

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

|   | As at<br>30.06.2014<br>RM<br>(Unaudited) | As at<br>31.12.2013<br>RM<br>(Audited) |
|---|--|--|
| <b><u>NON-CURRENT ASSETS</u></b>                |  |  |
| Investment properties                           | 1,047,280,000                            | 1,047,280,000                          |
| Capital work in progress                        | 14,157,544                               | 1,740,014                              |
| Fixed deposits with a licensed bank             | 4,286,276                                | 4,227,470                              |
|   | 1,065,723,820                            | 1,053,247,484                          |
| <b><u>CURRENT ASSETS</u></b>                    |  |  |
| Trade receivables                               | 2,868,285                                | 3,077,180                              |
| Other receivables, deposits and prepayments     | 4,354,769                                | 5,494,566                              |
| Cash and bank balances                          | 20,965,263                               | 23,283,679                             |
|   | 28,188,317                               | 31,855,425                             |
| <b>TOTAL ASSETS</b>                             | 1,093,912,137                            | 1,085,102,909                          |
| <b><u>NON-CURRENT LIABILITIES</u></b>           |  |  |
| Tenancy deposits                                | 13,939,228                               | 13,888,965                             |
| Bank borrowings                                 | 444,742,444                              | 436,100,000                            |
|   | 458,681,672                              | 449,988,965                            |
| <b><u>CURRENT LIABILITIES</u></b>               |  |  |
| Trade payables                                  | 1,732,280                                | 2,657,263                              |
| Other payables and accruals                     | 4,488,897                                | 5,045,445                              |
| Tenancy deposits                                | 14,942,857                               | 14,047,441                             |
|   | 21,164,034                               | 21,750,149                             |
| <b>TOTAL LIABILITIES</b>                        | 479,845,706                              | 471,739,114                            |
| <b>NET ASSET VALUE</b>                          | 614,066,431                              | 613,363,795                            |
| <b><u>FINANCED BY:</u></b>                      |  |  |
| Unitholders' capital                            | 425,738,255                              | 425,738,255                            |
| Undistributed income – realised                 | 39,878,296                               | 39,175,660                             |
| – unrealised                                    | 148,449,880                              | 148,449,880                            |
| <b>TOTAL UNITHOLDERS' FUND</b>                  | 614,066,431                              | 613,363,795                            |
| <b>NET ASSET VALUE PER UNIT (RM)</b>            |  |  |
| -as at the date                                 | 1.5327                                   | 1.5310                                 |
| -before distribution for the cumulative quarter | 1.5857                                   | 1.6360                                 |
| <b>NUMBER OF UNITS IN CIRCULATION</b>           | 400,634,117                              | 400,634,117                            |

Note: tenancy deposit includes RM1,875,889 (2013: RM1,846,604) 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 2013 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 30 JUNE 2014 (UNAUDITED)

|   | INDIVIDUAL QUARTER                          |   | CUMULATIVE QUARTER                 |                                     |
|---|---|---|------------------------------------|-------------------------------------|
|   | Current Year<br>Quarter<br>30.06.2014<br>RM | Preceding Year<br>Corresponding<br>Quarter<br>30.6.2013<br>RM | Current<br>YTD<br>30.06.2014<br>RM | Preceding<br>YTD<br>30.6.2013<br>RM |
| Revenue                                 | 30,193,912                                  | 29,657,301  | 60,371,357                         | 59,735,276                          |
| Property operating<br>expenses          | (11,575,132)                                | (11,797,379)  | (24,149,231)                       | (23,500,635)                        |
| <b>Net property income</b>              | <b>18,618,780</b>                           | <b>17,859,922</b>   | <b>36,222,126</b>                  | <b>36,234,641</b>                   |
| Interest income                         | 58,764                                      | 61,648  | 121,442                            | 129,917                             |
| Other income                            | 3,657                                       | 37,334  | 14,745                             | 48,246                              |
| Trust expenses                          | (2,365,208)                                 | (2,405,467)   | (4,819,633)                        | (5,096,358)                         |
| Borrowing costs                         | (4,838,679)                                 | (4,740,089)   | (9,602,436)                        | (9,443,009)                         |
| <b>Income before<br/>taxation</b>       | <b>11,477,314</b>                           | <b>10,813,348</b>   | <b>21,936,244</b>                  | <b>21,873,437</b>                   |
| Taxation                                | -   | -   | -                                  | -                                   |
| <b>Net income</b>                       | <b>11,477,314</b>                           | <b>10,813,348</b>   | <b>21,936,244</b>                  | <b>21,873,437</b>                   |
| Other comprehensive<br>income after tax | -   | -   | -                                  | -                                   |
| <b>Total comprehensive<br/>income</b>   | <b>11,477,314</b>                           | <b>10,813,348</b>   | <b>21,936,244</b>                  | <b>21,873,437</b>                   |
| Earnings per unit (sen)                 | 2.86  | 2.70  | 5.48                               | 5.46                                |

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 2013 and the accompanying explanatory notes attached.

