

HEKTAR REAL ESTATE INVESTMENT TRUST

**Interim Financial Report
for the period ended 31 December 2024**



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 December 2024

	As at 31.12.2024 RM (Unaudited)	As at 31.12.2023 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,391,644,339	1,232,700,000
Property, plant & equipment ("PPE")	468,977	414,238
	1,392,113,316	1,233,114,238
<u>CURRENT ASSETS</u>		
Trade receivables	4,787,249	3,510,934
Other receivables, deposits and prepayments	18,497,398	14,917,200
Cash and bank balances	18,625,673	63,307,084
	41,910,320	81,735,218
TOTAL ASSETS	1,434,023,636	1,314,849,456
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	26,697,684	25,477,419
Deferred tax liability	31,554,132	30,877,532
Bank borrowings	579,072,566	559,228,255
	637,324,382	615,583,206
<u>CURRENT LIABILITIES</u>		
Trade payables	9,033,990	7,348,647
Other payables and accruals	23,896,221	13,832,418
Tenancy deposits	2,468,045	2,355,549
Bank borrowings	19,200,000	3,000,000
	54,598,256	26,536,614
TOTAL LIABILITIES	691,922,638	642,119,820
NET ASSET VALUE	742,100,998	672,729,636
<u>FINANCED BY:</u>		
Unitholders' capital	632,444,845	560,886,684
Undistributed income – realised	46,817,461	53,627,660
– unrealised	62,838,692	58,215,292
TOTAL UNITHOLDERS' FUND	742,100,998	672,729,636
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.0463	1.1571
-after distribution for the cumulative quarter	1.0338	1.1341
NUMBER OF UNITS IN CIRCULATION	709,286,684	581,415,073

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2024 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2024 RM	Preceding Year Corresponding Quarter 31.12.2023 RM	Current YTD 31.12.2024 RM	Preceding YTD 31.12.2023 RM
Revenue	30,041,816	27,534,497	124,804,268	111,497,331
Property operating expenses	(17,197,713)	(13,580,103)	(61,919,192)	(51,451,086)
Net property income	12,844,103	13,954,394	62,885,076	60,046,245
Income from Fund Placement	23,199	1,244,882	1,006,742	1,459,462
Other income	215,472	(545,003)	862,016	801,329
Reversal Gain/(Impairment loss) on trade receivables	289,342	468,350	(12,534)	2,352,829
Trust expenses	(3,266,970)	(5,804,638)	(14,667,781)	(13,360,704)
Finance expenses	(7,910,284)	(7,207,550)	(30,076,307)	(26,203,217)
Realised income before taxation	2,194,862	2,110,435	19,997,212	25,095,944
Change in fair value of investment property	3,800,000	26,600,000	5,300,000	26,600,000
Income before taxation	5,994,862	28,710,435	25,297,212	51,695,944
Taxation	(682,024)	(2,638,546)	(682,024)	(2,638,546)
Net income	5,312,838	26,071,889	24,615,188	49,057,398
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	5,312,838	26,071,889	24,615,188	49,057,398
Earnings per unit (sen)	0.78	5.22	3.60	9.81
- realised (sen)	0.32	0.42	2.92	5.02
- unrealised (sen)	0.46	4.80	0.68	4.79
Weighted average number of units	684,708,351	499,887,866	684,708,351	499,887,866

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 2023 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE QUARTER ENDED 31 DECEMBER 2024 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2024</u> As previously reported	560,886,684	53,627,660	58,215,292	672,729,636
<u>Operation for year ended 31 December 2024</u>				
Total comprehensive income for the financial period	-	19,991,788	4,623,400	24,615,188
<u>Unitholders' transactions</u>				
Unitholders' capital	71,558,161	-	-	71,558,161
Distribution to unitholders	-	(26,801,987)	-	(26,801,987)
Balance at 31 December 2024	632,444,845	46,817,461	62,838,692	742,100,998

CUMULATIVE YEAR ENDED 31 DECEMBER 2023 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2023</u> As previously reported	496,731,949	66,967,629	34,261,990	597,961,568
<u>Operation for year ended 31 December 2023</u>				
Total comprehensive income for the financial year	-	25,104,096	23,953,302	49,057,398
<u>Unitholders' transactions</u>				
Unitholders' capital	64,154,735	-	-	64,154,735
Distribution to unitholders	-	(38,444,065)	-	(38,444,065)
Balance at 31 December 2023	560,886,684	53,627,660	58,215,292	672,729,636

