

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	As at 31.12.2018 RM (Unaudited)	As at 31.12.2017 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,221,500,000	1,194,568,739
Plant & Equipment	140,776	94,478
Capital work in progress	6,128,723	15,359,195
Fixed deposits with a licensed bank	1,447,434	1,328,404
	<u>1,229,216,933</u>	<u>1,211,350,816</u>
<u>CURRENT ASSETS</u>		
Trade receivables	18,216,824	11,558,842
Other receivables, deposits and prepayments	7,504,339	7,351,905
Cash and bank balances	13,334,709	22,095,767
	<u>39,055,872</u>	<u>41,006,514</u>
TOTAL ASSETS	<u>1,268,272,805</u>	<u>1,252,357,330</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	15,901,825	13,825,129
Bank borrowings	548,071,883	542,057,483
Derivative financial instrument	-	265,527
	<u>563,973,708</u>	<u>556,148,139</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	5,588,271	2,524,140
Other payables and accruals	30,488,520	9,760,091
Tenancy deposits	17,906,759	20,056,032
Bank borrowings	15,000,000	15,000,000
	<u>68,983,550</u>	<u>47,340,263</u>
TOTAL LIABILITIES	<u>632,957,258</u>	<u>603,488,402</u>
NET ASSET VALUE	<u>635,315,547</u>	<u>648,868,928</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	43,139,627	47,552,935
– unrealised	99,675,471	108,815,544
TOTAL UNITHOLDERS' FUND	<u>635,315,547</u>	<u>648,868,928</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.3753	1.4046
-after distribution for the cumulative quarter	1.3522	1.3716
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 2017 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2018 RM	Preceding Year Corresponding Quarter 31.12.2017 RM	Current YTD 31.12.2018 RM	Preceding YTD 31.12.2017 RM
Revenue	33,880,779	33,440,787	135,106,718	125,542,820
Property operating expenses	(13,613,183)	(12,528,097)	(56,390,477)	(51,805,268)
Net property income	20,267,596	20,912,690	78,716,241	73,737,552
Interest income	107,090	78,312	403,553	304,964
Other income	841,300	18,086	858,398	149,980
Trust expenses	(2,704,309)	(2,904,949)	(12,425,379)	(10,892,433)
Borrowing costs	(6,474,912)	(6,283,972)	(25,284,164)	(23,166,443)
Realised income before taxation	12,036,765	11,820,167	42,268,649	40,133,620
Change in fair value of investment property	(9,405,600)	-	(9,405,600)	(7,986,471)
Change in fair value of derivative financial instrument	-	262,512	265,527	548,486
Income before taxation	2,631,165	12,082,679	33,128,576	32,695,635
Taxation	-	-	-	-
Net income	2,631,165	12,082,679	33,128,576	32,695,635
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	2,631,165	12,082,679	33,128,576	32,695,635
Earnings per unit (sen)	0.57	2.62	7.17	7.82
- realised (sen)	2.61	2.56	9.15	9.60
- unrealised (sen)	(2.04)	0.06	(1.98)	(1.78)
Number of units	461,960,178	461,960,178	461,960,178	418,009,834

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 2017 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2018</u>				
As previously reported	492,500,449	47,552,935	108,815,544	648,868,928
Impact of adoption of MFRS 9	-	(485,938)	-	(485,938)
As at 1 January 2018 restated	492,500,449	47,066,997	108,815,544	648,382,990
<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	492,500,449	43,139,627	99,675,471	635,315,547

CUMULATIVE QUARTER ENDED 31 DECEMBER 2017 RESTATED (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
As at 1 January 2017	425,738,255	43,476,386	116,253,529	585,468,170
<u>Operation for year ended 31 December 2017</u>				
Total comprehensive income for the financial quarter	-	40,133,620	(7,437,985)	32,695,635
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(36,057,071)	-	(36,057,071)
Unitholders' capital	68,143,928	-	-	68,143,928
Unit issuance expenses	(1,381,734)	-	-	(1,381,734)
Balance at 31 December 2017	492,500,449	47,552,935	108,815,544	648,868,928

