Sungai Petani, Kedah. CIMB Islamic Bank Berhad offered Hektar REIT a term loan expiring in 2025 for a facility of up to RM60 million of which RM32 million has been drawn down to date. This initiative is in line with the Board's directive to diversify Hektar REIT's financial base and financial partners in preparing for future acquisitions.

GEARING

DEBT FACILITIES

Hektar REIT's total borrowings of RM563,090,863 consist of short term, long term and secured loans.

GEARING CAPACITY

As at 31 December 2019, Hektar REIT had a gearing ratio (external borrowings to total assets) of 44.1%. Based on the GAV of RM1,276,076,243 as at 31 December 2019, there is capacity to borrow an additional RM74,947,259 before reaching the 50% limit permitted under the SC Guidelines on REITs.

UNITS IN ISSUE

The total number of units in issue of Hektar REIT as at 31 December 2019 is 461,960,178.

MANAGER'S REPORT

INVESTMENTS OF THE TRUST

Total Investments as at 31 December 2019 was RM 1,236,500,000.

Property	Audited Book Value as at 1 Jan 2019 RM ('000)	Acquisition/ Capital Expenditure in 2019 RM ('000)	Unaudited Book Value as at 31 Dec 2019 RM ('000)	Latest Market Valuation RM ('000)	Revaluation Surplus/ (Deficit) RM ('000)
Subang Parade	437,000	6,825	443,825	440,000	(3,825)
Mahkota Parade	328,000	339	328,339	329,000	661
Wetex Parade	138,500	4,196	142,696	144,500	1,804
Central Square	96,000	1,138	97,138	97,000	(138)
Kulim Central	115,000	(1,402)	113,598	130,000	16,402
Segamat Central	107,000	164	107,164	96,000	(11,164)
Total	1,221,500	11,260	1,232,760	1,236,500	3,740

NET ASSET VALUE OF HEKTAR REIT

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2019 is RM1.32 per unit.

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

DATO' HISHAM BIN OTHMAN

Executive Director
& Chief Executive Officer

Kuala Lumpur
26 February 2020

ZARINA HALIM

Executive Director
& Chief Corporate Officer

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 cornerstone investor is Frasers Centrepoint Trust, part of Frasers Property, headquartered in Singapore.

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 a base fee and performance fees. The performance fee component ensure that the REIT manager’s interest is aligned with the REIT’s interest which is to continuously improve financial performance.

The Manager of Hektar REIT

Hektar REIT is managed by Hektar Asset Management Sdn Bhd (“the Manager / HAMS B”) and was formed with a vision to set strategic directions in managing the REIT’s assets and liabilities for the benefit of the Unitholders and to make recommendations to the Trustee on 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 including the Amended and Restated Trust Deed (“Trust Deeds”), the applicable Laws and Requirements and acceptable business practices of the REIT sector in Malaysia.

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

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

Hektar REIT’s portfolio currently consists of six 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.

CORPORATE GOVERNANCE

The Trustee

MTrustee Berhad was appointed as the Trustee for Hektar REIT via a Trust Deed executed by the Manager and the Trustee on 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively. The 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 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 its various 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 the REIT. The Board Charter is regularly reviewed to incorporate the latest statutory developments.

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 will 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 Manager's policies and procedures manual.

CORPORATE GOVERNANCE STATEMENT

The following Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Hektar REIT for the financial year ended 31 December 2019. This report provides an insight on the framework applied and best practices in compliance to principles set out in the Malaysian Code on Corporate Governance ("MCCG") 2017, REIT Guidelines, Capital Market and Services Act 2007 and the Listing Requirements.

The Manager recognises the importance of an active corporate governance culture and has adopted a comprehensive framework that meets best practice principles in ensuring the success and sustainability of Hektar REIT. The Manager is consistently taking steps to address the new requirements concerning the MCCG 2017 to achieve the intended outcomes contained within the Code.

The MCCG 2017 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.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Roles & Responsibilities of the Manager of Hektar REIT and the Board of Directors

A knowledgeable Board manages the Manager with years of experience and a varied range of expertise. The Board is responsible for the stewardship of Hektar REIT to enhance long term shareholders/unitholders value while taking into account the interests of other stakeholders. The Board must act honestly, with due care and diligence and working in the best interest of the Manager and REIT at all times.

CORPORATE GOVERNANCE

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

The principal responsibilities of the Board are:

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

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 authorizing decisions for the Company and the REIT. Decisions of the Board shall then be implemented by the Manager who shall be accountable for the execution of the strategic objectives established by the Board.

Board Composition & Diversity

As at 31 December 2019, the Board of Directors consist of seven (7) members comprising the following:

- two (2) Executive Directors (ED);
- two (2) Non-Executive Non-Independent Directors (NENID); and
- three (3) Independent Non-Executive Directors (INED).

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

The Listing Requirements emphasize that even if a person does not fall within any of the disqualifying indicators enumerated in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

The Manager is pleased to report that the composition of Independent Directors is 43% of the Board. This complies and exceeds the Directors' independence requirements set out under paragraph 15.02 of the Listing Requirements which requires that at least one-third of the Board to be Independent Directors. MCCG 2017 recommends that at least half (50%) of the Board comprises Independent Directors. As reported last year, this requirement has been met up to May 2018, with the demise of the Independent Chairman.

CORPORATE GOVERNANCE

The Board is aware that its current composition is not totally in line with the desired practice. However, it strongly believes that the goal of independence and objectivity is not compromised as a result of such composition. In fact, the Board is certain and of the view that with the current composition of 43% of the Board held by Independent Directors, the Board is able to uphold objectivity in reaching meaningful decisions in the best interest of all stakeholders. There are sufficient experience, independence and objectivity present and preserved with its current Independent Non-Executive Directors on the Board, which bring balance into overall decisions and provide assurance that there is adequate check and balance. Nevertheless, the Board remains guided by the Principles and Practices of the MCGG in adhering to the best corporate governance practices.

With the confirmation by the Independent Directors that they have fulfilled the criteria of independence in accordance to the Listing Requirements, as well as remain critical and independent in their conduct, character and judgement while discharging their duties and responsibilities to the Company, such Independent Directors would be allowed to serve beyond nine years. The Board believes that with their long and vast experience in the industry, the Independent Directors provide valuable feedback to the Company and their familiarity with the real estate industry and expertise are required in managing Hektar REIT's portfolio and helps ensure its continued performance.

The MCGG also requires the Board of a large company to have at least 30% women directors. Although REITs do not fall under the ambit of large companies as defined by the MCGG, the Board recognises that gender diversity makes good business sense, in line with the country's aspirational target of 30% representation of women Directors. Presently, the percentage of female Directors sitting on the Board is about 43% which complies with the minimum requirement of MCGG 2017 for women Directors.

The composition of the Board reflects a balance of EDs', Non-EDs 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 the REIT. A brief profile of each Director is presented in the "Board of Directors" section of this Annual Report.

Any new Directors of the Manager will be evaluated by the Nomination and Remuneration Committee 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 Nomination and Remuneration Committee 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 five (5) listed issuers.

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

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

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

The Board is led by the ED / CEO, Dato Hisham Bin Othman and supported by Puan Zarina Halim the ED / Chief Corporate Officer (CCO). The CEO is responsible for ensuring the effective implementation of the Manager's and the REIT's strategic plan and policies established by the Board, as well as to manage the daily conduct of the business.

The CEO is accountable to the Board for the achievement of the Manager's and the REIT's goals and objectives. The CEO is expected to act within authorities delegated to him by the Board.

CORPORATE GOVERNANCE

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

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

Company Secretaries

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

The key role of the Company Secretaries is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

The roles and responsibilities of the secretaries are:

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

For 2019, every Board meeting and Board Committee meeting is attended by at least one Company Secretary who thereafter prepares the minutes of proceedings for approval by the respective Chairman.

The advice and services of the Company Secretary are available to all the Directors and is necessary to ensure that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Company Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board is confident that the two Company Secretaries are proficient in carrying out the appropriate duties to ensure the effective functioning of the Board while their terms of appointment permit the total removal and appointment by the Board.

CORPORATE GOVERNANCE

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 is 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.

To be in line with recommendations of the MCCG, in August 2019, the Board had decided that two of the Board committees’ scope has been expanded to include additional authorities and responsibilities. Therefore, the committee’s name has been changed to reflect the changes in the respective committee’s scope. The two committees are:

- i. Nomination Committee to Nomination and Remuneration Committee; and
- ii. Audit Committee to Audit and Risk Management Committee

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 below.

