

# HEKTAR REAL ESTATE INVESTMENT TRUST

**Interim Financial Report  
for the period ended 30 June 2024**



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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	As at 30.06.2024 RM (Unaudited)	As at 31.12.2023 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment properties	1,232,700,000	1,232,700,000
Property, plant & equipment ("PPE")	404,712	414,238
Capital work in progress	4,291,050	-
	<b>1,237,395,762</b>	<b>1,233,114,238</b>
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	3,979,578	3,510,934
Other receivables, deposits and prepayments	157,024,572	14,917,200
Cash and bank balances	42,809,545	63,307,084
	<b>203,813,695</b>	<b>81,735,218</b>
<b>TOTAL ASSETS</b>	<b>1,441,209,457</b>	<b>1,314,849,456</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Tenancy deposits	25,741,940	25,477,419
Deferred tax liability	30,877,532	30,877,532
Bank borrowings	589,389,019	559,228,255
	<b>646,008,491</b>	<b>615,583,206</b>
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	6,664,322	7,348,647
Other payables and accruals	37,533,749	13,832,418
Tenancy deposits	2,109,157	2,355,549
Bank borrowings	4,200,000	3,000,000
	<b>50,507,228</b>	<b>26,536,614</b>
<b>TOTAL LIABILITIES</b>	<b>696,515,719</b>	<b>642,119,820</b>
<b>NET ASSET VALUE</b>	<b>744,693,738</b>	<b>672,729,636</b>
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	631,207,833	560,886,684
Undistributed income – realised	55,270,613	53,627,660
– unrealised	58,215,292	58,215,292
<b>TOTAL UNITHOLDERS' FUND</b>	<b>744,693,738</b>	<b>672,729,636</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
-as at the date	1.0536	1.1571
-after distribution for the cumulative quarter	1.0346	1.1341
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>706,812,657</b>	<b>581,415,073</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached.

## CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2024 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2024 RM	Preceding Year Corresponding Quarter 30.06.2023 RM	Current YTD 30.06.2024 RM	Preceding YTD 30.06.2023 RM
Revenue	36,557,308	27,206,593	64,963,391	56,151,639
Property operating expenses	(15,844,276)	(11,720,061)	(29,868,300)	(25,452,119)
<b>Net property income</b>	<b>20,713,032</b>	<b>15,486,532</b>	<b>35,095,091</b>	<b>30,699,520</b>
Income from Fund Placement	120,131	198,331	870,313	214,580
Other income	214,466	600,724	353,908	1,233,025
Reversal/(Impairment loss) on trade receivables	(175,358)	(639,313)	(159,232)	1,428,539
Trust expenses	(5,008,724)	(2,613,834)	(7,956,401)	(5,107,937)
Finance expenses	(7,430,696)	(6,076,669)	(14,688,179)	(12,304,962)
<b>Realised income before taxation</b>	<b>8,432,851</b>	<b>6,955,771</b>	<b>13,515,500</b>	<b>16,162,765</b>
Change in fair value of investment property	1,500,000	-	1,500,000	-
<b>Income before taxation</b>	<b>9,932,851</b>	<b>6,955,771</b>	<b>15,015,500</b>	<b>16,162,765</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>9,932,851</b>	<b>6,955,771</b>	<b>15,015,500</b>	<b>16,162,765</b>
Other comprehensive income after tax	-	-	-	-
<b>Total comprehensive income</b>	<b>9,932,851</b>	<b>6,955,771</b>	<b>15,015,500</b>	<b>16,162,765</b>
Earnings per unit (sen)	1.41	1.39	2.42	3.36
- realised (sen)	1.20	1.39	2.18	3.36
- unrealised (sen)	0.21	-	0.24	-
<b>Weighted average number of units</b>	<b>706,812,657</b>	<b>498,787,970</b>	<b>621,101,036</b>	<b>480,989,178</b>

