

SUBANG PARADE

MAHKOTA PARADE

WETEX PARADE

CENTRAL SQUARE

KULIM CENTRAL

SEGAMAT CENTRAL

www.HektarREIT.com



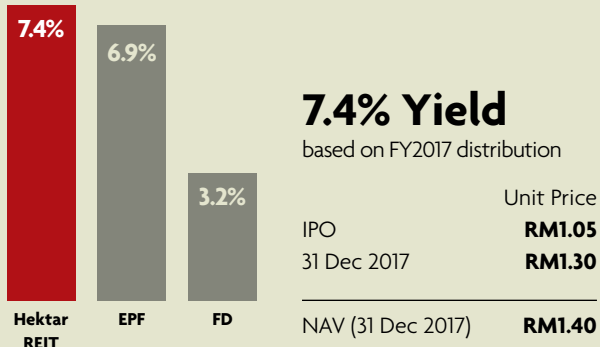
HEKTAR REAL ESTATE INVESTMENT TRUST

ANNUAL REPORT 2017

**H**  
HEKTAR  
REIT  
ANNUAL  
REPORT  
2017

# CONSISTENCY

## HIGH YIELD



Sources: Bloomberg. Hektar REIT yield based on closing price of RM1.30 on 31 December 2017 and FY17 DPU of 9.60 sen.

## QUALITY ASSETS

Hektar's portfolio consists of mainly **neighbourhood-focused** shopping centres throughout Malaysia.

Market Catchment<sup>1</sup>

**3.0 million** residents

Number of Tenancies<sup>2</sup>

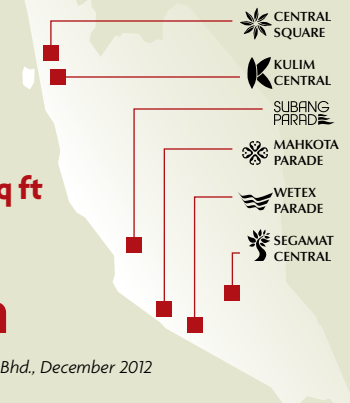
**520**

Net Lettable Area

**2.0 million** sq ft

Visitor Traffic

**29.4 million**



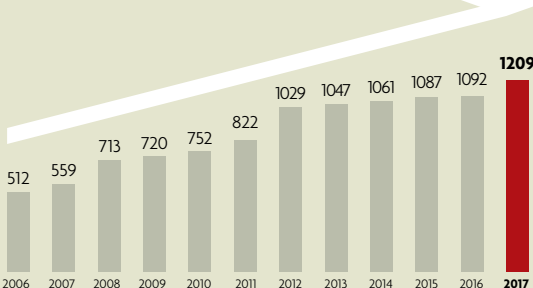
<sup>1</sup> Source: Spectrum Research Asia Sdn. Bhd., December 2012 (Independent Research).

<sup>2</sup> NLA Tenants only.

## VALUE CREATION

Steady track record of **value creation** since IPO (RM million).

**CAGR\* of 8.1%**



\* CAGR – Compound Annual Growth Rate

## HIGH OCCUPANCY

Occupancy of Hektar REIT's portfolio is amongst the highest in the market.



**H**ektar Real Estate Investment Trust (Hektar REIT) is Malaysia's first retail focused REIT. Hektar REIT's principal objective is to provide its Unitholders with 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 shopping centres 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 Securities Berhad 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 Fraser & Neave Group, headquartered in Singapore.

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



## **H** IT'S OUR PLACE

Our vision is to develop, 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, shoppers and developers.

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# FINANCIAL HIGHLIGHTS

## PROFIT & LOSS

For Financial Year ended 31 December

RM'000	FY2017	FY2016	FY2015	FY 2014	FY 2013
Gross Revenue	<b>125,543</b>	124,571	125,511	121,991	120,235
Direct Cost & Property Expenses	<b>51,805</b>	50,236	49,028	48,714	46,120
Net Property Income (NPI)	<b>73,738</b>	74,335	76,483	73,277	74,115
Net Income	<b>32,696</b>	43,158	4,759	50,387	58,766
Earnings Per Unit*	<b>7.82*</b>	10.53	1.19	12.58	14.67
Net Income – Realised	<b>40,134</b>	41,546	44,693	44,261	46,134
Net Income Per Unit – Realised (sen)	<b>9.60</b>	10.14	11.16	11.05	11.52
Income Distribution	<b>40,485</b>	42,067	42,067	42,067	42,067
Distribution Per Unit (DPU) (sen)	<b>9.6</b>	10.5	10.5	10.5	10.5
Change in Unit Price (sen)	<b>(23.0)</b>	4.0	3.0	(1.0)	4.0
Annual Total Return per Unit (sen)	<b>(13.4)</b>	14.5	13.5	9.5	14.5
Annual Total Return per Unit (%)**	<b>(7.6)</b>	9.3	8.9	6.4	9.7

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

\*\*Calculated based on the Closing Price of each year

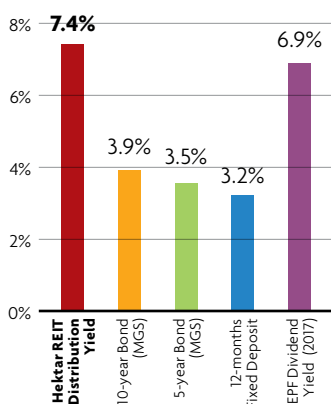
## BALANCE SHEET

As at 31 December

RM'000	FY2017	FY2016	FY2015	FY 2014	FY 2013
Total Assets	<b>1,252,357</b>	1,131,863	1,116,315	1,110,046	1,085,103
Total Liabilities	<b>603,488</b>	546,395	531,938	488,362	471,739
Total Borrowings	<b>557,057</b>	508,200	494,215	453,876	436,100
Gearing Ratio (%)	<b>44.5</b>	44.9	44.3	40.9	40.2
No. of Units in Circulation (Units)	<b>461,960</b>	400,634	400,634	400,634	400,634
Net Asset Value (NAV)	<b>648,869</b>	585,468	584,377	621,684	613,364
NAV per Unit (RM)	<b>1.40</b>	1.46	1.46	1.55	1.53
Lowest NAV during the period (RM)	<b>1.38</b>	1.45	1.46	1.52	1.48
Highest NAV during the period (RM)	<b>1.48</b>	1.48	1.52	1.55	1.53
Unit Price as at 31 December (RM)	<b>1.30</b>	1.56	1.52	1.49	1.50
Premium/(Discount) to NAV (%)	<b>(7.1)</b>	6.8	4.1	(3.9)	(2.0)

## COMPARATIVE YIELDS

FY2017



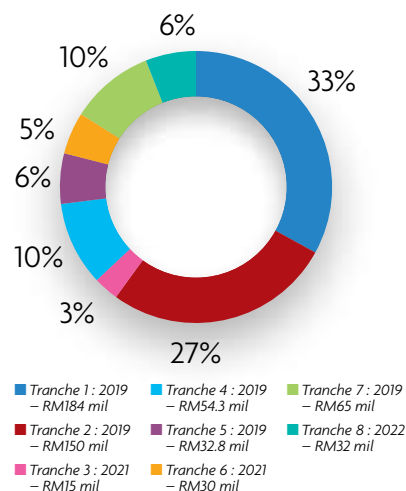
## UNIT PRICE PERFORMANCE

FY2017

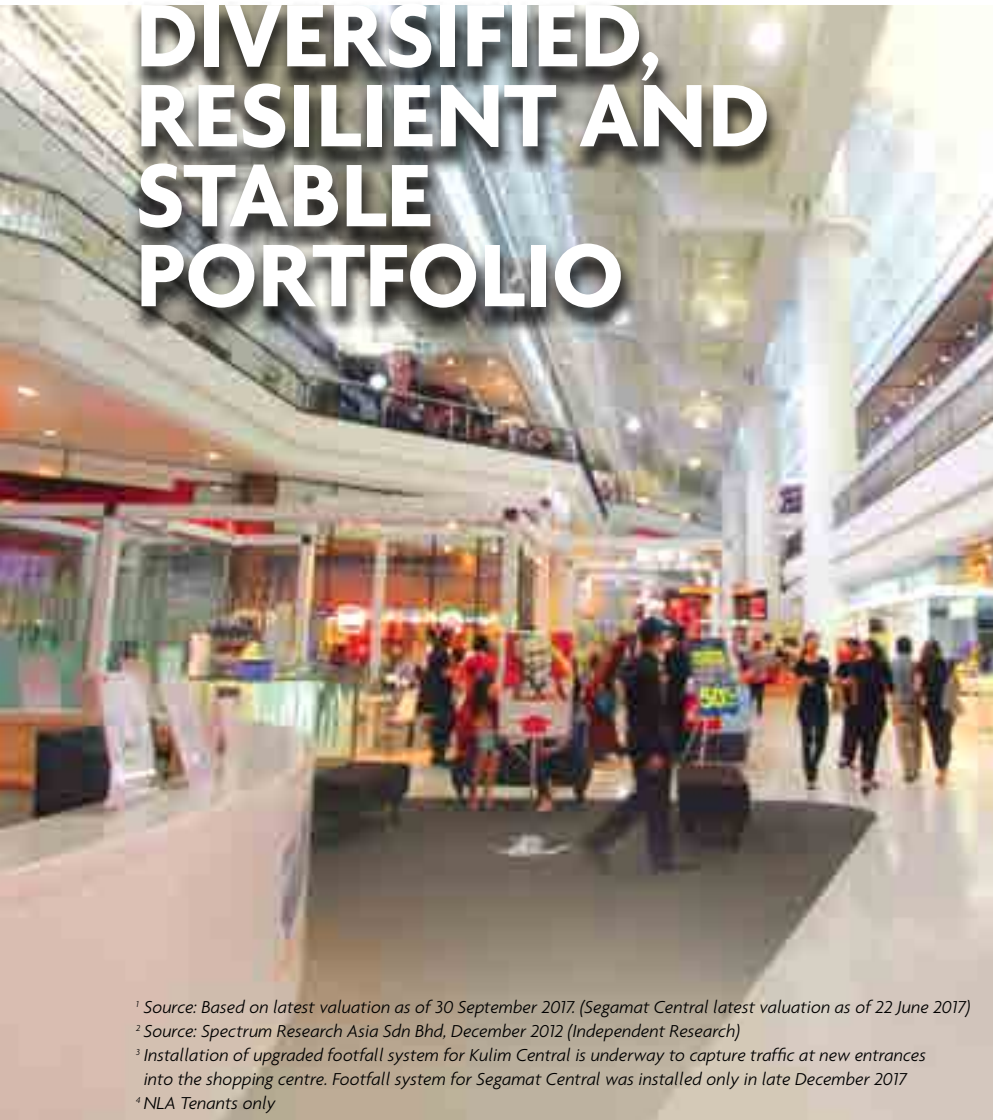


## DEBT EXPIRY PROFILE

As at 31 December 2017



# DIVERSIFIED, RESILIENT AND STABLE PORTFOLIO



<sup>1</sup> Source: Based on latest valuation as of 30 September 2017. (Segamat Central latest valuation as of 22 June 2017)  
<sup>2</sup> Source: Spectrum Research Asia Sdn Bhd, December 2012 (Independent Research)  
<sup>3</sup> Installation of upgraded footfall system for Kulim Central is underway to capture traffic at new entrances into the shopping centre. Footfall system for Segamat Central was installed only in late December 2017  
<sup>4</sup> NLA Tenants only

2017

2.0

Million square feet  
**NET LETTABLE AREA**

6

Malls across Peninsular Malaysia  
**NUMBER OF PROPERTIES**

1.2

RM Billion  
**MARKET VALUATION<sup>1</sup>**

3.0

Million residents  
**MARKET CATCHMENT<sup>2</sup>**

29.4

Million shoppers  
**VISITOR TRAFFIC<sup>3</sup>**

520

Tenants  
**NUMBER OF TENANCIES<sup>4</sup>**

## INCOME DISTRIBUTION

FY2017

Interim 1 <sup>st</sup> Quarter DPU	2.30 sen
Interim 2 <sup>nd</sup> Quarter DPU	4.00 sen
<i>Including for the period July to August</i>	
Final DPU	3.30 sen
<i>Including for the month of September</i>	
Total DPU	9.60 sen
DPU Yield*	7.4%

\*Based on DPU of 9.60 sen and the closing unit price of RM1.30 for FY2017. Source: Bloomberg

## UNIT PRICE STATISTICS

FY2017

High	RM1.63
Low	RM1.16
Opening Price (1 Jan 2017)	RM1.53
Closing Price (29 Dec 2017)	RM1.30
Change In Price	-15.0%

## AVERAGE TOTAL RETURN\*

For 1 year (2017)	-7.6%
For 3 years (2015–2017)	3.5%
For 5 years (2013–2017)	5.3%

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

## TOTAL RETURN\*

For 3 years (2015–2017)	10.6%
For 5 years (2013–2017)	26.7%

\*Based on the Total Return of each year and the Closing Price as at 31 December 2017.

## DEBT STRUCTURE

As at 31 December 2017

Al-Murabahah/Overdraft	
<i>Fixed Term Loan, Annual Floating Rate and Fixed Term Loan, Annual Fixed Rate</i>	
Total Debt	RM557 million
Weighted Cost of Debt	4.2%
Gearing Ratio <sup>1</sup>	44.5%
Interest Cover	2.41

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



## CORPORATE STRATEGY

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

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### GOALS

- ❑ To double Hektar REIT’s asset portfolio every decade
- ❑ To pay attractive Distribution Per Unit (“DPU”) relative to the market
- ❑ To form a solid and defensible portfolio to create stable and sustainable value to its stakeholders

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### PORTFOLIO OPTIMISATION

This is emphasised by our current business model and it involves methodology aimed at improving the operating and financial performance of Hektar REIT’s properties.

Provide Sustainable Returns and Income Defensibility of portfolios by:

- ❑ **Active Leasing:** aligning the tenancy mix to the needs of the target shoppers
- ❑ **Advertising & Promotion:** aggressive marketing to retain consumer interest and improve visitor traffic
- ❑ **Value Creation Initiatives:** improvements including asset enhancement and refurbishment designed to improve long-term yields

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### YIELD-ACCRETIVE ACQUISITIONS

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

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

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### CAPITAL MANAGEMENT

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

- ❑ Initiative to reduce borrowing costs
- ❑ Initiative to diversify sources of debt funding
- ❑ Maintaining a reasonable level of debt service capability

A portrait of Michael Lim Hee Kiang, an elderly man with glasses, wearing a dark blue suit, a white shirt, and a red patterned tie. He is looking directly at the camera with a neutral expression.

# LETTER TO UNITHOLDERS

“It is my pleasure to present to you the Annual Report for Hektar REIT for the financial year ended 31 December 2017 (“FY 2017”), on behalf of the Board of Directors and management of Hektar Asset Management Sdn. Bhd. (“HAMSB”), the Manager of Hektar REIT (“the Manager”).

**MICHAEL LIM HEE KIANG**  
*Independent Non-Executive Chairman*

## 6 LETTER TO UNITHOLDERS

Dear Unitholders,

It is my pleasure to present to you the Annual Report for Hektar REIT for the financial year ended 31 December 2017 ("FY 2017"), on behalf of the Board of Directors and management of Hektar Asset Management Sdn. Bhd. ("HAMS B"), the manager of Hektar REIT ("the Manager").

### OPERATING ENVIRONMENT AND MARKET REVIEW

The year has been dominated by low consumer sentiment, driven by inflationary pressures. The weakened Ringgit, on a slow albeit sustained recovery trail from its lowest level in 19 years, raised costs for manufacturers and retailers. As consumers anticipated further increases in price levels despite stagnant income, MIER's Consumer Sentiment Index (CSI) hovered at below 90 throughout the year. 2017 also saw the exit of several well-known international retail brands from the Malaysian market.

The popularity of online shopping, particularly amongst urban Malaysians, has accelerated in 2017. Driven by the allure of convenience and price-sensitive promotions, consumers exchanged traditional brick-and-mortar channels with online ones. In their competition for market share, online retailers have responded to the increased demand by offering deep discounts and flash sales.

Nevertheless, stock of retail space continues to be on the rise, with Bank Negara Malaysia projecting an additional 140 new shopping malls in the country by 2021. Intense competition amongst existing shopping malls, compounded with the prospect of an additional 6 million square feet of retail space entering the market within the next 3 years, gave rise to concerns over impending oversupply of retail space in the country. This eventually prompted the Cabinet to instruct Dewan Bandaraya Kuala Lumpur (DBKL) to temporarily freeze approvals for new shopping malls from November 2017, within the Kuala Lumpur vicinity.

Whilst challenges continue to persist, the industry remains fundamentally strong with many opportunities available to its players. All in all, Hektar REIT's properties have been able to weather the challenges handed by 2017 through prudent management and focus on value creation and delivery. Despite shedding some occupancy due to vigorous changes to the retail mix, the portfolio enjoyed an overall Occupancy Rate of above 95% in 2017. This was a result of continued efforts in realigning the retail mix to changing consumer lifestyle and demands. Over the year, we have actively shifted our retail mix to one with a higher emphasis on consumer lifestyle, as we listened and adapted to changes in consumer habits. These were supported by investments made in Asset Enhancement Initiatives, which were aimed at transforming existing assets to improve the shopping experience for customers and the overall business of our tenants.

### FINANCIAL REVIEW

Hektar REIT's financial performance in 2017 was commendable given the tough operating environment. Whilst the effects of the challenging operating environment were felt in the earlier quarters of 2017, the year ended on a highly encouraging note as the benefits of our investments and efforts led results into a positive direction. As of 31 December 2017, revenue stood at RM125.5 million, an increase compared to the same period in the preceding year. With tenant remixing at Kulim Central (formerly known as "Landmark Central") due to the shopping mall's additional net lettable area from the AEI which was successfully completed in December 2017, as well as tenant remixing undertaken at Subang Parade in preparation for its upcoming AEI. Total realised income was RM40.1 million for FY2017, a slight decrease when compared to the preceding year of 2016. As these initiatives were employed for the long-term growth of the respective properties, however, realised income is expected to rise as their benefits begin to positively affect the bottom line from 2018 onwards. This shall be supported by the cost and efficiency improvements that have been carried out. The improvements included energy saving initiatives, which have resulted in quick, significant and sustainable reductions in operating costs.

### UNDISRUPTED DISTRIBUTION

Hektar REIT continues to maintain its 11-year track record of undisrupted distribution since the IPO in 2006. Despite the fluctuations in today's retail environment, we have managed to deliver consistent, undisrupted distribution for our Unitholders. Behind the history lies our commitment to deliver the best value to you, in good times and tough times. In the face of short-term challenges, we remain ever focused on forging ahead. The level of distribution represents a balance between good returns today and sensible investment to realise medium- and long-term growth. Whilst much of that growth is expected to be organic via enhancement of current assets, we are also ready to acquire high potential targets, whenever the right opportunities appear.

This year, Hektar REIT has declared a full year Dividend Per Unit of 9.60 sen. With the commitment of delivering sustainable distribution and continuous growth in total return to unitholders, the Management has succeeded in distributing a total of almost RM411 million between 2006 and 2017, including final distributions for 2017. In FY2017, whilst market forces have subdued reversion rates, there have been notable improvements in turnover rent, due to the success tenants enjoyed in our properties.

Staying true to our shopping centres' motto of "It's Our Place", we remain committed to creating retail experiences that meet the expectations of consumers. We understand our role and responsibilities within the various communities we are located,

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**"As of 31 December 2017, revenue stood at RM125.5 million, an increase compared to the same period in the preceding year."**

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“Despite shedding some occupancy due to vigorous changes to the retail mix, the portfolio enjoyed an overall Occupancy Rate of above 95% in 2017.”

and strive to remain an important component of the Malaysian lifestyle. We shall achieve this by embracing change and continually improving to deliver value to all.

### ENHANCING OUR PORTFOLIO FOR LONG-TERM GROWTH

The success of Hektar REIT malls depends on our capability to adapt to market trends and stay relevant to our shoppers and the community. In the fourth quarter of 2017, we completed the enhancement of Kulim Central in Kedah. It was an initiative that included conversion of common and car park areas into retail space for a wider range of fashion, household, services as well as food and beverage offerings. This was one of many in our series of initiatives toward driving growth organically. On this note, Subang Parade is currently undergoing a tenant remixing exercise which will be supported by upgrading and expansion works that, when completed, would further solidify its position as a key destination within not only Subang Jaya, but also Klang Valley.

In 2017, we also welcomed Segamat Central (formerly known as 1 Segamat) into our portfolio. We are highly encouraged by the potential of this shopping centre, and its acquisition represents part of our efforts in growing through yield-accretive acquisitions.

### SUSTAINABLE GROWTH THROUGH EFFECTIVE CORPORATE CITIZENSHIP

We realise that growth created will only be sustainable with high standards of corporate citizenship.

Our workforce continues to be diverse, operating within an environment that is also inclusive and conducive. We have made investments in training and development of our workforce to keep it in touch with best practices, latest and upcoming trends as well as changes in the regulatory, market and technological landscape.

We have also embarked on numerous initiatives in reducing waste, conserving resources as well as minimising our carbon footprint. We have undertaken efforts in raising water management awareness amongst not only our personnel, but also retailers in our properties, whilst installing water-efficient features and continuously scouring for leakages. Through effective management of energy consumption, movement towards an energy-efficient equipment base as well as exploration of alternative sources of energy, we have managed to substantially lower electricity consumption and are confident of even further reductions in the future.

In 2017, we continue to play our part in the respective communities surrounding our properties. When parts of Johor were hit by major floods in early 2017, we partnered with the Red Crescent Society through converting an area within Wetex Parade into a collection centre for public donations and contributions. Taking advantage of our properties' position as centres within their respective communities, we have also contributed to saving lives by hosting several blood donation campaigns for the National Blood Bank. Furthermore, Subang Parade, Mahkota Parade and Central Square have also provided much festive cheer during the Ramadhan and Deepavali seasons to the needy within Subang Jaya, Melaka and Sungai Petani respectively by reaching out and directly providing much-needed contributions.

### THE ROAD AHEAD

We are confident that Malaysia's turn to emerge as an advanced nation will arrive. Urbanisation is already rapidly changing the landscape across the country, turning towns into cities. With growth, we also expect the emergence of a sophisticated and demanding populace.

Our presence across the west coast of Peninsular Malaysia positions us best for the new urbanised Malaysia. We have faith in the growth of the cities and towns where we operate, and are confident of our ability to meet the demand for world-class retail experiences in those locations.

“Hektar REIT continues to maintain its 11-year track record of uninterrupted distribution since the IPO in 2006.”

Thus, we are continuing to pursue enhancements not only in the physical aspects of our assets, but also in the quality of the retail mix we offer. Investments in these areas shall position us favourably in the hearts and minds of the communities we serve and deliver sustained value to you, our unitholder.

### ACKNOWLEDGEMENTS

To conclude, we are proud to have continued to push forward despite the challenges of 2017. I would like to thank our fellow board members for their wisdom and stewardship in guiding Hektar REIT forward, as well as the management and employees for their dedication and relentless hard work throughout the year. Finally, we would like to express our gratitude to our unitholders, business partners, tenants and shoppers for their continued support and belief in Hektar REIT and its aspirations.

### MICHAEL LIM HEE KIANG

*Independent Non-Executive Chairman*

## 8 PERUTUSAN Pengerusi kepada Pemegang-Pemegang Unit

Kepada Para Pemegang Unit,

Saya dengan ini membentangkan Laporan Tahunan Hektar REIT bagi tahun kewangan berakhir 31 Disember 2017 ("FY2017"), bagi pihak Lembaga Pengarah dan pihak pengurusan Hektar Asset Management Sdn Bhd ("HAMS"), pengurus Hektar REIT ("Pengurus").

### PERSEKITARAN OPERASI DAN ULASAN PASARAN

Tahun ini telah dikuasai oleh sentimen lemah pengguna, dipacu oleh tekanan inflasi. Ringgit yang lemah, walaupun semakin pulih dari tahap terendah dalam 19 tahun, telah meningkatkan kos pengilang dan peruncit. Oleh sebab pengguna menjangka paras harga akan terus menaik walaupun pendapatan lembap, Indeks Sentimen Pengguna MIER (CSI) berada di bawah 90 sepanjang tahun. 2017 juga menyaksikan beberapa jenama peruncit terkenal antarabangsa keluar dari pasaran Malaysia.

Fenomena membeli dalam talian telah menjadi semakin rancak pada 2017, terutamanya dalam kalangan mereka yang tinggal di bandar. Dipacu oleh tarikan pembelian yang mudah dan promosi peka-harga, pengguna telah menukar saluran tradisional kedai nyata dengan kedai dalam talian. Dalam persaingan mereka untuk merebut bahagian pasaran, peruncit dalam talian telah bertindak balas terhadap permintaan yang semakin tinggi dengan menawarkan diskaun tinggi dan jualan kilat.

Walaupun bagaimanapun, jumlah ruang runcit terus meningkat. Bank Negara Malaysia menganggarkan tambahan sebanyak 140 buah pusat membeli-belah di dalam negara menjelang 2021. Persaingan sengit dalam kalangan pusat membeli-belah sedia ada, diburukkan lagi prospek penambahan ruang runcit sebanyak 6 juta kaki persegi yang akan memasuki pasaran dalam masa 3 tahun, telah membangkitkan kebimbangan tentang kebanjiran ruang runcit yang akan berlaku di negara ini.

Ini akhirnya menyebabkan Kabinet mengarahkan Dewan Bandaraya Kuala Lumpur supaya membekukan secara sementara kelulusan terhadap pembinaan pusat membeli-belah baharu di sekitar Kuala Lumpur. Pembekuan ini telah berkuat kuasa sejak November 2017.

Walaupun keadaan terus mencabar, industri ini mempunyai asas yang teguh dengan banyak peluang yang sedia ada bagi pengusaha industri. Secara keseluruhan, harta tanah Hektar REIT telah berjaya menempuh cabaran 2017 menerusi pengurusan cermat dan menumpu pada mewujudkan dan memberi nilai. Walaupun kadar penghunian menurun disebabkan perubahan kuat terhadap gabungan peruncitan, portfolio Hektar menikmati Kadar Penghunian keseluruhan lebih 95% pada 2017.

Ini merupakan hasil usaha berterusan dalam menyusun semula gabungan peruncitan mengikut perubahan gaya hidup dan permintaan pengguna. Sepanjang tahun, kami secara aktif telah menukar gabungan peruncitan kepada suatu yang memberi penekanan tinggi kepada gaya hidup pengguna; Kami mendengar dan menyesuaikan dengan perubahan tabiat pengguna.

Ini disokong oleh pelaburan yang dibuat menerusi Inisiatif Peningkatan Aset, yang bertujuan mengubah bentuk aset sedia ada

untuk meningkatkan pengalaman membeli-belah para pengunjung kami dan perniagaan keseluruhan para penyewa kami.

### ULASAN KEWANGAN

Prestasi kewangan Hektar REIT pada 2017 membanggakan memandangkan persekitaran operasi yang sukar. Kesan persekitaran operasi yang mencabar dirasai dalam suku-suku kewangan awal 2017, tetapi berakhir dengan prestasi yang menggalakkan ekoran manfaat daripada pelaburan dan usaha kami, yang membawa kepada hasil yang positif.

Pada 31 Disember 2017, hasil mencecah RM125.5 juta, suatu kenaikan berbanding tempoh yang sama tahun lepas. Dengan penggabungan semula penyewa di Landmark Central (sekarang dikenali sebagai "Kulim Central") disebabkan penambahan ruang sewaan bersih pusat membeli-belah tersebut ekoran AEI yang berjaya disiapkan pada Disember 2017, serta penggabungan semula penyewa yang dilaksanakan di Subang Parade sebagai persediaan untuk AEI akan datang, jumlah pendapatan yang direalisasi ialah RM40.1 juta bagi FY2017, sedikit penurunan berbanding dengan tahun 2016 sebelumnya.

Oleh sebab inisiatif-inisiatif ini dilakukan demi pertumbuhan jangka panjang harta tanah, kesan positif terhadap pendapatan yang direalisasi hanya dijangka akan dirasai bermula 2018.

Ini akan disokong oleh inisiatif pengurangan kos dan peningkatan kecekapan yang telah dilaksanakan. Perbaikan termasuk inisiatif menjimatkan tenaga, yang menyebabkan pengurangan kos sudah berjaya cepat, ketara dan mampan.

### PENGAGIHAN YANG TIDAK PERNAH TERGENDALA

Hektar REIT terus mengekalkan rekod prestasi pengagihan yang tidak pernah tergendala selama 11 tahun sejak disenaraikan di Bursa Malaysia pada 2006.

Meskipun persekitaran peruncitan semasa berubah-ubah, kami berjaya memberi pengagihan yang tekak dan tidak pernah tergendala kepada Para Pemegang Unit kami. Di sebalik sejarah ini ialah komitmen kami dalam memberi nilai terbaik kepada anda, sama ada ketika masa baik mahupun masa sukar. Dalam menghadapi cabaran jangka pendek, kami kekal menumpu pada masa depan. Tahap pengagihan mencerminkan imbalan antara pulangan baik sekarang, dengan pelaburan bijak ke arah pertumbuhan jangka sederhana dan panjang.

Walaupun kebanyakan pertumbuhan dijangka organik menerusi peningkatan aset sedia ada, kami juga bersedia membeli aset yang berpotensi tinggi, sekiranya muncul peluang yang sesuai.

Tahun ini Hektar REIT telah mengisytiharkan Dividen Seunit tahun penuh sebanyak 9.6 sen. Dengan komitmen untuk memberi pengagihan mampan dan pertumbuhan berterusan dari segi jumlah pulangan kepada pemegang unit, Pihak Pengurusan telah berjaya mengagih sejumlah hampir RM411 juta antara 2006 dengan 2017, termasuk pengagihan akhir bagi 2017. Pada FY2017, walaupun daya pasaran telah menurunkan kadar sewa, masih terdapat kemajuan yang ketara dalam sewa berdasarkan perolehan, disebabkan oleh kejayaan yang dinikmati para penyewa di harta tanah kami.

Tetap setia dengan cogan kata pusat membeli-belah kami, “Ini Tempat Kita”, kami kekal komited dalam mewujudkan pengalaman membeli-belah yang memenuhi jangkaan pengguna. Kami memahami peranan dan tanggungjawab kami terhadap masyarakat setempat di lokasi kami, dan berusaha untuk kekal sebagai komponen penting dalam gaya hidup rakyat Malaysia. Kami akan mencapainya dengan menerima perubahan dan terus memperbaiki usaha kami untuk memberi nilai kepada semua.

## **MENINGKATKAN PORTFOLIO UNTUK JANGKA MASA PANJANG**

Kejayaan pusat membeli-belah Hectar REIT bergantung pada kebolehan kami untuk menyesuaikan dengan arah aliran pasaran dan kekal relevan kepada pengunjung kami dan masyarakat. Dalam suku kewangan ke-4 2017, kami telah menyiapkan peningkatan Kulim Central di Kedah. Inisiatif ini termasuk mengubah ruang awam dan parkir kepada ruang runcit bagi menawarkan lebih banyak lagi pilihan seperti fesyen, kelengkapan rumah, perkhidmatan serta makanan dan minuman.

Ini merupakan salah satu siri inisiatif kami ke arah memacu pertumbuhan secara organik. Berkaitan ini, Subang Parade kini sedang menjalankan usaha penggabungan semula penyewa yang akan disokong kerja-kerja peningkatan dan pengembangan yang apabila siap, akan memperkukuhkan kedudukan Subang Parade sebagai destinasi utama di Subang Jaya dan juga Lembah Kelang.

