

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	As at 31.03.2019 RM (Unaudited)	As at 31.12.2018 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,221,500,000	1,221,500,000
Plant & Equipment	205,343	140,776
Capital work in progress	8,421,225	6,128,723
Fixed deposits with a licensed bank	1,490,670	1,447,434
	<u>1,231,617,238</u>	<u>1,229,216,933</u>
<u>CURRENT ASSETS</u>		
Trade receivables	17,415,714	18,216,824
Other receivables, deposits and prepayments	8,201,216	7,504,339
Cash and bank balances	6,953,411	13,334,709
	<u>32,570,341</u>	<u>39,055,872</u>
TOTAL ASSETS	<u>1,264,187,579</u>	<u>1,268,272,805</u>
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	13,186,560	15,901,825
Bank borrowings	548,071,883	548,071,883
	<u>561,258,443</u>	<u>563,973,708</u>
<u>CURRENT LIABILITIES</u>		
Trade payables	6,968,898	5,588,271
Other payables and accruals	29,029,538	30,488,520
Tenancy deposits	18,372,393	17,906,759
Bank borrowings	15,000,000	15,000,000
	<u>69,370,829</u>	<u>68,983,550</u>
TOTAL LIABILITIES	<u>630,629,272</u>	<u>632,957,258</u>
NET ASSET VALUE	<u>633,558,307</u>	<u>635,315,547</u>
<u>FINANCED BY:</u>		
Unitholders' capital	492,500,449	492,500,449
Undistributed income – realised	41,382,387	43,139,627
– unrealised	99,675,471	99,675,471
TOTAL UNITHOLDERS' FUND	<u>633,558,307</u>	<u>635,315,547</u>
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at the date	1.3715	1.3753
-after distribution for the cumulative quarter	1.3484	1.3522
NUMBER OF UNITS IN CIRCULATION	461,960,178	461,960,178

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2019 RM	Preceding Year Corresponding Quarter 31.03.2018 RM	Current YTD 31.03.2019 RM	Preceding YTD 31.03.2018 RM
Revenue	33,349,227	33,959,652	33,349,227	33,959,652
Property operating expenses	(14,774,000)	(14,536,457)	(14,774,000)	(14,536,457)
Net property income	18,575,227	19,423,195	18,575,227	19,423,195
Interest income	201,124	92,647	201,124	92,647
Other income	112,616	-	112,616	-
Trust expenses	(3,610,479)	(2,945,352)	(3,610,479)	(2,945,352)
Borrowing costs	(6,364,448)	(6,159,607)	(6,364,448)	(6,159,607)
Realised income before taxation	8,914,040	10,410,883	8,914,040	10,410,883
Change in fair value of investment property	-	-	-	-
Change in fair value of derivative financial instrument	-	265,526	-	265,526
Income before taxation	8,914,040	10,676,409	8,914,040	10,676,409
Taxation	-	-	-	-
Net income	8,914,040	10,676,409	8,914,040	10,676,409
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	8,914,040	10,676,409	8,914,040	10,676,409
Earnings per unit (sen)	1.93	2.31	1.93	2.31
- realised (sen)	1.93	2.25	1.93	2.25
- unrealised (sen)	-	0.06	-	0.06
Number of units	461,960,178	461,960,178	461,960,178	461,960,178

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 2018 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 MARCH 2019 (UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2019</u>				
As previously reported	492,500,449	43,139,627	99,675,471	635,315,547
<u>Operation for year ended 31 March 2019</u>				
Total comprehensive income for the financial quarter	-	8,914,040	-	8,914,040
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(10,671,280)	-	(10,671,280)
Balance at 31 March 2019	<u>492,500,449</u>	<u>41,382,387</u>	<u>99,675,471</u>	<u>633,558,307</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2018 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u>		Unitholders' Fund RM
		Realised RM	Unrealised RM	
As at 1 January 2018	492,500,449	47,552,935	108,815,544	648,868,928
Effects of MFRS 9	-	(485,938)	-	(485,938)
Restated as at 1 January 2018	<u>492,500,449</u>	<u>47,066,997</u>	<u>108,815,544</u>	<u>648,382,990</u>
<u>Operation for year ended 31 December 2018</u>				
Total comprehensive income for the financial quarter	-	42,268,649	(9,140,073)	33,128,576
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(46,196,019)	-	(46,196,019)
Balance at 31 December 2018	<u>492,500,449</u>	<u>43,139,627</u>	<u>99,675,471</u>	<u>635,315,547</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 2018 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 31 MARCH 2019**