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 2023 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE QUARTER ENDED 30 JUNE 2024 (UNAUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2024</u> As previously reported	560,886,684	53,627,660	58,215,292	672,729,636
<u>Operation for quarter ended 30 June 2024</u>				
Total comprehensive income for The financial period	-	15,015,500	-	15,015,500
<u>Unitholders' transactions</u>				
Unitholders' capital	70,321,149	-	-	70,321,149
Distribution to unitholders	-	(13,372,547)	-	(13,372,547)
Balance at 30 June 2024	631,207,833	55,270,613	58,215,292	744,693,738

**CUMULATIVE YEAR ENDED 31 DECEMBER 2023 (AUDITED)**

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2023</u> As previously reported	496,731,949	66,967,629	34,261,990	597,961,568
<u>Operation for year ended 31 December 2023</u>				
Total comprehensive income for the financial year	-	25,104,096	23,953,302	49,057,398
<u>Unitholders' transactions</u>				
Unitholders' capital	64,154,735	-	-	64,154,735
Distribution to unitholders	-	(38,444,065)	-	(38,444,065)
Balance at 31 December 2023	560,886,684	53,627,660	58,215,292	672,729,636

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 2023 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2024 (UNAUDITED)**

	<b>Current YTD 30.06.2024 RM</b>	<b>Preceding YTD 31.12.2023 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,015,500	51,695,944
Adjustments for :-		
Bad debts written off	-	499,877
Depreciation of PPE	39,926	56,468
Income from Fund Placement	(870,313)	(1,459,462)
Finance Expenses	14,688,179	26,203,217
Reversal of impairment loss in trade receivables	159,232	(2,352,829)
Fair value adjustment in Investment Properties	(1,500,000)	(26,600,000)
Operating profit before working capital changes	27,532,524	48,043,215
Change in working capital :-		
Receivables	(141,235,248)	(10,346,922)
Payables	23,035,135	(8,868,318)
Net cash from operating activities	(90,667,589)	28,827,975
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of investment properties	-	-
Income from Fund Placement	870,313	1,459,462
Purchase of PPE and Capital Work in Progress	(4,321,450)	(425,168)
Withdrawal / (Placement) deposits with licensed Islamic banks more than three months	(8,324,030)	9,460,000
Net cash generated from investing activities	(11,775,167)	10,494,294
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance expense paid	(14,688,179)	(26,203,217)
Distribution to Unitholders	(13,372,547)	(38,444,065)
Proceed from Issuance of new units	70,321,149	64,154,735
Net drawdown of borrowings	31,360,764	10,784,465
Net cash generated from financing activities	73,621,187	10,291,918
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(28,821,569)	49,614,187
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	63,307,084	12,392,897
	34,485,515	62,007,084
Placement deposits with licensed Islamic banks more than three months	8,324,030	1,300,000
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>42,809,545</b>	<b>63,307,084</b>
<b>RESTRICTED CASH AT END OF THE PERIOD</b>	5,674,055	-
<b>UNRESTRICTED CASH AT END OF THE PERIOD</b>	37,135,490	63,307,084
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>42,809,545</b>	<b>63,307,084</b>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached.

**A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2024 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 2023 was not subjected 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 affect 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 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 Board of Directors of Hektar Asset Management Sdn. Bhd. ("Board") has recommended and the Trustee has approved an interim income distribution of 1.9 sen, amounting to RM13,429,440 for the Second Quarter ended 30 June 2024.

The Board had determined that the Income Distribution Reinvestment Plan ("IDRP") shall apply to the entire Income Distribution for the Second Quarter ended 30 June 2024, where the gross electable portion will be 1.9 sen per unit, amounting to RM13,429,440 for the Second Quarter ended 30 June 2024.

Hektar REIT will issue new units to Unitholders who elect to exercise the reinvestment option. The issue price, which will be determined and fixed by the Board on the price-fixing date, shall not be more than a 10% discount to the 5-day volume weighted average market price ("VWAMP") of the units immediately prior to the price-fixing date.

