

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

	As at 30.9.2012 RM (Unaudited)	As at 31.12.2011 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	822,000,000	822,000,000
Capital work in progress	1,575,265	-
Fixed deposit with a licensed bank	2,594,278	2,338,995
	826,169,543	824,338,995
<u>CURRENT ASSETS</u>		
Trade receivables	2,987,767	3,002,686
Other receivables, deposits and prepayments	53,522,009	20,451,827
Cash and bank balances	18,013,155	19,265,508
	74,522,931	42,720,021
TOTAL ASSETS	900,692,474	867,059,016
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	244,101,321	363,480,000
<u>CURRENT LIABILITIES</u>		
Trade payables	231,586	266,763
Other payables and accruals	5,110,767	5,708,722
Tenancy deposits	23,385,520	22,450,235
Provision for income distribution	8,320,026	-
Bank borrowings	150,000,000	-
	187,047,899	28,425,720
TOTAL LIABILITIES	431,149,220	391,905,720
NET ASSET VALUE	469,543,254	475,153,296
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	24,300,894	29,910,936
– unrealised	117,105,649	117,105,649
TOTAL UNITHOLDERS' FUND	469,543,254	475,153,296
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 30 September 2012/31 December 2011	1.47	1.48
-before distribution for the cumulative quarter	1.58	1.59
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,734,843 (2011:RM1,534,782) 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 2011 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2012 RM	Preceding Year Corresponding Quarter 30.9.2011 RM	Current YTD 30.9.2012 RM	Preceding YTD 30.9.2011 RM
Revenue	25,409,439	24,028,072	74,173,848	70,625,904
Property operating expenses	(9,492,330)	(9,405,895)	(28,598,278)	(27,483,533)
Net property income	15,917,109	14,622,177	45,575,570	43,142,371
Interest Income	39,598	22,161	125,215	106,076
Other Income	3,632	5,040	123,720	11,506
Trust expenses	(2,069,925)	(1,680,088)	(5,820,610)	(4,971,705)
Borrowing costs	(3,943,817)	(3,353,893)	(11,053,829)	(9,327,691)
Income before taxation	9,946,597	9,615,397	28,950,066	28,960,557
Taxation	-	-	-	-
Net income for the period	9,946,597	9,615,397	28,950,066	28,960,557
Other comprehensive income for the period, after tax				
Total comprehensive income for the period	9,946,597	9,615,397	28,950,066	28,960,557
Earnings per unit (sen)	3.11	3.00	9.05	9.05

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 30 SEPTEMBER 2012 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2012</u>	328,136,711	29,910,936	117,105,649	475,153,296
<u>Operation for the cumulative quarter ended 30 September 2012</u>				
Total comprehensive income for the period	-	28,950,066	-	28,950,066
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(34,560,108)	-	(34,560,108)
Balance at 30 September 2012	<u>328,136,711</u>	<u>24,300,894</u>	<u>117,105,649</u>	<u>469,543,254</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2011 (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2011</u>	328,136,711	23,956,870	69,368,442	421,462,023
<u>Operation for the cumulative quarter ended 31 December 2011</u>				
Total comprehensive income for the year	-	38,914,169	47,737,207	86,651,376
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(32,960,103)	-	(32,960,103)
Balance at 31 December 2011	<u>328,136,711</u>	<u>29,910,936</u>	<u>117,105,649</u>	<u>475,153,296</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 2011 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2012

