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HEKTAR  
R E I T

HEKTAR REAL ESTATE INVESTMENT TRUST

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This Interim Report for the period ended 30 June 2008 has been prepared by Hektar Asset Management Sdn Bhd (732261-T) as the Manager of Hektar REIT. Whilst every care has been taken in relation to its accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All values are expressed in Malaysian currency unless otherwise stated. This Interim Report is issued in August 2008.

## Portfolio

### HEKTAR REAL ESTATE INVESTMENT TRUST

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Hektar Real Estate Investment Trust ("Hektar REIT") is Malaysia's premier retail-focused REIT. Hektar REIT's principal objective is to provide its Unitholders with a defensible income distribution and to enhance the long-term capital value of Hektar REIT. Hektar REIT invests in income-producing real estate primarily used for retail purposes.

Hektar REIT was established by a Trust Deed entered into on 5 October 2006 between Hektar Asset Management Sdn. Bhd. ("Manager") and AmTrustee Berhad ("Trustee"), in their capacities as Manager and Trustee of Hektar REIT. Hektar REIT is managed by the Manager, a related company of the Hektar Group. The Hektar Group was formed in 2002 with a vision to develop world-class shopping centres for Malaysian consumers, based on international best practices.

Hektar REIT was listed on the main board of Bursa Malaysia Securities Berhad on 4 December 2006. Hektar REIT's cornerstone investor is Frasers Centrepoint Trust, a part of the F&N Group, which is headquartered in Singapore.

Hektar REIT currently owns Subang Parade in Selangor, Mahkota Parade in Melaka and Wetex Parade in Johor, respectively.

## SUBANG PARADE

Subang Parade was the first 'regional' shopping centre in Selangor when it was opened in 1988, offering half a million square feet of retail space. The centre is located in Subang Jaya, a township accessible 15 minutes by car from Shah Alam and Petaling Jaya, 25 minutes from Kuala Lumpur and 45 minutes from Kuala Lumpur International Airport (KLIA).



Today, Subang Parade's positioning strategy and tenant mix is community-focused within its primary trade area and receives the bulk of its visitors from its immediate vicinity. The emphasis on the end consumer provides the centre with a captive consumer base, whose primary retail needs are driven by value, convenience and the proximity of the centre.

Location	No. 5 Jalan SS 16/1, Subang Jaya, 47500 Selangor, MALAYSIA.
Land Tenure	Freehold
Gross Floor Area	1.2 million sq ft
Net Lettable Area	477,145 sq ft
Valuation	RM311.4 million
Tenants*	126
Key Tenants	Parkson, HSL, Toys R Us, MPH, Celebrity Fitness
Occupancy	100.0%
Annual Visitor Traffic	7.8 million (2007)
Year Opened	1988
Year Acquired	2006
Year Refurbished	2006 – 2007

\* Only NLA lots. Data as at 30 June 2008.

## MAHKOTA PARADE

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Mahkota Parade was the first 'regional' shopping centre in Melaka when it was opened in 1994, offering over half a million square feet of retail space. The complex is located within Mahkota Melaka, the commercial and tourist centre of Melaka, situated in the heart of Melaka town.



Mahkota Parade is positioned as a prime shopping centre for metropolitan Melaka. The centre serves as the premier one-stop destination centre in the region, featuring a full array of dining, fashion and specialty offerings and entertainment, including a bowling alley, cinema and gaming arcade. The centre also serves as a key venue for major promotional events and community gatherings.

Location	No. 1 Jalan Merdeka, 75000 Melaka, MALAYSIA.
Land Tenure	Leasehold (Until 2101)
Gross Floor Area	1.1 million sq ft
Net Lettable Area	466,527 sq ft
Valuation	RM248.0 million
Tenants*	108
Key Tenants	Parkson, Ampang Superbowl, Giant, Golden Screen Cinemas
Occupancy	97.3%
Annual Visitor Traffic	8.8 million
Year Opened	1994
Year Acquired	2006
Year Refurbished	Currently in Phases

\* Only NLA lots. Data as at 30 June 2008.

**NEW ACQUISITION: WETEX PARADE**

Wetex Parade and Classic Hotel is an integrated retail development which opened in 1996 in Muar, Johor. The complex is situated within the commercial district of the town. Wetex Parade is the key department-store anchored shopping centre and serves as the premier retail destination for the Muar district. Classic Hotel, which is partially situated on top of Wetex Parade is one of the leading hotels in town and is currently managed by its previous owner, Wetex Realty Sdn. Bhd, under a sale-and-leaseback arrangement.



Location	69 Jalan Ali, Off Jalan Sulaiman, 84000 Muar, Johor, MALAYSIA.
Land Tenure	Freehold
Gross Floor Area	290,200 sq ft
Net Lettable Area	173,847 sq ft
Car Park	190 bays
Valuation	RM118.0 million
Tenants*	86
Key Tenants	The Store, McDonald's, Watson's
Occupancy	90.8%
Year Opened	1996
Year Acquired	2008
Year Refurbished	N/A
Hotel Component	156-rooms, '3-star' standard
Hotel Lease	10-years fixed-term

\* Only NLA lots. Data as at 30 June 2008.

Hektar REIT completed the acquisition of Wetex Parade and Classic Hotel on 30 April 2008. Simultaneously, with the completion of the acquisition, Classic Hotel was leased back to Wetex Realty Sdn. Bhd. for a fixed term of ten (10) years.

## PORTFOLIO PERFORMANCE

## a) Occupancy

Hektar REIT's portfolio maintains solid occupancy levels throughout its properties, with an average occupancy of approximately 97.4%. The most recent acquisition, Wetex Parade has an occupancy of 90.8%, due to a re-positioning of the shopping centre and changes in the tenant mix.

Table: Portfolio Occupancy (2003 to 30 June 2008)

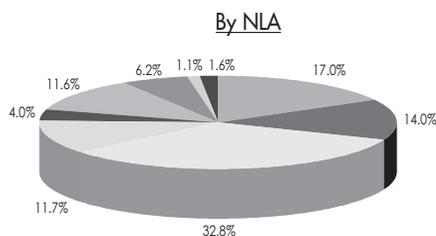
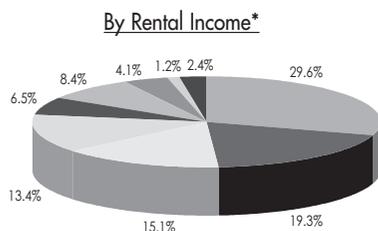
Property	As at 31 December 2003	As at 31 December 2004	As at 31 December 2005	As at 30 September 2006	As at 31 December 2007	As at 30 June 2008
Subang Parade	97.7%	93.4%	98.3%	98.5%	99.9%	100.0%
Mahkota Parade		86.8%	96.9%	94.9%	93.9%	97.3%
Wetex Parade						90.8%
Overall*	97.7%	91.3%	97.6%	96.7%	96.9%	97.4%

\* Average weighted by NLA

## b) Tenancy Mix

Hektar REIT's portfolio tenancy mix is well diversified and continues to reflect the needs of its respective market catchments. The largest segment, fashion & footwear contributed approximately 29.6% of monthly rental income for the month of June 2008.