**A8 SEGMENT INFORMATION**

The operations of Hektar REIT are located in Malaysia, the segmental financial information by operating segments is presented as below :

	<b>Revenue (RM)</b>	<b>Net Property Income (RM)</b>
Retail Assets	56,867,391	26,999,091
Education Asset	8,096,000	8,096,000
Total	64,963,391	35,095,091

**A9 VALUATION OF INVESTMENT PROPERTIES**

The Investment Properties of Rental Assets such as Subang Parade, Mahkota Parade, Wetex Parade, Central Square, Kulim Central and Segamat Central were last valued on 31 December 2023.

**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 706,812,657 units as of 30 June 2024.

**A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 30 June 2024.

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

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

**A14 CAPITAL COMMITMENT (MFRS 134)**

There were no major capital commitments as at 30 June 2024, other than an approved commitment of RM14.6 million for the replacement and modernisation of lifts and escalators at Subang Parade.

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

	Year-To-Date ("YTD") Cumulative Quarter ended		
	30.06.2024 RM'000	30.06.2023 RM'000	Variance %
Total Revenue	64,963	56,152	15.7
Net Property Income ("NPI")	35,095	30,700	14.3
Net Realised Income	13,516	16,163	-16.4
NPI Margin	54.0%	54.7%	-0.7%

Hektar REIT recorded higher revenue of RM64.96 million in the current quarter compared to RM56.15 million in the same quarter of the previous year. The increase in revenue is mainly due to the recognition of revenue of its newly acquired education asset, Kolej Yayasan Saad (KYS). NPI also increased by 14.3%, or RM4.4 million, in Q2'2024 resulted from the KYS Acquisition.

The performance of net realised income for the current quarter has been impacted by:

- the increase in finance costs by RM2.4 million resulting from the increase in the Overnight Policy Rate ("OPR").
- A one-off acquisition fee amounting of RM1.48 million in relation to KYS acquisition.
- Included in the preceding year quarter was a reversal of doubtful debt provisions amounting to RM1.4 million.

**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

	Q2'2024 RM'000	Q1'2024 RM'000	Variance %
Total Revenue	36,557	28,406	28.7
Net Property Income ("NPI")	20,713	14,382	44.0
Net Realised Income	8,433	5,083	65.9
NPI Margin	56.7%	50.6%	6.1

There was a positive improvement in the current quarter's revenue by 28.7% compared to Q1 2024, driven by the recognition of KYS rental income. The NPI improved by 44.0% even with an increase in direct costs, which were impacted by higher utility costs and property maintenance expenses.

The increase in net realised income in the current quarter was mainly driven by the recognition of rental income from KYS after deducting the one-off acquisition fee of RM1.48 million, payable to the Asset Manager for the acquisition of KYS.



**B3 PROSPECTS**

Riding on the successful acquisition of Hektar REIT's first non-retail asset, the Manager is actively exploring new assets to be injected into the REIT's diversified portfolio with the aim to double the portfolio size by 2027. Anchored on the REIT's three-pronged active investment strategy (yield-accretive acquisitions, portfolio optimisation and prudent capital management), Hektar REIT is rigorously enhancing and optimising its portfolio to continuously deliver attractive and sustainable returns to our Unitholders.

Despite strong recovery of the country's economy, Hektar REIT remains vigilant of the retail industry outlook for the remaining half of 2024 given the rising living cost and inflationary pressures which could affect consumer sentiment and spending trends. The inclusion of an education asset to the portfolio strengthens the portfolio's resilience to any market uncertainties whilst generating stable income for the REIT.

As the REIT embarks on several Asset Enhancement Initiatives with major focus on Subang Parade repositioning, the Manager anticipates improved property valuation, higher occupancy levels, positive rental reversions and increase in footfall to be recorded across Hektar Malls. At the same time, the Manager will continue adopting prudent financial management and implement cost optimisation activities to further improve Hektar REIT's Net Property Income.

**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.

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 2024.

