

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	As at 30.06.2021 RM (Unaudited)	As at 31.12.2020 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,207,000,000	1,207,000,000
Plant & Equipment	79,319	90,579
Capital work in progress	1,625,763	1,379,757
Fixed deposits with a licensed bank	1,564,518	1,551,765
	<u>1,210,269,600</u>	<u>1,210,022,101</u>
<u>CURRENT ASSETS</u>		
Trade receivables	4,065,533	4,251,192
Other receivables, deposits and prepayments	2,907,760	17,356,146
Cash and bank balances	40,932,786	27,345,909
	<u>47,906,079</u>	<u>48,953,247</u>
TOTAL ASSETS	<u>1,258,175,679</u>	<u>1,258,975,348</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	8,443,740	9,080,548
Deferred tax liability	27,922,384	27,922,384
Bank borrowings	566,090,863	536,090,863
	<u>602,456,987</u>	<u>573,093,795</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	23,781,485	16,352,877
Other payables and accruals	13,959,187	25,671,535
Tenancy deposits	22,684,702	22,502,198
Bank borrowings	15,000,000	45,000,000
	<u>75,425,374</u>	<u>109,526,610</u>
TOTAL LIABILITIES	<u>677,882,361</u>	<u>682,620,405</u>
NET ASSET VALUE	<u>580,293,318</u>	<u>576,354,943</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	50,609,918	46,671,543
– unrealised	37,182,951	37,182,951
TOTAL UNITHOLDERS' FUND	<u>580,293,318</u>	<u>576,354,943</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.2562	1.2476
-after distribution for the cumulative quarter	1.2472	1.2386
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 2020 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2021 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM	Preceding Year Corresponding Quarter 30.06.2020 RM	Current YTD 30.06.2021 RM	Preceding YTD 30.06.2020 RM
Revenue	25,710,368	24,600,900	52,490,876	55,315,201
Property operating expenses	(15,504,041)	(12,627,732)	(28,187,017)	(27,627,460)
Net property income	10,206,327	11,973,168	24,303,859	27,687,741
Interest income	44,649	121,501	196,357	184,870
Other income	70,902	5,411	78,438	37,993
Trust expenses	(4,051,468)	(5,089,228)	(6,911,575)	(8,179,610)
Borrowing costs	(4,694,673)	(5,512,300)	(9,571,062)	(11,156,514)
Realised income before taxation	1,575,737	1,498,552	8,096,017	8,574,480
Change in fair value of investment property	-	-	-	-
Income before taxation	1,575,737	1,498,552	8,096,017	8,574,480
Taxation	-	-	-	-
Net income	1,575,737	1,498,552	8,096,017	8,574,480
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	1,575,737	1,498,552	8,096,017	8,574,480
Earnings per unit (sen)	0.34	0.32	1.75	1.86
- realised (sen)	0.34	0.32	1.75	1.86
- 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 2020 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE QUARTER ENDED 30 JUNE 2021 (UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2021</u>				
As previously reported	492,500,449	46,671,543	37,182,951	576,354,943
<u>Operation for quarter ended 30 June 2021</u>				
Total comprehensive income for the financial quarter	-	8,096,017	-	8,096,017
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(4,157,642)	-	(4,157,642)
Balance at 30 June 2021	<u>492,500,449</u>	<u>50,609,918</u>	<u>37,182,951</u>	<u>580,293,318</u>

CUMULATIVE YEAR ENDED 31 DECEMBER 2020 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
As at 1 January 2020	492,500,449	41,687,502	75,243,700	609,431,651
<u>Operation for year ended 31 December 2020</u>				
Total comprehensive income for the financial year	-	14,223,245	(38,060,749)	(23,837,504)
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(9,239,204)	-	(9,239,204)
Balance at 31 December 2020	<u>492,500,449</u>	<u>46,671,543</u>	<u>37,182,951</u>	<u>576,354,943</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 2020 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED 30 JUNE 2021**