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2014 (UNAUDITED)

|  | <b>Unitholders'<br/>Capital<br/>RM</b> | <b>Undistributed income</b> |                          | <b>Unitholders'<br/>Fund<br/>RM</b> |
|--|--|-----------------------------|--------------------------|-------------------------------------|
|  |  | <b>Realised<br/>RM</b>      | <b>Unrealised<br/>RM</b> |                                     |
| <u>Balance at 1 January 2014</u>                                   | 425,738,255                            | 39,175,660                  | 148,449,880              | 613,363,795                         |
| <u>Operation for the cumulative<br/>quarter ended 30 June 2014</u> |  |                             |                          |                                     |
| Total comprehensive income for<br>the financial year               | -                                      | 21,936,244                  | -                        | 21,936,244                          |
| <u>Unitholders' transaction</u>                                    |  |                             |                          |                                     |
| Distribution to unitholders  |  | (21,233,608)                |                          | (21,233,608)                        |
| Balance at 30 June 2014  | <u>425,738,255</u>                     | <u>39,878,296</u>           | <u>148,449,880</u>       | <u>614,066,431</u>                  |

### CUMULATIVE QUARTER ENDED 31 DECEMBER 2013 (AUDITED)

|  | <b>Unitholders'<br/>Capital<br/>RM</b> | <b>Undistributed income</b> |                          | <b>Unitholders'<br/>Fund<br/>RM</b> |
|--|--|-----------------------------|--------------------------|-------------------------------------|
|  |  | <b>Realised<br/>RM</b>      | <b>Unrealised<br/>RM</b> |                                     |
| <u>Balance at 1 January 2013</u>                                       | 425,738,255                            | 35,108,545                  | 135,817,586              | 596,664,386                         |
| <u>Operation for the cumulative<br/>quarter ended 31 December 2013</u> |  |                             |                          |                                     |
| Total comprehensive income for<br>the financial year                   | -                                      | 46,133,697                  | 12,632,294               | 58,765,991                          |
| <u>Unitholders' transaction</u>  |  |                             |                          |                                     |
| Distribution to unitholders  | -                                      | (42,066,582)                | -                        | (42,066,582)                        |
| Balance at 31 December 2013  | <u>425,738,255</u>                     | <u>39,175,660</u>           | <u>148,449,880</u>       | <u>613,363,795</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 2013 and the accompanying explanatory notes.

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2014

|   | <b>Current<br/>YTD<br/>30.06.2014<br/>RM</b> | <b>Preceding<br/>YTD<br/>3.06.2013<br/>RM</b> |
|---|--|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                    |  |   |
| Income before taxation  | 21,936,244                                   | 21,873,437                                    |
| Adjustments for :-  |  |   |
| Interest income   | (121,442)                                    | (129,917)                                     |
| Interest expense  | 9,602,436                                    | 9,443,009                                     |
| Rental under MFRS 117   | 171,342                                      | 54,365  |
| Impairment loss on trade receivables  | 179,479                                      | 105,000                                       |
| Operating profit before working capital changes :-                            | <u>31,768,059</u>                            | <u>31,345,894</u>                             |
| Change in working capital :-  |  |   |
| Receivables   | (479,290)                                    | 999,693                                       |
| Payables  | 941,309                                      | (248,183)                                     |
| Net cash from operating activities  | <u>32,230,078</u>                            | <u>32,097,404</u>                             |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |  |   |
| Purchase of investment properties   |  | -   |
| Expenditure for refurbishment and enhancement of investment property incurred | (12,417,530)                                 | (2,544,291)                                   |
| Interest income   | 121,442                                      | 129,917                                       |
| Placement of fixed deposits   | (58,806)                                     | (56,594)                                      |
| Net cash used in investing activities   | <u>(12,354,894)</u>                          | <u>(2,470,968)</u>                            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                    |  |   |
| Interest expense  | (9,602,436)                                  | (9,443,009)                                   |
| Borrowings  | 8,642,444                                    | -   |
| Distribution to Unitholders   | (21,233,608)                                 | (21,233,608)                                  |
| Net cash used in financing activities   | <u>(22,193,600)</u>                          | <u>(30,676,617)</u>                           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                              | <u>(2,318,416)</u>                           | <u>(1,050,181)</u>                            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                       | <u>23,283,679</u>                            | <u>26,127,087</u>                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                             | <u>20,965,263</u>                            | <u>25,076,906</u>                             |

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached.

