

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	As at 31.12.2017 RM (Unaudited)	As at 31.12.2016 RM (Restated) Audited
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,194,568,739	1,092,450,000
Plant & Equipment	94,478	-
Capital work in progress	15,359,195	162,080
Fixed deposits with a licensed bank	1,328,404	665,369
	<u>1,211,350,816</u>	<u>1,093,277,449</u>
<u>CURRENT ASSETS</u>		
Trade receivables	11,558,842	5,750,826
Other receivables, deposits and prepayments	7,351,905	18,274,225
Cash and bank balances	22,095,767	14,560,249
	<u>41,006,514</u>	<u>38,585,300</u>
TOTAL ASSETS	<u>1,252,357,330</u>	<u>1,131,862,749</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	13,825,129	14,219,256
Bank borrowings	542,057,483	493,200,372
Derivative financial instrument	265,527	814,013
	<u>556,148,139</u>	<u>508,233,641</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	2,524,140	937,729
Other payables and accruals	9,760,091	6,650,164
Tenancy deposits	20,056,032	15,573,045
Bank borrowings	15,000,000	15,000,000
	<u>47,340,263</u>	<u>38,160,938</u>
TOTAL LIABILITIES	<u>603,488,402</u>	<u>546,394,579</u>
NET ASSET VALUE	<u>648,868,928</u>	<u>585,468,170</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	425,738,255
Undistributed income – realised	47,552,934	43,476,386
– unrealised	108,815,545	116,253,529
TOTAL UNITHOLDERS' FUND	<u>648,868,928</u>	<u>585,468,170</u>
NET ASSET VALUE PER UNIT (RM)		
-as at the date	1.4046	1.4614
-before distribution for the cumulative quarter	1.4827	1.5664
NUMBER OF UNITS IN CIRCULATION	461,960,178	400,634,117

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current	Preceding
	Quarter	Corresponding	YTD	YTD
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM	RM	RM	RM
Revenue	33,440,787	31,167,083	125,542,820	124,570,904
Property operating expenses	(12,528,097)	(12,437,672)	(51,805,268)	(50,235,768)
Net property income	20,912,690	18,729,411	73,737,552	74,335,136
Interest income	78,312	92,995	304,964	318,276
Other income	18,086	4,086	149,980	26,721
Trust expenses	(2,904,949)	(2,482,039)	(10,892,433)	(9,918,112)
Borrowing costs	(6,283,972)	(5,948,206)	(23,166,443)	(23,215,709)
Realised income before taxation	11,820,167	10,396,247	40,133,620	41,546,312
Change in fair value of investment properties	-	2,425,526	(7,986,471)	2,425,526
Change in fair value of derivative financial instrument	262,512	(814,013)	548,486	(814,013)
Income before taxation	12,082,679	12,007,760	32,695,635	43,157,825
Taxation	-	-	-	-
Net income	12,082,679	12,007,760	32,695,635	43,157,825
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	12,082,679	12,007,760	32,695,635	43,157,825
Earnings per unit (sen)	2.62 ^a	2.93 ^c	7.82 ^b	10.53 ^c
- realised (sen)	2.56 ^a	2.54 ^c	9.60 ^b	10.14 ^c
- unrealised (sen)	0.06 ^a	0.39 ^c	(1.78) ^b	0.39 ^c

Note: a. Earnings per unit for the current quarter ended 31 December 2017 was calculated based on 461,960,178 units

b. Earnings per unit for the cumulative quarter ended 31 December 2017 was calculated based on a weighted average of 418,009,834 units

c. Earnings per unit for the preceding quarter and cumulative preceding year to date is based on 409,808,944 units after taking into consideration the bonus element in respect of the Rights Issue in accordance with the Malaysian Financial Reporting Standard 133