Chart: Hektar REIT Tenancy Mix (as at 30 June 2008)



## Legend:

- Fashion & Footwear
- Department Store / Supermarket
- Education / Services
- Electronics & IT
- Others
- Food & Beverage / Food Court
- Gifts / Books / Toys / Specialty
- Leisure & Entertainment, Sport & Fitness
- Homewares & Furnishing

\* Based on monthly rental income for the month of June 2008.

NLA = Net Lettable Area

## c) Tenancy Diversification

Hektar REIT's top ten tenants contributed approximately 26.2% of monthly rental income for the month of June 2008. The anchor tenant remains Parkson, which occupied approximately 22.7% of total portfolio NLA while contributing 10.8% of total monthly rental income.

Table: Hektar REIT Top Ten Tenants by Rental Income (as at 30 June 2008)

Tenant	Trade Sector	NLA (sq ft)	% of Total NLA	% of Monthly Rental Income*
1 Parkson	Department	254,009	22.7%	10.8%
2 The Store	Department	91,357	8.2%	3.0%
3 McDonald's	F&B	12,946	1.2%	1.9%
4 The Reject Shop	Fashion	17,695	1.6%	1.8%
5 Ampang Superbowl	Leisure	36,717	3.3%	1.6%
6 Bata Malaysia	Fashion	5,287	0.5%	1.5%
7 World of Sports	Fashion	10,796	1.0%	1.5%
8 Kenny Rogers Roasters	F&B	7,096	0.6%	1.4%
9 B.U.M City	Fashion	16,078	1.4%	1.4%
10 Bonia	Fashion	4,835	0.4%	1.3%
<b>"Top 10 Tenants (By Monthly Rental Income)"</b>		456,816	40.9%	26.2%
Other Tenants		660,703	59.1%	73.8%
Total		1,117,519	100.0%	100.0%

\* Based on monthly rental income for the month of June 2008.

## d) Rental Reversions

In the first half of 2008, ended 30 June 2008, Hektar REIT recorded positive rental reversions from new tenancies and renewals. A total of 35 tenancies reflecting 7% of the total portfolio NLA recorded average rental rate increases of approximately 6% over previous rental rates.

Table: Rental Reversions (Year-To-Date, as at 30 June 2008)

1H 2008 (6 months) (Ended 30 June)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	% Increase / (Decrease) Over Previous Rent Rate
Subang Parade	12	38,162	8%	11%
Mahkota Parade	22	36,598	8%	2%
Wetex Parade	1	475	0%	18%
Portfolio Total / Average*	35	75,235	7%	6%

\* Average Weighted by NLA

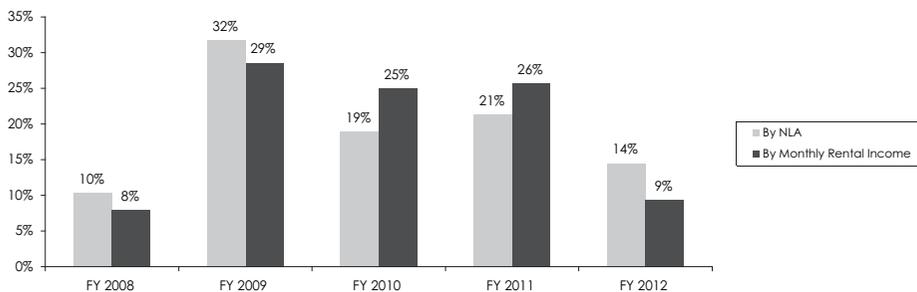
## e) Tenancy Expiry Profile

Hektar REIT's tenancy expiry profile is relatively distributed over a 5 year period up to 2012, with no expiries accounting for more than 29% of monthly rental income in any year.

Table: Portfolio Tenancy Expiry Profile (as at 30 June 2008)

Portfolio For Year Ending 31 December	No. of Tenancies Expiring	NLA of tenancies expiring (sq ft)	NLA of tenancies expiring as % of total NLA	% of Total Monthly Rental Income*
FY 2008	48	115,526	10%	8%
FY 2009	90	354,717	32%	29%
FY 2010	90	211,252	19%	25%
FY 2011	74	238,356	21%	26%
FY 2012	10	161,916	14%	9%

Chart: Portfolio Tenancy Expiry Profile (as at 30 June 2008)



\* Based on monthly rental income for the month of June 2008.

## Corporate Directory

### MANAGER

Hektar Asset Management Sdn Bhd (732261-T)

#### Manager's Principal Place of Business

Block C-0-5, Plaza Damas  
No.60 Jalan Sri Hartamas 1  
Sri Hartamas  
50480 Kuala Lumpur  
Tel : +6 03 6201 1011  
Fax : +6 03 6201 0012  
Web: www.HektarREIT.com

#### Manager's Registered Office

Unit 419, Block A  
Kelana Business Centre  
No. 97, Jalan SS 7/2  
Kelana Jaya  
47301 Petaling Jaya, Selangor

### BOARD OF DIRECTORS OF THE MANAGER

Dato' Jaafar bin Abdul Hamid	<i>Chairman &amp; Chief Executive Officer</i>
Lim Ee Seng	<i>Non-Executive Director</i>
Christopher Tang Kok Kai	<i>Executive Director</i>
Zalila binti Mohd Toon	<i>Executive Director &amp; Chief Financial Officer</i>
Shahril bin Kassim	<i>Non-Executive Director</i>
Dato' Syed Amin Aljeffri	<i>Independent Non-Executive Director</i>
Dato' Lim Git Hooi @ Robert Lim	<i>Independent Non-Executive Director</i>
Philip Eng Heng Nee	<i>Independent Non-Executive Director</i>

### EXECUTIVE COMMITTEE

Dato' Jaafar bin Abdul Hamid  
Christopher Tang Kok Kai  
Zalila binti Mohd Toon

### JOINT COMPANY SECRETARIES OF THE MANAGER

Muhammad Hafidz bin Nuruddin (MAICSA 7005820)  
Lim Seck Wah (MAICSA 0799845)

## **TRUSTEE**

AmTrustee Berhad (Company No. 163032-V)  
(a member of AmInvestment Group Berhad)  
17th Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur

## **PROPERTY MANAGER**

Izrin & Tan Properties Sdn Bhd (Company No. 602338-K)  
1-1 Jalan 5/76B  
Desa Pandan  
55100 Kuala Lumpur

## **PRINCIPAL BANKER OF THE FUND**

Malayan Banking Berhad (Company No. 3813-K)  
Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur

## **AUDITOR**

SJ Grant Thornton (AF : 0737)  
Level 11 Faber Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50774 Kuala Lumpur

## **TAX AGENT**

SJ Grant Thornton (AF : 0737)  
Level 11 Faber Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50774 Kuala Lumpur

## **REGISTRAR**

Mega Corporate Services Sdn Bhd (Company No. 187984-H)  
Level 15-2 Faber Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50774 Kuala Lumpur

## **STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad - Main Board  
Short Name: HEKTAR  
Stock Code: 5121

## Financial Highlights

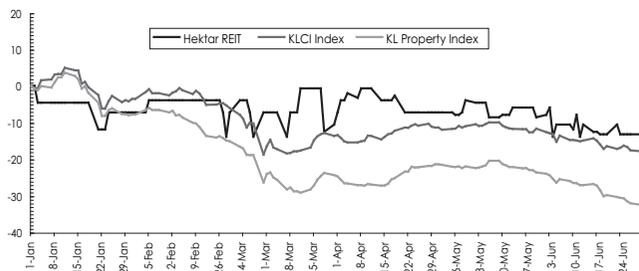
	Unaudited 1 January 2008 to 30 June 2008 (6 months) RM	Unaudited 1 December 2006 to 30 June 2007 (7 months) RM
Net Income before tax	18,136,340	19,727,255
Income Distribution	15,360,048	15,360,048
Earnings per Unit - Total	(sen) 5.67	6.16
Distribution per Unit - Realised	(sen) 4.80	4.80
Distribution Yield	(%) 3.66	3.16
Annualised Dividend Distribution Yield	(%) 7.33 <sup>1</sup>	5.72 <sup>2</sup>
Annualised Management Expense Ratio	(%) 1.39	1.10

<sup>1</sup> Based on the market price per unit of RM1.31 as at 30 June 2008.