A) Executive Committee (“EXCO”)

The EXCO, comprising 3 members (2 Executive Directors and 1 Non-Executive Director), under the delegated authority limits conferred by the Board and is tasked with the responsibilities of the following:

- 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 attendance by the members at the EXCO meeting held during 2019 is as follows:

Executive Committee Member	Designation	Attendance
Dato’ Hisham Bin Othman	Chairman	9/9
Pn Zarina Halim	Member	9/9
Dr Chew Tuan Chiong (Resigned on 1 July 2019)	Member	2/2
Mr Richard Ng (appointed on 1 July 2019)	Member	7/7

CORPORATE GOVERNANCE

B) Nomination and Remuneration Committee (“NRC”)

The Board had expanded and incorporated the scope of the Remuneration Committee into the Nomination Committee and is now known as Nomination and Remuneration Committee (“NRC”). The NRC comprises 3 Independent Directors who meet at least once a year and monitors matters of the nomination of new Directors, examines the required mix of skills, experience, and evaluation of Independent Directors, analyses the succession planning and Board diversity, as well as assess the effectiveness of the Board as a whole, its Committees and the individual Director’s contribution.

To further enhance governance especially in the area of independence and adoption of best practices, in August 2019, the Board decided that Cik Rahanawati Binti Ali Dawam be appointed as the Chairperson of the NRC in place of En. Mahusni Bin Hasnan, as he serves as the Chairman of the Audit and Risk Management Committee.

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

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

The attendance of the members at the NRC meetings held during 2019 is as follows:

Nomination and Remuneration Committee Member	Designation	Attendance
En Mahusni Bin Hasnan (Resigned as Chairman on August 2019)	Chairman	1/1
Cik Rahanawati Binti Ali Dawam (Appointed as Chairperson on August 2019)	Member	1/1
Mr Philip Eng Heng Nee	Member	1/1

During the financial year ended 31 December 2019, 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 resignation and appointment of a new Director.

In 2019, Mr. Philip Eng Heng Nee would have rendered his services as an Independent Non-Executive Director of the Company for a cumulative tenure of 11 years with the Manager. After thorough evaluation of his past contributions, the NRC has consequently 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

- iii. His vast knowledge in the property sector and financial literacy makes him highly indispensable to the Manager / HAMS Board and also in the Audit and Risk Management Committee; 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.

C) Audit and Risk Management Committee ("ARMC")

In August 2019, The Board had resolved to officially rename the Audit Committee to the Audit and Risk Management Committee, by taking into consideration the scope of the Audit Committee which encompasses the Risk Management Process.

The ARMC comprises three members who are Independent Directors, which assists and supports the Board's responsibility to oversee the Company's and REIT's operations. The ARMC reviews the processes for producing the financial data, its internal controls, risk management activities and independence of the REIT's internal and external auditors.

The functions of the ARMC are as follows:

- i. To review the quarterly and annual financial statements of the REIT, before the approval of the Board.
- ii. To review any related party transaction and conflict of interest situation that may arise within the Manager and the REIT, including any transaction, procedure or course of conduct that raises questions of management integrity.
- iii. To review, on a bi-annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- iv. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- v. To review the extent of compliance with established internal policies, standards, plans and procedures.
- vi. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- vii. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the REIT.
- viii. To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
- ix. To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
- x. To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their freedom.
- xi. To be advised of significant use of the External Auditors in performing non-audit services, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.

CORPORATE GOVERNANCE

- xii. To review the External Auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Manager to be satisfied that appropriate action is being taken.
- xiii. To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the ARMC itself.
- xiv. To prepare the annual Audit and Risk Management Committee Report to the Board which includes the composition of the Audit and Risk Management Committee, its terms of reference, number of meetings held, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- xv. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.
- xvi. To review regular and extraordinary dividend payments.
- xvii. To review the assistance given by the employees of Manager to the External Auditors.
- xviii. To recommend the nomination of a person or persons as External Auditors.

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

Audit and Risk Management Committee Member	Designation	Attendance
En Mahusni Bin Hasnan	Chairman	4/4
Mr Philip Eng Heng Nee	Member	3/4
Cik Rahanawati Binti Ali Dawam	Member	4/4

For the financial year ended 2019, the following is a summary of the duties and responsibilities carried out and discharged by the ARMC:

- a) Reviewed the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board of Directors for approval;
- b) Reviewed the audited financial statements of Hektar REIT for the financial year ended 31 December 2019 ("FYE2019") and discussed with the External Auditors the results of the final audit conducted on Hektar REIT prior to recommending the same to the Board of Directors for approval. There were no significant audit issues raised by the External Auditors;
- c) Reviewed with the External Auditors, their audit plan for FYE2019, audit approach and reporting requirements prior to the commencement of audit works for the year under review;
- d) Reviewed the key audit matters and other audit focus areas in respect of FYE2019. The audited financial statements for FYE2019 were finalised with valuation of investment properties being the most significant audit area for Hektar REIT given that investment properties represented the single largest category of assets on the Fund's statement of financial position as at 31 December 2019;

CORPORATE GOVERNANCE

- e) Kept abreast and informed of the nature and applicability of new accounting standards, i.e. Malaysian Financial Reporting Standard (“MFRS”) 16 Leases from 1 Jan 2019 - Leases are placed on-balance sheet by recognising ‘right-of-use’ asset and lease liability, Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures) from 1 Jan 2020 - Impacts hedge accounting following replacement of benchmark interest rate e.g. London Interbank Offered Rate (“LIBOR”).
- f) Reviewed with the outsourced Internal Auditors, the internal audit plan for the year 2019/2020 which cover four audit cycles and agreed with the methodologies (risk-driven approach) employed by the Internal Auditors;
- g) Reviewed the internal audit reports with the Internal Auditors, and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis. The summary activities of the internal audit functions are contained in the Statement of Risk Management and Internal Control of this Annual Report;
- h) Evaluated the outsourced Internal Auditors and recommended to the Board of Directors their re-engagement to carry out the internal audit function in respect of the year 2019/2020. The Audit and Risk Management Committee also reviewed the internal audit fees applicable to the audit cycles under engagement for the year 2019/2020 before the same was approved by the Board of Directors;
- 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;
- j) Reviewed on a quarterly basis, the list of related party transactions involving interests of related parties who are Directors of the Manager, substantial Unitholders of Hektar REIT and ultimate major shareholders of the Manager or persons connected to them (more details relating to this responsibility are elaborated in Section 5 below);

Financial reporting

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

Directors’ responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of Hektar REIT as at the end of the accounting period and of their profit & loss and cash flows for the period ended. In preparing the financial statements, the Directors endeavour to ensure that applicable approved accounting standards issued by the International Malaysian Accounting Standard Board and the requirements of the Securities Commission’s Guidelines on Real Estate Investment Trusts in Malaysia 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.

CORPORATE GOVERNANCE

Internal Audit

The Internal Audit function of the Manager is outsourced to an independent and reputable accounting firm. KPMG Management & Risk Consulting Sdn Bhd (“KPMG”) has been appointed as the Manager’s internal auditors to provide audit services for the financial year ended 31 December 2019. KPMG is responsible for carrying out the following internal audit activities during the financial year under review:

- 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;
- to issue internal auditor’s report for the Manager’s response and implementation; and
- 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 remuneration for the internal audit function in respect of the financial year ended 31 December 2019 amounted to RM130,000.

External Audit

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors who is nominated by the Manager has been approved by the Trustee. The Trustee has re-appointed BDO PLT as the external auditors as the external auditors to conduct the statutory audit for the financial year ended 31 December 2019.

The ARMC has also evaluated reappointment of the External Auditors of Hektar REIT during the financial year ended 2019 to determine their suitability for re-appointment and independence. The appointment satisfies the requirements of Paragraph 15.21 under the Listing Requirements.

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

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

The remuneration of the external auditors is approved by the Trustee based on the Manager’s recommendation. The remuneration for the external audit function in respect of the financial year ended 31 December 2019 amounted to RM109,000.

Dealings with Related Parties

For the financial year ended 31 December 2019, 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 were in compliance 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.

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

CORPORATE GOVERNANCE

Board Meetings

The Board ordinarily meets at least once a financial quarter with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. In addition, certain matters requiring Board approval are also undertaken via circular resolutions throughout the course of the year, outside the planned board meeting dates where a physical meeting may not be necessary, possible or sufficiently expedient. For the year ended 31 December 2019, the Board met on 4 occasions, where it deliberated upon and considered a variety of matters including Hektar REIT's financial results and strategic investment decisions.

Below are the Directors' attendance for the board meetings held in the financial year ended 2019:-

Member	Designation	Board Meeting
Dato' Hisham bin Othman	Executive Director and Chief Executive Officer	4/4
Pn. Zarina Halim	Executive Director and Chief Corporate Officer	4/4
Dr. Chew Tuan Chiong <i>(Resigned w.e.f. 1 July 2019)</i>	Non-Executive Director	1/2
Mr. Richard Ng <i>(Appointed w.e.f. 1 July 2019)</i>	Non-Executive Director	1/2
Ms. Tay Hwee Pio	Non-Executive Director	4/4
En. Mahusni bin Hasnan	Independent Non-Executive Director	4/4
Mr. Philip Eng Heng Nee	Independent Non-Executive Director	3/4
Cik Rahanawati Binti Ali Dawam	Independent Non-Executive Director	4/4
Mr. Alex Chia Soon Ren <i>(Alternate Director to Dr Chew Tuan Chiong until 1 July 2019 then appointed as Alternate Director to Mr. Richard Ng from 1 July 2019)</i>	Non-Executive Director (Alternate Director)	N/A

Note :

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

The Board is satisfied with the level of time commitment of the Directors in attending all the Board meetings during the financial year of 2019.

