

# HEKTAR REAL ESTATE INVESTMENT TRUST

**Interim Financial Report  
for the period ended 31 March 2022**



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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	As at 31.03.2022 RM (Unaudited)	As at 31.12.2021 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment properties	1,164,500,000	1,164,500,000
Plant & Equipment	62,429	68,059
Capital work in progress	92,959	62,724
Fixed deposits with a licensed bank	1,583,933	1,583,933
	<b>1,166,239,321</b>	<b>1,166,214,716</b>
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	5,355,141	2,682,412
Other receivables, deposits and prepayments	3,236,016	2,725,691
Cash and bank balances	53,041,960	59,084,688
	<b>61,633,117</b>	<b>64,492,791</b>
<b>TOTAL ASSETS</b>	<b>1,227,872,438</b>	<b>1,230,707,507</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Tenancy deposits	7,962,920	9,185,005
Deferred tax liability	24,887,634	24,887,634
Bank borrowings	566,090,863	566,090,863
	<b>598,941,417</b>	<b>600,163,502</b>
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	16,897,657	16,623,843
Other payables and accruals	23,800,128	28,182,851
Tenancy deposits	23,451,193	22,774,490
Bank borrowings	15,000,000	15,000,000
	<b>79,148,978</b>	<b>82,581,184</b>
<b>TOTAL LIABILITIES</b>	<b>678,090,395</b>	<b>682,744,686</b>
<b>NET ASSET VALUE</b>	<b>549,782,043</b>	<b>547,962,821</b>
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	496,731,949	496,731,949
Undistributed income – realised	57,044,904	55,225,682
– unrealised	(3,994,810)	(3,994,810)
<b>TOTAL UNITHOLDERS' FUND</b>	<b>549,782,043</b>	<b>547,962,821</b>
<b><u>NET ASSET VALUE PER UNIT (RM)</u></b>		
-as at the date	1.1666	1.1628
-after distribution for the cumulative quarter	1.1666	1.1375
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>471,260,178</b>	<b>471,260,178</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached.

## CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2022 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM	Preceding Year Corresponding Quarter 31.03.2021 RM	Current YTD 31.03.2022 RM	Preceding YTD 31.03.2021 RM
Revenue	29,116,469	26,780,508	29,116,469	26,780,508
Property operating expenses	(12,491,985)	(12,682,976)	(12,491,985)	(12,682,976)
<b>Net property income</b>	<b>16,624,484</b>	<b>14,097,532</b>	<b>16,624,484</b>	<b>14,097,532</b>
Interest income	70,274	30,432	70,274	30,432
Other income	1,551,901	128,811	1,551,901	128,811
Trust expenses	(142,656)	(2,860,106)	(142,656)	(2,860,106)
Borrowing costs	(4,361,899)	(4,876,389)	(4,361,899)	(4,876,389)
<b>Realised income before taxation</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Change in fair value of investment property	-	-	-	-
<b>Income before taxation</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Other comprehensive income after tax	-	-	-	-
<b>Total comprehensive income</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Earnings per unit (sen)	2.92	1.41	2.92	1.41
- realised (sen)	2.92	1.41	2.92	1.41
- unrealised (sen)	-	-	-	-
Number of units	471,260,178	461,960,178	471,260,178	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 2021 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE QUARTER ENDED 31 MARCH 2022 (UNAUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u> Realised      Unrealised RM              RM		Unitholders' Fund RM
<u>Balance at 1 January 2022</u> As previously reported	496,731,949	55,225,682	(3,994,810)	547,962,821
<u>Operation for the quarter ended 31 March 2022</u>				
Total comprehensive income for The financial quarter	-	13,742,104	-	13,742,104
<u>Unitholders' transactions</u>				
Distribution to unitholders	-	(11,922,882)	-	(11,922,882)
Balance at 31 March 2022	496,731,949	57,044,904	(3,994,810)	549,782,043

**CUMULATIVE YEAR ENDED 31 DECEMBER 2021 (AUDITED)**

	Unitholders' Capital RM	<u>Undistributed income</u> Realised      Unrealised RM              RM		Unitholders' Fund RM
<u>Balance at 1 January 2021</u> As previously reported	492,500,449	46,671,543	37,182,951	576,354,943
<u>Operation for the year ended 31 December 2021</u>				
Total comprehensive loss for the financial quarter	-	12,711,781	(41,177,761)	(28,465,980)
<u>Unitholders' transaction</u>				
Unitholders' capital	4,231,500	-	-	4,231,500
Distribution to unitholders	-	(4,157,642)	-	(4,157,642)
Balance at 31 December 2021	496,731,949	55,225,682	(3,994,810)	547,962,821

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 2021 and the accompanying explanatory notes.