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 2016 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 DECEMBER 2017 (UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2017</u>	425,738,255	43,476,386	116,253,529	585,468,170
<u>Operation for year ended 31 December 2017</u>				
Total comprehensive income for the financial quarter	-	40,133,620	(7,437,985)	32,695,635
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(36,057,071)	-	(36,057,071)
Unitholders' capital	68,143,928	-	-	68,143,928
Unit issuance expenses	(1,381,734)	-	-	(1,381,734)
Balance at 31 December 2017	<u>492,500,449</u>	<u>47,552,935</u>	<u>108,815,544</u>	<u>648,868,928</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2016 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2016</u>	425,738,255	43,996,656	114,642,017	584,376,928
<u>Operation for the year ended 31 December 2016</u>				
Total comprehensive income for the financial year	-	41,546,312	1,611,512	43,157,824
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2016	<u>425,738,255</u>	<u>43,476,386</u>	<u>116,253,529</u>	<u>585,468,170</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 2016 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Current	Restated
	YTD	Preceding
	31.12.2017	Audited
	RM	YTD
		31.12.2016
		RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	32,695,635	43,157,824
Adjustments for :-		
Interest income	(304,964)	(318,276)
Interest expense	23,166,443	23,215,709
Impairment loss on trade receivables	859,056	501,535
Reversal of impairment loss on trade receivables	(96,126)	(17,475)
Fair value change on investment properties	7,986,471	(2,425,525)
Depreciation of property, plant and equipment	5,881	-
Fair value adjustment derivative financial instruments	(548,486)	814,013
Operating profit before working capital changes	<u>63,763,910</u>	<u>64,927,805</u>
Change in working capital :-		
Receivables	4,351,374	(14,829,797)
Payables	8,785,198	(342,894)
Net cash from operating activities	<u>76,900,482</u>	<u>49,755,114</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties/Acquisition of property	(74,537,502)	(1,168,362)
Expenditure for refurbishment and enhancement of investment property incurred	(18,764,823)	(2,103,136)
Purchase of property, plant and equipment	(100,359)	-
Interest income	304,964	318,276
(Withdrawal)/Placement of fixed deposits	(663,035)	(30,553)
Net cash used in investing activities	<u>(93,760,755)</u>	<u>(2,983,775)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of rights	68,143,928	-
Expenditure in relation to issuance of rights	(1,381,734)	-
Interest expense	(23,166,443)	(23,215,709)
Distribution to Unitholders	(36,057,071)	(42,066,582)
Borrowings	16,857,111	13,985,563
Net cash used in financing activities	<u>24,395,791</u>	<u>(51,296,728)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	7,535,518	(4,525,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,560,249	19,085,638
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>22,095,767</u>	<u>14,560,249</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 DECEMBER 2017 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 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 2016 in their report dated 14 February 2017.

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 2017, there will be a Final Income Distribution for the Fourth Quarter ended 31 December 2017 together with an Income Distribution for the month of September 2017 totalling 3.30 sen per unit amounting to RM15,244,686 to be made on 15 March 2018.

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 and Kulim Central were last valued on 30 September 2017. Meanwhile, One Segamat (now known as Segamat Central) was last valued on 22 June 2017.

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 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 117)

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:-
Refurbishment of investment properties

RM
15,026,066

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 quarter ended 31 December 2017, Hektar REIT generated total revenue of RM125,997,764 including interest and other income.

Revenue is higher than the preceeding year by 0.9%. The realised net profit was lower by 3.4% due mainly to lower revenue from Subang Parade mitigated by the inclusion of Segamat Central into Hektar REIT portfolio.

Property operating expenses increased by 3.1%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2017 RM	Current Quarter Ended 31.12.2016 RM
Income before tax (RM)	12,082,679	12,007,760
- Realised income before tax (RM)	11,820,167	10,396,247
- Unrealised income before tax (RM)	262,512	1,611,513

B3 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES

During the previous financial year, Hektar REIT had acquired two (2) ordinary shares representing 100% of the issued and paid up share capital of Pure Quantum Sdn. Bhd. and Plenitude Sunlight Sdn. Bhd. respectively for total cash consideration of RM4.00 only. The purpose of acquiring these subsidiaries was to enable Hektar REIT to better manage the strata malls within the REIT's asset portfolio.

In addition, a reclassification was also made in relation to the measurement of deposits received from tenants and deferred income from an anchor tenant.

Reclassification has been made to the prior year's financial statements to enhance the comparability with the current year presentation of the Trust's financial statements.