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

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

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

CORPORATE GOVERNANCE

Board Process

Prior to the start of the financial year, the Company Secretary would have obtained planned dates for the quarterly board meetings for the year based on Directors availabilities. Therefore, meeting dates are determined and fixed in advance so that all the Directors are able to schedule and commit their time effectively. Directors who are travelling will have the option of participating in meetings via telephone and video conference arrangements.

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

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

Board Remuneration

HAMSB externally manages Hektar REIT and the Directors sits on the Board of HAMSB. The Manager, strategically led by the Board, ensures that it appoints experienced and well-qualified personnel to handle its day-to-day operations. All Directors and employees of the Managers are remunerated by the Manager and not by the Fund. The Manager is a privately-owned company.

During the year, the Board had resolved that the Nomination Committee shall undertake the responsibility of ensuring a fair and competitive employee remuneration framework and the Committee had been renamed to Nomination and Remuneration Committee (NRC). The NRC shall assist the Board to determine a remuneration framework and terms of employment for all Directors, including Independent Non-Executive Directors and key Management personnel of the Manager.

The Board, in determining the remuneration package for the Directors, takes into account the remuneration best practices of other companies and the NRC's recommendation. However, the Board will consider and make the final decision on the remuneration packages which are subject to the approvals of the shareholders of the Manager. The Board has practised 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 attendance to Board meetings and any other Board Committee meetings that require their presence. The Board confirms that the Directors are not involved in the approval of their remuneration.

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

Remuneration of Executive and Non-executive Directors for Financial Year Ended 2019

	RM
Salaries and Other Remuneration	1,058,032
Directors' Fees	588,000
Meeting Attendance Allowances	18,500
Total	1,664,532

As the Listed Issuer is a trust, Hektar REIT has no employees and the Directors sit on the Board of HAMSB being the REIT Manager. The Directors and senior management's individual remunerations are remunerated by the Manager, which is a privately-owned company.

CORPORATE GOVERNANCE

The number of Directors who served during the year are as follows:

Types of Directors	Number of Directors
Executive Directors	2
Non-Independent Non-Executive Directors	2
Independent Non-Executive Directors	3
Total	7

The total top 5 senior management staff of HAMS B was remunerated with total salaries and other remuneration amounting to RM1,283,175 for 2019.

Directors' Training

During the financial period under review, all Directors have attended training programmes in compliance with the Listing Requirements. A new Director, Mr. Richard Ng, appointed in July 2019 has participated in the Mandatory Accreditation Programme within the time frame required by Bursa Malaysia.

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.

CORPORATE GOVERNANCE

All the Directors of the Manager have attended training programmes during the FYE2019 in compliance with the Listing Requirements. The details are as follows:

Director	Date	Events
Dato' Hisham bin Othman	12 March 2019	Preparation for Corporate Liability on Corruption
	13 March 2019	ICDM Power Talk : Revisiting the Misconception of Board Remuneration
	3 – 5 April 2019	11th Annual Global CSR Conference 2019
	4 – 5 Sept 2019	ASEAN Energy Business Forum
	14 & 15 October 2019	ICDM International Directors Summit 2019
	31 Oct 2019	Malaysia REIT Forum 2019
Pn. Zarina Halim	4 – 5 April 2019	11 th Annual Global CSR Conference 2019
	10 April 2019	Staying Listed – Trials & Tribulations of a Listed Company
	24 – 25 April 2019	9 th Annual Shopping Malls
	27 June 2019	Cyber Security in Boardroom
	17 September 2019	Sustainability by Design : Practical Steps for Malaysian Businesses Conference
	3 October 2019	YARDI Malaysia – Executive Briefing
	14 & 15 October 2019	ICDM International Directors Summit 2019
	31 October 2019	Malaysia REIT Forum 2019
Dr. Chew Tuan Chiong <i>(Resigned w.e.f. 1 July 2019)</i>	<i>(Resigned w.e.f. 1 July 2019)</i>	
Mr. Richard Ng <i>(Appointed w.e.f. 1 July 2019)</i>	28 March 2019	Design Thinking – Luma Executive Workshop
	5 September 2019	Crisis Communication C-Suites Training
	13 September 2019	Rules, Regulations and Ethical Challenges in New Digital Age
	30 & 31 October 2019	Mandatory Accreditation Programme
Ms. Tay Hwee Pio	7 March 2019	EY Budget Seminar
	28 March 2019	Deloitte Seminar on Blockchain in REITs
	31 May 2019	Rules, Regulations and Ethical Challenges in New Digital Age
	10 June 2019	KPMG Services – Finance & Accounting Seminar

CORPORATE GOVERNANCE

En. Mahusni bin Hasnan	15 April 2019	Audit Committee Conference 2019
	9 October 2019	Case Study Workshop for Independent Directors.
	18 October 2019	Emerging Risks, the Future Board and Return on Compliance.
Mr. Philip Eng Heng Nee	6 December 2019	APPI: Multifinance Indonesia Seminar: The Opportunities and Challenges.
Cik Rahanawati Binti Ali Dawam	1 March 2019	Let's Get Real on Anti-Bribery
	4 April 2019	Business Transformation – Going to the next performance level
	4 April 2019	Devil's Advocate Series: Cross Border Business – Malaysia & Indonesia
	15 April 2019	Audit Committee Conference 2019
	12 June 2019	Demystifying the Diversity Conundrum: The Road to Business Excellence by Bursa Malaysia
	18 September 2019	Talk on 'Fire Prevention' by Fire Prevention Centre
	10 October 2019	Briefing on Implication of Section 17A to Commercial Organisations & Adequate Procedures.
Mr. Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong until 1 July 2019 then appointed as Alternate Director to Mr. Richard Ng from 1 July 2019)	11 March 2019	Allen & Gledhill LLP – Defects and Design Liability: Whose Responsibility?
	29 March 2019	REIT Association of Singapore – Fund Raising for REITs
	3 May 2019	Emotional Intelligence – The Key to a Diverse and Inclusive Workplace
	13 September 2019	Rules, Regulations and Ethical Challenges in New Digital Age

The Directors of the Manager have attended various training programmes during the financial year 2019, which encompass a variety of topics such as corporate governance, financial reporting, and retail industry trends.

CORPORATE GOVERNANCE

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Currently, all three members of the ARMC are Independent Directors and are in line with the requirement of MCCG 2017, 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.

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

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

Unitholders & relationship

The Manager 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.

Hektar REIT has established and maintained its website at 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.

Conduct of Annual General Meetings & Extraordinary General Meetings

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

All unitholders are targeted to be given at least 28 days’ notice prior to the Annual General Meetings which exceed 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.

The next 8th Annual General Meeting of Hektar REIT will take place on 20 April 2020. The Notice of Meeting and Proxy Form can be found at the end of this Annual Report.

CORPORATE GOVERNANCE

Additional Information

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

A. Sanctions and/or penalties

There are no public sanction and/or penalty imposed on Hektar REIT, its Directors or management of the Manager, by relevant regulatory bodies during the financial year ended 31 December 2019.

B. Non-audit fees

The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2019 amounts to RM34,650.

C. Soft commission

For the year ended 31 December 2019, the Manager did not receive any soft commission.

D. Variation in results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2019 and the unaudited results previously announced during the quarterly announcement. Hektar REIT did not release any profit estimate, forecast or projection for the financial year.

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

There were no material contracts entered into by Hektar REIT involving the interests of the Directors and major unitholders during the financial year ended 31 December 2019.

RISK MANAGEMENT

RISK MANAGEMENT

The management 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.

Risk Management Framework

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 & Risk Management Committee ("ARMC") on behalf of the Board of Directors. 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 the 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. Identified risks are then assessed by rating each risk, net of mitigating controls. The ARMC reviews the risk management plan 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, manage and monitor risks within the organisation. The risk assessment is intended to provide the Board and the management with a view of events that could impact the achievement of its business objectives;
- Safeguard unitholders' interests and the REIT's assets;
- Maximise opportunities across Hektar REIT to achieve the REIT's mission and vision;
- Achieve an enterprise-wide consistent and cohesive framework for risk management by establishing a risk register for each department and business unit within the REIT and the relevant departments of its appointed property manager, through the use of a 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 Audit and Risk Committee has appointed KPMG to act as internal auditors and undertake further testing of the risk management framework and controls;
- The management team holds weekly meetings and bi-weekly department 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 a risk register, risk monitoring plan and risk metrics from which the business is measured.

