

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As at 31.03.2014 RM (Unaudited)	As at 31.12.2013 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,047,280,000	1,047,280,000
Capital work in progress	10,255,693	1,740,014
Fixed deposits with a licensed bank	4,256,585	4,227,470
	1,061,792,278	1,053,247,484
<u>CURRENT ASSETS</u>		
Trade receivables	2,844,795	3,077,180
Other receivables, deposits and prepayments	4,549,863	5,494,566
Cash and bank balances	18,289,202	23,283,679
	25,683,860	31,855,425
TOTAL ASSETS	1,087,476,138	1,085,102,909
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	11,165,134	13,888,965
Bank borrowings	440,722,641	436,100,000
	451,887,775	449,988,965
<u>CURRENT LIABILITIES</u>		
Trade payables	1,538,502	2,657,263
Other payables and accruals	4,122,489	5,045,445
Tenancy deposits	16,921,769	14,047,441
	22,582,760	21,750,149
TOTAL LIABILITIES	474,470,535	471,739,114
NET ASSET VALUE	613,005,603	613,363,795
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	425,738,255
Undistributed income – realised	38,817,468	39,175,660
– unrealised	148,449,880	148,449,880
TOTAL UNITHOLDERS' FUND	613,005,603	613,363,795
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at the date	1.5301	1.5310
-before distribution for the cumulative quarter	1.5571	1.6360
NUMBER OF UNITS IN CIRCULATION	400,634,117	400,634,117

Note: tenancy deposit includes RM1,868,359 (2013: RM1,846,604) which is discounted to present value in compliance with MFRS 139 as per note A14.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2014 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2014 RM	Preceding Year Corresponding Quarter 31.3.2013 RM	Current YTD 31.03.2014 RM	Preceding YTD 31.3.2013 RM
Revenue	30,177,445	30,077,975	30,177,445	30,077,975
Property operating expenses	(12,574,100)	(11,703,256)	(12,574,100)	(11,703,256)
Net property income	17,603,345	18,374,719	17,603,345	18,374,19
Interest income	62,678	68,269	62,678	68,269
Other income	11,087	10,912	11,087	10,912
Trust expenses	(2,454,424)	(2,690,892)	(2,454,424)	(2,690,892)
Borrowing costs	(4,763,757)	(4,702,920)	(4,763,757)	(4,702,920)
Income before taxation	10,458,929	11,060,088	10,458,929	11,060,080
Taxation	-	-	-	-
Net income	10,458,929	11,060,088	10,458,929	11,060,088
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	10,458,929	11,060,088	10,458,929	11,060,088
Earnings per unit (sen)	2.61	2.76	2.61	2.76

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 2013 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2014 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2014</u>	425,738,255	39,175,660	148,449,880	613,363,795
<u>Operation for the cumulative quarter ended 31 March 2014</u>				
Total comprehensive income for the financial year	-	10,458,929	-	10,458,929
<u>Unitholders' transaction</u>				
Distribution to unitholders		(10,817,121)	-	(10,817,121)
Balance at 31 March 2014	<u>425,738,255</u>	<u>38,817,468</u>	<u>148,449,880</u>	<u>613,005,603</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2013 (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2013</u>	425,738,255	35,108,545	135,817,586	596,664,386
<u>Operation for the cumulative quarter ended 31 December 2013</u>				
Total comprehensive income for the financial year	-	46,133,697	12,632,294	58,765,991
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(42,066,582)	-	(42,066,582)
Balance at 31 December 2013	<u>425,738,255</u>	<u>39,175,660</u>	<u>148,449,880</u>	<u>613,363,795</u>

The Condensed Statement of Changes in Net Assets Value should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2014

	Current YTD 31.03.2014 RM	Preceding YTD 31.3.2013 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	10,458,929	11,060,088
Adjustments for :-		
Interest income	(62,678)	(68,269)
Interest expense	4,763,757	4,702,920
Rental under MFRS 117	208,017	(33,983)
Impairment loss on trade receivables	85,497	52,500
Operating profit before working capital changes :-	<u>15,453,522</u>	<u>15,713,256</u>
Change in working capital :-		
Receivables	(531,869)	(527,500)
Payables	(475,776)	528,833
Net cash from operating activities	<u>14,445,877</u>	<u>15,714,589</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties	(411,400)	-
Expenditure for refurbishment and enhancement of investment property incurred	(8,104,280)	(953,029)
Interest income	62,678	68,269
Placement of fixed deposits	(29,115)	(18,875)
Net cash used in investing activities	<u>(8,482,117)</u>	<u>(903,635)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(4,763,757)	(4,702,920)
Borrowings	4,622,641	-
Distribution to Unitholders	(10,817,121)	(10,817,121)
Net cash used in from financing activities	<u>(10,958,237)</u>	<u>(15,520,041)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(4,994,477)</u>	<u>(709,087)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>23,283,679</u>	<u>26,127,087</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>18,289,202</u>	<u>25,418,000</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2014 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 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Hektar REIT had adopted Malaysian Financial Reporting Standard 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 2013 in their report dated 12 February 2014.

