

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	As at 30.9.2018 RM (Unaudited)	As at 31.12.2017 RM Audited
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,194,568,739	1,194,568,739
Plant & Equipment	210,520	94,478
Capital work in progress	30,311,917	15,359,195
Fixed deposits with a licensed bank	1,447,434	1,328,404
	<u>1,226,538,610</u>	<u>1,211,350,816</u>
<u>CURRENT ASSETS</u>		
Trade receivables	17,629,316	11,072,904
Other receivables, deposits and prepayments	6,886,541	7,351,905
Cash and bank balances	6,637,073	22,095,767
	<u>31,152,930</u>	<u>40,520,576</u>
TOTAL ASSETS	<u>1,257,691,540</u>	<u>1,251,871,392</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	13,618,796	13,825,129
Bank borrowings	483,100,000	542,057,483
Derivative financial instrument	-	265,527
	<u>496,718,796</u>	<u>556,148,139</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	2,503,252	2,524,140
Other payables and accruals	17,476,895	9,760,091
Tenancy deposits	18,635,173	20,056,032
Bank borrowings	79,971,883	15,000,000
	<u>118,587,203</u>	<u>47,340,263</u>
TOTAL LIABILITIES	<u>615,305,999</u>	<u>603,488,402</u>
NET ASSET VALUE	<u>642,385,541</u>	<u>648,382,990</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	40,804,021	47,066,997
– unrealised	109,081,071	108,815,544
TOTAL UNITHOLDERS' FUND	<u>642,385,541</u>	<u>648,382,990</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.3906	1.4035
-before distribution for the cumulative quarter	1.4696	1.4815
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 2017 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2018 RM	Preceding Year Corresponding Quarter 30.9.2017 RM	Current YTD 30.9.2018 RM	Preceding YTD 30.9.2017 RM
Revenue	33,418,522	30,457,907	101,225,938	92,102,033
Property operating expenses	(13,908,736)	(13,361,733)	(42,777,298)	(39,277,171)
Net property income	19,509,786	17,096,174	58,448,640	52,824,862
Interest income	126,435	114,244	296,463	226,652
Other income	14,262	24,892	17,098	131,894
Trust expenses	(3,710,470)	(2,854,479)	(9,721,070)	(7,987,484)
Borrowing costs	(6,390,086)	(5,758,888)	(18,809,252)	(16,882,471)
Realised income before taxation	9,549,927	8,621,943	30,231,879	28,313,453
Change in fair value of investment property	-	(7,986,471)	-	(7,986,471)
Change in fair value of derivative financial instrument	-	(140,713)	265,527	285,974
Income before taxation	9,549,927	494,759	30,497,406	20,612,956
Taxation	-	-	-	-
Net income	9,549,927	494,759	30,497,406	20,612,956
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	9,549,927	494,759	30,497,406	20,612,956
Earnings per unit (sen)	2.07	0.12	6.60	5.11
- realised (sen)	2.07	2.11	6.54	7.02
- unrealised (sen)	-	(1.99)	0.06	(1.91)
Number of units	461,960,178	408,810,925	461,960,178	403,359,720

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 2017 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2018</u>				
As previously reported	492,500,449	47,552,935	108,815,544	648,868,928
Impact of adoption of MFRS 9	-	(485,938)	-	(485,938)
As at 1 January 2018 restated	492,500,449	47,066,997	108,815,544	648,382,990
<u>Operation for period ended 30 September 2018</u>				
Total comprehensive income for the financial quarter	-	30,231,879	265,527	30,497,406
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(36,494,855)	-	(36,494,855)
Balance at 30 September 2018	492,500,449	40,804,021	109,081,071	642,385,541