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 2017 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Current YTD 31.12.2018 RM	Preceding YTD 31.12.2017 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	33,128,576	32,695,635
Adjustments for :-		
Bad debts written off	227,679	-
Depreciation PPE	17,919	5,881
Interest income	(403,553)	(304,964)
Interest expense	25,284,164	23,166,443
Impairment loss on trade receivables	1,266,563	859,056
Fair value adjustment derivative financial instruments	(265,527)	(548,486)
Fair value adjustment on Investment Properties	9,405,600	7,986,471
Reversal on impairment loss on trade receivables	(485,938)	(96,126)
Operating profit before working capital changes	<u>68,175,483</u>	<u>63,763,910</u>
Change in working capital :-		
Receivables	(8,304,658)	4,351,374
Payables	23,719,983	8,785,198
Net cash from operating activities	<u>83,590,808</u>	<u>76,900,482</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties/Acquisition of property	(97,500)	(74,537,502)
Expenditure for refurbishment and enhancement of investment property incurred	(27,008,889)	(18,764,823)
Purchase of property, plant and equipment	(64,217)	(100,359)
Interest income	403,553	304,964
Fixed deposit	(119,030)	(663,035)
Net cash used in investing activities	<u>(26,886,083)</u>	<u>(93,760,755)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of right	-	68,143,927
Expenditure in relation to issuance rights	-	(1,381,733)
Interest expense	(25,284,164)	(23,166,443)
Distribution to Unitholders	(46,196,019)	(36,057,071)
Borrowings	6,014,400	16,857,111
Net cash used in financing activities	<u>(65,465,783)</u>	<u>24,395,791</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,761,058)	7,535,518
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>22,095,767</u>	<u>14,560,249</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>13,334,709</u>	<u>22,095,767</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 DECEMBER 2018 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 2017 in their report dated 20 February 2018.

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 December 2018, there will be a Final Income Distribution of 2.31 sen per unit, amounting to RM10,671,280 to be made on 10 April 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>4,879,395</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 31 December 2018, Hektar REIT generated total revenue of RM136,368,669 including interest and other income.

Revenue and realised net income were higher than the preceding year by 8% and 5%, respectively.

Property operating expenses increased by 9%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2018	Current Quarter Ended 31.12.2017
	RM	RM
Income before tax (RM)	2,631,165	12,082,679
- Realised income before tax (RM)	12,036,765	11,820,167

B3 PROSPECTS

Retail business in Malaysia continues to remain challenging. However, measures are being taken to improve the 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 2018.

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

Classic Hotel, Muar, Johor

The current 10 year lease for the Classic Hotel building granted to Wetex Realty Sdn Bhd ("Lessee") expired on 29 April 2018. The Lessee had decided not to exercise its option to renew the lease upon expiry of the current lease period. The Trust had decided to appoint, Hektar Property Services Sdn Bhd ("HPSSB") to take over and manage the operations and business of the hotel.

In December 2018, Classic Hotel was officially re-opened for business after major refurbishment works.

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

Writ of Summons by Mahkota Parade JMB against Hektar REIT
(Civil Suit No: 22 NCVC-66-11)

On 16 October 2018, the Court of Appeal upheld the decision of the High Court and dismissed the respective appeals by Mahkota Parade JMB and Hektar REIT with no order as to cost.

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)

Following Hektar REIT successfully overturning the Kuala Lumpur High Court's earlier decision in favor of The Store at the Court of Appeal, The Store had, on 21 December 2018, filed an application for leave to appeal to the Federal Court against the Court of Appeal's order and another application to stay the execution of the Court of Appeal's order pending the disposal of the leave application. On 19 February 2019, at the Court of Appeal hearing on the application to stay the execution of the Court of Appeal's order, both parties recorded a consent order in respect of the following terms:

- i) That the stay application is allowed with no order as to costs of the stay application subject to the following conditions:
 - a. The Store is required to deposit a sum of RM4,000,000 into a joint stakeholders account of Hektar REIT's solicitors (Messrs Han & Partners) and The Store's solicitors (Messrs Gideon Tan Razali Zaini) pending the disposal of the application for leave to appeal and any subsequent appeal to the Federal Court;
 - b. The Store is required to pay costs awarded by the Court of Appeal by way of the Court of Appeal Order dated 27 November 2018 in the sum of RM100,000.00 together with allocatur fee to Hektar REIT's solicitors (Messrs Han & Partners); and
 - c. The sums of RM4,000,000 and RM100,000 stated above are to be paid within twenty one (21) days from 19 February 2019.
- ii) Apart from the above, on clarification of the costs awarded to Hektar REIT by the Court of Appeal on 27 November 2018, the Court of Appeal clarified that The Store is required to pay the costs of the proceedings in the Court of Appeal and the High Court in the sum of RM100,000 (together with allocatur fee) and a refund of the sum of RM70,000 (together with allocatur fee) to Hektar REIT.

The application for leave to appeal to the Federal Court is currently at case management stage.

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)

The Shah Alam High Court had fixed 25 February 2019 to hear the appeal filed by The Store against the decision of the Shah Alam Sessions Court which was delivered on 31 May 2018.

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

B12 MATERIAL LITIGATION (Continued)

Strata Management Tribunal Claim Against Mahkota Parade JMB

(Judicial Review No: MA-25-3-01/2019)

(Strata Management Tribunal, Putrajaya Case No. TPS/M-2024-11/2016)

On 30 October 2018, the Kuala Lumpur High Court granted leave for Hektar REIT to commence judicial review proceedings in respect of the Tribunal's decision on this matter. The Kuala Lumpur High Court had subsequently, on 7 January 2019, decided to transfer the matter to the Melaka High Court based on applications made by the respondents in the case and the matter is currently at case management stage with the Melaka High Court.