	As previously reported RM	Reclassification RM	Adjusted RM
Statement of financial position as at 31 December 2016			
Current assets			
Other receivables, deposits and prepayments	17,220,686	1,053,539	18,274,225

B3 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES (Continued)

	As previously reported RM	Reclassification RM	Adjusted RM
Statement of financial position as at 31 December 2016 (continued)			
Current liabilities			
Other payables and accruals	<u>23,109,065</u>	<u>(885,856)</u>	<u>22,223,209</u>
Non-current liabilities			
Other payables and accruals	<u>12,279,861</u>	<u>1,939,395</u>	<u>14,219,256</u>
Statements of cash flow for the financial year ended 31 December 2016			
Trade and other receivables	(13,776,258)	(1,053,539)	(14,829,797)
Trade and other payables	<u>(1,396,433)</u>	<u>1,053,539</u>	<u>(342,894)</u>

B4 PROSPECTS

Retail business in Malaysia continues to remain challenging due to increased competition from new malls and cautious consumer spending. The acquisition of Segamat Central as well as the completion of Kulim Central's Asset Enhancement Initiative ("AEI") is expected to improve the property income.

B5 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

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

B6 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 2017.

B7 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B8 QUOTED INVESTMENTS

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

B9 CORPORATE PROPOSAL AND DEVELOPMENTS

Classic Hotel, Muar, Johor

The current 10 year lease for the Classic Hotel building granted to Wetex Realty Sdn Bhd (“Lessee”) will be expiring on 29 April 2018. Despite having an option to renew the lease for a further 5 year period, the Lessee has decided not to exercise its option to renew the lease upon expiry of the current lease period. The management of Hektar REIT has shortlisted potential hotel operators to take over the operations and business of the hotel and a decision is to be made on this in due course.

The management has also received third party proposals to acquire the hotel building and is currently exploring this option with the interested parties. Further updates will be announced in due course.

B10 BORROWINGS AND DEBT SECURITIES

Hektar REIT’s total borrowings of RM557,057,483 are secured and comprise of the following:

1. Current liability of RM15,000,000; and
2. Non-current liabilities of RM542,057,483.

B11 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B12 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B13 DERIVATIVES

As at 31 December 2017, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its short term financing. The Trust is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised profit of the derivatives had been recognised in the profit and loss:

	Fair Value	
	31 December 2017	
	<u>RM</u>	<u>Maturity</u>
5-year IPRS - derivative liability	265,527	Less than 1 year

B14 MATERIAL LITIGATION

Writ of Summons by Mahkota Parade JMB against Hektar REIT

(Guaman Sivil No: 22 NCVC-66-11)

On 21 August 2017, the Melaka High Court has decided that the Mahkota Parade JMB's claims against Hektar REIT and Hektar REIT's subsequent counterclaim against Mahkota Parade JMB be dismissed with each party to bear their own cost. Following the High Court decision, the Mahkota Parade JMB and Hektar REIT have since filed their respective appeals to the Court of Appeal on 7 September 2017 and 13 September 2017 respectively and the appeals are currently at case management stages.

Strata Management Tribunal Claim against Mahkota Parade JMB

(Tribunal Court Putrajaya Case No. TPS/M-2024-11/2016)

On 28 November 2016, Hektar REIT has filed a claim against the Mahkota Parade JMB and 8 other defendants at the Strata Management Tribunal to invalidate the previous annual general meeting held on 26 January 2016. The hearing of the claim was partially heard on 26 January 2017. On 18 April 2017, the Tribunal heard and dismissed Hektar REIT's interlocutory application to refrain the Mahkota Parade JMB and 8 other defendants from calling the 5th annual general meeting or any other annual general meeting until the disposal of Hektar REIT's claim in this case. The Tribunal also heard and dismissed the Mahkota Parade JMB's interlocutory application to strike out Hektar REIT's claim. On 8 May 2017, the JMB lawyer's interlocutory application to nullify his subpoena to appear as a witness was allowed by the Tribunal. The hearing of the 28 November 2016 claim, which was earlier fixed by the Tribunal to be held on 22 June 2016 was, at the request of the JMB's lawyer, postponed to a later date to be fixed and notified by the Tribunal. After several postponements, the Tribunal held a case management on 2 October 2017 and directed parties to file the relevant tribunal documents in preparation for the hearing.