CUMULATIVE QUARTER ENDED 31 DECEMBER 2017 RESTATED (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2017</u>	425,738,255	43,476,386	116,253,529	585,468,170
Impact of adoption of MFRS 9	-	(216,387)	-	(216,387)
As at 1 January 2018 restated	425,738,255	43,259,999	116,253,529	585,251,783
<u>Operation for year ended 31 December 2017</u>				
Total comprehensive income for the financial quarter	-	40,133,620	(7,437,985)	32,695,635
Impact of adoption of MFRS 9	-	(269,551)	-	(269,551)
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(36,057,071)	-	(36,057,071)
Unitholders' capital	68,143,928	-	-	68,143,928
Unit issuance expenses	(1,381,734)	-	-	(1,381,734)
Balance at 31 December 2017	492,500,449	47,066,997	108,815,544	648,382,990

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 2017 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

	Current YTD 30.9.2018 RM	Preceding YTD 30.9.2017 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	30,497,406	20,612,956
Adjustments for :-		
Depreciation PPE	12,315	-
Interest income	(296,463)	(226,652)
Interest expense	18,809,252	16,882,471
Rental under MFRS 117	-	271,409
Impairment loss on trade receivables	1,037,628	596,659
Fair value adjustment derivative financial instruments	(265,527)	(285,974)
Fair value adjustment	-	7,986,471
Operating profit before working capital changes	<u>49,794,611</u>	<u>45,837,340</u>
Change in working capital :-		
Receivables	(7,128,678)	10,562,782
Payables	<u>6,068,725</u>	<u>4,546,003</u>
Net cash from operating activities	<u>48,734,658</u>	<u>60,946,125</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties/Acquisition of property	-	(110,174,131)
Expenditure for refurbishment and enhancement of investment property incurred	(14,952,722)	(8,155,441)
Purchase of property, plant and equipment	(128,356)	-
Interest income	296,463	226,652
Fixed deposit	(119,030)	-
Net cash used in investing activities	<u>(14,903,645)</u>	<u>(118,102,920)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of right	-	68,143,927
Expenditure in relation to issuance rights	-	(1,381,733)
Interest expense	(18,809,252)	(16,882,471)
Distribution to Unitholders	(36,494,855)	(36,057,070)
Borrowings	<u>6,014,400</u>	<u>42,083,354</u>
Net cash used in financing activities	<u>(49,289,707)</u>	<u>55,906,007</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,458,694)	(1,250,788)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,095,767	14,560,249
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>6,637,073</u>	<u>13,309,461</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 SEPTEMBER 2018 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 2017 in their report dated 20 February 2018.

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 2018, there will be a Third Interim Income Distribution of 2.10 sen per unit, amounting to RM9,701,164 to be made on 3 January 2019.

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 and Kulim Central were last valued on 30 September 2017. Meanwhile, One Segamat (now known as Segamat Central) was last valued on 22 June 2017.

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 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 117)

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>7,492,143</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 quarter ended 30 September 2018, Hektar REIT generated total revenue of RM33,559,219 including interest and other income.

Revenue and realised net profit were higher than the preceding quarter by 10% and 11%, respectively.

Property operating expenses increased by 4%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.9.2018	Current Quarter Ended 30.9.2017
	RM	RM
Income before tax (RM)	9,549,927	494,759
- Realised income before tax (RM)	9,549,927	8,621,943

B3 PROSPECTS

Retail business in Malaysia continues to remain challenging. However, measures are being taken to improve the 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 ending 31 December 2018.

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

Classic Hotel, Muar, Johor

The current 10 year lease for the Classic Hotel building granted to Wetex Realty Sdn Bhd (“Lessee”) expired 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 had recently explored and reviewed several proposals from potential hotel operators to take over the operations and business of the hotel and also from potential purchasers to acquire the hotel building but have decided to appoint Hektar REIT’s exclusive property management company, Hektar Property Services Sdn Bhd (“HPSSB”) to take over and manage the operations and business of the hotel, currently known as “Classic Hotel”.