	Current YTD 31.03.2019 RM	Preceding YTD 31.12.2018 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	8,914,040	33,128,576
Adjustments for :-		
Bad debts written off	-	227,679
Depreciation PPE	16,933	17,919
Interest income	(201,124)	(403,553)
Interest expense	6,364,448	25,284,164
Impairment loss on trade receivables	1,010,917	1,266,563
Fair value adjustment derivative financial instruments	-	(265,527)
Fair value adjustment on Investment Properties	-	9,405,600
Reversal on impairment loss on trade receivables	(60,433)	(485,938)
Operating profit before working capital changes	<u>16,044,781</u>	<u>68,175,483</u>
Change in working capital :-		
Receivables	(846,252)	(8,304,658)
Payables	(2,327,986)	23,719,983
Net cash from operating activities	<u>12,870,543</u>	<u>83,590,808</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties/Acquisition of property	-	(97,500)
Expenditure for refurbishment and enhancement of investment property incurred	(2,292,501)	(27,008,889)
Purchase of property, plant and equipment	(81,500)	(64,217)
Interest income	201,124	403,553
Fixed deposit	(43,236)	(119,030)
Net cash used in investing activities	<u>(2,216,113)</u>	<u>(26,886,083)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(6,364,448)	(25,284,164)
Distribution to Unitholders	(10,671,280)	(46,196,019)
Borrowings	-	6,014,400
Net cash used in financing activities	<u>(17,035,728)</u>	<u>(65,465,783)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,381,298)	(8,761,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,334,709	22,095,767
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>6,953,411</u>	<u>13,334,709</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2019 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 2018 in their report dated 28 February 2019.

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 March 2019, there will be a First Income Distribution of 1.93 sen per unit, amounting to RM8,915,831 to be made on 10 July 2019.

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, Kulim Central and Segamat Central were last valued on 31 December 2018.

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:-	<u>RM</u>
Refurbishment of investment properties	<u>5,810,104</u>

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 ended 31 March 2019, Hektar REIT generated total revenue of RM33,662,967 including interest and other income.

Revenue and realised net income were lower than the preceding year by 1.8% and 14%, respectively.

Property operating expenses increased by 1.6%.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.03.2019	Current Quarter Ended 31.03.2018
	RM	RM
Income before tax (RM)	8,914,040	10,676,409
- Realised income before tax (RM)	8,914,040	10,410,883

B3 PROSPECTS

Retail business in Malaysia continues to remain challenging. However, measures are being taken to improve the performance and to control costs.

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 2019.

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

There was no corporate proposal announced but not completed during the quarter.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM563,071,883 are secured and comprise of the following:

1. Current liabilities of RM15,000,000; and
2. Non-current liabilities of RM548,071,883.

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

Strata Management Tribunal Claim Against Mahkota Parade JMB

(Judicial Review No: MA-25-3-01/2019)

(Strata Management Tribunal, Putrajaya Case No. TPS/M-2024-11/2016)

Further to our earlier announcements on this case, and following the Kuala Lumpur High Court's decision on 30 October 2018 to grant leave for Hektar REIT to commence judicial review proceedings in respect of the Strata Management Tribunal's decision on this matter, the Kuala Lumpur High Court had subsequently, on 7 January 2019, decided to transfer the matter to the Melaka High Court based on applications made by the respondents in the case.

The respondents (Mahkota Parade JMB and its committee members) had subsequently filed interlocutory applications on the matter such as an application to set aside the ex parte High

Court order dated 30 October 2018 (which granted leave for Hektar REIT to commence judicial review proceedings in respect of the Strata Management Tribunal's decision) and an application to expunge an affidavit filed by Hektar REIT.

