

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	As at 31.3.2016 RM (Unaudited)	As at 31.12.2015 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,086,910,000	1,086,580,000
Capital work in progress	699,607	335,057
Fixed deposits with a licensed bank	634,816	634,816
	1,088,244,423	1,087,549,873
<u>CURRENT ASSETS</u>		
Trade receivables	4,092,294	3,725,472
Other receivables, deposits and prepayments	7,889,417	5,953,842
Cash and bank balances	18,345,621	19,085,638
	30,327,332	28,764,952
TOTAL ASSETS	1,118,571,755	1,116,314,825
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	14,624,454	15,089,960
Bank borrowings	243,833,550	479,214,809
	258,458,004	494,304,769
<u>CURRENT LIABILITIES</u>		
Trade payables	1,612,578	902,924
Other payables and accruals	6,024,998	7,117,205
Tenancy deposits	14,909,910	14,612,999
Bank borrowings	253,300,000	15,000,000
	275,847,486	37,633,128
TOTAL LIABILITIES	534,305,490	531,937,897
NET ASSET VALUE	584,266,265	584,376,928
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	43,885,993	43,996,656
– unrealised	114,642,017	114,642,017
TOTAL UNITHOLDERS' FUND	584,266,265	584,376,928
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.4584	1.4586
-before distribution for the cumulative quarter	1.4854	1.5636
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM1,959,163 (2015:RM2,044,197) 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 2015 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 31 MARCH 2016 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2016 RM	Preceding Year Corresponding Quarter 31.3.2015 RM	Current YTD 31.3.2016 RM	Preceding YTD 31.3.2015 RM
Revenue	31,603,064	31,210,907	31,603,064	31,210,907
Property operating expenses	(12,928,774)	(12,590,238)	(12,928,774)	(12,590,238)
Net property income	18,674,290	18,620,669	18,674,290	18,620,669
Interest income	44,194	66,129	44,194	66,129
Other income	88,783	2,816	88,783	2,816
Trust expenses	(2,431,018)	(2,468,161)	(2,431,018)	(2,468,161)
Borrowing costs	(5,669,791)	(5,128,566)	(5,669,791)	(5,128,566)
Income before taxation	10,706,458	11,092,887	10,706,458	11,092,887
Taxation	-	-	-	-
Net income	10,706,458	11,092,887	10,706,458	11,092,887
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	10,706,458	11,092,887	10,706,458	11,092,887
Earnings per unit (sen)	2.67	2.77	2.67	2.77

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 2015 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 31 MARCH 2016 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2016</u>	425,738,255	43,996,656	114,642,017	584,376,928
<u>Operation for the cumulative quarter ended 31 March 2016</u>				
Total comprehensive income for the financial year	-	10,706,458	-	10,706,458
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(10,817,121)	-	(10,817,121)
Balance at 31 March 2016	<u>425,738,255</u>	<u>43,885,993</u>	<u>114,642,017</u>	<u>584,266,265</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2015 (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised 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 31 December 2015</u>				
Total comprehensive income for the financial year	-	44,693,321	(39,933,986)	4,759,335
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2015	<u>425,738,255</u>	<u>43,996,656</u>	<u>114,642,017</u>	<u>584,376,928</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 2015 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2016

	Current YTD 31.3.2016 RM	Preceding YTD 31.3.2015 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	10,706,458	11,092,887
Adjustments for :-		
Interest income	(44,194)	(66,129)
Interest expense	5,669,791	5,128,566
Rental under MFRS 117	111,992	57,000
Impairment loss on trade receivables	37,500	86,585
Bad debt written off	86,579	-
Operating profit before working capital changes	<u>16,568,126</u>	<u>16,298,909</u>
Change in working capital :-		
Receivables	(1,808,007)	(1,215,719)
Payables	(1,281,609)	128,582
Net cash from operating activities	<u>13,478,510</u>	<u>15,211,772</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties		
Expenditure for refurbishment and enhancement of investment property incurred	(694,550)	(11,470,109)
Interest income	44,194	66,129
Withdrawal/(Placement) of fixed deposits	-	(13,537)
Net cash used in investing activities	<u>(650,356)</u>	<u>(11,417,517)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(5,669,791)	(5,128,566)
Distribution to Unitholders	(10,817,121)	(10,817,121)
Borrowings	2,918,741	13,195,614
Net cash (used in)/from financing activities	<u>(13,568,171)</u>	<u>(2,750,073)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(740,017)	1,044,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,085,638	14,739,242
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>18,345,621</u>	<u>15,783,424</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2016 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 2015 in their report dated 19 February 2016.

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 31 March 2016, there will be a First Interim Income Distribution of 2.6 sen per unit, amounting to RM10,416,487 to be made on 27 May 2016.

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 and Mahkota Parade were last valued on 31 December 2015. Meanwhile for Wetex Parade, Central Square and Landmark Central were last valued on 30 November 2015.

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 RM1,959,163 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
1,017,745

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 quarter ended 31 March 2016, Hektar REIT generated total revenue of RM31,736,041 including interest and other income.

Revenue is higher than the preceeding quarter's corresponding period by 1.3%. Meanwhile, net profit was lower by 3.5% due mainly to increase in interest expenses.

Property operating expenses increased by RM338,536 due mainly to increase in service charges arising from the acquisition of individual lots in Mahkota Parade and Central Square.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.3.2016 RM	Preceding Quarter Ended 31.3.2015 RM
Income before tax (RM)	10,706,458	11,092,887

B3 PROSPECTS

Retail business in Malaysia continues to remain a challenge in 2016, especially in the light of the slowing economy. Following the completion of its AEI in Central Square, we expect positive contribution in the foreseeable future. We are currently planning for an AEI for Landmark Central.

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 2016.

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 first quarter of 2016, there were no new acquisitions of sold lots within Hektar REIT's portfolio of shopping malls.

Meanwhile, the acquisition of Lot 3F-27 at Central Square Shopping Centre which was announced in the third quarter of 2015 was completed on 12 February 2016.

The lot acquired was amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Central Square Shopping Centre by Hektar REIT.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM497,133,550 comprise:

1. Current liability of RM253,300,000; and
2. Non-current liability of RM243,833,550.

The term of Hektar REIT's Mudarabah (MOD) RM184,000,000 and RM54,300,000 will be expiring in December 2016. As such, these two said loans have been reclassified from non-current liabilities to current liabilities.

The management is currently in negotiation with the bank to extend the tenor of the said loans to another 5 years. The Directors are confident and have no reason to believe that the tenor of the two said loans will not be extended.

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)**

Following our announcement on 16 February 2016, the management is currently taking all necessary action to fully defend Hektar REIT's rights and interest in this litigation matter and will provide further updates on the matter in due course.

B13 SOFT COMMISSION

For the quarter ended 31 March 2016, 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 first interim income distribution of 2.6 sen per unit, amounting to RM10,416,487 for the First Quarter ended 31 March 2016. 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 24%
	(No withholding tax)
Non-resident companies	Withholding tax at 24%

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.3.2016	Preceding Quarter Ended 31.3.2015
Income before tax (RM)	10,706,458	11,092,887
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)	2.67	2.77
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 31 March 2016 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 25 April 2016.

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
 25 April 2016