Classic Hotel is currently undergoing a major refurbishment exercise and is expected to reopen for business at the end of the year.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT’s total borrowings of RM563,071,883 are secured and comprise of the following:

1. Current liabilities of RM79,971,883; and
2. Non-current liabilities of RM483,100,000.

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

Writ of Summons by Mahkota Parade JMB against Hektar REIT
(Guaman Sivil No: 22 NCV-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.

On 16 October 2018, the Court of Appeal upheld the decision of the High Court and dismissed the respective appeals by Mahkota Parade JMB and Hektar REIT with no order as to cost.

B12 MATERIAL LITIGATION (continued)

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. The hearing then continued on 25 January 2018 and 12 March 2018 and was subsequently concluded on 13 March 2018. The Tribunal registry subsequently issued the notes of proceedings to the parties and both parties have since filed the requisite written submissions to the Tribunal for consideration.

On 16 July 2018, the Tribunal delivered its decision to dismiss Hektar REIT's claims. Subsequent to the decision, Hektar REIT has applied to the Tribunal for the grounds of judgment to be issued by the Tribunal and is seeking further legal advice from its solicitors on the possibility of filing a judicial review over the Tribunal's decision.

On 11 October 2018, Hektar REIT has, via its solicitors, filed an application to the Kuala Lumpur High Court for leave to commence judicial review proceedings in respect of the Tribunal's decision.

On 30 October 2018, the Kuala Lumpur High Court granted leave for Hektar REIT to commence judicial review proceedings in respect of the Tribunal's decision and the matter is fixed for case management on 28 November 2018.

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.

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

(Guaman Sivil 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.

B12 MATERIAL LITIGATION (continued)

On 17 January 2018, the 4 individual defendants have filed their defence to the defamation action and subsequent to that on 2 March 2018, the defendants have also filed a notice of application to stay the proceedings pending the appeals at the Court of Appeal (Guaman Sivil No: 22 NCVC-66-11) and the claim at the Strata Management Tribunal (Tribunal Court Putrajaya Case No. TPS/M-2024-11/2016). The application to stay proceedings has been dismissed by the court but the defendants filed a Notice of Appeal dated 6 June 2018 against the dismissal of their application for stay of proceedings. The High Court had initially fixed the date on the appeal on 27 November 2018 but subsequently postponed the date of decision to 22 February 2019.

In the meantime, the Sessions Court fixed the trial dates for the defamation action on 8 November 2018, 3, 4 and 6 December 2018. The trial for the defamation action commenced and was part heard on 8 November 2018. The trial will continue on 3 and 4 December 2018 while the earlier trial date on 6 December 2018 has been vacated by the Court.

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

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 Landmark 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. The hearing of the appeal at the Court of Appeal has been postponed from 18 September 2018 to 27 November 2018.

On 27 November 2018, the Court of Appeal overturned the Kuala Lumpur High Court's decision to allow the continuation of The Store's tenancies at Central Square in Sungai Petani and Landmark Central (now known as Kulim Central) in Kulim and declared that Hektar REIT's termination of The Store's tenancies at the said malls was lawful and valid. The Court of Appeal allowed Hektar REIT's claim for double rent for the period commencing from the termination of the tenancies until the date of redelivery of vacant possession of the premises by The Store to Hektar REIT, with cost of RM100,000 to be paid by The Store.

Meanwhile, the court case with The Store in relation to Wetex Parade was litigated separately at the Shah Alam Sessions Court and the hearing was conducted and completed on 21 March 2018. Subsequently, the Shah Alam Sessions Court had, on 31 May 2018 delivered its decision on this matter and allowed all claims by Hektar REIT with cost of RM10,000 to be paid by The Store while the court also dismissed all claims by The Store with cost of RM10,000 to be paid by The Store to Hektar REIT. The Shah Alam Sessions Court allowed Hektar REIT's claim in its entirety including the order for vacant possession, double rent and general damages which are to be assessed by the court.

