

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	As at 30.09.2020 RM (Unaudited)	As at 31.12.2019 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,236,500,000	1,236,500,000
Plant & Equipment	96,209	113,099
Capital work in progress	7,033,452	1,157,929
Fixed deposits with a licensed bank	1,531,962	1,527,034
	<u>1,245,161,623</u>	<u>1,239,298,062</u>
<u>CURRENT ASSETS</u>		
Trade receivables	18,441,856	19,994,849
Other receivables, deposits and prepayments	14,914,584	6,316,665
Cash and bank balances	27,672,790	10,466,667
	<u>61,029,230</u>	<u>36,778,181</u>
TOTAL ASSETS	<u>1,306,190,853</u>	<u>1,276,076,243</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	10,181,427	13,289,996
Deferred tax liability	28,171,132	28,171,132
Bank borrowings	566,090,863	548,090,863
	<u>604,443,422</u>	<u>589,551,991</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	10,088,009	9,134,723
Other payables and accruals	41,618,613	31,336,495
Tenancy deposits	21,749,967	21,621,383
Bank borrowings	15,000,000	15,000,000
	<u>88,456,589</u>	<u>77,092,601</u>
TOTAL LIABILITIES	<u>692,900,011</u>	<u>666,644,592</u>
NET ASSET VALUE	<u>613,290,842</u>	<u>609,431,651</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	45,546,693	41,687,502
– unrealised	75,243,700	75,243,700
TOTAL UNITHOLDERS' FUND	<u>613,290,842</u>	<u>609,431,651</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.3276	1.3192
-after distribution for the cumulative quarter	1.3276	1.2992
NUMBER OF UNITS IN CIRCULATION	461,960,178	461,960,178

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2020 RM	Preceding Year Corresponding Quarter 30.09.2019 RM	Current YTD 30.09.2020 RM	Preceding YTD 30.09.2019 RM
Revenue	26,004,548	34,136,646	81,319,749	102,223,748
Property operating expenses	(13,076,661)	(15,237,114)	(40,704,120)	(46,501,092)
Net property income	12,927,887	18,899,532	40,615,629	55,722,656
Interest income	103,374	94,068	332,965	405,838
Other income	87,942	54,739	81,213	194,357
Trust expenses	(3,605,418)	(4,052,300)	(11,785,028)	(10,495,521)
Borrowing costs	(4,989,870)	(6,496,199)	(16,146,384)	(19,169,452)
Realised income before taxation	4,523,915	8,499,840	13,098,395	26,657,878
Change in fair value of investment property	-	3,739,361	-	3,739,361
Income before taxation	4,523,915	12,239,201	13,098,395	30,397,239
Taxation	-	-	-	-
Net income	4,523,915	12,239,201	13,098,395	30,397,239
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	4,523,915	12,239,201	13,098,395	30,397,239
Earnings per unit (sen)	0.98	2.65	2.83	6.58
- realised (sen)	0.98	1.84	2.83	5.77
- unrealised (sen)	-	0.81	-	0.81
Number of units	461,960,178	461,960,178	461,960,178	461,960,178

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2020</u>				
As previously reported	492,500,449	41,687,502	75,243,700	609,431,651
<u>Operation for period ended 30 September 2020</u>				
Total comprehensive income for The financial quarter	-	13,098,395	-	13,098,395
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(9,239,204)	-	(9,239,204)
Balance at 30 September 2020	<u>492,500,449</u>	<u>45,546,693</u>	<u>75,243,700</u>	<u>613,290,842</u>

CUMULATIVE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2019</u>				
As previously reported	492,500,449	43,139,627	99,675,471	635,315,547
<u>Operation for year ended 31 December 2019</u>				
Total comprehensive income for the financial quarter	-	35,874,258	(24,431,771)	11,442,487
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(37,326,383)	-	(37,326,383)
Balance at 31 December 2019	<u>492,500,449</u>	<u>41,687,502</u>	<u>75,243,700</u>	<u>609,431,651</u>