Pada 2017, kami juga mengalu-alukan penyertaan Segamat Central (dulu dikenali sebagai 1Segamat) ke dalam portfolio kami. Kami percaya potensi pusat membeli-belah ini amat menggalakan dan pembelian ini mewakili sebahagian usaha kami dalam mengembangkan portfolio melalui pembelian yang memberi pulangan positif.

## **PERTUMBUHAN MAMPAN MELALUI KEWARGANEGARAAN KORPORAT YANG EFEKTIF**

Kami sedar pertumbuhan hanya akan mampan jika digandingkan dengan kewarganegaraan korporat yang efektif. Oleh yang demikian, kami terus komited dengan tahap kewarganegaraan korporat yang tinggi.

Tenaga kerja kami kekal majmuk, beroperasi dalam persekitaran yang menyeluruh, selamat dan sihat. Kami telah membuat pelaburan dalam latihan dan kemajuan tenaga kerja kami, mengikuti amalan terbaik, arah aliran yang terkini dan akan datang serta perubahan kawal selia, pasaran dan landskap teknologi.

Kami juga telah memulakan pelbagai inisiatif dalam mengurangkan sisa, menjimatkan sumber serta mengurangkan jejak karbon. Kami telah menjalankan usaha meningkatkan kesedaran pengurusan air dalam kalangan kakitangan kami serta para peruncit di harta tanah kami. Kami juga memasang peralatan cekap air dan sentiasa mencari dan menyelesaikan kebocoran.

Menerusi pengurusan yang efektif dalam penggunaan tenaga, gerakan ke arah peralatan cekap tenaga serta memeriksa dengan teliti sumber tenaga alternatif, kami berjaya mengurangkan penggunaan elektrik. Kami yakin dapat mengurangkan penggunaan elektrik dengan lebih banyak lagi pada masa depan.

Pada 2017, kami terus memainkan peranan dalam kalangan masyarakat setempat. Semasa Johor dilanda banjir besar pada awal 2017, kami bekerjasama dengan Persatuan Bulan Sabit Merah dengan menggunakan sebahagian ruang dalam Wetex Parade sebagai kutipan derma dan sumbangan daripada orang ramai. Menggunakan kedudukan harta tanah kami sebagai pusat masyarakat setempat, kami juga telah menjadi tuan rumah bagi kempen menderma darah buat Tabung Darah Nasional.

Tambahan pula, Subang Parade di Subang Jaya, Mahkota Parade di Melaka dan Central Square di Sungai Petani telah memberi sumbangan terus kepada mereka yang memerlukan semasa musim Ramadan dan Deepavali.

## **TINJAUAN MASA DEPAN**

Kami yakin giliran Malaysia untuk muncul sebagai negara maju akan tiba. Pemandaran telahpun menukar landskap di seluruh negara, menukar pekan kepada bandar. Dengan pertumbuhan, kami menjangka kemunculan para penduduk yang canggih dan membuat permintaan tinggi.

Kehadiran kami di pantai barat Semenanjung Malaysia memberikan kami peluang baik untuk mendapat manfaat daripada pembangunan Malaysia. Kami yakin dengan pertumbuhan bandar dan pekan di tempat kami beroperasi; Kami juga yakin dengan kebolehan kami untuk memenuhi permintaan dalam menyediakan pengalaman membeli-belah bertaraf dunia di lokasi tersebut.

Oleh yang demikian, kami akan terus menjalankan peningkatan pada aspek aset fizikal kami dan dari segi kualiti gabungan runcit yang kami tawarkan.

Pelaburan dalam bahagian ini akan memberi kami kelebihan yang positif terutama dalam hati dan minda masyarakat setempat, dan memberi nilai yang mampan kepada anda, pemegang unit kami.

## **PENGHARGAAN**

Sebagai penutup, kami bangga kerana mampu mara ke hadapan di sebalik cabaran pada 2017. Saya ingin merakamkan setinggi-tinggi penghargaan terima kasih kepada rakan lembaga pengarah atas kebijaksanaan dan penyeliaan dalam membimbing Hectar REIT, serta pihak pengurusan dan kakitangan atas dedikasi dan usaha tidak berhenti-henti sepanjang tahun.

Akhir kata, kami ingin mengucapkan terima kasih kepada para pemegang unit kami, rakan niaga, para penyewa dan pengunjung atas sokongan berterusan dan kepercayaan mereka terhadap Hectar REIT dan aspirasinya.

### **MICHAEL LIM HEE KIANG**

*Pengerusi Bebas Bukan Eksekutif*

尊贵的单位持有人，

仅代表贺达房地产投资信托基金（简称“贺达产托”）的管理公司贺达资产管理私人有限公司（简称“HAMSB”）的董事会和管理层，有幸为您呈献截至2017年12月31日的贺达产托年度报告（“2017财政年度”）。

### 营运环境及市场回顾

在通货膨胀压力的推动下，这一年一直以低消费情绪为主。受到减弱影响的令吉，虽然正从19年来的最低水平开始缓慢回升，但这已经让制造商和零售商提高了成本。尽管消费者的收入停滞不前，消费者已预计价格水平将进一步上涨，MIER的消费者信心指数（CSI）全年徘徊在90以下。在2017年也出现了几家知名国际零售品牌退出马来西亚市场。

网上购物的发展趋势，尤其是在城市的马来西亚人更是在2017年里加速。受到便利和价格敏感促销的吸引，消费者不再以传统购物方式倒选择网上购物。为了加强市场竞争力，在线零售商也不断提供深度折扣和快速销售。

尽管如此，零售空间仍然在增加，鉴于马来西亚国家银行预测在2021年前在该国新增140个新购物中心。现有商场之间的激烈竞争，再加上在未来3年内将有600万平方英尺的零售空间进入市场，引发人们担忧该国即将出现供应过剩的局面。这最终促使内阁指示吉隆坡市议会（DBKL）从2017年11月起暂时冻结在吉隆坡境内新增购物中心的批准。

在挑战持续存在的同时，行业依然保持着强劲的发展势头，有很多机会可供玩家选择。总而言之，通过审慎管理，贺达产托的物业能够应对2017年的挑战，并专注于创造和实现价值。虽然在零售组合有剧烈变化，但资产组合在2017年整体入住率达到95%以上。这是继续努力重新调整零售组合以适应不断变化的消费者生活方式和需求的结果。全年，随着我们倾听并适应消费者习惯的变化，我们已积极地将我们的零售组合转变为更注重消费者生活方式的组合。这些都得到了资产增值举措（‘AEI’）投资的支持，这些投资旨在改造现有资产以改善我们客户的购物体验以及我们租户的整体业务。

### 财务回顾

尽管恶劣的经营环境，2017年的财务表现是值得赞扬。同时2017年前几个季度感受到了具有挑战性的经营环境的影响，但该年度的结果令人鼓舞，因为我们的投资和努力带来的收益带来了积极的趋向。截至2017年12月31日，收入为1.255亿令吉，与去年同期相比有所增加。由于购物中心的AEI已于2017年12月竣工，因此在新世纪广场（现称为“居林新世纪广场”）的租户重新调整以及在首邦百利广场进行的租户调整活动为即将到来的AEI做准备，总实现收入为40.1千万令吉，与2016年相比略有下降。然而，由于这些举措被用于各自物业的长期增长，预计实现的收入将上升，其利益开始对2018年起的账面利润带来积极影响。这将进一步得到已经开展的成本和效率改进措施的支持，包括能源减排举措，这些举措也被证明可以实现快速，显着和可持续的降低运营成本。

### 配息不曾间断

自从2006上市后，贺达产托已经保持11年不间断的配息记录。尽管当今零售环境出现起伏，但由于我们物业的稳健表现，我们已成功为单位持有人提供持续不间断的配息。在历史记录的背后，我们致力于在不论美好时光或艰难时刻为您提供最佳价值。面对短期挑战，我们始终专注于开拓进取。配息水准代表了近期的良好投资回报与对中长期增长的明智而敏锐的投资之间的平衡。虽然大部分增长预计将通过增加现有资产而成为有机增长，只要出现合适的并购机会，我们已经为获得高潜力目标做好准备。

今年，管理层宣布全年每单位派息（“DPU”）为9.60仙。凭借对单位持有人实现可持续配息和总体回报持续增长的承诺，管理层于2006年至2017年间成功分配了总额达3.96亿令吉的资金。在2017财年，尽管市场力量已经抑制了租金调升率，但出租率有明显改善，部分原因是租户们在我们的商场中享有成功。

坚持“这是我们的地方”的宗旨，我们致力于创造超出消费者期望的零售体验。我们理解我们在我们所在的各个社区中的角色和责任，并努力保持作为马来西亚生活方式的重要组成部分。我们将通过接受变化并不断改进来实现这一目标，为所有人提供价值。



### 增进资产组合为长期增长

贺达产托商场的成功取决于我们适应市场趋势的能力，并保持与我们的购物者和社区相关。在2017年第四季度，我们完成了在吉打州的居林新世纪广场改进。这是积极性倡议将共同区域和停车场区域也转变为零售空间，用于出租给更广泛的时尚，家居，服务以及食品和饮料产品。这是我们推动有机增长的一系列举措之一。我们对居林新世纪广场现在拥有的潜力感到非常雀跃，因为在首邦百利广场，马六甲皇冠百利广场，麻坡威德百利广场和双溪大年中环广场已完成的资产增值举措(‘AEI’)已经增加了重要资产价值并带来了良好的投资回报。值得关注的是，首邦百利广场目前正在进行租户调整活动，同时也进行设施升级和扩建工程的支持，这些工程完工后将进一步巩固其在首邦市和甚至巴生谷的重要购物目的地的地位。

在2017年，我们也欢迎柔佛州昔加末第一广场商场(现在称为昔加末中央广场)加入与我们的资产组合。我们对这个购物中心的潜力感到非常鼓舞，它的收益增长收购是我们的其中之一的努力来提高资产潜能。

### 通过有效的企业公民以实现可持续的发展

我们意识到只有持续有效的企业公民才能创造可持续发展的增长。因此，我们已经并将继续致力于高标准的企业公民。

我们的员工队伍将继续保持分外多元化，在高效能，安全和健康的包容性环境中运营。为了让我们的员工面对充满挑战的环境，我们投资在国内外持续培训和发展员工队伍，使其与国际最佳范例，最新趋势和即将到来的趋势保持一致，以及监管变化，市场变化和最新的科技应用。

我们还着手推行几项新措施来减少浪费，节约资源以及减少碳排放。我们不仅努力提高我们工作人员，也包括零售租户的水资源管理意识，同时也安装节水装置并不断检查可能的泄漏处。通过有效能源管理，以及偏向节能设备采购以及替代能源的探索，我们已经大大降低了用电量，并有信心未来能更进一步减少电力消耗。

在2017年，我们将继续在我们物业周围的社区中发挥我们的作用。当2017年初柔佛部分地区遭受重大洪灾时，我们与红新月会合作，将麻坡威德百利广场内的一个地区转变为公共捐赠和捐款的收集中心。利用我们物业在各自社区中的中心地位，我们还为向国家血库通过举办多次献血活动，为挽救生命作出了贡献。此外，首邦百利广场，马六甲皇冠百利广场和双溪大年中环广场也在斋月和屠妖节期间向梳邦市，马六甲，双溪大年内的贫困人士提供急需的捐助，提供了许多欢乐。

### 前方的路

我们确信马来西亚即将成为一个先进国家。城市化已经迅速改变了全国的景观趋同，使城镇发展变成了城市。随着增长，我们也期待出现一个高度品位和高要求的大众。

我们在马来西亚半岛西部地区的存在为我们带来了新城市化马来西亚的最佳位置。我们相信我们参与的城镇的发展，并且有信心我们有能力满足这些地区对世界级零售体验的需求，否则这些地区直到还未被提供零售服务或设施。

因此，不仅在我们的资产管理方面，我们也在所提供的零售组合的质量上不断追求改进。在这些领域的投资应使我们赢得我们所服务的社区的心灵和思想，并为您，我们的单位持有人带来持续的价值。

### 鸣谢

结论，尽管面临2017年种种的挑战，我们仍然继续奋力向前。我们要感谢我们的董事会成员以智慧和管理来指导贺达产托前进，以及管理层和员工的奉献精神 and 不懈的辛勤工作。最后，我们要感谢我们的单位持有人，商业伙伴们，租户们和购物者对贺达产托及其愿望的持续支持和信任。

### MICHAEL LIM HEE KIANG

独立非执行董事主席

# INTERVIEW WITH THE CEO

**Dato' Hisham bin Othman**

*Executive Director and Chief Executive Officer*

**How would you describe 2017 as a year for Hektar REIT?  
Would you consider it to be a good year or a bad one?**

Under the challenging circumstances, I'd say it was a very decent year for Hektar REIT. We were able to overcome or mitigate many pressures on revenues and costs and by the end of the year we were able to post reasonably good results and declare favourable returns for our unitholders. At the same time, we embarked on our strategy to improve the position of all our shopping centres with respect to Asset Enhancement Initiatives (AEI) and tenancy remixing in order for them to remain attractive and relevant to customers beyond 2017. Overall, it was a year of challenges, adaptation and renewal.

Early 2017 saw continued pressures on the retail industry. The year began with a reported 1.2% contraction in retail sales within Q1 2017. Focusing on our fundamentals, we pursued tenant remixing, AEIs, energy efficiency initiatives and aggressive marketing to continue creating value. As 2017 drew to a close, we were able to gain not only higher revenue, but also a larger portfolio than the preceding year. We believe we are now in a strong position for the future.

**What were the challenges that Hektar REIT faced in 2017?**

Three key trends gained much prominence in 2017.

Firstly, we had to face substantially subdued consumer appetite throughout the year. This was due to a combination of inflationary pressures from an underwhelming Ringgit, high domestic borrowing as well as hangover from the implementation of GST, with an environment of largely flat household incomes. Due to the decline in purchasing power, the Malaysian consumer became a very careful spender in 2017, resulting in reported retail sale growth of only 1.9% for the first 9 months of the year. To compound matters, we had to face increased competition from existing and new shopping centres which offered competitive rates and benefits to lure tenants.

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**“As 2017 drew to a close, we were able to gain not only higher revenue, but also a larger portfolio than the preceding year. We believe we are now in a strong position for the future.”**

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Secondly, we have seen some shifts in consumer behaviour in the advent of the digital economy and e-commerce. In 2017, e-commerce penetration in Malaysia rose to 5%, with estimated total non-travel e-commerce spending of RM5 billion throughout the year. Whilst small when compared with the total annual retail sales level in the country of around RM100 billion, the effect of the digital economy on consumer behaviour and lifestyle were wide-ranging and, arguably, permanent.

Thirdly, the oversupply of shopping centres in the Klang Valley and Melaka has also presented stiff competition for our shopping centres there and this affects not only our visitors footfall, income from rental, and tenant sales, but it also impacted the retention and sourcing of quality employees. The oversupply contributed to lower revenues as prospective tenants had more options and leverage in the market.

#### **How did Hektar REIT respond to these challenges?**

Addressing the first concern which is the change in consumer habitual spending, we focused more on customer engagement to encourage more spending and increase visitations per customer. On top of ground marketing, we have assumed a more specific strategy in relation to the before and after retail experience on our online platform to drive traffic to our shopping centres and collect experiential reviews. Apart from that, we aimed to increase customer's dwell time in our shopping centres and repeat visitations by focusing on developing and maintaining retail environments that are favourable to consumers and retailers alike. We continuously adapted our tenancy mix to changes in consumer needs, taste and lifestyle. We now carry higher food & beverage, entertainment, recreational and sports content to facilitate consumers congregating in our shopping centres to not only shop, but also to spend quality time with their friends and family. As for the less urban malls, we kept them exciting by introducing new brands with quality and trendy products within closer reach of suburban and town-centric consumers, hence reducing their need to travel afar for a quality shopping experience. We have also been improving our facilities to make it more pleasant and comfortable to our shoppers.

Relating to the rise of e-commerce that has begun to change the retail structure, we took a three way approach to addressing this challenge. There are substantial findings showing the inter-dependence of online stores and brick-and-mortar presence. Consumers still want to experience, smell, touch and feel the items they intend to purchase; therefore the omni-channel is important for long-term viability. We collaborated with our tenants and partners to enhance the retail experience by focusing on customer satisfaction through stronger marketing campaigns such as rewards programs in our shopping centres that cannot be replicated online. We then also encouraged our tenants to be active both in-store and online to increase their brand

presence. Lastly, to keep our customers excited and also to entice the online retailers to set up a permanent store in our shopping centres, we provided these online retailers a platform to grow their customer presence through temporary pop-up stores and weekend bazaars.



Flexibility is key in the ever-changing industry. As part of our corporate strategy, we sought to optimise our portfolios through value creation initiatives which included asset enhancements, creation of additional net lettable area (NLA), and reconfiguration of lots or conversion of space to help grow income and allow for more retail outlets. These initiatives were carried out in Subang Parade, Kulim Central and Mahkota Parade in 2017. We also begun to plan for Segamat Central. Our major project this year was in Kulim Central, which has been successfully completed within budget and schedule.

To ensure that our company continues to perform, we have strengthened our human resource, by sourcing for the industry's top talents by reviewing our recruiting process and enhancing our team's competencies by selecting key personnel to undergo industry trainings to become more effective and productive.

All in all, we believe that our commitment towards continually adapting to our consumer base has helped to keep Hektar REIT's shopping centres relevant to the lives of their respective communities.

#### **What did you mean by 2017 as a year for renewal?**

2017 was an important milestone in our journey, a period of new beginnings within an environment that is undergoing structural change, in Malaysia and across the globe to continue being part of the lives of the community required for our portfolio of shopping centres to undergo the process of renewal. In this regard, the year has seen the rebirth of Kulim Central following its AEI, which added net lettable area of more than 20,000 sq. ft. with substantial experiential, functional and cosmetic improvements, a brand-new food court that now offers local delights within a modern setting, as well as a richer retail experience from an expanded tenancy mix.



Subang Parade is also undergoing change to further reinforce its position as Subang Jaya's main community shopping centre. It is currently undergoing a tenancy remixing exercise and we have already initiated a much anticipated AEI. This initiative was designed to create additional NLA to accommodate more food & beverage outlets, in addition to delivering improvements to the shopping centre's façade as well as providing shoppers and visitors with an enhanced retail experience. Upgrades to the cinema are also underway to provide moviegoers with an even more enjoyable cinematic experience.

We have also engaged in an aggressive tenancy remixing exercise in Mahkota Parade as we adapted to the changing needs of the local market as well as capture a sizeable portion of the growing tourist market. As a result, the shopping centre is now host to a wide range of prominent, big-name brands, with many of these brands having chosen Mahkota Parade as their maiden location in Malacca. This exercise was further supported by equally aggressive marketing efforts, including numerous events and promotional activities, to further strengthen Mahkota Parade's position in its market.

**“Our commitment towards continually adapting to our consumer base has helped to keep Hektar REIT’s shopping centres relevant to the lives of their respective communities.”**

As part of our commitment towards a greener planet, we have embarked on energy efficiency and management initiatives across all our properties. In terms of electricity consumption, the redesign, retrofitting and realignment of the operational models at each site are projected to, when completed to deliver an aggregate annual reduction in CO2 emission of 13.8 million kg (based on 0.94kg of CO2 emission per KWh of electricity consumption). In 2017, this initiative has already contributed to a 4% reduction in electricity costs.

Finally, we are proud to welcome Segamat Central into our stable of neighbourhood shopping centres. We plan to bring to Segamat Central a much-improved retail experience to its local community, and shall continue to improve the retail mix of the shopping centre, as well as enhance its appeal.

#### **What would you consider as the key highlights of 2017?**

We have created for ourselves several areas of considerable potential for long-term growth. Our tenancy remixing exercises drive organic growth through continuous improvements in the retail mix for our shoppers and visitors, whilst the completed AEI at Kulim Central will provide a substantial boost to the overall value offered by the shopping centre. Our acquisition of Segamat Central has also taken our portfolio size to beyond 2 million sq. ft., whilst offering good potential for value creation and enhancement.

In early 2017, we embarked on a programme aimed at improving existing air-conditioning and mechanical ventilation (ACMV) systems. Following audit and analysis, we are now in the process of acquiring an estimated 30% reduction in electricity consumption of ACMV systems. This shall be acquired through, amongst others, the installation of energy-efficient chillers, pumps and cooling towers, application of variable and dynamic building controls and automation systems as well as implementation of best practices toward MS 1525 compliance.

We are also encouraged by having been awarded “Best in Online Presence” at the Focus Malaysia Best Under Billion Awards (BUBA) 2017, which was the industry’s recognition of our commitment to adequate, accurate and timely disclosure to our stakeholders.



HEKTAR REAL ESTATE INVESTMENT TRUST ANNUAL REPORT 2017

#### **What do you consider as the most important factor moving forward?**

Our commitment to meeting and exceeding the expectations of all our stakeholders.

We need to continue engaging with our shoppers, consumers and visitors to not only keep in touch with current preferences, but also anticipate and prepare for future trends. We also need to work together with our tenants in driving turnover levels even further for mutual growth. Our workforce needs to be continually enriched not only with skills and knowledge, but also a safe and healthy working environment. We also must continue to do our part for the planet and our community. Most importantly, we need to continue to focus on our financial performance to ensure that our track record of 11 years of attractive and consistent Dividend Per Unit (DPU) to our unitholders is maintained.

This commitment has been key to our performance over the years. Moving forward, we shall continue to anticipate changes in consumer behaviour, develop and maintain a loyal base of tenants, build a diverse, capable and driven workforce, persist in reducing our carbon footprint, become a key member of the various communities we are in and deliver our promise to our unitholders.

#### **What should we expect to see in the near future?**

You shall see continuation of our efforts towards becoming a much bigger part of the lives of the communities in and around our shopping centres. Our shopping centres shall become the go-to destination for friends and families to create memorable moments and spend quality time together. Their visits shall be enriched by the various recreational, sports and entertainment options available on-site for a wholesome lifestyle experience. Our shopping centres shall also provide local enterprises with the space and opportunity to grow and thrive.

We shall continue our strategy of identifying potential targets which meet our acquisition criteria in order to grow Hektar REIT’s portfolio of shopping centres.

We will continue with our cost optimisation drive and find new ways to lower our operational costs across all centres to ensure that the returns to our unitholders remain sustainable.

We do realise that sustainable growth shall be difficult without commitment to exceptional corporate governance and exemplary corporate citizenship. We shall continue to practice prudence, with sound risk management and compliance to all regulatory requirements.

You shall see us continuing to enhance our shopping centres through AEI with a focus on creating the shopping centres of tomorrow. Our journey is also going to be one driven by growth, both organically as well as via acquisitions. We shall also strive to continue to deliver good and stable returns to our unitholders in appreciation of their support and loyalty.

These are indeed exciting times for Hektar REIT.



## **Sila terangkan prestasi Hektar REIT pada 2017. Adakah 2017 dianggap tahun yang baik atau buruk?**

Dalam keadaan yang mencabar ini, saya berpendapat 2017 merupakan tahun yang memuaskan bagi Hektar REIT. Kami berjaya mengatasi atau mengurangkan banyak tekanan terhadap hasil dan kos sehingga dapat mencapai keputusan kewangan agak baik. Kami telah mengisytiharkan pulangan yang menguntungkan buat para pemegang unit kami.

Pada masa yang sama, kami telah memulakan strategi memperkukuhkan kedudukan semua pusat membeli-belah kami menerusi Inisiatif Peningkatan Aset (AEI) dan usaha penggabungan semula penyewa agar kami kekal menarik dan relevan kepada pelanggan melangkaui 2017.

Secara keseluruhan, 2017 merupakan tahun yang penuh cabaran, penyesuaian dan pembaharuan.

Awal 2017 memperlihatkan tekanan berterusan terhadap industri peruncitan. Tahun ini bermula dengan laporan pengecutan jualan runcit seluruh negara sebanyak 1.2% dalam suku kewangan pertama 2017. Dengan menumpu pada usaha asas, kami telah menjalankan usaha penggabungan semula penyewa, AEI, inisiatif kecekapan tenaga dan pemasaran agresif untuk terus mewujudkan nilai. Pada pengakhiran 2017, kami bukan sahaja dapat meraih hasil yang lebih tinggi, malah saiz portfolio kami bertambah, dari tahun sebelumnya. Kami sekarang berada dalam kedudukan yang teguh untuk menghadapi masa depan.

## **Apakah cabaran yang dihadapi Hektar REIT pada 2017?**

Tiga arah aliran penting telah menonjol pada 2017.

Pertama, kami terpaksa menghadapi kehendak pengguna yang rata-ratanya lesu sepanjang tahun. Ini disebabkan gabungan tekanan inflasi daripada matawang Ringgit yang lemah, pinjaman dalam negeri yang tinggi serta kesan berterusan daripada pelaksanaan Cukai Perkhidmatan dan Barang, dengan persekitaran pendapatan rumah yang mendatar.

Disebabkan kemerosotan kuasa beli, pengguna Malaysia telah mengambil sikap berhati-hati dalam perbelanjaan mereka pada 2017, mengakibatkan pertumbuhan penjualan runcit yang hanya dilaporkan sebanyak 1.9% bagi 9 bulan pertama 2017.

Memburukkan lagi keadaan, kami terpaksa menghadapi saingan yang semakin meningkat daripada pusat membeli-belah sedia ada dan baharu, yang menawarkan kadar dan pakej menarik untuk memikat penyewa.

Kedua, kami telah menyaksikan anjakan tabiat pengguna dengan kemunculan ekonomi digital dan e-dagang. Pada 2017, penembusan e-dagang di Malaysia telah melonjak ke 5%, dengan anggaran perbelanjaan e-dagang bukan kembara sebanyak RM5 bilion sepanjang tahun.

Meskipun kelihatan kecil berbanding dengan jumlah paras jualan runcit tahunan dalam negeri sebanyak RM100 bilion, kesan ekonomi digital terhadap tabiat dan gaya hidup pengguna adalah meluas dan kemungkinan kekal.

Ketiga, Lembah Kelang dan Melaka dibanjiri banyak pusat membeli-belah yang telah memberi persaingan sengit kepada pusat membeli-belah kami. Ini memberi kesan kepada jumlah kunjungan kami, pendapatan daripada sewaan dan jualan peruncit. Saingan ini juga telah memberi kesan dalam mengekalkan dan mencari pekerja yang berkualiti. Situasi ini telah mengakibatkan hasil yang lebih rendah kerana penyewa prospektif mempunyai pilihan dan pengaruh di pasaran.

## **Bagaimanakah respons Hektar REIT terhadap pelbagai cabaran ini?**

Perkara pertama yang diberi perhatian ialah perubahan dalam perbelanjaan biasa pengguna, yang mana kami telah menumpu pada berkomunikasi dan berbincang dengan pelanggan untuk menggalakkan mereka supaya berbelanja lebih dan meningkatkan kunjungan bagi setiap pelanggan.

Selain pemasaran asas, kami telah menggunakan strategi yang lebih khusus berkenaan pengalaman membeli-belah sebelum dan selepas, di wadah dalam talian untuk memacu pengunjung ke pusat membeli-belah kami dan mengutip ulasan pengalaman. Di samping itu, kami bertujuan meningkatkan masa kunjungan pelanggan di pusat membeli-belah kami dan kunjungan ulangan dengan menumpu pada membangunkan dan mengekalkan suasana membeli-belah yang digemari pengguna dan peruncit. Kami meneruskan usaha kami dalam menyesuaikan gabungan penyewa kami dengan perubahan keperluan, cita rasa dan gaya hidup pengguna.

Kami sekarang mempunyai kandungan penyewa yang lebih tinggi dalam sektor makanan & minuman, hiburan, rekreasi dan sukan bagi memudahkan para pengguna berkumpul di pusat membeli-belah kami untuk membeli-belah dan meluangkan masa berkualiti bersama rakan dan keluarga mereka.

Bagi pusat membeli-belah luar bandar, kami mengekalkan tarikan dengan memperkenalkan jenama produk baharu yang berkualiti dan terkini berhampiran dengan pengguna di subbandar dan pekan kecil. Ini mengurangkan masa perjalanan mereka untuk menikmati suasana membeli-belah yang berkualiti. Kami juga telah memperbaiki kemudahan kami untuk memberi keselesaan dan kenyamanan kepada pengunjung kami.

Berkaitan dengan kebangkitan e-dagang yang telah mula mengubah struktur peruncitan, kami mengambil pendekatan serampang tiga mata untuk menangani cabaran ini.

## WAWANCARA BERSAMA KETUA PEGAWAI EKSEKUTIF

Banyak kajian telah menunjukkan kesalingbergantungan antara kedai dalam talian dengan kehadiran di pusat membeli-belah. Pengguna masih mahu mengalami, menghidu, memegang dan merasai barang yang mereka ingin beli. Oleh sebab itu, rangkaian yang pelbagai penting bagi daya maju jangka panjang.

Kami bekerjasama dengan para penyewa dan rakan niaga kami untuk mempertingkatkan pengalaman membeli-belah dengan menumpu pada kepuasan pelanggan menerusi kempen pemasaran yang lebih teguh seperti program ganjaran di pusat membeli-belah kami yang tidak boleh direplikakan dalam talian.

Kami kemudiannya menggalakkan para penyewa kami agar aktif dalam kedua-dua saluran, iaitu di kedai nyata dan dalam talian untuk meningkatkan kehadiran jenama mereka.

Akhir sekali, untuk terus mengujakan pelanggan dan juga menarik para peruncit dalam talian untuk membuka kedai tetap di pusat membeli-belah kami, kami telah menyediakan peluang bagi mereka mengembangkan kehadiran pelanggan menerusi kedai sementara dan bazar hari minggu.

Kelenturan merupakan kunci dalam industri yang sentiasa berubah. Sebagai sebahagian daripada strategi korporat kami, kami berusaha mengoptimumkan portfolio kami melalui inisiatif mewujudkan nilai yang termasuk peningkatan aset, mewujudkan ruang sewaan bersih tambahan, dan penyusunan semula lot atau penukaran ruang bagi membantu meningkatkan pendapatan dan membolehkan pembukaan lebih banyak kedai peruncitan.

Projek utama kami tahun ini ialah di Kulim Central, yang telah berjaya disiapkan mengikut peruntukan.

Bagi memastikan syarikat kami terus menunjukkan prestasi baik, kami telah memperkukuhkan sumber manusia kami, dengan merekrut bakat terbaik melalui penelitian semula proses merekrut serta meningkatkan kecekapan pasukan kami dengan menghantar kakitangan penting menjalani latihan supaya menjadi lebih efektif dan produktif.

Secara keseluruhan, kami percaya iltizam kami dalam sentiasa menyesuaikan dengan cita rasa pengguna teras kami telah menyebabkan pusat-pusat membeli-belah Hektar kekal relevan dalam kehidupan komuniti masing-masing.

### **Apa maksud Dato' tentang 2017 merupakan tahun pembaharuan?**

2017 merupakan detik penting perjalanan kami, suatu tempoh permulaan baharu dalam persekitaran yang sedang melalui perubahan struktur, di Malaysia dan seluruh dunia. Untuk terus relevan dalam kehidupan semasa, adalah penting untuk portfolio pusat membeli-belah kami menjalani proses pembaharuan.

Berkaitan dengan ini, 2017 telah menyaksikan kelahiran semula Kulim Central ekoran Inisiatif Peningkatan Aset, yang menambah ruang sewaan bersih seluas 20,000 kaki persegi dengan perbaikan mutu pengalaman, fungsi dan estetik, medan selera baharu yang menawarkan santapan tempatan dalam persekitaran moden, serta suasana membeli-belah yang lebih ulung hasil gabungan penyewa yang semakin bertambah.