On 18 July 2018, Hektar REIT, via its solicitors had filed the notice of appointment for assessment of damages and the decision on the assessment has been fixed on 19 September 2018.

B12 MATERIAL LITIGATION (continued)

On 19 September 2018, the Sessions Court denied the application for assessment of damages as vacant possession of the premises has yet to be obtained from The Store which resulted in the court not being able to quantify the exact amount of double rent assessment. The Sessions Court informed Hektar to recommence assessment proceeding in the future once vacant possession of the premises has been obtained from The Store.

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

Originating Summons by Sunway Leasing Sdn Bhd against Hektar REIT
(Guaman Sivil 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:-

- i) 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;
- ii) 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
- iii) payment from the defendant amounting to USD 271,540.00 as compensation for an equivalent value of the assets seized on 28 November 2017.

On 19 February 2018, both Hektar REIT and Sunway filed their respective submission summaries at the Kuala Lumpur High Court, followed by a submission in reply by Sunway on 14 March 2018 and further submission in reply by Hektar REIT on 19 March 2018.

On 12 April 2018, the Kuala Lumpur High Court had allowed Sunway’s Originating Summons (in parts) as follows –

- (a) to declare that Sunway is the secured creditor based on the charge given to CYC pursuant to the Debentures;
- (b) to declare that CYC’s assets seized pursuant to the Writ of Seizure on 28 November 2017 were assets charged under the said Debentures;
- (c) for Hektar REIT to refund the auction proceeds of RM110,500-00;
- (d) for costs of RM5,000-00; and
- (e) to dismiss Sunway’s claim for USD271,540-00 and to declare that no damages is awarded.

B12 MATERIAL LITIGATION (continued)

Hektar REIT has since filed a notice of appeal to the Court of Appeal on 7 May 2018 to appeal against the decision of the Kuala Lumpur High Court. Sunway has also filed their notice of appeal at the Court of Appeal on 8 May 2018. The hearing of the appeal at the Court of Appeal has been fixed on 28 November 2018.

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

Writ of Summons against Agenda Fokus Sdn Bhd & Tashima Development Sdn Bhd
(Writ Saman No. JB-B52NCvC-14-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against a tenant at Segamat Central Shopping Centre, namely Agenda Fokus Sdn. Bhd. ("Agenda") and their guarantor, Tashima Development Sdn. Bhd. ("Tashima") to seek, amongst others, the following:-

- i) a declaration that the termination of 3 tenancy agreements all dated 28 July 2015 and the tenancy renewal letter dated 13 September 2017 by Agenda through their notices of termination dated 6 July 2018 was invalid and unlawful;
- ii) an order for vacant possession of the demised premises be returned to Hektar REIT in its original state and condition or alternatively, if the demised premises is not returned in such state and condition, Agenda shall compensate Hektar REIT for the reinstatement cost which shall be assessed by the Court;
- iii) compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) payment of RM425,971.98 being the outstanding rental and other charges owing under the tenancy agreements and tenancy renewal letters, calculated as at July 2018 only

On 3 October 2018, Agenda and Tashima have filed their respective defences to the writ of summons action. Agenda has also filed a counter claim to claim for a refund of rentals paid, claiming their earlier payment of rentals were made on the mistaken belief of their rights under the tenancy agreement.

The Muar Sessions Court has fixed the next case management on 3 December 2018.

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

Writ of Summons against Tirai Prospektif Sdn Bhd & Tashima Development Sdn Bhd
(Writ Saman No. JB-B52NCvC-13-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against a tenant at Segamat Central Shopping Centre, namely Tirai Prospektif Sdn. Bhd. ("Tirai") and Tashima Development Sdn. Bhd. ("Tashima") to seek, amongst others, the following:-

- i) a declaration that the termination of the tenancy for Lot GX01-GX13 under the tenancy agreement dated 15 November 2015 and the tenancy renewal letter dated 13 September 2017 by Tirai through their notice of termination dated 6 July 2018 was invalid and unlawful;

B12 MATERIAL LITIGATION (continued)

- ii) an order for vacant possession of the demised premises be returned to Hektar REIT in its original state and condition or alternatively, if the demised premises is not returned in such state and condition, Tirai shall compensate Hektar REIT for the reinstatement cost which shall be assessed by the Court;
- iii) compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) payment of RM808,799.32 being the outstanding rental and other charges owing under the tenancy agreement and tenancy renewal letter, calculated as at July 2018 only.