	Current YTD 30.06.2021 RM	Preceding YTD 31.12.2020 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income/(Loss) before taxation	8,096,017	(24,086,252)
Adjustments for :-		
Depreciation PPE	11,260	22,520
Interest income	(196,357)	(524,767)
Interest expense	9,571,062	20,896,403
Impairment loss on trade receivables	865,164	7,777,708
Bad debts written off	783,432	-
Fair value adjustment on Investment Properties	-	38,309,497
Operating profit before working capital changes	<u>19,130,578</u>	<u>42,395,109</u>
Change in working capital :-		
Receivables	12,985,448	(3,073,532)
Payables	<u>(4,738,043)</u>	<u>(1,775,439)</u>
Net cash from operating activities	<u>27,377,983</u>	<u>37,546,138</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure for refurbishment and enhancement of investment property incurred	(246,006)	(9,031,325)
Interest income	196,357	524,767
Fixed deposit	<u>(12,753)</u>	<u>(24,731)</u>
Net cash used in investing activities	<u>(62,402)</u>	<u>(8,531,289)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(9,571,062)	(20,896,403)
Distribution to Unitholders	(4,157,642)	(9,239,204)
Borrowings	-	18,000,000
Net cash used in financing activities	<u>(13,728,704)</u>	<u>(12,135,607)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,586,877	16,879,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>27,345,909</u>	<u>10,466,667</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>40,932,786</u>	<u>27,345,909</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2021 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 the 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 2020 in their report dated 25 February 2021.

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 a 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

The Manager will distribute at least 90% of its distributable income to its Unitholders of Hektar REIT in each financial year.

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 2020.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

Hektar REIT's shopping malls have complied and continue to observe the Government and regulatory directives during the various Movement Control Order ("MCO") periods. With the rise in COVID-19 cases, the Government had announced MCO 3.0 nationwide from 12 May 2021, which was then converted into a Full Nationwide Lockdown (FMCO) from 1 June to 28 June with only essential sectors allowed to operate along with no dine-in for F&B outlets and closure of spa & entertainment outlets. After the FMCO, the Government announced a four-phase National Recovery Plan ("NRP") with key indicators dependent on a certain threshold of average daily cases, reduced ICU bed occupancy and percentage of the population that has to be vaccinated for the states to progress from one phase to another which will allow certain sectors to operate and reduction in restrictions. A prolonged COVID-19 pandemic with the closure of economic sectors and the restrictions on the non-essential retailers to operate will worsen the economic recovery. Such conditions have a material adverse impact on Hektar REIT's financial results and valuation of investment properties for the year ending 31 December 2021.

Hektar REIT continues to enforce stringent standard operating procedures in line with directives from the Ministry of Health to ensure a safe retail environment for our tenants, shoppers and employees.

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:- RM

Refurbishment of investment properties NIL

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 30 June 2021, Hektar REIT generated total revenue of RM52,765,671 including interest and other income.

Revenue was lower than the preceding year by 5% and higher property operating expenses by 2% and this has resulted in a lower realised net income by 6%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter Ended 30.06.2021 RM	Quarter Ended 30.06.2020 RM
Income before tax (RM)	1,575,737	1,498,552
- Realised income before tax (RM)	1,575,737	1,498,552

B3 PROSPECTS

With the implementation of the MCO 3.0 in May this year, Retail Group Malaysia (RGM) has lowered its retail sales growth rate for 2021 to 4.0%, which was earlier estimated at 4.1%. Based on a recent survey by the Malaysian Retail Chain Association (MRCA), 91% of retail businesses have reported a decline in sales from January to June 2021. The recent hike in COVID-19 cases has led to MCO 3.0, FMCO, EMCO, followed by the implementation of NRP, whereby the borders will remain closed and the ban on inter-state travelling is still in place except for emergencies, work or vaccination appointments. The Government is also enforcing various restrictions with stringent SOPs and mobility restrictions to control the rise in COVID-19 cases, impacting visitor footfall and consumer sentiment negatively. Most of the states in Malaysia, including Kuala Lumpur and Selangor, are currently in Phase 1, whereby only essential services are allowed to operate. With the acceleration in the National Immunisation Programme and the introduction of vaccination for the retail frontliners under the Retail Industry Vaccination Programme (RiVAC), it will help to reopen the retail sectors and progress our way to recovery.

The retail market is expected to remain challenging given the prolonged disruption from the pandemic with the emergence of variants of concern, particularly the Delta variant, as well as the political uncertainties. Management is closely monitoring this situation and remain focused on ensuring the safety and well-being of shoppers, tenants, employees and communities at all its properties.

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 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 2021.

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 RM581,090,863 are secured and comprise of the following:

1. Current liabilities of RM15,000,000; and
2. Non-current liabilities of RM 566,090,863.

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, on 10 May 2021, Hektar REIT had filed the notice for directions for assessment of damages at the High Court.