Subang Parade juga sedang melalui perubahan untuk memperkukuhkan kedudukannya sebagai pusat membeli-belah komuniti utama di Subang Jaya. Pusat ini sekarang sedang menjalani usaha penggabungan semula penyewa dan kami sudahpun memulakan Inisiatif Peningkatan Aset yang dinanti-nantikan. Inisiatif ini direka bentuk untuk menambah Ruang Sewaan Bersih bagi menempatkan lebih banyak kedai makanan & minuman, serta memperbaiki muka pusat membeli-belah, sekaligus mewujudkan suasana membeli-belah yang lebih baik buat pembeli dan pengunjung.

Peningkatan kualiti pawagam juga sedang dilaksanakan untuk mewujudkan suasana pawagam yang lebih menyeronokkan bagi penonton.

Kami juga telah melaksanakan usaha penggabungan semula penyewa yang lebih agresif di Mahkota Parade untuk menyesuaikan dengan perubahan kehendak pasaran tempatan serta menguasai sebahagian besar pasaran pelancong yang sedang membangun. Hasilnya, pusat membeli-belah tersebut sekarang menjadi hos kepada pelbagai jenama terkenal; kebanyakan jenama tersebut telah memilih Mahkota Parade sebagai lokasi sulung di Melaka.

Usaha ini disokong selanjutnya oleh usaha pemasaran yang agresif, termasuk mengadakan pelbagai acara dan aktiviti promosi, untuk mengukuhkan lagi kedudukan Mahkota Parade di pasaran ini.

Sebagai salah satu komitmen kami dalam memelihara alam semula jadi, kami telah memulakan inisiatif kecekapan dan pengurusan tenaga terhadap semua harta tanah kami. Cara penggunaan elektrik, reka bentuk semula, reka bentuk naik taraf dan penjajaran semula model operasi di setiap tapak dianggarkan akan, bila siap, mengurangkan agregat pelepasan karbon dioksida tahunan sebanyak 13.8 juta kg. (berdasarkan 0.94kg pelepasan karbon dioksida setiap kilowatt-jam penggunaan elektrik.)

Pada 2017, inisiatif ini telahpun menyumbang kepada pengurangan sebanyak 4% kos elektrik.

Akhir sekali, kami dengan bangga mengalu-alukan Segamat Central ke dalam portfolio pusat membeli-belah bercirikan kejiranan kami. Kami merancang untuk mewujudkan suasana membeli-belah yang lebih baik di Segamat Central buat masyarakat tempatan, dan akan terus memperbaiki gabungan peruncit, serta meningkatkan tarikan pusat membeli-belah tersebut.

### Apakah yang dianggap sorotan penting pada 2017?

Kami telah mewujudkan beberapa sumber yang menjana potensi pertumbuhan jangka panjang.

Usaha penggabungan semula penyewa kami telah memacu pertumbuhan organik melalui perbaikan berterusan dalam gabungan peruncitan bagi pembeli dan pengunjung, manakala Inisiatif Peningkatan Aset yang sudah siap di Kulim Central akan memberi rangsangan yang besar kepada nilai yang ditawarkan oleh pusat membeli-belah tersebut.

Pembelian Segamat Central juga telah meningkatkan saiz portfolio kami menjangkau 2 juta kaki persegi, di samping menawarkan potensi yang tinggi untuk peningkatan nilai.

Pada awal 2017, kami telah memulakan rancangan yang bertujuan menaik taraf sistem penyaman udara dan pengalihan udara mekanikal (ACMV) sedia ada. Ekoran analisis audit, kami sekarang dalam proses membeli sistem ACMV yang dianggar dapat mengurangkan penggunaan elektrik sebanyak 30%.

Sistem ini akan dibeli bersama pemasangan pendingin cekap-tenaga, pam dan menara pendingin, penggunaan kawalan bangunan yang boleh diubah dan dinamik, sistem automasi serta pelaksanaan amalan terbaik ke arah pematuhan MS 1525.

Kami juga berbesar hati apabila dianugerahi “Terbaik dalam Kehadiran Dalam Talian” di Anugerah Terbaik di Bawah Sebilion (BUBA) 2017 anjuran Focus Malaysia, suatu pengiktirafan industri terhadap komitmen kami dalam memberi maklumat yang cukup, jitu dan tepat pada masanya kepada para pemegang kepentingan kami.

### Apakah faktor terpenting untuk maju ke hadapan?

Iltizam kami dalam memenuhi dan mengatasi jangkaan para pemegang kepentingan kami.

Kami harus sentiasa berkomunikasi dan berbincang dengan pembeli, pengguna dan pengunjung kami bagi mengikut perkembangan semasa, serta menduga dan bersedia menghadapi arah aliran masa depan. Kami juga perlu bekerjasama dengan para penyewa kami dalam memacu tahap pendapatan yang lebih tinggi demi pertumbuhan bersama.

Tenaga kerja kami harus diperkayakan secara berterusan dari segi kemahiran, pengetahuan dan juga persekitaran pekerjaan yang selamat dan sihat.

Kami juga harus terus memainkan peranan untuk alam semula jadi dan masyarakat kita. Paling penting, kami harus memastikan rekod prestasi pembayaran dividen seunit selama 11 tahun kepada para pemegang unit dikekalkan.

Iltizam ini merupakan kunci prestasi kami tahun demi tahun. Untuk bergerak ke hadapan, kami akan terus menduga perubahan tabiat pengguna, membangunkan dan mengekalkan penyewa teras yang setia, membina tenaga kerja yang majmuk, cekap dan berazam tinggi, cekal dalam mengurangkan jejak karbon, menjadi ahli penting dalam pelbagai masyarakat yang kami anggotai dan memenuhi janji kami kepada para pemegang unit.

### Apakah jangkaan dalam masa terdekat ini?

Anda akan lihat usaha berlarutan kami ke arah memainkan peranan yang lebih besar dalam kehidupan masyarakat di sekitar pusat membeli-belah kami. Pusat membeli-belah kami akan menjadi destinasi unggul bagi rakan dan keluarga dalam mewujudkan kenangan yang tidak dapat dilupakan sambil meluangkan masa berkualiti bersama.

Kunjungan mereka akan diperkayakan dengan pelbagai pilihan rekreasi, sukan dan hiburan yang tersedia di pusat kami untuk suasana gaya hidup yang baik.

Pusat membeli-belah kami juga akan memberi peluang dan ruang kepada usahawan tempatan untuk berkembang maju.

Kami juga akan meneruskan strategi kami dalam mengenal pasti sasaran potensi yang memenuhi kriteria pembelian kami bagi mengembangkan portfolio pusat membeli-belah Hektar REIT.

Kami akan meneruskan usaha untuk mengoptimalkan kos dan mencari kaedah baru untuk mengurangkan kos operasi di kesemua pusat membeli-belah bagi memastikan pulangan kepada para pemegang unit kami kekal mampan.

Kami sedar pertumbuhan mampan akan menjadi sukar tanpa komitmen kepada urus tadbir korporat yang luar biasa dan kewarganegaraan korporat yang dapat menjadi contoh. Kami akan terus mengamalkan sikap berhati-hati, dengan pengurusan risiko yang teguh dan pematuhan penuh kepada semua keperluan kawal selia.

Anda akan menyaksikan kami terus mempertingkatkan pusat membeli-belah kami melalui Inisiatif Peningkatan Aset yang menumpu pada mewujudkan pusat membeli-belah masa depan.

Perjalanan kami juga akan dipacu oleh pertumbuhan, sama ada secara organik mahupun pembelian.

Kami juga akan berusaha untuk terus memberi pulangan yang baik dan stabil kepada para pemegang unit sebagai penghargaan atas sokongan dan kesetiaan mereka.

Ini merupakan detik yang memang mengujakan bagi Hektar REIT.

在2017年将近尾声时，我们不仅赚取更高的收入，也有比前一年更大规模的资产组合。我们相信我们现在以更强大的状态迎向未来。

**您如何形容贺达产托在2017年的表现？您认为这是好景或不景的一年？**

在重重挑战的情况下，我可以这样说，贺达产托在这一年的表现相当良好。我们得以克服或纾缓收入与成本所面对的许多压力，并且到了年杪，我们得以交出相当良好的业绩，并派发可观回酬给单位持有人。与此同时，我们着手实施资产增值举措行动（AEI）与租户重新组合的策略，来提高我们所拥有的购物中心之定位，以确保这些购物中心在2017年之后，仍对客户具有吸引力，也能贴近他们的需求。整体而言，这是充满挑战、适应与更新的一年。

2017年初看到零售业持续面对压力。一年伊始，就有报告指出2017年第一季的零售销售额萎缩了1.2%。在专注一致于本身的基本承诺下，我们继续着手在租户重新组合、资产增值举措行动、节省能源举措，积极进取的营销工作，以持续创造价值。在2017年将近尾声时，我们不仅赚取更高的收入，也有比前一年更大规模的资产组合。我们相信我们现在以更强大的状态迎向未来。

**贺达产托于2017年面对哪些挑战？**

2017年有三股主要趋势更为显著。

首先，我们一整年都面对着消费者情绪显著低迷的情况。在家庭收入普遍持平的大环境下，令吉汇率无法振作、高企的国内债务，以及征收消费税所带来的后遗症，这些因素综合成通货膨胀压力。在购买力下降下，马来西亚消费者于2017年都谨慎消费，以致于这一年首9个月的零售销售额只上扬1.9%。雪上加霜的是，我们面对来自现有与新开张购物中心的竞争，他们给予具竞争力的租金率与福利，来吸引租户。

其次，在数字经济与电子商务时代临到之际，我们看到消费者行为出现一些转变。马来西亚2017年的电子商务普及率增至5%，一整年的非旅行电子商务开销总值估计高达50亿令吉。虽然与我国全年零售销售总额约1000亿令吉相比，这只是小巫见大巫，然而，数字经济对消费者行为与生活方式的影响不但是广泛，且可能是永久性的。

第三点，巴生河流域与马六甲的购物中心供应过剩，让我们在当地的购物中心面对激烈竞争，这不仅对我们访客的客流量、租金收入与租户的销售额造成冲击，也影响我们要留住与招揽优质员工的努力。供应过剩导致收入降低，因为潜在租户有更多选择，以善用市场上具有的机会。

**贺达产托如何回应这些挑战？**

我们对首项关注即消费者习惯性花费模式有所改变的应对方案是着重专注于更多客户接触，鼓励他们多花费并增加每位客户的到访次数。除了地面营销，我们采用更具体的策略，在网上平台收集他

们到访之前与之后的零售体验，以推动购物中心的人潮，并收取客户体验性的评价。除此之外，我们也专注于开发并保持有利于消费人与零售商的零售环境，旨在延长客户每次在购物中心逗留的时间，并吸引他们再度光临。我们持续努力调整租户组合，以顺应消费者需求、品味与生活方式的变化。我们如今有更多的饮食、娱乐、休闲与运动的店面，以方便前来我们购物中心的消费人，不仅来逛街，也可以和他们的亲友共度优质时光。至于市郊地区商场，我们引入更优势且时尚产品的崭新品牌，来到郊区与市镇消费人当中，让他们不必舟车劳顿亦可享受优质购物体验。我们也改善设施，让购物者有更愉悦与舒适的购物体验。

至于电子商务崛起，开始改变零售业结构的趋势，我们采取三项方法来应对这项挑战。大量研究显示，网上商店与实体商店有唇齿相依的关系。消费人仍想要体验、嗅闻、触摸与感觉他们所要购买的物品，因此全面的渠道是确保长期营商可行性的关键。我们与租户及伙伴合作，专注于客户满意度来增强零售体验，其中包括更强大的营销行动，例如在我们的购物中心推行积分奖励计划，这是网上购物所无法取代的。我们也鼓励租户同时在实体店与网上皆保持活跃，以增加他们品牌知名度。最后，为了让客户有新鲜感，也要招揽网上零售商在我们的购物中心设定永久商店，我们透过临时弹出式商店与周末市集，让这些网上零售商有个平台与客户接触，增加他们在客户心中的存在感。

在瞬息万变的行业里，灵活变通是关键所在。配合我们的企业策略，我们寻求透过价值创造举措，让资产组合充分发挥使用效能，包括资产增强、创造出额外净可出租面积，重新配置单位，或转换空间，以增加收入，并且有更多零售商店。这些举措于2017年在首邦百利广场、居林新世纪广场与皇冠百利广场进行。我们也开始部署在Segamat Central推行这些举措。我们今年主要的项目是在居林新世纪广场，此项目已在符合预算与进度表下成功完成。

为了确保本公司继续有表现良好，我们已增强人力资源，透过检讨招募程序，来网罗业界顶尖人才，同时挑选主要人员参加业界的培训，以提高他们的效率与生产力，来加强我们团队的专业能力素质。

总体而言，我们相信致力于不断地顺应客户群的需求，有助贺达产托的购物中心继续在个别社区贴近客户的脉搏。

**您说2017年是更新的一年，这是什么意思呢？**

正当马来西亚与全球都在出现结构性变化的环境下，2017年是我们旅程中的重要里程碑，这也是掀开新页的时期。要继续成为当地社区生活的一部分，我们的购物中心组合就须经历更新的过程。就此而言，这一年看到居林新世纪广场在资产增值举措行动下焕然



一新，额外的净可出租面积逾2万平方尺，在购物体验、功能与外观上都有极大的改进，全新的饮食厅在现代化装潢下，汇集了各式各样的本地美食，也藉着阵容更浩大的租户组合，提供更丰富的零售购物体验。

首邦百利广场也在进行转变，以进一步巩固作为首邦市主要社区购物中心的地位。目前它正在进行租户重新组合计划，而我们也开始着手众所期待的资产增值举措行动。此举措将创造额外净可出租面积，以容纳更多饮食商店，也改善购物中心的外观，并让购物者与访客有更丰富的零售购物体验。提升电影院的工程也在进行中，以便日后让电影发烧友有更愉悦的观看电影体验。

我们亦在皇冠百利广场推行积极的租户重新组合计划，因为我们顺应当地市场的需求变化，也要从可观的到访游客市场中分一杯羹。因此，目前这个购物中心有好些卓著、有名气品牌的商店，而这些品牌选择皇冠百利广场，作为他们进驻马六甲市场的第一站。此计划也配合同样积极的营销努力，包括各式各样的盛事与促销活动，以进一步加强皇冠百利广场在市场上的地位。

配合我们欲为环保尽一分力的承诺，我们在所有产业都推行提高能源效能与管理举措。在节省电力方面，我们重新设计、改装并重新组合每个场地的经营模式，一旦完成后，预计可将二氧化碳的总排放量每年减少1380万吨（根据每千瓦小时电力消耗将产生0.94公斤的二氧化碳排放量计算）。在2017年，此举措已助我们降低了4%的电费。

最后，我们很荣幸地欢迎Segamat Central加入我们的近邻购物中心的阵容。我们有意大幅提升Segamat Central可为当地社区带来的零售购物体验，并持续改善此购物中心的零售组合，同时美化其外观。

#### 请问您认为2017年的关键亮点是什么？

从业绩表现的角度而言，我们于2017年有所增长，这是值得我们也开创了好些具有潜能带来长期成长的领域。我们持续为购物者与访客改善零售组合，藉重新调整租户组合来推动组织性成长，同时，居林新世纪广场已完成的资产增值举措行动将可大大提升购物中心的整体价值。我们收购Segamat Central也使我们的产业组合面积超越了200万平方尺，而且也在价值创造与增值上提供格外的潜能。

我们于2017年初推行一项计划，旨在改善现有的空调与机械通风（ACMV）系统。在作出审计与分析后，我们如今正在添置估计可降低30%电力消耗的ACMV系统。添置程序包括安装节能的冷水机、水泵与冷却塔，应用可变与动态的建筑管理，以及自动化系统，以及实施符合MS 1525标准的最佳守则。

我们荣获《马来西亚Focus》举办2017最佳市值10亿令吉以下企业大奖（BUBA）的“最佳网络存在奖”，也让我们深受鼓舞。这是业界认同我们致力于为所有利益相关者提供充足、准确与及时披露信息的承诺。

#### 请问您认为推动前进的最重要动力是什么？

我们要符合并超越全体利益相关者期望的承诺，是我们前进的最大动力。

我们与购物者、消费人与访客的接触不仅是根据他们现有的喜好而保持联系，也要藉此类接触以预见与准备应对未来趋势。我们也需要与租户携手合作，推动营业额到更高水平，以带来互惠互利的共同成长。我们不仅会让工作人员继续更有技能与知识，也会提供安全与健康的工作环境。我们亦须继续为环保与社区作出贡献。更重要的是，我们需要专注于财务表现，以确保我们得以保持连续11年不间断派发具吸引力的每单位配息（DPU）给单位持有人的过往记录。

这项承诺将是未来几年表现的关键。放眼未来，我们已得以预见消费者行为的改变，开发并保持忠诚的租户群，建立多元、能干又积极主动的工作人员，坚持减少碳排放量，成为我们所处各社区的主要成员，并且向单位持有人交付我们的承诺。

#### 我们在短期内可有什么样的期待？

您可看到我们继续努力在我们购物中心所处的各个社区生活里扮演更重要角色。我们的购物中心将成为当地人必到的好去处，与亲友欢度美好时光，留下难忘回忆。他们的到访可藉着享受各种休闲与运动活动，以及娱乐而更加多姿多彩，这些都是有益身心健康的生活方式体验。我们的购物中心亦让当地企业有空间与商机以兴旺成长。

我们将继续原有策略，物色符合我们收购条件的潜在目标，以壮大贺达产托的购物中心组合。

我们将继续成本最优化努力，并寻找新方法以降低各个购物中心的营运成本，以确保我们的单位持有人获得持续性的回酬。

我们认识到，若非致力于卓越企业治理与足以作为典范的企业公民意识，任何的成长都难以持久。我们将继续保持审慎，且执行健全的风险管理与全面地遵守所有监管规定。

您可看到我们将继续透过资产增值举措行动来为购物中心增值，并专注于打造明日的购物中心。我们旅程的动力，将来自组织性与收购所推动的成长。我们也将努力地继续交付良好且稳定的回酬给单位持有人，感谢他们的鼎力支持与忠诚相随。

这确实是贺达产托扣人心弦的时光。



## KULIM CENTRAL Asset Enhancement Initiatives

In 2016, Hektar Real Estate Investment Trust (Hektar REIT) announced a RM23 million project for the AEI of Kulim Central Shopping Centre in Kedah. The initiative was aimed at protecting and enhancing the property's potential for growth, whilst also contributing towards increasing the overall Net Lettable Area (NLA) of the Hektar REIT portfolio. Kulim Central has also been chosen, in part, due to it having one of the most promise in terms of upward rental trajectory since being acquired in 2012.

The AEI created an approximate 20,000 sq ft of new NLA space which is equivalent to 24 shop lots and additional space for casual leasing. The initiative also resulted in the upgrading of common areas, service corridor and lift lobbies, a refurbished Guest Services Desk, an attractive new façade with wall paneling and advertisement boards, modern

restrooms, a new domestic water tank, a brand new Parents Room facility, new pantries for tenants, a revitalised prayer room as well as improved roof waterproofing. It also gave life to a bright and inviting food court offering quality food & beverage offerings.

A rebranding exercise was also carried out to provide the property with fresh and improved positioning. Landmark Central was renamed as 'Kulim Central', with the adoption of the 'Kulim' name designed to identify the shopping centre as a member of the local community, whilst building a stronger emotional connection with the local populace.

The initiative kicked-off in December 2016, with renovation works aimed at strengthening its roots within the local community. By November 2017, the new and improved Kulim Central proudly opened its doors to the public, with renovations completed within budget and with no downtime. This was accomplished through the dedication and diligence of all teams involved, spanning across Hektar Asset Management Sdn Bhd and Hektar Property Services Sdn Bhd.

The new and improved Kulim Central has since garnered positive feedback not only from its regulars and local patrons, but also from the local and international retailers who are now enrolled to our vision for Kulim Central. Today, new lots have been almost fully taken up, a much livelier ambience exist across the shopping centre, and higher reversion rates have also followed suit.

As the initiative was completed towards the tail end of 2017, it is early days yet to conclude on the full impact of the initiative. Having mentioned that, early results have been very encouraging, with the positive trend expected to continue for many years to come. This augurs well for the fulfillment of the positive returns expected from the exercise, as well as the long-term benefits it can deliver to Hektar REIT and its unitholders.





## Acquisition



2017 marked yet another milestone in Hektar REIT's ongoing progress, with the acquisition of Segamat Central (formerly known as 1Segamat) proving to be a strong addition to the REIT's robust portfolio. The acquisition of 1Segamat Shopping Centre from Tashima Development Sdn Bhd, a subsidiary of EcoFirst Consolidated Bhd was concluded at RM104 million, enlarging the REIT's accumulative portfolio to RM1.2 billion in value and to a total of 2 million sq ft in net lettable area (NLA).

Segamat Central stands as the predominant shopping centre within the town of Segamat which consists of an approximate population of 190,000. Measuring in the region of 175,000 sq ft, Segamat Central consists of a three (3)-storey retail mall building and one (1) basement car park boasting a total of four hundred and twelve (412) parking bays (located at the basement, roof top and outdoor parking areas).

Segamat Central is located within an area of very high traffic concentration and good connectivity, with a bridge connection providing direct access to Segamat's main bus terminal. It is also a mere 3-minute walk to the Segamat railway station. The property is also within close proximity of two (2) institutions of higher learning, namely Universiti Teknologi Mara and the Johor campus of the Tunku Abdul Rahman University College.

The shopping centre is currently enjoying 95% occupancy, with UO Superstore and Lotus Five Star Cinemas as its anchor tenants. Both UO Superstore and Lotus Five Star Cinemas are the only department store and purpose-built cinema respectively in Segamat town. Hektar REIT intends to bring both strong local and international brands to the shopping centre, in its effort to provide the people of Segamat with a unique retail experience within a short drive from their respective homes.

Hektar REIT believes that Segamat Central has enormous potential for growth, coupled with the capacity to serve its local community. Major strategic plans have been devised to turn this into reality, including the upgrading of services at the shopping centre to the industry's best practices. These shall include the



introduction of signature shopping centre services ranging from a complete parents' room, gift counter, well-managed guest services desk with stroller and wheelchair facilities, a comfortable prayer room and modern restrooms. These shall also be followed by a string of aggressive and unique marketing initiatives to build a strong brand presence which would not only entice locals, but also visitors from the surrounding region.

This approach is similar to Hektar REIT's successful enhancement of Wetex Parade, involving an extensive market research and repositioning exercise, coupled with the introduction of best practices in property management which was implemented after the acquisition. This systematic approach had resulted in a remarkable increase of 15% in occupancy rates and increase of 30% average rental rates at Wetex Parade.

The objective of the acquisition of Segamat Central was to provide Hektar REIT unitholders with a defensible income distribution whilst enhancing the long-term value of the fund. With Segamat Central expected to contribute towards approximately 10% of the REIT's portfolio, the said acquisition is on track towards meeting that objective.

## PORTFOLIO PERFORMANCE

Net Lettable Area

**2.0**  
million<sup>sq ft</sup>

Occupancy

**95.1**  
percent

Market Catchment<sup>1</sup>

**3.0**  
million residents

Visitor Traffic

**29.4**  
million per annum

Number of Tenancies<sup>2</sup>

**520**

Data current as at 31 December 2017 except:  
1. All taken from Spectrum Research Asia Sdn. Bhd., December 2012 (Independent Research), within 20-minutes drive.  
2. NLA Tenants only.

The portfolio consists of 2.0 million square feet of retail space and provides good geographical diversification to the REIT, serving areas including CBDs, suburbs, growing towns and emerging towns.

The Manager aims to enhance the long-term value of the portfolio via key operating, investment and capital management strategies. The performance achieved by each centre in the financial year 2017 is set out in the following pages.

### PROPERTY PROFILES

Hektar REIT's portfolio consists of six well-established community-focused shopping centres in various parts of Peninsular Malaysia.



**SUBANG PARADE**

Subang Parade, located in Subang Jaya, Selangor



**MAHKOTA PARADE**

Mahkota Parade, located in Bandar Melaka, Melaka



**WETEX PARADE**

Wetex Parade located in Muar, Johor



**CENTRAL SQUARE**

Central Square, located in Sungai Petani, Kedah



**KULIM CENTRAL**

Kulim Central, located in Kulim, Kedah



**SEGAMAT CENTRAL**

Segamat Central, located in Segamat, Johor



## PROPERTY STATISTICS

	SUBANG PARADE	MAHKOTA PARADE	WETEX PARADE	CENTRAL SQUARE	KULIM CENTRAL	SEGAMAT CENTRAL
State	Selangor	Melaka	Johor	Kedah	Kedah	Johor
Title	Freehold	Leasehold*	Freehold	Freehold	Freehold	Leasehold**
Primary Trade Area <sup>1</sup>	1,834,000	382,200	201,600	406,870	181,195	n/a
NLA – Retail (sq ft)	513,251	519,542	159,056	311,230	299,613	210,730
Tenancies	122	113	76	66	78	65
Occupancy (%) <sup>2</sup>	90.9	96.1	100.0	95.3	98.2	94.7
Visitor Traffic FY2017 (million) <sup>3</sup>	9.9	9.1	4.4	3.8	2.2	n/a
Purchase Price (RM million)	280.0	232.0	117.5	83.3	98.0	106.1
Valuation (RM million) <sup>4</sup>	426.0	321.0	135.5	96.0	110.0	106.1
Gross Revenue FY2017 (RM million)	46.7	40.2	13.5	10.3	11.3	3.6
Net Property Income (NPI) FY2017 (RM million)	29.8	21.8	8.2	5.5	6.2	2.2

<sup>1</sup> Spectrum Research Asia Sdn. Bhd., December 2012 (Independent Research).

<sup>2</sup> As at 31 December 2017.

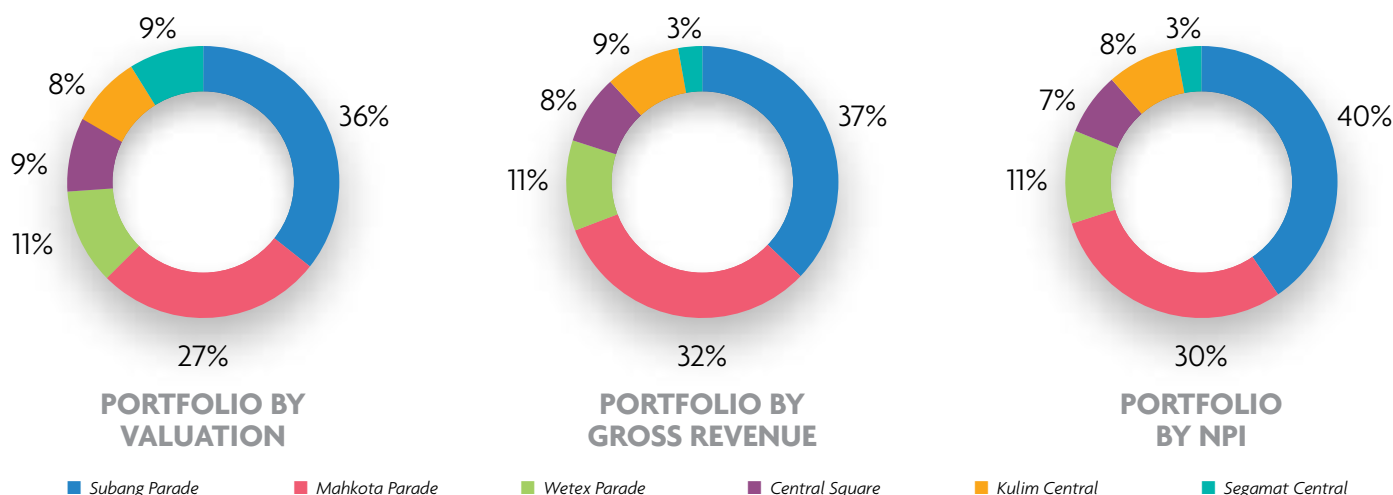
<sup>3</sup> Installation of upgraded footfall system for Kulim Central is underway to capture traffic at new entrances into the shopping centre. Footfall system for Segamat Square was installed only in late December 2017.

<sup>4</sup> Valuation for Subang Parade, Mahkota Parade, Wetex Parade, Central Square and Kulim Central were as of 30 September 2017. Valuation for Segamat Central was as of 22 June 2017.

\* Until 2101.

\*\*Until 2116.

## GEOGRAPHICALLY WIDESPREAD PORTFOLIO



## PORTFOLIO OCCUPANCY

Hektar's portfolio of assets has achieved an aggregate occupancy rate of 95.1% as at 31 December 2017. Occupancy rates are healthy in spite of the challenging retail environment, with all malls (excluding Subang Parade) being at least 94% full.

Property (Occupancy as at 31 December)	2017	2016	2015	2014	2013
Subang Parade	<b>90.9%</b>	93.0%	94.7%	99.3%	100.0%
Mahkota Parade	<b>96.1%</b>	96.4%	95.5%	94.5%	97.8%
Wetex Parade	<b>100.0%</b>	100.0%	98.7%	98.3%	96.8%
Central Square	<b>95.3%</b>	96.6%	98.0%	80.5%	82.5%
Kulim Central	<b>98.2%</b>	98.9%	99.3%	97.8%	93.7%
Segamat Central*	<b>94.7%</b>	n/a	n/a	n/a	n/a
Overall**	<b>95.1%</b>	96.2%	96.6%	94.3%	95.0%

\* Segamat Central is a new asset that was acquired in Sept. 2017.

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

**VISITOR TRAFFIC**

Visitor traffic is measured by FootFall, a computerised video-based traffic monitoring system. Visits to Subang Parade has increased significantly, registering annual growth of 7.9%. All other shopping centres experienced a slight decline in line with market conditions. The FootFall system at Kulim Central is being upgraded to also capture traffic at its new entrances.