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

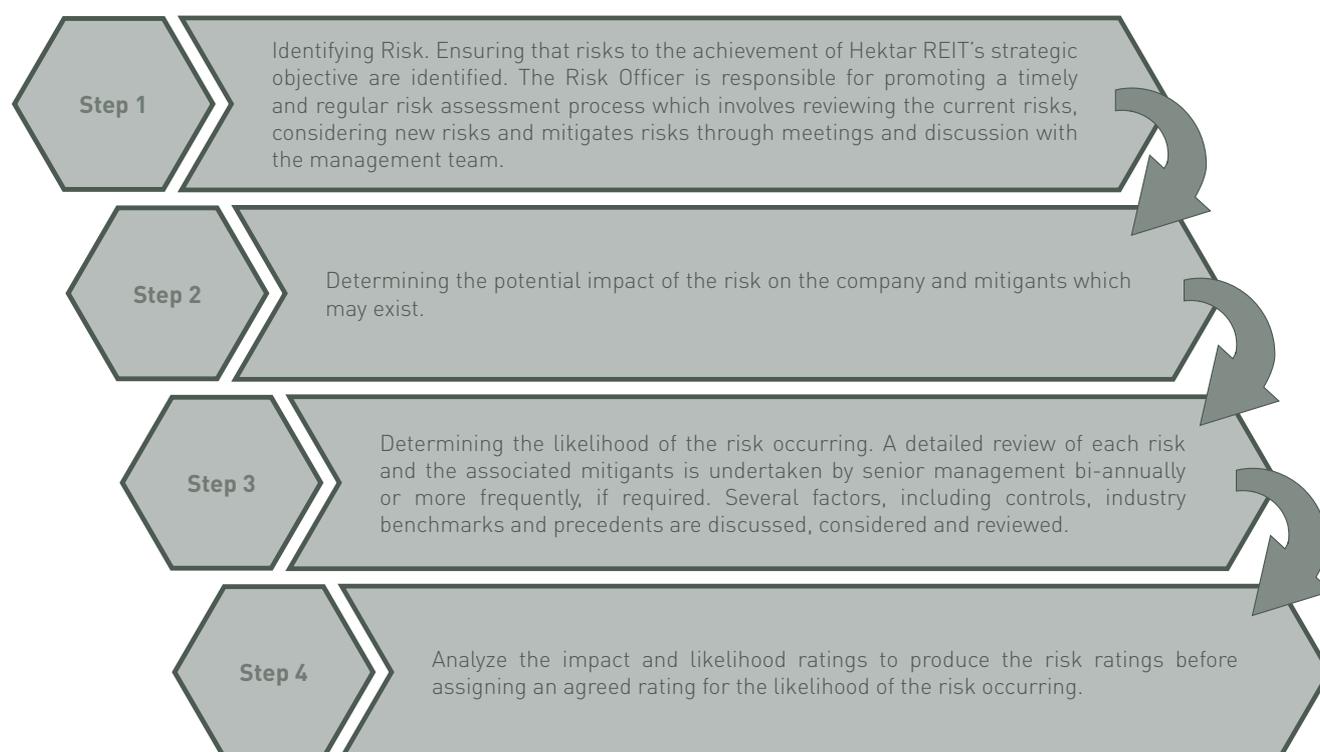
- Compliance of the ERM process and methodology;
- Flow through of ERM concepts to the respective departments and business units;
- Continuous risk assessment by each department using methodology and assessing and monitoring management actions taken;
- Timely identification, mitigation and management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

RISK MANAGEMENT

The internal and external auditors will report any material non-compliance or weaknesses in 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 received by the ARMC and the Board, nothing material has come to the attention to cause the ARMC and the Board to believe that the internal controls and risk management processes are not adequate nor satisfactory.

Risk Assessment

The risk assessment exercise is carried out every six months by the management where key risks are reported to the ARMC. The main objective is to provide the Board and the management with a view of events that could impact the achievement of its business objectives. This involves a four-step process, led by the Risk Officer with other members of the management providing input.



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 for continuous assurance given at higher levels of management and the Board.

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, among others, the monitoring of results against budget with variances being followed up and management action taken where necessary. The Chief Corporate Officer who is also the Compliance Officer reports to the Board on risks relating to compliance of legal and regulatory requirements.

RISK MANAGEMENT

RISKS ASSESSMENT

The management has performed a risk assessment, reviewed and assessed key risk areas which may affect the achievement of the 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, scenario planning, performance and portfolio reviews. Investment risk and acquisition risk management means ensuring that the acquired assets are yield accretive or at least provides for good growth potential. The Manager is cautious in conducting its due diligence on potential acquisitions. Before recommending to the Board for approval, the Manager carries out reviews and assessment on the viability of properties based on their physical, financial, market, technical and legal characteristics.
3	Operational Risk	<p>Risk of loss resulting from failure of internal processes, operational procedures or external events. Operational risks are mitigated by having standard operating procedures that are adopted and are continuously reviewed for all properties in the REIT portfolio, comprising operational guidelines, control and monitoring procedures including reports on:-</p> <ul style="list-style-type: none"> • Sourcing, negotiations with potential or existing tenants, rental reversion reports, renewal reports, expiry reports • Procurement, tender and purchasing procedures • Approval processes for tenancies, leases and licenses • Billing, payment, collection and refund as well as arrears reporting • Employee recruitment, training and performance reviews
4	Corporate Governance / Compliance Risk	All risks related to the policy setting of the Board and in relation to the rules and regulations set by bodies governing the REIT industry. See the Corporate Governance section in this report for more details.
5	Financial and Credit Risk	<p>Risks relating to financial considerations such as profitability, cash flow and cost management, asset and liability management.</p> <ul style="list-style-type: none"> • Due to the current market conditions, the REIT is exposed to higher non-payment by non performing tenants and measures have been taken to reduce risk by carrying out credit checks and assessments before offering Letters of Offer to tenants. Monthly monitoring of a tenant's turnover and occupancy cost is also carried out to evaluate a tenant's business performance and health. • Risks relating to the source of tenants income which is required to be addressed under the Anti-Money Laundering & Counter Terrorism Financing Act (AMLA) is also mitigated by conducting proper background checks on tenants.

RISK MANAGEMENT

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

RISK MANAGEMENT

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

Statement On Internal Controls

The Board recognises the importance of sound internal controls and risk management practices for good corporate governance. The Board affirms their overall responsibility for systems of internal controls, including financial, operational, compliance and information technology controls and risk management of Hektar REIT and for reviewing the adequacy and integrity of those systems on an annual basis.

The CEO and Compliance Officer have provided their assurance to the Board that to the best of their knowledge, based on outcomes of continuous reviews on risk management and internal controls and in the absence of contradictory evidence, the system of risk management and internal controls is adequate. This is based on the system of risk management and internal controls established and maintained by the Manager, work performed by the internal and external auditors and reviews performed by Management and the Board.

STATEMENT BY MANAGER

In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements are drawn up in accordance with the provisions of the Trust Deed dated 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between Hektar Asset Management Sdn. Bhd. and MTrustee Berhad, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust ("Hektar REIT" or "the Trust") as at 31 December 2019 and of the financial performance and cash flows for the financial year then ended.

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

DATO' HISHAM BIN OTHMAN

Executive Director
& Chief Executive Officer

ZARINA HALIM

Executive Director
& Chief Corporate Officer

Kuala Lumpur
26 February 2020

STATUTORY DECLARATION

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

DATO' HISHAM BIN OTHMAN

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur on
26 February 2020

Before me:

Commissioner for Oaths

TRUSTEE'S REPORT

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

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 2019.

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

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

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2019 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
26 February 2020

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 2019 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 96 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Valuation of investment properties

With reference to Note 5 to the financial statements, the Trust's investment properties were recorded as RM1,236,500,000 as at 31 December 2019.

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)

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 RM19,994,849 as at 31 December 2019.

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 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.

INDEPENDENT AUDITORS' REPORT

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

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, related safeguards.

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

Other Matters

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

BDO PLT

LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
26 February 2020

NG SOE KEI

02982/08/2021 J
Chartered Accountant

Financials

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STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	113,099	140,776
Investment properties	5	1,237,657,929	1,227,628,723
Fixed deposits with a licensed bank	6	1,527,034	1,447,434
		1,239,298,062	1,229,216,933
Current assets			
Trade receivables	7	19,994,849	18,216,824
Other receivables, deposits and prepayments	8	6,316,665	7,504,339
Cash and bank balances	9	10,466,667	13,334,709
		36,778,181	39,055,872
TOTAL ASSETS		1,276,076,243	1,268,272,805
LIABILITIES			
Non-current liabilities			
Other payables and accruals	11	13,289,996	15,901,825
Bank borrowings	12	548,090,863	548,071,883
Deferred tax liabilities	13	28,171,132	-
		589,551,991	563,973,708
Current liabilities			
Trade payables	10	9,134,723	5,588,271
Other payables and accruals	11	52,957,878	48,395,279
Bank borrowings	12	15,000,000	15,000,000
		77,092,601	68,983,550
TOTAL LIABILITIES		666,644,592	632,957,258
NET ASSET VALUE ("NAV")		609,431,651	635,315,547

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
FINANCED BY:			
UNITHOLDERS' FUNDS			
Unitholders' capital	14	492,500,449	492,500,449
Undistributed income - realised		41,687,502	43,139,627
Undistributed income - unrealised		75,243,700	99,675,471
TOTAL UNITHOLDERS' FUNDS		609,431,651	635,315,547
NUMBER OF UNITS IN CIRCULATION	14	461,960,178	461,960,178
NAV PER UNIT (RM)			
Before income distribution ¹		1.3192	1.3753
After income distribution ²		1.2992	1.3522