<sup>2</sup> Based on the market price per unit of RM1.55 as at 29 June 2007.

	As at 30 June 2008 RM	As at 30 June 2007 RM
Total Assets	708,741,177	543,236,602
Total Borrowing	301,500,000	184,000,000
Total Unitholders' Fund	377,164,897	332,557,426
Market Capitalisation	419,201,310	496,001,550
Total Borrowing to Total Assets	(%) 42.54	33.87
Net Asset Value per Unit	(RM) 1.18	1.04
Market Price per Unit	(RM) 1.31	1.55
No. of Units in Circulation	320,001,000	320,001,000

### CHART: UNIT PRICE PERFORMANCE



1 January - 30 June 2008  
 Hektar REIT: (-13.25%)  
 KLCI Index: (-17.89%)  
 KL Property Index: (-32.54%)

## Manager's Report

The Board of Directors of Hektar Asset Management Sdn Bhd ("Manager"), the Manager of Hektar Real Estate Investment Trust ("Hektar REIT") are pleased to submit their report to the Unitholders of Hektar REIT together with the unaudited financial statements of Hektar REIT for the six (6) months period ended 30 June 2008.

### PRINCIPAL ACTIVITY

Hektar REIT was established on 5 October 2006 and listed on Bursa Malaysia Securities Berhad on 4 December 2006. The principal activity of Hektar REIT is to invest in commercial properties primarily used for retail purposes with the objective of achieving an attractive level of return from rental income as well as enhancing long-term capital value.

### REVIEW OF PERFORMANCE

	As at 30 June 2008 RM	As at 30 June 2007 RM
Total Net Asset Value	377,164,897	332,557,426
Units in Circulation (Units)	320,001,000	320,001,000
Net Asset Value per unit	1.18	1.04
Market Value per Unit as at 30 June	1.31	1.55
Highest Traded Price for the six-month period (Jan - Jun)	1.51	1.60
Lowest Traded Price for the six-month period (Jan - Jun)	1.30	0.95

### OPERATING RESULTS

	Period Ended 30 June 2008 (6 months) RM	Period Ended 30 June 2007 (7 months) RM
Total Gross Income	39,731,690	41,717,912
Total Property Expenses	14,164,730	15,395,450
Total Income	25,566,960	26,322,462
Total Non-Property Expenses	7,430,620	6,595,207
Income before Taxation	18,136,340	19,727,255
Taxation	-	-
Income after Taxation	18,136,340	19,727,255
Earnings per Unit after Tax	(sen) 5.67	6.16
Distribution Per Unit ("DPU")	(sen) 4.80	4.80

## OPERATING RESULTS COMMENTARY

For the six (6) months financial period ended 30 June 2008, the total revenue of Hektar REIT was RM39,731,690 comprising gross rental income of RM39,669,290, interest income of RM60,272 and other income of RM2,128. On an average basis, actual revenue of RM39,731,690 exceeded the forecast as published in Hektar REIT's Prospectus dated 15 November 2006, by 13.5%. This is due to:

- (i) the rental rates for Subang Parade and Mahkota Parade which were higher than forecasted; and
- (ii) the inclusion of Wetex Parade's two-month performance.

Income before taxation was RM18,136,340 after deducting total expenditure and borrowings of Hektar REIT amounting to RM21,595,350. Total non-property expenses of RM7,430,620 was higher than the preceding year's corresponding cumulative quarter due in part to increases in interest expense and costs arising from the acquisition of Wetex parade.

The cumulative quarter's revenue and net income was 5% and 8% lower than the preceding year's corresponding cumulative quarter, respectively. This is because the preceding year's corresponding cumulative quarter comprised a 7-month performance (December 2006 - June 2007) vis-à-vis the current cumulative quarter's 6-month performance (January 2008 - June 2008). If December 2006's revenue and net income are excluded from the preceding year's corresponding cumulative quarter, the current cumulative quarter's revenue and net income is 5% and 7% higher, respectively.

The Manager has recommended and the Trustee has approved an income distribution of 4.80 sen per unit (equivalent to 85% of income before tax) totaling RM15,360,048 for the first half of 2008. The Manager intends to distribute at least 90% of the actual full year distributable income or 100% of forecast distributable income published in the prospectus, whichever is higher.

Despite the current uncertain economic conditions, arising from escalating cost of fuel, electricity and other commodities, the Manager expects to at least meet its forecasted full year figures as published in Hektar REIT's prospectus, barring any unforeseen circumstances.

## INCOME DISTRIBUTION

An income distribution of 2.40 sen per unit, totaling RM7,680,024 was paid on 3 June 2008 in respect to the first quarter ended 31 March 2008.

For the second quarter ended 30 June 2008, the Manager has recommended and the Trustee has approved an interim income distribution of 2.40 sen per unit, totaling RM7,680,024 to be paid on 9 September 2008.

## DIRECTORS OF THE MANAGER

The Board of the Manager welcomes three new directors, Mr Lim Ee Seng, Mr Christopher Tang Kok Kai and a third Independent Director Mr Philip Eng Heng Nee who were appointed to the Board on 17 April 2008 (please refer to Partnership with Frasers Centrepoint Limited in the Corporate Developments section below for further details).

Directors who are currently serving on the Board of Hektar Asset Management Sdn Bhd are:

Dato' Jaafar bin Abdul Hamid

Lim Ee Seng

Christopher Tang Kok Kai

Zalila binti Mohd Toon

Shahril bin Kassim

Dato' Syed Amin Aljeffri

Dato' Lim Git Hooi @ Robert Lim

Philip Eng Heng Nee

## DIRECTORS BENEFITS

For the six (6) months period ended 30 June 2008, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by Hektar REIT or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, save and except for note 18 as explained under the Notes to the Financial Statements, below.

There were no arrangements during and at the end of the six-month period, which had the objective of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of Hektar REIT or any other corporate body.

## MANAGER'S FEE

For the six (6) months ended 30 June 2008, the Manager's fee was RM2,923,210, representing 1.55% per annum of the Net Asset Value ("NAV") of Hektar REIT. The fees comprised:

- a) Base fee of RM813,854;
- b) Performance fee of RM920,456; and
- c) Acquisition fees of RM1,188,900, for the acquisition of Wetex Parade and 2 sold lots in Subang Parade. Acquisition fees are capitalised in the balance sheet under investment property.