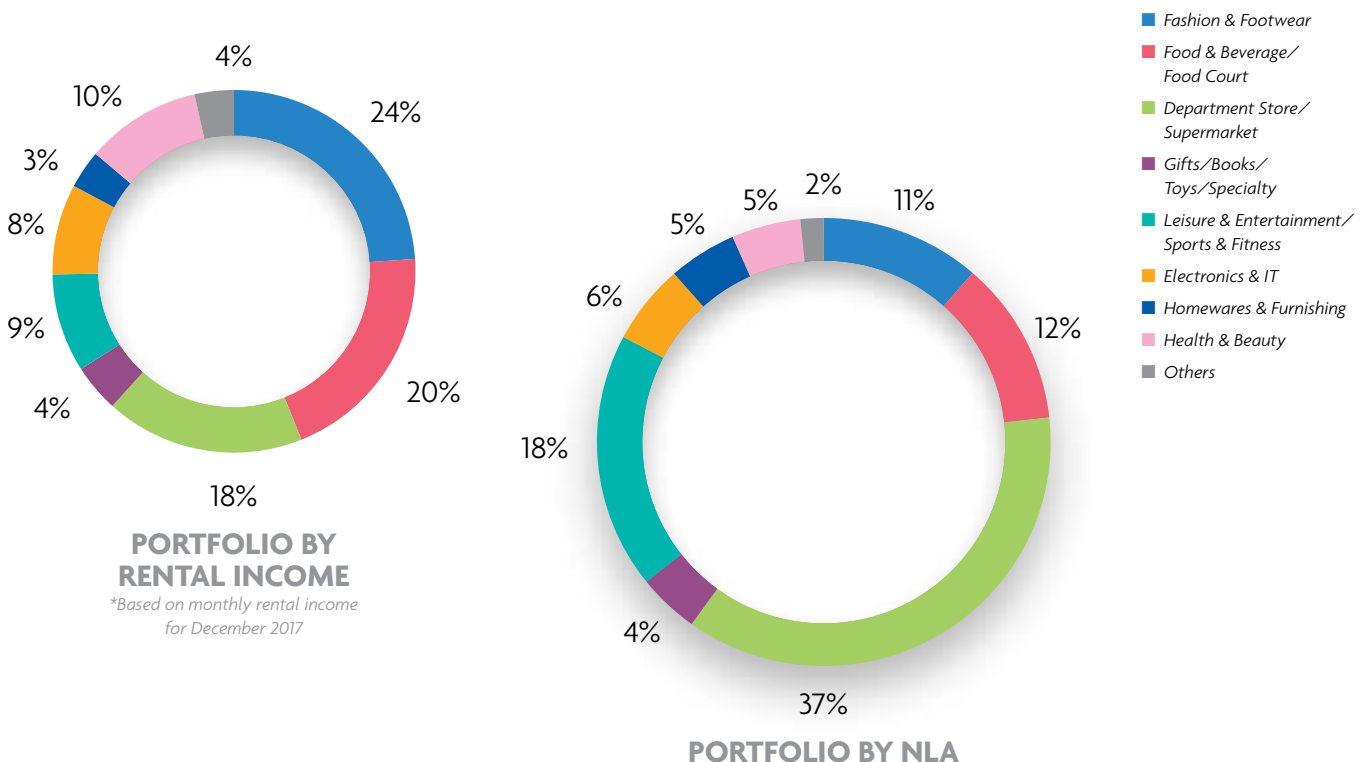
Property (Number of Visits)	2017	2016	2015	2014	2013
Subang Parade (million)	9.9	9.2	9.8	9.5	8.5
Change in Traffic (%)	7.6	(6.1)	3.2	11.8	10.4
Mahkota Parade (million)	9.1	9.4	9.1	10.0	10.4
Change in Traffic (%)	(3.2)	3.3	(9.0)	(3.8)	(5.5)
Wetex Parade (million)	4.4	4.6	4.6	4.8	4.8
Change in Traffic (%)	(4.4)	—	(4.2)	—	(7.7)
Central Square (million)	3.8	3.9	3.9	3.3	4.1
Change in Traffic (%)	(2.6)	—	18.2	(19.5)	—
Kulim Central (million)*	2.2	3.0	3.2	3.2	3.4
Change in Traffic (%)	(26.7)	(6.3)	—	(5.9)	—
Segamat Central (million)**	—	—	—	—	—
Change in Traffic (%)	—	—	—	—	—
<b>Total (million)</b>	<b>29.4</b>	30.1	30.6	30.8	31.2

\* Installation of upgraded footfall system for Kulim Central is underway to capture traffic at new entrances into the shopping centre.

\*\*Footfall system for Segamat Central was installed only in late December 2017.

**PORTFOLIO TENANCY MIX**

The largest rental contributors to the portfolio are tenants from the fashion and footwear categories as well as food and beverage segment. Both segments contributed towards 44% of portfolio's total rental income. In terms of NLA composition, department stores and supermarkets continue to dominate the portfolio by taking up 36.6% of all available NLA.



## PORTFOLIO'S TOP TEN TENANTS

The top ten tenants in the portfolio contributed approximately 27% of total monthly rental income, providing a diversified revenue base. After the top tenant, Parkson, which contributed approximately 9% of monthly rental income, no other tenant contributed more than 6.0%.

Tenant	Trade Sector	NLA (Sq Ft)	% of total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	254,009	12.6%	9.3%
The Store	Department Store/Supermarket	273,198	13.6%	5.6%
Seleria	Food & Beverage	36,511	1.8%	1.7%
Giant	Department Store/Supermarket	96,283	4.8%	1.6%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	84,147	4.2%	1.6%
Mr DIY	Houseware & Furnishing	64,050	3.2%	1.6%
Watsons	Health & Beauty	10,296	0.5%	1.4%
KFC	Leisure & Entertainment/Sports & Fitness	15,786	0.8%	1.2%
Digital One	Electronics & IT	21,361	1.1%	1.2%
McDonald's	Food & Beverage	14,124	0.7%	1.2%
Top 10 Tenants (by monthly rental income)		869,765	43.2%	26.4%
Other Tenants		1,143,657	56.8%	73.6%
Total		2,013,422	100.0%	100.0%

\* Based on monthly rental income for December 2017.

## PORTFOLIO'S RENTAL REVERSIONS

For the year ended 31 December 2017, the portfolio recorded 156 new and renewed tenancies, with an overall weighted average rental reversion of -4% within a challenging retail environment.

Market confidence arising out of our acquisition of Segamat Central generated a healthy 11% reversion.

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	47	147,002	29%	(2.0%)
Mahkota Parade	33	222,089	43%	(7.0%)
Wetex Parade	16	17,661	11%	0.3%
Central Square	30	63,308	20%	(10.0%)
Kulim Central	21	29,439	10%	2.0%
Segamat Central	9	34,460	16%	11.0%
Total/Average	156	513,979	25%	(4.0%)

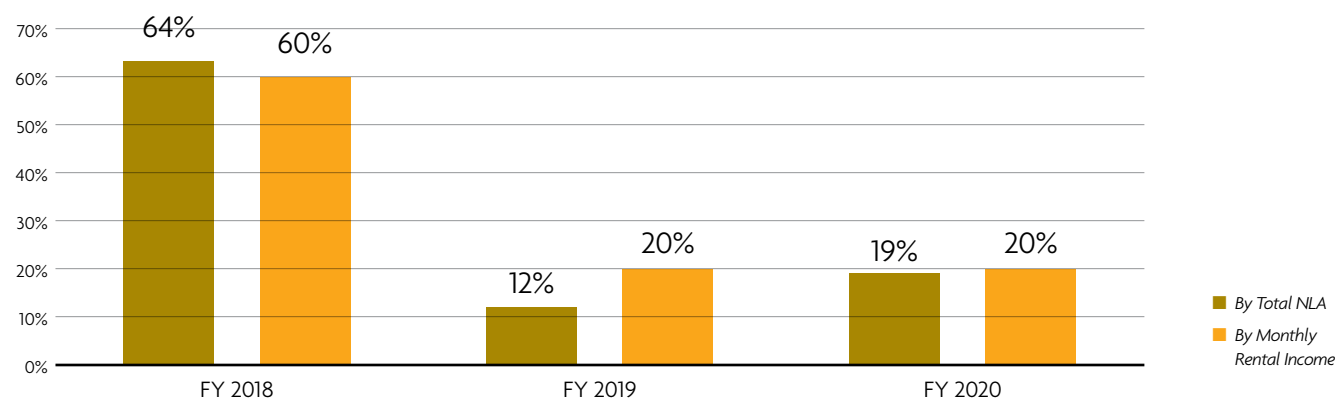
Figures as at 31 December 2017.

### PORTFOLIO TENANCY EXPIRY PROFILE

282 tenancies will expire in 2018, representing approximately 64% of NLA and 60% of monthly rental income as at 31 December 2017. This represents the REIT with opportunities to continually pursue its tenancy remixing exercise to refresh the mix as contracts expire. Having mentioned that, tenancies are secured with options-to-renew and negotiation are initiated six months prior to their expiries.

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 2018	282	1,286,121	64%	60%
FY 2019	138	241,971	12%	20%
FY 2020	93	373,855	19%	20%

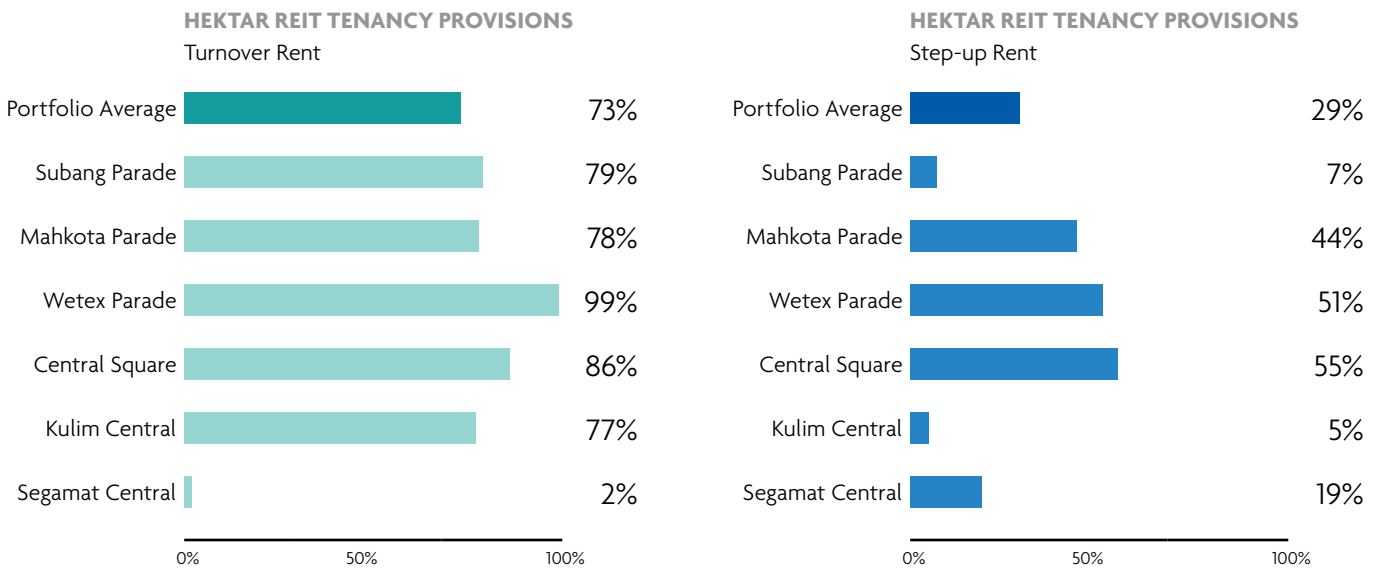
\* Based on monthly rental income for December 2017.



## PORTFOLIO TENANCY PROVISIONS

As at 31 December 2017, turnover rent provisions were present in 73% of tenancy contracts within the portfolio. Step-up rent provisions were present in 29% of tenancy contracts within the portfolio.

A turnover rent provision allows for rent calculated as a proportion of annual turnover of the tenant's business. Turnover rent is paid to the REIT if it exceeds the base rent specified in tenancy agreements on either an annual basis or monthly basis. A step-up rent provision stipulates pre-determined increases in rent at defined intervals during a tenancy agreement.



## SUBANG PARADE

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

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

Parade was awarded a Silver Award by the International Council of Shopping Centres (ICSC) in the Design and Development category at the 2008 ICSC Asia Awards. In 2011, the introduction of a cinema has further enhanced the tenant mix of the centre, bringing us closer to our purpose in meeting customers' needs.

Subang Parade is currently undergoing an asset enhancement initiative ("AEI") with creation of new lettable area. The AEI is being implemented in stages to minimize operational impact, and is expected to complete in stages between 2018 to 2019.

<b>Location</b>	No. 5, Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	1,834,000 within 20-mins drive time
<b>Gross Floor Area</b>	1,169,038 sq ft
<b>Net Lettable Area</b>	513,251 sq ft
<b>Car Park</b>	1,288 bays
<b>Valuation</b>	RM426.0 million
<b>Tenants*</b>	122
<b>Key Tenants</b>	Parkson, Digital One, Celebrity Fitness, MBO Cinemas, Best Denki
<b>Occupancy</b>	90.9%
<b>Visitor Traffic</b>	9.9 million per annum
<b>Year Opened</b>	1988
<b>Year Acquired</b>	2006

Data as of 31 December 2017.

\* Only NLA Lots.



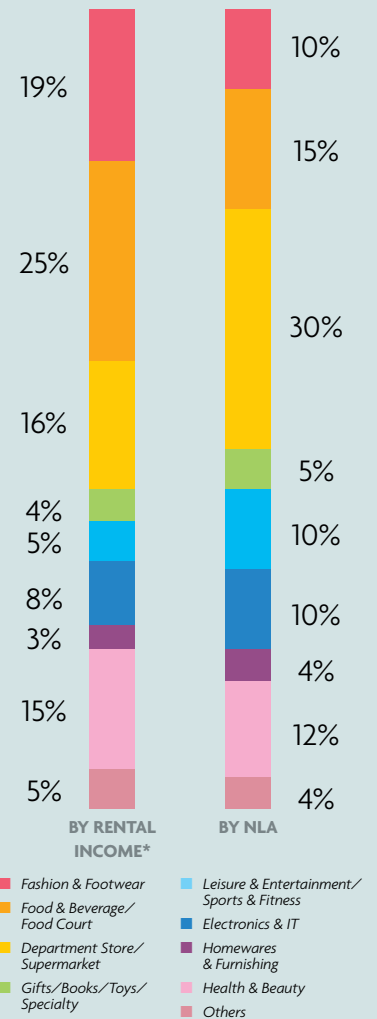
### SUBANG PARADE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	140,620	27.4%	15.7%
Digital One	Electronics & IT	21,361	4.2%	3.4%
Celebrity Fitness	Leisure & Entertainment/Sports & Fitness	21,646	4.2%	3.0%
Best Denki	Electronics & IT	24,739	4.8%	2.6%
Kenny Rogers Roasters	Food & Beverage	3,610	0.7%	2.2%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	25,735	5.0%	2.0%
Voir	Fashion & Footwear	4,387	0.9%	2.0%
MPH Bookstores	Gifts/Books/Toys/Specialty	14,908	2.9%	2.0%
Overseas Restaurant	Food & Beverage	14,076	2.7%	1.8%
Yamaha	Gifts/Books/Toys/Specialty	6,933	1.4%	1.7%
Top 10 Tenants (by monthly rental income)		278,015	54.2%	36.4%
Other Tenants		235,236	45.8%	63.6%
<b>Total</b>		<b>513,251</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.



### SUBANG PARADE'S TENANCY MIX



### 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*
FY 2018	56	269,819	53%	51%
FY 2019	39	85,898	17%	25%
FY 2020	27	107,678	21%	24%

\* Based on monthly rental income for December 2017.





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

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

Mahkota Parade was re-launched on May 1, 2010, following a complete refurbishment. The revitalised shopping centre improved the overall shopping experience for customers.

A further expansion of the cinema was completed in 2015, where the number of screens was increased from four to ten. These are part of Hektar's continuing efforts to invest in the Melaka market and maintain Mahkota Parade as the leading shopping centre in the state.

<b>Location</b>	No. 1 Jalan Merdeka 75000 Bandar Melaka, Melaka
<b>Title</b>	Leasehold (until 2101)
<b>Primary Trade Area</b>	382,200 within 20-mins drive time
<b>Gross Floor Area</b>	1,392,623 sq ft
<b>Net Lettable Area</b>	519,542 sq ft
<b>Car Park</b>	1,079 bays
<b>Valuation</b>	RM321.0 million
<b>Tenants*</b>	113
<b>Key Tenants</b>	Parkson, Seleria, Ampang Superbowl, KFC, Guardian
<b>Occupancy</b>	96.1%
<b>Visitor Traffic</b>	91 million per annum
<b>Year Opened</b>	1994
<b>Year Acquired</b>	2006

Data as of 31 December 2017.

\* Only NLA Lots.



## MAHKOTA PARADE'S TOP TEN TENANTS

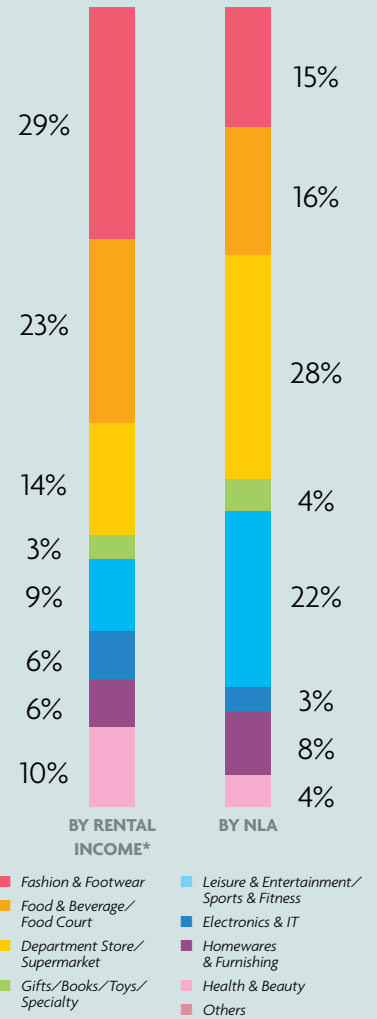
Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Parkson	Department Store/Supermarket	113,389	21.8%	12.9%
Seleria	Food & Beverage	36,511	7.0%	5.8%
Ampang Superbowl	Leisure & Entertainment/Sports & Fitness	36,717	7.1%	3.0%
Mr DIY	Homewares & Furnishing	23,608	4.5%	2.5%
LFS Cinemas	Leisure & Entertainment/Sports & Fitness	43,496	8.4%	2.7%
KFC	Food & Beverage	5,403	1.0%	2.2%
Guardian	Health & Beauty	3,800	0.7%	1.8%
Kaison	Homewares & Furnishing	9,655	1.9%	1.7%
World of Sports	Leisure & Entertainment/Sports & Fitness	5,748	1.1%	1.6%
Popular	Gifts/Books/Toys/Specialty	12,616	2.4%	1.5%
Top 10 Tenants (by monthly rental income)		290,943	55.9%	35.7%
Other Tenants		228,599	44.1%	64.3%
<b>Total</b>		<b>519,542</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.





### MAHKOTA PARADE'S TENANCY MIX



### 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*
FY 2018	57	268,751	52%	54%
FY 2019	38	84,525	16%	24%
FY 2020	16	144,188	28%	23%

\* Based on monthly rental income for December 2017.





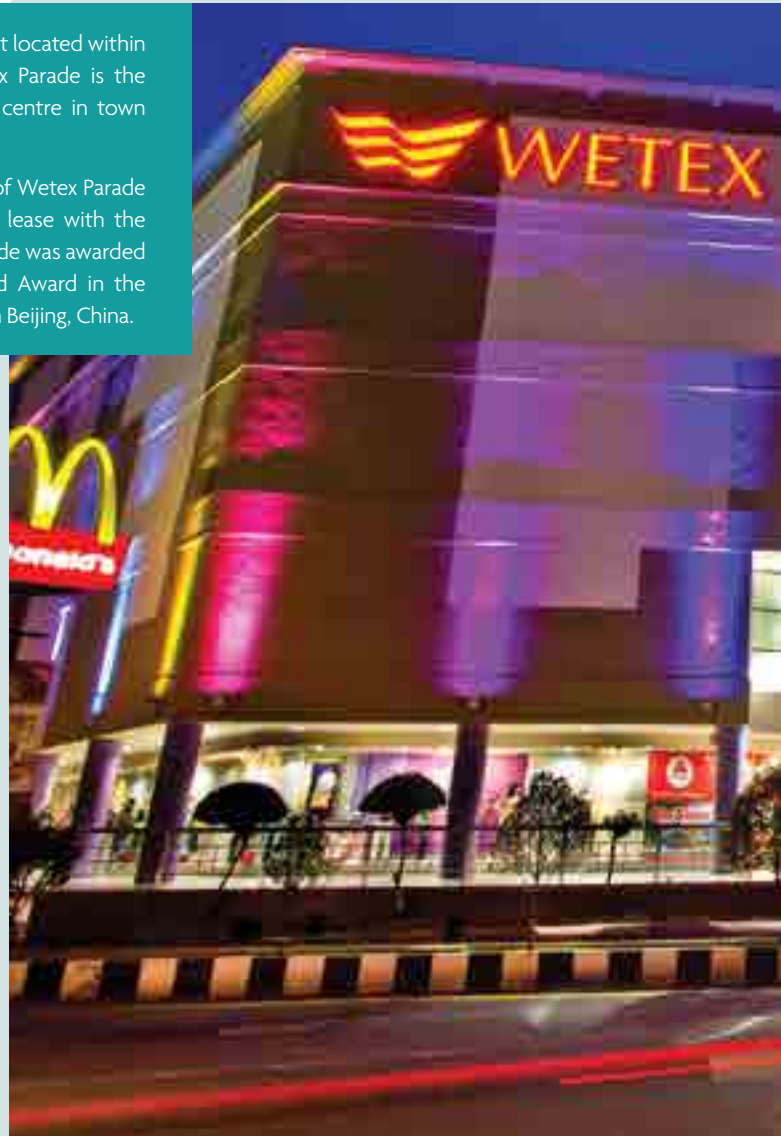
Wetex Parade is an integrated retail development located within the commercial district of Muar, Johor. Wetex Parade is the leading department store anchored shopping centre in town and serves as the premier retail destination for the Muar area.

As part of the integrated development, Classic Hotel is situated on top of Wetex Parade and is one of the leading hotels in Muar. Hektar REIT has secured a lease with the operator as part of the terms of the acquisition in May 2008. Wetex Parade was awarded by the International Council of Shopping Centres (ICSC) with a Gold Award in the "Cause Related Marketing" category at the 2010 ICSC Asia Awards held in Beijing, China.

<b>Location</b>	69 Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	201,600 within 20-mins drive time
<b>Gross Floor Area</b>	281,590 sq ft
<b>Net Lettable Area</b>	159,056 sq ft
<b>Classic Hotel GFA</b>	125,931 sq ft
<b>Car Park</b>	175 bays
<b>Valuation</b>	RM135.5 million
<b>Tenants*</b>	76
<b>Key Tenants</b>	The Store, Watsons, Living Cabin, McDonald's, Popular
<b>Occupancy</b>	100.0%
<b>Visitor Traffic</b>	4.4 million per annum
<b>Year Opened</b>	1996
<b>Year Acquired</b>	2008

Data as of 31 December 2017.

\* Only NLA Lots.



## 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	53.7%	26.0%
Watsons	Services	2,027	1.3%	4.4%
Living Cabin	Gifts/Books/Toys/Specialty	2,949	1.9%	3.0%
McDonald's	Food & Beverage	2,489	1.6%	2.5%
Tanjongmas Bookcentre	Gifts/Books/Toys/Specialty	7,190	4.5%	2.3%
Popular	Gifts/Books/Toys/Specialty	4,037	2.5%	2.3%
Sukan Muara	Leisure & Entertainment/Sports & Fitness	1,356	0.9%	2.1%
Fabiano Ricco/Ecco	Fashion & Footwear	1,259	0.8%	2.0%
Baker House Confectionery	Food & Beverage	990	0.6%	1.8%
Pao Sing	Gifts/Books/Toys/Specialty	1,023	0.6%	1.8%
Top 10 Tenants (by monthly rental income)		108,733	68.4%	48.2%
Other Tenants		50,323	31.6%	51.8%
<b>Total</b>		<b>159,056</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.



### WETEX PARADE'S TENANCY MIX



### 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*
FY 2018	43	124,438	78%	68%
FY 2019	24	21,008	13%	21%
FY 2020	9	13,610	9%	12%

\* Based on monthly rental income for December 2017.





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 the area.

Strategically situated in the town centre, Central Square is well-positioned as a neighbourhood mall that caters to its immediate

surrounding community. It houses an established mix of national and international brand retailers.

Central Square was relaunched in 2015 upon the completion of its extensive asset enhancement initiative ("AEI") with a modern façade, bright interior and a brand new 8-screen cinema.

<b>Location</b>	23, Jalan Kampung Baru, Sungai Petani, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	406,870 within 20-mins drive time
<b>Gross Floor Area</b>	743,117 sq ft
<b>Net Lettable Area</b>	311,230 sq ft
<b>Car Park</b>	477 bays
<b>Valuation</b>	RM96.0 million
<b>Tenants*</b>	66
<b>Key Tenants</b>	The Store, Perfect Mobile Village, MBO Cinemas, KFC, Anjung Irama Services
<b>Occupancy</b>	95.3%
<b>Visitor Traffic</b>	3.8 million per annum
<b>Year Opened</b>	1997
<b>Year Acquired</b>	2012

Data as of 31 December 2017.

\* Only NLA Lots.



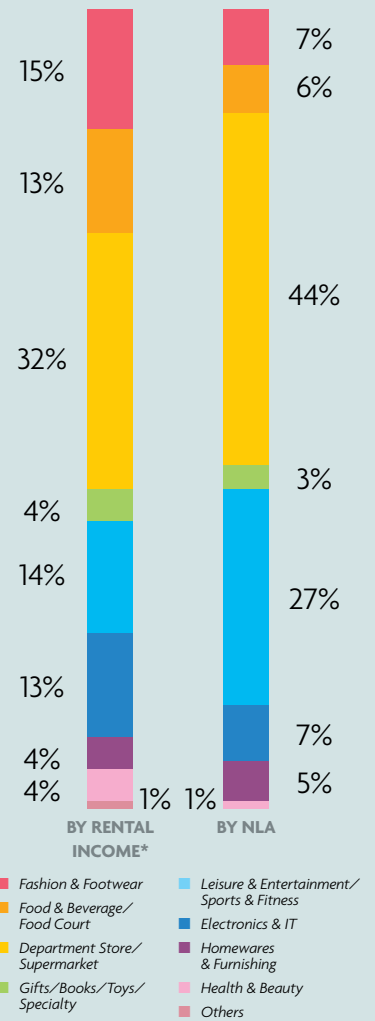
## CENTRAL SQUARE'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
The Store	Department Store/Supermarket	130,000	41.8%	31.3%
Perfect Mobile Village	Electronics & IT	13,229	4.3%	6.0%
MBO Cinemas	Leisure & Entertainment/Sports & Fitness	34,412	11.1%	5.8%
KFC	Food & Beverage	3,619	1.2%	3.7%
Anjung Irama Services	Leisure & Entertainment/Sports & Fitness	13,452	4.3%	3.4%
Studio	Fashion & Footwear	6,563	2.1%	2.8%
Popular	Gifts/Books/Toys /Specialty	6,450	2.1%	2.7%
Mr. DIY	Homewares & Furnishing	11,968	3.8%	2.6%
Food Carnival	Food & Beverage	6,887	2.2%	2.1%
Dave's Deli	Food & Beverage	1,109	0.4%	2.0%
Top 10 Tenants (by monthly rental income)		227,689	73.3%	62.4%
Other Tenants		83,541	26.7%	37.6%
<b>Total</b>		<b>311,230</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.



### CENTRAL SQUARE'S TENANCY MIX



### 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*
FY 2018	30	221,395	71%	70%
FY 2019	14	33,330	11%	15%
FY 2020	19	40,519	13%	15%

\* Based on monthly rental income for December 2017.





Kulim Central (formerly known as Landmark Central) is the prime neighbourhood mall in Kulim.

It offers shoppers a plethora of retailers including Giant Superstore as well as a large variety of telecommunication stores.

More importantly, two of its anchor tenants – Big Cinema and Ole Ole Superbowl, are the only cinema and bowling centre in

Kulim. This allows Kulim Central to capitalise on its unique selling proposition as an all encompassing neighbourhood mall.

In 2017, a major AEI was carried out on Kulim Central which resulted in an approximate addition of 20,000 sq ft of new NLA space which is equivalent to 24 shop lots and additional space for casual leasing. The initiative also introduced a new and modern food court and overall improvement on the exterior of the shopping centre.

<b>Location</b>	No. 1 Jalan KLC Satu (1), Kulim, Kedah
<b>Title</b>	Freehold
<b>Primary Trade Area</b>	181,195 within 20-mins drive time
<b>Gross Floor Area</b>	513,333 sq ft
<b>Net Lettable Area</b>	299,613 sq ft
<b>Car Park</b>	610 bays
<b>Valuation</b>	RM110.0 million
<b>Tenants*</b>	78
<b>Key Tenants</b>	Giant, The Store, MBO Cinemas, Ole Ole Superbowl, SEC
<b>Occupancy</b>	98.2%
<b>Visitor Traffic</b>	2.2 million per annum
<b>Year Opened</b>	2009
<b>Year Acquired</b>	2012

Data as of 31 December 2017.

\* Only NLA Lots.



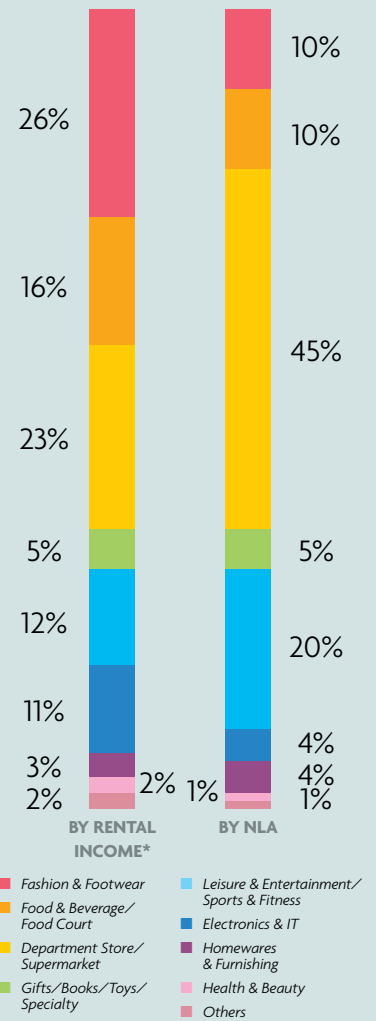
## KULIM CENTRAL'S TOP TEN TENANTS

Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Giant Superstore	Department Store	72,140	24.1%	12.8%
The Store	Department Store/Supermarket	57,785	19.3%	8.1%
MBO Cinemas	Leisure & Entertainment/Sport & Fitness	24,000	8.0%	4.5%
Ole Ole Superbowl	Leisure & Entertainment/Sport & Fitness	23,670	7.9%	3.1%
Hasani books	Gifts/Books/Toys/Specialty	5,228	1.7%	2.6%
SEC	Electronics & IT	5,755	1.9%	2.4%
Mr DIY	Homewares & Furnishing	11,711	3.9%	2.4%
Al-Ikhsan	Fashion/Footwear	4,373	1.5%	2.1%
Pizza Hut	Food & Beverage	3,530	1.2%	2.0%
KFC	Food & Beverage	3,530	1.2%	2.0%
Top 10 Tenants (by monthly rental income)		211,722	70.7%	42.0%
Other Tenants		87,891	29.3%	58.0%
<b>Total</b>		<b>299,613</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.



### KULIM CENTRAL'S TENANCY MIX



### 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*
FY 2018	39	238,910	80%	66%
FY 2019	17	12,564	4%	13%
FY 2020	21	35,428	12%	21%

\* Based on monthly rental income for December 2017.





The latest addition to Hektar REIT's portfolio of shopping centres, Segamat Central (formerly known as 1Segamat Mall)

remains the sole purpose-built shopping centre in the developing township of Segamat. It has the only cinema in Segamat, a direct link to Segamat's main bus terminal, and is within very close vicinity of the town's only railway station.

<b>Location</b>	Jalan Kolam Air, Kampung Gubah 85000 Segamat, Johor
<b>Title</b>	Leasehold (until 2116)
<b>Primary Trade Area</b>	190,000 within 20-mins drive time
<b>Gross Floor Area</b>	486,789 sq ft
<b>Net Lettable Area</b>	210,730 sq ft
<b>Car Park</b>	412 bays
<b>Valuation</b>	RM106.1 million
<b>Tenants*</b>	65
<b>Key Tenants</b>	Tirai Prospektif, MM Cineplexes, UO Superstore, Fun Fun Land, Mr DIY
<b>Occupancy</b>	94.7%
<b>Visitor Traffic</b>	—
<b>Year Opened</b>	2011
<b>Year Acquired</b>	2017

Data as of 31 December 2017.

