

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### CONDENSED BALANCE SHEET FOR THE QUARTER ENDED 30 JUNE 2008

	As at 30.06.2008 RM (Unaudited)	As at 31.12.2007 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment Properties	680,012,243	559,400,000
<b><u>CURRENT ASSETS</u></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><u>LIABILITIES</u></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><u>FINANCED BY:</u></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>	1.1786	1.1700
<b>NUMBER OF UNITS IN CIRCULATION</b>	320,001,000	320,001,000

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED INCOME STATEMENT  
FOR THE QUARTER 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)
	<u>1,726,613</u>	<u>805,516</u>	<u>2,776,292</u>	<u>4,367,208</u>
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 Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

### CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2008 (UNAUDITED)

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

### CUMULATIVE QUARTER ENDED 30 JUNE 2007 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised      Unrealised RM              RM		Unitholders' Fund RM
<u>Balance at date of establishment</u>	1,000	-	-	1,000
<u>Operation for the cumulative quarter ended 30 June 2007</u>				
Net Income for the period	-	19,727,256	-	19,727,256
	<u>1,000</u>	<u>19,727,256</u>	<u>-</u>	<u>19,728,256</u>
<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)
	<u>328,189,218</u>	<u>(15,360,048)</u>	<u>-</u>	<u>312,829,170</u>
Balance at 30 June 2007	<u>328,190,218</u>	<u>4,367,208</u>	<u>-</u>	<u>332,557,426</u>

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 2007 and the accompanying explanatory notes attached to the interim financial statements.

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### CONDENSED CASH FLOW STATEMENT (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2008

	<b>Current YTD 30.6.2008 RM</b>	<b>Preceding YTD 30.6.2007* RM</b>
<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	60,000	70,000
	<u>22,949,368</u>	<u>24,184,520</u>
Operating income before changes in working capital :-		
Receivables	751,187	(5,073,066)
Payables	4,219,419	18,929,152
	<u>27,919,974</u>	<u>38,040,606</u>
<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
	<u>(121,109,015)</u>	<u>(354,357,458)</u>
<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)
	<u>93,774,642</u>	<u>339,558,026</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	585,601	23,241,174
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	18,096,940	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>18,682,541</u>	<u>23,241,174</u>

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

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2008 PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134**

**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The accounting policies and methods of computation used in the preparation of the quarterly financial reports are consistent with those adopted in the preparation of the proforma financial information presented in the prospectus of HEKTAR Real Estate Investment Trust ("Hektar REIT") dated 15 November 2006.

**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 2007 in their report dated 4 February 2008.

**A3 SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business of Hektar REIT is not affected by material, seasonal or cyclical factors.

**A4 UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

**A5 CHANGES IN ESTIMATES**

There were no changes in estimates that have had material effect in the current quarter.

**A6 DEBT AND EQUITY SECURITIES**

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

**A7 INCOME DISTRIBUTION**

Based on the quarterly result ended 30 June 2008, there will be a Second Interim Distribution of 2.40 sen per unit, amounting to RM7,680,024 to be made on 9 September 2008.

**A8 SEGMENT INFORMATION**

Not applicable.

**A9 VALUATION OF INVESTMENT PROPERTIES**

The valuations of the Investment Properties have been brought forward, without amendment from the previous annual report.

**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.

**B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD.**

**B1 REVIEW OF PERFORMANCE**

For the cumulative quarter ended 30 June 2008, Hektar REIT generated a total revenue of RM39,731,690, comprising 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.

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.

**B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current Quarter Ended 30.6.2008</b>	<b>Preceding Quarter Ended 30.6.2007</b>
<b>Income before tax ("IBT")</b>	9,406,637	8,485,540

The individual second quarter's net income of RM9,406,637 is higher than the preceding year's corresponding individual quarter of RM8,485,540, by 11%. This is due to higher overall rental rates in Subang Parade and Mahkota Parade and the inclusion of Wetex Parade's two-month performance (May 2008-June 2008).

**B3 PROSPECTS**

In view of the recent increase in the cost of fuel and electricity tariff, Hektar AM remains optimistic that Hektar REIT will meet its forecast for 2008 as published in the prospectus, barring any unforeseen circumstances. This is due to the following:

- a) Higher actual overall rental rates vis-à-vis forecast;
- b) Conservative cost estimates;
- c) Savings from interest rates (actual is 4.95% p.a. vis-à-vis 5.85% p.a. forecasted); and
- d) Acquisition of Wetex Parade, the performance of which is yield-accretive.

Hektar AM will continue its strategy to optimise the property portfolio and improve the capital value of Hektar REIT over time. Optimisation plans includes but is not limited to the active management of the properties, including active leasing, marketing and promotion, and value creation / asset

enhancement initiatives. Hektar AM will maintain oversight of the performance of the properties to ensure that operating targets are achieved.

### **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 new tax system 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 2008.

### **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 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 ("Hektar AM"). 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 Hektar AM. 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 Hektar AM 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 Hektar AM 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.

### 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, Hektar Asset Management Sdn Bhd ("Hektar AM") 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.

Hektar AM 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 Lot

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 only 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.

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As Hektar AM 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 Hektar AM's investment criteria, the acquisition of Wetex Parade and Classic Hotel, a stabilized 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.

### **B9 BORROWINGS AND DEBT SECURITIES**

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.

### **B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

### **B11 MATERIAL LITIGATION**

There was no material litigation as at date of reporting.

### **B12 INCOME DISTRIBUTION**

The Board of Directors of Hektar AM has recommended and the Trustee has approved an interim income distribution of 2.40 sen per unit (equivalent to 82% of income before tax) amounting to RM7,680,024 for the second quarter ended 30 June 2008.

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

## HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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### B13 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	<b>Current Quarter Ended 30.6.2008</b>	<b>Preceding Quarter Ended 30.6.2007</b>
Income before tax	9,406,637	8,485,540
Provision for income distribution	7,680,024	7,680,024
Number of units in issue	320,001,000	320,001,000
Basic earning per share (sen)	2.94	2.65
Distribution per unit (sen)	2.40	2.40

By Order of the Board  
**HEKTAR ASSET MANAGEMENT SDN BHD**  
(as the Manager of Hektar Real Estate Investment Trust)

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

Joint Company Secretaries

Kuala Lumpur  
13 August 2008