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 Hektar REIT against Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah

(Civil Suit No. B53F-05-11/2017)

The Sessions Court fixed the trial dates for the defamation action on 8 November 2018, 3 December, 4 December and 6 December 2018. The trial for the defamation action commenced and was part heard on 8 November 2018. The Sessions Court trial had concluded on 4 December 2018 and the decision of the court is expected to be delivered on 28 February 2019.

The management 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)

On 19 February 2018, both Hektar REIT and Sunway filed their respective submission summaries at the Kuala Lumpur High Court, followed by a submission in reply by Sunway on 14 March 2018 and further submission in reply by Hektar REIT on 19 March 2018.

On 12 April 2018, the Kuala Lumpur High Court had allowed Sunway's Originating Summons (in parts) as follows:

- (a) To declare that Sunway is the secured creditor based on the charge given to CYC pursuant to the Debentures;
- (b) To declare that CYC's assets seized pursuant to the Writ of Seizure on 28 November 2017 were assets charged under the said Debentures;
- (c) For Hektar REIT to refund the auction proceeds of RM110,500.00;
- (d) For costs of RM5,000.00; and
- (e) To dismiss Sunway's claim for USD271,540.00 and to declare that no damages is awarded.

B12. MATERIAL LITIGATIONS (Continued)

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

Hektar REIT has since filed a notice of appeal to the Court of Appeal on 7 May 2018 to appeal against the decision of the Kuala Lumpur High Court. Sunway has also filed their notice of appeal at the Court of Appeal on 8 May 2018. The hearing of the appeal at the Court of Appeal originally fixed on 28 November 2018, has been postponed to 29 April 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)

(Civil Suit No. JB-B52NCvC-13-08/2018)

(Civil Suit No. JB-B52NCvC-12-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against 3 tenants at Segamat Central Shopping Centre, namely Agenda Fokus Sdn. Bhd., Tirai Prospektif Sdn. Bhd. and Dazzling Density Sdn. Bhd. and their guarantor, Tashima Development Sdn. Bhd. (“Tashima”) to seek, amongst others, the following:

- i) A declaration that the termination of tenancy agreements all dated 28 July 2015 and the tenancy renewal letter by the tenants through their notices of termination was invalid and unlawful;
- ii) An order for vacant possession of the demised premises be returned to Hektar REIT in its original state and condition or alternatively, if the demised premises is not returned in such state and condition, the tenants shall compensate Hektar REIT for the reinstatement cost which shall be assessed by the Court;
- iii) Compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) Payment of RM425,971.98, RM808,799.32 and RM465,613.99 respectively being the outstanding rental and other charges owing under the tenancy agreements and tenancy renewal letters, calculated as at July 2018 only.

B12. MATERIAL LITIGATIONS (Continued)

Writ of summons against 3 tenants & Tashima Development Sdn. Bhd. (continued)

On 3 October 2018, the tenants and Tashima have filed their respective defences to the writ of summons action.

The Muar Sessions Court has fixed the case management on 17 October 2018. The Muar Sessions Court had, on 10 January 2019, directed the cases to be transferred to the Segamat Sessions Court and the matter is currently at case management stage.

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

B13 SOFT COMMISSION

For the quarter ended 31 December 2018, 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 Final Income Distribution of 2.31 sen, amounting to RM10,671,280 for the Fourth Quarter ended 31 December 2018. 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 31.12.2018 RM	Preceding Year Corresponding Quarter 31.12.2017 RM	Current YTD 31.12.2018 RM	Preceding YTD 31.12.2017 RM
Net property income	20,267,596	20,912,690	78,716,241	73,737,552
Interest income	107,090	78,312	403,553	304,964
Other income	841,300	18,086	858,398	149,980
Trust expenses	(2,704,309)	(2,904,949)	(12,425,379)	(10,892,433)
Borrowing costs	(6,474,912)	(6,283,972)	(25,284,164)	(23,166,443)
Realised income before taxation	12,036,765	11,820,167	42,268,649	40,133,620
Change in fair value of investment property	(9,405,600)	-	(9,405,600)	(7,986,471)
Change in fair value of derivative financial instrument	-	262,512	265,527	548,486
Income before taxation	2,631,165	12,082,679	33,128,576	32,695,635
Taxation	-	-	-	-
Distribution income	2,631,165	12,082,679	33,128,576	32,695,635
Less: Proposed/declared income distribution	(10,671,280)	(15,244,686)	(41,622,614)	(40,484,635)
Balance undistributed realised income	-	-	-	-
Number of units	461,960,178	461,960,178	461,960,178	418,009,834
Earnings per unit (sen)				
- realised (sen)	2.61	2.56	9.15	9.60
Distribution per unit (sen)	2.31	3.30	9.01	9.60
Market price (RM)	1.11	1.30	1.11	1.30
Distribution yield (%)	8.12	7.38	8.12	7.38

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 December 2018 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 February 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 February 2019