

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED BALANCE SHEET FOR THE QUARTER ENDED 30 JUNE 2010

	As at 30.6.2010 RM (Unaudited)	As at 31.12.2009 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	715,972,878	720,000,000
<u>CURRENT ASSETS</u>		
Trade receivables	935,692	375,188
Other receivables, deposits, prepayments	3,192,158	5,973,742
Capital work in progress	27,174,286	14,202,085
Cash and bank balances	28,332,529	36,574,334
	59,634,665	57,125,349
TOTAL ASSETS	775,607,543	777,125,349
<u>LIABILITIES</u>		
Trade payables	383,706	3,466,091
Other payables and accruals	2,553,494	2,776,199
Tenancy deposits	20,242,454	20,684,816
Deferred income	979,795	-
Provision for income distribution	8,000,025	9,920,031
Borrowings	334,000,000	334,000,000
TOTAL LIABILITIES	366,159,473	370,847,137
NET ASSET VALUE	409,448,070	406,278,212
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income - realised	12,954,578	9,784,720
- unrealised	68,356,781	68,356,781
TOTAL UNITHOLDERS' FUND	409,448,070	406,278,212
NET ASSET VALUE PER UNIT (RM)	1.2795	1.2647
NUMBER OF UNITS IN CIRCULATION	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 2009 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**CONDENSED INCOME STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2010 (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2010 RM	Preceding Year Corresponding Quarter 30.6.2009 RM	Current YTD 30.6.2010 RM	Preceding YTD 30.6.2009 RM
Revenue	22,197,679	21,849,765	45,212,748	43,618,023
Property operating expenses	<u>(9,024,930)</u>	<u>(8,891,260)</u>	<u>(17,910,462)</u>	<u>(17,171,052)</u>
Net property income	13,172,749	12,958,505	27,302,286	26,446,971
Interest Income	30,735	25,029	68,418	53,572
Other Income	5,170	256	6,332	1,236
Trust expenses	(1,588,384)	(1,090,234)	(3,266,859)	(2,281,857)
Borrowing costs	(2,487,799)	(3,041,525)	(4,940,270)	(6,241,520)
Fair value adjustment of investment properties	-	-	-	-
Income before taxation	9,132,472	8,852,031	19,169,907	17,978,403
Taxation	-	-	-	-
Net income for the period	9,132,472	8,852,031	19,169,907	17,978,403
Provision for income distribution	<u>(8,000,025)</u>	<u>(7,680,024)</u>	<u>(16,000,050)</u>	<u>(15,360,048)</u>
	<u>1,132,447</u>	<u>1,172,007</u>	<u>3,169,857</u>	<u>2,618,355</u>
Earnings per unit (sen)	2.85	2.77	5.99	5.62

The Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2010 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2010</u>	328,136,711	9,784,720	68,356,781	406,278,212
<u>Operation for the cumulative quarter ended 30 June 2010</u>				
Net Income for the period	-	19,169,907	-	19,169,907
Fair value adjustment of investment properties	-	-	-	-
	<u>328,136,711</u>	<u>28,954,627</u>	<u>68,356,781</u>	<u>425,448,119</u>
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(16,000,050)	-	(16,000,050)
Balance at 30 June 2010	<u>328,136,711</u>	<u>12,954,578</u>	<u>68,356,781</u>	<u>409,448,070</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2009 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2009</u>	328,136,711	6,008,263	67,956,262	402,101,236
<u>Operation for the cumulative quarter ended 31 December 2009</u>				
Net Income for the period	-	36,736,560	-	36,736,560
Fair value adjustment of investment properties	-	-	400,519	400,519
	<u>328,136,711</u>	<u>42,744,823</u>	<u>68,356,781</u>	<u>439,238,315</u>
<u>Unitholders' transaction</u>				
Creation of units	-	-	-	-
Listing expenses	-	-	-	-
Distribution to unitholders	-	(32,960,103)	-	(32,960,103)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2009	<u>328,136,711</u>	<u>9,784,720</u>	<u>68,356,781</u>	<u>406,278,212</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 2009 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**CONDENSED CASH FLOW STATEMENT (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2010**

	Current YTD 30.6.2010 RM	Preceding YTD 30.6.2009 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	19,169,907	17,978,403
Adjustments for :-		
Interest income	(68,418)	(53,572)
Interest expenses	4,940,270	6,241,520
Rental under FRS 117 (Note A13)	(706,893)	-
Provision for doubtful debts	75,000	110,542
Fair value adjustments	-	-
	<hr/>	<hr/>
	23,409,866	24,276,893
Operating income before changes in working capital :-		
Receivables	2,852,973	(286,322)
Payables	(2,767,657)	(588,057)
	<hr/>	<hr/>
Net cash generated from operating activities	23,495,182	23,402,514
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition/Disposal of properties	4,027,122	(3,550,908)
Refurbishment of investment properties	(12,972,201)	(1,316,193)
Interest income	68,418	53,572
Net cash used for investing activities	<hr/>	<hr/>
	(8,876,661)	(4,813,528)
CASH FLOW FROM FINANCING ACTIVITIES		
Unitholders' capital	-	-
Interest expenses	(4,940,270)	(6,241,520)
Listing expenses	-	-
Borrowings	-	-
Distribution to Unitholders	(17,920,056)	(17,280,054)
	<hr/>	<hr/>
Net cash generated from / (used for) financing activities	(22,860,326)	(23,521,574)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,241,805)	(4,932,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,574,334	18,220,797
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28,332,529	13,288,209