\* Only NLA Lots.



## SEGAMAT CENTRAL'S TOP TEN TENANTS

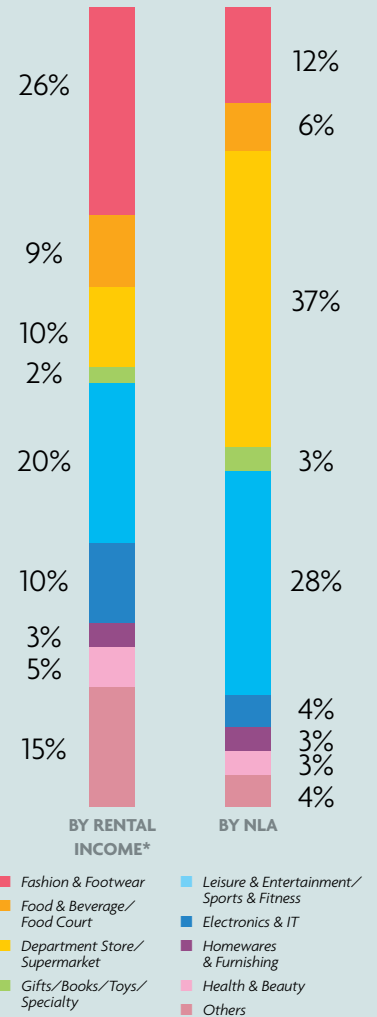
Tenant	Trade Sector	NLA (Sq Ft)	% of Total NLA	% of Monthly Rental Income*
Tirai Prospektif	Others	7,160	3.4%	13.3%
MM Cineplexes	Leisure & Entertainment/Sports & Fitness	32,432	15.4%	10.1%
UO Superstore	Department Store	72,325	34.3%	9.8%
Fun Fun Land	Leisure & Entertainment/Sports & Fitness	4,286	2.0%	2.9%
Mr DIY	Homewares & Furnishing	6,304	3.0%	2.6%
Dees	Fashion & Footwear	1,985	0.9%	2.4%
AD Jean	Fashion & Footwear	3,261	1.5%	2.2%
Mee Tarik Warisan Asli	Food & Beverage	1,869	0.9%	2.0%
Guardian	Health & Beauty	1,615	0.8%	1.8%
One Box Family KTV Concept	Leisure & Entertainment/Sports & Fitness	6,204	2.9%	1.8%
Top 10 Tenants (by monthly rental income)		137,441	65.2%	48.9%
Other Tenants		73,289	34.8%	51.1%
<b>Total</b>		<b>210,730</b>	<b>100.0%</b>	<b>100.0%</b>

\* Based on monthly rental income for December 2017.





### SEGAMAT CENTRAL'S TENANCY MIX



### 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 <sup>1</sup>
FY 2018	57	162,808	77%	86%
FY 2019	6	4,556	2%	5%
FY 2020	1	32,432	15%	8%

\* Based on monthly rental income for December 2017.





# Sustainability

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# SUSTAINABILITY REPORT

## SUSTAINABILITY STATEMENT

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

## OUR COMMITMENT

At Hektar REIT, we are committed to our responsibility to ensure that all our business activities are performed to high standards of social and environmental conduct to maximise long-term value creation, essentially benefitting our stakeholders.

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

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

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

## ABOUT THIS REPORT

Hektar REIT’s sustainability report has been prepared in accordance with Bursa Malaysia Sustainability Reporting Guide which in turn drew guidelines for local legislations as well as international reporting guidelines like GRI Guidelines and FTSE4GOOD guidelines.

This report covers the governance, environmental and social performance of all of Hektar REIT’s properties in Malaysia from 1 January 2017 up to 31 December 2017.

This report covers sustainability aspects of all Hektar REIT’s properties, which comprise:

- Subang Parade, Selangor
- Mahkota Parade, Melaka
- Central Square, Kedah
- Kulim Central, Kedah
- Wetex Parade, Johor
- Segamat Central, Johor

## GOVERNANCE STRUCTURE

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



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

In order to better understand the requirements for Sustainability Reporting, several members of our management team attended workshops on Sustainability Reporting guidelines organised by Bursa Securities. Several Committees were set up to assist in discharging its duties. Each committee consists of an appointed Chairperson and several members. Commitments to high ethical values were driven through the establishment of a Board Charter and a Code of Conduct for employees.

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

## OUR STAKEHOLDERS ENGAGEMENT

Our stakeholders are important to Hektar REIT's long-term success. Our constant interaction with many of our stakeholders has resulted in facilitation to continuously improve all areas of our operations. We seek to engage stakeholders' concerns through multiple forms of engagement as outlined below:

Key Stakeholder	Engagement Methods	Key Topics
<b>Shoppers</b>	<ul style="list-style-type: none"> <li>• Shopper surveys</li> <li>• Focus group studies</li> <li>• Feedback via online and social media</li> <li>• Regular shopper events to engage</li> <li>• Feedback forms</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting the shopping needs of our shoppers</li> <li>• Quality of services and facilities</li> <li>• Providing comfortable shopping environment and family-friendly amenities</li> <li>• Considerations for safety and easy accessibility</li> <li>• Good connectivity to public transport</li> </ul>
<b>Tenants</b>	<ul style="list-style-type: none"> <li>• Partnership in promotional events</li> <li>• Regular tenant feedback meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining high shopper traffic</li> <li>• Competitive rental rates</li> <li>• Collaboration in marketing and promotional events spaces</li> </ul>
<b>Property Manager</b>	<ul style="list-style-type: none"> <li>• Monthly meetings</li> <li>• Weekly meetings with project and leasing department</li> <li>• Email exchanges</li> <li>• Ad hocs meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Key Performance Indicators for Property Managers and Centres</li> <li>• Business and operations performance</li> <li>• Business strategy and outlook</li> <li>• Sustainability concerns</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Annual Performance appraisals</li> <li>• Orientation and training programs</li> <li>• Regular department meetings</li> <li>• Annual Dinners</li> <li>• Staff Casual Get-together events</li> <li>• Hektar Sports Club/Family Days</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Career progression</li> <li>• Continuous learning and skills upgrading</li> <li>• Employee well-being</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Festive season celebration events</li> <li>• Charity drives and events</li> <li>• Venue sponsorships</li> <li>• Collaborations</li> <li>• Donations and sponsorships to charitable organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Helping the needy in the community</li> <li>• Foster strong community ties and promote family-values</li> </ul>
<b>Investment Community</b>	<ul style="list-style-type: none"> <li>• Quarterly results announcement and analyst briefings</li> <li>• Walk-in visits and inquiries</li> <li>• Annual General Meetings and Extraordinary General Meeting</li> <li>• Two-way communication via 1 on 1, emails and telephone calls</li> </ul>	<ul style="list-style-type: none"> <li>• Performance and financial results</li> <li>• Business operations</li> <li>• Business strategy and outlook</li> </ul>
<b>Joint Management Body (JMB) &amp; Management Corporation (MC)</b>	<ul style="list-style-type: none"> <li>• JMB and MC Periodic Meetings</li> <li>• Voting</li> <li>• Audited accounts Submission</li> </ul>	<ul style="list-style-type: none"> <li>• Operations</li> </ul>

**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.



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



**SUSTAINABILITY GOALS**

- Prioritising good health and well-being by:

  - Ensuring that employees lead a balanced lifestyle and encourage healthy activities;
  - Organising regular staff gatherings to promote bond and appreciation; and
  - Educating end-users, including employees, tenants, shoppers, and the general community.
- Observing a high standard of corporate conduct, which is integral to ensuring the sustainability of the organisation's business as well as safeguarding shareholders' interests and maximising long-term shareholder value. This means:

  - Adherence to corporate governance and practice high level of disclosures, bilateral communication and conduct risk management audit; and
  - Whistle Blowing Reporting.
- 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 March 2022 when compared to our March 2017 baseline;
  - Introducing an energy benchmarking system across the portfolio;
  - Engaging with our new and existing tenants within our multi-let buildings to encourage optimum operational efficiency of their premises; and
  - Reducing paper wastage at Hektar offices, including defaulting to double-sided and black and white printing, encouraging the use of e-mails, e-fax and encouraging employees to reduce paper use.
- Reducing inequalities in employment, training, career advancement and top positions. Hektar believes that regardless of ethnicity, faith, age or gender, employees can make a significant contribution based on their talent, expertise and experience. We adopt consistent, equitable, and fair labour policies and practices in rewarding and developing employees under the direct hire of Hektar. Our aim is to:

  - Provide 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.
- Ensuring sustainable returns to unitholders, stability in capital structure and continuity of growth in DPU through our strategies.
- Giving back to the community and honouring our role in the community, with the aim of:

  - Supporting the communities in which we operate; being responsible neighbours and developing as well as maintaining strong relationships.

7. Our Sustainable Procurement consists of processes involving search acquisition and purchase of goods and services from an external source, predominantly via a competitive bidding process:
- Fair opportunities – we encourage local procurement and SMEs as our supply chain partners.
  - Develop a competitive and sustainable supply chain – we pride ourselves on maintaining or improving the procurement process through competitive markets.

## RESPECT FOR THE ENVIRONMENT

### Energy Management

Energy has always been one of Hektar REIT's largest operating expenditure, which makes up approximately 10% of our operating costs in Year 2017.

With this in mind, we closely monitor our electricity consumption on month-to-month basis. Any unusual spike is thoroughly investigated and addressed. In Year 2017, Hektar REIT has embarked on preliminary efforts to reduce electricity consumption, which collectively resulted in a 4% reduction of our electricity costs. Our initiatives in driving lower electricity consumption include:

- Effective management of equipment requiring high electricity consumption (lifts, escalators, chillers, exhaust and lighting systems);
- Controlled use of chillers – optimisation of chiller use based on demand;
- Reduction in maximum electricity demand;
- Application for Tenaga Nasional Off-Peak Tariff Rider (OPTR) scheme;
- Acquisition of reliefs from penalties (connect load charges);
- Deployment of LED lighting wherever practical; and
- Upgrade of ageing equipment to modern equipment with built-in energy saving features.



### Energy Efficiency and Energy Management

As known in the industry, more than 65% of a building's energy costs are consumed by a building's air conditioning and mechanical ventilation systems (ACMV). In early 2017, Hektar REIT initiated a program to diligently look into its 6 properties' ACMV systems to improve on the group's energy profile.

An energy services company (ESCO) endorsed by the Malaysian Energy Commissions together with an engineering design and project consultant were elected to audit, to analyse and to redesign the ACMV energy blueprints of the six buildings. The exercise gave Hektar REIT valuable data and visibility of its properties' energy variables and areas which can be improved for better energy utilisation and optimisation.

From the harvested and analysed data, decisions that were undertaken were;

- Replacement of inefficient chillers, pumps and cooling towers;
- Application of variable and dynamic Building Controls and Automation Systems;
- Continuous collection and monitoring of energy data for benchmarking, for analysis and for further energy improvements;
- Reduction in maximum electricity demand;
- Deployment of LED lightings throughout the building;
- Delineation of best practices for optimal ACMV operations towards MS 1525 compliant. The expected outcome of the exercise will reduce an overall energy consumption of Hektar REIT's ACMV systems from a factor of 1.0 to 0.7, giving an average 30% savings on the buildings' ACMV electricity usage. This also translates to a notable reduction of 13.8 million kg of CO2 emissions per year from Hektar REIT malls.

Hektar REIT will continue its systematic engineering improvements approach for its social and environmental efforts; reducing greenhouse gas emissions, environment impacts and energy costs.

### Water Management

In 2017, several of Hektar REIT's properties kicked off the prudent water management initiative in our efforts to further cut usage. Water at malls are predominantly used for cleaning, landscaping, drinking, cooking, flushing toilets, fire prevention and air-conditioning.

In Subang Parade alone, a saving of nearly RM 10,000 a month was achieved since October 2017 due to the following initiatives:

- Water management awareness for retailers and cleaning staff;
- Fixing of leakages;
- Tightening of couplings in water pumps;
- Continuous monitoring and inspection of water pumps and valves for effectiveness; and
- Time-controlled water faucets for all public washrooms.

Moving forward, more initiatives will be implemented in Subang Parade, with other shopping centres adopting the best practices developed there. We expect to enjoy the full outcome of these efforts in 2018, as we strive to continue exploring ways in which to conserve water consumption at all our malls. These avenues may include the installing of additional water-efficient fittings and harnessing the potential of rainwater harvesting.

# CORPORATE SOCIAL RESPONSIBILITY

## SOCIAL & RELATIONSHIP CAPITAL

It's Our Place – Corporate Social Responsibility (CSR) is a crucial part of us and how we operate, and Hektar wholeheartedly believes that we are responsible for a better present and future. Our objective is to give back to society, to encourage responsibility and social awareness, and to ensure that we leave only positive impact on the communities we are in through our activities and daily operations. We acknowledge the importance of addressing environmental and social concerns from our staff, tenants and business partners to foster a long-term sustainable community. Hektar REIT shopping centres are recognised by shoppers as “their” place, a place where the neighborhood spend their time to dine, shop, meet, gather, celebrate, share thoughts, give and unite. It is also the place to be with families, to be with new friends and to reminisce with childhood friends, to meet business partners and potential clients, to spend precious time with the elders and to build new relationships. Therefore, Hektar is committed to making a change for a better world and is confident in stepping forward with that objective in mind.



### Charity and Community

Hektar REIT organises a number of charitable events during the multi-racial festivals celebrated throughout the year. Festival events and promotions were held in celebration of our colorful tradition at each mall to promote our giving back to the community. During Ramadan fasting month, the management of Mahkota Parade brought festive cheer to a total of 15 families, by making a friendly visit to these underprivileged families in Jasin, Melaka and Alor Gajah whilst bringing along contributions consisting of daily supplies, groceries and ‘Duit Raya’ money packets as part of our CSR initiative. During the Deepavali festive season, Mahkota Parade also took a step further by working together with Majlis Gabungan Belia Melaka and UTEM students by

visiting underprivileged families and contributing daily groceries and money packets to bring hope and a helping hand during the Festival of Lights. Similarly, Central Square collaborated with Sri Agathiar Sanmarka Sangam, and has successfully collected a total of RM4,023 of donations during the Deepavali campaign, which were distributed to underprivileged families across Kedah and its neighboring states.

In Subang Parade, the team collaborated with a local bookstore during the Holy month of Ramadhan for a family-friendly event which included a free talk session for adults and an interactive game session for the children. Children from the Rumah Amal Cahaya Kasih Bestari had the opportunity to participate in this event, which was also made memorable through an Iftar or breaking of fast dinner at one of Subang Parade's F&B outlets.

Hektar REIT also ensures that the shopping centres play an important role in community outreach programmes and social awareness programs by contributing space for these events as well as providing marketing assistance. In May 2017, Wetex Parade was honoured to have the support of Jabatan Kebajikan Muar in organising ‘The Beauty of Autism’ event by contributing event space. Its objective was to educate the community about autism and to promote autism awareness. Wetex Parade also held ‘Muar Live Barter’ event, a one-of-a-kind event that encourages shoppers to exchange their items with something they need whilst, at the same time, assist Kiwanis Muar Johor, a not-for-profit organisation (NGO). Through the Muar Live Barter, Kiwanis Muar Johor successfully collected food and household items for their daily consumption on 30 November 2017.

In January 2017, Segamat town in Johor Bahru was hit by flood causing substantial damage to many homes. Wetex Parade quickly partnered with Bulan Sabit Merah Muar to provide emergency aid to the affected families. Wetex Parade served as a collection centre for donation items and with contribution from the public, the team managed to gather much-needed basic necessities ranging from food, hygiene kits, blankets, mats and non-food items for those affected by the floods. All donations were handed over to Bulan Sabit Merah Muar on 27 January 2017. Bulan Sabit

Merah Muar (BSMM) have subsequently delivered the items to Kg Berata Segamat





and Sekolah Agama Gemerah Segamat on 28 January 2017. All items were handed over directly into the hands of the flood victims.

Up in Sungai Petani, Central Square has also made us proud by being involved through contributing space and marketing assistance to the MBO Cinemas Nationwide Blood Donation Drive in August 2017, the result of a partnership between MBO Cinemas, one of Central Square's anchor tenants, and St. John Ambulance Malaysia which was also supported by Pusat Darah Negara. This annual event produced a collection of 5,907 pints of blood, a vast improvement from the 4,682 pints of blood collected in the year of 2016. The objective of this blood donation drive was to save more than 15,000 lives and Central Square is proud to play its role in bringing this objective to fruition.

Hektar also supports local organisations and establishments, and is proud to have played our part by partnering with China Press for Youth Camp Muar, an event that was organised by Pertubuhan Belia Nian Shao Qing Muar to develop self-confidence and self-respect among youths. The event was held in April 2017. Within the same month, a blood donation drive was also held at Wetex Parade, in collaboration with Hospital Pakar Sultanah Fatimah Muar. It resulted in a total collection of 53 bags of blood. In all Hektar shopping centres, 'reading corners' have also been placed to encourage literacy and sharing between community members.

### Environment

We aim to reduce our direct adverse environmental impact by encouraging resource conservation and lowering the general energy consumption wherever possible via strong managerial control and boosting of operational efficiency for our tenants and ourselves. We have also invested in energy savings initiatives that have shown encouraging results and savings as detailed under "Energy Efficiency & Energy Management". Our shopping centres have also participated in the Earth Hour initiative to create awareness among our visitors and tenants.

feedback from the participating schools, students and parents. Subang Parade sponsored cash vouchers worth RM2,000 as a reward for the winners.

### Honouring our obligations to tenants

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

by providing the latest industry insights and business suggestions to our tenants, besides encouraging tenants to upgrade their store outlook.

### Economics

At Hektar REIT, we believe it's our duty to support the local communities and we do so in an array of ways. One of our growth strategies is to provide customers with a vivacious tenancy mix, offering a wide range of retail brands both local and international. We do not



This year Subang Parade partnered with the Leo Club and held a recycling challenge campaign which involved participation by primary and secondary schools within Subang Jaya. The campaign was a tremendous success, with the event having received positive



just provide a platform for our local retailers to sell their goods and services but also help them grow and raise brand awareness amongst the community through our vigorous marketing efforts and community outreach programs.

The REIT also offers various retail options (Casual Leasing, Stand Alone Counters, Lots) for tenants to select from, enabling them to grow alongside with the REIT from a small Stand Alone Counter to a full Lot.

We are also committed to engaging local suppliers in all aspects of our mall operations. In addition, all our malls provide numerous career opportunities to the local community.

### HUMAN CAPITAL RELATIONS

#### Health and Well Being

Hektar REIT aims to set itself apart and create its own standards when it comes to human resource management and corporate social responsibility. The staff's well-being is important to Hektar to ensure a balanced lifestyle for the employees as well as promote healthy interaction among employees. Hektar pays attention to social and family events and organises casual outings, sports day, annual dinners and also encourages and supports the employees to participate in the Persatuan Pengurusan Kompleks Malaysia tournaments. Some employees are also offered gym and other club membership as well. Training is also provided for employees, such as compulsory training including updates on policies and



procedures, and self-development programs based on employee's performance or interest, including overseas retail conferences to familiarise related staff to latest trends and practices.

#### Safety

At Hektar, we have maintained zero fatality from workplace incidents since we began our operations more than 11 years ago. We undertake great measures to ensure that our customers, tenants and employees are safe and taken care of at our premise. The safety aspect is paramount in all that we do particularly when designing retail space, and conducting works.



#### Labour relationships

Members of Hektar's top management are required to undergo a cross-experiential program, where they are placed under different departments and centres to further understand the job process and working environment of their staff. In Hektar, we offer equal gender opportunities, for both genders to hold executive and even top management positions. Currently, the gender ratio for our employees is 58% female and 42% male employees.

We also understand that a happy employee is more productive, therefore a balanced lifestyle is crucial. Hektar provides parental leave, medical insurance for employee and their families and also allows early release prior to festive days to ensure that their employee's morale is always high.

#### Reference and Guidelines

References and guidelines used to produce this report were obtained from the following:

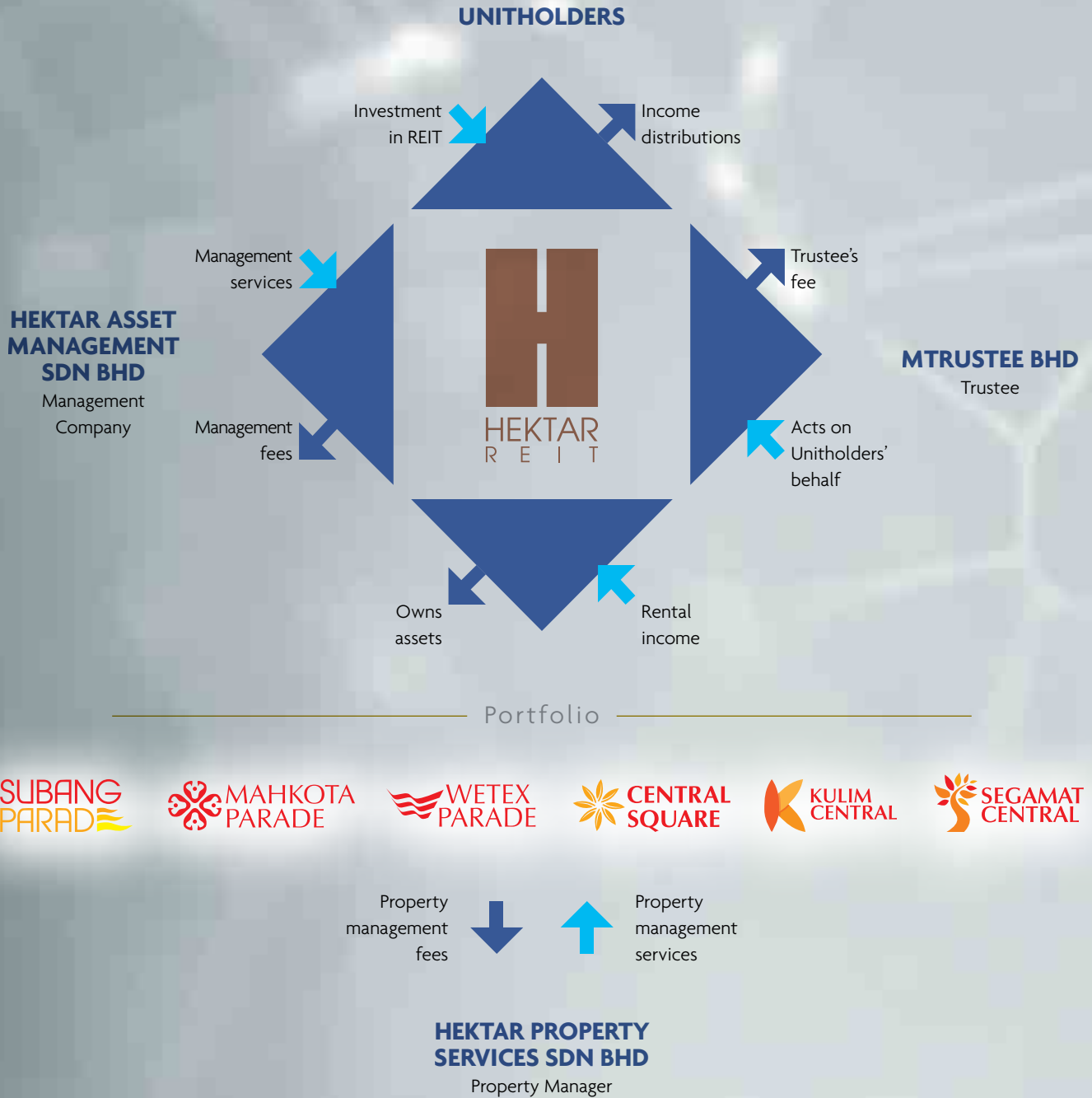
- Global Reporting Initiatives (GRI) Standards
- Bursa Malaysia Sustainability Reporting Guide
- Hektar REIT's Risk Management framework
- Board Charter
- Employer Code of Conduct & Ethics

# Corporate Governance

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# CORPORATE ORGANISATION



**MANAGER**

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

**Manager's Principal Place of Business**

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

**Manager's Registered Office**

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

**BOARD OF DIRECTORS OF THE MANAGER**

Michael Lim Hee Kiang  
*Independent Non-Executive Chairman*

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

Zalila binti Mohd Toon  
*Executive Director and Chief Financial Officer  
(Resigned w.e.f 1 February 2018)*

Zarina binti Halim  
*Executive Director and Chief Corporate Officer  
(Appointed w.e.f 1 February 2018)*

Dr Chew Tuan Chiong  
*Non-Executive Director*

Christopher Tang Kok Kai  
*Non-Executive Director  
(Resigned w.e.f 1 November 2017)*

Tay Hwee Pio  
*Non-Executive Director  
(Redesignated from Alternate Director to  
Non-Executive Director w.e.f. 1 November 2017,  
to replace Christopher Tang)*

Mahusni bin Hasnan  
*Independent Non-Executive Director*

Philip Eng Heng Nee  
*Independent Non-Executive Director*

Rahanawati binti Ali Dawam  
*Independent Non-Executive Director*

Alex Chia Soon Ren  
*Alternate Director to Dr Chew Tuan Chiong*

**EXECUTIVE COMMITTEE**

Dato' Hisham bin Othman

Zalila binti Mohd Toon  
*(Resigned w.e.f 1 February 2018)*

Zarina binti Halim  
*(Appointed w.e.f 1 February 2018)*

Dr Chew Tuan Chiong

**AUDIT COMMITTEE AND NOMINATION COMMITTEE**

Mahusni bin Hasnan  
*Chairman*

Philip Eng Heng Nee

Rahanawati Ali Dawam

**JOINT COMPANY SECRETARIES OF THE MANAGER**

Dato' Muhammad Hafidz  
bin Nuruddin (MAICSA 7005820)

Lim Seck Wah (MAICSA 0799845)

**TRUSTEE**

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

**PROPERTY MANAGER**

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

**PRINCIPAL BANKER OF THE FUND**

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

**AUDITOR (EXTERNAL)**

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

**AUDITOR (INTERNAL)**

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

**TAX AGENT**

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

**REGISTRAR**

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

**STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad  
(Company No. 635998-W)  
Main Market  
Short Name: HEKTAR  
Stock Code: 5121



Michael Lim Hee Kiang



Dato' Hisham bin Othman



Zarina binti Halim



Dr Chew Tuan Chiong



Tay Hwee Pio



Mahusni bin Hasnan



Philip Eng Heng Nee



Rahanawati binti Ali Dawam



Alex Chia Soon Ren

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**MICHAEL LIM HEE KIANG**

*Independent Non-Executive Chairman, Malaysian, Age 70*

Michael Lim Hee Kiang graduated with a Bachelors of Laws with Honours in 1972 and Master of Laws with Distinction in 1973 from Victoria University of Wellington, New Zealand. He was admitted to practise law in the Supreme Court of New Zealand in 1973 and High Court of Borneo, Kuching and the High Court of Brunei in 1974. After one year, he left to join the Law Faculty of University Malaya in KL in 1975 and took up a position as a lecturer. After his stint in University Malaya, he joined Messrs. Shearn Delamore & Co in 1978 and was made a partner of the firm in the next year. He has worked with the same firm for 31 years, specialising in company and securities law before retiring in 2010.

Mr Michael Lim sits on the Board of various public listed companies, including DKSH Holdings Bhd, Selangor Properties Bhd, Paragon Union Holdings Bhd, and Hektar Asset Management Sdn Bhd, the management company for Hektar REIT. In addition, he is presently a consultant with Messrs Jeff Leong, Poon & Wong.

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

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**DATO' HISHAM BIN OTHMAN**

*Executive Director & Chief Executive Officer, Malaysian, Age 56*

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

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

development, asset management and construction.

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

He is a Qualified Risk Director and a member of the Institute of Enterprise Risk Practitioners ("IERP") based in the UK. He possesses a Capital Markets Services Representatives' License 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).

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).

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## ZARINA BINTI HALIM

*Executive Director & Chief Corporate Officer, Malaysian, Age 46*

Zarina has been with the Hektar Group of Companies since 2002 and was part of the management team responsible for the listing of Hektar REIT on Bursa Malaysia in December 2006. As Chief Corporate Officer, she is responsible for the overall Corporate 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. 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 RMI 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 sourcing and implementation of ICT related investments.

Zarina holds two Honours degrees in separate disciplines. She graduated from the University of Manchester, United Kingdom with a Bachelor's degree in Accounting and Finance and also holds a Bachelor of Laws degree from the University of London. She has completed the Women Directors' programme under the National Institute of Empowerment for Women prior to her appointment as Executive Director on 1 February 2018 and is a member of the Malaysian Corporate Counsel Association.

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

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## DR CHEW TUAN CHIONG

*Non-Executive Director, Singaporean, Age 61*

Dr Chew is Chief Executive Officer of Frasers Centrepoint Asset Management, the manager of Frasers Centrepoint Trust. Previously, Dr Chew was the Chief Executive of Science Centre Singapore, a government statutory board, from 1995 to 2009. He has also been an Associate

Professor with the National University of Singapore, and a Research Scientist with Daimler Benz in Germany and British Gas PLC in the UK, and an Adjunct Professor with the Singapore Management University. Dr Chew is presently also a Director of CityNet Infrastructure Management Pte Ltd, the manager of Netlink Trust.

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

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

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## TAY HWEE PIO

*Non-Executive Director, Singaporean, Age 50*

Hwee Pio is the Financial Controller of Frasers Centrepoint Asset Management, 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 Centrepoint Limited's ("FCL") business operations in China since year 2006. Before joining FCL, Hwee Pio held financial positions at Keppel Land and Guocoland. She started her career as an external auditor with KPMG.

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

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

**MAHUSNI BIN HASNAN**

*Independent Non-Executive Director,  
Malaysian, Age 54*

Mahusni holds a degree in Accounting & Finance and an MBA in Finance from University of Hull, England. He has more than 25 years of working experience in wide ranging fields notably in corporate finance including M&As and IPOs; investment analysis including cross border issues; corporate taxation and planning, business operations and management in several industries.

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

Prior to joining the MMC Group of companies, he was the CFO for Scomi Engineering's India operations responsible for Scomi's oil & gas business and rail project in Mumbai. He was also in-charge of Scomi's production chemical business as Senior General Manager before being promoted to the India operation office.

His other past working experiences amongst others include being the Group General Manager for Terengganu Incorporated and First Vice President of Affin Merchant Bank Berhad. In 2005, he was appointed by the High Court as the co-Chairman for a Court Convened Meeting pursuant to a restructuring exercise of a PN17 Main Board company.

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

**PHILIP ENG HENG NEE**

*Independent Non-Executive Director,  
Singaporean, Age 72*

Philip was appointed Independent Chairman of Frasers Centrepoint Asset Management Ltd in April 2009 and has been a Board member since April 2006. He is Non-Executive Chairman of mDR Limited and was appointed on the Board of Frasers Centrepoint Limited in October 2013. He also holds other directorships in several local and regional companies. Philip is also Singapore Non-Resident High Commissioner to Canada. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

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

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

**RAHANAWATI BINTI ALI DAWAM**

*Independent Non-Executive Director,  
Malaysian, Age 66*

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

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

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

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

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

**ALEX CHIA SOON REN**

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

Alex is currently Head, Investment of Frasers Centrepoint Asset Management Ltd, which manages Frasers Centrepoint Trust listed in Singapore. Alex has over 9 years of business development experience in serviced residence industry covering the Pan Asia market. He also has more than 6 years of retail experience in areas of operations and project planning.

Alex holds a Bachelor 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).





