

HEKTAR REAL ESTATE INVESTMENT TRUST

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



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

	As at 30.09.2024 RM (Unaudited)	As at 31.12.2023 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,232,700,000	1,232,700,000
Property, plant & equipment ("PPE")	476,186	414,238
Capital work in progress	5,754,835	-
	1,238,931,021	1,233,114,238
<u>CURRENT ASSETS</u>		
Trade receivables	4,454,419	3,510,934
Other receivables, deposits and prepayments	159,673,265	14,917,200
Cash and bank balances	39,162,872	63,307,084
	203,290,556	81,735,218
TOTAL ASSETS	1,442,221,577	1,314,849,456
<u>NON-CURRENT LIABILITIES</u>		
Tenancy deposits	26,837,881	25,477,419
Deferred tax liability	30,877,532	30,877,532
Bank borrowings	588,296,503	559,228,255
	646,011,916	615,583,206
<u>CURRENT LIABILITIES</u>		
Trade payables	8,156,559	7,348,647
Other payables and accruals	17,775,168	13,832,418
Tenancy deposits	2,097,346	2,355,549
Bank borrowings	19,200,000	3,000,000
	47,229,073	26,536,614
TOTAL LIABILITIES	693,240,989	642,119,820
NET ASSET VALUE	748,980,588	672,729,636
<u>FINANCED BY:</u>		
Unitholders' capital	631,207,833	560,886,684
Undistributed income – realised	59,557,463	53,627,660
– unrealised	58,215,292	58,215,292
TOTAL UNITHOLDERS' FUND	748,980,588	672,729,636
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at the date	1.0597	1.1571
-after distribution for the cumulative quarter	1.0407	1.1341
NUMBER OF UNITS IN CIRCULATION	706,812,657	581,415,073

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 SEPTEMBER 2024 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2024 RM	Preceding Year Corresponding Quarter 30.09.2023 RM	Current YTD 30.09.2024 RM	Preceding YTD 30.09.2023 RM
Revenue	29,799,061	27,811,195	94,762,452	83,962,834
Property operating expenses	(14,853,179)	(12,418,864)	(44,721,479)	(37,870,983)
Net property income	14,945,882	15,392,331	50,040,973	46,091,851
Income from Fund Placement	113,230	-	983,543	214,580
Other income	292,637	113,307	646,545	1,346,332
Reversal Gain/(Impairment loss) on trade receivables	(142,644)	455,940	(301,876)	1,884,479
Trust expenses	(3,444,412)	(2,448,129)	(11,400,812)	(7,556,066)
Finance expenses	(7,477,844)	(6,690,705)	(22,166,023)	(18,995,667)
Realised income before taxation	4,286,850	6,822,744	17,802,350	22,985,509
Change in fair value of investment property	-	-	1,500,000	-
Income before taxation	4,286,850	6,822,744	19,302,350	22,985,509
Taxation	-	-	-	-
Net income	4,286,850	6,822,744	19,302,350	22,985,509
Other comprehensive income after tax	-	-	-	-
Total comprehensive income	4,286,850	6,822,744	19,302,350	22,985,509
Earnings per unit (sen)	0.61	1.37	2.96	4.71
- realised (sen)	0.61	1.37	2.73	4.71
- unrealised (sen)	-	-	0.23	-
Weighted average number of units	706,812,657	498,787,970	652,708,098	487,927,690

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 SEPTEMBER 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 September 2024</u>				
Total comprehensive income for the financial period	-	19,302,350	-	19,302,350
<u>Unitholders' transactions</u>				
Unitholders' capital	70,321,149	-	-	70,321,149
Distribution to unitholders	-	(13,372,547)	-	(13,372,547)
Balance at 30 September 2024	631,207,833	59,557,463	58,215,292	748,980,588

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 SEPTEMBER 2024 (UNAUDITED)

