

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As at 30.06.2019 RM (Unaudited)	As at 31.12.2018 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,221,500,000	1,221,500,000
Plant & Equipment	116,359	140,776
Capital work in progress	11,583,737	6,128,723
Fixed deposits with a licensed bank	1,490,670	1,447,434
	<u>1,234,690,766</u>	<u>1,229,216,933</u>
<u>CURRENT ASSETS</u>		
Trade receivables	19,170,261	18,216,824
Other receivables, deposits and prepayments	5,682,070	7,504,339
Cash and bank balances	10,076,092	13,334,709
	<u>34,928,423</u>	<u>39,055,872</u>
TOTAL ASSETS	<u>1,269,619,189</u>	<u>1,268,272,805</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	15,131,144	15,901,825
Bank borrowings	548,071,883	548,071,883
	<u>563,203,027</u>	<u>563,973,708</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	7,988,065	5,588,271
Other payables and accruals	32,599,555	30,488,520
Tenancy deposits	16,942,070	17,906,759
Bank borrowings	15,000,000	15,000,000
	<u>72,529,690</u>	<u>68,983,550</u>
TOTAL LIABILITIES	<u>635,732,717</u>	<u>632,957,258</u>
NET ASSET VALUE	<u>633,886,472</u>	<u>635,315,547</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	41,710,552	43,139,627
– unrealised	99,675,471	99,675,471
TOTAL UNITHOLDERS' FUND	<u>633,886,472</u>	<u>635,315,547</u>
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at the date	1.3722	1.3753
-after distribution for the cumulative quarter	1.3527	1.3522
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 2018 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2019 RM	Preceding Year Corresponding Quarter 30.06.2018 RM	Current YTD 30.06.2019 RM	Preceding YTD 30.06.2018 RM
Revenue	34,737,875	33,847,763	68,087,102	67,807,416
Property operating expenses	(16,489,978)	(14,332,104)	(31,263,978)	(28,868,562)
Net property income	18,247,897	19,515,659	36,823,124	38,938,854
Interest income	110,647	77,380	311,771	170,028
Other income	27,002	103,485	139,618	103,485
Trust expenses	(2,832,744)	(3,165,896)	(6,443,223)	(6,111,249)
Borrowing costs	(6,308,805)	(6,259,559)	(12,673,253)	(12,419,166)
Realised income before taxation	9,243,997	10,271,069	18,158,037	20,681,952
Change in fair value of derivative financial instrument	-	-	-	265,527
Income before taxation	9,243,997	10,271,069	18,158,037	20,947,479
Taxation	-	-	-	-
Net income	9,243,997	10,271,069	18,158,037	20,947,479
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	9,243,997	10,271,069	18,158,037	20,947,479
Earnings per unit (sen)	2.00	2.22	3.93	4.53
- realised (sen)	2.00	2.22	3.93	4.48
- unrealised (sen)	-	-	-	0.05
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 2018 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 30 JUNE 2019 (UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u>		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 30 June 2019</u>				
Total comprehensive income for the financial quarter	-	18,158,037	-	18,158,037
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(19,587,112)	-	(19,587,112)
Balance at 30 June 2019	<u>492,500,449</u>	<u>41,710,552</u>	<u>99,675,471</u>	<u>633,886,472</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2018 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
As at 1 January 2018	492,500,449	47,552,935	108,815,544	648,868,928
Effects of MFRS 9	-	(485,938)	-	(485,938)
Restated as at 1 January 2018	<u>492,500,449</u>	<u>47,066,997</u>	<u>108,815,544</u>	<u>648,382,990</u>
<u>Operation for year ended 31 December 2018</u>				
Total comprehensive income for the financial quarter	-	42,268,649	(9,140,073)	33,128,576
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(46,196,019)	-	(46,196,019)
Balance at 31 December 2018	<u>492,500,449</u>	<u>43,139,627</u>	<u>99,675,471</u>	<u>635,315,547</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 2018 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2019**

	Current YTD 30.06.2019 RM	Preceding YTD 31.12.2018 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	18,158,037	33,128,576
Adjustments for :-		
Bad debts written off	-	227,679
Depreciation PPE	11,516	17,919
Interest income	(311,771)	(403,553)
Interest expense	12,673,253	25,284,164
Impairment loss on trade receivables	1,030,282	1,266,563
Fair value adjustment derivative financial instruments	-	(265,527)
Fair value adjustment on Investment Properties	-	9,405,600
Reversal on impairment loss on trade receivables	(83,110)	(485,938)
Operating profit before working capital changes	<u>31,478,207</u>	<u>68,175,483</u>
Change in working capital :-		
Receivables	(78,340)	(8,304,658)
Payables	2,775,459	23,719,983
Net cash from operating activities	<u>34,175,326</u>	<u>83,590,808</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties/Acquisition of property	-	(97,500)
Expenditure for refurbishment and enhancement of investment property incurred	(5,455,014)	(27,008,889)
Sale/(Purchase) of property, plant and equipment	12,901	(64,217)
Interest income	311,771	403,553
Fixed deposit	(43,236)	(119,030)
Net cash used in investing activities	<u>(5,173,578)</u>	<u>(26,886,083)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(12,673,253)	(25,284,164)
Distribution to Unitholders	(19,587,112)	(46,196,019)
Borrowings	-	6,014,400
Net cash used in financing activities	<u>(32,260,365)</u>	<u>(65,465,783)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,258,617)	(8,761,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,334,709	22,095,767
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,076,092</u>	<u>13,334,709</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2019 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 2018 in their report dated 28 February 2019.