An explanation of the Manager's fee is detailed in note 12 under the Notes to the Financial Statements, below.

## CORPORATE DEVELOPMENTS

### Partnership with Frasers Centrepoint Limited

On 5 March 2008, Hektar Klasik Sdn Bhd ("HKSB") signed a Joint Venture Agreement ("JV Agreement") with Frasers Centrepoint Asset Management (Malaysia) Pte. Ltd. ("FCAMM") for both parties to participate jointly in the management of Hektar REIT through their participation as shareholders of Hektar Asset Management Sdn Bhd. The JV Agreement regulates their relationship with each other and sets out their respective rights, duties and obligations and mutual covenants relating to their relationship inter se as shareholders of the Manager. FCAMM is a wholly owned subsidiary of Frasers Centrepoint Limited ("FCL").

The signing of the JV Agreement fulfills the final condition under the Sale and Purchase Agreement between HKSB, the holding company of the Manager and FCL for FCL to acquire 400,000 ordinary shares of RM1.00 each comprising 40% of the issued and paid up share capital in the Manager for a total cash consideration of RM500,000.00 ("Sale and Purchase Agreement").

On 26 March 2008, an announcement was made to Bursa Malaysia to inform that the Sale and Purchase Agreement has been completed.

Pursuant to the JV Agreement, two new FCAMM Directors, Mr Lim Ee Seng and Mr Christopher Tang Kok Kai were appointed to the Board of the Manager on 17 April 2008. A third Independent Director, Mr Philip Eng Heng Nee was also appointed to the Board on 17 April 2008. With the new appointments, the Board size of the Manager has been increased to eight.

In line with the new appointments, an Executive Committee ("EXCO") consisting of Dato' Jaafar bin Abdul Hamid, Mr Christopher Tang Kok Kai and Puan Zalila binti Mohd Toon was set up to enable the Board to delegate to the EXCO the right to make decisions in accordance with the terms and conditions of the JV Agreement.

### Public Spread

As at 31 July 2008, the public spread for Hektar REIT was 21.81% in the hands of 426 public unit holders holding not less than 100 units each. Under clause 8.15 of Bursa Malaysia's Listing Requirements, a public-listed entity is required to have at least 25% of its total listed units in the hands of a minimum of 1,000 public unit holders holding not less than 100 units each.

In relation to this, on 17 July 2008, the Manager has announced that Bursa Malaysia, in its letter dated 15 July 2008 has granted Hektar REIT until 30 November 2008 for Hektar REIT to comply with this requirement.

The Manager is continuing to exercise its best endeavors to rectify the public spread number by continuing its active promotion of Hektar REIT to the public via its various activities - investment roadshows, conferences, presentations to analysts and investors, participation in the Investor Relations Incentive Programme ("IRIP") and the Capital Market Development Fund ("CMDF") Bursa Research Scheme ("CBRS") and press-related activities.

### Acquisition of Sold Lots

In the first half of 2008, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into Sale & Purchase Agreements to acquire the following retail spaces at Subang Parade, at the respective purchase prices.

Lot No.	Purchase Price	Date of SPA
LG25, Lower Ground Floor	RM 880,000	31 March 2008
F10, First Floor	RM 850,000	18 June 2008
F18, First Floor	RM 650,000	5 June 2008

Lots LG25, F10 and F18 were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Subang Parade by Hektar REIT.

The acquisition in respect of Lot LG25 was completed on 16 April 2008 while the transaction for lots F10 and F18 are currently ongoing.

### Acquisition of Wetex Parade and Classic Hotel in Muar, Johor

On 18 February 2008, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement ("S&P Agreement") with Wetex Realty Sdn Bhd ("Wetex Realty") to acquire a five (5) storey building comprising a shopping mall known as Wetex Parade and a hotel known as Classic Hotel in Muar, Johor at the total purchase price of RM117,500,000.

Pursuant to the S&P Agreement, AmTrustee Berhad had on 25 April 2008, also entered into a Lease Agreement ("Lease Agreement") with Wetex Realty to grant a ten (10) years fixed term lease of Classic Hotel to Wetex Realty upon the terms and conditions contained in the Lease Agreement.

The ten (10) years lease back of Classic Hotel will account for approximately 1.8% of the revenue for the financial year ending 31 December 2008. Therefore, Hektar REIT will maintain its primary focus on retail properties.

The acquisition of Wetex Parade and Classic Hotel was completed on 30 April 2008.

As the Manager aims to provide the unitholders of Hektar REIT with stable distribution and to enhance the value of Hektar REIT's property portfolio over time through, inter-alia, selectively acquiring retail properties that meet the Manager's investment criteria, the acquisition of Wetex Parade and Classic Hotel, a stabilised asset with potential for growth in the interim, is expected to be yield-accretive to Hektar REIT's income by providing for an expected increase in income for the financial year ending 31 December 2008 as well as an improved income/asset diversification for Hektar REIT.

## GROWTH STRATEGIES

The Manager continues to employ multiple-pronged strategies to sustain the growth of Hektar REIT, which are summarised as follows:

1. Portfolio Optimisation
  - a. Active Leasing - The Manager will continue refreshing the tenancy mix of its assets to align with the needs and demands of its target shoppers;
  - b. Marketing and Promotion - Aggressive marketing and promotion programmes have been planned all-year round to enhance and retain shopper traffic; and
  - c. Asset Enhancement - Enhancements are continuously planned and made to enhance net lettable area. In addition, all sold lots that are up for sale are being evaluated for possible buy-back / repurchase.
  
2. Yield-Accretive Acquisitions
  - a. Stabilised Properties - These are stable properties which are already contributing strong cash flow. Acquisitions of these types of properties will be yield accretive to Hektar REIT and may enhance liquidity of Hektar REIT; and
  - b. Turnaround Properties - These are properties that are currently under-serving their respective markets and if managed actively, have the potential of yielding significantly better performance in the medium term. Acquisitions of these types of properties will ensure a substantial increase in the value of Hektar REIT as a whole, as well as improved returns to Unitholders.

The Manager is currently undertaking due diligence exercises on a few shopping centres.

## GEARING DEBT FACILITIES

Hektar REIT has increased its borrowings from RM184,000,000 to RM301,500,000. The additional loan of RM117,500,000 was obtained to acquire Wetex Parade. The total borrowings of RM301,500,000 are long term and secured.

## GEARING CAPACITY

As at 30 June 2008, Hektar REIT had a gearing ratio (external borrowings to total assets) of 42.5%. Based on the current GAV of RM708,741,177, there is capacity to borrow an additional RM52,870,588 before reaching the 50% limit permitted under the Securities Commission's Guidelines on Real Estate Investment Trusts.

## UNITS IN ISSUE

The total number of units in issue of Hektar REIT is 320,001,000.

