

# HEKTAR REAL ESTATE INVESTMENT TRUST

**Interim Financial Report  
for the period ended 30 June 2022**



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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	As at 30.06.2022 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	56,799	68,059
Capital work in progress	309,729	62,724
Fixed deposits with a licensed bank	74,074	1,583,933
	<b>1,164,940,602</b>	<b>1,166,214,716</b>
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	4,314,155	2,682,412
Other receivables, deposits and prepayments	3,523,703	2,725,691
Cash and bank balances	33,473,144	59,084,688
	<b>41,311,002</b>	<b>64,492,791</b>
<b>TOTAL ASSETS</b>	<b>1,206,251,604</b>	<b>1,230,707,507</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Tenancy deposits	8,207,124	9,185,005
Deferred tax liability	24,887,634	24,887,634
Bank borrowings	547,997,667	566,090,863
	<b>581,092,425</b>	<b>600,163,502</b>
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	8,852,999	16,623,843
Other payables and accruals	22,386,129	28,182,851
Tenancy deposits	22,562,137	22,774,490
Bank borrowings	15,000,000	15,000,000
	<b>68,801,265</b>	<b>82,581,184</b>
<b>TOTAL LIABILITIES</b>	<b>649,893,690</b>	<b>682,744,686</b>
<b>NET ASSET VALUE</b>	<b>556,357,914</b>	<b>547,962,821</b>
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	496,731,949	496,731,949
Undistributed income – realised	63,620,775	55,225,682
– unrealised	(3,994,810)	(3,994,810)
<b>TOTAL UNITHOLDERS' FUND</b>	<b>556,357,914</b>	<b>547,962,821</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
-as at the date	1.1806	1.1628
-after distribution for the cumulative quarter	1.1536	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 30 JUNE 2022 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM	Preceding Year Corresponding Quarter 30.06.2021 RM	Current Year-to-Date (YTD) 30.06.2022 RM	Preceding Year-to-Date (YTD) 30.06.2021 RM
Revenue	29,371,896	25,710,368	58,488,364	52,490,876
Property operating expenses	(15,662,792)	(15,504,041)	(28,154,777)	(28,187,017)
<b>Net property income</b>	<b>13,709,104</b>	<b>10,206,327</b>	<b>30,333,587</b>	<b>24,303,859</b>
Interest income	67,418	44,649	137,692	196,357
Other income	570,465	70,902	2,122,367	78,438
Trust expenses	(3,088,483)	(4,051,468)	(3,231,138)	(6,911,575)
Borrowing costs	(4,682,633)	(4,694,673)	(9,044,533)	(9,571,062)
<b>Realised income before taxation</b>	<b>6,575,871</b>	<b>1,575,737</b>	<b>20,317,975</b>	<b>8,096,017</b>
Change in fair value of investment property	-	-	-	-
<b>Income before taxation</b>	<b>6,575,871</b>	<b>1,575,737</b>	<b>20,317,975</b>	<b>8,096,017</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>6,575,871</b>	<b>1,575,737</b>	<b>20,317,975</b>	<b>8,096,017</b>
Other comprehensive income after tax	-	-	-	-
<b>Total comprehensive income</b>	<b>6,575,871</b>	<b>1,575,737</b>	<b>20,317,975</b>	<b>8,096,017</b>
Earnings per unit (sen)	1.40	0.34	4.31	1.75
- realised (sen)	1.40	0.34	4.31	1.75
- 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 30 JUNE 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 30 June 2022</u>				
Total comprehensive income for the financial quarter	-	20,317,975	-	20,317,975
<u>Unitholders' transactions</u>				
Distributions to unitholders	-	(11,922,882)	-	(11,922,882)
Balance at 30 June 2022	496,731,949	63,620,775	(3,994,810)	556,357,914

**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
Distributions 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 30 JUNE 2022 (UNAUDITED)**