B12 MATERIAL LITIGATION (Continued)

Strata Management Tribunal Claim Against Mahkota Parade JMB (Continued)

At a case management session on 19 April 2019, the High Court had fixed 7 May 2019 for decision in respect of the following applications:-

- a. The respondent's (Mahkota Parade JMB and its committee members) application to set aside the ex parte order dated 30 October 2018; and
- b. The respondent's (Mahkota Parade JMB and its committee members) application to expunge the affidavit filed by Hektar REIT.

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

(Civil Suit No. B53F-05-11/2017)

Further to our earlier announcements on this case, the Sessions Court trial had concluded on 4 December 2018 and on 15 March 2019, the Sessions Court had dismissed Hektar REIT's claim for defamation and awarded costs of RM20,000.00 to the defendants.

Subsequent to the Sessions Court decision, Hektar REIT has, on 21 March 2019, filed a notice of appeal to the High Court to appeal against the decision of the Sessions Court. High Court is fixed for case management on 7 May 2019, pending the written grounds of judgment to be issued by the Sessions Court and will provide further updates on the matter in due course.

Writ of Summons against The Store (Central Square and Kulim Central)

(Appeal No: W-02(NCVC)(W)-2230/11/2017)

(Civil Suit No: WA-22NCVC-394-07/2016)

Further to our earlier announcements on this case, the application for leave to appeal to the Federal Court filed by The Store is fixed for case management on 17 June 2019, pending the issuance of the grounds of judgment from the Court of Appeal.

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

B12. MATERIAL LITIGATIONS (continued)

Writ of Summons against The Store (Wetex Parade)

(Appeal No: BA-12NCvC-46-06/2018)

(Civil Suit No: BA-A52NCVC-45-02/2017 and WA-24NCvC-266-02/2017)

Further to our earlier announcements on this case, on 19 April 2019, upon hearing the submission of both parties' counsel, the Shah Alam High Court dismissed the appeal by The Store with cost of RM5,000.00 to Hektar REIT.

Subsequently, The Store has, on 24 April 2019, filed a notice of appeal to the Court of Appeal to appeal against the High Court's decision to dismiss The Store's appeal.

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.

Writ of Summons by Sunway Leasing Sdn Bhd ("Sunway") against Hektar REIT

(Civil Suit No: WA-24NCC-13-01/2018)

On 19 February 2018, both Hektar REIT and Sunway filed their respective submission summaries at the Kuala Lumpur High Court, followed by a submission in reply by Sunway on 14 March 2018 and further submission in reply by Hektar REIT on 19 March 2018.

On 12 April 2018, the Kuala Lumpur High Court had allowed Sunway's Originating Summons (in parts) as follows:

- (a) to declare that Sunway is the secured creditor based on the charge given to CYC pursuant to the Debentures;
- (b) to declare that CYC's assets seized pursuant to the Writ of Seizure on 28 November 2017 were assets charged under the said Debentures;
- (c) for Hektar REIT to refund the auction proceeds of RM110,500.00;
- (d) for costs of RM5,000.00; and
- (e) to dismiss Sunway's claim for USD271,540.00 and to declare that no damages is awarded.

Hektar REIT has since filed a notice of appeal to the Court of Appeal on 7 May 2018 to appeal against the decision of the Kuala Lumpur High Court. Sunway has also filed their

B12. MATERIAL LITIGATIONS (continued)

Writ of Summons by Sunway Leasing Sdn Bhd (“Sunway”) against Hektar REIT (continued)

notice of appeal at the Court of Appeal on 8 May 2018. The hearing of the appeal at the Court of Appeal originally fixed on 28 November 2018 and subsequently 29 April 2019, has been postponed to 22 August 2019.

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

Writ of summons against 3 tenants & Tashima Development Sdn. Bhd.

