

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	As at 30.9.2015 RM (Unaudited)	As at 31.12.2014 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,060,732,000	1,060,732,000
Capital work in progress	60,146,601	21,678,945
Fixed deposits with a licensed bank	634,816	4,408,367
	1,121,513,417	1,086,819,312
<u>CURRENT ASSETS</u>		
Trade receivables	3,521,901	2,883,584
Other receivables, deposits and prepayments	5,873,558	5,604,023
Cash and bank balances	21,852,659	14,739,242
	31,248,118	23,226,849
TOTAL ASSETS	1,152,761,535	1,110,046,161
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	14,630,082	14,073,995
Bank borrowings	478,750,838	453,876,328
	493,380,920	467,950,323
<u>CURRENT LIABILITIES</u>		
Trade payables	1,311,634	384,358
Other payables and accruals	3,751,487	5,054,046
Tenancy deposits	15,606,392	14,973,259
Bank borrowings	15,000,000	-
	35,669,513	20,411,663
TOTAL LIABILITIES	529,050,433	488,361,986
NET ASSET VALUE	621,711,102	621,684,175
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	43,396,844	41,369,917
– unrealised	154,576,003	154,576,003
TOTAL UNITHOLDERS' FUND	623,711,102	621,684,175
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.5568	1.5518
-before distribution for the cumulative quarter	1.6358	1.6568
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM2,105,035 (2014: RM1,898,262) 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 2014 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 30 SEPTEMBER 2015 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2015 RM	Preceding Year Corresponding Quarter 30.9.2014 RM	Current YTD 30.9.2015 RM	Preceding YTD 30.9.2014 RM
Revenue	31,389,680	30,791,892	93,580,670	91,163,250
Property operating expenses	(12,714,802)	(12,595,123)	(36,632,423)	(36,744,355)
Net property income	18,674,878	18,196,769	56,948,247	54,418,895
Interest income	122,357	69,917	216,221	191,363
Other income	1,237	12,637	292,274	27,380
Trust expenses	(2,345,510)	(2,469,678)	(7,513,493)	(7,289,312)
Borrowing costs	(5,732,671)	(4,934,549)	(16,266,227)	(14,536,985)
Realised income before taxation	10,720,291	10,875,096	33,677,022	32,811,341
Taxation	-	-	-	-
Net income	10,720,291	10,875,096	33,677,022	32,811,341
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	10,720,291	10,875,096	33,677,022	32,811,341
Earnings per unit (sen)	2.68	2.71	8.41	8.19

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 2014 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised RM	Unrealised RM	Unitholders' Fund RM
<u>Balance at 1 January 2015</u>	425,738,255	41,369,917	154,576,003	621,684,175
<u>Operation for the cumulative quarter ended 30 September 2015</u>				
Total comprehensive income for the financial year	-	33,677,022	-	33,677,022
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(31,650,095)	-	(31,650,095)
Balance at 30 September 2015	<u>425,738,255</u>	<u>43,396,844</u>	<u>154,576,003</u>	<u>623,711,102</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2014 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised RM	Unrealised RM	Unitholders' Fund RM
<u>Balance at 1 January 2014</u>	425,738,255	39,175,660	148,449,880	613,363,795
<u>Operation for the cumulative quarter ended 31 December 2014</u>				
Total comprehensive income for the financial year	-	44,260,839	6,126,123	50,386,962
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2014	<u>425,738,255</u>	<u>41,369,917</u>	<u>154,576,003</u>	<u>621,684,175</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 2014 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2015

