

HEKTAR REAL ESTATE INVESTMENT TRUST

**Interim Financial Report
for the period ended 30 June 2025**



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	As at 30.06.2025 RM (Unaudited)	As at 31.12.2024 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,394,830,944	1,391,644,339
Property, plant & equipment ("PPE")	408,521	468,977
	1,395,239,465	1,392,113,316
<u>CURRENT ASSETS</u>		
Trade receivables	7,238,243	4,787,249
Other receivables, deposits and prepayments	33,850,608	18,497,398
Cash and bank balances	10,365,554	18,625,673
	51,454,405	41,910,320
TOTAL ASSETS	1,446,693,870	1,434,023,636
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	29,158,123	26,697,684
Deferred tax liability	31,554,132	31,554,132
Bank borrowings	585,400,000	579,072,566
	646,112,255	637,324,382
<u>CURRENT LIABILITIES</u>		
Trade payables	14,432,713	9,033,990
Other payables and accruals	22,259,589	23,896,221
Tenancy deposits	2,632,800	2,468,045
Bank borrowings	19,200,000	19,200,000
	58,525,102	54,598,256
TOTAL LIABILITIES	704,637,357	691,922,638
NET ASSET VALUE	742,056,513	742,100,998
<u>FINANCED BY:</u>		
Unitholders' capital	632,444,845	632,444,845
Undistributed income – realised	46,772,976	46,817,461
– unrealised	62,838,692	62,838,692
TOTAL UNITHOLDERS' FUND	742,056,513	742,100,998
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.0462	1.0463
-after distribution for the cumulative quarter	1.0362	1.0338
NUMBER OF UNITS IN CIRCULATION	709,286,684	709,286,684

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2024 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2025 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2025 RM	Preceding Year Corresponding Quarter 30.06.2024 RM	Current YTD 30.06.2025 RM	Preceding YTD 30.06.2024 RM
Revenue	31,986,627	36,557,308	62,918,738	64,963,391
Property operating expenses	(16,131,448)	(15,844,276)	(32,055,605)	(29,868,300)
Net property income	15,855,179	20,713,032	30,863,133	35,095,091
Income from Fund Placement	23	120,131	53,956	870,313
Other income	103,215	214,466	580,977	353,908
Reversal Gain/(Impairment loss) on trade receivables	(166,171)	(175,358)	(495,339)	(159,232)
Trust expenses	(3,505,388)	(5,008,724)	(7,045,545)	(7,956,401)
Finance expenses	(7,623,731)	(7,430,696)	(15,135,584)	(14,688,179)
Realised income before taxation	4,663,127	8,432,851	8,821,599	13,515,500
Change in fair value of investment property	-	1,500,000	-	1,500,000
Income before taxation	4,663,127	9,932,851	8,821,599	15,015,500
Taxation	-	-	-	-
Net income	4,663,127	9,932,851	8,821,599	15,015,500
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	4,663,127	9,932,851	8,821,599	15,015,500
Earnings per unit (sen)	0.66	1.41	1.24	2.42
- realised (sen)	0.66	1.20	1.24	2.18
- unrealised (sen)	-	0.21	-	0.24
Weighted average number of units	709,286,684	706,812,657	709,286,684	621,101,036

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 2024 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE QUARTER ENDED 30 JUNE 2025
(UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2025</u> As previously reported	632,444,845	46,817,461	62,838,692	742,100,998
<u>Operation for year ended 30 June 2025</u>				
Total comprehensive income for the financial period	-	8,821,599	-	8,821,599
<u>Unitholders' transactions</u>				
Distribution to unitholders	-	(8,866,084)	-	(8,866,084)
Balance at 30 June 2025	632,444,845	46,772,976	62,838,692	742,056,513

CUMULATIVE YEAR ENDED 31 DECEMBER 2024 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2024</u> As previously reported	560,886,684	53,627,660	58,215,292	672,729,636
<u>Operation for year ended 31 December 2024</u>				
Total comprehensive income for the financial year	-	19,991,788	4,623,400	24,615,188
<u>Unitholders' transactions</u>				
Unitholders' capital	71,558,161	-	-	71,558,161
Distribution to unitholders	-	(26,801,987)	-	(26,801,987)
Balance at 31 December 2024	632,444,845	46,817,461	62,838,692	742,100,998