## INVESTMENTS OF HEKTAR REIT

Total investment as at 30 June 2008 was RM680,012,243, comprising the following:

Property	Value as at 1 January 2008 (RM)	Acquisition (RM)	Value as at 30 June 2008 (RM)
Subang Parade	311,400,000	893,900 <sup>1</sup>	312,293,900
Mahkota Parade	248,000,000	–	248,000,000
Wetex Parade	–	119,718,343 <sup>2</sup>	119,718,343
Total	559,400,000	120,612,243	680,012,243

Notes :

- <sup>1</sup> Acquisition of sold lot LG25, Subang Parade, comprising the purchase price, commissions and related professional fees.
- <sup>2</sup> Acquisition of Wetex Parade, comprising the purchase price, commissions and related professional fees.

## NET ASSET VALUE OF HEKTAR REIT

The Net Asset Value ("NAV") of Hektar REIT as at 30 June 2008 was RM1.18 per unit. In line with our listing requirements, the NAV has been posted weekly with Bursa Malaysia and published on their website.

This concludes the Manager's Report on behalf of the Manager with a resolution of the Directors.

**DATO' JAAFAR BIN ABDUL HAMID**  
Chairman & Chief Executive Officer

**ZALILA BINTI MOHD TOON**  
Executive Director & Chief Financial Officer

Kuala Lumpur  
August 2008

# Financial Statements

For the six-month period ended 30 June 2008

## Statement by the Manager

In the opinion of the Directors, the unaudited financial statements set out on pages 22 to 26 are drawn up in accordance with the provisions of the Trust Deed dated 5 October 2006, Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of Hektar Real Estate Investment Trust as at 30 June 2008 and of the results of their operations and cash flows for the six-months period ended on that date.

Signed on behalf of the Board  
of Directors of the Manager

DATO' JAAFAR BIN ABDUL HAMID

ZALILA BINTI MOHD TOON

Kuala Lumpur,  
August 2008

## Trustee's Report

To the Unitholders of Hektar Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Hektar Real Estate Investment Trust ("Hektar REIT") for the six (6) months financial period ended 30 June 2008. In our opinion, Hektar Asset Management Sdn Bhd ("Manager") has managed Hektar REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Trust Deed dated 5 October 2006, other provisions of the Trust Deed, the Securities Commission Act 1993, the applicable Guidelines on Real Estate Investment Trusts and other applicable laws during the six months financial period ended.

We have also ensured the procedures and processes employed by the Manager to value and price the units of Hektar REIT are adequate and that such valuation / pricing is carried out in accordance with the Trust Deed and other regulatory requirements.

We confirm that the recommended interim net income distribution of 4.80 sen per unit for the six-months financial period ended 30 June 2008 is in line with and is reflective of the objectives of Hektar REIT.

For and on behalf of the Trustee  
AmTrustee Bhd

**RAJA AMIR SHAH BIN RAJA ABDUL AZIZ**  
Chief Executive Officer

Kuala Lumpur,  
August 2008

## Balance Sheet

	As at 30.06.2008 RM (Unaudited)	As at 31.12.2007 RM (Audited)
<b>NON-CURRENT ASSETS</b>		
Investment Properties	680,012,243	559,400,000
<b>CURRENT ASSETS</b>		
Trade receivables	1,403,595	915,562
Other receivables, deposits, prepayments	5,330,195	6,629,415
Capital work in progress	3,312,603	2,755,559
Cash and bank balances	18,682,541	18,096,940
	<b>28,728,933</b>	<b>28,397,476</b>
<b>TOTAL ASSETS</b>	<b>708,741,176</b>	<b>587,797,476</b>
<b>LIABILITIES</b>		
Trade payables	398,454	134,968
Other payables and accruals	2,148,957	1,959,281
Tenancy deposits	19,848,845	16,082,588
Provision for income distribution	7,680,024	11,232,035
Borrowings	301,500,000	184,000,000
<b>TOTAL LIABILITIES</b>	<b>331,576,279</b>	<b>213,408,872</b>
<b>NET ASSET VALUE</b>	<b>377,164,897</b>	<b>374,388,604</b>
<b>FINANCED BY:</b>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income - realised	5,186,569	2,410,276
- unrealised	43,841,617	43,841,617
<b>TOTAL UNITHOLDERS' FUND</b>	<b>377,164,897</b>	<b>374,388,604</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<b>1.1786</b>	<b>1.1700</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>320,001,000</b>	<b>320,001,000</b>

The notes set out on pages 27 to 40 form an integral part of, and should be read in conjunction with these financial statements.

## Income Statement

For the 6-month period ended 30 June 2008 (Unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2008 RM	Preceding Year Corresponding Quarter 30.6.2007 RM	Current YTD 30.6.2008 RM	Preceding YTD* 30.6.2007 RM
Revenue	20,888,305	18,062,360	39,669,290	41,646,045
Property operating expenses	(7,401,487)	(6,674,584)	(14,164,731)	(15,395,450)
<b>Net property income</b>	<b>13,486,817</b>	<b>11,387,776</b>	<b>25,504,560</b>	<b>26,250,595</b>
Interest Income	27,468	14,745	60,272	63,904
Other Income	1,553	420	2,128	7,964
Trust expenses	(1,224,627)	(997,030)	(2,617,320)	(2,144,039)
Borrowing costs	(2,884,575)	(1,920,371)	(4,813,300)	(4,451,168)
<b>Income before taxation</b>	<b>9,406,637</b>	<b>8,485,540</b>	<b>18,136,340</b>	<b>19,727,256</b>
Taxation	-	-	-	-
<b>Net income for the period</b>	<b>9,406,637</b>	<b>8,485,540</b>	<b>18,136,340</b>	<b>19,727,256</b>
Provision for income distribution	(7,680,024)	(7,680,024)	(15,360,048)	(15,360,048)
	<b>1,726,613</b>	<b>805,516</b>	<b>2,776,292</b>	<b>4,367,208</b>
Earnings per unit (sen)	2.94	2.65	5.67	6.16

\* The cumulative quarter for the period ended 30 June 2007 comprised a 7-month result, December 2006 to June 2007.

The notes set out on pages 27 to 40 form an integral part of, and should be read in conjunction with these financial statements.

## Statement of Changes in Net Asset Value

For the 6-month period ended 30 June 2008 (Unaudited)

	Unitholders' capital RM	Undistributed		Unitholders' fund RM
		Realised	Unrealised	
Balance as at 1 January 2008	328,136,711	2,410,276	43,841,617	374,388,604
<u>Operation for the period ended</u>				
<u>30 June 2008</u>				
Net Income for the period	-	18,136,340	-	18,136,340
	328,136,711	20,546,616	43,841,617	392,524,944
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(15,360,048)	-	(15,360,048)
	-	(15,360,048)	-	(15,360,048)
At 30 June 2008	328,136,711	(5,186,568)	43,841,617	377,164,897

The notes set out on pages 27 to 40 form an integral part of, and should be read in conjunction with these financial statements.

## Statement of Changes in Net Asset Value

For the 7-month period ended 30 June 2007 (Unaudited)

	Unitholders' capital RM	Undistributed		Unitholders' fund RM
		Realised	Unrealised	
At 5 October 2006	1,000	-	-	1,000
<u>Operation for the period ended</u>				
<u>30 June 2007</u>				
Net Income for the period	-	19,727,256	-	19,727,256
	1,000	19,727,256	-	19,728,255
<u>Unitholders' transaction</u>				
Creation of units	336,585,000	-	-	336,585,000
Listing expenses	(8,395,782)			(8,395,782)
Distribution to unitholders	-	(15,360,048)	-	(15,360,048)
	328,189,218	(7,680,024)	-	312,829,170
At 30 June 2007	328,190,218	4,367,208	-	332,557,426

The notes set out on pages 27 to 40 form an integral part of, and should be read in conjunction with these financial statements.