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Current YTD 30.09.2020 RM	Preceding YTD 31.12.2019 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	13,098,395	39,613,619
Adjustments for :-		
Depreciation PPE	16,890	22,777
Bad debts written off	186,828	-
Interest income	(288,244)	(413,095)
Interest expense	16,146,384	26,165,840
Impairment loss on trade receivables	4,016,482	2,499,143
Fair value adjustment on Investment Properties	-	(3,739,361)
Operating profit before working capital changes	<u>33,176,735</u>	<u>64,148,923</u>
Change in working capital :-		
Receivables	(11,248,236)	(3,089,494)
Payables	<u>8,255,419</u>	<u>5,505,222</u>
Net cash from operating activities	<u>30,183,918</u>	<u>66,564,651</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure for refurbishment and enhancement of investment property incurred	(5,875,523)	(6,289,845)
Purchase of property, plant and equipment	-	(3,100)
Interest income	288,244	413,095
Fixed deposit	(4,928)	(79,600)
Net cash used in investing activities	<u>(5,592,207)</u>	<u>(5,959,450)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(16,146,384)	(26,165,840)
Distribution to Unitholders	(9,239,204)	(37,326,383)
Borrowings	<u>18,000,000</u>	<u>18,980</u>
Net cash used in financing activities	<u>(7,385,588)</u>	<u>(63,473,243)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,206,123	(2,868,042)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>10,466,667</u>	<u>13,334,709</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>27,672,790</u>	<u>10,466,667</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 SEPTEMBER 2020 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")

A1 BASIS OF PREPARATION

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting and Chapter 9, Paragraph 9.44 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Hektar REIT had adopted Malaysian Financial Reporting Standards issued by Malaysian Accounting Standards Board for accounting period beginning 1 January 2012.

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR

The auditors have expressed an unqualified opinion on Hektar REIT's financial statements for the year ended 31 December 2019 in their report dated 26 February 2020.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of Hektar REIT is not affected by material, seasonal or cyclical factors.

A4 UNUSUAL ITEMS

Except for disclosure in Note A10, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

A5 CHANGES IN ESTIMATES

There were no changes in estimates that have had material effect in the current quarter.

A6 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 INCOME DISTRIBUTION

Due to the grant of a temporary deferment of all profit payments to our financiers, Malayan Banking Berhad and Maybank Islamic Berhad, from May 2020 to October 2020 ("Moratorium Period"), Hektar REIT is prohibited from paying out any dividends to its unitholders until full settlement of the deferred interest/profit payments on all financing facilities for the Moratorium Period.

A8 SEGMENT INFORMATION

The principal activity of Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium-to-long term growth. Hence, no segmental reporting is presented.

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties for Subang Parade, Mahkota Parade, Wetex Parade, Central Square, Kulim Central and Segamat Central were last valued on 30 September 2019.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

Hektar REIT's shopping malls have complied and continue to observe the Government and regulatory directives during the Movement Control Order ("MCO") periods. Since the Recovery Movement Control Order ("RMCO") began on 10 June 2020, Hektar REIT's shopping malls have seen a gradual increase in visitor footfall together with vehicle traffic volume. However, with the increase of Covid-19 cases globally and the recent rise in cases in Malaysia, the Government had recently announced that the Conditional Movement Control Order ("CMCO") was now imposed throughout most of Peninsular Malaysia except Kelantan, Perlis and Pahang from 9 November 2020 to 6 December 2020. In addition, CMCO for Sabah, Selangor, Kuala Lumpur, and Putrajaya, which was to end on 9 November 2020, was extended to 6 December 2020. The current passive economic and business conditions due to the pandemic are expected to have an adverse impact on the financial results due to assistance given to selected tenants, increase in expected credit losses and impairment of fair value for investment properties for the financial year ending 31 December 2020.

Hektar REIT continues to enforce stringent standard operating procedures in line with directives from the Ministry of Health to ensure a safe retail environment for our tenants, shoppers and employees.

