

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	As at 31.03.2020 RM (Unaudited)	As at 31.12.2019 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,236,500,000	1,236,500,000
Plant & Equipment	99,469	113,099
Capital work in progress	1,486,107	1,157,929
Fixed deposits with a licensed bank	1,531,962	1,527,034
	1,239,617,538	1,239,298,062
<u>CURRENT ASSETS</u>		
Trade receivables	20,397,144	19,994,849
Other receivables, deposits and prepayments	6,651,913	6,316,665
Cash and bank balances	10,943,501	10,466,667
	37,992,558	36,778,181
TOTAL ASSETS	1,277,610,096	1,276,076,243
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	12,204,807	13,289,996
Deferred tax liability	28,171,132	28,171,132
Bank borrowings	548,090,863	548,090,863
	588,466,802	589,551,991
<u>CURRENT LIABILITIES</u>		
Trade payables	12,758,066	9,134,723
Other payables and accruals	32,704,562	31,336,495
Tenancy deposits	21,412,292	21,621,383
Bank borrowings	15,000,000	15,000,000
	81,874,920	77,092,601
TOTAL LIABILITIES	670,341,722	666,644,592
NET ASSET VALUE	607,268,374	609,431,651
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	39,524,225	41,687,502
– unrealised	75,243,700	75,243,700
TOTAL UNITHOLDERS' FUND	607,268,374	609,431,651
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.3145	1.3192
-after distribution for the cumulative quarter	1.2945	1.2992
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 2019 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2020 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2020 RM	Preceding Year Corresponding Quarter 31.03.2019 RM	Current YTD 31.03.2020 RM	Preceding YTD 31.03.2019 RM
Revenue	30,714,301	33,349,227	30,714,301	33,349,227
Property operating expenses	(14,999,728)	(14,774,000)	(14,999,728)	(14,774,000)
Net property income	15,714,573	18,575,227	15,714,573	18,575,227
Interest income	63,368	201,124	63,368	201,124
Other income	32,582	112,616	32,582	112,616
Trust expenses	(3,090,382)	(3,610,479)	(3,090,382)	(3,610,479)
Borrowing costs	(5,644,214)	(6,364,448)	(5,644,214)	(6,364,448)
Realised income before taxation	7,075,927	8,914,040	7,075,927	8,914,040
Change in fair value of investment property	-	-	-	-
Income before taxation	7,075,927	8,914,040	7,075,927	8,914,040
Taxation	-	-	-	-
Net income	7,075,927	8,914,040	7,075,927	8,914,040
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	7,075,927	8,914,040	7,075,927	8,914,040
Earnings per unit (sen)	1.53	1.93	1.53	1.93
- realised (sen)	1.53	1.93	1.53	1.93
- unrealised (sen)	-	-	-	-
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 2019 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 MARCH 2020 (UNAUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2020</u>				
As previously reported	492,500,449	41,687,502	75,243,700	609,431,651
<u>Operation for year ended 31 March 2020</u>				
Total comprehensive income for The financial quarter	-	7,075,927	-	7,075,927
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(9,239,204)	-	(9,239,204)
Balance at 31 March 2020	<u>492,500,449</u>	<u>39,524,225</u>	<u>75,243,700</u>	<u>607,268,374</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2019 (AUDITED)

	Unitholders' Capital RM	Undistributed income		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 31 December 2019</u>				
Total comprehensive income for the financial quarter	-	35,874,258	(24,431,771)	11,442,487
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(37,326,383)	-	(37,326,383)
Balance at 31 December 2019	<u>492,500,449</u>	<u>41,687,502</u>	<u>75,243,700</u>	<u>609,431,651</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 2019 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 31 MARCH 2020**