¹ Before the proposed final income distribution of 2.00 sen per unit (2018: 2.31 sen per unit)

² After the proposed final income distribution of 2.00 sen per unit (2018: 2.31 sen per unit)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Gross revenue	15	137,089,483	135,106,718
Property operating expenses	16	(61,653,767)	(56,390,477)
Net property income		75,435,716	78,716,241
Interest income		413,095	403,553
Other income		223,282	344,285
Bad debts recovered		17,376	18,175
Sundry income		281	10,000
Change in fair value of investment properties	5(e)	3,739,361	-
Change in fair value of derivative financial instrument		-	265,527
Reversal of impairment loss on trade receivables		-	485,938
Total income		79,829,111	80,243,719
Manager's fees	17	(8,338,298)	(8,443,864)
Trustee's fees	18	(516,661)	(522,486)
Auditors' remuneration:			
- statutory audit		(109,000)	(100,000)
- others		(320,874)	(77,819)
Valuation fees		(81,380)	(196,000)
Professional fee		(1,586,467)	(953,015)
Impairment loss on trade receivables	7(e)	(2,499,143)	(1,266,563)
Administration expenses		(597,829)	(637,953)
Interest expense	19	(26,165,840)	(25,284,164)
Bad debts written off		-	(227,679)
Change in fair value of investment properties	5(e)	-	(9,405,600)
Total expenses		(40,215,492)	(47,115,143)
Profit before tax		39,613,619	33,128,576
Taxation	20	(28,171,132)	-
Profit for the financial year		11,442,487	33,128,576
Other comprehensive income for the financial year, net of tax		-	-
Total comprehensive income for the financial year		11,442,487	33,128,576

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Profit for the financial year comprises the following:			
Realised		35,874,258	42,268,649
Unrealised - change in fair value of investment properties		3,739,361	(9,405,600)
Unrealised - change in fair value of derivative financial instrument		-	265,527
Unrealised - provision for deferred tax on change in fair value of investment properties		(28,171,132)	-
		11,442,487	33,128,576
Earnings per unit (Total)			
Before Manager's fees (sen)	21(a)	4.28	9.00
After Manager's fees (sen)	21(b)	2.48	7.17
Earnings per unit (Realised)			
Before Manager's fees (sen)	21(c)	9.57	10.98
After Manager's fees (sen)	21(d)	7.77	9.15
Net income distributions			
Interim income distribution of 5.77 sen (2018: 6.70 sen) per unit		26,655,103	30,951,334
Proposed final income distribution of 2.00 sen (2018: 2.31 sen) per unit		9,239,203	10,671,280
		35,894,306	41,622,614
Interim income distribution per unit			
Gross (sen)	22	5.77	6.70
Net (sen)	22	5.77	6.70
Final income distribution per unit			
Gross (sen)	22	2.00	2.31
Net (sen)	22	2.00	2.31

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

STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Unitholders' capital RM	--- Undistributed income ---		Unitholders' fund RM
		Realised RM	Unrealised RM	
At 1 January 2019	492,500,449	43,139,627	99,675,471	635,315,547
Total comprehensive income				
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
Unitholders' transaction				
Distributions to unitholders	-	(37,326,383)	-	(37,326,383)
Decrease in net assets resulting from unitholders' transaction	-	(37,326,383)	-	(37,326,383)
At 31 December 2019	492,500,449	41,687,502	75,243,700	609,431,651
At 1 January 2018	492,500,449	47,552,935	108,815,544	648,868,928
Effects of MFRS 9	-	(485,938)	-	(485,938)
Restated as at 1 January 2018	492,500,449	47,066,997	108,815,544	648,382,990
Total comprehensive income				
Profit for the financial year	-	42,268,649	(9,140,073)	33,128,576
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations	-	42,268,649	(9,140,073)	33,128,576
Unitholders' transaction				
Distributions to unitholders	-	(46,196,019)	-	(46,196,019)
Decrease in net assets resulting from unitholders' transaction	-	(46,196,019)	-	(46,196,019)
At 31 December 2018	492,500,449	43,139,627	99,675,471	635,315,547

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,613,619	33,128,576
Adjustments for:			
Bad debts written off		–	227,679
Change in fair value of derivative financial instrument		–	(265,527)
Change in fair value of investment properties	5	(3,739,361)	9,405,600
Depreciation of property, plant and equipment	3	22,777	17,919
Impairment loss on trade receivables	7(e)	2,499,143	1,266,563
Interest expense	19	26,165,840	25,284,164
Interest income		(413,095)	(403,553)
Reversal of impairment loss on trade receivables		–	(485,938)
Operating profit before changes in working capital		64,148,923	68,175,483
Trade and other receivables		(3,089,494)	(8,304,658)
Trade and other payables		5,505,222	23,719,983
Net cash from operating activities		66,564,651	83,590,808
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	5	–	(97,500)
Purchase of property, plant and equipment	3	(3,100)	(64,217)
Capital work in progress of investment properties	5	(6,289,845)	(27,008,889)
Interest received		413,095	403,553
Placement of fixed deposits		(79,600)	(119,030)
Net cash used in investing activities		(5,959,450)	(26,886,083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	19	(26,165,840)	(25,284,164)
Drawdown of borrowings	12(k)	18,980	6,014,400
Distributions paid to unitholders		(37,326,383)	(46,196,019)
Net cash used in financing activities		(63,473,243)	(65,465,783)
Net decrease in cash and cash equivalents		(2,868,042)	(8,761,058)
Cash and cash equivalents at beginning of financial year		13,334,709	22,095,767
Cash and cash equivalents at end of financial year	9	10,466,667	13,334,709

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 26 February 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. BASIS OF PREPARATION (continued)

The Trust has net current liabilities of RM40,314,420 as at 31 December 2019.

The following matters were considered by the Directors of the Manager in determining the appropriateness of the going concern basis in the preparation of the financial statements of the Trust:

- RM15.0 million relates to 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 2019. The short term revolving credit was renewed on 6 January 2020;
- RM1.7 million relates to accrual for subsequent expenditure of the investment properties of which will be funded by the current operating cash flows and available reserves of the Trust. On 28 August 2019, the Trust had secured a new banking facility of RM60 million at cost of fund plus 1.00% of which RM32 million is to refinance MOD 6 (secured by way of fixed charge over Central Square). On 14 January 2020, the Trust has fully redeemed MOD 6;
- RM21.6 million relates to the deposits received from tenants of which RM18.7 million of tenancy agreements are expected to be renewed in the next 12 months after 31 December 2019;
- the Trust generating net operating cash inflows of RM66,564,651 for the financial year ended 31 December 2019. The Directors of the Manager projects continued profitability and operating cash inflows for the Trust in the next twelve months.

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

3. PROPERTY, PLANT AND EQUIPMENT

2019	Balance as at 1.1.2018 RM	Additions RM	Reversal RM	Depreciation charge for the year RM	Balance as at 31.12.2018 RM
Carrying amount					
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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2019	[----- At 31.12.2019 -----]			
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Carrying amount				
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	
2018	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2018 RM
Carrying amount				
Computer equipment	79,565	32,997	(14,488)	98,074
Office equipment	14,913	28,020	(3,431)	39,502
Plant and machinery	-	3,200	-	3,200
	94,478	64,217	(17,919)	140,776
	[----- At 31.12.2018 -----]			
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Computer equipment	117,988	(19,914)	98,074	
Office equipment	43,388	(3,886)	39,502	
Plant and machinery	3,200	-	3,200	
	164,576	(23,800)	140,776	

(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

31 DECEMBER 2019

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
	2019	2018	
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 asset portfolio. As the subsidiaries' financial results are not significant to the Trust, hence these are not separately disclosed.

5. INVESTMENT PROPERTIES

	2019 RM	2018 RM
A. At fair value		
Freehold land and buildings	811,500,000	786,500,000
Leasehold land	102,621,526	104,569,442
Leasehold buildings	322,378,474	330,430,558
	1,236,500,000	1,221,500,000
At beginning of financial year	1,221,500,000	1,194,568,739
Additions	–	97,500
Transferred from capital work in progress	11,260,639	36,239,361
Change in fair value	3,739,361	(9,405,600)
At end of financial year	1,236,500,000	1,221,500,000

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENT PROPERTIES (continued)

	2019 RM	2018 RM
B. Capital work in progress		
At beginning of financial year	6,128,723	15,359,195
Additions	6,289,845	27,008,889
Transferred to investment properties	(11,260,639)	(36,239,361)
At end of financial year	1,157,929	6,128,723
Total end of financial year (A + B)	1,237,657,929	1,227,628,723

- (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 RM1,140,500,000 (2018: RM1,114,500,000) 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:

2019	Tenure of land	Location	Existing use	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						
Subang Parade*	Freehold	Subang	Commercial	286,980,000	440,000,000 ^a	72
Mahkota Parade*	Leasehold [^]	Melaka	Commercial	257,538,630	329,000,000 ^a	54
Wetex Parade*	Freehold	Muar	Commercial	117,500,000	144,500,000 ^a	24
Kulim Central*	Freehold	Kedah	Commercial	98,000,000	130,000,000 ^b	21
Central Square*	Freehold	Kedah	Commercial	83,330,000	97,000,000 ^b	16
Segamat Central	Leasehold [^]	Segamat	Commercial	106,068,739	96,000,000 ^c	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.