## Cash Flow Statement

For the 6-month period ended 30 June 2008 (Unaudited)

	Current YTD 30.6.2008 RM	Preceding YTD 30.6.2007* RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	18,136,340	19,727,256
Adjustments for:-		
Interest income	(60,272)	(63,904)
Interest expenses	4,813,300	4,451,168
Provision for doubtful debts	30,000	70,000
	<b>22,919,368</b>	<b>24,184,520</b>
<b>Operating income before changes in working capital:-</b>		
Receivables	781,187	(5,073,066)
Payables	4,219,418	18,929,152
Net cash generated from operating activities	<b>27,919,974</b>	<b>38,040,605</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of properties	(120,612,243)	(354,421,362)
Refurbishment of investment properties	(557,044)	-
Interest income	60,272	63,904
Net cash used for investing activities	<b>(121,109,015)</b>	<b>(354,357,458)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Unitholders' capital	-	176,085,000
Interest expenses	(4,813,300)	(4,451,168)
Listing expenses	-	(8,395,782)
Borrowings	117,500,000	184,000,000
Distribution to Unitholders	(18,912,058)	(7,680,024)
Net cash generated from / (used for) financing activities	<b>93,774,642</b>	<b>339,558,026</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>585,601</b>	<b>23,241,174</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>18,096,940</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>18,682,541</b>	<b>23,241,174</b>

\* The preceding YTD for the period ended 30 June 2007 comprised a 7-month result - December 2006 to June 2007.

The notes set out on pages 27 to 40 form an integral part of, and should be read in conjunction with these financial statements.

## Notes to the Financial Statements

These notes form an integral part of the financial statements. The financial statements were approved and authorised for use by the Directors of the Manager on 13 August 2008.

### 1. GENERAL

Hektar Real Estate Investment Trust ("Hektar REIT") was constituted on 5 October 2006 pursuant to a trust deed dated 5 October 2006 ("the Deed") between Hektar Asset Management Sdn. Bhd. ("the Manager") and AmTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirement of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings.

Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006.

The principal activity of Hektar REIT is to acquire and invest in income-producing real-estate in Malaysia which is primarily used for retail purposes with a view to provide Unitholders with stable distribution of income and potential capital growth. There have been no significant changes in the nature of these activities during the financial period.

The principal activities of the Manager consist of managing and administering the Fund for Hektar REIT and other management services. The Manager, incorporated in Malaysia is a wholly-owned subsidiary of Hektar Klasik Sdn. Bhd.

The Manager's registered office is located at Unit 419, Block A, Kelana Business Centre, No. 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor. The principal place of business of the Manager is located at Block C-0-5, Plaza Damas, 60 Jalan Sri Hartamas 1, Sri Hartamas, 50480 Kuala Lumpur.

### 2. FINANCIAL RISK MANAGEMENT POLICIES

Hektar REIT's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the REIT's business whilst managing its risks. Hektar REIT operates within clearly defined guidelines as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts ("Guidelines"). These Guidelines seek to provide a regulatory framework that would protect the interests of the investing public. Hektar REIT's risk management policies, which ensure compliance with the spirit of the Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

(a) Interest rate risk

Hektar REIT's exposures to changes in interest rates are primarily due to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rate.

(b) Credit risk

The Trust controls credit risk by the application of credit approvals, limits and monitoring procedures.

(c) Liquidity and cash flow risks

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Hektar REIT's operations and mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Guidelines concerning limits on total borrowing.

### 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise indicated in the other significant accounting policies) and complied with the applicable provisions of the Deed, the provisions of the Securities Commission Act 1993, the Guidelines and the applicable MASB Approved Accounting Standard in Malaysia for Entities Other Than Private Entities.

These financial statements are presented in Ringgit Malaysia (RM), which is the Trust's functional and presentation currency.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors on 13 August 2008.

(b) Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Trust's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised and in any future financial periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 5 to the Financial Statements.

(c) Investment properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose.

Investment properties are stated at fair value, which reflects market condition at the balance sheet date. The fair value is based on market value, which is the price at which the properties could be exchanged between knowledgeable, willing parties in an arm length transaction. Gain or losses arising from changes in the fair values of investment properties are included in the income statement in the financial year in which they arise.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the financial year of retirement or disposal.

(d) Capital work in progress

Capital work in progress represents:

- (i) refurbishment work undertaken to enhance the value of the properties, and
- (ii) earnest deposits paid towards the acquisition of sold lots. These will be transferred to investment properties upon the completion.

(e) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the financial period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(f) Receivables

Known bad debts are written off and specific provision is made to debts which are considered doubtful of collection.

(g) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(h) Provision for liabilities

Provisions are recognised when there is a present obligation legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

Provision for income distribution is recognised when any distribution declared, determined or publicly recommended by the Directors of the Manager and approved by the Trustee but not distributed at the balance sheet date.

(i) Cash and cash equivalents

Cash comprises of cash and bank balances, short-term demand deposits and bank overdraft. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(j) Borrowing costs

Interest bearing borrowing is recorded at the amount of proceeds received.

(k) Impairment of assets

At each balance sheet date, Hektar REIT reviews the carrying amounts of its assets (except for investment properties that are measured at fair value) which are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilized previously recognised revaluation surplus for the same asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future financial periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

(l) Revenue recognition

- (i) Rental income is recognised in the Income Statement on accrual basis.
- (ii) Car park income is recognised in the Income Statement on accrual basis.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income accrued.

(m) Expenses

- (i) Property expenses consist of property management fees, quit rent and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Property management fees are recognised on an accrual basis using the applicable formula as stated the Property Management Agreement.
- (ii) Manager's fees are recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iii) Trustee's fee is recognised on an accrual basis using the applicable formula as stated in the Deed.
- (iv) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred.

#### 4. UNITHOLDERS' CAPITAL

As at 31 July 2008, the Manager did not hold any Units in Hektar REIT. However, the Directors of the Manager and related parties held Units in Hektar REIT as follows:

**The Manager's Directors' Direct & Indirect Unitholdings in Hektar REIT:**

	31.07.2008	Market Value*
Dato' Jaafar bin Abdul Hamid	130,700,700	169,910,910
Zalila binti Mohd Toon	300,000	390,000

\* Market price per unit as at 31 July 2008 was RM1.30.

**Substantial Unitholders' Direct Unitholdings in Hektar REIT as at 31 July 2008:**

	No. of Units	% of Total Issued Units
1 HSBC Institutional Trust Services (Singapore) Limited for Frasers Centrepoint Trust (as Trustee)	99,400,000	31.06
2 Hektar Premier Sdn. Bhd. - Pledged securities account for Hektar Premier Sdn. Bhd.	300,000 87,500,000	27.44
3 Hektar Black Sdn. Bhd. - Pledged securities account for Hektar Black Sdn. Bhd.	1,850,000 38,850,000	12.72
4 HSBC-FS for Arisaig ASEAN Fund Limited	19,855,000	6.20

**The Manager's related parties' Direct Unitholdings in Hektar REIT as at 31 July 2008:**

	No. of Units	% of Total Issued Units
Hektar Premier Sdn. Bhd.	87,800,000	27.44
Hektar Black Sdn. Bhd.	40,700,000	12.72

The market value of the Units was determined by multiplying the number of Units with the market price of RM1.30 as at 31 July 2008.