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 2024 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2025 (UNAUDITED)

	Current YTD 30.06.2025 RM	Preceding YTD 31.12.2024 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,821,599	25,297,212
Adjustments for :-		
Bad debts written off	-	369,477
Depreciation of PPE	60,456	97,281
Income from Fund Placement	(53,956)	(1,006,742)
Finance Expenses	15,135,584	30,076,307
Impairment loss/ (reversal gain) in trade receivables	-	12,534
Fair value adjustment in Investment Properties	-	(5,300,000)
Operating profit before working capital changes	23,963,683	49,546,069
Change in working capital:-		
Receivables	(17,804,204)	(12,735,685)
Payables	6,387,285	13,081,907
Cash generated from operating activities	12,546,764	49,892,291
Tax Paid	-	(8,263)
Net cash from operating activities	12,546,764	49,884,028
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment properties	-	(141,000,000)
Additional of capital work in progress of investment property	(3,186,605)	(5,144,339)
Income from Fund Placement	53,956	1,006,742
Purchase of property, plant and equipment	-	(152,020)
Withdrawal / (Placement) deposits with licensed Islamic banks more than three months	-	1,300,000
Net cash used in investing activities	(3,132,649)	(143,989,617)
CASH FLOW FROM FINANCING ACTIVITIES		
Finance expense paid	(15,135,584)	(30,076,307)
Distribution to Unitholders	(8,866,084)	(26,801,987)
Proceed from Issuance of new units	-	71,558,161
Net drawdown of borrowings	6,327,434	36,044,311
Net cash used in financing activities	(17,674,234)	50,724,178
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,260,119)	(43,381,411)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,625,673	63,307,084
	10,365,554	19,925,673
Placement deposits with licensed Islamic banks more than three months	-	(1,300,000)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,365,554	18,625,673
RESTRICTED CASH AT END OF THE PERIOD	5,718,753	5,674,055
UNRESTRICTED CASH AT END OF THE PERIOD	4,646,801	12,951,618
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,365,554	18,625,673

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2024 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2025 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board and Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR

The auditors' report for the financial year ended 31 December 2024 was not subjected to any audit qualification.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

Hektar REIT's operations were not significantly affected by material seasonal or cyclical factors.

A4 SIGNIFICANT UNUSUAL ITEMS

There were no significant unusual items that affect the assets, liabilities, equity, net property 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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn. Bhd. ("Board") has recommended, and the Trustee has approved an interim income distribution of 1.05 sen, amounting to RM7,447,510.18 for the Second Quarter ended 30 June 2025.

A8 SEGMENT INFORMATION

The operations of Hektar REIT are in Malaysia, the financial information by retail and education assets are presented as below:

	Revenue		Net Property Income	
	RM	%	RM	%
Retail Assets	58,769,479	93.4	26,713,874	86.6
Education Asset	4,149,259	6.6	4,149,259	13.4
Total	62,918,738	100	30,863,133	100

A9 VALUATION OF INVESTMENT PROPERTIES

The investment properties comprising retail assets i.e. Subang Parade, Mahkota Parade, Wetex Parade, Central Square, Kulim Central, and Segamat Central, as well as the education asset Kolej Yayasan Saad, were last valued as at 31 December 2024.

A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the current quarter under review up to the date of this Interim Financial Report, other than those disclosed below: -

- a. On 11 July 2025, MTrustee Berhad on behalf of Hektar REIT, has entered into two separate conditional Sale and Purchase Agreement with KYS College Sdn Bhd for the proposed acquisition of the following Subject Properties: -
 - **Property 1** – A parcel of leasehold land measuring approximately 6.3 acres held under PN 62891, Lot 9807, Mukim Durian Tunggal, District of Alor Gajah, Melaka for a purchase consideration of RM6.0 million; and
 - **Property 2** – Part of leasehold land measuring approximately 35.5 acres held under PN 62892, Lot 9808, Mukim Durian Tunggal, District of Alor Gajah, Melaka, for a purchase consideration of RM34.0 million.
- b. MTrustee has also on even date entered into two separate Lease Agreements with KYSA Education Sdn Bhd being the existing operator of Kolej Yayasan Saad Melaka, for 30-year triple net lease arrangement for the Subject Properties. The Proposed Acquisition and Lease for the Subject Properties are not inter-conditional to each other.