[^] The leasehold land for Mahkota Parade and Segamat Central expires in year 2101 and 2116 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. INVESTMENT PROPERTIES (continued)

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

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

^e Based on valuation carried out by Savills (Malaysia) Sdn. Bhd. on 31 December 2018

^f Based on valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 31 December 2018

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

[^] 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 based on Directors' estimation derived from valuation 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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"> - Allowance for void of 4.00% - 15.00% (2018: 2.00% - 15.00%) - Term yield rate of 6.25% - 6.75% (2018: 6.25% - 6.75%) - Reversionary yield rate of 6.75% - 7.25% (2018: 6.75% - 7.25%) - Discount rate of 6.75% - 7.25% (2018: 6.75%) 	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> - Allowance for void was lower/(higher) - Term yield rate was higher/(lower) - Reversionary yield rate was higher/ (lower) - Discount rate was lower/(higher)

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:

	2019 RM	2018 RM
At beginning of financial year	1,221,500,000	1,194,568,739
Additions	11,260,639	36,336,861
Change in fair value	3,739,361	(9,405,600)
At end of financial year	1,236,500,000	1,221,500,000

(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 3.10% (2018: 3.13%) per annum.
- (b) The fixed deposits have been pledged to a licensed bank for bank guarantee facility granted to the Trust.
- (c) The fixed deposits are denominated in RM.
- (d) In respect of interest-earning financial 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
2019			
Floating rates			
Deposits with a licensed bank	1,527,034	–	1,527,034
2018			
Floating rates			
Deposits with a licensed bank	1,447,434	–	1,447,434

7. TRADE RECEIVABLES

	2019 RM	2018 RM
Third parties	25,020,429	20,743,261
Less: Impairment losses	(5,025,580)	(2,526,437)
	19,994,849	18,216,824

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. TRADE RECEIVABLES (continued)

- (a) Trade receivables are classified as financial assets measured at amortised cost.
- (b) The normal credit terms granted by the Trust to the trade receivables are 7 days (2018: 7 days). Interest ranging from 12% to 18% (2018: 12% to 18%) per annum will be imposed on overdue amount.
- (c) The ageing analysis of the Trust's gross receivables (before deducting allowance for impairment loss) is as follows:

31 December 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

31 December 2018

	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	20,743,261	3,161,149	879,601	1,466,933	15,235,578

- (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:

	2019 RM	2018 RM
Maximum exposure, net of impairment	19,994,849	18,216,824
Collateral obtained	31,122,562	29,032,490
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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. TRADE RECEIVABLES (continued)

(e) Credit risk (continued)

(ii) Receivables that are past due not impaired

Included in the past due not impaired of the Trust is an amount of RM10,010,001 (2018: RM5,329,309) as disclosed in Note 11 to the financial statements being amount due from an anchor tenant whom has long business relationship with the Trust. Despite the outstanding amount is currently in the process of litigation as disclosed in Note 29 to the financial statements, the Directors of the Manager opined that it is highly probable of recovering the outstanding amount and will continue to take all necessary action to fully defend the Trust's right and interest in this litigation matter.

(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.

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

	2019 RM	2018 RM
At beginning of financial year	2,526,437	1,745,812
Charge for the year	2,499,143	1,266,563
Reversal for the year	-	(485,938)
At the end of financial year	5,025,580	2,526,437

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

(g) Trade receivables are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 RM	2018 RM
Other receivables	3,997,605	5,488,397
Deposits	381,869	368,689
Prepayments	4,379,474	5,857,086
	1,937,191	1,647,253
Total other receivables	6,316,665	7,504,339

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

(b) Included in other receivables are as follows:

	2019 RM	2018 RM
Amount owing from Property Manager	110,285	3,414,826

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

	2019 RM	2018 RM
Cash and bank balances	10,466,667	13,334,709

(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 in RM.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. TRADE PAYABLES

	2019 RM	2018 RM
Third parties	9,134,723	5,588,271

- (a) Trade payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal credit term granted by trade payables to the Trust are generally from 30 to 60 days (2018: 30 to 60 days).
- (c) The maturity profile of the Trust's trade payables at the end of reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.
- (d) Trade payable are denominated in RM.

11. OTHER PAYABLES AND ACCRUALS

	2019 RM	2018 RM
Non-current liabilities		
Deposits received from tenants	13,289,996	15,901,825
Current liabilities		
Other payables	3,508,444	4,887,129
Accruals	16,691,773	19,112,616
Advance received	1,126,277	1,159,466
Deferred income (Note 7(e)(ii))	10,010,001	5,329,309
Deposits received from tenants	21,621,383	17,906,759
	52,957,878	48,395,279
	66,247,874	64,297,104

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

11. OTHER PAYABLES AND ACCRUALS (continued)

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

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

	2019 RM	2018 RM
Amount owing to Manager	–	30,718
Amount owing to Property Manager	1,020,532	2,416,410

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

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

(d) Other payables and accruals are denominated in 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 RM
2019				
Financial liabilities				
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
2018				
Financial liabilities				
Other payables and accruals (excluding deferred income)	25,159,211	–	–	25,159,211
Deposits received from tenants	17,906,759	15,901,825	–	33,808,584

NOTES TO THE FINANCIAL STATEMENTS

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12. BANK BORROWINGS

	2019 RM	2018 RM
Secured		
Current liabilities		
- Short term revolving credit	15,000,000	15,000,000
Secured		
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	64,971,883
- MOD 6	32,000,000	32,000,000
- Term loan	30,000,000	30,000,000
	548,090,863	548,071,883
	563,090,863	563,071,883

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

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

MOD 1, MOD 2, MOD 3, MOD 4, MOD 5 and MOD 6 bear interest rate at cost of fund plus 100 basis points (2018: cost of fund plus 70 basis points). The effective interest rates on MODs are ranging from 4.50% to 4.70% (2018: 4.33% to 4.54%) per annum.

- (d) The term loan is secured by way of fixed charge over Mahkota Parade and the principal amount is repayable via a bullet repayment at the end of the 7 years tenure in year 2021. The term loan bear interest rate at cost of funds plus 100 basis points (2018: cost of fund plus 70 basis points) and interest is to be serviced monthly in arrears. The effective interest rate on the term loan is 4.64% (2018: 4.55%) per annum.
- (e) Short term revolving credit is secured by way of fixed charge over Mahkota Parade and bears interest rate at cost of fund plus 100 basis points (2018: cost of fund plus 70 basis points). The effective interest rate on short term revolving credit is 4.53% (2018: 4.45%) 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 6 January 2020.
- (f) Borrowings are categorised as Level 2 in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. BANK BORROWINGS (continued)

(g) All borrowings are denominated in RM.

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2019				
Financial liabilities				
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
2018				
Financial liabilities				
Short term revolving credit	15,600,000	-	-	15,600,000
MODs	19,887,875	595,490,051	-	615,377,926
Term loan	1,200,000	30,000,000	-	31,200,000

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2019				
Floating rates				
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
2018				
Floating rates				
Short term revolving credit	15,000,000	-	-	15,000,000
MODs	-	518,071,883	-	518,071,883
Term loan	-	30,000,000	-	30,000,000
	15,000,000	548,071,883	-	563,071,883

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. BANK BORROWINGS (continued)

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

	2019 RM	2018 RM
Profit after taxation		
- increase by 1% (2018: 1%)	4,279,491	4,279,346
- decrease by 1% (2018: 1%)	(4,279,491)	(4,279,346)

The sensitivity for the Trust is higher in 2019 than in 2018 because of the higher loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

- (k) Reconciliation of liabilities from financing activities

	2019 RM	2018 RM
As at 1 January	563,071,883	557,057,483
Cash flows from financing activities	18,980	6,014,400
As at 31 December	563,090,863	563,071,883

13. DEFERRED TAX LIABILITIES

	2019 RM	2018 RM
At beginning of financial year	-	-
Recognised in profit or loss (Note 20)	28,171,132	-
At end of financial year	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 the Trust is 10%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. UNITHOLDERS' CAPITAL

	2019		2018	
	Number of units	RM	Number of units	RM
Issued and fully paid				
Balance as at 1 January/31 December	461,960,178	492,500,449	461,960,178	492,500,449

As at 31 December 2019, the Manager hold 1,089,172 (2018: 1,089,172) units in Hektar REIT. However, the Directors of the Manager and their related parties held units in Hektar REIT as follows:

	2019		2018	
	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.	150,814,666	32.65	164,231,266	35.55
The Manager's related parties' direct unitholdings in Hektar REIT:				
Hektar Black Sdn. Bhd.	150,814,666	32.65	164,231,266	35.55

