

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	As at 31.12.2014 RM (Unaudited)	As at 31.12.2013 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment properties	1,060,732,000	1,047,280,000
Capital work in progress	21,678,945	1,740,014
Fixed deposits with a licensed bank	4,408,367	4,227,470
	1,086,819,312	1,053,247,484
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	2,883,584	3,077,180
Other receivables, deposits and prepayments	5,604,023	5,494,566
Cash and bank balances	14,739,242	23,283,679
	23,226,849	31,855,425
<b>TOTAL ASSETS</b>	1,110,046,161	1,085,102,909
<b><u>NON-CURRENT LIABILITIES</u></b>		
Tenancy deposits	14,073,995	13,888,965
Bank borrowings	453,876,328	436,100,000
	467,950,323	449,988,965
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	384,358	2,657,263
Other payables and accruals	5,054,046	5,045,445
Tenancy deposits	14,973,259	14,047,441
	20,411,663	21,750,149
<b>TOTAL LIABILITIES</b>	488,361,986	471,739,114
<b>NET ASSET VALUE</b>	621,684,175	613,363,795
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	41,369,917	39,175,660
– unrealised	154,576,003	148,449,880
<b>TOTAL UNITHOLDERS' FUND</b>	621,684,175	613,363,795
<b><u>NET ASSET VALUE PER UNIT (RM)</u></b>		
-as at the date	1.5518	1.5310
-before distribution for the cumulative quarter	1.6568	1.6360
<b>NUMBER OF UNITS IN CIRCULATION</b>	400,634,117	400,634,117

Note: tenancy deposit includes RM1,898,262 (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 31 DECEMBER 2014 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM	Preceding Year Corresponding Quarter 31.12.2013 RM	Current YTD 31.12.2014 RM	Preceding YTD 31.12.2013 RM
Revenue	30,827,813	30,431,224	121,991,064	120,234,665
Property operating expenses	(11,969,796)	(10,383,504)	(48,714,152)	(46,120,135)
<b>Net property income</b>	<b>18,858,017</b>	<b>20,047,720</b>	<b>73,276,912</b>	<b>74,114,530</b>
Interest income	127,040	74,469	318,400	282,879
Other income	56,757	150,190	84,137	561,490
Trust expenses	(2,515,943)	(2,365,196)	(9,805,255)	(9,897,094)
Borrowing costs	(5,076,371)	(4,755,132)	(19,613,355)	(18,928,108)
<b>Realised income before taxation</b>	<b>11,449,500</b>	<b>13,152,051</b>	<b>44,260,839</b>	<b>46,133,697</b>
Fair value adjustment of investment properties	6,126,123	12,632,294	6,126,123	12,632,294
<b>Income before taxation</b>	<b>17,575,623</b>	<b>25,784,345</b>	<b>50,386,962</b>	<b>58,765,991</b>
Taxation				
<b>Net income</b>	<b>17,575,623</b>	<b>25,784,345</b>	<b>50,386,962</b>	<b>58,765,991</b>
Other comprehensive income after tax	-	-	-	-
<b>Total comprehensive income</b>	<b>17,575,623</b>	<b>25,784,345</b>	<b>50,386,962</b>	<b>58,765,991</b>
Earnings per unit (sen)	4.39	6.44	12.58	14.67
- realised (sen)	2.86	3.28	11.05	11.52

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 31 DECEMBER 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 31 December 2014</u>				
Total comprehensive income for the financial year	-	44,260,839	6,126,123	50,386,962
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2014	<u>425,738,255</u>	<u>41,369,917</u>	<u>154,576,003</u>	<u>621,684,175</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 31 DECEMBER 2014