	Current YTD 30.9.2015 RM	Preceding YTD 30.9.2014 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	33,677,022	32,811,341
Adjustments for :-		
Interest income	(216,221)	(191,363)
Interest expense	16,266,227	14,536,985
Rental under MFRS 117	166,971	226,079
Impairment loss on trade receivables	188,905	335,099
Reversal of impairment loss	-	(14,721)
Operating profit before working capital changes	<u>50,082,904</u>	<u>47,703,420</u>
Change in working capital :-		
Receivables	(1,265,529)	(941,199)
Payables	815,738	(413,423)
Net cash from operating activities	<u>49,633,113</u>	<u>46,348,798</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure for refurbishment and enhancement of investment property incurred	(38,467,656)	(20,845,632)
Interest income	216,221	191,363
Placement of fixed deposits	-	(66,597)
Fixed Deposit	3,773,551	-
Net cash used in investing activities	<u>(34,477,884)</u>	<u>(20,720,866)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(16,266,227)	(14,536,985)
Distribution to Unitholders	(31,650,095)	(31,650,095)
Borrowings	39,874,510	15,744,328
Net cash (used in)/from financing activities	<u>(8,041,812)</u>	<u>(30,442,752)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	7,113,417	(4,814,820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,739,242	23,283,679
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,852,659</u>	<u>18,468,859</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 DECEMBER 2014 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 2014 in their report dated 16 February 2015.

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 30 September 2015, there will be a Third Interim Income Distribution of 2.6 sen per unit, amounting to RM10,416,487 to be made on 31 December 2015.

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 on 30 September 2014.

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 RM2,105,035 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:-
Refurbishment of investment properties

RM
1,972,060

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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 cumulative quarter ended 30 September 2015, Hektar REIT generated total revenue of RM94,089,165 including interest and other income.

Hektar REIT's net profit of RM33,677,022 for the cumulative quarter ended 30 September 2015 is 2.64% higher than the previous corresponding period. This is mainly attributable to improved revenue in :

1. Subang Parade due to positive rental reversions; and
2. Central Square following the completion of its Asset Enhancement Initiative ("AEI")

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.9.2015 RM	Preceding Quarter Ended 30.9.2014 RM
Income before tax (RM)	10,720,291	10,875,096

The second quarter's net income of RM10,720,291 is 1.4% lower than the previous corresponding period of 2014. This is mainly due to higher borrowing cost.

B3 PROSPECTS

Retail business in Malaysia continues to remain a challenge in 2015 as shoppers are still adjusting to the impact of the GST implementation. Following the completion of its AEI in Central Square, Hektar is now planning to undertake further AEIs for its other malls to ensure continuous performance improvement.

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 2014.

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

Acquisition of Sold Lots

In the third quarter of 2015, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into the following transactions:-

- i) a Sale & Purchase Agreement to acquire Lot G68 at Mahkota Parade Shopping Centre for the purchase price of RM 1,900,000; and
- ii) a Sale & Purchase Agreement to acquire Lot 3F-27 at Central Square Shopping Centre for the purchase price of RM330,000.

The lots being acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Mahkota Parade Shopping Centre and Central Square Shopping Centre by Hektar REIT.

Meanwhile, the acquisitions of Lots G59, G60 and G12 at Mahkota Parade Shopping Centre which were announced in the first quarter of 2015 were all completed on 20 July 2015.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM493,750,838 comprise:

1. Current liability of RM15,000,000; and
2. Non-current liability of RM478,750,838.

Both loans are 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 quarter ended 30 September 2015, 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 third income distribution of 2.6 sen per unit, amounting to RM10,416,487 for the Third Quarter ended 30 September 2015. The withholding tax rate imposed on the recipients of income distribution is as follows:

Resident individuals	Withholding tax at 10%
Non-resident individuals	Withholding tax at 10%
Foreign institutional investors	Withholding tax at 10%
Others – Resident and non-resident	Withholding tax at 10%
Resident companies	Corporate tax at 25%
	(No withholding tax)
Non-resident companies	Withholding tax at 25%

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 30.9.2015	Preceding Quarter Ended 30.9.2014
Income before tax (RM)	10,720,291	10,875,096
Provision for income distribution (RM)	10,416,487	10,416,487
Number of units in issue	400,634,117	400,634,117
Basic earning per unit (sen)	2.68	2.71
Distribution per unit (sen)	2.60	2.60

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 2015 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 27 November 2015.

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
27 November 2015