15. GROSS REVENUE

	2019 RM	2018 RM
Rental income	95,053,646	97,686,828
Service and promotional charges	21,715,118	20,938,193
Carpark income	13,701,020	13,287,228
Hotel income	3,574,360	171,359
Other operating income	3,045,339	3,023,110
	137,089,483	135,106,718

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. GROSS REVENUE (continued)

(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:

	2019	2018
	RM	RM
Not later than one (1) year	21,135,830	23,870,215
Later than one (1) year and not later than five (5) years	62,233,618	79,871,240
More than five (5) years	829,165	3,026,241
	84,198,613	106,767,696

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. PROPERTY OPERATING EXPENSES

	2019 RM	2018 RM
Assessment and quit rent	4,434,243	4,450,907
Marketing and promotions	2,862,514	3,167,148
Property management fee	2,480,709	2,310,675
Property maintenance	43,872,854	38,595,676
Utilities	7,100,748	6,696,212
Insurance	902,699	1,169,859
	61,653,767	56,390,477

Property management fee of RM2,480,709 (2018: RM2,310,675) incurred is payable to Hektar Property Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

17. MANAGER'S FEES

	2019 RM	2018 RM
Base fee	4,418,557	4,391,416
Performance fee	3,919,741	4,052,448
	8,338,298	8,443,864

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 2019, the base fee shall be 0.35% (2018: 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 2019, the performance fee shall be 5.0% (2018: 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 2019, the Trustee's fee shall be 0.08% (2018: 0.08%) per annum of the Net Asset Value of the Trust including the Manager's fees.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

19. INTEREST EXPENSE

	2019 RM	2018 RM
Interest paid/payable:		
- short term revolving credit	686,794	667,492
- MODs	24,103,117	23,251,685
- term loan	1,375,929	1,364,987
	26,165,840	25,284,164

20. TAXATION

	2019 RM	2018 RM
Recognised in profit or loss		
Current tax expenses		
- Current year	-	-
Deferred tax expenses		
- Relating to origination of temporary differences	28,171,132	-
Total tax expense	28,171,132	-

Reconciliation of the tax expense is as follows:

	2019 RM	2018 RM
Profit before tax	39,613,619	33,128,576
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	9,507,269	7,950,858
Tax effects in respect of:		
Non-allowable expenses	2,753,581	1,671,080
Income not subject to tax	(6,397,225)	(2,193,618)
Effect of income distribution exempted from tax	(5,863,625)	(7,428,320)
Deferred real property gains tax on investment properties	28,171,132	-
Income tax expense	28,171,132	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 in the same year of assessment.

Hektar REIT will not incur any tax exposure during the financial year as it distributed more than 90% of its realised income available for distribution for the financial year ended 31 December 2019 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

	2019 No. of unit	2018 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 income for the financial year of RM19,780,785 (2018: RM41,572,440) after adding back Manager's fee and number of units in circulation for 2019 and 2018 respectively of 461,960,178 (2018: 461,960,178).
- The calculation of earnings per unit (total) after Manager's fee is based on Trust's net income for the financial year of RM11,442,487 (2018: RM33,128,576) to the number of units in circulation for 2019 and 2018 respectively of 461,960,178 (2018: 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 RM44,212,556 (2018: RM50,712,513) after adding back Manager's fee and number of units in circulation for 2019 and 2018 respectively of 461,960,178 (2018: 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 RM35,874,258 (2018: RM42,268,649) to the number of units in circulation for 2019 and 2018 respectively of 461,960,178 (2018: 461,960,178).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

22. INCOME DISTRIBUTION

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

	2019 RM	2018 RM
Net rental income	75,435,716	78,716,241
Interest income	413,095	403,553
Reversal of impairment loss on trade receivables	–	485,938
Other income	240,939	372,460
	76,089,750	79,978,192
Less: Expenses	(40,215,492)	(37,709,543)
As per realised undistributed income	35,874,258	42,268,649
Add: Profit not subject to distribution (Note 22 (b))	(48,184)	(71,767)
Balance undistributed income	35,826,074	42,196,882
Gross provision for distribution per unit (sen):		
- Interim	5.77	6.70
- Final	2.00	2.31
	7.77	9.01
Net provision for distribution per unit (sen)*:		
- Interim	5.77	6.70
- Final	2.00	2.31
	7.77	9.01

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

	2019 RM	2018 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%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

22. INCOME DISTRIBUTION (continued)

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

	2019 RM	2018 RM
Revenue	128,552	124,095
Other income	967	876
Expenses	(81,335)	(53,204)
Profit for the financial year	48,184	71,767

23. PORTFOLIO TURNOVER RATIO

	2019	2018
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

	2019	2018
Management expense ratio ("MER") (%)	1.84	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.

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:

	2019 RM	2018 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	196,383	190,788

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

26. CAPITAL COMMITMENT

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

	2019 RM	2018 RM
Approved and contracted for:		
- Refurbishment of investment properties	1,273,040	4,879,395

27. CAPITAL MANAGEMENT

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

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

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

	2019 RM	2018 RM
Non-current assets	1,239,298,062	1,229,216,933
Current assets	36,778,181	39,055,872
Total assets value	1,276,076,243	1,268,272,805
Total borrowings	563,090,863	563,071,883
Gearing ratio	44.13%	44.40%

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 28 August 2019, the Trust had secured a new banking facility of RM60 million at cost of fund plus 1.00% of which RM32 million is to refinance MOD 6 (secured by way of fixed charge over Central Square).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. 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 20 January 2020, the Court of Appeal decided that the Judicial Review Application by Hektar REIT be re-instated and remitted to the High Court of Malaya in Malacca in order for the substantive Judicial Review Application to be heard on its merits at the inter-parte stage. The Court of Appeal awarded cost of RM15,000 each to be paid by the respondents (JMB members and Commissioner of Buildings Malacca) to Hektar REIT. The Judicial Review Application is now fixed for case management in the High Court of Malaya in Malacca on 14 April 2020.

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, the written grounds of judgment were issued by the Sessions Court on 30 June 2019 and the High Court had subsequently fixed the notice of appeal for hearing on 5 March 2020. Due to the sudden demise of Hektar's appointed legal counsel for this matter which necessitated a change of legal counsel, on application by Hektar REIT, the High Court had granted a postponement of the hearing and fixed the initial hearing date of 5 March 2020 for case management instead.

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, the application for leave to appeal to the Federal Court filed by The Store has been adjourned to 16 April 2020.

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

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, the High Court had, on 17 July 2019, granted a conditional stay of execution in favor of The Store, subject to the payment of double rental in the sum of RM5,518,811.88 to be deposited by The Store into a joint stakeholders account of Hektar REIT's solicitors (Messrs Han & Partners) and The Store's solicitors (Messrs Gideon Tan Razali Zaini). On 15 August 2019, The Store had made payment for the sum of RM5,518,811.88 and deposited the same into the joint stakeholder solicitors' account.

In the meantime, the Court of Appeal had fixed the notice of appeal for hearing on 13 February 2020. However, it was adjourned to 14 August 2020.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. 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, the Sessions Court had vacated the earlier decision date scheduled on 3 October 2019 and proceeded to fix a further trial date on 14 October 2019 for assessment of damages. On 14 October 2019, after concluding the trial for assessment of damages, the Sessions Court had fixed the matter for decision on 23 January 2020 but subsequently postponed the decision to 12 March 2020.

The management 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)

On 14 March 2019, Eng Hiap Seng (Rengit) SB ("Rengit") had filed a writ of summons against Hektar REIT and Hektar Property Services ("HPS") seeking, amongst others, the following:-

1. a declaration that Hektar REIT and HPS are not entitled to enter or cross into Rengit's land known as GRN 95172, Lot 229, Bandar Maharani, Daerah Muar, Negeri Johor ("Neighbouring Property").
2. an injunction against Hektar REIT and HPS, its tenants, agents, employees, servant, representatives, contractors or visitors from entering, trespassing or crossing the Neighbouring Property;
3. Specific performance of Hektar REIT and HPS to demolish any part of the building which trespassed or crossed into the Neighbouring Property;
4. General damages.

Subsequently, Rengit had, on 8 July 2019, filed an application for summary judgment of this case and on the hearing date on 25 November 2019, the High Court dismissed Rengit's summary judgment application and awarded costs of RM4,500.00 to be paid by Rengit to Hektar REIT. The High Court subsequently fixed the main action for case management on 13 January 2020.

On 13 January 2020, Hektar REIT's lawyers informed the High Court of Hektar REIT's intention to file an application for leave to issue a third party notice and the High Court then fixed the matter for further case management on 17 February 2020. The notice of application for leave to issue a third party notice against Wetex Realty Sdn Bhd (the previous proprietor of Classic Hotel and Wetex Parade) was filed on 24 January 2020 and on 17 February 2020. The High Court granted an order allowing for the issuance of the said third party notice and fixed the matter for further case management on 26 March 2020.

30. OPERATING SEGMENT

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

31.1 New MFRSs adopted during the financial year

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117.

