

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	As at 30.09.2019 RM (Unaudited)	As at 31.12.2018 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,236,500,000	1,221,500,000
Plant & Equipment	110,729	140,776
Capital work in progress	-	6,128,723
Fixed deposits with a licensed bank	1,490,670	1,447,434
	<u>1,238,101,399</u>	<u>1,229,216,933</u>
<u>CURRENT ASSETS</u>		
Trade receivables	17,886,749	18,216,824
Other receivables, deposits and prepayments	7,690,409	7,504,339
Cash and bank balances	11,211,797	13,334,709
	<u>36,788,955</u>	<u>39,055,872</u>
TOTAL ASSETS	<u>1,274,890,354</u>	<u>1,268,272,805</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	12,748,285	15,901,825
Bank borrowings	548,090,863	548,071,883
	<u>560,839,148</u>	<u>563,973,708</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	8,409,653	5,588,271
Other payables and accruals	33,581,277	30,488,520
Tenancy deposits	20,173,806	17,906,759
Bank borrowings	15,000,000	15,000,000
	<u>77,164,736</u>	<u>68,983,550</u>
TOTAL LIABILITIES	<u>638,003,884</u>	<u>632,957,258</u>
NET ASSET VALUE	<u>636,886,470</u>	<u>635,315,547</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	40,971,189	43,139,627
– unrealised	103,414,832	99,675,471
TOTAL UNITHOLDERS' FUND	<u>636,886,470</u>	<u>635,315,547</u>
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at the date	1.3787	1.3753
-after distribution for the cumulative quarter	1.3603	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 SEPTEMBER 2019 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019 RM	Preceding Year Corresponding Quarter 30.09.2018 RM	Current YTD 30.09.2019 RM	Preceding YTD 30.09.2018 RM
Revenue	34,136,646	33,418,522	102,223,748	101,225,938
Property operating expenses	(15,237,114)	(13,908,736)	(46,501,092)	(42,777,298)
Net property income	18,899,532	19,509,786	55,722,656	58,448,640
Interest income	94,068	126,435	405,838	296,463
Other income	54,739	14,262	194,357	17,098
Trust expenses	(4,052,300)	(3,710,470)	(10,495,521)	(9,721,070)
Borrowing costs	(6,496,199)	(6,390,086)	(19,169,452)	(18,809,252)
Realised income before taxation	8,499,840	9,549,927	26,657,878	30,231,879
Change in fair value of investment property	3,739,361	-	3,739,361	-
Change in fair value of derivative financial instrument	-	-	-	265,527
Income before taxation	12,239,201	9,549,927	30,397,239	30,497,406
Taxation	-	-	-	-
Net income	12,239,201	9,549,927	30,397,239	30,497,406
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	12,239,201	9,549,927	30,397,239	30,497,406
Earnings per unit (sen)	2.65	2.07	6.58	6.60
- realised (sen)	1.84	2.07	5.77	6.54
- unrealised (sen)	0.81	-	0.81	0.06
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 SEPTEMBER 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 September 2019</u>				
Total comprehensive income for the financial quarter	-	26,657,878	3,739,361	30,397,239
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(28,826,316)	-	(28,826,316)
Balance at 30 September 2019	<u>492,500,449</u>	<u>40,971,189</u>	<u>103,414,832</u>	<u>636,886,470</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 SEPTEMBER 2019**

	Current YTD 30.09.2019 RM	Preceding YTD 31.12.2018 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	30,397,239	33,128,576
Adjustments for :-		
Bad debts written off	-	227,679
Depreciation PPE	17,146	17,919
Interest income	(405,838)	(403,553)
Interest expense	19,169,452	25,284,164
Impairment loss on trade receivables	2,160,051	1,266,563
Fair value adjustment derivative financial instruments	-	(265,527)
Fair value adjustment on Investment Properties	(3,739,361)	9,405,600
Reversal on impairment loss on trade receivables	(17,376)	(485,938)
Operating profit before working capital changes	<u>47,581,313</u>	<u>68,175,483</u>
Change in working capital :-		
Receivables	(1,998,670)	(8,304,658)
Payables	5,027,646	23,719,983
Net cash from operating activities	<u>50,610,289</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	(5,131,916)	(27,008,889)
Sale/(Purchase) of property, plant and equipment	12,901	(64,217)
Interest income	405,838	403,553
Fixed deposit	(43,236)	(119,030)
Net cash used in investing activities	<u>(4,756,413)</u>	<u>(26,886,083)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(19,169,452)	(25,284,164)
Distribution to Unitholders	(28,826,316)	(46,196,019)
Borrowings	18,980	6,014,400
Net cash used in financing activities	<u>(47,976,788)</u>	<u>(65,465,783)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,122,912)	(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>11,211,797</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 SEPTEMBER 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 September 2019, there will be a Third Income Distribution of 1.84 sen per unit, amounting to RM8,500,067 to be made on 9 January 2020.