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 31 MARCH 2022 (UNAUDITED)**

	<b>Current YTD 31.03.2022 RM</b>	<b>Preceding Year 31.12.2021 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income/(Loss) before taxation	13,742,104	(31,500,730)
Adjustments for :-		
Depreciation of PPE	5,630	22,520
Interest income	(70,274)	(736,999)
Interest expense	4,361,899	18,668,479
Impairment loss on trade receivables	(2,243,687)	6,116,075
Fair value adjustment on Investment Properties	-	44,212,511
Operating profit before working capital changes	15,795,672	36,781,856
Change in working capital :-		
Receivables	(939,367)	10,083,160
Payables	(4,654,291)	3,159,031
Net cash from operating activities	10,202,014	50,024,047
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Expenditure for refurbishment and enhancement of investment property incurred	(30,235)	(395,478)
Interest income	70,274	736,999
Fixed deposit	-	(32,168)
Net cash generated from investing activities	40,039	309,353
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest expense	(4,361,899)	(18,668,479)
Distribution to Unitholders	(11,922,882)	(4,157,642)
Drawdown of borrowings	-	30,000,000
Repayment of borrowings	-	(30,000,000)
Proceeds from private placement	-	4,231,500
Net cash used in financing activities	(16,284,781)	(18,594,621)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(6,042,728)	31,738,779
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	59,084,688	27,345,909
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	53,041,960	59,084,688

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached.

**A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2022 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134**

**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board and Securities Commission's Guidelines on the Listed Real Estate Investment Trusts ("REIT Guidelines").

**A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR**

The auditors' report for the financial year ended 31 December 2021 was not subject to any audit qualification.

**A3 SEASONALITY OR CYCLICALITY OF OPERATIONS**

Hektar REIT's operations were not significantly affected by material seasonal or cyclical factors.

**A4 SIGNIFICANT UNUSUAL ITEMS**

There were no significant unusual items that affected the assets, liabilities, equity, net property income or cash flows during the current quarter.

**A5 CHANGES IN ESTIMATES**

There were no changes in estimates that have had a 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**

The Manager intends to distribute at least 90% of Hektar REIT's distributable income for the financial year ending 31 December 2022. No income distribution was proposed for the current quarter ended 31 March 2022 (1Q 2022) as moving forward, subject to the financial performance of the REIT, the Manager intends to make distributions to the unitholders of Hektar REIT on a semi-annual basis for each six-month period ending 30 June and 31 December each year, unless otherwise determined and/or varied by the Manager at its sole discretion.

**A8 SEGMENT INFORMATION**

The segmental financial information by operating segments is not presented as Hektar REIT is a retail-focused REIT and the operation of its properties are all located in Malaysia.

**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 2021.

**A10 MATERIAL SUBSEQUENT EVENTS TO THE END OF THE INTERIM PERIOD**

There were no material events subsequent to the current quarter under review up to the date of this Interim Financial Report that required disclosure.

**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 471,260,178 units as at 31 March 2022.

**A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 March 2022.

**A13 RENTAL INCOME FROM TENANCIES (MFRS 16)**

Rental income receivable under tenancy agreements is recognized on a straight-line basis over the term of the lease.

**A14 CAPITAL COMMITMENT (MFRS 134)**

There were no major capital commitments as at 31 March 2022.

**B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B1 REVIEW OF PERFORMANCE**

	Quarter		
	31.03.2022 RM	31.03.2021 RM	Variance %
Total Revenue	29,116,469	26,780,508	8.7%
Net Property Income	16,624,484	14,097,532	17.9%
Profit Before taxation	13,742,104	6,520,280	110.7%
Profit after taxation	13,742,104	6,520,280	110.7%
Total comprehensive income for the period	13,742,104	6,520,280	110.7%

For the current quarter, Hektar REIT's total revenue was RM29.12 million, an increase of 8.7% against the corresponding quarter in 2021 of RM26.78 million. Net property income was RM16.62 million, an increase of 17.9% compared with the corresponding quarter in 2021 of RM14.10 million. Profit after taxation was RM13.74 million, an increase of 110.7% compared with the corresponding quarter in 2021 of RM6.52 million.

