

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	As at 31.12.2013 RM (Unaudited)	As at 31.12.2012 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,047,280,000	1,028,970,000
Capital work in progress	1,740,014	533,438
Fixed deposits with a licensed bank	4,227,470	4,072,423
	1,053,247,484	1,033,575,861
<u>CURRENT ASSETS</u>		
Trade receivables	3,077,180	3,333,440
Other receivables, deposits and prepayments	5,494,566	3,231,071
Cash and bank balances	23,283,679	26,127,087
	31,855,425	32,691,598
TOTAL ASSETS	1,085,102,909	1,066,267,459
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	13,888,965	15,856,480
Bank borrowings	436,100,000	286,100,000
	449,988,965	301,956,480
<u>CURRENT LIABILITIES</u>		
Trade payables	2,657,263	1,319,107
Other payables and accruals	5,045,445	5,084,471
Tenancy deposits	14,047,441	11,243,015
Bank borrowings	-	150,000,000
	21,750,149	167,646,593
TOTAL LIABILITIES	471,739,114	469,603,073
NET ASSET VALUE	613,363,795	596,664,386
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	39,175,660	35,108,545
– unrealised	148,449,880	135,817,586
TOTAL UNITHOLDERS' FUND	613,363,795	596,664,386
NET ASSET VALUE PER UNIT (RM)		
-as at 31 December 2013/31 December 2012	1.5310	1.4893
-before distribution for the cumulative quarter	1.6360	1.5756
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM1,846,604 (2012: RM1,922,875) which is discounted to present value in compliance with MFRS 139 as per note A14.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2013 RM	Preceding Year Corresponding Quarter 31.12.2012 RM	Current YTD 31.12.2013 RM	Preceding YTD 31.12.2012 RM
Revenue	30,431,224	29,057,822	120,234,665	103,231,670
Property operating expenses	(10,383,504)	(10,886,681)	(46,120,135)	(39,484,959)
Net property income	20,047,720	18,171,141	74,114,530	63,746,711
Interest income	74,469	47,042	282,879	172,257
Other income	150,190	23,140	561,490	179,137
Trust expenses	(2,365,196)	(2,576,541)	(9,897,094)	(8,429,428)
Borrowing costs	(4,755,132)	(4,857,131)	(18,928,108)	(15,910,960)
Realised income before taxation	13,152,051	10,807,651	46,133,697	39,757,717
Fair value adjustment of investment properties	12,632,294	18,711,937	12,632,294	18,711,937
Income before taxation	25,784,345	29,519,588	58,765,991	58,469,654
Taxation	-	-	-	-
Net income	25,784,345	29,519,588	58,765,991	58,469,654
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	25,784,345	29,519,588	58,765,991	58,469,654
Earnings per unit (sen)	6.44	7.37 ^a	14.67	17.19 ^b
- realised	3.28	2.70	11.52	11.69

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 2012 and the accompanying explanatory notes attached.

a. Earning per unit for the current quarter ended 31 December 2012 was calculated based on 400,634,117 units.

b. Earning per unit for the cumulative quarter ended 31 December 2012 was calculated on a weighted average, i.e 340,159,279 units.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised RM	Unrealised RM	Unitholders' Fund RM
<u>Balance at 1 January 2013</u>	425,738,255	35,108,545	135,817,586	596,664,386
<u>Operation for the cumulative quarter ended 31 December 2013</u>				
Total comprehensive income for the financial year	-	46,133,697	12,632,294	58,765,991
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2013	<u>425,738,255</u>	<u>39,175,660</u>	<u>148,449,880</u>	<u>613,363,795</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2012 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised RM	Unrealised RM	Unitholders' Fund RM
<u>Balance at 1 January 2012</u>	328,136,711	29,910,936	117,105,649	475,153,296
<u>Operation for the cumulative quarter ended 31 December 2012</u>				
Total comprehensive income for the financial year	-	39,757,717	18,711,937	58,469,654
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(34,560,108)	-	(34,560,108)
Unitholders' capital	99,305,308	-	-	99,305,308
Unit issuance expenses	(1,703,764)	-	-	(1,703,764)
Balance at 31 December 2012	<u>425,738,255</u>	<u>35,108,545</u>	<u>135,817,586</u>	<u>596,664,386</u>

The Condensed Statement of Changes in Net Assets Value should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2013

	Current YTD 31.12.2013 RM	Preceding YTD 31.12.2012 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	58,765,991	58,469,654
Adjustments for :-		
Interest income	(282,879)	(172,257)
Interest expense	18,928,108	15,910,960
Rental under MFRS 117	153,662	294,150
Impairment loss on trade receivables	185,430	291,103
Bad debt written off	127,722	1,806
Reversal of impairment loss on trade receivables	(323,814)	(41,811)
Bad debt recovered	(96,696)	-
Fair value adjustment	(12,632,294)	(18,711,937)
Operating profit before working capital changes	64,825,230	56,041,668
Change in working capital :-		
Receivables	(2,053,539)	1,864,754
Payables	2,136,041	5,077,353
Net cash from operating activities	64,907,732	62,983,775
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties	(2,233,081)	(98,540,984)
Expenditure for refurbishment and enhancement of investment property incurred	(4,651,201)	(3,150,517)
Interest income	282,879	172,257
Placement of fixed deposits	(155,047)	(1,733,428)
Net cash used in investing activities	(6,756,450)	(103,252,672)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of rights	-	99,305,308
Expenditure in relation to issuance of rights	-	(1,703,764)
Interest expense	(18,928,108)	(15,910,960)
Distribution to Unitholders	(42,066,582)	(34,560,108)
Net cash (used in)/from financing activities	(60,994,690)	47,130,476
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,843,408)	6,861,579
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,127,087	19,265,508
CASH AND CASH EQUIVALENTS AT END OF PERIOD	23,283,679	26,127,087