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 June 2019, there will be a Second Income Distribution of 2.00 sen per unit, amounting to RM9,239,204 to be made on 3 October 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, Kulim Central and Segamat Central were last valued on 31 December 2018.

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>5,264,826</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 ended 30 June 2019, Hektar REIT generated total revenue of RM68,538,491 including interest and other income.

Revenue were higher than the preceding year by less than 1% however, realised net income showed lower by 12%.

Property operating expenses increased by 8%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.06.2019	Current Quarter Ended 30.06.2018
	RM	RM
Income before tax (RM)	9,243,997	10,271,069
- Realised income before tax (RM)	9,243,997	10,271,069

B3 PROSPECTS

Retail business in Malaysia continues to remain challenging. However, measures are being taken to improve the performance and to control costs.

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 2019.

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 RM563,071,883 are secured and comprise of the following:

1. Current liabilities of RM15,000,000; and
2. Non-current liabilities of RM548,071,883.

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, to safeguard Hektar REIT's rights and interest in the matter, Hektar REIT had filed 2 applications to the High Court (a judicial review application and an originating summons application) to challenge the award of the Strata Management Tribunal which was delivered on 16 July 2018. Since then, the respondents in the case have filed numerous interlocutory applications to strike out Hektar REIT's applications and the parties are currently litigating these proceedings and the related appeals filed.

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 once the High Court has fixed court date(s) to hear the substantive hearing of the judicial review and/or the originating summons applications.

B12 MATERIAL LITIGATION (Continued)

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)

Further to our earlier announcements on this case, The High Court has fixed the matter for further case management on 17 July 2019, pending the written grounds of judgment to be issued by the Sessions Court.

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

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, the application for leave to appeal to the Federal Court filed by The Store is fixed for further case management on 19 August 2019.

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, the appeal to the Court of Appeal filed by The Store is fixed for case management on 1 August 2019.

In the meantime, The Store had on 28 May 2019, filed a notice of application for a stay of execution pending the appeal at the Court of Appeal and the matter is fixed for hearing on 17 July 2019.

On 17 July 2019, having heard submissions from both parties' counsels at the hearing of the application for stay of execution, the High Court granted the following orders:

- a. a conditional stay of execution in favour of The Store subject to the payment of double rental in the sum of RM5,518,811.88 to be deposited by The Store into a joint stakeholders account of Hektar REIT's solicitors (Messrs Han & Partners) and The Store's solicitors (Messrs Gideon Tan Razali Zaini) within 30 days from 17 July 2019 i.e. on or before 16 August 2019; and
- b. costs for the stay application in the sum of RM5,000.00 to be paid by The Store to Hektar REIT.

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 LITIGATIONS (continued)

Writ of Summons by Sunway Leasing Sdn Bhd (“Sunway”) against Hektar REIT

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

Further to our earlier announcements on this case, the hearing of the appeal at the Court of Appeal is fixed on 22 August 2019.

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. JB-B52NCvC-14-08/2018, JB-B52NCvC-13-08/2018 and JB-B52NCvC-12-08/2018)

Further to our earlier announcements on this case, the trial for the 3 cases had proceeded and was heard concurrently on 27 to 29 May 2019 and on 10 July 2019.

Following conclusion of the trial on 10 July 2019, the Sessions Court had fixed the matter for decision on 3 October 2019.

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

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, EHS had, on 8 July 2019, filed an application for summary judgment of this case. During the case management on 9 July 2019, the High Court had fixed the application for summary judgment for further case management on 3 September 2019.

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 June 2019, 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 Second Income Distribution of 2.00 sen, amounting to RM9,239,204 for the Second Quarter ended 30 June 2019. 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 30.06.2019 RM	Preceding Year Corresponding Quarter 30.06.2018 RM	Current YTD 30.06.2019 RM	Preceding YTD 30.06.2018 RM
Net property income	18,247,897	19,515,659	36,823,124	38,938,854
Interest income	110,647	77,380	311,771	170,028
Other income	27,002	103,485	139,618	103,485
Trust expenses	(2,832,744)	(3,165,896)	(6,443,223)	(6,111,249)
Borrowing costs	(6,308,805)	(6,259,559)	(12,673,253)	(12,419,166)
Realised income before taxation	9,243,997	10,271,069	18,158,037	20,681,952
Change in fair value of investment property	-	-	-	-
Change in fair value of derivative financial instrument	-	-	-	-
Income before taxation	9,243,997	10,271,069	18,158,037	20,681,952
Taxation	-	-	-	-
Distribution income	9,243,997	10,271,069	18,158,037	20,681,952
Less: Proposed/declared income distribution	(9,239,204)	(10,625,084)	(18,155,035)	(21,250,168)
Balance undistributed realised income	4,793	-	3,002	-
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	2.00	2.22	3.93	4.48
Distribution per unit (sen)	2.00	2.30	3.93	4.60
Market price (RM)	1.03	1.22	1.03	1.22
Distribution yield (%)	7.63	7.54	7.63	7.54

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 June 2019 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 28 August 2019.

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

28 August 2019