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 2014, there will be a First Income Distribution of 2.6 sen per unit, amounting to RM10,416,487 to be made on 9 June 2014.

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 were last valued as follows:

1. Subang Parade, Mahkota Parade and Wetex Parade on 1 December 2013
2. Central Square and Landmark Central on 3 December 2013.

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 400,634,117 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. Meanwhile, gross turnover rental is recognised as income in the accounting period on a receipt basis.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,868,359 representing the difference between the fair value and the amount of deposits carried in the statement of financial position as a result of the recognition of the said deposits at fair value in compliance with the requirements of MFRS 139 financial instruments.

A15 CAPITAL COMMITMENT (MFRS 134)

Capital expenditure in respect of the following has not been provided for in the financial statement: -

Authorised and contracted for:-	<u>RM</u>
Refurbishment of investment properties	1,907,168
Rental of equipment	<u>365,880</u>
	<u>2,273,048</u>

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

B1 REVIEW OF PERFORMANCE

For the quarter ended 31 March 2014, Hektar REIT generated total revenue of RM30,251,210 including interest and other income.

The revenue for the current quarter is basically similar to the preceding quarter's corresponding period. The ongoing Asset Enhancement Initiative in Central Square, Sg. Petani has resulted in temporary rental vacancies. Revenue is expected to improve once the Asset Enhancement Initiative is completed by the latter part of 2014.

However, property operating expenses increased by 7% to RM12,574,100, mainly due to rising operating costs like the electricity tariff hike and the implementation of the minimum wage Act.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.03.2014 RM	Preceding Quarter Ended 31.03.2013 RM
Income before tax (RM)	10,458,929	11,060,088

The first quarter's net income of RM10,458,929 is 5% lower than the previous corresponding period of 2013 mainly due temporary vacancies in Central Square from the ongoing Asset Enhancement Initiative and rising operating cost .

B3 PROSPECTS

Our malls continue to enjoy high occupancies. Central Square shopping centre in Sungai Petani, Kedah is currently undergoing an asset enhancement exercise which is expected to complete by the latter part of 2014.

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 2014.

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

Government Land Acquisition

Further to the announcement dated 12 February 2014, the Manager is currently awaiting for payment of the additional compensation sum and other charges awarded by the High Court from the Pentadbir Tanah Daerah Petaling (PTD) in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor. The Manager will only make a further announcement once the compensation sum is received.

Acquisition of Sold Lot

In the first quarter of 2014, there has been no new acquisition of sold lots by Hektar REIT. Notwithstanding, discussion with several sold lot individual owners within Hektar REIT's portfolio of shopping malls are currently ongoing and the Manager will make the relevant announcements once the parties have agreed to terms and entered into the formal Sale & Purchase Agreements.

Meanwhile, the acquisitions of Lots 2F-42 and 1F-51 which were announced on 11 November 2013 and 12 February 2014 respectively were completed on 20 January 2014 and 21 March 2014 respectively. The lots acquired were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Central Square Shopping Centre by Hektar REIT.

B9 BORROWINGS AND DEBT SECURITIES

The total borrowings of RM440,722,641 are long term and secured.

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

There was no material litigation as at date of reporting.

B13 SOFT COMMISSION

For the quarter ended 31 March 2014, 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 2.6 sen per unit, amounting to RM10,416,487 for the First Quarter ended 31 March 2014. The withholding tax rate imposed on the recipients of income distribution is as follows:

Resident individuals	Withholding tax at 10%
Non-resident individuals	Withholding tax at 10%
Foreign institutional investors	Withholding tax at 10%
Others – Resident and non-resident	Withholding tax at 10%
Resident companies	Corporate tax at 25%
	(No withholding tax)
Non-resident companies	Withholding tax at 25%

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.3.2014	Preceding Quarter Ended 31.3.2013
Income before tax	10,458,929	11,060,088
Provision for income distribution	10,416,487	10,416,487
Number of units in issue	400,634,117	400,634,117
Basic earning per unit (sen)	2.61	2.76
Distribution per unit (sen)	2.60	2.60

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 2014 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 6 May 2014.

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

6 May 2014