

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	As at 31.3.2017 RM (Unaudited)	As at 31.12.2016 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,092,450,000	1,092,450,000
Capital work in progress	1,167,962	162,080
Fixed deposits with a licensed bank	665,369	665,369
	1,094,283,331	1,093,277,449
<u>CURRENT ASSETS</u>		
Trade receivables	6,844,056	5,750,826
Other receivables, deposits and prepayments	16,827,894	17,220,686
Cash and bank balances	10,148,219	14,560,249
	33,820,169	37,531,761
TOTAL ASSETS	1,128,103,500	1,130,809,210
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	13,543,739	12,279,861
Bank borrowings	493,370,302	493,200,372
Derivative financial instrument	514,186	814,013
	507,428,227	506,294,246
<u>CURRENT LIABILITIES</u>		
Trade payables	1,343,691	937,729
Other payables and accruals	3,937,639	5,596,625
Tenancy deposits	16,121,358	17,512,440
Bank borrowings	15,000,000	15,000,000
	36,402,688	39,046,794
TOTAL LIABILITIES	543,830,915	545,341,040
NET ASSET VALUE	584,272,585	585,468,170
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	41,980,975	43,476,386
– unrealised	116,553,356	116,253,529
TOTAL UNITHOLDERS' FUND	584,272,585	585,468,170
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.4584	1.4614
-before distribution for the cumulative quarter	1.4854	1.5664
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM1,892,659 (2016: RM1,939,395) 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 2016 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 2017 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2017 RM	Preceding Year Corresponding Quarter 31.03.2016 RM	Current YTD 31.03.2017 RM	Preceding YTD 31.03.2016 RM
Revenue	30,857,245	31,603,064	30,857,245	31,603,064
Property operating expenses	(13,169,714)	(12,928,774)	(13,169,714)	(12,928,774)
Net property income	17,687,531	18,674,290	17,687,531	18,674,290
Interest income	47,540	44,194	47,540	44,194
Other income	1,560	88,783	1,560	88,783
Trust expenses	(2,777,641)	(2,431,018)	(2,777,641)	(2,431,018)
Borrowing costs	(5,637,280)	(5,669,791)	(5,637,280)	(5,669,791)
Realised income before taxation	9,321,710	10,706,458	9,321,710	10,706,458
Change in fair value of derivative financial instrument	299,827	-	299,827	-
Income before taxation	9,621,537	10,706,458	9,621,537	10,706,458
Taxation	-	-	-	-
Net income	9,621,537	10,706,458	9,621,537	10,706,458
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	9,621,537	10,706,458	9,621,537	10,706,458
Earnings per unit (sen)	2.40	2.67	2.40	2.67
- realised (sen)	2.33	2.67	2.33	2.67
- unrealised (sen)	0.07	-	0.07	-

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 2016 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 2017 (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
<u>Operation for the cumulative quarter ended 31 March 2017</u>				
Total comprehensive income for the financial year	-	9,321,710	299,827	9,621,537
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(10,817,121)	-	(10,817,121)
Balance at 31 March 2017	<u>425,738,255</u>	<u>41,980,975</u>	<u>116,553,356</u>	<u>584,272,585</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2016 (AUDITED)

	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 December 2016</u>				
Total comprehensive income for the financial year	-	41,546,312	1,611,512	43,157,824
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2016	<u>425,738,255</u>	<u>43,476,386</u>	<u>116,253,529</u>	<u>585,468,170</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 2016 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2017**

	Current YTD 31.3.2017 RM	Preceding YTD 31.3.2016 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	9,621,537	10,706,458
Adjustments for :-		
Interest income	(47,540)	(44,194)
Interest expense	5,637,280	5,669,791
Rental under MFRS 117	76,430	111,992
Impairment loss on trade receivables	357,996	37,500
Bad debt written off	-	86,579
Fair value change on derivatives	(299,827)	-
Operating profit before working capital changes	<u>15,345,876</u>	<u>16,568,126</u>
Change in working capital :-		
Receivables	(835,037)	(1,808,007)
Payables	<u>(1,680,056)</u>	<u>(1,281,609)</u>
Net cash from operating activities	<u>12,830,783</u>	<u>13,478,510</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties		
Expenditure for refurbishment and enhancement of investment property incurred	(1,005,882)	(694,550)
Interest income	47,540	44,194
Net cash used in investing activities	<u>(958,342)</u>	<u>(650,356)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(5,637,280)	(5,669,791)
Distribution to Unitholders	(10,817,121)	(10,817,121)
Borrowings	169,930	2,918,741
Net cash used in financing activities	<u>(16,284,471)</u>	<u>(13,568,171)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,412,030)</u>	<u>(740,017)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>14,560,249</u>	<u>19,085,638</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,148,219</u>	<u>18,345,621</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2017 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 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 2016 in their report dated 14 February 2017.