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 2023 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2024 (UNAUDITED)

	Current YTD 31.12.2024 RM	Preceding YTD 31.12.2023 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,297,212	51,695,944
Adjustments for :-		
Bad debts written off	369,477	499,877
Depreciation of PPE	97,281	56,468
Income from Fund Placement	(1,006,742)	(1,459,462)
Finance Expenses	30,076,307	26,203,217
Impairment loss/ (reversal gain) in trade receivables	12,534	(2,352,829)
Fair value adjustment in Investment Properties	(5,300,000)	(26,600,000)
Operating profit before working capital changes	49,546,069	48,043,215
Change in working capital:-		
Receivables	(12,735,685)	(10,346,922)
Payables	13,081,907	(8,868,318)
Cash used in operating activities	49,892,291	28,827,975
Tax Paid	(8,263)	-
Net cash from operating activities	49,884,028	28,827,975
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment properties	(141,000,000)	-
Additional of capital work in progress of investment property	(5,144,339)	-
Income from Fund Placement	1,006,742	1,459,462
Purchase of property, plant and equipment	(152,020)	(425,168)
Withdrawal / (Placement) deposits with licensed Islamic banks more than three months	1,300,000	9,460,000
Net cash generated from investing activities	(143,989,617)	10,494,294
CASH FLOW FROM FINANCING ACTIVITIES		
Finance expense paid	(30,076,307)	(26,203,217)
Distribution to Unitholders	(26,801,987)	(38,444,065)
Proceed from Issuance of new units	71,558,161	64,154,735
Net drawdown of borrowings	36,044,311	10,784,465
Net cash generated from financing activities	50,724,178	10,291,918
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,381,411)	49,614,187
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,307,084	12,392,897
	19,925,673	62,007,084
Placement deposits with licensed Islamic banks more than three months	(1,300,000)	1,300,000
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18,625,673	63,307,084
RESTRICTED CASH AT END OF THE YEAR	5,674,055	-
UNRESTRICTED CASH AT END OF THE YEAR	12,951,618	63,307,084
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18,625,673	63,307,084

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 DECEMBER 2024 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board and Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR

The auditors' report for the financial year ended 31 December 2023 was not subjected to any audit qualification.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

Hektar REIT's operations were not significantly affected by material seasonal or cyclical factors.

A4 SIGNIFICANT UNUSUAL ITEMS

There were no significant unusual items that affect the assets, liabilities, equity, net property 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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter, other than those disclosed in Paragraph A11.

A7 INCOME DISTRIBUTION

An interim distribution of 1.90 sen per unit, amounting to RM13,429,440 for half year ended 30 June 2024 has been declared and paid on 18 October 2024.

The final income distribution of 1.25 sen (gross) per unit for the fourth quarter ended 31 December 2024 was announced on 23 January 2025 and is payable on 27 February 2025, making the total distribution for the current year to 3.15 sen per unit, equivalent to a 5.7% yield based on the year end closing price.

A8 SEGMENT INFORMATION

The operations of Hektar REIT are in Malaysia, the segmental financial information by operating segments is presented as below:

	Revenue		Net Property Income	
	RM	%	RM	%
Retail Assets	112,559,068	90.2	50,639,876	80.5
Education Asset	12,245,200	9.8	12,245,200	19.5
Total	124,804,268	100.0	62,885,076	100.0

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties of Retail Assets such as Subang Parade, Mahkota Parade, Wetex Parade, Central Square, Kulim Central and Segamat Central were last valued on 31 December 2024. The investment properties of education assets i.e. Kolej Yayasan Saad, were last valued on 31 December 2024.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE FINANCIAL YEAR

There were no material events subsequent to the current quarter under review up to the date of this Interim Financial Report, other than those disclosed below: -