On 13 November 2017, the hearing at the Tribunal commenced with the calling of Hektar REIT's first witness. At the end of the session, the hearing was then adjourned to be continued at a later date. The Tribunal has recently fixed 25 and 26 January 2018 for continuation of the hearing.

The management will continue to 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 Hektar REIT against Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah

(Guaman Sivil No. B53F-05-11/2017)

On 29 November 2017, Hektar REIT filed a defamation action against 4 individuals, namely Teo Lark Sye, Lee Won Fah, Lee Kim Fah and Tony Lee Kong Fah all of whom made defamatory statements against MTrustee Berhad (for Hektar REIT) which has tarnished Hektar REIT's good name, reputation and standing.

B14 MATERIAL LITIGATION (Continued)

Writ of Summons against The Store

(Guaman Sivil No: WA-22NCVC-394-07, BA-A52NCVC-45-02 and WA-24NCvC-266-02)

Hektar REIT is currently in the process of litigation with a major tenant, The Store (Malaysia) Sdn Bhd ("The Store"), regarding terms of their tenancies at three of its premises in Central Square in Sungai Petani, Kulim Central in Kulim and Wetex Parade in Muar. On 16 October 2017, the Kuala Lumpur High Court allowed The Store's application to continue their tenancies for the premises in Central Square in Sungai Petani and Kulim Central in Kulim. Hektar REIT has since filed a notice of appeal to the Court of Appeal on 27 October 2017 to appeal against the decision of the Kuala Lumpur High Court.

Meanwhile, the court case with The Store in relation to Wetex Parade is currently being litigated separately at the Shah Alam Sessions Court and the hearing dates for the case have been recently fixed for 20 and 21 March 2018.

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

Writ of Summons by Sunway Leasing Sdn Bhd against Hektar REIT

(Guaman Sivil No: WA-24NCC-13-01/2018)

On 9 January 2018, Sunway Leasing Sdn Bhd ("Sunway") has filed an originating summons against MTrustee Berhad (for Hektar REIT) at the Kuala Lumpur High Court seeking, amongst others, the following:-

- i) a declaration that Sunway, as a secured creditor based on a charge given by CYC Mega Leisure World (M) Sdn Bhd ("CYC") under debentures dated 1 August 2008 and 31 October 2008 ("Debentures"), has priority over the assets of CYC;
- ii) a declaration that assets of CYC which were seized under a Writ of Seizure on 28 November 2017 pursuant to an order from the Kulim Sessions Court (Case No. 56-2-11/2016) and the proceeds of sale from the auction of the assets were assets which were charged to Sunway under the Debentures; and
- iii) payment from the defendant amounting to USD 271,540.00 as compensation for an equivalent value of the assets seized on 28 November 2017.

The management has sought legal advice from its solicitors and will take all necessary action to fully defend Hektar REIT's rights and interest in this litigation matter and will provide further updates on the matter in due course.

B15 SOFT COMMISSION

For the quarter ended 31 December 2017, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B16 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a Final Income Distribution for the Fourth Quarter ended 31 December 2017 together with an Income Distribution for the month of September 2017 totalling 3.30 sen per unit amounting to RM15,244,686. 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%

B17 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.12.2017	Preceding Quarter Ended 31.12.2016
Income before tax (RM)	12,082,679	12,007,760
- Realised income before tax (RM)	<u>11,820,167</u>	<u>10,396,247</u>
Provision for income distribution (RM)	<u>15,244,686</u>	<u>10,817,121</u>
Number of units in issue	<u>461,960,178</u>	<u>400,634,117</u>
Basic earnings per unit (sen)	2.62	2.93 ^a
- realised (sen)	2.56	2.54 ^a
Distribution per unit (sen)	<u>3.30</u>	<u>2.70</u>
Market Price (RM)	1.30	1.56
Distribution yield (%)	<u>7.38</u>	<u>6.73</u>

Note: a. Earnings per unit for the preceding quarter is based on 409,808,944 units after taking into consideration the bonus element in respect of the Rights Issue in accordance with the Malaysian Financial Reporting Standard 133.

B18 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 2017 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 12 February 2018.

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

12 February 2018