	Current YTD 31.03.2020 RM	Preceding YTD 31.12.2019 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	7,075,927	39,613,619
Adjustments for :-		
Depreciation PPE	5,630	22,777
Interest income	(63,368)	(413,095)
Interest expense	5,644,214	26,165,840
Impairment loss on trade receivables	647,334	2,499,143
Fair value adjustment on Investment Properties	-	(3,739,361)
Operating profit before working capital changes	<u>13,309,737</u>	<u>64,148,923</u>
Change in working capital :-		
Receivables	(1,384,877)	(3,089,494)
Payables	3,697,130	5,505,222
Net cash from operating activities	<u>15,621,990</u>	<u>66,564,651</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure for refurbishment and enhancement of investment property incurred	(328,178)	(6,289,845)
Purchase of property, plant and equipment	8,000	(3,100)
Interest income	63,368	413,095
Fixed deposit	(4,928)	(79,600)
Net cash used in investing activities	<u>(261,738)</u>	<u>(5,959,450)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(5,644,214)	(26,165,840)
Distribution to Unitholders	(9,239,204)	(37,326,383)
Borrowings	-	18,980
Net cash used in financing activities	<u>(14,883,418)</u>	<u>(63,473,243)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	476,834	(2,868,042)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>10,466,667</u>	<u>13,334,709</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,943,501</u>	<u>10,466,667</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2020 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 2019 in their report dated 26 February 2020.

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

Due to the grant of a temporary deferment of all profit payments to our financiers, Malayan Banking Berhad and Maybank Islamic Berhad, from April 2020 to September 2020 ("Moratorium Period"), Hektar REIT is prohibited from paying out any dividends to its unitholders until full settlement of the deferred interest/profit payments on all financing facilities for the Moratorium Period.

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

As with most countries around the world, Malaysia has also felt the health, social and economic impact and devastation from the novel coronavirus (Covid-19) pandemic when the country went into partial lockdown mode with the imposition of the Movement Control Order (“MCO”) from 18 March to 3 May 2020. The MCO was a necessary measure to contain the Covid-19 pandemic and as a result of the MCO, all government and private premises have been ordered to close except those providing essential services. As such, the Covid-19 pandemic and the resulting MCO has adversely impacted the business of shopping malls and hotels.

Hektar REIT has complied and will continue to observe the government and regulatory directives during the MCO, Conditional Movement Control Order (“CMCO”) and post MCO periods. Hektar REIT’s shopping malls remained open and operated as follows during the MCO period: Subang Parade from 11.00am to 8.00pm, Wetex Parade from 9.00am to 6.00pm, Mahkota Parade and Kulim Central from 11.00am to 7.00pm. Segamat Central and Central Square from 10.00am to 7.00pm. These malls were open to provide essential services to the local communities.

With the implementation of the CMCO effective from 4 May 2020, Hektar REIT’s shopping malls have revised their operating hours based on the state authority guidelines as follows: Subang Parade and Segamat Central from 10.00am to 10.00pm, Mahkota Parade from 9.00am to 9.00pm, Wetex Parade, Kulim Central and Central Square from 10.00am to 8.00pm.

Hektar REIT has also formulated strategic plans to assist tenants during these challenging times. This includes rental assistance offered in the form of rebates to all tenants that qualify. This will aid the tenants in recovering from their tight cash flow position during the MCO period, where the non-essential businesses were not operational.

The combination of COVID-19 and MCO period has resulted in cash flow constraints to tenants. This has resulted in the need to provide rental rebates which will have significant impact on Hektar REIT’s Revenue, cash flow and the value of investment properties.

Consequently, Management is currently pursuing various forms of fund raising to support the business. In addition, Management is also closely monitoring the situation and will take timely and effective decisions to mitigate any future risk that could impact Hektar REIT.

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 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)

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>1,118,828</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 31 March 2020, Hektar REIT generated total revenue of RM30,810,251 including interest and other income.

Revenue was lower than the preceding year by 8% and higher property operating expenses by 2% resulting in lower realised net income by 21%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.03.2020	Current Quarter Ended 31.03.2019
	RM	RM
Income before tax (RM)	7,075,927	8,914,040
- Realised income before tax (RM)	7,075,927	8,914,040

B3 PROSPECTS

As mentioned in A10, Hektar's performance will be impacted during this period. Management is closely monitoring the situation and will take timely and effective decisions to mitigate any future risk that could impact Hektar REIT.

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 2020.

Generally, gains on disposal of investments by Hektar REIT are regarded as capital gains and will not be subject to income tax. However, where the investments represent real properties and shares in real property companies, such gains will be subject to Real Property Gains Tax ("RPGT").