The higher total revenue in the current quarter was mainly due to the higher rental support provided to tenants in 2021 as the businesses were hit hard by the Covid-19 pandemic. At the same time, the higher net property income and profit after taxation in Q1 2022 were mainly due to the higher revenue and the reversals for the impairment of trade receivables in the current quarter. Included in profit before taxation in the current quarter was a one-off other income of RM1.4 million, being the claim awarded by the Court against third parties.

**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

	Quarter		
	31.03.2022 RM	31.12.2021 RM	Variance %
Total Revenue	29,116,469	24,978,501	16.6%
Net Property Income	16,624,484	12,378,600	34.3%
Profit Before taxation	13,742,104	(41,000,739)	>100%
Profit after taxation	13,742,104	(37,965,989)	>100%
Total comprehensive income for the period	13,742,104	(37,965,989)	>100%

For the current quarter, Hektar REIT's total revenue was RM29.12 million, an increase of 16.6% against the corresponding quarter in 2021 of RM24.98 million. Net property income was RM16.62 million, an increase of 34.3% compared with the corresponding quarter in 2021 of RM12.38 million.

Excluding the effects of fair value losses on investment properties in the preceding quarter of RM44.21 million, the quarter-to-quarter performance has improved due to the economic reopening and improving retail sales of tenants (Profit After taxation of Q1 2022: RM 13.74 million vs Q4 2021: RM6.25 million, excluding fair value losses on investment properties).



**B3 PROSPECTS**

The Malaysian retail market is gearing up to make the best of 2022, following two straight challenging years as the businesses were hit hard by the Covid-19 pandemic. According to the Malaysia Retail Industry Report for March 2022, for Q4 2021, Malaysia's retail industry recorded a year-on-year (y-o-y) growth rate of 26.5%. Retail Group Malaysia (RGM) also emphasized that these quarterly results were above market expectations as retail is poised for recovery in 2022.

The retail sales are anticipated to grow by 6.3%, which is a slight improvement compared to the earlier forecast of 6% in 2022. For Q1 2022, RGM expects to report a growth of 16.5% on the back of Chinese New Year celebrations & further relaxations of SOPs. The economic recovery is expected to be better with the reopening of international borders. Nevertheless, the retail industry is cognizant of the challenges that any new variants of concern may bring, which could dampen the retail sentiment and affect the anticipated growth. Therefore, the Management maintains a cautious outlook for the coming quarters and will vigilantly monitor this evolving situation and remain focused on ensuring the safety and well-being of shoppers, tenants, employees and communities at all its properties.

**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 Section 61A(1) of the Income Tax Act 1967, effective from the year of assessment 2017, a REIT is fully exempt from tax for a year of assessment if it distributes 90% or more of its total income to its Unitholders in the basis period for that year of assessment.

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 2022.

**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**

The Manager had, on 15 November 2021, made an announcement to Bursa Malaysia that Hektar REIT proposes to undertake a private placement of up to 23,098,000 new units of Hektar REIT (“Proposed Private Placement”), representing up to 5% of its total issued Units of 461,960,178 Units as at 12 November 2021, being the latest practicable date prior to the announcement (“LPD”) and the following approvals in relation to the Proposed Private Placement were obtained:

- (i) MTrustee Berhad, being the Trustee of Hektar REIT, which was obtained on 3 November 2021; and
- (ii) Bursa Securities, for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities, which was obtained on 25 November 2021

On 24 December 2021, the REIT completed the issuance and listing of the first tranche of 6,300,000 new units at RM0.455 per placement unit for gross proceeds of RM2,866,500.

On 29 December 2021, the REIT completed the issuance and listing of the second tranche of 3,000,000 new units in Hektar REIT at RM0.455 per placement unit for gross proceeds of RM1,365,000.

Hektar REIT’s fund size increased from 461,960,178 units to 471,260,178 units as of 31 March 2022, arising from the new issuance of 9,300,000 units in total, as disclosed above. Unless extended, the time frame to implement the private placement for the remaining available units will lapse on 24<sup>th</sup> May 2022.

An application was submitted to Bursa Securities to seek its approval for an extension of time, and Bursa Securities had via its letter dated 17 May 2022 resolved to grant Hektar REIT an extension of time up to 23 November 2022 to complete the implementation of the Private Placement.