*Seated (left to right): Zarina binti Halim\* and Dato' Hisham bin Othman\*.*

*Standing (left to right): Jacky Tan\*\*, Asief bin Mohd Hassan\*, Martin Chen\*, Sabrina Halim\*, Khairul Azizan bin Ahmad\* and Khairul Ariffin bin Ibrahim\*\*.*

*\*REIT Manager Management Team*

*\*\*Property Manager Management Team*

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

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

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**ZARINA BINTI HALIM***Executive Director and Chief Corporate Officer*

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

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**KHAIRUL AZIZAN BIN AHMAD***General Manager, Finance*

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

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

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**SABRINA HALIM***General Manager,  
Business Development & Strategy*

Sabrina's role is to seek opportunities to grow the REIT by identifying new leads and potential new markets. Sabrina monitors market trends, conducts researches and carries out portfolio analysis and supports the strategy department in different areas including investor relations.

Prior to joining the trust management team, Sabrina has been in the industry for 7 years in which she had gone through various departments in shopping center management. She played a key role in leasing and marketing strategies previously. She also contributed to the concept and planning for several projects including revamping and expansion exercises as well as new projects.

Sabrina graduated with a Bachelor's degree (BA, Hons) in Retail Management from Lim Kok Wing University and completed Master of Science (MSc) in Management from University of Warwick, United Kingdom. She also holds a Diploma in Fashion and Retail Design from Lim Kok Wing University.

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**ASIEF BIN MOHD HASSAN***Senior Manager, Strategy*

Asief is responsible for the strategic planning functions for Hektar REIT.

Possessing experience in numerous industries including facility management, retail, technology and consultancy, Asief has undertaken various senior roles in the areas of operational management and business development. Highlights of his career include record sales at the flagship Malaysian store of Harvey Norman, an ASX-listed multinational retail chain, successful repositioning of a VOIP service into a premium brand in its market, as well as considerable breakthroughs in the operational performance of engineering and maintenance services provided to public hospitals in Sabah, Sarawak and northern Peninsular Malaysia by Faber Medi-Serve Sdn. Bhd. (now known as Edgenta Mediserve Sdn. Bhd.).

Asief graduated from the University of Nottingham, United Kingdom with a Bachelor of Arts with Honours degree in Industrial Economics.

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**MARTIN CHEN***Senior Manager, Legal*

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

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

Martin graduated from the University of Sheffield, United Kingdom with a Bachelor of Laws (LLB) degree and holds a Certificate in Legal Practice (CLP) from the Legal Qualifying Board, Malaysia. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 2002. Martin is currently a member of the Malaysian Corporate Counsel Association.

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**KHAIRUL ARIFFIN BIN IBRAHIM***Chief Operating Officer*

Khairul Ariffin is currently the Chief Operating Officer of Hektar Property Services Sdn Bhd. He has 18 years of working experience in various aspects of change and quality management practices. He is passionate about continuous improvement and has had great success in deploying change and quality improvement programs at Airasia Bhd when he was the Regional Head of Performance Improvement. Prior to joining Hektar, he was with SapuraKencana Petroleum Bhd, holding several roles and positions in Quality and Risk Management with his last 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.

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**JACKY TAN***Chief Leasing Officer*

Jacky is responsible for the Leasing and Marketing activities for Hektar Group malls. He has been in the industry for the past 16 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.

Hektar Asset Management is committed to building and nurturing relationships with long-term investors by ensuring transparent and timely disclosure to the investment community.

Hektar REIT's website contains information on the REIT's strategy, organisation, manager, portfolio and financials. The investor information section provides current and historical quarterly presentations, annual and interim reports, press releases and announcements, in downloadable Portable Document Format (PDF).

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

Hektar Asset Management continues to improve the quality of investment disclosure for Hektar REIT.

Reports from analyst coverage may be accessed on Bursa Malaysia's website under the Research Report (CBRS) section. Over the past year, analyst coverage was conducted by RHB Research, amongst others.

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

## THE MANAGER

Investor Relations & Corporate Communications  
Hektar Asset Management Sdn Bhd  
D1-U3-10, Block D1,  
Solaris Dutamas,  
No. 1, Jalan Dutamas 1,  
50480 Kuala Lumpur  
MALAYSIA  
Tel : +6 03 6205 5570  
Fax : +6 03 6205 5571  
Email: [ir@HektarREIT.com](mailto:ir@HektarREIT.com)  
Web: [www.HektarREIT.com](http://www.HektarREIT.com)

## THE REGISTRAR

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

## FINANCIAL YEAR CALENDAR

	2018*	2017
Full Year Results Announcement	12 February 2018	14 February 2017
Annual Report	28 February 2018	17 February 2017
Final Distribution	15 March 2018	16 March 2017
First Quarter Results Announcement	May 2018	22 May 2017
First Quarter Distribution	June 2018	22 June 2017
Second Quarter Results Announcement	August 2018	8 August 2017
Second Quarter Distribution	September 2018	21 September 2017*
Third Quarter Results Announcement	November 2018	24 November 2017
Third Quarter Distribution	December 2018	15 March 2018**

\* July and August 2017 dividend paid along with Second Quarter distribution

\*\* September 2017 dividend paid along with Final Distribution

*\*Dates are tentative and subject to change*

### On Winning “Best Under Billion Awards (BUBA) 2017” for Best Online Presence

The internet is the most important source of information in today's world. The corporate website is a very effective communication tool, to both the REIT's stakeholders, and its potential investors. Hektar makes it a point to publish only clear and precise information on the website to ensure stakeholders are able to retrieve information required.

As a REIT, Hektar is very vigilant in providing timely information on its corporate website. We have a dedicated investor relations team and a corporate affairs team to ensure adequate, accurate and timely communication with our stakeholders. We are not only focused on “performance”, but also “conformance”.

Hektar REIT is very pleased to have won this award. It is both a recognition of good work as well as an incentive for us to continue to excel.

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 2017.

## PRINCIPAL ACTIVITY

Hektar REIT was established on 5 October 2006 and listed on Bursa Malaysia Securities Berhad on 4 December 2006. The principal activity of Hektar REIT is to invest primarily in retail assets with the objective of achieving an attractive level of return from rental income as well as for long-term capital growth.

## REVIEW OF PERFORMANCE

		As at 31 December 2017 RM	As at 31 December 2016 RM
Total Net Asset Value		648,868,928	585,468,170
Units in Circulation	(Units)	461,960,178	400,634,117
Net Asset Value per unit		1.40	1.46
Market Value per Unit		1.30	1.56
Highest Traded Price		1.63	1.70
Lowest Traded Price		1.16	1.48

## OPERATING RESULTS

		FYE 31 December 2017 RM	FYE 31 December 2016 RM
Total Gross Income		126,546,250	124,915,901
Total Property Expenses		(51,805,268)	(50,235,768)
Fair Value Adjustment on Investment Properties		(7,986,471)	2,425,525
		66,754,511	77,105,658
Total Non-Property Expenses		(34,058,876)	(33,947,834)
Net Income before taxation		32,695,635	43,157,824
Net Income before taxation – realized		40,133,620	41,546,312
Net Income before taxation – unrealized		(7,437,985)	1,611,512
Net Income after taxation		32,695,635	43,157,824
Earnings per Unit after Tax	(sen)	7.82	10.53
Realised Earnings per Unit after Tax	(sen)	9.60	10.14
Distribution per Unit (“DPU”)	(sen)	9.60	10.50

The Manager is pleased to report that for the financial year ended 31 December 2017, the total revenue of Hektar REIT is RM126,546,250 comprising gross rental income of RM125,542,820, interest income of RM304,964, other income of RM149,980 and fair value change on derivatives of RM548,486. Gross rental income includes expense of RM108,160 which is due to the impact of FRS117 that took effect on 1 January 2010.

The realised net profit FYE 2017 of RM40,133,620 is lower than FYE 2016 by RM1,412,692. The decrease is mostly due to lower rental income from tenancies, as an impact of the asset enhancement initiative and also the soft retail market.

The Manager has recommended and MTrustee Berhad ("Trustee") has approved a total income distribution of 9.60 sen per unit totaling RM40,484,635 for the year ended 31 December 2017.

The total income distribution of RM40,484,635 is RM1,581,947 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 17 - Mar 17	9,214,585	Paid in June 2017
Second interim distribution including advance distribution for July and August 2017	Apr 17 - Aug 17	16,025,365	Paid in Sep 2017
Final distribution including distribution for September 2017	Sep 17 - Dec 17	15,244,685	To be paid in March 2018
Total		40,484,635	

## DIRECTORS OF THE MANAGER

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

Mr. Michael Lim Hee Kiang

Dato' Hisham bin Othman

Puan Zalila binti Mohd Toon (*Resigned w.e.f 1 February 2018*)

Puan Zarina binti Halim (*Appointed w.e.f 1 February 2018*)

Dr. Chew Tuan Chiong

Mr. Christopher Tang Kok Kai (*Resigned w.e.f 1 November 2017*)

Ms. Tay Hwee Pio (*Redesignated from Alternate Director to Non-Executive Director w.e.f 1 November 2017 to replace Christopher Tang*)

En. Mahusni bin Hasnan (*Appointed w.e.f. 23 January 2017*)

Mr. Philip Eng Heng Nee

Cik Rahanawati binti Ali Dawam (*Appointed w.e.f 16 February 2017*)

Mr. Alex Chia Soon Ren (*Alternate Director to Dr Chew Tuan Chiong*)

## DIRECTORS BENEFITS

For the financial year ended 31 December 2017, 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 2017, which had the objective of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of Hektar REIT or any other corporate body.

## MANAGER'S FEE

For the financial year ended 31 December 2017, the Manager's fee comprised the following:

1. Base fee of RM 4,041,934 which is calculated at 0.35% of Gross Asset Value
2. Performance fee of RM 3,863,460, which is calculated at 5% of Net Property Income

The Manager's total management fee of RM7,905,394 represents 1.22% per annum of the Net Asset Value ("NAV") of Hektar REIT.

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

## CORPORATE DEVELOPMENTS

### Classic Hotel, Muar, Johor

The current 10 year lease for the Classic Hotel building granted to Wetex Realty Sdn Bhd ("Lessee") will be expiring on 29 April 2018. Despite having an option to renew the lease for a further 5 year period, the Lessee has decided not to exercise its option to renew the lease upon expiry of the current lease period. The management of Hektar REIT has shortlisted potential hotel operators to take over the operations and business of the hotel and a decision is to be made on this in due course.

The management has also received third party proposals to acquire the hotel building and is currently exploring this option with the interested parties. Further updates will be announced in due course.

## GEARING

### DEBT FACILITIES

Hektar REIT's total borrowings of RM557,057,483 consist of short term, long term and secured loans.

### GEARING CAPACITY

As at 31 December 2017, Hektar REIT had a gearing ratio (external borrowings to total assets) of 44.5%. Based on the GAV of RM1,252,357,330 as at 31 December 2017, there is capacity to borrow an additional RM69,121,182 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 2017 is 461,960,178.

**INVESTMENTS OF THE TRUST**

Total Investments as at 31 December 2017 was RM 1,194,568,739.

<b>Property</b>	<b>Audited Book Value as at 1 Jan 2017 RM ('000)</b>	<b>Acquisition/ Capital Expenditure in 2017 RM ('000)</b>	<b>Unaudited Book Value as at 31 Dec 2017 RM ('000)</b>	<b>Latest Market Valuation RM ('000)</b>	<b>Revaluation Surplus/ (Deficit) RM ('000)</b>
Subang Parade	427,200	458	427,658	426,000	(1,658)
Mahkota Parade	322,400	292	322,692	321,000	(1,692)
Wetex Parade	135,150	227	135,377	135,500	123
Central Square	95,700	24	95,724	96,000	276
Kulim Central	112,000	3,035	115,035	110,000	(5,035)
Segamat Central	–	106,068	106,068	106,068	–
<b>Total</b>	<b>1,092,450</b>	<b>110,104</b>	<b>1,202,554</b>	<b>1,194,568</b>	<b>(7,986)</b>

**NET ASSET VALUE OF HEKTAR REIT**

The Net Asset Value ("NAV") of Hektar REIT as at 31 December 2017 is RM1.40 per unit.

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

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in note 28 to the financial statements.

**MATERIAL LITIGATIONS**

Material litigations are disclosed in note 29 to the financial statements.

**DATO' HISHAM BIN OTHMAN**

Executive Director  
& Chief Executive Officer

**ZARINA BINTI HALIM**

Executive Director  
& Chief Corporate Officer

Kuala Lumpur  
28 February 2018



Over the years, the management of Hektar Real Estate Investment Trust (“Hektar REIT”) together with the Trustee remain committed in maintaining the highest standards and best practices of corporate governance. Qualities such as ethical behaviour, accountability, transparency and sustainability are embraced into the core practices of Hektar REIT’s day to day business affairs. As a result of such commitment, Hektar REIT is able to realise public trust, investor confidence and business integrity which are integral to support effective financial performance.

The following corporate governance report provides an insight on the framework applied and best practices in compliance to principles set out in the Malaysian Code of Corporate Governance (MCCG) 2012, REIT Guidelines, Capital Market and Services Act 2007 and Bursa Malaysia Securities Berhad’s Main Market Listing Requirements.

On 26th April 2017, the Securities Commission (SC) released the new Malaysian Code of Corporate Governance, MCCG 2017 and the Manager is taking continuous steps to address the new requirement and to apply certain Principle & Procedure to achieve the intended outcome as required by the new MCCG.

### **Hektar REIT & the Manager of 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 the Fraser & Neave Group, headquartered in Singapore.

Hektar REIT is managed by Hektar Asset Management Sdn Bhd (“the Manager”). Hektar REIT 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 acquisition, investments and enhancement of assets.

As required by the Capital Markets and Services Act 2007, the Manager holds a valid Capital Markets Services License (CMSL) issued by the SC. The CMSL Licensed Director is Dato’ Hisham bin Othman whereas the Licensed Representative is En Khairul Azizan bin Ahmad and supported by a dedicated Compliance Officer, Puan Zarina binti Halim.

### **The Trustee**

MTrustee Berhad was appointed as the Trustee for Hektar REIT via a Trust Deed executed on 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between the Manager and the Trustee (referred to collectively as the “Deed”). The Deed, inter alia, 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 asset and liabilities are managed with efficiency and integrity for the benefit of the Unitholders.

### **Board Charter & Code of Ethics and Conduct**

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

The Board Charter has undergone a round of review in June 2016 and is continuously reviewed and updated annually. The Board Charter is made available on the Corporate Governance section of Hektar REIT’s website.

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

## BOARD LEADERSHIP AND EFFECTIVENESS

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

The Manager is headed and controlled by the Board acting in the best interest of the Manager and REIT at all times. The Board has full control of the management of the Manager and is primarily responsible for the Company’s overall corporate governance practices, strategic directions, acquisitions, business proposals, the review of business performances and business plans, as well as major capital expenditure, risk management, internal control and succession plans.

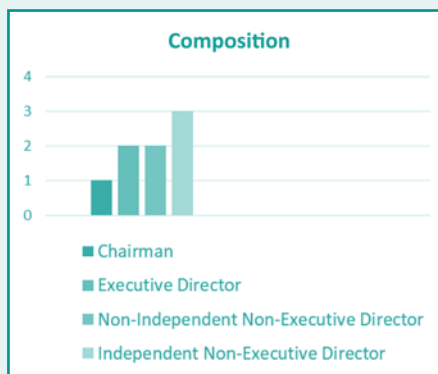
The principal responsibilities of the Board are :

- to review and adopt a strategic plan, addressing the sustainability of the Company’s and REIT’s business;
- to oversee the conduct of the Company’s and REIT’s businesses and evaluate whether or not the businesses are being properly managed;
- to identify principal business risks faced by the Company and 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 unitholder communications policy for the REIT;
- to review the adequacy and the integrity of the Company’s and REIT’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- to carry out the remunerating responsibilities in the absence of the Remuneration Committee.

The Board is also aware that their primary responsibility is to ensure that all decisions to be made should take into consideration the effects on the unitholders, including minority unitholders.

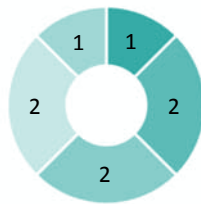
Any decision of the Board shall then be implemented by the Manager. The Manager shall then be accountable for the execution of the policies and corporate objectives. The Board is also supported by the Executive Committee (EXCO), Audit Committee and Nomination Committee.

### Board Composition & Diversity



As at the date of this statement, the Board consists of eight (8) members, comprising one (1) Independent Non-Executive Chairman, two (2) Executive Directors, two (2) Non-Executive Non-Independent Directors and three (3) Independent Non-Executive Directors. Half of the Board of Directors is independent and this complies and exceeds the Directors’ independence requirements set out under paragraph 15.02 of Bursa Malaysia’s LR which requires that at least one-third of the Board to be Independent Directors.

### Professional Background



- Business Admin
- Finance
- Legal
- Accounting
- Property Management

The composition of the Board reflects a balance of Executive Directors, Non-Executive Directors and Independent Directors from diversified professional backgrounds with vast experience enabling the Manager to tap their expertise in deliberating issues at the Board level. The Directors, with their varied backgrounds and areas of expertise, collectively bring with them a wide range of experience and expertise in areas such as business administration, accounting, finance, legal, engineering, construction, operations, property management and real estate development thus acting in the best interest of the Manager and the REIT. A brief profile of each Director is presented in the “Board of Directors” section of this Annual Report.

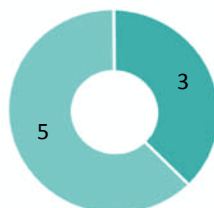
For FYE 31 December 2017, the Executive Committee (EXCO) comprised three Directors, namely, Dato’ Hisham bin Othman as Chairman, Dr Chew Tuan Chiong and Puan Zalila Binti Mohd Toon. As at the date of this statement, Puan Zalila has resigned w.e.f 1 February 2018 and Puan Zarina binti Halim has been appointed as an Exco member and Executive Director w.e.f 1 February 2018. An EXCO is delegated by the Board to, among other things:

- i. make decisions in relation to investments to be made or expenditure to be incurred by Hektar REIT;
- ii. make decisions in relation to operations and management of Hektar REIT; and
- iii. carry out and undertake such other functions as may be determined by the Board and to act in accordance with the instructions of the Board

The role of the Independent Directors on the Board is to be impartial during deliberations and to act in the interest of unitholders of the REIT at the Board meetings. The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Part A Section 1.01 of Bursa Malaysia’s LR. One of the Independent Non-Executive Directors, Mr Philip Eng Heng Nee has reached the 9 year cumulative tenure with the Manager. However, due to his vast contributions to the company and ability to maintain his independence, in accordance with the Company’s Board Charter shareholder’s approval has been obtained for retention of this Independent Director based on the certainty that his independence is not compromised.

The Board acknowledges that gender diversity makes good business sense. Therefore, the Board is proud to confirm that the percentage of female directors sitting on the Board is currently 37.5% which complies with MCCG 2017’s minimum recommendation of 30% female directors on Board.

### Gender Diversity



- Female
- Male

Any new Directors of the Manager are firstly evaluated by the Nomination Committee and thereafter formally appointed by way of a Board resolution. The search for candidates to be appointed as new Directors is conducted through contacts and recommendations, and/or external search companies. Suitable candidates are carefully evaluated by the Nomination Committee so that recommendations made on proposed candidates meet their objectives. In recommending the appointment of new Directors, the Board takes into consideration the current Board by relevant qualification and experience, size and composition, including diversity of skills, experience, and knowledge of matters relating to REIT/Fund Management that the new Director can provide to the Board.

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

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

In order to maintain an effective segregation of roles and responsibilities, the positions of Chairman and CEO of Hektar REIT are held by separate persons as recommended under section 1.3 of the MCCG 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.

The Independent Non-Executive Chairman, Mr. Michael Lim Hee Kiang (redesignated w.e.f 14 February 2017), leads and ensures the effectiveness of the Board. He carries out a leadership role in the conduct of the Board and its relations to shareholders and unitholders.

The Chairman is primarily responsible for:

- representing the Board to shareholders / unit holders;
- ensuring the adequacy and integrity of the governance process;
- functioning as a facilitator at meetings of the Board;
- ensuring that appropriate discussions take place between Executive and Non-Executive Directors;
- ensuring that relevant opinions amongst members are forthcoming;
- ensuring that discussions result in logical and understandable outcomes;
- ensuring that all Directors are enabled and encouraged to participate at Board meetings;
- ensuring that all relevant issues are on the agenda;
- receiving timely and relevant information tailored to their needs;
- briefing on issues arising at Board meetings;
- ensuring that Executive Directors look beyond their executive functions and accept their full share of the responsibilities of governance;
- guiding and mediating the Board’s actions with respect to organisational priorities and governance concerns; and
- organising the information necessary for performing other responsibilities as assigned by the Board, from time to time.

As the CEO, Dato’ Hisham bin Othman is responsible for ensuring the effective implementation of the Manager’s and the REIT’s strategic plan and policies as established by the Board as well as to manage the daily conduct of the business to ensure its smooth operations. The CEO is accountable to the Board for the achievement of the Manager’s and the REIT’s goals and objectives and he is accountable to the Board for the observance of Management’s limits.

The CEO is expected to act within all specific authorities delegated to him by the Board.

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

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

## Board Meetings

The Board ordinarily meets at least once a financial quarter with additional meetings convened or decisions made via circular resolutions when urgent and important decisions need to be taken between the scheduled meetings. For the year ended 31 December 2017, the Board met on 4 occasions, where it deliberated upon and considered a variety of matters including Hektar REIT's financial results and strategic and major investment decisions.

Below are the directors' attendance for the board meetings held in the financial year 2017:-

Member	Designation	Board Meeting
<b>Mr Michael Lim Hee Kiang</b> <i>(Redesignated as Non-Executive Chairman w.e.f. 14 February 2017)</i>	Independent Non-Executive Chairman	3/4
<b>Dato' Hisham bin Othman</b>	Executive Director & Chief Executive Officer	4/4
<b>Puan Zalila binti Mohd Toon</b> <i>(Resigned w.e.f 1 February 2018)</i>	Executive Director & Chief Financial Officer	4/4
<b>Puan Zarina binti Halim</b> <i>(Appointed w.e.f 1 February 2018)</i>	Executive Director & Chief Corporate Officer	N/A
<b>Dr Chew Tuan Chiong</b>	Non-Executive Director	4/4
<b>Mr Christopher Tang Kok Kai</b> <i>(Resigned w.e.f 1 November 2017)</i>	Non- Executive Director	3/3
<b>Ms Tay Hwee Pio</b> <i>(Redesignated from Alternate Director to Non-Executive Director, replacing Christopher Tang w.e.f. 1 November 2017)</i>	Non-Executive Director	1/1
<b>En Mahusni bin Hasnan</b> <i>(Appointed w.e.f 23 January 2017)</i>	Independent Non-Executive Director	3/4
<b>Mr Philip Eng Heng Nee</b>	Independent Non-Executive Director	4/4
<b>Cik Rahanawati binti Ali Dawam</b> <i>(Appointed w.e.f 16 February 2017)</i>	Independent Non-Executive Director	3/3
<b>Mr Alex Chia Soon Ren</b> <i>(Alternate Director to Dr Chew Tuan Chiong)</i>	Non Executive Alternate Director	N/A

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

The Board is satisfied with the level of time commitment given by the Directors at all the board meetings during FY 2017.

The Directors are usually notified in advance on the date of the next board meeting. This advance notice is given so that all Directors are able to allocate their time accordingly. The Company Secretary shall have seven (7) days prior to the upcoming board meeting to email the notice of meeting and the agendas to all Directors. Should a Director be unable to be physically present at the Board meeting, tele-conferencing can be arranged for participation.

Senior management staff 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 minutes of meeting are available at the registered office.

### Board Process

The Board receives board papers at least seven (7) days prior to the scheduled meetings on matters requiring its consideration. 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.

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

### Company Secretaries

The Board is supported by 2 professionally-qualified and competent Company Secretaries, Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820) and Madam Lim Seck Wah (MAICSA 0799845) who collectively have more than 40 years of experience in the secretarial field.

The roles and responsibilities of the secretaries are:

- ensuring that Board procedures and applicable rules are observed;
- maintaining records of the Board and its meetings 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 updated on relevant regulation to laws and requirements.

Either one of the Company Secretaries attends the Board meeting and Board Committee meetings in FY 2017, and thereafter prepare the minutes of proceedings for approval by the respective Chairman.

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

### Remuneration

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

The remuneration of the Directors are paid by the Manager and not Hektar REIT. The details of all the Directors' remuneration during the year in review are as follows:

#### Remuneration of Executive and Non-Executive Directors for FY 2017

	RM
Salaries and Other Remuneration	1,374,799
Directors Fee	493,666
Meeting Attendance Allowance	22,500
<b>Total:</b>	<b>1,890,965</b>

The number of Directors whose remuneration falls under the following bands is as follows:

Range of Remuneration per annum	Executive Directors	Non-Executive Directors	Total
Above RM150,000	2	–	2
Below RM150,000	–	6	6
<b>Total:</b>	<b>2</b>	<b>6</b>	<b>8</b>

The Board in determining the remuneration package for the Directors, takes into account the remuneration best practices of other companies. However, the Board will consider and make the final decision on the remuneration packages. Since the Board practices transparent remuneration policies and procedures, the remuneration of Executive Directors are based on individual performance and rewards. Directors receive Directors' fees and meeting allowance for their attendance to Board meetings and any other Board Committee meetings that require their presence. The Board confirms that the Directors are not involved in the approval of their own remuneration.

#### Directors Training

During the financial period under review, all Directors have attended training programmes in compliance with the Main Market Listing Requirement of Bursa Securities. New Directors are also required to attend the Mandatory Accreditation Programme within the time frame provided by Bursa Malaysia.

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.

## EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee (“AC”)

The Audit Committee comprises Independent Directors Encik Mahusni bin Hasnan as Chairman, Mr. Philip Eng Heng Nee, and Cik Rahanawati binti Ali Dawam. The Audit Committee assists and supports the Board’s responsibility to oversee the Company’s and REIT’s operations by providing a means for review of the Company’s and REIT’s processes for producing financial data, its internal controls, risk management activities and independence of the REIT’s internal and external auditors.

The functions of the AC are as follows:

- to review the quarterly and annual financial statements of the REIT before the approval of the Board;
- 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;
- to review, on bi-annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner;
- to ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- to review extent of compliance with established internal policies, standards, plans and procedures;
- to obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation;
- to be satisfied that the strategies, plans, personnel and organisation for internal auditing are communicated down through the REIT;
- to review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report;
- 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;
- to review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence;
- 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;
- to review the External Auditors’ findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Manager in order to be satisfied that appropriate action is being taken;
- to recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself;
- to prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the Annual Report;
- to review the Board’s statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report;
- to review ordinary and extraordinary dividend payments; and
- to recommend the nomination of a person or persons as External Auditors.



### AC Meetings

During the financial year ended 31 December 2017, the Audit Committee has met four (4) times and deliberated on matters relating to their scope of function as listed earlier.

Member	Designation	Audit Committee Meeting*
En Mahusni bin Hasnan	Independent Non-Executive Director/Chairman AC	3/4
Mr Philip Eng Heng Nee	Independent Non-Executive Director	4/4
Cik Rahanawati binti Ali Dawam	Independent Non-Executive Director	3/3

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

### 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 quarterly announcements of results and annual financial statements to Bursa Malaysia.

### Nomination Committee

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, assessment of Independent Directors', reviews succession plans and Board diversity; oversees training courses for Directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

The Nomination Committee comprising all Independent Director's namely Encik Mahusni bin Hasnan as Chairman, Mr. Philip Eng Heng Nee and Cik Rahanawati binti Ali Dawam who meet at least once a year and is delegated with the following functions :

- 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;
- 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;
- assess on an annual basis, the contribution of each individual Director;
- conduct a training needs analysis and recommend a continuous education program for Board members to enhance their effectiveness;
- conduct an orientation/induction training for new Directors of the Manager;
- work together with the Board to develop an effective development and succession plan for Directors and Management members; and
- collaborate to share the results of the Directors assessment with the Board for effective determination and deliberation of Directors' remuneration packages.

### 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 statements of financial position of Hektar REIT as at the end of the accounting period and of their profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows and needs to the financial statements for the period ended. The financial statements were prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Securities Commission Guidelines on Real Estate Investment Trusts.

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

### Statement on Internal Control and Risk Management

The Board acknowledges its responsibilities for maintaining sound internal control systems to safeguard unitholders' interest and Hektar REIT's assets and for reviewing the adequacy and integrity of these systems.

Our approach to Risk Management

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

With the ERM in place, Hektar REIT aims to:

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

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

- The Board and Senior Management to encourage a culture of openness and transparency throughout the organization;
- The Directors to be closely involved in the business by helping to identify new risks or system weaknesses quickly;
- The Audit Committee has appointed KPMG to act as internal auditors and undertake further testing of the risk management framework and controls;
- The Management Team holds weekly meetings and bi-weekly departmental update meetings with the property manager to discuss progress in each area of the business; and
- Under the ERM, Hektar REIT's key risks and controls are continually identified, reviewed and monitored as part of the ERM process. Quantitative and qualitative analysis are performed to identify and quantify the most important risks. The system's outputs include a risk register, risk monitoring plan and risk metrics which the business is measured against. Under the ERM, a Risk Management Unit is set up and the main responsibilities of the Risk Management Unit are:

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

### Risk assessment

Risk assessment exercise is carried out semi-annually by the Management where key risks are being reported to the Audit Committee. The main objective is to provide the Board of Directors and 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 ("RO"), with input from other members of the Management Team.

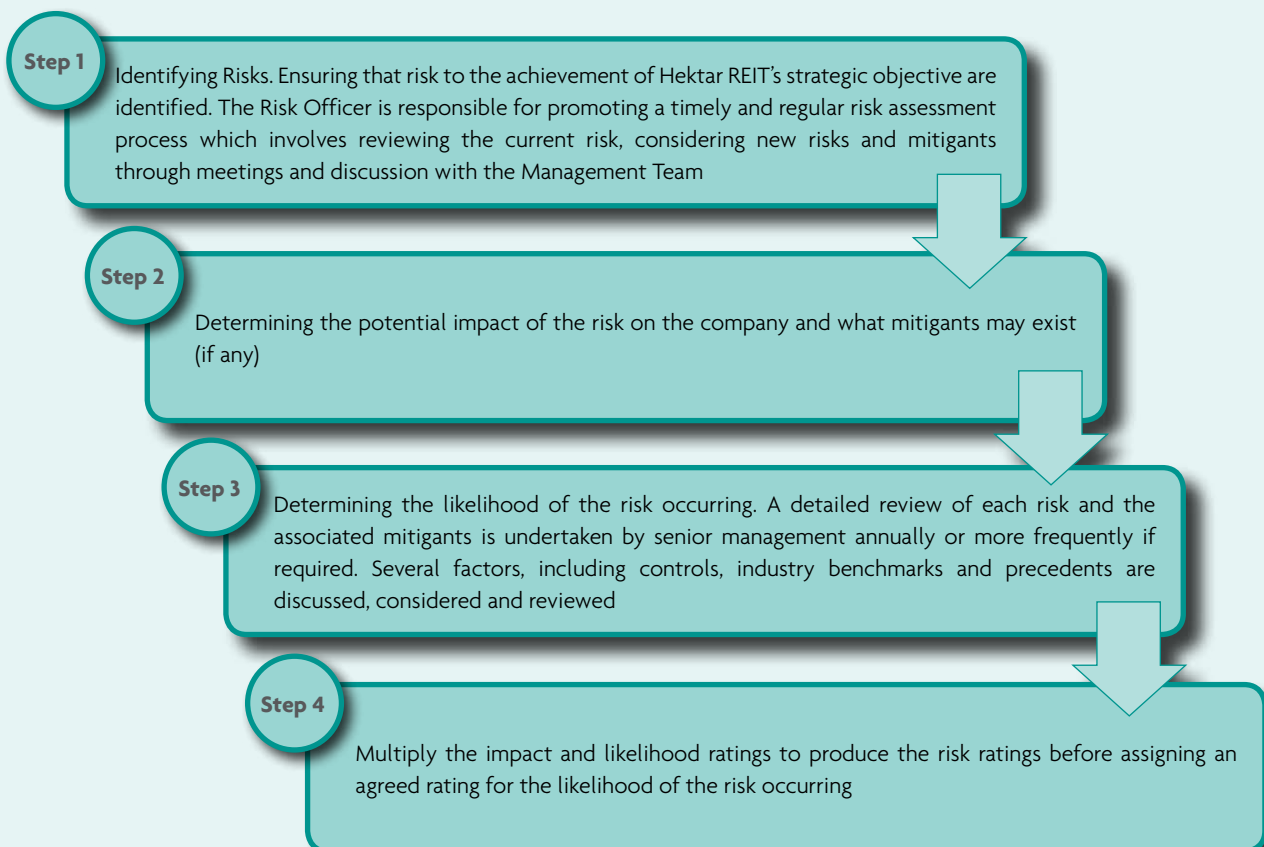


Figure 1 Risk Assessment Steps

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

The Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provide for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority coupled with the publication of an Employees Handbook. There are also established procedures for planning, capital expenditure and for monitoring Hektar REIT's business and performance.