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2014 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 Part K 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 2013 in their report dated 12 February 2014.

#### 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 30 June 2014, there will be a Second Income Distribution of 2.6 sen per unit, amounting to RM10,416,487 to be made on 17 September 2014.

#### 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 were last valued as follows:

1. Subang Parade, Mahkota Parade and Wetex Parade on 1 December 2013
2. Central Square and Landmark Central on 3 December 2013.

**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. Meanwhile, gross turnover rental is recognised as income in the accounting period on a receipt basis.

**A14 TENANCY DEPOSITS (MFRS 139)**

Included in the tenancy deposit received from tenants is RM1,875,889 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 expenditure in respect of the following has not been provided for in the financial statement: -

Authorised and contracted for:-  
Refurbishment of investment properties

**RM**  
18,173,496

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### 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 30 June 2014, Hektar REIT generated total revenue of RM60,507,544 including interest and other income.

Revenue is higher than the preceding quarter's corresponding period by 2%.

Property operating expenses increased by 3% to RM24,149,231.

#### B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

|                        | Current<br>Quarter<br>Ended<br>30.06.2014<br>RM | Preceding<br>Quarter<br>Ended<br>30.06.2013<br>RM |
|------------------------|---|---|
| Income before tax (RM) | 11,477,314                                      | 10,813,348  |

The second quarter's net income of RM11,477,314 is 6% higher than the previous corresponding period of 2013.

#### B3 PROSPECTS

Our malls continue to enjoy high occupancy rates. Central Square shopping centre in Sungai Petani, Kedah is currently undergoing an asset enhancement exercise which is expected to complete by 2015. Earnings are expected to remain stable.

#### 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 2014.

**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 Sold Lot

In the second quarter of 2014, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into the following transactions:-

i) a Sale & Purchase Agreement to acquire Lot G06 at Mahkota Parade Shopping Centre for the purchase price of RM 2,235,200.00; and

ii) a Sale & Purchase Agreement to acquire Lot GF41 at Central Square Shopping Centre for the purchase price of RM215,000.

The lots being acquired are amongst the individual lots which were previously sold to individual purchasers prior to the acquisitions of Mahkota Parade Shopping Centre and Central Square Shopping Centre by Hektar REIT.

**B9 BORROWINGS AND DEBT SECURITIES**

The total borrowings of RM444,742,444 are long term and secured.

**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**

There was no material litigation as at date of reporting.

**B13 SOFT COMMISSION**

For the quarter ended 30 June 2014, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.



## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### B14 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a second income distribution of 2.6 sen per unit, amounting to RM10,416,487 for the Second Quarter ended 30 June 2014. The withholding tax rate imposed on the recipients of income distribution is as follows:

|                                    |                        |
|------------------------------------|------------------------|
| Resident individuals               | Withholding tax at 10% |
| Non-resident individuals           | Withholding tax at 10% |
| Foreign institutional investors    | Withholding tax at 10% |
| Others – Resident and non-resident | Withholding tax at 10% |
| Resident companies                 | Corporate tax at 25%   |
|                                    | (No withholding tax)   |
| Non-resident companies             | Withholding tax at 25% |

### B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

|                                   | Current<br>Quarter Ended<br>30.6.2014 | Preceding Quarter<br>Ended<br>30.6.2013 |
|-----------------------------------|---------------------------------------|---|
| Income before tax                 | 11,477,314                            | 10,813,348                              |
| Provision for income distribution | 10,416,487                            | 10,416,487                              |
| Number of units in issue          | 400,634,117                           | 400,634,117                             |
| Basic earning per unit (sen)      | 2.86                                  | 2.70                                    |
| Distribution per unit (sen)       | 2.60                                  | 2.60                                    |

### 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 2014 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 14 August 2014.

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  
14 August 2014