	<b>Current Year-to-Date (YTD) 30.06.2022 RM</b>	<b>Preceding Year-to-Date (YTD) 31.12.2021 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income/(Loss) before taxation	20,317,975	(31,500,730)
Adjustments for :-		
Change in Fair Value of Investment Properties	-	44,212,511
Depreciation of PPE	11,260	22,520
Interest income	(137,692)	(736,999)
Interest expense	9,044,533	18,668,479
Impairment loss on trade receivables	(1,359,156)	6,116,075
Bad debts written off	2,619	-
Operating profit before changes in working capital	27,879,539	36,781,856
Change in working capital:-		
Trade and other receivables	(1,073,218)	10,083,160
Trade and other payables	(14,757,801)	3,159,031
Net cash from operating activities	12,048,520	50,024,047
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Refurbishment and enhancement of investment property	(247,005)	(395,478)
Interest received	137,692	736,999
Withdrawal/(placement) of fixed deposits	1,509,859	(32,168)
Net cash generated from investing activities	1,400,546	309,353
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(9,044,533)	(18,668,479)
Distribution to Unitholders	(11,922,882)	(4,157,642)
Bank borrowings (net)	(18,093,195)	-
Proceeds from private placement	-	4,231,500
Net cash used in financing activities	(39,060,610)	(18,594,621)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(25,611,544)	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>	33,473,144	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 30 JUNE 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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

**A7 INCOME DISTRIBUTION**

Distribution of 2.70 sen per unit, amounting to RM12,724,025 for half year ended 30 June 2022 will be declared to the unitholders, and payable on 26 September 2022.

**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 of 30 June 2022.

**A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no material contingent liabilities or contingent assets as of 30 June 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 material capital commitments as of 30 June 2022.

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

**B1 REVIEW OF PERFORMANCE**

	Quarter		
	30.06.2022 RM	30.06.2021 RM	Variance %
Total Revenue	29,371,896	25,710,368	14.2%
Net Property Income	13,709,104	10,206,327	34.3%
Other income	570,465	70,902	704.6%
Profit After taxation	6,575,871	1,575,737	317.3%

For the current quarter, Hektar REIT's total revenue was RM29.37 million, an increase of 14.2% against the corresponding quarter in 2021 of RM25.71 million. Net property income was RM13.70 million, an increase of 34.3% compared with the corresponding quarter in 2021 of RM10.21 million. Other income increased by more than 100% compared with the corresponding quarter in 2021 of RM0.07 million. Profit after taxation was RM6.58 million, an increase of 317.3% compared with the corresponding quarter in 2021 of RM1.58 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. The higher net property income and profit after taxation in Q2 2022 were mainly due to higher revenue, other income and lower administration expenses (2022: RM0.43 million; 2021: RM1.73 million) in the current reporting quarter.

	Year-To-Date ("YTD") Cumulative Quarter ended		
	30.06.2022 RM	30.06.2021 RM	Variance %
Total Revenue	58,488,364	52,490,876	11.4%
Net Property Income	30,333,587	24,303,859	24.8%
Other income	2,122,367	78,438	2605.8%
Profit After taxation	20,317,975	8,096,017	151.0%

For the current YTD, Hektar REIT's total revenue was RM58.49 million, an increase of 11.4% against the preceding YTD in 2021 of RM52.49 million. Net property income was RM30.33 million, an increase of 24.8% compared with the preceding YTD in 2021 of RM24.30 million. Other income increased more than 100% compared with the preceding YTD in 2021 of RM0.08 million. Profit after taxation was RM20.32 million, an increase of 151.0% compared with the preceding YTD in 2021 of RM8.09 million.

The current year's total revenue is higher, as the retail sector is recovering when the borders re-opened for economic activities. As for 2021, higher rental support was provided to tenants due to businesses being hit hard by the Covid-19 pandemic and with the implementation of various Movement Control Orders. At the same time, the higher net property income and profit after taxation in 2022 were mainly due to the higher revenue, lower borrowings cost (RM0.5 million), reversals for the impairment of trade receivables of RM1.4 million and a one-off other income of RM1.4 million in the current reporting quarter. A net impairment of trade receivables amounting to RM0.9 million was reported for corresponding quarter in 2021.