- a) On 19 February 2025, MTrustee Berhad entered into a conditional Sale and Purchase Agreement ("SPA") with Microlead Precision Technology for the proposed acquisition of two (2) blocks of single-storey factory annexed with double-storey offices and one (1) block of three-storey production area and office building located at Bayan Lepas, Penang, erected on a leasehold land held under title No. PN 5908, Lot 14840, Mukim 12, District of Barat Daya, Penang at the purchase consideration of RM30 million. Concurrently, a Master Lease Agreement was signed for a period of 15 years with option to renew for an additional term. The above is collectively referred to as the "Proposed Acquisition and Lease".
- b) Hong Leong Islamic Bank had via its letter of offer dated 18 February 2025 granted Hektar REIT additional Commodity Murabahah Term Financing-i 2 facilities of RM21.0 million ("CMTF-i 2") and bank guarantee facility (BG-i) of RM5.0 million. The CMTF-i 2 is to utilise for partly fund the Proposed Acquisition and Lease.

A11 CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes to the composition of Hektar REIT during the current quarter, other than the issuance of 2,474,027 new units for a total value of RM1,237,013.45 pursuant to the third Income Distribution Reinvestment Plan ("IDRP"). The new units have been listed and quoted on the Main Market of Bursa Securities on 21 October 2024. As of the reporting date, the total number of units in issuance has increased to 709,286,684, with a corresponding Unitholders' capital of RM632,444,845.

Issued and fully paid	Number of units	RM
Balance as at 1 January 2024	581,415,073	560,886,684
Additional units issued pursuant to the Private Placement	125,397,584	70,321,149
Third Income Distribution Reinvestment Plan ("IDRP")	2,474,027	1,237,012
Balance as of 31 December 2024	709,286,684	632,444,845

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 December 2024.

A13 RENTAL INCOME FROM TENANCIES (MFRS 16)

Rental income receivable under tenancy agreements is recognised on a straight-line basis over the term of the lease.

A14 CAPITAL COMMITMENT (MFRS 134)

There were no major capital commitments as of 31 December 2024, other than an approved commitment of RM13.8 million for the replacement and modernisation of lifts and escalators at Subang Parade.

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**B1 REVIEW OF PERFORMANCE**

	Year-To-Date ("YTD") Cumulative Quarter ended		
	31.12.2024 RM'000	31.12.2023 RM'000	Variance %
Total Revenue	124,804	111,497	11.9
Net Property Income ("NPI")	62,885	60,046	4.7
Net Realised Income	19,997	25,096	-20.3
Change in fair value (net of tax)	4,623	23,953	-80.7
Net Profit after tax	24,615	49,057	-49.8
NPI Margin	50.4%	53.9%	-3.5

Hektar REIT recorded positive improvement in revenue of RM124.8 million, compared to RM111.5 million in the previous year. The increase in revenue and NPI are primarily due to the recognition of income from the newly acquired education asset, Kolej Yayasan Saad (KYS) Melaka.

However, the performance of net realised income for the current year to date was impacted by higher property maintenance cost of our retails assets and non NPI expenses as follows:-

- the increase in finance costs of RM3.9 million resulting from increase in the Overnight Policy Rate (OPR) and additional loan drawdown in the current year.
- reversal gain on trade receivables recognised in prior year of RM2.35 million.
- one-off acquisition cost amounting to RM1.48 million in relation to KYS acquisition.

	Quarter		
	31.12.2024 RM'000	31.12.2023 RM'000	Variance %
Total Revenue	30,042	27,534	9.1
Net Property Income ("NPI")	12,844	13,954	-8.0
Net Realised Income	2,195	2,110	4.0
Change in fair value (net of tax)	3,123	23,953	-87.0
Net Profit after tax	5,313	26,072	-79.6

The revenue for the current financial year was primarily driven by the revenue recognition of KYS, amounting to RM2.07 million. However, NPI decreased by 8% or RM1.11 million due to higher direct cost in property maintenance.

Net realised income improved by 4% compared to the previous year. Nevertheless, net profit after tax was impacted by a lower change in fair value of investment property (2024: RM5.3 million, 2023: RM26.6 million).

B2 PROSPECTS

Despite the strong recovery of the country's economy, Hektar REIT remains vigilant about the retail industry outlook for 2025, given rising living costs and inflationary pressures that could impact consumer sentiment and spending trends. The inclusion of an education asset and the proposed acquisition of an industrial asset will balance up the risk of concentration and further strengthen the portfolio's resilience to market uncertainties while ensuring stable income for the REIT.