The status of utilization of the gross proceeds from the private placement was as follows:

<b>Proposed utilization</b>	<b>Proposed amount for utilization</b>	<b>Actual utilization</b>	<b>Balance unutilized</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Working capital and capital work in progress	4,145,640	4,145,640	-
Defray expenses for the Proposed Private Placement	85,860	85,860	-
<b>Total</b>	<b>4,231,500</b>	<b>4,231,500</b>	<b>-</b>

**B9 BORROWINGS AND DEBT SECURITIES**

Hektar REIT’s total borrowings of RM581,090,863 are secured and comprise the following:

- Current borrowings of RM15,000,000; and
- Non-current borrowings of RM566,090,863.

**B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**B11 MATERIAL LITIGATION**

The Board of Directors of the Manager is not aware of any pending material litigation as at the date of this interim Financial Report other than disclosed below:

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

(Civil Suit No. JD-B52NCVC-01-01/2019; JD-B52NCVC-02-01/2019 and JD-B52NCVC-03-01/2019)

Further to our earlier announcements on this case, the High Court has adjourned the appeals and fixed the appeals for clarification on 30 May 2022.

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 Eng Hiap Seng (Rengit) Sdn Bhd against Hektar REIT & Hektar Property Services Sdn Bhd**

(Civil Suit No. JB-22NCvC-15-03/2019)

Further to our earlier announcements on this case, on 12 April 2022 during case management, the High Court has fixed the matter for further case management on 8 June 2022.

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 against Mahkota Parade JMB & 5 Others**

(Civil Suit No. 22 NCvC-22-06/2020)

Further to our earlier announcement on this case, the trial dates for the Writ of Summons action on 10 March 2022, 7 April 2022 and 13 April 2022 were vacated and a case management is now fixed on 24 May 2022.

The Management will provide further updates on matter in due course.

**B12 SOFT COMMISSION**

For the quarter ended 31 March 2022, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

**B13 INCOME DISTRIBUTION**

Pursuant to Section 109D(2) of Malaysian Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to the unitholders will be subject to tax based on a withholding tax mechanism at the following rates.

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%

The Manager intends to distribute at least 90% of Hektar REIT's distributable income for the financial year ending 31 December 2022. Moving forward, subject to the financial performance of the REIT, the Manager intends to make distributions to the unitholders of Hektar REIT on a semi-annual basis for each six-month period ending 30 June and 31 December each year, unless otherwise determined and/or varied by the Manager at its sole discretion.

Distribution of 2.53 sen (gross) per unit amounting to RM11.92 million for the financial year ended 31 December 2021 was declared and paid on 28 February 2022.

**B14 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM	Preceding Year Corresponding Quarter 31.03.2021 RM	Current YTD 31.03.2022 RM	Preceding YTD 31.03.2021 RM
<b>Net property income</b>	<b>16,624,484</b>	<b>14,097,532</b>	<b>16,624,484</b>	<b>14,097,532</b>
Interest income	70,274	30,432	70,274	30,432
Other income	1,551,901	128,811	1,551,901	128,811
Trust expenses	(142,656)	(2,860,106)	(142,656)	(2,860,106)
Borrowing costs	(4,361,899)	(4,876,389)	(4,361,899)	(4,876,389)
<b>Realised income before taxation</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Change in fair value of investment property	-	-	-	-
<b>Income before taxation</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Taxation	-	-	-	-
<b>Distribution income</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
Less: Proposed/declared income distribution	-	-	-	-
<b>Balance undistributed realized income</b>	<b>13,742,104</b>	<b>6,520,280</b>	<b>13,742,104</b>	<b>6,520,280</b>
<b>Number of units</b>	<b>471,260,178</b>	<b>461,960,178</b>	<b>471,260,178</b>	<b>461,960,178</b>
Earnings per unit (sen) - realised (sen)	2.92	1.41	2.92	1.41
Distribution per unit (sen)	-	-	-	-
Market price (RM)	0.51	0.60	0.51	0.60
Distribution yield (%)	-	-	-	-

**B15 RESPONSIBILITY STATEMENT**

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of Hektar REIT as at 31 March 2022 and of its financial performance and cash flows for the financial period ended on that date and duly authorized for release by the Board of the Manager on 23 May 2022.

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 2022