	<b>Current YTD 31.12.2014 RM</b>	<b>Preceding YTD 31.12.2013 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	50,386,962	58,765,991
Adjustments for :-		
Interest income	(318,400)	(282,879)
Interest expense	19,613,355	18,928,108
Rental under MFRS 117	217,252	153,662
Impairment loss on trade receivables	388,394	185,430
Bad debt written off	17,209	127,722
Reversal of impairment loss on trade receivables	(69,365)	(323,814)
Bad debt recovered	-	(96,696)
Fair value adjustment	(6,126,123)	(12,632,294)
Operating profit before working capital changes	<u>64,109,284</u>	<u>64,825,230</u>
Change in working capital :-		
Receivables	(469,351)	(2,053,539)
Payables	(1,153,456)	2,136,041
Net cash from operating activities	<u>62,486,477</u>	<u>64,907,732</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investment properties	(2,676,008)	(2,233,081)
Expenditure for refurbishment and enhancement of investment property incurred	(24,588,800)	(4,651,201)
Interest income	318,400	282,879
Placement of fixed deposits	(180,897)	(155,047)
Net cash used in investing activities	<u>(27,127,305)</u>	<u>(6,756,450)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest expense	(19,613,355)	(18,928,108)
Distribution to Unitholders	(42,066,582)	(42,066,582)
Borrowings	17,776,328	-
Net cash (used in)/from financing activities	<u>(43,903,609)</u>	<u>(60,994,690)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(8,544,437)	(2,843,408)
<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>14,739,242</u>	<u>23,283,679</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 31 DECEMBER 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 2014 in their report dated 13 February 2015.

#### 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 31 December 2014, there will be a Final Income Distribution of 2.7 sen per unit, amounting to RM10,817,121 to be made on 20 March 2015.

#### 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 on 30 September 2014.

**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 RM1,898,262 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**  
20,258,255

## 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 year ended 31 December 2014, Hektar REIT generated total revenue of RM122,393,601 including interest and other income.

Revenue is higher than the preceding year by 1.5%. However, property operating expenses increased by 5.6% to RM48.7 million compared to the preceding year. This is mainly due to the electricity tariff hike increase of 17% which took effect on 1 January 2014.

#### B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current Quarter Ended 31.12.2014 RM</b>	<b>Preceding Quarter Ended 31.12.2013 RM</b>
<b>Income before tax (RM)</b>	<b>17,575,623</b>	<b>25,784,345</b>
- Realised income before tax (RM)	11,449,500	13,152,051

The individual fourth quarter's realised net income of RM11,449,500 is 13% lower than the previous corresponding period of 2013. The decrease in net income is mainly due to:

1. Electricity tariff hike of 17%.
2. Interest cost increase arising from:
  - a. interest rate hike by Bank Negara Malaysia in July 2014 amounting to 25 basis points
  - b. loan drawdown for the Asset Enhancement Initiative (AEI).

#### B3 PROSPECTS

The retail environment in 2015 is expected to remain challenging and together with inflationary pressures may impact on Hektar REIT's earnings. However, the Asset Enhancement Initiatives (AEI) at Central Square is expected to fully complete towards the second quarter of 2015 and this is expected to improve revenue.

#### 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 fourth quarter of 2014, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement to acquire Lot G76 at Mahkota Parade Shopping Centre for the purchase price of RM 2,720,000.00. In addition, 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 G06 at Mahkota Parade Shopping Centre which was announced in the second quarter of 2014 was completed on 15 December 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 Mahkota Parade Shopping Centre by Hektar REIT.

**Government Land Acquisition**

Further to the announcement dated 6 May 2014, the Manager has on 29 January 2015, received payment for the sum of RM282,332.00 from the Ministry of Transport Malaysia, being the additional compensation sum and other charges awarded by the High Court in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor. The additional compensation sum received however is exclusive of interest charges which has been awarded by the High Court via a Court Order dated 29 September 2011 and the Manager will be pursuing the matter with the Ministry of Transport Malaysia. The Manager will make further announcement once the interest charges is received.

**B9 BORROWINGS AND DEBT SECURITIES**

The total borrowings of RM453,876,328 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 31 December 2014, 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 Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a final income distribution of 2.7 sen per unit, amounting to RM10,817,122 for the Final Quarter ended 31 December 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

	<b>Current Quarter Ended 31.12.2014</b>	<b>Preceding Quarter Ended 31.12.2013</b>
Income before tax (RM)	17,575,623	25,784,345
Provision for income distribution (RM)	10,817,121	10,817,121
Number of units in issue	400,634,117	400,634,117
Basic earnings per unit (sen)		
- total	4.39	6.44
- realised	2.86	3.28
Distribution per unit (sen)	2.70	2.70

**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 December 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 13 February 2015.

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

13 February 2015