A11 CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes to the composition of Hektar REIT during the current quarter and the fund size stands at 461,960,178 units.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A13 RENTAL INCOME FROM TENANCIES (MFRS 16)

Rental income receivable under tenancy agreements is recognised on a straight-line basis over the term of the lease.

A14 CAPITAL COMMITMENT (MFRS 134)

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

Authorised and contracted for:-	<u>RM</u>
Refurbishment of investment properties	<u>569,660</u>

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**B1 REVIEW OF PERFORMANCE**

For the cumulative period ended 30 September 2020, Hektar REIT generated total revenue of RM81,733,927 including interest and other income.

Revenue was lower than the preceding year by 20% and lower property operating expenses by 12% resulting in lower realised net income by 51%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.09.2020	Preceding Quarter Ended 30.09.2019
	RM	RM
Income before tax (RM)	4,523,915	12,239,201
- Realised income before tax (RM)	4,523,915	8,499,840

B3 PROSPECTS

As mentioned in A10, Hektar's performance was impacted during this period and this is likely to continue in 2021. However, a gradual recovery in business activities through the Government's Economic stimulus package and lower interest rates has helped to cushion the negative impact during this RMCO period.

Retail Group Malaysia (RGM) highlighted that the majority of retailers have been badly impacted. RGM has also revised its retail growth projection for this year from a contraction of 8.7% to a worse outcome of -9.3%. This is the fourth revision in the annual growth rate of Malaysia's retail industry. The new norm is emerging across all parts of the world and technology is driving the process. With the evolving retail landscape, Hektar REIT continues to support its tenants with assistance and engaging with patrons through marketing promotions that will help businesses on a physical and digital platform.

Management is closely monitoring the situation and remain focused on actively managing its portfolio by making timely decisions to mitigate any future risk that could impact Hektar REIT.

B4 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B5 TAX EXPENSE

Pursuant to the introduction of the new tax regime for Real Estate Investment Trust ("REIT"), a REIT will be fully exempted from income tax provided at least 90% of its income is distributed to unitholders with effect from the year of assessment 2007. Barring unforeseen circumstances, there will be no tax payable as Hektar REIT intends to distribute at least 90% of the distributable income to unitholders for the year ending 31 December 2020.

Generally, gains on disposal of investments by Hektar REIT are regarded as capital gains and will not be subject to income tax. However, where the investments represent real properties and shares in real property companies, such gains will be subject to Real Property Gains Tax ("RPGT").

With the gazette of the Finance Act 2019 on 31 December 2019, any gains on disposal of real properties or shares in real property companies held by a Trust would be subject to RPGT at the following rates:

Date of Disposal	Rates (%)
Within 3 years from date of acquisition	30
In the 4th year	20
In the 5th year	15
In the 6th year and subsequent years	10

Hektar REIT has provided Deferred Tax Liability of RM28.2 million calculated based on RPGT at a rate of 10% on the net fair value gain of five (5) investment properties which comprised of Subang Parade, Mahkota Parade, Wetex Parade along with Classic Hotel, Central Square and Kulim Central.

B6 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the quarter.

B7 QUOTED INVESTMENTS

There were no purchases or disposal of quoted investments during the quarter.

B8 CORPORATE PROPOSAL AND DEVELOPMENTS

There was no corporate proposal announced but not completed during the quarter.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM581,090,863 are secured and comprise of the following:

1. Current liabilities of RM15,000,000; and
2. Non-current liabilities of RM566,090,863.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at date of reporting.

B12 MATERIAL LITIGATION

Strata Management Tribunal Claim Against Mahkota Parade JMB

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

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

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

Further to our earlier announcements on this case, on 12 October 2020, the High Court dismissed the respondents' (JMB members) interlocutory application and subsequently fixed the Judicial Review Application for further case management on 14 December 2020.

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

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

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

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

Further to our earlier announcements on this case, due to the Conditional Movement Control Order imposed by the Government from 14 October 2020 to 27 October 2020, which was subsequently extended to 6 December 2020, the decision date for the appeal initially fixed on 19 October 2020 and subsequently on 16 November 2020 has been vacated and instead, a new date for clarification will be fixed by the court in due course.