**5. INVESTMENT PROPERTIES**

	FY2008 RM	FY2007 RM
As at 1 January	559,400,000	512,000,000
Acquisition	119,718,343	-
Additions	893,900	3,558,383
Fair Value Adjustment	-	43,841,617
	<b>680,012,243<sup>1</sup></b>	<b>559,400,000<sup>2</sup></b>

Notes:

<sup>1</sup> As at 30 June 2008

<sup>2</sup> As at 31 December 2007

Details of the above are as follows:-

Description of Property	Tenure of Land	Location	Latest Valuation RM'000	Acquisition Cost RM'000	Net Book Value as at 30 June 2008 RM'000	% of Valuation to Net Asset Value as at 30 June 2008
Subang Parade	Freehold	Selangor	311,400 <sup>1</sup>	280,000	312,294	83
Mahkota Parade	Leasehold	Melaka	248,000 <sup>2</sup>	232,000	248,000	66
Wetex Parade	Freehold	Johor	118,000 <sup>3</sup>	117,500	119,718	31

Notes:

- <sup>1</sup> The property was valued on 30 November 2007 by Henry Butcher Malaysia Sdn. Bhd., an independent firm of professional valuers using the comparison and the investment methods of valuation. The property is sited on Lot 14193 and is freehold.
- <sup>2</sup> The property was valued on 30 November 2007 by Henry Butcher Malaysia Sdn. Bhd., an independent firm of professional valuers using the comparison and investment methods of valuation. This property is sited on Lot 1337 and is leasehold for a period of 99 years, expiring on July 18, 2101.
- <sup>3</sup> The property was valued on 14 August 2007 by Henry Butcher Malaysia Sdn. Bhd., an independent firm of professional valuers using the investment methods of valuation. This property is sited on Lot 10586 and is freehold.

## 6. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the other receivables, deposits and prepayments are fixed deposit of RM1,485,664, which are pledged to a licensed bank for bank guarantee granted to Hektar REIT.

## 7. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are amounts owing to the Manager and Trustee of RM312,923 and RM11,221 respectively, which are unsecured, interest free and payable monthly in arrears.

## 8. PROVISION FOR INCOME DISTRIBUTION

	30.6.2008 RM	30.6.2007 RM
At beginning of period		
Provision made during the period	15,360,048	15,360,048
Distribution paid	7,680,024	7,680,024
At end of period	7,680,024	7,680,024

## 9. BORROWINGS

As at 30 June 2008, Hektar REIT has a RM334,000,000 Murabahah overdraft ("MOD") facility with Maybank of which, RM301,500,000 was drawn down. Details are as follows:

Type of Facility	Facility Amount RM	Amount Drawn down to date RM	Security	Purpose
MOD 1	184,000,000	184,000,000	Subang Parade	To part fund the acquisition of Subang Parade and Mahkota Parade
MOD 2	11,750,000	11,750,000	Mahkota Parade	To part fund the acquisition of Wetex Parade
MOD 3	138,250,000	105,750,000	Mahkota Parade	(i) To part fund the acquisition of Wetex Parade; and  (ii) To fund future capital expenditure requirements of Subang Parade, Mahkota Parade and Wetex Parade
TOTAL	334,000,000	301,500,000		

All three aforementioned MODs are subject to interest rate of Cost of Funds plus 75 basis points from 2008 to 2011. Currently, the Cost of Funds is 4.2%.

## 10. GROSS RENTAL INCOME

	1.1.2008 to 30.6.2008 RM	1.12.2006 to 30.6.2007 RM
Rental income	36,173,326	37,925,297
Car park income	3,495,964	3,720,747
Other income	62,400	71,868
	<b>39,731,690</b>	<b>41,717,912</b>

## 11. PROPERTY EXPENSES

	1.1.2008 to 30.6.2008 RM	1.12.2006 to 30.6.2007 RM
Assessment & Quit Rent	1,399,914	1,624,848
Marketing & Promotion	1,264,290	1,493,030
Property management fees	794,186	875,509
Property maintenance	6,200,410	6,456,828
Utilities	4,267,986	4,688,924
Others	237,945	256,310
	<b>14,164,731</b>	<b>15,395,450</b>

The Property Manager, Izrin & Tan Properties Sdn Bhd, is entitled to a property management fee in respect of the management of the investment properties owned by Hektar REIT as provided in the Trust Deed. The fee is determined by a graduated scale based on the gross annual rental income as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission's Guidelines on Real Estate Investment Trusts. The property management fees are payable monthly in arrears.

## 12. MANAGER'S FEES

The Trustee and Unitholders must approve any increase in the maximum permitted level of the Manager's fees by way of a resolution of the Unitholders of not less than 2/3 of all Unitholders for the time being or majority passed at a Unitholders' meeting convened in accordance with the Trust Deed.

From 2007-2009, the Manager will receive 0.25% of the Gross Asset Value ("GAV") of Hektar REIT and a performance fee of 3.5% of Net Property Income ("NPI"). In accordance to the Trust Deed, the Manager is entitled to receive a base fee of up to 1% per annum of the GAV of Hektar REIT, as well as a performance fee of up to 5% of the NPI.

For the six (6) months ended 30 June 2008, the Manager's fee was RM2,923,210, representing 1.55% per annum of the Net Asset Value ("NAV") of Hektar REIT. The fees comprised:

- 1) Base fee of RM813,854;
- 2) Performance fee of RM920,456; and
- 3) Acquisition fees of RM1,188,900, for the acquisition of Wetex Parade and 2 sold lots from Subang Parade. Acquisition fees are capitalised in the balance sheet under investment property.

Save for the expenses incurred for the general overhead and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed for the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of Hektar REIT.

### 13. TRUSTEE'S FEES

From 2007-2009, the Trustee will receive 0.035% of the Net Asset Value ("NAV") of Hektar REIT. In Pursuant to the Deed, the Trustee is entitled to receive a fee of up to 0.1% per annum of the Net Asset Value of Hektar REIT calculated on a monthly accrual basis and payable monthly in arrears. The Trustee's fees for six months ended 30 June 2008 is RM66,736.00.

### 14. EARNINGS PER UNIT

The calculation of earnings per Unit is based on the net income for the six-month period of RM18,136,340 to the number of units in circulation during the period of 320,001,000.