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

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>4,500,025</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 2019, Hektar REIT generated total revenue of RM102,823,943 including interest and other income.

Revenue was marginally higher than the preceding year with higher property operating expenses resulting in lower realised net income by 12%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.09.2019	Current Quarter Ended 30.09.2018
	RM	RM
Income before tax (RM)	12,239,201	9,549,927
- Realised income before tax (RM)	8,499,840	9,549,927

B3 PROSPECTS

Retail business in Malaysia continues to remain challenging. However, measures are being taken to improve performance by way of costs control and active marketing, amongst others.

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 RM563,090,863 are secured and comprise of the following:

1. Current liabilities of RM15,000,000; and
2. Non-current liabilities of RM548,090,863.

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, the parties are continuously litigating the proceedings of this case and the related appeals and the management 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.

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, the written grounds of judgment were issued by the Sessions Court on 30 June 2019 and the High Court had subsequently fixed the notice of appeal for hearing on 5 March 2020.

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, the application for leave to appeal to the Federal Court filed by The Store is fixed for hearing on 16 January 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, the High Court had, on 17 July 2019, granted a conditional stay of execution in favor 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). On 15 August 2019, The Store had made payment for the sum of RM5,518,811.88 and deposited the same into the joint stakeholder solicitors' account.

In the meantime, the Court of Appeal had fixed the notice of appeal for hearing on 13 February 2020.

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 Sunway Leasing Sdn Bhd ("Sunway") against Hektar REIT

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

Further to our earlier announcements on this case, on 22 August 2019, the Court of Appeal heard the submissions from both parties on the appeal filed by Hektar REIT and the counter appeal filed by Sunway respectively, and decided to dismiss both appeals against the Kuala Lumpur High Court's decision on 12 April 2018. In essence, the Court of Appeal has held that the auction proceeds of RM110,500.00 rightfully belongs to Sunway but at the same time declared that Sunway was not entitled to claim for USD271,540.00 as damages from Hektar REIT.

Following the Court of Appeal's decision on this matter and after having consulted further legal advice from Hektar REIT's solicitors on the possibility of filing further appeals on this matter to the Federal Court, the management has decided against pursuing further appeals on this matter and will therefore accept the decision of the Court of Appeal as final.

B12. MATERIAL LITIGATIONS (continued)

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, the Sessions Court had vacated the earlier decision date scheduled on 3 October 2019 and proceeded to fix a further trial date on 14 October 2019 for assessment of damages. On 14 October 2019, after concluding the trial for assessment of damages, the Sessions Court had fixed the matter for decision on 23 January 2020.

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, during case management on 3 September 2019, the High Court had fixed the application for summary judgment to be heard on 25 November 2019.

On 25 November 2019, the High Court dismissed Eng Hiap Seng (Rengit) SB (“Rengit”)’s summary judgment application and awarded costs of RM4,500.00 to be paid by Rengit to Hektar REIT. The High Court subsequently fixed the main action for case management on 13 January 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.

B13 SOFT COMMISSION

For the quarter ended 30 September 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 Third Income Distribution of 1.84 sen, amounting to RM8,500,067 for the Third Quarter ended 30 September 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 30.09.2019 RM	Preceding Year Corresponding Quarter 30.09.2018 RM	Current YTD 30.09.2019 RM	Preceding YTD 30.09.2018 RM
Net property income	18,899,532	19,509,786	55,722,656	58,448,640
Interest income	94,068	126,435	405,838	296,463
Other income	54,739	14,262	194,357	17,098
Trust expenses	(4,052,300)	(3,710,470)	(10,495,521)	(9,721,070)
Borrowing costs	(6,496,199)	(6,390,086)	(19,169,452)	(18,809,252)
Realised income before taxation	8,499,840	9,549,927	26,657,878	30,231,879
Change in fair value of investment property	-	-	-	-
Change in fair value of derivative financial instrument	-	-	-	-
Income before taxation	8,499,840	9,549,927	26,657,878	30,231,879
Taxation	-	-	-	-
Distribution income	8,499,840	9,549,927	26,657,878	30,231,879
Less: Proposed/declared income distribution	(8,500,067)	(9,701,164)	(26,655,102)	(30,951,332)
Balance undistributed realised income	-	-	2,776	-
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	1.84	2.07	5.77	6.54
Distribution per unit (sen)	1.84	2.10	5.77	6.70
Market price (RM)	0.99	1.24	0.99	1.24
Distribution yield (%)	7.81	7.20	7.81	7.20

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 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 27 November 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

27 November 2019