With the gazette of the Finance Act 2019 on 31 December 2019, any gains on disposal of real properties or shares in real property companies held by a Trust would be subject to RPGT at the following rates:

Date of Disposal	Rates (%)
Within 3 years from date of acquisition	30
In the 4th year	20
In the 5th year	15
In the 6th year and subsequent years	10

Hektar REIT has provided Deferred Tax Liability of RM28.2 million calculated based on RPGT at a rate of 10% on the net fair value gain of five (5) investment properties which comprised of Subang Parade, Mahkota Parade, Wetex Parade along with Classic Hotel, Central Square and Kulim Central.

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 Judicial Review Application which was fixed for case management in the High Court of Malaya in Malacca on 14 April 2020, has been rescheduled to 22 May 2020 in light of the extension of the Movement Control Order to 3 May 2020 and commencing from the Conditional Movement Control Order ("CMCO") announced by the government to take effect from 4 May 2020 to 9 June 2020.

The Management 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)

(Civil Appeal No. MA-12BNCvC-7-03/2019)

Further to our earlier announcements on this case, the High Court of Malaya in Malacca has fixed the appeal for decision on 30 June 2020.

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

B12. MATERIAL LITIGATIONS (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 hearing of The Store's application for leave to appeal to the Federal Court which has been earlier scheduled for 16 April 2020, has been postponed to 22 June 2020 in light of the extension of the Movement Control Order to 3 May 2020 and commencing from the Conditional Movement Control Order ("CMCO") announced by the government to take effect from 4 May 2020 to 9 June 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 hearing of the notice of appeal filed by The Store at the Court of Appeal which was earlier fixed on 13 February 2020, has now been adjourned to 14 August 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 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 date for delivery of decision by the Sessions Court which was earlier fixed 14 April 2020 has been vacated due to the extension of the Movement Control Order to 3 May 2020 and commencing from the Conditional Movement Control Order ("CMCO") announced by the government to take effect from 4 May 2020 to 9 June 2020. The Sessions Court will fix a new decision date once the Movement Control Order has been lifted.

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

B12. MATERIAL LITIGATIONS (Continued)

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, the notice of application for leave to issue a third party notice against Wetex Realty Sdn Bhd (the previous proprietor of Classic Hotel and Wetex Parade) was filed on 24 January 2020 and on 17 February 2020, the High Court granted an order allowing for the issuance of the said third party notice.

The third party notice was issued and served on Wetex Realty Sdn Bhd on 11 March 2020 and the third party proceedings is now fixed for case management on 23 June 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 31 March 2020, 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

Due to the grant of a temporary deferment of all profit payments to our financiers, Malayan Banking Berhad and Maybank Islamic Berhad, from April 2020 to September 2020 ("Moratorium Period"), Hektar REIT is prohibited from paying out any dividends to its unitholders until full settlement of the deferred interest/profit payments on all financing facilities for the Moratorium Period.

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 31.03.2020 RM	Preceding Year Corresponding Quarter 31.03.2019 RM	Current YTD 31.03.2020 RM	Preceding YTD 31.03.2019 RM
Net property income	15,714,573	18,575,227	15,714,573	18,575,227
Interest income	63,368	201,124	63,368	201,124
Other income	32,582	112,616	32,582	112,616
Trust expenses	(3,090,382)	(3,610,479)	(3,090,382)	(3,610,479)
Borrowing costs	(5,644,214)	(6,364,448)	(5,644,214)	(6,364,448)
Realised income before taxation	7,075,927	8,914,040	7,075,927	8,914,040
Change in fair value of investment property	-	-	-	-
Income before taxation	7,075,927	8,914,040	7,075,927	8,914,040
Taxation	-	-	-	-
Distribution income	7,075,927	8,914,040	7,075,927	8,914,040
Less: Proposed/declared income distribution	(9,239,204)	(8,915,831)	(9,239,204)	(8,915,831)
Balance undistributed realised income	-	-	-	-
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	1.53	1.93	1.53	1.93
Distribution per unit (sen)	-	1.93	-	1.93
Market price (RM)	0.69	1.14	0.69	1.14
Distribution yield (%)	-	6.77	-	6.77

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 2020 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 2020.

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 2020