	Current YTD 30.09.2024 RM	Preceding YTD 31.12.2023 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	19,302,350	51,695,944
Adjustments for :-		
Bad debts written off	-	499,877
Depreciation of PPE	48,455	56,468
Income from Fund Placement	(983,543)	(1,459,462)
Finance Expenses	22,166,023	26,203,217
Impairment loss/ (reversal gain) in trade receivables	301,876	(2,352,829)
Fair value adjustment in Investment Properties	(1,500,000)	(26,600,000)
Operating profit before working capital changes	39,335,161	48,043,215
Change in working capital:-		
Receivables	(144,501,426)	(10,346,922)
Payables	5,852,921	(8,868,318)
Net cash from operating activities	(99,313,344)	28,827,975
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment properties	-	-
Income from Fund Placement	983,543	1,459,462
Purchase of PPE and Capital Work in Progress	(5,865,238)	(425,168)
Withdrawal / (Placement) deposits with licensed Islamic banks more than three months	(8,381,871)	9,460,000
Net cash generated from investing activities	(13,263,566)	10,494,294
CASH FLOW FROM FINANCING ACTIVITIES		
Finance expense paid	(22,166,023)	(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	45,268,248	10,784,465
Net cash generated from financing activities	80,050,827	10,291,918
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,526,083)	49,614,187
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,307,084	12,392,897
	30,781,001	62,007,084
Placement deposits with licensed Islamic banks more than three months	8,381,871	1,300,000
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	39,162,872	63,307,084
RESTRICTED CASH AT END OF THE PERIOD	5,674,055	-
UNRESTRICTED CASH AT END OF THE PERIOD	33,488,817	63,307,084
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	39,162,872	63,307,084

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 SEPTEMBER 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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 INCOME DISTRIBUTION

No income distribution is proposed for the current quarter ended 30 September 2024 (Q3 2024). 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.

The Board of Directors of Hektar Asset Management Sdn Bhd had on 22 August 2024 declared an income distribution of 1.90 sen (gross) per unit amounting to RM13.43 million for the second quarter ended 30 June 2024, the amount was subsequently paid on 18 October 2024.

A8 SEGMENT INFORMATION

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

	Revenue		Net Property Income	
	RM	%	RM	%
Retail Assets	84,591,852	89.3	39,870,373	79.7
Education Asset	10,170,600	10.7	10,170,600	20.3
Total	94,762,452	100.0	50,040,973	100.0

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, other than the issuance of 2,474,027 new units for a total value of RM1,237,013.45 pursuant to the third Income Distribution Reinvestment Plan ("IDRP"). The new units have been listed and quoted on the Main Market of Bursa Securities on 21 October 2024. As of the reporting date, the total number of units in issuance has increased to 709,286,684, with a corresponding Unitholders' capital of RM632,444,846

Issued and fully paid	Number of units	RM
Balance as of 30 September 2024	706,812,657	631,207,833
Third IDRP	2,474,027	1,237,013
Balance as of 26 November 2024	709,286,684	632,444,846

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 September 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 of 30 September 2024, other than an approved commitment of RM14.0 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		
	30.09.2024 RM'000	30.09.2023 RM'000	Variance %
Total Revenue	94,762	83,963	12.9
Net Property Income ("NPI")	50,041	46,092	8.6
Net Realised Income	17,802	22,986	-22.5
NPI Margin	52.8%	54.9%	-2.1

Hektar REIT recorded a positive improvement in the current quarter's revenue of RM94.76 million, compared to RM83.96 million in the same quarter of the previous year. This increase in revenue is primarily due to the recognition of income from its newly acquired education asset, Kolej Yayasan Saad (KYS). The NPI also increased by 8.6%, or RM3.95 million in Q3 2024 resulted from KYS acquisition.

The performance of net realised income for the current year to date was impacted by:

- the increase in finance costs by 16.7% or RM3.17 million resulting mainly from the increase in the Overnight Policy Rate (OPR) in the current year.
- 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 RM1.88 million.