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 2017, there will be a First Interim Income Distribution of 2.3 sen per unit, amounting to RM9,214,585 to be made on 22 June 2017.

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 Landmark Central were last valued on 27 December 2016.

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.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,892,659 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 commitment in respect of the following has not been provided for in the financial statement:-

Authorised and contracted for:-	<u>RM</u>
Refurbishment of investment properties	20,050,144
Acquisition of 1Segamat Shopping Centre	<u>93,600,000</u>
	<u>113,650,144</u>

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 cumulative quarter ended 31 March 2017, Hektar REIT generated total revenue of RM30,857,245 including interest and other income.

Revenue is lower than the preceeding quarter by 2% The realised net profit was lower by 13% due mainly to lower contribution from Subang Parade.

Property operating expenses increased by RM240,939.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.3.2017 RM	Preceding Quarter Ended 31.3.2016 RM
Income/(loss) before tax (RM)	9,621,537	10,706,458
- Realised income before tax (RM)	<u>9,321,710</u>	<u>10,706,458</u>
- Unrealised income before tax (RM)	<u>299,827</u>	-

Realised income before tax was lower by 13% due mainly to lower contribution from Subang Parade due to the soft retail market and higher impairment loss on trade receivables.

B3 PROSPECTS

Retail business in Malaysia continues to remain a challenge in 2017, especially in light of the sluggish economy. Hektar is in the process of completing the acquisition of 1Segamat Shopping Centre in addition to exploring Asset Enhancement Initiatives ("AEI") to improve its 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 2017.

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 1Segamat Shopping Centre & Proposed Rights Issue

Please refer to our announcements made to Bursa Malaysia Securities Berhad (“Bursa”) via the Bursa website:

http://www.bursamalaysia.com/market/listed-companies/list-of-companies/plc-profile.html?stock_code=5121

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT’s total borrowings of RM508,370,302 are secured and comprise:

1. Current liability of RM15,000,000; and
2. Non-current liability of RM493,370,302.

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 DERIVATIVES

As at 31 March 2017, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its short term financing. The Trust is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised profit of the derivatives had been recognised in the profit and loss:

	Fair Value 31 March 2017 <u>RM</u>	<u>Maturity</u>
5-year IPRS – derivative liability	514,186	More than 1 year

B13 MATERIAL LITIGATION

Writ of Summons by Mahkota Parade JMB against Hektar REIT

(Guaman Sivil No: 22 NCVC-66-11)

Further to our announcements dated 25 April 2016, 1 August 2016, 16 November 2016 and 14 February 2017, the Melaka High Court had heard the suit on 20 and 29 March and subsequently the hearing was concluded on 19 May 2017. At the conclusion of the hearing, the court directed parties to file in written submissions by 22 June 2017 and judgment is expected to be delivered on 23 July 2017.

Appeal on Application to Strike Out Guaman Sivil No: 22 NCVC-66-11/2015)

(Civil Appeal No. M-02(IM)(NCVC)-1955-10/2016)

Further to our announcements dated 16 November 2016 and 14 February 2017, Hektar REIT has, on the advice of its solicitors, withdrew its appeal at the Court of Appeal on the decision of the High Court to dismiss the application to strike out the claim from Mahkota Parade JMB.

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.

At the same time, on 18 April 2017, the Tribunal heard and dismissed Hektar REIT's interlocutory application to refrain the Mahkota Parade JMB from calling the 5th annual general meeting scheduled on 19 April 2017 until the disposal of Hektar REIT's claim in this case. At the same hearing, the Tribunal dismissed 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 Tribunal then set 23 May 2017 as the next case management date and 22 June 2017 for the hearing in relation to the 28 November 2016 claim.

The management will continue to take 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.

B14 SOFT COMMISSION

For the quarter ended 31 March 2017, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B15 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 2.3 sen per unit, amounting to RM9,214,585 for the First Quarter ended 31 March 2017. The withholding tax rate imposed on the recipients of income distribution is as follows:

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Non-corporate investor	Withholding tax at 10%
Foreign institutional investors	Withholding tax at 10%
Resident companies	Subject to tax at the prevailing tax rate at 24%
Non-resident companies	Withholding tax at the prevailing tax rate at 24%

B16 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.3.2017	Preceding Quarter Ended 31.3.2016
Income before tax (RM)	9,321,710	10,706,458
Provision for income distribution (RM)	9,214,585	10,416,487
Number of units in issue	400,634,117	400,634,117
Basic earnings per unit (sen)	2.40	2.67
- Realised	2.33	2.67
Distribution per unit (sen)	2.30	2.60
Market Price (RM)	1.63	1.51
Dividend Yield (%)	5.64	6.89

B17 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 2017 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 22 May 2017.

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
22 May 2017