On 27 May 2021, the 2nd to 10th Respondents (JMC members) filed a notice of appeal to the Court of Appeal against the Melaka High Court's decision on 30 April 2021 and the matter is fixed for case management on 8 September 2021. Subsequently, the 2nd to 10th Respondents (JMC members) filed an application for a stay of execution pending the appeal on 21 June 2021 and the High Court has fixed the hearing for the application for a stay of execution on 29 July 2021 and the hearing for the assessment of damages on 4 August 2021.

On 29 July 2021, the Melaka High Court dismissed the 2nd to 10th Respondents' application for a stay of execution pending the appeal with cost of RM10,000 to be paid by the 3rd to 10th Respondents (JMC members). The 2nd to 10th Respondents (JMB and its JMC members) thereafter sought orally for an ad-interim stay pending the filing of a stay of execution application in the Court of Appeal. The High Court dismissed the oral application for an ad-interim stay.

Following the dismissal of the stay of execution application, the Court provided the following direction in relation to the assessment of damages application:-

- a. parties to file their respective written submissions by 1 September 2021; and
- b. the initial hearing date on 4 August 2021 shall be vacated and rescheduled to 14 September 2021.

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, following the Melaka High Court's decision on 30 April 2021 in relation to the Judicial Review Proceedings (Judicial Review No: MA-25-3-01/2019), Hektar REIT had filed an application to adduce new evidence on this matter on 30 June 2021 and the High Court will deliver its decision on the said application on 18 August 2021. Meanwhile, a case management on the appeal has been fixed on the same date, to be conducted after delivery of the decision from the High Court on the application to adduce new evidence.

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

B12 MATERIAL LITIGATION (Continued)

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, due to the Full Movement Control Order imposed by the government nationwide, the appeals are now fixed for hearing at the High Court in Muar on 30 August 2021.

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.

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, on 9 May 2021, the Amendment Application was allowed and the Court directed the plaintiff to file and serve the Re-Amended Defence and Counter Claim before 24 June 2021 and the matter was fixed for case management on 29 June 2021.

On 29 June 2021, due to the Full Movement Control Order imposed by the Government, the Court directed that the Plaintiff file their reply to the Re-Amended Defence and Counter Claim by 21 July 2021 and fixed a further case management on 25 July 2021. On 25 July 2021, the Plaintiff informed the Court that they had filed and served the Plaintiff's Re-Amended Defence and Counter Claim. On the Plaintiff's request for the Court's further directions on the Third Party Proceedings, the Court handed down the following directions:-

- i. The Defendants are to file and serve their Statement of Claim on the Third Party before 9 August 2021;
- ii. The Third Party is to file and serve its Defence on the Defendants before 23 August 2021;
- iii. The Defendants are to file and serve their Reply on the Third Party before 6 September 2021;
- iv. The matter is fixed for case management on 7 September 2021.

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.

Writ of Summons against Mahkota Parade JMB & 5 Others

(Civil Suit No. 22 NCvC-22-06/2020)

Further to our earlier announcement on this case, the trial for the Writ of Summons had proceeded on 29 and 31 March 2021, and 28 May 2021, and subsequently from 2 August 2021 to 5 August 2021. Thereafter, the High Court adjourned the trial to be continued on 1 October 2021.

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

B13 SOFT COMMISSION

For the quarter ended 30 June 2021, 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 Manager will distribute at least 90% of its distributable income to its Unitholders of Hektar REIT in each financial year. 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 30.06.2021 RM	Preceding Year Corresponding Quarter 30.06.2020 RM	Current YTD 30. 06.2021 RM	Preceding YTD 30. 06.2020 RM
Net property income	10,206,327	11,973,168	24,303,859	27,687,741
Interest income	44,649	121,501	196,357	184,870
Other income	70,902	5,411	78,438	37,993
Trust expenses	(4,051,468)	(5,089,228)	(6,911,575)	(8,179,610)
Borrowing costs	(4,694,673)	(5,512,300)	(9,571,062)	(11,156,514)
Realised income before taxation	1,575,737	1,498,552	8,096,017	8,574,480
Change in fair value of investment property	-	-	-	-
Income before taxation	1,575,737	1,498,552	8,096,017	8,574,480
Taxation	-	-	-	-
Distribution income	1,575,737	1,498,552	8,096,017	8,574,480
Less: Proposed/declared income distribution	-	-	-	-
Balance undistributed realised income	1,575,737	1,498,552	8,096,017	8,574,480
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	0.34	0.32	1.75	1.86
Distribution per unit (sen)	-	-	-	-
Market price (RM)	0.60	0.65	0.60	0.65
Distribution yield (%)	-	-	-	-

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 30 June 2021 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 26 August 2021.

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 August 2021