**B6 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

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

**B7 QUOTED INVESTMENTS**

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

**B8 CORPORATE PROPOSAL AND DEVELOPMENTS**

There were no corporate proposals announced and pending completion as at the date of this report other than those disclosed below:-

During the Extraordinary General Meeting (“EGM”) held on 15 January 2024, the Unitholders had granted their approval on the proposed Private Placement of up to 25% of the total number of issued unit of Hektar REIT to third party investor(s) (“Private Placement 2”). The New units, totaling 125,397,584 with the total gross proceeds of RM73.36 million have been listed on the Main Market of Bursa Malaysia Securities on 5<sup>th</sup> March 2024 and 15<sup>th</sup> March 2024 respectively.

Hektar REIT’s fund size increased from 581,415,073 units to 706,812,657 units as of 30 June 2024, arising from the new issuance of 125,397,584 units in total, as disclosed above. Unless extended, the time frame to implement the private placement for the remaining available units will lapse on 17<sup>th</sup> December 2024.

**B9 BORROWINGS AND DEBT SECURITIES**

Hektar REIT’s total borrowings of RM593,589,019 are secured and comprise the following:

- Current borrowings of RM4,200,000; and
- Non-current borrowings of RM589,389,019

**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 is not aware of any pending material litigation as at the date of this quarterly Financial Report other than that disclosed below:

- i) 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) (Civil Appeal No. JB-12BNCVC-10-07/2020; JB-12BNCVC-11-7/2020; and JB-12BNCVC-12-7/2020)

Following our earlier announcements, the appeal which was earlier fixed for hearing on 24 July 2024 has been rescheduled by the High Court to be now heard on 17 October 2024.

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

- ii) 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)

As per our earlier announcements on this case, the continuation of the trial proceedings proceeded on 20 and 21 May 2024 and subsequently concluded on 15 July 2024. The High Court has now fixed the matter for clarification and/or decision on 10 February 2025.

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.

**B12 SOFT COMMISSION**

For the quarter ended 30 June 2024, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust, other than the one off acquisition fee of RM1.485 million in relation to KYS acquisition.

**B13 INCOME DISTRIBUTION**

- i) 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%

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. The Manager intends to distribute at least 90% of Hektar REIT's distributable income for the financial year ending 31 December 2024.

- ii) The Board had determined that the IDRPs shall apply to the entire Income Distribution the Second Quarter ended 30 June 2024, where the gross electable portion will be 1.9 sen per unit, amounting to RM13,429,440 for the Second Quarter ended 30 June 2024.

Hektar REIT will issue new units to Unitholders who elect to exercise the reinvestment option. The issue price, which will be determined and fixed by the Board on the price-fixing date, shall not be more than a 10% discount to the 5-day volume weighted average market price ("VWAMP") of the units immediately prior to the price-fixing date.

**B14 DISTRIBUTABLE INCOME AND EARNINGS PER UNIT**

	CUMULATIVE QUARTER	
	Current YTD 30.06.2024 RM	Preceding YTD 30.06.2023 RM
<b>Net property income</b>	<b>35,095,091</b>	<b>30,699,520</b>
Income from Fund Placement	870,313	214,580
Other income	353,908	1,233,025
Reversal of impairment loss	(159,232)	1,428,539
Trust expenses	(7,956,401)	(5,107,927)
Finance Expenses	(14,688,179)	(12,304,962)
Income before Taxation	13,515,500	16,162,765
Taxation	-	-
<b>Realised Income</b>	<b>13,515,500</b>	<b>16,162,765</b>
Distribution	-	-
Less : Proposed / declared income distribution	(13,429,440)	(13,467,275)
<b>Undistributed realised income</b>	<b>86,060</b>	<b>2,695,490</b>
<b>Weighted Average number of units</b>	<b>621,101,036</b>	<b>480,989,178</b>
Realised/ Earnings per unit (sen)	2.18	3.36

**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 2024 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of the Manager on 22 August 2024.

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

22 August 2024