	Q3'2024 RM'000	Q3'2023 RM'000	Variance %
Total Revenue	29,799	27,811	7.1
Net Property Income ("NPI")	14,946	15,392	-2.9
Net Realised Income	4,287	6,822	-37.2
NPI Margin	50.2%	55.3%	-5.1

The increase in current quarter's revenue was mainly contributed by the revenue recognition of KYS College of RM2.08 million. Despite higher direct cost in property maintenance, the NPI margin remains at the healthy level of 50.2% in current quarter.

Lower net realised income was reported in the current quarter mainly driven by increase in the following expenses:

- Finance cost of RM0.8 million due to higher Overnight Policy Rate (OPR).
- One-off administrative expenses of RM0.9 million.
- One-off gain from the reversal of impairment loss trade receivable no longer required of RM0.6 million in Q3'2023.

B2 PROSPECTS

The Malaysian economy expanded by 5.3% in the third quarter of 2024 over the same quarter of the previous year (2Q 2024: 5.9%). The faster than expected expansion in economy prompted the Government to revise the growth forecast for 2024 to the range between 4.8% and 5.3%.

Despite strong recovery of the country's economy, Hektar REIT remains vigilant of the retail industry outlook for the remaining 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.

The Manager anticipates higher occupancy levels, positive rental reversions and increase in footfall to be recorded across Hektar Malls in coming quarters from several Asset Enhancement Initiatives. 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.

B3 VARIANCE OF PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as there was no profit forecast or profit guarantee issued.

B4 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.

B5 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B6 QUOTED INVESTMENTS

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

B7 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 units of Hektar REIT to third party investor(s). The new units, totalling 125,397,584 with the total gross proceeds of RM73.36 million have been listed on the Main Market of Bursa Malaysia Securities on 5th March 2024 and 15th March 2024 respectively.

Unless extended, the time frame to implement the private placement for the remaining available units will lapse on 17th December 2024.

B8 BORROWINGS AND DEBT SECURITIES

Hektar REIT’s total borrowings of RM607,496,503 are secured and comprise the following:

- Current borrowings of RM19,200,000; and
- Non-current borrowings of RM588,296,503

B9 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B10 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 hearing of the appeals proceeded on 7 November 2024 and thereafter, the High Court had fixed 10 January 2025 to deliver its decision on the matter

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 matter is now fixed 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.

B11 SOFT COMMISSION

For the quarter ended 30 September 2024, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

B12 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%

No income distribution is proposed for the current quarter ended 30 September 2024 (Q3 2024) 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. 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 of Directors of Hektar Asset Management Sdn Bhd had on 22 August 2024 declared an income distribution of 1.90 sen (gross) per unit amounting to RM13.43 million for the second quarter ended 30 June 2024. A total new unit of 2,474,027 units pursuant to the third IDRPs were allotted and issued. The new units have been listed and quoted on the Main Market of Bursa Securities on 21 October 2024. For non-electable and balance of electable fraction of income distribution was paid by cash amounting of RM11,527,955.17 on 18 October 2024.

B13 DISTRIBUTABLE INCOME AND EARNINGS PER UNIT

	CUMULATIVE QUARTER	
	Current YTD 30.09.2024 RM	Preceding YTD 30.09.2023 RM
Net property income	50,040,973	46,091,851
Income from Fund Placement	983,543	214,580
Other income	646,545	1,346,332
Reversal Gain/(Impairment loss) on trade receivables	(301,876)	1,884,479
Trust expenses	(11,400,812)	(7,556,066)
Finance Expenses	(22,166,023)	(18,995,667)
Income before Taxation	17,802,350	22,985,509
Taxation	-	-
Realised Income	17,802,350	22,985,509
Distribution	-	-
Less : Proposed / declared income distribution	-	-
Undistributed realised income	17,802,350	22,985,509
Weighted Average number of units	652,708,098	487,927,690
Realised/ Earnings per unit (sen)	2.73	4.71

B14 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 September 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 26 November 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

26 November 2024