(Civil Suit No. JB-B52NCvC-14-08/2018, JB-B52NCvC-13-08/2018 and JB-B52NCvC-12-08/2018)

On 16 August 2018, Hektar REIT filed a writ of summons action at the Muar Sessions Court against 3 tenants at Segamat Central Shopping Centre, namely Agenda Fokus Sdn. Bhd., Tirai Prospektif Sdn. Bhd. and Dazzling Density Sdn. Bhd. and their guarantor, Tashima Development Sdn. Bhd. (“Tashima”) to seek, amongst others, the following:

- i) a declaration that the termination of tenancy agreements all dated 28 July 2015 and the tenancy renewal letter by the tenants through their notices of termination was invalid and unlawful;
- ii) an order for vacant possession of the demised premises be returned to Hektar REIT in its original state and condition or alternatively, if the demised premises is not returned in such state and condition, the tenants shall compensate Hektar REIT for the reinstatement cost which shall be assessed by the Court;
- iii) compensation for loss of rental for the remaining unexpired term of the tenancy and compensation for double rental to be assessed by the Court; and
- iv) payment of RM425,971.98, RM808,799.32 and RM465,613.99 respectively being the outstanding rental and other charges owing under the tenancy agreements and tenancy renewal letters, calculated as at July 2018 only.

On 3 October 2018, the tenants and Tashima have filed their respective defences to the writ of summons action.

The Muar Sessions Court had initially fixed the case management on 17 October 2018 and on 10 January 2019, the Muar Sessions Court directed the cases to be transferred to the Segamat Sessions Court. The Segamat Sessions Court had subsequently fixed the matter for trial from 27 to 29 May 2019.

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

B12. MATERIAL LITIGATIONS (continued)

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)

On 14 March 2019, Eng Hiap Seng (Rengit) Sdn Bhd (“EHS”) had filed a writ of summons at the Muar High Court against Hektar REIT and Hektar Property Services Sdn Bhd (“HPS”) seeking, amongst others, the following:-

- a) a declaration that Hektar REIT and HPS are not entitled to enter or cross into EHS land known as GRN 95172, Lot 229, Bandar Maharani, Daerah Muar, Negeri Johor (“Neighbouring Property”).
- b) an injunction against Hektar REIT and HPS, its tenants, agents, employees, servants, representatives, contractors or visitors from entering, trespassing or crossing the Neighbouring Property;
- c) specific performance for Hektar REIT and HPS to demolish any part of Wetex Parade which trespassed or crossed into the Neighbouring Property; and
- d) general damages.

On 10 April 2019, Hektar REIT had filed its defence while EHS had subsequently filed their reply to defence on 17 April 2019.

On 25 April 2019, the High Court had fixed a further case management date on 12 June 2019 to enable Hektar REIT to file its amended defence and EHS to file its reply. Both parties have been requested to consider and inform the High Court on 12 June 2019 if the matter can be referred to mediation before the Deputy Registrar of the High Court for an amicable resolution of the matter.

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.

B13 SOFT COMMISSION

For the quarter ended 31 March 2019, 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 First Income Distribution of 1.93 sen, amounting to RM8,915,831 for the First Quarter ended 31 March 2019. 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%

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2019 RM	Preceding Year Corresponding Quarter 31.03.2018 RM	Current YTD 31.03.2019 RM	Preceding YTD 31.03.2018 RM
Net property income	18,575,227	19,423,195	18,575,227	19,423,195
Interest income	201,124	92,647	201,124	92,647
Other income	112,616	-	112,616	-
Trust expenses	(3,610,479)	2,945,352)	(3,610,479)	2,945,352)
Borrowing costs	(6,364,448)	(6,159,607)	(6,364,448)	(6,159,607)
Realised income before taxation	8,914,040	10,410,883	8,914,040	10,410,883
Change in fair value of investment property	-	-	-	-
Change in fair value of derivative financial instrument	-	-	-	-
Income before taxation	8,914,040	10,410,883	8,914,040	10,410,883
Taxation	-	-	-	-
Distribution income	8,914,040	10,410,883	8,914,040	10,410,883
Less:				
Proposed/declared income distribution	(8,915,831)	(10,625,084)	(8,915,831)	(10,625,084)
Balance undistributed realised income	-	-	-	-
Number of units	461,960,178	461,960,178	461,960,178	461,960,178
Earnings per unit (sen)				
- realised (sen)	1.93	2.25	1.93	2.25
Distribution per unit (sen)	1.93	2.30	1.93	2.30
Market price (RM)	1.14	1.18	1.14	1.18
Distribution yield (%)	6.77	7.80	6.77	7.80

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 March 2019 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 23 May 2019.

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
23 May 2019