31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

Title	Effective Date
<i>Amendments to 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
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

31.3. IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Trust is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2021.

ANALYSIS OF UNITHOLDERS

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2019 (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>	89,680,600	19.41
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	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	5,448,600	1.18
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR ASIAHALL SDN BHD (PBCL-0G0667)</i>	4,177,800	0.90
7	PERMODALAN NASIONAL BERHAD	3,222,800	0.70
8	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	3,222,800	0.70
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>VALUECAP SDN BHD</i>	3,222,800	0.70
10	HANG MEI LING	1,763,000	0.38
11	KIM GAP YONG	1,240,000	0.27
12	CHIN THEN HEE	1,214,300	0.26
13	CHOW HON KEONG	1,141,000	0.25
14	HEKTAR ASSET MANAGEMENT SDN BHD	1,089,172	0.24
15	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW SUN YICK</i>	1,080,000	0.23
16	TIONG TAI CHEN	1,071,900	0.23
17	MOK TECK LIANG	1,056,700	0.23
18	HO CHIN WEONG	1,032,000	0.22
19	TEW PENG HWEE @ TEOH PENG HWEE	1,000,073	0.22
20	LING THIK PING	1,000,000	0.22

ANALYSIS OF UNITHOLDERS

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2019 (AS PER RECORD OF DEPOSITORS) (continued)

No.	Name of Unitholders	No. of Units	%
21	CHAN KIN YOONG	1,000,000	0.22
22	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (BALANCED FUND)</i>	951,551	0.21
23	LIEW YOON YEE	950,086	0.21
24	LIM SAN LEE	938,152	0.20
25	YEOH LAY ENG	900,113	0.19
26	RUZIAH BINTI MOHD AMIN	820,000	0.18
27	YAP AH KOW @ YAP SWEE FATT	800,000	0.17
28	TAN BENG GUAN	800,000	0.17
29	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR HEKTAR GREEN SDN BHD</i>	800,000	0.17
30	LIM PEK HOOI	779,000	0.17
TOTAL		335,434,911	72.61

UNITHOLDERS AS AT 31 DECEMBER 2019

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	145	2.70%	3,647	0.00%
100 to 1,000	770	14.35%	501,368	0.11%
1,001 to 10,000	2,502	46.64%	12,556,418	2.72%
10,001 to 100,000	1,653	30.81%	53,960,333	11.68%
100,001 and above	295	5.50%	394,938,412	85.49%
Directors Shareholding	0	0.00%	0	0%
Total	5,365	100.00%	461,960,178	100.00%

ANALYSIS OF UNITHOLDERS

CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2019

Category of Unitholders	No. of Holders			No. of Units			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1 Individual	88	3,779	84	1,823,951	100,708,687	3,916,912	0.39	21.80	0.84
2 Body Corporate									
a. Bank/Finance Companies	3	-	-	6,465,600	-	-	1.40	-	-
b. Investments trusts/foundations/charities	1	4	-	10,000	214,513	-	0.00	0.05	-
c. Other types of Companies	9	26	3	1,748,735	3,401,908	89,850,000	0.38	0.74	19.45
3 Government agencies Institutions	-	-	-	-	-	-	-	-	-
4 Nominees	884	432	52	84,731,944	21,873,821	147,214,107	18.34	4.74	31.87
5 Others	-	-	-	-	-	-	-	-	-
Sub Total	985	4,241	139	94,780,230	126,198,929	240,981,019	20.51	27.33	52.16
Malaysian Total		5,226			220,979,159			47.84	
Grand Total (Malaysian + Foreign)		5,365			461,960,178			100.00	

GLOSSARY

The Trust / the Fund	: Hektar Real Estate Investment Trust
AEI	: Asset Enhancement Initiative
AGM	: Annual General Meeting
ARC	: Audit & Risk Committee
AUM	: Assets Under Management
Board	: Board of Directors of the Manager
bps	: Basis Points
Bursa Securities / the Exchange	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
CAGR	: Compounded Annual Growth Rate
CAPEX	: Capital Expenditure
CEO	: Chief Executive Officer
CPI	: Consumer Price Index
CSR	: Corporate Social Responsibility
CDS	: Central Depository System
Deed	: The Trust Deed dated 5 October 2006 constituting Hektar REIT and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between the Manager and the Trustee
DPU	: Dividend Per Unit / Distribution per Unit
EPU	: Earnings per Unit
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	: Hektar Asset Management Sdn. Bhd., Manager of Hektar REIT
HPSSB / HPS	: Hektar Property Services Sdn. Bhd., the Property Manager of Hektar REIT
IPO	: Initial Public Offering. Hektar REIT's IPO was completed on 4 December 2006
KLCI	: FTSE Bursa Malaysia Kuala Lumpur Composite Index
Listing Requirements	: Bursa Malaysia Securities Berhad Main Market Listing Requirements
Manager	: Hektar Asset Management Sdn Bhd (Company No. 732261-T), being the management company of Hektar REIT
M-REIT	: Malaysian Real Estate Investment Trust
MER	: Management Expense Ratio
MTN	: Medium Term Note
N/A or NA	: Not Applicable
NAV	: Net Asset Value
NBV	: Net Book Value

GLOSSARY

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting (“AGM”) of Hektar Real Estate Investment Trust (“Hektar REIT”) will be held at the Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Monday, 20th April 2020 at 10.30 a.m. for the following purpose:

AS ORDINARY BUSINESS

1. To lay the Audited Financial Statements of Hektar REIT for the financial year ended 31 December 2019 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 authorized to allot and issue new units in Hektar REIT (Units) from time to time to such persons and for such purposes as the Manager may in its absolute discretion deem fit and in the best interest of Hektar REIT, provided that the number of new Units to be allotted and issued pursuant to this resolution does not exceed 92,392,036 representing 20% of the existing fund size of Hektar REIT;

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

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

whichever occurs first (Validity Period);

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

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

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

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

Dato' Muhammad Hafidz bin Nuruddin (MAICSA 7005820)

Lim Seck Wah (MAICSA 0799845)

Joint Company Secretaries

Kuala Lumpur, 27 February 2020

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. Where a unitholder is an exempt authorised nominee which holds units in Hektar REIT for multiple beneficial owners in one account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorized in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy shall be deposited at the Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 14 April 2020 shall be entitled to attend and speak at the AGM or appoint proxy(ies) to attend on his behalf.

Explanatory Note A

This Agenda is meant for discussion only as in accordance with the provision under the Guidelines on 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.



HEKTAR REAL ESTATE INVESTMENT TRUST
(Incorporated in Malaysia)

PROXY FORM

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

CDS Account No.	
No. of units held	

I/We _____ (Full name in block letters)

I.C No./Co.No.: _____ of _____

_____ (full address) being a unitholder(s) of

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

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

as my/our proxy to attend on my/our behalf at the unitholders' 8th Annual General Meeting ("AGM") to be held at the Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Monday, 20th April 2020 at 10.30 a.m or at any adjournment thereof. My /our proxy is to vote as indicated below:-

Dated this day of 2020

.....
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				

Notes :

- 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 Registrar's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.*
- Only unitholders registered in the Record of Depositors as at 14 April 2020 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.*



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AFFIX
STAMP

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

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SALIENT FEATURES

Fund Name	Hektar Real Estate Investment Trust (HEKTAR)
Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Fund Duration	On the occurrence of any of events listed in Clause 16.2 of the Trust Deed dated 5 October 2006
Investment Objectives	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
Investment Strategies	<p>We aim to achieve the objective of the Fund with the following:</p> <ul style="list-style-type: none"> • Invest and manage real estate assets predominantly involved in retail and/or shopping centres; • Acquire and manage future assets which are income-producing properties or possess significant potential for income growth; • Focus on investing under a long-term investment horizon; • Manage and continue to extract synergies and efficiencies from the existing portfolio; and • Finance operations and investments under a conservative conducive capital structure
Authorised Investments	<ul style="list-style-type: none"> • 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
Approved Fund Size	461,960,178 Units
Financial Period	Financial year ended / ending 31 December
Distribution Policy	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
Borrowing Limitations	Up to 50.0% of total asset value of the Fund at the time the borrowings are incurred
Revaluation Policy	The real estates shall be revalued at least once a financial year based on an independent professional valuation pursuant to the SC REIT Guidelines
Management Fee	<ul style="list-style-type: none"> • Base Fee: up to 1.0% per annum of the GAV (FY 2019 actual: 0.35%) • Performance Fee: up to 5.0% per annum of the NPI (FY 2019 actual: 5.0%), before management fee • Acquisition Fee: up to 1.0% of the acquisition value of any asset being real estate, purchased by the Trustee for the Fund. • 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
Trustee Fee	Up to 0.1% per annum of the NAV of the Fund payable annually in arrears (FY 2019 actual: 0.08%)
Financial Period	Financial year ended / ending 31 December
Minimum Investment	100 units per board lot
Stock Code	HEKTAR 5121
Date of Listing	4 December 2006



www.HektarREIT.com



This annual report is printed on recycled paper and is recyclable. The online version is available in the 'Investor Relations' section of our website.