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 709,286,684 units as at 30 June 2025.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2025.

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)

There were no major capital commitments as at 30 June 2025, other than the approved commitments of RM12.6 million for the replacement and modernisation of lifts and escalators at Subang Parade.

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**B1 REVIEW OF PERFORMANCE**

	Q2'2025 RM'000	Q1'2025 RM'000	Variance %
Total Revenue	31,987	30,932	3.4
Net Property Income ("NPI")	15,855	15,008	5.6
Net Realised Income	4,663	4,158	12.1
NPI Margin	49.6%	48.5%	2.3

Hektar REIT's net property income (NPI) rose 5.6% quarter-on-quarter to RM31.99 million for the second quarter ended June 30, 2025 (2QFY2025), compared to RM30.93 million in the previous quarter. The increase was driven by higher rental income, underpinned by improved occupancy rates, successful tenancy remixing, and continued cost optimisation efforts.

	Year-To-Date ("YTD") Cumulative Quarter ended		
	30.06.2025 RM'000	30.06.2024 RM'000	Variance %
Total Revenue	62,919	64,963	-3.2
Net Property Income ("NPI")	30,863	35,095	-12.06
Net Realised Income	8,822	13,516	-34.7

Included in the preceding year-to-date (YTD) period ended 30 June 2024 was an additional RM4.0 million revenue from the REIT's education asset to reflect the effective lease commencement date pursuant to the completion of the acquisition, and the revenue recognisable therefrom as per the Master Lease Agreement with the Lessee.

Despite the absence of this one-off revenue, the REIT's current YTD performance for the period ended 30 June 2025 remains encouraging, particularly despite sustained cost pressures. However, net realised income for the current quarter was impacted by:

- A lower one-off other income of RM0.82 million recorded in the preceding YTD; and
- An increase in finance costs of RM0.45 million due to additional borrowings drawn down.

B2 PROSPECTS

The rapidly evolving landscape of global trade tariffs is anticipated to weigh on the broader economic outlook for the remainder of the year. In light of the escalating global trade tensions and heightened policy uncertainties, the Manager remains cautiously optimistic on domestic consumption which consensus expects to remain resilient though growing at a slower pace. Bank Negara Malaysia's decision to lower the Overnight Policy Rate is a welcome move that will encourage more retail spending and cushion the impact that may rise following the recently expanded SST scope.

For Hektar REIT, several asset enhancement and tenancy remixing initiatives undertaken to date have been showing positive results through higher occupancy levels and positive rental reversions. To deliver steady and sustainable distributions to unitholders, the Manager will continue to amplify its assets repositioning effort and implement cost optimisation strategies. Concurrently, the Manager will advance its agenda of building a well-diversified and resilient asset portfolio by acquiring yield-accretive properties with long-term leases which will significantly strengthen its Net Property Income.

B3 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B4 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 on property related income as Hektar REIT intends to distribute at least 90% of the distributable income to unitholders for the year ending 31 December 2025.

B5 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the quarter.

B6 QUOTED INVESTMENTS

There were no purchases or disposal of quoted investments during the quarter.

B7 CORPORATE PROPOSAL AND DEVELOPMENTS

There were no corporate proposals announced and pending completion as at the date of this report other than those disclosed below and in section A10 above:-

- a) MTrustee Berhad, being the trustee of Hektar REIT had on 24 June 2025 entered into a conditional Sale and Purchase of Shares Agreement with Darul Modal Sdn Bhd and Wan Realty Sdn Bhd for the proposed acquisition of 90% equity stake of Terramark Sdn Bhd ("Proposed Acquisition") at the purchase consideration of RM26 million.
- b) On 19 February 2025, MTrustee Berhad entered into a conditional Sale and Purchase Agreement with Microlead Precision Technology for the proposed acquisition of two (2) blocks of single-storey factory annexed with double-storey offices and one (1) block of three-story production area and office building located at Bayan Lepas, Penang, erected on a leasehold land held under title No. PN 5908, Lot 14840, Mukim 12, District of Barat Daya, Penang at the purchase consideration of RM30 million. Concurrently, a Master Lease Agreement was signed for a period of 15 years with option to renew for an additional term.