**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

	Quarter		
	30.06.2022 RM	31.03.22 RM	Variance %
Total Revenue	29,371,896	29,116,469	0.9%
Net Property Income	13,709,104	16,624,484	(17.5%)
Other income	570,465	1,551,902	(63.2%)
Profit After taxation	6,575,871	13,742,104	(52.1%)

Compared to the previous quarter, revenue has slightly improved by 0.9% whereas net property income is lower by 17.5%. Profit after taxation is lower by 52.1% mainly due to:-

- higher property maintenance cost of RM3.2 million in 2022;
- reversals on impairment of trade receivables of RM2.24 million and a one-off other income of RM1.4 million in the previous quarter.
- The current quarter result was affected by a net impairment of trade receivables amounting to RM0.89 million.

**B3 PROSPECTS**

**The Malaysian retail market** continues to see an uptrend, with shoppers & patrons returning to major shopping & neighbourhood malls. According to the Retail Group Malaysia's June 2022 Retail Industry Report, the latest quarterly result for Q1 2022 saw a promising growth of 18.3%, which was also higher than the estimated figure of 16.5% on the back of Chinese New Year & Raya Celebrations and retail seems poised for recovery. The national economic growth for Q1 was also better than expected at 5% and higher than the last quarter. Overall, the pandemic has altered the retail industry landscape which is facing several challenges, including labour shortage, hike in prices of necessities, increase in the minimum wages and rising interest rate environment may hamper recovery. Therefore, the Management continues to maintain a cautious outlook for the coming quarters in light of the global economic perspective and will vigilantly monitor & remain focused on ensuring the safety and well-being of shoppers, tenants, employees and communities at all its properties.

Despite the concerns, Hektar REIT remains positive & resilient in achieving growth backed by increased occupancy rates for properties under the portfolio.

**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 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 30 June 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 24th 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 RM562,997,667 are secured and comprise the following:

- Current borrowings of RM15,000,000; and
- Non-current borrowings of RM547,997,667.

**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, during the case management on 22 August 2022, the appeals is adjourned pending new date to be fixed.

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 8 June 2022, during case management, the High Court gave the following directions:-

- a. both parties to file and exchange witness statements on 31 March 2023; and
- b. the trial is fixed for three (3) days from 10 April 2023 to 12 April 2023.

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 update on this case, the matter has been fixed for further case management on 12 September 2022.

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

**B12 SOFT COMMISSION**

For the quarter ended 30 June 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**

The Board of Directors of Hektar Asset Management Sdn. Bhd. has recommended and the Trustee has approved an interim income distribution of 2.70 sen, amounting to RM12,724,025 for the Second Quarter ended 30 June 2022.

Pursuant to Section 109D(2) of the 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**

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Year-to-Date (YTD) 30.06.2022 RM</b>	<b>Preceding Year-to-Date (YTD) 30.06.2021 RM</b>
<b>Net property income</b>	<b>30,333,587</b>	<b>24,303,859</b>
Interest income	137,692	196,357
Other income	2,122,367	78,438
Trust expenses	(3,231,138)	(6,911,575)
Borrowing costs	(9,044,533)	(9,571,062)
<b>Realised income before taxation</b>	<b>20,317,975</b>	<b>8,096,017</b>
Change in fair value of investment property	-	-
<b>Income before taxation</b>	<b>20,317,975</b>	<b>8,096,017</b>
Taxation	-	-
<b>Distributable income</b>	<b>20,317,975</b>	<b>8,096,017</b>
Less:		
Proposed/declared income distribution	(12,724,025)	-
<b>Balance undistributed realized income</b>	<b>7,593,950</b>	<b>8,096,017</b>
<b>Number of units</b>	<b>471,260,178</b>	<b>461,960,178</b>
Earnings per unit (sen)		
- realised (sen)	4.31	1.75
Distribution per unit (sen)	2.70	-
Market price (RM)	0.58	0.60
Annualised distribution yield (%)	9.31	-

**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 30 June 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 26 August 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

26 August 2022