These procedures provide for continuous assurance to be given at increasingly higher levels of management and finally, the Board.

The Chief Executive Officer reports to the Board on significant changes in the business and external environment. The Chief Financial Officer provides the Board with quarterly financial information, which includes key financial indicators. This includes, among others, the monitoring of results against budget, with variances being followed up and management action taken, where necessary. The Chief Corporate Officer who is also the Compliance Officer reports to the Board on risks relating to compliance of legal and regulatory requirements.

The identified Risk categories at Hektar REIT are as follows:

No	Risk Categories	Description
1	Market Risk	External factors such as globalization, economic conditions, competition, political changes, reputation and public image.
2	Strategic Risk	<p>Corporate framework for managing the strategic direction and performance of the organization which includes strategy management, organization, execution, organization, performance and portfolio diversification.</p> <ul style="list-style-type: none"> <li>Investment risk and acquisition risk management means ensuring that the acquired assets are yield accretive and has good growth. The Manager is cautious in its due diligence on potential acquisitions. Before recommending to the Board for approval, the Manager will have to carry out reviews and assessment on the viability of properties based on their physical, financial, technical and legal characteristics.</li> </ul>
3	Operational Risk	<p>Risk of loss resulting from failure of internal processes, operational procedures or external events. Operational risk are mitigated by having standard operating procedures that are adopted and being continuously reviewed for all the properties under the REIT portfolio which comprises of operational guidelines, control and monitoring procedures including reports on :-</p> <ul style="list-style-type: none"> <li>Sourcing, negotiations with potential or existing tenants, rental reversion reports, renewal reports, expiry reports</li> <li>Procurement, tender and purchasing procedure</li> <li>Rental of promotional space</li> <li>Approval of tenancies, leases and licenses</li> <li>Billing, payment, collection and refund as well as arrears report</li> <li>Employee recruitment and training</li> </ul>

4	Corporate Governance / Compliance Risk	All risks related to the policy setting of the Board and in relation to the rules and regulations set by bodies governing the REIT industry.
5	Financial and Credit Risk	<p>Risks relating to financial considerations such as profitability, cash flow and cost management, asset and liability management.</p> <ul style="list-style-type: none"> <li>• Due to the current market condition, we are 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 tenant's revenues and occupancy cost is also carried out to evaluate tenant's business performance and health.</li> <li>• Small businesses which forms a percentage of our tenants depend mostly on their operation's 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 lease 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 lease the space on substantially equivalent or better terms than the prior lease, or at all, or successfully reposition the space for other uses. However we have been able to successfully lower the risk of such occurrence with proper follow up and back up. The bankruptcy or insolvency of a number of smaller tenants may have an adverse impact on results of operations. 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 our community. However, with very careful tenant management, we try to lower the risk by carefully balancing the mix between local, national and international retailers.</li> <li>• Tenant concentration risk of relying on only a handful of tenants is mitigated as the top ten tenants contribution is approximately 26% of the REIT's gross revenue, providing a diversified revenue base, with the main tenant contributing only 9% of the REIT's gross revenue as at 31 December 2017. After the top tenant, Parkson, no other tenant contributed more than 6% of the REIT's total gross revenue.</li> </ul>
6	Interest Risk	Interest rate risk is managed to maintain a balanced portfolios of fixed and floating rate borrowings. The REIT had entered into a 4-year interest rate swap contract to exchange floating interest rate for fixed interest rate in order to minimize exposure from fluctuation of interest rate.
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 organization's ethics, business integrity and practice requirements.
9	Security Risk	<p>Risk involving the safety and security of each operation unit:</p> <ul style="list-style-type: none"> <li>• Shopper security is our utmost priority. Security workforce from reputable security companies or employed in-house are deployed to ensure that the shopping centre is secured, providing our shoppers with the ease of mind during their visit. The hired security officers are given tasks to conduct routine rounds within the shopping centre and its secluded areas</li> <li>• Advanced internal security alarm system has been installed throughout all the shopping centre, equipped with security cameras in most corners of the building to facilitate monitoring throughout the day</li> </ul>
10	Information Technology Risk	Risk that may arise from threats to the information technology system.
11	Human Resource Risk	Risk due to possible turnover or lost of talent and manpower. Our human resource department is focusing on strengthening our manpower as well as looking into staff welfare and retention via 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 are thus subject to the risk of changes to valuations as a result of fluctuations in the above factors.

13	Tenant risk	<p>Each year, the REIT faces the risk of non-renewal of leases and the risk of leasing out available space. Our failure to meet leasing targets and fill the vacancies at our properties could adversely affect our rental revenue, operating expenses and overall performance. As of December 31, 2017, approximately 76% of the aggregate NLA of our properties is subject to leases that expire prior to December 31, 2019. We are therefore subject to the risk that :</p> <ul style="list-style-type: none"> <li>• tenants may choose not to, or may not have the financial resources to, renew these leases</li> <li>• experience difficulties and significant time lags re-leasing vacated space, which may cause us to fail to meet our occupancy and average base rent targets and experience increased costs of re-leasing</li> <li>• the terms for renewals for new tenants may be less favorable than the terms of the current leases.</li> </ul> <p>We normally seek to renew leases 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 lease. However, market conditions, including new supply of shopping centres, and macroeconomic conditions in our markets and nationally 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>
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### Internal Audit

The Internal Audit function of the Manager is outsourced to an independent and reputable accounting firm. The AC has appointed KPMG Management & Risk Consulting Sdn Bhd (KPMG) as the Manager's internal auditors to provide audit services for the FY 31 December 2017. KPMG is responsible for carrying out the following internal audit activities during the financial year under review:

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

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

The remuneration for the internal audit function in respect of the FY 31 December 2017 amounted to RM 126,000.

**External Audit**

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors who are nominated by the Manager is approved by the Trustee. The external auditor's appointment must be independent of the Manager and Trustee. The Trustee has appointed BDO as the external auditors to conduct the statutory audit for FY 31 December 2017. BDO is responsible and carries out the following external audit activities during the financial year under review:

- present the statutory audit plan, scope of work and result of the annual audit for the REIT
- convene 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 FY 31 December 2017 amounted to RM106,400.

**Dealings with Related Parties**

For FY 31 December 2017, the AC is satisfied and hereby confirms that there were no material related party transactions and conflict of interest in respect of commercial transactions of the Manager. All commercial transactions were in compliance with the SC's REIT Guidelines, the Deed and the Listing Requirements. The Manager has demonstrated to the AC that all commercial transactions were carried out in the best interest of Hektar REIT and were not detrimental to the interests of unitholders.

**WHISTLE BLOWING POLICY**

Hektar REIT has developed a Whistle-blowing policy ("the Policy") to enable employees and any other persons to report instances of unethical behaviour, actual or suspected fraud and/or abuse within the Company. This policy has been disseminated throughout the organisation with briefing by the Human Resources Department on its use by employees

The Policy facilitates an open and transparent corporate culture within the organisation, promoting accountability and enabling the REIT to respond nimbly to changes in environment. It also serves to encourage and to provide an alternative means for employees and any other persons ("Reporting Persons") to raise a concern outside the normal reporting channels. Such good faith reporting must not be made recklessly, maliciously, and/or for personal gain. The Policy has been disseminated to all staff and is available on [www.HektarREIT.com](http://www.HektarREIT.com).



In the opinion of the Directors of Hektar Asset Management Sdn. Bhd., the financial statements set out on pages 86 to 122 have been drawn up in accordance with the provisions of the Deed dated 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between Hektar Asset Management Sdn. Bhd. and MTrustee Berhad ("the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Hektar Real Estate Investment Trust ("Hektar REIT") as at 31 December 2017 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 BINTI HALIM**

Executive Director  
& Chief Corporate Officer

Kuala Lumpur  
20 February 2018

## 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 set out on pages 86 to 122 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by     )  
the abovenamed at Kuala Lumpur this     )  
20 February 2018                             )

**DATO' HISHAM BIN OTHMAN**

Before me:-

## TRUSTEE'S REPORT

We have acted as Trustee of Hektar Real Estate Investment Trust (“Hektar REIT” or the “Trust”) for the financial year ended 31 December 2017. In our opinion and to the best of our knowledge, Hektar Asset Management Sdn. Bhd. (the “Manager”) has managed Hektar REIT during the period covered by these financial statements, set out on pages 86 to 122, 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 Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2017 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  
20 February 2018

## 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 statements of financial position as at 31 December 2017 of the Trust, and statements of profit or loss and other comprehensive income, statements 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 86 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2017, and of their financial performance and its cash flows for the 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 of 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.

#### 1. Valuation of investment properties

With reference to Note 5 to the financial statements, the Trust investment properties that were carried at fair value amounted to RM1,194,568,739 as at 31 December 2017.

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

#### Audit responses

Our audit procedures performed includes:

- (i) Assessed and discussed with management their process for reviewing the work of the independent valuer.
- (ii) Assessed the competency, independence and integrity of the independent valuer.
- (iii) Obtained the valuation reports and discussed with the independent valuer the results of their work.
- (iv) Tested the integrity of the data provided to the independent valuer 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.

# INDEPENDENT AUDITORS' REPORT

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

## Key Audit Matters (continued)

### 2. Recoverability of trade receivables

As at 31 December 2017, the Trust had trade receivables of RM11,558,842 which include debts that are past due but not impaired of RM9,347,905. The details of trade receivables and its credit risk impaired have been disclosed in Note 7 to the financial statements.

We have focused on the recoverability of trade receivables as it requires a high level of management judgement and the amounts are material.

Management recognises impairment losses on trade receivables based on specific known facts or circumstances or management judgement on customers' abilities to pay.

#### Audit responses

Our audit procedures performed includes:

- (i) Assessed recoverability of receivables balances that were past due but not impaired by reviewing their historical bad debts expenses, ageing profiles of the counter parties, past historical repayments trend and status of any litigation cases claim against the tenants; and
- (ii) Assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

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

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

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

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

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

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

The Manager is 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 Manager is also responsible for such internal control as the Manager 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 Manager maintains 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 Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## Key Audit Matters (continued)

### 2. Recoverability of trade receivables (continued)

#### 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 and 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness 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 and 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. 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 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 Manager of 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 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.

# INDEPENDENT AUDITORS' REPORT

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

## Key Audit Matters (continued)

### 2. Recoverability of trade receivables (continued)

#### Other Matters

The financial statements of the Trust for the financial year ended 31 December 2016 were audited by another firm of chartered accountants whose report dated 14 February 2017 expressed an unqualified opinion on those statements.

This report is made solely to the Unitholders of 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**

AF : 0206

Chartered Accountants

Kuala Lumpur

20 February 2018

#### **NG SOE KEI**

02982/08/2019 J

Chartered Accountant

# Financials

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# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	Restated 2016 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	94,478	–
Investment properties	5	1,209,927,934	1,092,612,080
Fixed deposits with a licensed bank	6	1,328,404	665,369
		1,211,350,816	1,093,277,449
<b>Current assets</b>			
Trade receivables	7	11,558,842	5,750,826
Other receivables, deposits and prepayments	8	7,351,905	18,274,225
Cash and bank balances	9	22,095,767	14,560,249
		41,006,514	38,585,300
<b>TOTAL ASSETS</b>		1,252,357,330	1,131,862,749
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	10	2,524,140	937,729
Other payables and accruals	11	29,816,123	22,223,209
Bank borrowings	12	15,000,000	15,000,000
		47,340,263	38,160,938
<b>Non-current liabilities</b>			
Other payables and accruals	11	13,825,129	14,219,256
Bank borrowings	12	542,057,483	493,200,372
Derivative financial instrument	13	265,527	814,013
		556,148,139	508,233,641
<b>TOTAL LIABILITIES</b>		603,488,402	546,394,579
<b>NET ASSETS</b>		648,868,928	585,468,170

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



	Note	2017 RM	Restated 2016 RM
<b>FINANCED BY:</b>			
<b>Unitholders' funds and reserve</b>			
Unitholders' capital	14	492,500,449	425,738,255
Undistributed income - realised		47,552,935	43,476,386
Undistributed income - unrealised		108,815,544	116,253,529
<b>Total Unitholders' funds</b>		<b>648,868,928</b>	<b>585,468,170</b>
Units in circulation	14	461,960,178	400,634,117
Net asset value ("NAV") per unit (RM)			
Before income distribution during the financial year		1.4046	1.4614
After income distribution during the financial year		1.3716	1.4344

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
Gross revenue	15	125,542,820	124,570,904
Property operating expenses	16	(51,805,268)	(50,235,768)
<b>Net property income</b>		<b>73,737,552</b>	<b>74,335,136</b>
Interest income		304,964	318,276
Other income		53,854	9,226
Sundry income		–	20
Change in fair value of derivative financial instrument	13(a)	548,486	–
Change in fair value of investment properties	5	–	2,425,525
Reversal of impairment loss on trade receivables	7(c)	96,126	17,475
<b>Total income</b>		<b>74,740,982</b>	<b>77,105,658</b>
Manager's fees	17	(7,905,394)	(7,791,596)
Trustee's fees	18	(485,861)	(474,304)
Auditors' remuneration:			
- statutory audit		(106,400)	(88,000)
- others		(99,000)	(103,400)
Valuation fees		(240,000)	(66,522)
Professional fee		(475,170)	(207,750)
Impairment loss on trade receivables	7(c)	(859,056)	(501,535)
Administration expenses		(721,552)	(685,005)
Interest expense	19	(23,166,443)	(23,215,709)
Change in fair value of derivative financial instrument		–	(814,013)
Change in fair value of investment properties	5	(7,986,471)	–
<b>Total expenses</b>		<b>(42,045,347)</b>	<b>(33,947,834)</b>
<b>Profit before tax</b>		<b>32,695,635</b>	<b>43,157,824</b>
Tax expense	20	–	–
Profit for the financial year		32,695,635	43,157,824
Other comprehensive income		–	–
<b>Total comprehensive income for the financial year</b>		<b>32,695,635</b>	<b>43,157,824</b>

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

	NOTE	2017 RM	2016 RM
Total comprehensive income for the financial year comprises the following:			
Realised		40,133,620	41,546,312
Unrealised - Change in fair value of investment properties		(7,986,471)	2,425,525
Unrealised - Change in fair value of derivative financial instrument		548,486	(814,013)
		32,695,635	43,157,824
Earning per unit (Total)			
- After manager's fees (sen)	21(a)	7.82 <sup>a</sup>	10.53 <sup>b</sup>
- Before manager's fees (sen)	21(b)	9.71 <sup>a</sup>	12.43 <sup>b</sup>
Earning per unit (Realised)			
- After manager's fees (sen)	21(c)	9.60 <sup>a</sup>	10.14 <sup>b</sup>
- Before manager's fees (sen)	21(d)	11.49 <sup>a</sup>	12.04 <sup>b</sup>
Net income distribution			
- Interim income distribution of 6.3sen (2016: 7.8sen) per unit		25,239,950	31,249,461
- Final income distribution of 3.3sen (2016: 2.7sen) per unit		15,244,685	10,817,121
		40,484,635	42,066,582
Interim income distribution per unit			
- Gross (sen)	22	6.30	7.80
- Net (sen)	22	6.30	7.80
Final income distribution per unit			
- Gross (sen)	22	3.30	2.70
- Net (sen)	22	3.30	2.70

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

<sup>b</sup> Earnings per unit for the financial year ended 31 December 2016 was calculated based on 409,808,944 units after taking into consideration the bonus element in respect of the Rights Issue in accordance with the Malaysian Financial Reporting Standard 133.

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

# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Unitholders' capital RM	---- Undistributed income ----		Unitholders' fund RM
		Realised RM	Unrealised RM	
<b>At 1 January 2017</b>	425,738,255	43,476,386	116,253,529	585,468,170
<b>Operations for the financial year ended 31 December 2017</b>				
Total comprehensive income for the financial year	–	40,133,620	(7,437,985)	32,695,635
Increase in net assets resulting from operations	–	40,133,620	(7,437,985)	32,695,635
<b>Unitholders' transactions</b>				
Unitholders' capital	68,143,928	–	–	68,143,928
Unit issuance expenses	(1,381,734)	–	–	(1,381,734)
Distributions to unitholders	–	(36,057,071)	–	(36,057,071)
Increase in net assets resulting from unitholders' transactions	66,762,194	(36,057,071)	–	30,705,123
<b>At 31 December 2017</b>	492,500,449	47,552,935	108,815,544	648,868,928
<b>At 1 January 2016</b>	425,738,255	43,996,656	114,642,017	584,376,928
<b>Operations for the financial year ended 31 December 2016</b>				
Total comprehensive income for the financial year	–	41,546,312	1,611,512	43,157,824
Increase in net assets resulting from operations	–	41,546,312	1,611,512	43,157,824
<b>Unitholders' transactions</b>				
Distributions to unitholders	–	(42,066,582)	–	(42,066,582)
Decrease in net assets resulting from unitholders' transactions	–	(42,066,582)	–	(42,066,582)
<b>At 31 December 2016</b>	425,738,255	43,476,386	116,253,529	585,468,170

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	Note	2017 RM	Restated 2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		32,695,635	43,157,824
Adjustments for:			
Change in fair value of derivative financial instrument		(548,486)	814,013
Changes in fair value of investment properties		7,986,471	(2,425,525)
Depreciation of property, plant and equipment	3	5,881	–
Impairment loss on trade receivables	7(c)	859,056	501,535
Interest expense		23,166,443	23,215,709
Interest income		(304,964)	(318,276)
Reversal of impairment loss on trade receivables	7(c)	(96,126)	(17,475)
Operating profit before working capital changes		63,763,910	64,927,805
Change in working capital:			
Trade and other receivables		4,351,374	(14,829,797)
Trade and other payables		8,785,198	(342,894)
Net cash from operating activities		76,900,482	49,755,114
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment properties	5	(72,000,000)	–
Incidental costs on acquisition of investment properties		(2,068,739)	–
Purchase of investment properties	5	(468,763)	(1,168,362)
Purchase of property, plant and equipment	3	(100,359)	–
Capital work in progress of investment properties	5	(18,764,823)	(2,103,136)
Interest received		304,964	318,276
Placement of fixed deposits		(663,035)	(30,553)
Net cash used in investing activities		(93,760,755)	(2,983,775)

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

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	2017 RM	Restated 2016 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid	19	(23,166,443)	(23,215,709)
Drawdown of borrowings	12(k)	16,857,111	13,985,563
Distributions to unitholders		(36,057,071)	(42,066,582)
Proceeds from issuance of right issue	14	66,762,194	–
Net cash from/(used in) financing activities		24,395,791	(51,296,728)
Net increase/(decrease) in cash and cash equivalents		7,535,518	(4,525,389)
Cash and cash equivalents at beginning of financial year		14,560,249	19,085,638
Cash and cash equivalents at end of financial year	9	22,095,767	14,560,249

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

## 1. GENERAL INFORMATION

Hektar Real Estate Investment Trust (“Hektar REIT” or “the Trust”) was constituted on 5 October 2006 pursuant to the Deed.

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

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

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

The Manager’s registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at D1-U3-10, Block D1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The financial statements comprise the Trust and its subsidiaries.

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 20 February 2018.

## 2. BASIS OF PREPARATION

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

The financial statements of the Trust have been prepared under the historical cost convention, except as otherwise stated in the financial statements.

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

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 31.1 to the financial statements.

## 3. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 1.1.2017 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2017 RM
<b>Carrying amount</b>				
Computer equipment	–	84,991	(5,426)	79,565
Office equipment	–	15,368	(455)	14,913
	–	100,359	(5,881)	94,478

	[ ----- As at 31.12.2017 ----- ]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Computer equipment	84,991	(5,426)	79,565
Office equipment	15,368	(455)	14,913
	100,359	(5,881)	94,478

- (a) After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:
- |                    |         |
|--------------------|---------|
| Computer equipment | 15%     |
| Office equipment   | 10%-15% |



#### 4. INVESTMENTS IN SUBSIDIARIES

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity held by Trust		Principal activities
		2017 %	2016 %	
Pure Quantum Sdn. Bhd.	Malaysia	100	100	Property investment
Plenitude Sunlight Sdn. Bhd.	Malaysia	100	100	Property investment

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

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

#### 5. INVESTMENT PROPERTIES

	2017 RM	2016 RM
<b>A. At fair value</b>		
Freehold land and buildings	767,500,000	770,050,000
Leasehold land and building	427,068,739	322,400,000
	<b>1,194,568,739</b>	<b>1,092,450,000</b>
At beginning of financial year	1,092,450,000	1,086,580,000
Addition	468,763	1,168,362
Addition from acquisition	104,000,000	–
Incidental cost on acquisition	2,068,739	–
Transferred from capital work in progress	3,567,708	2,276,113
Changes in fair value	(7,986,471)	2,425,525
At end of financial year	<b>1,194,568,739</b>	<b>1,092,450,000</b>
<b>B. Capital work in progress</b>		
At beginning of financial year	162,080	335,057
Additions	18,764,823	2,103,136
Transferred to investment properties	(3,567,708)	(2,276,113)
At end of financial year	<b>15,359,195</b>	<b>162,080</b>
Total end of financial year (A + B)	<b>1,209,927,934</b>	<b>1,092,612,080</b>

## 5. INVESTMENT PROPERTIES (continued)

Included in the incidental cost on acquisition during the financial year are interest expense of RM209,331 (2016: RM Nil) as disclosed in Note 19 to the financial statements.

During the current financial year, Hektar REIT acquired a shopping mall located at Segamat, Johor for purchase consideration of RM104,000,000, which was financed through drawdown of borrowings and issuance of rights units.

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

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

Investment properties of the Trust amounting to RM1,088,500,000 (2016: RM760,018,630) are pledged as securities for borrowings as disclosed in Note 12 to the financial statements.

Details of the investment properties are as follows:

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

## 5. INVESTMENT PROPERTIES (continued)

2016				Cost of investment RM	Fair value 31 December 2016 RM	Percentage of Valuation to net asset value %
Description of property	Tenure of land	Location	Existing use			
Subang Parade	Freehold	Subang	Commercial	286,980,000	427,200,000 <sup>d</sup>	73
Mahkota Parade	Leasehold	Melaka	Commercial	257,538,630	322,400,000 <sup>d</sup>	55
Wetex Parade	Freehold	Muar	Commercial	117,500,000	135,150,000 <sup>d</sup>	23
Kulim Central	Freehold	Kedah	Commercial	98,000,000	112,000,000 <sup>e</sup>	19
Central Square	Freehold	Kedah	Commercial	83,330,000	95,700,000 <sup>e</sup>	16
					1,092,450,000	

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

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

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

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

<sup>d</sup> Based on valuation carried out by Henry Butcher Malaysia Sdn. Bhd. on 27 December 2016

<sup>e</sup> Based on valuation carried out by Khong & Jaafar Sdn. Bhd. on 27 December 2016

- (a) Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year which they arise.
- (b) 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 Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions.

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

## 5. INVESTMENT PROPERTIES (continued)

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

Valuation technique 2017	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method	<ul style="list-style-type: none"> <li>- Allowance for void of 1.50% - 6.50%</li> <li>- Term yield rate of 6.25% - 6.75%</li> <li>- Reversionary yield rate of 6.75% - 7.25%</li> <li>- Discount rate of 6.75%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>- Allowance for void was lower/(higher)</li> <li>- Term yield rate was higher/(lower)</li> <li>- Reversionary yield rate was higher/(lower)</li> <li>- Discount rate was lower/(higher)</li> </ul>
Valuation technique 2016	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method	<ul style="list-style-type: none"> <li>- Allowance for void of 1.50% - 6.50%</li> <li>- Term yield rate of 6.25% - 7.25%</li> <li>- Reversionary yield rate of 6.75% - 7.50%</li> <li>- Discount rate of 6.75%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>- Allowance for void was lower/(higher)</li> <li>- Term yield rate was higher/(lower)</li> <li>- Reversionary yield rate was higher/(lower)</li> <li>- Discount rate was lower/(higher)</li> </ul>

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

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

	2017 RM	2016 RM
At beginning of financial year	1,092,450,000	1,086,580,000
Additions	110,105,210	3,444,475
Change in fair value	(7,986,471)	2,425,525
At end of financial year	1,194,568,739	1,092,450,000

(d) Classification between investment properties and plant and equipment

The Trust have 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.

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

## 6. FIXED DEPOSITS WITH A LICENSED BANK

- (a) The weighted average interest rate of fixed deposits with a licensed bank of the Trust is 3.13% (2016: 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 deposits are denominated in Ringgit Malaysia ("RM").
- (d) In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk:

	Within 1 year RM	One to five years RM	Total RM
<b>2017</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	1,328,404	–	1,328,404
<b>2016</b>			
<b>Floating rates</b>			
Deposits with a licensed bank	665,369	–	665,369

## 7. TRADE RECEIVABLES

	2017 RM	2016 RM
<b>Trade receivables</b>		
Third parties	13,304,654	6,733,708
Less: Impairment losses - Third parties	(1,745,812)	(982,882)
Total trade receivables	11,558,842	5,750,826
Total trade receivables	11,558,842	5,750,826
Add: Total other receivables (Note 8)	7,351,905	18,274,225
Less: Prepayments (Note 8)	(2,194,405)	(2,195,829)
Add: Cash and bank balances (Note 9)	22,095,767	14,560,249
Total loans and receivables	38,812,109	36,389,471

- (a) Trade receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) The normal credit terms granted by the Trust to the trade receivables are 7 days (2016: 7 days). Interest ranging from 12% to 18% (2016: 12% to 18%) per annum will be imposed on overdue amount.

## 7. TRADE RECEIVABLES (continued)

(c) Ageing analysis of trade receivables of the Trust are as follows:

	2017 RM	2016 RM
Neither past due nor impaired	2,210,937	2,087,464
Past due, not impaired		
Less than 30 days	1,481,298	211,830
31 to 60 days	1,472,083	880,275
*More than 60 days	6,394,524	2,571,257
	9,347,905	3,663,362
Past due and impaired	1,745,812	982,882
	13,304,654	6,733,708

### Receivables that are past due not impaired

Trade receivables that are past due and not impaired are creditworthy receivables with good payment records with the Trust.

\* Included in the past due not impaired of the Trust is an amount of RM5,295,207 (2016: RM1,053,529) 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, 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.

### Receivables that are impaired

The movement of impairment losses during the financial year is as follows:

	2017 RM	2016 RM
At beginning of financial year	982,882	599,559
Charge for the year	859,056	501,535
Reversal	(96,126)	(17,475)
Written off	–	(100,737)
At the end of financial year	1,745,812	982,882

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

## 7. TRADE RECEIVABLES (continued)

The Manager assesses at the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Trust considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements other than tenants' deposit.

## 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RM	Restated 2016 RM
Other receivables	4,790,211	15,785,568
Deposits	367,289	292,828
Prepayments (Note 7)	2,194,405	2,195,829
	7,351,905	18,274,225

- (a) Other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Included in other receivables are as follows:

	2017 RM	2016 RM
Amount owing from Property Manager	3,113,809	2,654,483
Deposit on acquisition of Segamat Central	–	10,400,000
Incidental expenditure for the acquisition of Segamat Central	–	864,990

- (c) Amount owing from Property Manager is unsecured, interest free and repayable monthly in arrears.
- (d) The Trust has no significant concentration of credit risk that may arise from exposure to a single debtor or group of debtors.

**9. CASH AND BANK BALANCES**

	2017 RM	2016 RM
Cash and bank balances	22,095,767	14,560,249

**10. TRADE PAYABLES**

	2017 RM	2016 RM
Third parties	2,524,140	937,729

- (a) Trade payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (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 (2016: 30 to 60 days).
- (c) The maturity profile of the Trust's trade payables at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

**11. OTHER PAYABLES AND ACCRUALS**

	2017 RM	Restated 2016 RM
<b>Current liabilities</b>		
Other payables	626,867	280,567
Accruals	2,412,466	4,126,205
Advance received	1,100,145	826,671
Net output GST payable	325,406	363,182
Deferred income (Note 7(c))	5,295,207	1,053,539
Deposits received from tenants	20,056,032	15,573,045
	29,816,123	22,223,209
<b>Non-current liabilities</b>		
Deposits received from tenants	13,825,129	14,219,256
	43,641,252	36,442,465

- (a) Other payables and accruals are classified as other financial liabilities, and measured at amortised cost using the effective interest method.



## 11. OTHER PAYABLES AND ACCRUALS (continued)

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

	2017 RM	2016 RM
Amount owing to Manager	–	3,069
Amount owing to Property Manager	423,650	255,853

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

- (c) The deposits received from tenants of the Trust measured at amortised cost using the effective interest method.
- (d) Deposits received from tenants are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period between one to three years.
- (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.

2017	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	4,464,884	–	–	4,464,884
Deposits received from tenants	20,056,032	13,825,129	–	33,881,161
<b>2016</b>				
<b>Financial liabilities</b>				
Other payables and accruals (excluding deferred income)	5,596,625	–	–	5,596,625
Deposits received from tenants	15,573,045	14,219,256	–	29,792,301

## 12. BANK BORROWINGS

	2017 RM	2016 RM
<b>Secured</b>		
Current liabilities		
- Short term revolving credit	15,000,000	15,000,000
	15,000,000	15,000,000
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	58,957,483	52,275,275
- MOD 6	32,000,000	-
- Term loan	30,000,000	19,825,097
	542,057,483	493,200,372
	557,057,483	508,200,372

- (a) 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.
- (b) The 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 tenure of 5 years from the first disbursement of which MOD 1 is due for repayment in 2011, MOD 2 is due for repayment in 2013, MOD 3 and MOD 4 are due for repayment in 2016, MOD 5 is due for repayment in 2018, MOD 6 is due for repayment in 2022. However, extension period of 1-8 years was granted for MOD 1, MOD 2, MOD 3, MOD 4 and they are now due for repayment in 2019.