B8 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM604,600,000 are secured and comprise the following:

- Current borrowings of RM19,200,000; and
- Non-current borrowings of RM585,400,000

B9 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off-balance sheet financial instruments as at the date of reporting.

B10 MATERIAL LITIGATION

The Board is not aware of any pending material litigation as at the date of this quarterly Financial Report other than that disclosed below:

- i) 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) (Civil Appeal No. JB-12BNCVC-10-07/2020; JB-12BNCVC-11-7/2020; and JB-12BNCVC-12-7/2020).

Following our earlier announcements, on 9 July 2025, during the case management for the appeal to the Court of Appeal against the High Court's decision on 10 January 2025, the Court of Appeal fixed the appeal for further case management on 11 August 2025 pending the grounds of judgment to be issued by the High Court.

On 11 August 2025, during the case management, the Respondent's solicitors informed the Court of Appeal that they had filed an application to discharge themselves from representing the Respondent in the appeals. The application to discharge is fixed for hearing on 12 September 2025. In the meantime, the Court of Appeal fixed the appeal for further case management on 23 September 2025.

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

- ii) 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)

Following our earlier update, on 25 June 2025, the High Court dismissed the Plaintiff's claim against Hektar REIT and Hektar Property Services Sdn Bhd (collectively "the Defendants") for an alleged trespass and awarded cost of RM50,000 to the Defendants. The High Court Judge found that the Plaintiff failed to prove its case against the Defendants for an alleged trespass based on a balance of probabilities and agreed with all the arguments raised by the Defendants. The High Court also allowed the Defendants' counter claim for the following declarations with cost of RM10,000 to the Defendants:-

- (a) that the Defendants or any part of the Property, the building or the loading bay and/or the traffic path do not encroach onto the property allegedly owned by the Plaintiff;
- (b) that the Plaintiff is estopped from bringing this action against the Defendants; and
- (c) that this action brought by the Plaintiff is an abuse of the process of the Court.

Subsequently, the Plaintiff has, on 22 July 2025, filed a notice of appeal to the Court of Appeal to appeal against the High Court's decision to dismiss the Plaintiff's claim. The appeal is now fixed for case management on 21 October 2025.

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.

B11 SOFT COMMISSION

For the quarter ended 30 June 2025, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B12 INCOME DISTRIBUTION

- i) Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to the unitholders will be subject to tax based on a withholding tax mechanism at the following rates:

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%

Subject to the financial performance of the REIT, the Manager intends to make distributions to the unitholders of Hektar REIT on a semi-annual basis for each six-month period ending 30 June and 31 December each year, unless otherwise determined and/or varied by the Manager at its sole discretion. The Manager intends to distribute at least 90% of Hektar REIT's distributable income for the financial year ending 31 December 2025.

B13 DISTRIBUTABLE INCOME AND EARNINGS PER UNIT

	CUMULATIVE QUARTER	
	Current YTD 30.06.2025 RM	Preceding YTD 30.06.2024 RM
Net property income	30,863,133	35,095,091
Income from Fund Placement	53,956	870,313
Other income	580,977	353,908
Reversal gain/(impairment loss) on trade receivables	(495,339)	(159,232)
Trust expenses	(7,045,545)	(7,956,401)
Finance Expenses	(15,135,584)	(14,688,179)
Income before Taxation	8,821,599	13,515,500
Taxation	-	-
Realized Income	8,821,599	13,515,500
Distribution	-	-
Undistributed realized income	8,821,599	13,515,500
Weighted average number of units	709,286,684	621,101,036
Realised/ Earnings per unit (sen)	1.24	2.18

B14 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of Hektar REIT as at 30 June 2025 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of the Manager on 21 August 2025.

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

21 August 2025