On 3 October 2018, Tirai and Tashima have filed their respective defences to the writ of summons action. Tirai has also filed a counter claim to claim for a refund of rentals paid, claiming their earlier payment of rentals were made on the mistaken belief of their rights under the tenancy agreement.

The Muar Sessions Court has fixed the next case management on 3 December 2018.

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

Writ of Summons against Dazzling Density Sdn Bhd & Tashima Development Sdn Bhd
(Writ Saman No. JB-B52NCvC-12-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against a tenant at Segamat Central Shopping Centre, namely Dazzling Density Sdn. Bhd. ("Dazzling") and Tashima Development Sdn. Bhd. ("Tashima") to seek, amongst others, the following:-

- i) a declaration that the termination of the tenancy agreement dated 15 November 2015 and tenancy renewal letter dated 13 September 2017 by Dazzling through their notice of termination dated 6 July 2018 was invalid and unlawful;
- ii) an order for vacant possession of the demised premises be returned to Hektar REIT;
- iii) compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) payment of RM465,613.99 being the outstanding rental and other charges owing under the tenancy agreement and tenancy renewal letter, calculated as at July 2018 only.

On 3 October 2018, Dazzling and Tashima have filed their respective defences to the writ of summons action. Dazzling has also filed a counter claim to claim for loss of profits and general damages purportedly suffered by Dazzling.

The Muar Sessions Court has fixed the next case management on 3 December 2018.

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

B13 SOFT COMMISSION

For the quarter ended 30 September 2018, 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

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a Third Interim Income Distribution of 2.10 sen, amounting to RM9,701,164 for the Third Quarter ended 30 September 2018. 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 30.9.2018 RM	Preceding Year Corresponding Quarter 30.9.2017 RM	Current YTD 30.9.2018 RM	Preceding YTD 30.9.2017 RM
Net property income	19,509,786	17,096,174	58,448,640	52,824,862
Interest income	126,435	114,244	296,463	226,652
Other income	14,262	24,892	17,098	131,894
Trust expenses	(3,710,470)	(2,854,479)	(9,721,070)	(7,987,484)
Borrowing costs	(6,390,086)	(5,758,888)	(18,809,252)	(16,882,471)
Realised income before taxation	9,549,927	8,621,943	30,231,879	28,313,453
Change in fair value of investment property	-	(7,986,471)	-	(7,986,471)
Change in fair value of derivative financial instrument	-	(140,713)	265,527	285,974
Income before taxation	9,549,927	494,759	30,497,406	20,612,956
Taxation	-	-	-	-
Distribution income	9,549,927	494,759	30,497,406	20,612,956

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT (continued)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2018 RM	Preceding Year Corresponding Quarter 30.9.2017 RM	Current YTD 30.9.2018 RM	Preceding YTD 30.9.2017 RM
Distribution income	9,549,927	494,759	30,497,406	20,612,956
Less:				
Proposed/declared income distribution	(9,701,164)	-	(30,951,332)	(25,239,950)
Balance undistributed realised income	-	-	-	-
Number of units	461,960,178	408,810,925	461,960,178	403,359,720
Earnings per unit (sen)				
- realised (sen)	2.07	0.12	6.60	5.11
Distribution per unit (sen)	2.10	-	6.70	7.02
Market price (RM)	1.24	1.27	1.24	1.27
Distribution yield (%)	7.20	n/a	7.20	7.44

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 2018 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 2018.

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 2018