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

B12 MATERIAL LITIGATION (Continued)

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

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

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

Further to our earlier announcements on this case, due to the Conditional Movement Control Order imposed by the Government from 14 October 2020 to 27 October 2020, which was subsequently extended to 6 December 2020, the hearing of the application for leave to issue the Writ of Possession has been postponed and rescheduled to 30 December 2020.

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

Writ of Summons against The Store (Wetex Parade)

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

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

Further to our earlier announcements on this case, due to the Conditional Movement Control Order imposed by the Government from 14 October 2020 to 27 October 2020, which was subsequently extended to 6 December 2020, the hearing of the application for leave to issue the Writ of Possession has been postponed and rescheduled to 8 December 2020.

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

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

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

Further to our earlier announcements on this case, due to the Conditional Movement Control Order imposed in Johor by the Government from 9 November 2020 to 6 December 2020, the case management earlier scheduled on 10 November 2020 has been postponed to 24 December 2020.

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

B12 MATERIAL LITIGATION (Continued)

Writ of Summons by Eng Hiap Seng (Rengit) Sdn Bhd against Hektar REIT & Hektar Property Services Sdn Bhd

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

Further to our earlier announcements on this case, due to the Conditional Movement Control Order imposed by the Government in Selangor and Kuala Lumpur from 14 October 2020 to 27 October 2020, which was subsequently extended to 6 December 2020, the mediation session earlier fixed on 15 October 2020 has been vacated and a new date will be fixed by the court in due course.

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

B13 SOFT COMMISSION

For the quarter ended 30 September 2020, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B14 INCOME DISTRIBUTION

Due to the grant of a temporary deferment of all profit payments to our financiers, Malayan Banking Berhad and Maybank Islamic Berhad, from May 2020 to October 2020 ("Moratorium Period"), Hektar REIT is prohibited from paying out any dividends to its unitholders until full settlement of the deferred interest/profit payments on all financing facilities for the Moratorium Period.

The withholding tax rate imposed on the recipients of income distribution is as follows:

Non-corporate investor	Withholding tax at 10%
Foreign institutional investors	Withholding tax at 10%
Resident companies	Subject to tax at the prevailing tax rate applicable to companies
Non-resident companies	Withholding tax at the prevailing tax rate of 24%

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2020 RM	Preceding Year Corresponding Quarter 30.09.2019 RM	Current YTD 30.09.2020 RM	Preceding YTD 30.09.2019 RM
Net property income	12,927,887	18,899,532	40,615,629	55,722,656
Interest income	103,374	94,068	332,965	405,838
Other income	87,942	54,739	81,213	194,357
Trust expenses	(3,605,418)	(4,052,300)	(11,785,028)	(10,495,521)
Borrowing costs	(4,989,870)	(6,496,199)	(16,146,384)	(19,169,452)
Realised income before taxation	4,523,915	8,499,840	13,098,395	26,657,878
Change in fair value of investment property	-	-	-	-
Income before taxation	4,523,915	8,499,840	13,098,395	26,657,878
Taxation	-	-	-	-
Distribution income	4,523,915	8,499,840	13,098,395	26,657,878
Less: Proposed/declared income distribution	-	(8,500,067)	-	(26,655,102)
Balance undistributed realised income	4,523,915	-	13,098,395	2,776
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	0.98	1.84	2.83	5.77
Distribution per unit (sen)	-	1.84	-	5.77
Market price (RM)	0.59	0.99	0.59	0.99
Distribution yield (%)	-	7.81	-	7.81

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with MFRSs and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Hektar REIT as at 30 September 2020 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of the Manager on 25 November 2020.

By Order of the Board
HEKTAR ASSET MANAGEMENT SDN BHD
(as the Manager of Hektar Real Estate Investment Trust)

Dato' Muhammad Hafidz Nuruddin (MAICSA 7005820)
Lim Seck Wah (MAICSA 0799845)
Joint Company Secretaries
Kuala Lumpur
25 November 2020