	Current YTD 30.9.2012 RM	Preceding YTD 30.9.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	28,950,066	28,960,557
Adjustments for :-		
Interest income	(125,215)	(106,076)
Interest expense	11,053,829	9,327,691
Rental under MFRS 117	190,411	(830,214)
Impairment loss on trade receivables	112,500	112,500
Reversal of impairment loss on trade receivables	(30,233)	-
Operating profit before working capital changes	<u>40,151,358</u>	<u>37,464,458</u>
Change in working capital :-		
Receivables	(33,327,940)	(4,411,299)
Payables	302,154	(482,951)
Net cash from operating activities	<u>7,125,572</u>	<u>32,570,208</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Refurbishment of investment properties	(1,575,266)	(15,224,145)
Interest income	125,215	106,076
Placement of fixed deposits	(255,283)	(53,744)
Net cash used in investing activities	<u>(1,705,334)</u>	<u>(15,171,813)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(11,053,829)	(9,327,691)
Bank borrowings	30,621,321	13,097,888
Distribution to Unitholders	(26,240,082)	(24,535,226)
Net cash used in financing activities	<u>(6,672,590)</u>	<u>(20,765,029)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,252,352)</u>	<u>(3,366,634)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>19,265,507</u>	<u>24,670,518</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>18,013,155</u></u>	<u><u>21,303,884</u></u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 SEPTEMBER 2012 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 Malaysia Accounting Standard 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 2011 in their report dated 13 February 2012.

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

A Third Interim Distribution of 2.6 sen amounting to RM8,320,026 has been made on 18 October 2012.

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 on 31 October 2011.

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 320,001,000 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 recognized on a straight-line basis over the term of the lease. Meanwhile, gross turnover rental is recognized as income in the accounting period on a receipt basis.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,734,843 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

Capital commitment not provided for the financial statements as at 30 September 2012 were as follow:-

Investment properties	RM'000
- Authorised but not contracted for	<u>132,279</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 cumulative quarter ended 30 September 2012, Hektar REIT generated total revenue of RM74,422,783 comprising rental income of RM74,173,848, interest income of RM125,215 and other income of RM123,720.

Revenue of RM74,173,848 was higher than the preceding year's corresponding period by 5%, principally due to improvement in rentals and car park income.

Property operating expenses of RM28,598,278 was higher than the preceding year's mainly due to higher electricity tariff.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.9.2012 RM	Preceding Quarter Ended 30.9.2011 RM
Income before tax	9,946,597	9,615,397

The individual third quarter's net income of RM9,946,597 is 3.4% higher than the previous corresponding period of 2011 mainly due to improvement in rentals.

B3 PROSPECTS

New mall openings in Malaysia have created a more challenging environment. However, Hektar is well positioned to compete effectively as it has a proven track record over the last 5 years with timely refurbishment of its malls.

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 2012.

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

Status of Corporate Proposals – Acquisition of Landmark Central Shopping Centre and Central Square Shopping Centre

The Proposed Acquisitions (as announced in the Annual Report 2011, 1st Quarter and 2nd Quarter 2012 reports, 1 October 2012 and on 2 October 2012) have been completed on 2 October 2012.

Government Land Acquisition

Further to the announcements dated 10 May 2010, 4 August 2010, 3 November 2010, 17 February 2011, 11 May 2011, 17 August 2011, 4 November 2011, 13 February 2012, 25 May 2012, 29 June 2012 and 10 August 2012, 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.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM394,101,321 comprise:

1. Current liability of RM150,000,000; and
2. Non-current liability of RM244,101,321.

Both loans are 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 30 September 2012, 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 third interim distribution of 2.6 sen per unit, amounting to RM8,320,026 which was paid on 18 October 2012. The withholding tax rate imposed on the recipients of income distribution is as follows:

Resident individual	Withholding tax at 10%
Non-resident individual	Withholding tax at 10%
Resident institutional investors	Withholding tax at 10%
Non-resident institutional investors	Withholding tax at 10%
Resident companies	No withholding tax. Subject to corporate tax at 25% for year of assessment 2012
Non-resident companies	Withholding tax at 25% for year of assessment 2012

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 30.9.2012	Preceding Quarter Ended 30.9.2011
Income before tax (RM)	9,946,597	9,615,397
Provision for income distribution (RM)	8,320,026	8,000,025
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	3.10	3.00
Distribution per unit (sen)	2.60	2.50

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with MFRS 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 30 September 2012 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorized for release by the Board of the Manager on 20 November 2012.

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

20 November 2012