MOD 1 and MOD 2 bear interest rate at cost of funds plus 75 basis points (2016: cost of funds plus 75 basis points) MOD 3 bears interest rate at cost of fund plus 75 basis points for first and second year and cost of fund plus 100 basis point for third year onwards, MOD 4, MOD 5 and MOD 6 bear interest rate at cost of fund plus 100 basis points (2016: cost of fund plus 100 basis points). The effective interest rate on MODs is 3.84% to 4.56% (2016: 4.07% to 4.90%) per annum.

- (c) The term loan is secured by way of fixed charge over Mahkota Parade. The term loan has a 5 years tenure whereby the principal amount is repayable via a bullet repayment at the end of the 5 years tenure in 2018. These term loans bear interest rate at cost of funds plus 75 basis points and interest is to be serviced monthly in arrears. The effective interest rate on the term loan is 4.18% (2016: 4.54%) per annum.
- (d) 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. The effective interest rate on short term revolving credit is 4.85% (2016: 4.25% to 4.79%) 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 with the latest Deed agreement with the bank and MTrustees Berhad on 10 March 2017.
- (e) Interest rate for borrowings were reduced to cost of funds plus 70 basis points w.e.f 1 October 2017.
- (f) Borrowings are categorised as Level 2 in the fair value hierarchy.
- (g) All borrowings are denominated in Ringgit Malaysia ("RM").

## 12. BANK BORROWINGS (continued)

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2017</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	–	–	15,600,000
MODs	19,647,299	535,544,782	–	555,192,081
Term loan	1,200,000	31,200,000	–	32,400,000
<b>2016</b>				
<b>Financial liabilities</b>				
Short term revolving credit	15,600,000	–	–	15,600,000
MODs	18,100,011	509,575,297	–	527,675,308
Term loan	793,004	21,411,105	–	22,204,109

- (i) In respect of and interest-bearing financial liabilities, the following tables sets out the carrying amounts 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:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2017:</b>				
<b>Floating rates</b>				
Term loan	–	30,000,000	–	30,000,000
Short term revolving credit	15,000,000	–	–	15,000,000
MODs	–	512,057,483	–	512,057,483
	15,000,000	542,057,483	–	557,057,483
<b>2016</b>				
<b>Floating rates</b>				
Term loan	–	19,825,097	–	19,825,097
Short term revolving credit	15,000,000	–	–	15,000,000
MODs	–	473,375,275	–	473,375,275
	15,000,000	493,200,372	–	508,200,372

**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:

	2017 RM	2016 RM
Profit/(Loss) after taxation		
- increase by 1% (2016: 1%)	4,233,637	3,862,323
- decrease by 1% (2016: 1%)	(4,233,637)	(3,862,323)

The sensitivity for Trust is higher in 2017 than in 2016 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

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

**13. DERIVATIVE FINANCIAL INSTRUMENT**

	2017		2016	
	Contract/ Notional Amount RM	Liability RM	Contract/ Notional Amount RM	Liability RM
<b>Non-current</b>				
Interest rate swap	150,000,000	265,527	150,000,000	814,013

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

#### 14. UNITHOLDERS' CAPITAL

	2017		2016	
	Number of units	RM	Number of units	RM
<b>Authorised</b>				
Balance as at 1 January	400,634,117	425,738,255	400,634,117	425,738,255
Addition	61,326,061	66,762,194	–	–
Balance as at 31 December	461,960,178	492,500,449	400,634,117	425,738,255
<b>Issued and fully paid</b>				
Balance as at 1 January	400,634,117	425,738,255	400,634,117	425,738,255
Addition	61,326,061	68,143,928	–	–
Unit issuance expenses	–	(1,381,734)	–	–
Balance as at 31 December	461,960,178	492,500,449	400,634,117	425,738,255

On 22 August 2017, the issued and paid-up unitholders' capital of Hektar REIT was increased from RM425,738,255 to RM492,500,449 by way of issuing 60,966,061 new units on the basis of 7 rights units for every 46 existing units and 360,000 new units to the Manager at issued price of RM1.11 and RM1.31 per rights units respectively for the purpose of acquisition of Segamat Central.

As at 31 December 2017, the Manager hold 1,089,172 (2016: 632,867) unit in Hektar REIT. However, the Directors of the Manager and their related parties held unit in Hektar REIT as follows:

	2017		2016	
	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	124,892,950	31.17
Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.				
	187,862,266	40.67	160,625,000	40.09
The Manager's related parties' Direct unitholdings in Hektar REIT:				
Hektar Black Sdn. Bhd.				
	187,862,266	40.67	160,625,000	40.09

**15. REVENUE**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Rental income	111,568,265	110,775,797
Carpark income	13,082,328	13,211,545
Other operating income	892,227	583,562
	<b>125,542,820</b>	<b>124,570,904</b>

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

**(a) Rental Income**

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

**(b) Carpark income**

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

**(c) Other operating income**

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

**16. PROPERTY OPERATING EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Assessment and quit rent	4,244,294	3,959,317
Marketing and promotions	3,164,384	3,439,600
Property management fee	2,101,486	2,096,397
Property maintenance	36,275,301	35,080,707
Utilities	4,939,049	4,572,201
Insurance	1,080,754	1,087,546
	<b>51,805,268</b>	<b>50,235,768</b>

Property management fee of RM2,101,486 (2016: RM2,096,397) incurred is payable to Hektar Property Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agents Act, 1981.

## 17. MANAGER'S FEES

	2017 RM	2016 RM
Base fee	4,041,934	3,938,055
Performance fee	3,863,460	3,853,541
	7,905,394	7,791,596

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 2017, the base fee shall be 0.35% (2016: 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 2017, the performance fee shall be 5.0% (2016: 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 Trust, including the Manager's fees payable annually in arrears.

For the financial year ended 31 December 2017, the Trustee's fee shall be 0.08% (2016: 0.08%) per annum of the Net Asset Value of the Trust including the Manager's fees.

## 19. INTEREST EXPENSE

	2017 RM	2016 RM
Interest paid/ payable:		
- MODs	21,820,255	21,746,637
- term loan	828,290	899,682
- short term revolving credit	727,229	561,629
Others	-	7,761
	23,375,774	23,215,709
Less: Interest expense capitalised in investment properties (Note 5)	(209,331)	-
	23,166,443	23,215,709

## 20. TAX EXPENSE

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

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

Hektar REIT maintains a policy of paying out at least 90% of its distributable net income. Distributable net income excludes non-cash items such as fair value adjustments under MFRS 117, an accounting standard implemented in 2010.

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 2017 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	2017 RM	2016 RM
Profit before tax	32,695,635	43,157,824
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	7,846,952	10,357,878
Tax effects in respect of:		
Non-allowable expenses	(978,371)	428,211
Income not subject to tax	1,785,116	(582,126)
Effect of income distribution exempted from tax	(8,653,697)	(10,203,963)
Income tax expense	–	–

### Taxation of Unitholders

Pursuant to Section 109D(2) of Income Tax Act, 1967 under the Finance Act, 2006, provided that 90% or more of the REIT's total taxable income is distributed by the REIT, distribution to unit holders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individual 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

	2017 No. of unit	2016 No. of unit
At 31 December	418,009,834 <sup>i</sup>	409,808,944 <sup>ii</sup>

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

<sup>ii</sup> Earnings per unit for the financial year ended 31 December 2016 was calculated based on 409,808,944 units after taking into consideration the bonus element in respect of the Rights Issue in accordance with the Malaysian Financial Reporting Standard 133.



## 21. EARNINGS PER UNIT (continued)

- (a) The calculation of earnings per unit (total) after Manager's fee is based on Trust's net income for the financial year of RM32,695,635 (2016: RM43,157,824) to the number of units in circulation for 2017 and 2016 respectively of 418,009,834 (2016: 409,808,944).
- (b) The calculation of earnings per unit (total) before Manager's fee is based on Trust's net income for the financial year of RM40,601,029 (2016: RM50,949,420) after adding back Manager's fee and number of units in circulation for 2017 and 2016 respectively of 418,009,834 (2016: 409,808,944).
- (c) The calculation of earnings per unit (realised) after Manager's fee is based on Trust's realised net income for the financial year of RM40,133,620 (2016: RM41,546,312) to the number of units in circulation for 2017 and 2016 respectively of 418,009,834 (2016: 409,808,944).
- (d) The calculation of earnings per unit (realised) before Manager's fee is based on Trust's realised net income for the financial year of RM48,039,014 (2016: RM49,337,908) after adding back Manager's fee and number of units in circulation for 2017 and 2016 respectively of 418,009,834 (2016: 409,808,944).

## 22. INCOME DISTRIBUTION

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

	2017 RM	2016 RM
Net rental income	73,737,552	74,335,136
Other income	53,854	9,246
Interest income	304,964	318,276
Reversal of impairment loss on trade receivables	96,126	17,475
	74,192,496	74,680,133
Less: Expenses	(34,058,876)	(33,133,821)
As per realised undistributed income	40,133,620	41,546,312
Add: Loss not subject to distribution (Note 22 (b))	13,586	596
Balance undistributed income	40,147,206	41,546,908
	2017 RM	2016 RM
Gross provision for distribution per unit (sen):		
- Interim	6.30	7.80
- Final	3.30	2.70
	9.60	10.50
Net provision for distribution per unit (sen):*		
- Interim	6.30	7.80
- Final	3.30	2.70
	9.60	10.50

**22. INCOME DISTRIBUTION (continued)**

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Resident individual	10%	10%
Non-resident individual	10%	10%
Resident institutional investors	10%	10%
Non-resident institutional investors	10%	10%
Non-resident companies	24%	24%

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Revenue	73,523	30,739
Other income	1,418	652
Expenses	(88,527)	(31,987)
Loss for the financial year	(13,586)	(596)

**23. PORTFOLIO TURNOVER RATIO**

	<b>2017</b>	<b>2016</b>
Portfolio Turnover Ratio ("PTR") (times)	0.170	0.002

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

	2017	2016
Management expense ratio ("MER")(%)	1.77	1.70

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:

	2017 RM	2016 RM
Commission and service charges received from - Hektar Black Sdn. Bhd.	192,943	211,185

## 26. CAPITAL COMMITMENT

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

	2017 RM	2016 RM
Authorised and contracted for:		
- Refurbishment of investment properties	15,026,066	20,476,680
- Acquisition of Segamat Central	-	93,600,000
	15,026,066	114,076,680

## 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.

	2017 RM	Restated 2016 RM
Non-current assets	1,211,350,816	1,093,277,449
Current assets	41,006,514	38,585,300
Total assets value	1,252,357,330	1,131,862,749
Total borrowings	557,057,483	508,200,372
Gearing ratio	44.48%	44.90%

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

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### (a) Issuance of right issue to unitholders

On 22 August 2017, the issued and paid-up unitholders' capital of Hektar REIT was increased from RM425,738,255 to RM492,500,449 by way of issuing 60,966,061 new units on the basis of 7 rights units for every 46 existing units and 360,000 new units to the Manager at issued price of RM1.11 and RM1.31 per rights units respectively for the purpose of acquisition of Segamat Central.

### (b) Acquisition of Segamat Central

On 18 September 2017, the Manager for Hektar REIT had signed sales and purchase agreement and completed the acquisition of Segamat Central for purchase consideration of RM104,000,000.

## 29. MATERIAL LITIGATIONS

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

(Guaman Sivil No: 22 NCVC-66-11)

On 21 August 2017, the Melaka High Court has decided that the Mahkota Parade JMB's claims against Hektar REIT and Hektar REIT's subsequent counterclaim against Mahkota Parade JMB be dismissed with each party to bear their own cost. Following the High Court decision, the Mahkota Parade JMB and Hektar REIT have since filed their respective appeals to the Court of Appeal on 7 September 2017 and 13 September 2017 respectively and the appeals are currently at case management stages.

### Writ of Summons against The Store

(Guaman Sivil No: WA-22NCVC-394-07, BA-A52NCVC-45-02 and WA-24NCVC-266-02)

Hektar REIT is currently in the process of litigation with a major tenant, The Store (Malaysia) Sdn. Bhd. ("The Store"), regarding terms of their tenancies at three of its premises in Central Square in Sungai Petani, Kulim Central in Kulim and Wetex Parade in Muar. On 16 October 2017, the Kuala Lumpur High Court allowed The Store's application to continue their tenancies for the premises in Central Square in Sungai Petani and Kulim Central in Kulim. Hektar REIT has since filed a notice of appeal to the Court of Appeal on 27 October 2017 to appeal against the decision of the Kuala Lumpur High Court.

Meanwhile, the court case with The Store in relation to Wetex Parade is currently being litigated separately at the Shah Alam Sessions Court and the hearing dates for the case have been recently fixed for 20 and 21 March 2018.

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

### Strata Management Tribunal Claim Against Mahkota Parade JMB

(Tribunal Court Putrajaya Case No. TPS/M-2024-11/2016)

On 28 November 2016, Hektar REIT has filed a claim against the Mahkota Parade JMB and 8 other defendants at the Strata Management Tribunal to invalidate the previous annual general meeting held on 26 January 2016. The hearing of the claim was partially heard on 26 January 2017. On 18 April 2017, the Tribunal heard and dismissed Hektar REIT's interlocutory application to refrain the Mahkota Parade JMB and 8 other defendants from calling the 5th annual general meeting or any other annual general meeting until the disposal of Hektar REIT's claim in this case. The Tribunal also heard and dismissed the Mahkota Parade JMB's interlocutory application to strike out Hektar REIT's claim. On 8 May 2017, the JMB lawyer's interlocutory application to nullify his subpoena to appear as a witness was allowed by the Tribunal. The hearing of the 28 November 2016 claim, which was earlier fixed by the Tribunal to be held on 22 June 2016 was, at the request of the JMB's lawyer, postponed to a later date to be fixed and notified by the Tribunal. After several postponements, the Tribunal held a case management on 2 October 2017 and directed parties to file the relevant tribunal documents in preparation for the hearing.

On 13 November 2017, the hearing at the Tribunal commenced with the calling of Hektar REIT's first witness. At the end of the session, the hearing was then adjourned to be continued at a later date. The Tribunal has recently fixed 25 and 26 January 2018 for continuation of the hearing.

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.

**29. MATERIAL LITIGATIONS (continued)****Writ of Summons by Hektar REIT against Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah**

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

On 29 November 2017, Hektar REIT filed a defamation action against 4 individuals, namely Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah all of whom made defamatory statements against MTrustee Berhad (for Hektar REIT) which has tarnished Hektar REIT's good name, reputation and standing.

**Writ of Summons by Sunway Leasing Sdn Bhd against Hektar REIT**

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

On 9 January 2018, Sunway Leasing Sdn Bhd ("Sunway") has filed an originating summons against MTrustee Berhad (for Hektar REIT) at the Kuala Lumpur High Court seeking, amongst others, the following:-

- a. declaration that Sunway, as a secured creditor based on a charge given by CYC Mega Leisure World (M) Sdn Bhd ("CYC") under debentures dated 1 August 2008 and 31 October 2008 ("Debentures"), has priority over the assets of CYC;
- b. a declaration that assets of CYC which were seized under a Writ of Seizure on 28 November 2017 pursuant to an order from the Kulim Sessions Court (Case No. 56-2-11/2016) and the proceeds of sale from the auction of the assets were assets which were charged to Sunway under the Debentures; and
- c. payment from the defendant amounting to USD 271,540.00 as compensation for an equivalent value of the assets seized on 28 November 2017.

The management has sought legal advice from its solicitors and will take all necessary action to fully defend Hektar REIT's rights and interest in this litigation matter and will provide further updates on the matter in due course.

**30. OPERATING SEGMENT**

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

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

#### 31.1 New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

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

#### 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

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

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

#### 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

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
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates 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, except for MFRS 9.

The Trust is currently finalising the adjustments upon adoption of MFRS 9. The following reconciliations provide an estimate of the expected impact upon initial application of MFRS 9 on the financial position, profit or loss and other comprehensive income of the Trust.

(a) Reconciliation of financial position and equity

1 January 2017	Note	Previously stated RM	Effects of MFRS 9 RM	Restated RM
<b>Non-current assets</b>				
Investment properties		1,092,612,080	–	1,092,612,080
Fixed deposit with a licensed bank		665,369	–	665,369
		1,093,277,449	–	1,093,277,449
<b>Current assets</b>				
Trade receivables		5,750,826	(1,761,276)	3,989,550
Other receivables, deposits and prepayments		18,274,225	–	18,274,225
Cash and bank balances		14,560,249	–	14,560,249
		38,585,300	(1,761,276)	36,824,024
<b>Total assets</b>		1,131,862,749	(1,761,276)	1,130,101,473



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

#### 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

(a) Reconciliation of financial position and equity (continued)

1 January 2017	Note	Previously stated RM	Effects of MFRS 9 RM	Restated RM
<b>Current liabilities</b>				
Trade payables		937,729	–	937,729
Other payables and accruals		22,223,209	–	22,223,209
Bank borrowings		15,000,000	–	15,000,000
		38,160,938	–	38,160,938
<b>Non-current liabilities</b>				
Other payables and accruals		14,219,256	–	14,219,256
Bank borrowings		493,200,372	–	493,200,372
Derivative financial instruments		814,013	–	814,013
		508,233,641	–	508,233,641
<b>Total liabilities</b>		546,394,579	–	546,394,579
<b>NET ASSETS</b>		585,468,170	(1,761,276)	583,706,894
<b>Unitholders' funds and reserve</b>				
Unitholders' capital		425,738,255	–	425,738,255
Undistributed income - realised		43,476,386	(1,761,276)	41,715,110
Undistributed income - unrealised		116,253,529	–	116,253,529
<b>Total Unitholders' funds</b>		585,468,170	(1,761,276)	583,706,894

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

## 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

(a) Reconciliation of financial position and equity (continued)

31 December 2017	Note	Previously stated RM	Effects of MFRS 9 RM	Restated RM
<b>Non-current assets</b>				
Property, plant and equipment		94,478	–	94,478
Investment properties		1,209,927,934	–	1,209,927,934
Fixed deposit with a licensed bank		1,328,404	–	1,328,404
		1,211,350,816	–	1,211,350,816
<b>Current assets</b>				
Trade receivables		11,558,842	(2,502,594)	9,056,248
Other receivables, deposits and prepayments		7,351,905	–	7,351,905
Cash and bank balances		22,095,767	–	22,095,767
		41,006,514	(2,502,594)	38,503,920
<b>Total assets</b>		1,252,357,330	(2,502,594)	1,249,854,736
<b>Current liabilities</b>				
Trade payables		2,524,140	–	2,524,140
Other payables and accruals		29,816,123	–	29,816,123
Bank borrowings		15,000,000	–	15,000,000
		47,340,263	–	47,340,263
<b>Non-current liabilities</b>				
Other payables and accruals		13,825,129	–	13,825,129
Bank borrowings		542,057,483	–	542,057,483
Derivative financial instruments		265,527	–	265,527
		556,148,139	–	556,148,139
<b>Total liabilities</b>		603,488,402	–	603,488,402
<b>NET ASSETS</b>		648,868,928	(2,502,594)	646,366,334
<b>Unitholders' funds and reserve</b>				
Unitholders' capital		492,500,449	–	492,500,449
Undistributed income - realised		47,552,935	(2,502,594)	45,050,341
Undistributed income - unrealised		108,815,544	–	108,815,544
<b>Total Unitholders' funds</b>		648,868,928	(2,502,594)	646,366,334

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

#### 31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

(b) Reconciliation of profit or loss and other comprehensive income

31 December 2017	Note	Previously stated RM	Effects of MFRS 9 RM	Restated RM
Gross revenue		125,542,820	–	125,542,820
Property operating expenses		(51,805,268)	–	(51,805,268)
<b>Net property income</b>		73,737,552	–	73,737,552
Interest income		304,964	–	304,964
Other income		53,854	–	53,854
Change in fair value of derivative financial instrument		548,486	–	548,486
Reversal of impairment loss on trade receivables		96,126	–	96,126
<b>Total income</b>		74,740,982	–	74,740,982
Manager's fees		(7,905,394)	–	(7,905,394)
Trustee's fees		(485,861)	–	(485,861)
Auditors' remuneration:				
- statutory audit		(106,400)	–	(106,400)
- others		(99,000)	–	(99,000)
Valuation fees		(240,000)	–	(240,000)
Professional fee		(475,170)	–	(475,170)
Impairment loss on trade receivables		(859,056)	(2,502,594)	(3,361,650)
Administration expenses		(721,552)	–	(721,552)
Interest expense		(23,166,443)	–	(23,166,443)
Change in fair value of investment properties		(7,986,471)	–	(7,986,471)
<b>Total expenses</b>		(42,045,347)	(2,502,594)	(44,547,941)
<b>Profit before tax</b>		32,695,635	(2,502,594)	30,193,041
Tax expense		–	–	–
Profit for the financial year		32,695,635	(2,502,594)	30,193,041
Other comprehensive income		–	–	–
<b>Total comprehensive income for the financial year</b>		32,695,635	(2,502,594)	30,193,041

**31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)**

- (b) Reconciliation of profit or loss and other comprehensive income

Note to the reconciliations

- (i) The Trust expects an increase in impairment for trade receivables because MFRS 9 replaces the current 'incurred loss' model with a forward-looking 'expected credit loss' model.

**32. COMPARATIVE FIGURES**

During the previous financial year, a reclassification was also made in relation to the measurement of deposits received from tenants and deferred income from an anchor tenant.

Reclassification has been made to the prior year's financial statements to enhance the comparability with the current year presentation of the Trust's financial statements.

	As previously reported RM	Prior year adjustments RM	Adjusted RM
<b>Statement of financial position as at 31 December 2016</b>			
<b>Current assets</b>			
Other receivables, deposits and prepayments	17,220,686	1,053,539	18,274,225
<b>Current liabilities</b>			
Other payables and accruals	23,109,065	(885,856)	22,223,209
<b>Non-current liabilities</b>			
Other payables and accruals	12,279,861	1,939,395	14,219,256
<b>Statement of cash flow for the financial year ended 31 December 2016</b>			
<b>Changes in working capital:</b>			
Trade and other receivables	(13,776,258)	(1,053,539)	(14,829,797)
Trade and other payables	(1,396,433)	1,053,539	(342,894)

**33. PRIOR YEAR ADJUSTMENTS**

During the previous financial year, Hektar REIT had acquired (2) two ordinary shares representing 100% of the issued and paid up share capital of Pure Quantum Sdn. Bhd. and Plenitude Sunlight Sdn. Bhd. respectively for total cash consideration of RM4.00 only. The purpose of acquiring these subsidiaries were to enable Hektar REIT to better manage the strata malls within the REIT's asset portfolio.

# Others

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## ANALYSIS OF UNITHOLDERS

### TOP 30 DEPOSITORS AS AT 29 DECEMBER 2017

NO	NAME OF UNIT HOLDER	ACCOUNT QUALIFIER (BENEFICIAL OWNER)	NO OF UNITS	%
1	HSBC NOMINEES (ASING) SDN BHD	HSBC-FS FOR FRASERS CENTREPOINT TRUST	143,898,398	31.150
2	TMF TRUSTEES MALAYSIA BERHAD	HEKTAR BLACK SDN BHD	98,170,600	21.251
3	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD (001)	74,691,666	16.168
4	KENANGA NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR HEKTAR BLACK SDN BHD	15,000,000	3.247
5	VALUECAP SDN BHD		13,041,300	2.823
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD	EXEMPT AN FOR AIA BHD.	9,978,300	2.160
7	AFFIN HWANG INVESTMENT BANK BERHAD	IVT (JBD)	1,959,575	0.424
8	HSBC NOMINEES (ASING) SDN BHD	EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (IPB CLIENT ACCT)	1,504,623	0.326
9	CHIN THEN HEE		1,228,300	0.266
10	RUZIAH BINTI MOHD AMIN		1,157,736	0.251
11	HEKTAR ASSET MANAGEMENT SDN BHD		1,089,172	0.236
12	HO CHIN WEONG		1,022,000	0.221
13	HANG MEI LING		1,000,000	0.216
14	LING THIK PING		1,000,000	0.216
15	HLB NOMINEES (TEMPATAN) SDN BHD	PLEDGED SECURITIES ACCOUNT FOR LIEW SUN YICK	1,000,000	0.216
16	CHAN KIN YOONG		958,000	0.207
17	HSBC NOMINEES (TEMPATAN) SDN BHD	HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (BALANCED FUND)	951,551	0.206
18	LIM SAN LEE		938,152	0.203
19	LIEW YOON YEE		860,086	0.186
20	KIM GAP YONG		807,500	0.175

**TOP 30 DEPOSITORS AS AT 29 DECEMBER 2017 (continued)**

<b>NO</b>	<b>NAME OF UNIT HOLDER</b>	<b>ACCOUNT QUALIFIER (BENEFICIAL OWNER)</b>	<b>NO OF UNITS</b>	<b>%</b>
21	LIM PEK HOOI		779,000	0.169
22	NEOH CHOO EE & COMPANY, SDN. BERHAD		753,000	0.163
23	YEOH LAY ENG		750,113	0.162
24	CHOW HON KEONG		743,900	0.161
25	TEO MEI CHING		625,000	0.135
26	LIEW CHUI KHENG		608,808	0.132
27	YAU AH PENG		600,000	0.130
28	SYNERGY MOTION SDN. BHD.		600,000	0.130
29	LOY CHEE CHANG		590,000	0.128
30	NG INN JWEE		583,000	0.126
	<b>TOTAL</b>		<b>376,889,780</b>	<b>81.585</b>

**BREAKDOWN OF UNITHOLDERS AS AT 29 DECEMBER 2017**

<b>UNIT CLASS</b>	<b>NO. OF UNITHOLDERS</b>	<b>% OF UNITHOLDERS</b>	<b>NO. OF UNIT HELD</b>	<b>% OF TOTAL UNITS</b>
LESS THAN 100	106	2.93	2,493	0.00
100 TO 1,000	393	10.87	249,889	0.05
1,001 TO 10,000	1,651	45.65	8,020,987	1.74
10,001 TO 100,000	1,246	34.45	38,591,525	8.35
100,001 TO LESS THAN 5% OF ISSUED UNITS	218	6.03	98,334,620	21.29
5% AND ABOVE OF ISSUED UNITS	3	0.08	316,760,664	68.57
<b>TOTAL</b>	<b>3,617</b>	<b>100.00</b>	<b>461,960,178</b>	<b>100.00</b>

## ANALYSIS OF UNITHOLDERS

## BREAKDOWN OF UNITHOLDERS AS AT 29 DECEMBER 2017

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	57	2,688	59	1,885,646	71,754,824	3,082,012	0.4082	15.5327	0.6672
2 Body Corporate									
a. Bank/Finance Companies	1	1	–	13,041,300	1,959,575	–	2.8230	0.4242	–
b. Investments trusts/ foundations/ charities	2	4	–	10,375	189,513	–	0.0022	0.0410	–
c. Other types of Companies	6	24	3	1,689,378	2,598,927	98,340,000	0.3657	0.5626	21.2875
3 Government agencies Institutions	–	–	–	–	–	–	–	–	–
4 Nominees	426	315	31	99,563,856	20,351,938	147,492,834	21.5525	4.4056	31.9276
5 Others	–	–	–	–	–	–	–	–	–
<b>Sub Total</b>	<b>492</b>	<b>3,032</b>	<b>93</b>	<b>116,190,555</b>	<b>96,854,777</b>	<b>248,914,846</b>	<b>25.1516</b>	<b>20.9660</b>	<b>53.8823</b>
Malaysian Total	3,524			213,045,332			46.1177		
<b>Grand Total (Malaysian + Foreign)</b>	<b>3,617</b>			<b>461,960,178</b>			<b>100.0000</b>		



AEI	:	Asset Enhancement Initiatives
Bursa Securities / the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 5 October 2006 constituting Hektar REIT and as amended two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively between the Manager and the Trustee
DPU	:	Distribution per Unit
GAV	:	Gross Asset Value
Gross Revenue	:	Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
Hektar Klasik	:	Hektar Klasik Sdn Bhd (Company No. 557687-X), being the holding company of the Manager
Hektar / Hektar REIT / the Trust	:	Hektar Real Estate Investment Trust
IPO	:	Initial Public Offering. Hektar REIT's IPO was completed on 4 December 2006
MER	:	Management Expense Ratio
Manager	:	Hektar Asset Management Sdn Bhd (Company No. 732261-T), being the management company of Hektar REIT
NAV	:	Net Asset Value
NLA / Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Hektar Property Services Sdn Bhd (868376-K)
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
SCA	:	Securities Commission Act, 1993
SC Guidelines on REITs	:	Guidelines on Real Estate Investment Trusts issued by the SC in August 2008 and updated on 28 December 2012
Sq. ft. / sf	:	Square feet
Sqm	:	Square metres
Share Registrar	:	Mega Corporate Sdn Bhd (Company No. 187984-H)
Step-Up Rent Provision	:	Specified in tenancy agreement as a pre-determined increase in rent at defined intervals during a tenancy agreement, typically each year. Forms the base rent of any tenancy agreement.
Trustee	:	AmTrustee Berhad (Company No. 163032-V ) being the Trustee of Hektar REIT
Turnover Rent Provision	:	Rent calculated as a proportion of annual turnover of the tenant's business. For Hektar REIT, Turnover Rent is paid to the REIT if it exceeds the base rent specified in the tenancy agreement on an annual basis.
Unit(s)	:	Undivided interest(s) in Hektar REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
IPO	:	Initial Public Offering
DPU	:	Distribution per Unit
SWC	:	Sustainability Working Committee
SSC	:	Sustainability Steering Committee

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 6th Annual General Meeting (“AGM”) of Hektar Real Estate Investment Trust (“Hektar REIT”) will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on **Thursday, 19th April 2018 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 2017 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)**

BY ORDER OF THE BOARD

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

**Dato’ Muhammad Hafidz bin Nuruddin (MAICSA 7005820)**  
**Lim Seck Wah (MAICSA 0799845)**

Joint Company Secretaries  
 Kuala Lumpur  
 28 February 2018

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 13 April 2018 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.

### Explanatory Note A

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



HEKTAR  
REIT

**HEKTAR REAL ESTATE INVESTMENT TRUST**

(Incorporated in Malaysia)

**PROXY FORM**

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

CDS Account No.	
No. of units held	

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

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

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

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

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

As my/our proxy to attend on my/our behalf at the unitholders' AGM to be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 19 April 2018 or at any adjournment thereof.

Dated this ..... day of ..... 2018

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

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
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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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# CORPORATE GOVERNANCE (ADDITIONAL INFORMATION)

## INTEGRITY IN CORPORATE REPORTING AND MEANINGUL RELATIONSHIP WITH STAKEHOLDER

### Unitholders & relationship

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

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

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

### Disclosure and Corporate Transparency

The Manager strives to uphold high standards of disclosures 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 Securities. Such information will be available to unitholders on the Bursa Malaysia's website under 'Listed Companies'. Other information such as corporate and investor information are also disclosed on Hektar REIT's website.

### Conduct of Annual General Meetings & Extraordinary General Meetings

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

During the year in review, the 5th AGM was convened and held on 26 April 2017 and an EGM pertaining to the acquisition of One Segamat Shopping Centre in Segamat, Johor was carried out via poll voting as mandated under the revised Bursa Listing Requirements on 13 June 2017.

### 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 2017.

B. Non-audit fees

The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2017 amounts to RM48,000 including RM15,000 payable to previous external auditor.

C. Soft commission

For the year ended 31 December 2017, the Manager received a soft commission in the form of Hektar REIT units, amounting to 360,000 units (equivalent to RM471,600). This represents 45% of the total fee paid by Hektar REIT in relation to Hektar REIT's acquisition of Segamat Central in Johor.

D. Variation in results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2017 and the unaudited results previously announced during the quarter 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 2017.