### 15. INCOME DISTRIBUTION

	1.1.2008 to 30.6.2008 RM	1.12.2006 to 30.6.2007 RM
Gross rental income	39,669,290	41,646,044
Interest and other income - non-tax exempt	62,400	71,868
Less: Expenses	21,595,351	21,990,657
	<b>18,136,340</b>	<b>19,727,255</b>
Provision for distribution to Unitholders - 85%	<b>15,360,048</b>	<b>15,360,048</b>
Gross provision for distribution per unit (sen)	<b>4.80</b>	<b>4.80</b>
Net provision for distribution per unit (sen)*	<b>4.80</b>	<b>4.80</b>

\* Withholding tax will be deducted for distributions made to the following types of Unitholders:-

Resident individual	Withholding tax at 15%
Non-resident individual	Withholding tax at 15%
Resident institutional investors	Withholding tax at 15%
Non-resident institutional investors	Withholding tax at 20%
Resident companies	No withholding tax. Subject to corporate tax at 26% for year of assessment 2008
Non-resident companies	Withholding tax at 26% for year of assessment 2008

## 16. PORTFOLIO TURNOVER RATIO

	1.1.2008 to 30.6.2008	1.12.2006 to 30.6.2007
Portfolio Turnover Ratio ("PTR") (times)	0.32	1.53

The calculation of Portfolio Turnover Ratio ("PTR") is based on the average of total investments for the period to the average net asset value for the period calculated on a monthly basis.

## 17. MANAGEMENT EXPENSE RATIO

	1.1.2008 to 30.6.2008	1.12.2006 to 30.6.2007
Management Expense Ratio ("MER") (%)	0.69	0.65

The calculation of the MER is based on the total fees of Hektar REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses and provision for doubtful debts, to the average net asset value during the period. Since the net asset value is calculated on a weekly basis, comparison of the MER of Hektar REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

## 18. CAPITAL COMMITMENT

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

	1.1.2008 to 30.6.2008 RM	2007 RM
Authorised but not contracted for:-		
Acquisition of investment properties	-	115,150,000
Refurbishment of properties	30,700,000	1,567,487
	30,700,000	116,717,481
Authorised and contracted for:-		
Refurbishment of properties	-	827,560

## 19. SIGNIFICANT RELATED PARTY TRANSACTIONS ("RPT")

	1.1.2008 to 30.6.2008 RM	1.12.2006 to 30.6.2007 RM
Commission and service charges received - Hektar Black Sdn. Bhd.	101,153	247,771

## 20. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

2008	Within 1 year RM	2 to 5 years RM	Total RM	Effective interest rate during the financial period
<u>Financial asset</u>				
Fixed deposit with a licensed bank	-	1,485,664	1,485,664	2.90%
<u>Financial liability</u>				
Borrowings	-	301,500,000	301,500,000	4.95%

b) Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheet.

Hektar REIT has no significant concentration of credit risk with any single counterparty.

As at 30 June 2008, Hektar REIT had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding amounts.

c) Fair values

The carrying amounts of financial assets and liabilities of Hektar REIT at the balance sheet date approximated their fair values.

## 21. COMPARATIVE INFORMATION

Comparative figures of the unaudited financial statements for the period ended 30 June 2007 were provided.

## Analysis of Unitholders

Top 30 Unitholders as at 31 July 2008 (As Per Record of Depositors)

No.	Name of Unitholders	No. of Units	%
1	AMSEC NOMINEES (ASING) SDN BHD HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED FOR FRASERS CENTREPOINT TRUST (AS TRUSTEE)	99,400,000	31.06
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR HEKTAR PREMIER SDN BHD (SFD)	47,500,000	14.84
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEKTAR PREMIER SDN. BHD. (564726100452)	40,000,000	12.50
4	AMMB NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR HEKTAR BLACK SDN.BHD (BK-HEK000)	38,850,000	12.14
5	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR ARISAIG ASEAN FUND LIMITED	19,855,000	6.20
6	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBFS-I CLT ACCT)	13,809,300	4.32
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-L PAR)	7,000,000	2.19
8	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ENHANCED BOND FUND	5,603,400	1.75
9	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (ABNAMRO MELLON)	4,884,100	1.53
10	FIRSTWIDE TRADE SDN BHD	3,000,000	0.94
11	CITIGROUP NOMINEES (ASING) SDN BHD GOLDMAN SACHS INTERNATIONAL	2,909,500	0.91
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	2,550,000	0.80
13	HSBC NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS MALAYSIA	2,221,800	0.69

No.	Name of Unitholders	No. of Units	%
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>ING INSURANCE BERHAD (INV-L NON-PAR)</i>	2,000,000	0.62
15	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (UTPM-DIV)</i>	1,935,300	0.60
16	HEKTAR BLACK SDN BHD	1,850,000	0.58
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN LIFE ASSURANCE BERHAD (PAR FUND)</i>	1,533,500	0.48
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)</i>	1,533,000	0.48
19	BHLB TRUSTEE BERHAD <i>TA SMALL CAP FUND</i>	1,490,700	0.47
20	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR PRUDENTIAL EQUITY INCOME FUND (4801)</i>	1,356,000	0.42
21	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>ETIGA INSURANCE BERHAD (LIFE PAR FUND)</i>	1,335,000	0.42
22	CITIGROUP NOMINEES (ASING) SDN BHD <i>UBS AG</i>	1,157,800	0.36
23	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>ALLIANCE OPTIMAL INCOME FUND</i>	1,052,000	0.33
24	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMASSURANCE BERHAD (FM-AMAB-LNP)</i>	979,300	0.31
25	JAZELAN FIRHAN BIN JAAFAR	928,000	0.29
26	LATIFPAH BINTI M ATAN	928,000	0.29
27	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC FAR-EAST PROPERTY &amp; RESORTS FUND</i>	882,000	0.28
28	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMASSURANCE BERHAD (FM-AMAB-LF)</i>	856,000	0.27
29	HSBC NOMINEES (ASING) SDN BHD <i>BNY LUX FOR INTERNATIONAL OPPORTUNITIES FUND - MALAYSIA EQUITY</i>	768,800	0.24
30	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMASSURANCE BERHAD (FM-AMAB-GF)</i>	712,000	0.22

## BREAKDOWN OF UNITHOLDERS AS AT 31 JULY 2008

	No. of Unitholders	% of Unitholders	No. of Units Held	% of Total Units
Less than 100	4	0.91	200	0.00
100 to 1,000	116	26.48	95,600	0.03
1,001 to 10,000	204	46.58	1,182,900	0.37
10,001 to 100,000	61	13.93	2,192,600	0.69
100,001 to less than 5% of Issued Units	48	10.96	70,924,700	22.16
5% and above of Issued Units	5	1.14	245,605,000	76.75
Total	438	100.00	320,001,000	100.00

## CLASSIFICATION OF UNITHOLDERS AS AT 31 JULY 2008

Category of Unitholders	No. of Holders			No. of Units			% of Units		
	Malaysian		Foreign	Malaysian			Malaysian		
	Bumi	Non-Bumi		Bumi	Non-Bumi	Foreign	Bumi	Non-Bumi	Foreign
1 Individual	59	228	8	2,029,600	2,207,900	393,500	0.63	0.69	0.12
2 Body Corporate									
a. Bank/Finance Companies		1			1,490,700			0.47	
b. Investments trusts / foundations / charities									
c. Other types of Companies	6	2		6,504,800	410,000		2.03	0.13	
3 Government agencies / institutions									
4 Nominees	98	15	21	147,004,400	13,634,000	146,326,100	45.94	4.26	45.73
5 Others									
Total	163	246	29	155,538,800	17,742,600	146,719,600	48.61	5.54	45.85

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