The Manager anticipates higher occupancy levels, positive rental reversions and increase in footfall to be recorded across Hektar Malls in coming quarters resulting from several asset enhancement and tenancy remixing initiatives. At the same time, the Manager will continue adopting prudent financial management and implement cost optimisation activities to further improve Hektar REIT's Net Property Income.

B3 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B4 TAX EXPENSE

Pursuant to Section 61A(1) of the Income Tax Act 1967, effective from the year of assessment 2017, a REIT is fully exempt from tax for a year of assessment if it distributes 90% or more of its total income to its Unitholders in the basis period for that year of assessment.

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 2024. A deferred tax expense of RM0.68 million (2023: RM2.65 million) was provided for the deferred real property gains tax on investment property.

B5 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the quarter.

B6 QUOTED INVESTMENTS

There were no purchases or disposal of quoted investments during the quarter.

B7 CORPORATE PROPOSAL AND DEVELOPMENTS

Save for the Proposed Acquisition and Lease as highlighted in Note A10(a), there were no corporate proposals announced and pending completion as at the date of this report.

B8 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM598,272,566 are secured and comprise the following:

- Current borrowings of RM19,200,000; and
- Non-current borrowings of RM579,072,566

B9 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off-balance sheet financial instruments as at the date of reporting.

B10 MATERIAL LITIGATION

The Board is not aware of any pending material litigation as at the date of this quarterly Financial Report other than that disclosed below:

- i) 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) (Civil Appeal No. JB-12BNCVC-10-07/2020; JB-12BNCVC-11-7/2020; and JB-12BNCVC-12-7/2020)

Following our earlier announcement, on 10 January 2025, the High Court Judge dismissed the appeals in relation to Hektar REIT's application for an order against the Judgment Debtor to produce bank statements for the years 2018 up to the date of hearing of the Judgment Debtor Summons. Following the dismissal, on the advice of Hektar REIT's solicitors that the High Court Judge may have erred in his adverse finding and decision, Hektar REIT has filed an appeal to the Court of Appeal against the High Court's decision.

Management will provide further updates on the matter in due course.

- ii) 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)

As per our earlier announcement, on 10 February 2025, the High Court has postponed the decision on the matter to 25 March 2025.

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.

B11 SOFT COMMISSION

For the quarter ended 31 December 2024, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B12 INCOME DISTRIBUTION

- i) Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to the unitholders will be subject to tax based on a withholding tax mechanism at the following rates:

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%

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

Subject to the financial performance of the REIT, the Manager intends to make distributions to the unitholders of Hektar REIT on a semi-annual basis for each six-month period ending 30 June and 31 December each year, unless otherwise determined and/or varied by the Manager at its sole discretion. The Manager intends to distribute at least 90% of Hektar REIT's distributable income for the financial year ending 31 December 2024.

An interim distribution of 1.9 sen per unit, amounting to RM13,429,440 for half year ended 30 June 2024 has been declared and paid on 18 October 2024.

The final income distribution of 1.25 sen (gross) per unit for the fourth quarter ended 31 December 2024 was announced on 23 January 2025 and is payable on 27 February 2025, making the total distribution for the current year to 3.15 sen per unit, equivalent to a 5.7% yield based on the year-end closing price.

B13 DISTRIBUTABLE INCOME AND EARNINGS PER UNIT

	CUMULATIVE QUARTER	
	Current YTD 31.12.2024 RM	Preceding YTD 31.12.2023 RM
Net property income	62,885,076	60,046,245
Interest income	1,006,742	1,459,462
Other income	862,016	801,329
Reversal of impairment loss	(12,534)	2,352,829
Trust expenses	(14,667,781)	(13,360,704)
Finance Expenses	(30,076,307)	(26,203,217)
Realised income before taxation	19,997,212	25,095,944
Less : Loss / (profit) not subject to distribution	-	-
Balance undistributed realised income	19,997,212	25,095,944
Gross Provision for distribution		
- Interim *	(13,429,440)	(13,467,275)
- Final **	(8,866,084)	(13,372,547)
Weighted Average number of units	684,708,351	499,887,866
Earnings per unit (sen)		
- realised (sen)	2.92	5.02

B14 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of Hektar REIT as at 31 December 2024 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of the Manager on 26 February 2025.

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

26 February 2025