

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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

	As at 30.09.2014 RM (Unaudited)	As at 31.12.2013 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment properties	1,047,280,000	1,047,280,000
Capital work in progress	22,585,646	1,740,014
Fixed deposits with a licensed bank	4,294,067	4,227,470
	1,074,159,713	1,053,247,484
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	2,828,878	3,077,180
Other receivables, deposits and prepayments	4,767,054	5,494,566
Cash and bank balances	18,468,859	23,283,679
	26,064,791	31,855,425
<b>TOTAL ASSETS</b>	1,100,224,504	1,085,102,909
<b><u>NON-CURRENT LIABILITIES</u></b>		
Tenancy deposits	14,793,716	13,888,965
Bank borrowings	451,844,328	436,100,000
	466,638,044	449,988,965
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	926,785	2,657,263
Other payables and accruals	4,034,553	5,045,445
Tenancy deposits	14,100,081	14,047,441
	19,061,419	21,750,149
<b>TOTAL LIABILITIES</b>	485,699,463	471,739,114
<b>NET ASSET VALUE</b>	614,525,041	613,363,795
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	40,336,906	39,175,660
– unrealised	148,449,880	148,449,880
<b>TOTAL UNITHOLDERS' FUND</b>	614,525,041	613,363,795
<b>NET ASSET VALUE PER UNIT (RM)</b>		
-as at the date	1.5339	1.5310
-before distribution for the cumulative quarter	1.6129	1.6360
<b>NUMBER OF UNITS IN CIRCULATION</b>	400,634,117	400,634,117

Note: tenancy deposit includes RM2,027,230 (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 SEPTEMBER 2014 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2014 RM	Preceding Year Corresponding Quarter 30.9.2013 RM	Current YTD 30.09.2014 RM	Preceding YTD 30.9.2013 RM
Revenue	30,791,892	30,068,165	91,163,250	89,803,441
Property operating expenses	(12,595,123)	(12,235,998)	(36,744,355)	(35,736,633)
<b>Net property income</b>	<b>18,196,769</b>	<b>17,832,167</b>	<b>54,418,895</b>	<b>54,066,808</b>
Interest income	69,917	78,494	191,363	208,411
Other income	12,637	154,560	27,380	202,808
Trust expenses	(2,469,678)	(2,227,042)	(7,289,312)	(7,323,402)
Borrowing costs	(4,934,549)	(4,729,966)	(14,536,985)	(14,172,976)
<b>Income before taxation</b>	<b>10,875,096</b>	<b>11,108,213</b>	<b>32,811,341</b>	<b>32,981,649</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>10,875,096</b>	<b>11,108,213</b>	<b>32,811,341</b>	<b>32,981,649</b>
Other comprehensive income after tax	-	-	-	-
<b>Total comprehensive income</b>	<b>10,875,096</b>	<b>11,108,213</b>	<b>32,811,341</b>	<b>32,981,649</b>
Earnings per unit (sen)	2.71	2.77	8.19	8.23

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 SEPTEMBER 2014 (UNAUDITED)

	<b>Unitholders' Capital RM</b>	<b>Undistributed income</b>		<b>Unitholders' Fund RM</b>
		<b>Realised RM</b>	<b>Unrealised 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 quarter ended 30 September 2014</u>				
Total comprehensive income for the financial year	-	32,811,341	-	32,811,341
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(31,650,095)	-	(31,650,095)
Balance at 30 September 2014	<u>425,738,255</u>	<u>40,336,906</u>	<u>148,449,880</u>	<u>614,525,041</u>

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

	<b>Unitholders' Capital RM</b>	<b>Undistributed income</b>		<b>Unitholders' Fund RM</b>
		<b>Realised RM</b>	<b>Unrealised 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 quarter ended 31 December 2013</u>				
Total comprehensive income for 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 SEPTEMBER 2014

	<b>Current YTD 30.09.2014 RM</b>	<b>Preceding YTD 30.09.2013 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	32,811,341	32,981,649
Adjustments for :-		
Interest income	(191,363)	(208,411)
Interest expense	14,536,985	14,172,976
Rental under MFRS 117	226,079	160,286
Impairment loss on trade receivables	335,099	182,336
Reversal of impairment loss	(14,721)	(208,500)
Operating profit before working capital changes :-	<u>47,703,420</u>	<u>47,080,336</u>
Change in working capital :-		
Receivables	(941,199)	95,521
Payables	(413,423)	1,090,911
Net cash from operating activities	<u>46,348,798</u>	<u>48,266,768</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Expenditure for refurbishment and enhancement of investment property incurred	(20,845,632)	(3,404,745)
Interest income	191,363	208,411
Placement of fixed deposits	(66,597)	(73,793)
Net cash used in investing activities	<u>(20,720,866)</u>	<u>(3,270,127)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest expense	(14,536,985)	(14,172,976)
Borrowings	15,744,328	-
Distribution to Unitholders	(31,650,095)	(31,650,095)
Net cash used in financing activities	<u>(30,442,752)</u>	<u>(45,823,071)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,814,820)	(826,430)
<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>18,468,859</u>	<u>25,300,657</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 SEPTEMBER 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 September 2014, there will be a Third Income Distribution of 2.6 sen per unit, amounting to RM10,416,487 to be made on 12 December 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 RM2,027,230 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**  
18,754,355

## 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 September 2014, Hektar REIT generated total revenue of RM91,381,993 including interest and other income.

Revenue is higher than the preceding quarter's corresponding period by 1.5%.

Property operating expenses increased by 3% to RM36,744,355.

#### B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current Quarter Ended 30.09.2014 RM</b>	<b>Preceding Quarter Ended 30.09.2013 RM</b>
<b>Income before tax (RM)</b>	<b>10,875,096</b>	<b>11,108,213</b>

The third quarter's net income of RM10,875,096 is 2% lower 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 be fully completed by the first quarter of 2015.

#### 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 third quarter of 2014, save for the acquisition of Lot G06 at Mahkota Parade Shopping Centre which was announced in the second quarter, there has been no new acquisition of sold lots by Hektar REIT. Notwithstanding, discussion with several sold lot individual owners within Hektar REIT's portfolio of shopping malls are currently ongoing and the Manager will make the relevant announcements once the parties have agreed to terms and entered into the formal Sale & Purchase Agreements.

Meanwhile, the acquisition of Lot GF-41 at Central Square Shopping Centre which was announced on 14 August 2014 was completed on 1 October 2014. The acquisition of Lot G06 at Mahkota Parade Shopping Centre is currently still ongoing and is expected to be completed in the fourth quarter of 2014. The lots acquired and to be acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Central Square Shopping Centre and Mahkota Parade Shopping Centre by Hektar REIT.

**B9 BORROWINGS AND DEBT SECURITIES**

The total borrowings of RM451,844,328 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 September 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 third income distribution of 2.6 sen per unit, amounting to RM10,416,487 for the Third Quarter ended 30 September 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 Quarter Ended 30.9.2014	Preceding Quarter Ended 30.9.2013
Income before tax	10,875,096	11,108,213
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)	2.71	2.77
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 September 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 7 November 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

7 November 2014