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2010 PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134, 117 & 139

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 2009 in their report dated 8 February 2010.

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 2010, there will be a Second Interim Distribution of 2.5 sen per unit, amounting to RM8,000,025 to be made on 3 September 2010.

A8 SEGMENT INFORMATION

Not applicable.

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties were last valued on 31 December 2009.

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 (FRS 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 DEFERRED INCOME (FRS 139)

Deferred income relates to the difference between consideration received for tenancy deposits and its fair value using the discounted cash flow method.

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 June 2010, Hektar REIT generated total revenue of RM45,287,498 comprising rental income of RM45,212,748, interest income of RM68,418 and other income of RM6,332.

Actual revenue of RM45,287,498 was higher than the preceding year's corresponding period by 3.6%. This is primarily due to higher turnover rent in 2010 and the application of FRS117 effective 1 January 2010.

The cumulative realised net income of RM19,169,907 in June 2010 is approximately 6.6% higher than 2009.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.6.2010	Preceding Quarter Ended 30.6.2009
Income before tax		
- Realised income before tax	9,132,472	8,852,031

The individual second quarter's net income of RM9,132,472 is 3% higher of the preceding year's corresponding individual quarter of RM8,852,031. This is primarily due to higher turnover rent, as well as the application of FRS117 effective 1 January 2010.

B3 PROSPECTS

Hektar continues its previous view of cautious optimism for the Malaysian retail sector in 2010. Hektar will continue to optimise the property portfolio, improving capital values by refurbishing Hektar REIT's existing malls, including the completion of Mahkota Parade's refurbishment by the second quarter of 2010 (Mahkota Parade's refurbishment was completed in May 2010). Hektar will also continue to explore and negotiate potential acquisition opportunities in the year ahead.

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 2010.

B6 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7 QUOTED INVESTMENTS

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

B8 CORPORATE PROPOSAL AND DEVELOPMENTS

Government Land Acquisition

On 10 May 2010, Hektar Asset Management Sdn Bhd, the Manager of Hektar REIT announced that AmTrustee Berhad (for and on behalf of Hektar REIT) has on 7 May 2010 received the compensation sum of RM 4,155,518.00 as per Form H from the Selangor State Government in relation to the government's compulsory acquisition of 0.1331 hectares (0.328 acres) of land from Hektar REIT under the Land Acquisition Act 1960 for the proposed extension of the Kelana Jaya Light Rail Transit (LRT) Phase 2 project located in Subang Jaya. The compensation sum of RM4,155,518.00 comprises the land acquisition cost of RM4,027,122.00 and ancillary cost of RM128,396.00. In addition, a sum of RM 10,211.00 was paid as valuers fees for the exercise.

AmTrustee Berhad has filed an appeal on 11 March 2010 to review the compensation sums awarded and the Manager is still awaiting for a hearing date to be fixed at the High Court and will make further announcements on the outcome of the hearing in due course.

Change in Boardroom

On 5 May 2010, announcements were made to Bursa Malaysia on the resignation of Mr Lim Ee Seng from the Board of Directors of Hektar Asset Management Sdn Bhd and the new appointment of Dr Chew Tuan Chiong who is currently the CEO of Frasers Centrepoint Asset Management Limited as a Non Independent & Non Executive Director of Hektar Asset Management Sdn Bhd.

Portfolio Composition

As at 30 June 2010, there were no changes to Hektar REIT's investment portfolio.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM334,000,000 are long term and secured.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B12 MATERIAL LITIGATION

There was no material litigation as at date of reporting.

B13 SOFT COMMISSION

For the quarter ended 30 June 2010, 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 AM has recommended and the Trustee has approved a second interim income distribution of 2.50 sen per unit amounting to RM8,000,025 for the second quarter ended 30 June 2010.

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 2010
Non-resident companies	Withholding tax at 25% for year of assessment 2010

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 30.6.2010	Preceding Quarter Ended 30.6.2009
Income before tax	9,132,472	8,852,031
Provision for income distribution	8,000,025	7,680,024
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	2.85	2.77
- realised basic earning per unit		
Distribution per unit (sen)	2.50	2.40

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with FRS 134, 117, 139 and 140 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 June 2010 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 3 August 2010.

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

3 August 2010