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 DECEMBER 2013 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 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Hektar REIT had adopted Malaysian Financial Reporting Standard 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 2012 in their report dated 5 February 2013.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A4 UNUSUAL ITEMS

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

Based on the quarterly result ended 31 December 2013, there will be a Final Income Distribution of 2.7 sen per unit, amounting to RM10,817,121 to be made on 17 March 2014.

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 were last valued as follows:

1. Subang Parade, Mahkota Parade and Wetex Parade on 1 December 2013
2. Central Square and Landmark Central on 3 December 2013.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim period.

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 400,634,117 units.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A13 RENTAL INCOME FROM TENANCIES (MFRS 117)

Rental income receivable under tenancy agreements is recognised on a straight-line basis over the term of the lease. Meanwhile, gross turnover rental is recognised as income in the accounting period on a receipt basis.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,846,604 representing the difference between the fair value and the amount of deposits carried in the statement of financial position as a result of the recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 financial instruments.

A15 CAPITAL COMMITMENT (MFRS 134)

Capital expenditure in respect of the following has not been provided for in the financial statement: -

Authorised and contracted for:-	RM
Refurbishment of investment properties	2,483,029
Rental of equipment	<u>83,300</u>
Total	<u>2,566,329</u>

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BHD'S MAIN MARKET OF LISTING REQUIREMENTS

B1 REVIEW OF PERFORMANCE

For the year ended ended 31 December 2013, Hektar REIT generated total revenue of RM121,079,034 including interest and other income.

Revenue of RM120,234,665 was higher than the preceding year's corresponding period by 16%, principally due to revenue from the two new shopping malls acquired by Hektar REIT in Kedah late 2012.

Similarly, property operating expenses increased to RM46,120,135.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2013 RM	Preceding Quarter Ended 31.12.2012 RM
Income before tax (RM)	25,784,345	29,519,588
- Realised income before tax (RM)	13,152,051	10,807,651

The individual fourth quarter's realised net income of RM13,152,051 is 22% higher than the previous corresponding period of 2012 mainly due to net income arising from the two new shopping malls in Kedah.

B3 PROSPECTS

Our malls continue to enjoy high occupancy rates. Central Square shopping centre in Sungai Petani, Kedah is currently undergoing an asset enhancement exercise which is expected to complete by the latter part of 2014. Moving forward, the completion is expected to improve Hektar REIT's performance.

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 ended 31 December 2013.

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

Government Land Acquisition

Further to the announcements dated 10 May 2010, 4 August 2010, 3 November 2010, 17 February 2011, 11 May 2011, 17 August 2011, 4 November 2011, 13 February 2012, 25 May 2012, 29 June 2012, 10 August 2012, 20 November 2012, 5 February 2013, 7 May 2013, 2 August 2013 and 11 November 2013, the Manager is currently awaiting for payment of the additional compensation sum and other charges awarded by the High Court from the Pentadbir Tanah Daerah Petaling (PTD) in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor.

Acquisition of Sold Lot

In the final quarter of 2013, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement to acquire Lot 1F-51 at Central Square Shopping Centre for the purchase price of RM 215,000.

Meanwhile, the acquisitions of Lots 2F-48 and 1F-31 were completed on 27 November 2013 and 18 December 2013 respectively. The previously announced acquisition of Lot 2F-42 is currently ongoing and is expected to be completed in the first quarter of 2014. The lots acquired and those currently being acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Central Square Shopping Centre by Hektar REIT.

B9 BORROWINGS AND DEBT SECURITIES

The total borrowings of RM436,100,000 are long term and secured.

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

There was no material litigation as at date of reporting.

B13 SOFT COMMISSION

For the year ended 31 December 2013, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B14 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a final income distribution of 2.7 sen per unit, amounting to RM10,817,121 for the Fourth Quarter ended 31 December 2013. The withholding tax rate imposed on the recipients of income distribution is as follows:

Resident individual	Withholding tax at 10%
Non-resident individual	Withholding tax at 10%
Resident institutional investors	Withholding tax at 10%
Non-resident institutional investors	Withholding tax at 10%
Resident companies	No withholding tax. Subject to corporate tax at 25% for year of assessment 2013
Non-resident companies	Withholding tax at 25% for year of assessment 2013

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.12.2013	Preceding Quarter Ended 31.12.2012
Income before tax (RM)	25,784,345	29,519,588
Provision for income distribution (RM)	10,817,121	10,817,121
Number of units in issue	400,634,117	400,634,117
Basic earnings per unit (sen)		
- total	6.44	7.37
- realised	3.28	2.70
Distribution per unit (sen)	2.70	2.70

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 31 December 2013 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 12 February 2014.

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
12 February 2014