

# HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

## CONDENSED BALANCE SHEET FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM (Unaudited)	As at 31.12.2009 RM (Audited)
<b><u>NON-CURRENT ASSETS</u></b>		
Investment Properties	715,972,878	720,000,000
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	1,766,314	375,188
Other receivables, deposits, prepayments	9,322,998	5,973,742
Capital work in progress	29,334,035	14,202,085
Cash and bank balances	21,729,476	36,574,334
	62,152,823	57,125,349
<b>TOTAL ASSETS</b>	<b>778,125,701</b>	<b>777,125,349</b>
<b><u>LIABILITIES</u></b>		
Trade payables	281,743	3,466,091
Other payables and accruals	3,254,187	2,776,199
Tenancy deposits	20,349,972	20,684,816
Deferred income	1,058,904	-
Provision for income distribution	8,000,025	9,920,031
Borrowings	334,000,000	334,000,000
<b>TOTAL LIABILITIES</b>	<b>366,944,831</b>	<b>370,847,137</b>
<b>NET ASSET VALUE</b>	<b>411,180,870</b>	<b>406,278,212</b>
<b><u>FINANCED BY:</u></b>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income - realised	14,687,378	9,784,720
- unrealised	68,356,781	68,356,781
<b>TOTAL UNITHOLDERS' FUND</b>	<b>411,180,870</b>	<b>406,278,212</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>	1.2849	1.2696
<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 2009 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2010 RM	Preceding Year Corresponding Quarter 30.9.2009 RM	Current YTD 30.9.2010 RM	Preceding YTD 30.9.2009 RM
Revenue	22,684,150	22,564,556	67,896,898	66,182,580
Property operating expenses	(8,888,179)	(8,968,626)	(26,798,641)	(26,139,678)
<b>Net property income</b>	<b>13,795,971</b>	<b>13,595,930</b>	<b>41,098,258</b>	<b>40,042,901</b>
Interest Income	32,086	26,682	100,504	80,254
Other Income	4,664	20	10,996	1,256
Trust expenses	(1,576,890)	(1,108,834)	(4,843,749)	(3,390,691)
Borrowing costs	(2,523,005)	(2,925,704)	(7,463,276)	(9,167,224)
Fair value adjustment of investment properties	-	-	-	-
<b>Income before taxation</b>	<b>9,732,825</b>	<b>9,588,093</b>	<b>28,902,733</b>	<b>27,566,496</b>
Taxation	-	-	-	-
<b>Net income for the period</b>	<b>9,732,825</b>	<b>9,588,093</b>	<b>28,902,733</b>	<b>27,566,496</b>
Provision for income distribution	(8,000,025)	(7,680,024)	(24,999,075)	(23,040,072)
	1,732,800	1,908,069	4,902,658	4,526,424
Earnings per unit (sen)	3.04	3.00	9.03	8.61
Realised Earnings per unit (sen)				

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

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

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised 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 September 2010</u>				
Net Income for the period	-	28,902,733	-	28,902,733
Fair value adjustment of investment properties	-	-	-	-
	328,136,711	38,687,453	68,356,781	435,180,945
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(24,000,075)	-	(24,000,075)
<u>Balance at 30 September 2010</u>	328,136,711	14,687,378	68,356,781	411,180,870

### CUMULATIVE QUARTER ENDED 31 DECEMBER 2009 (AUDITED)

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised 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
	328,136,711	42,744,823	68,356,781	439,238,315
<u>Unitholders' transaction</u>				
Creation of units	-	-	-	-
Listing expenses	-	-	-	-
Distribution to unitholders	-	(32,960,103)	-	(32,960,103)
	-	-	-	-
<u>Balance at 31 December 2009</u>	328,136,711	9,784,720	68,356,781	406,278,212

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.

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**HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT**

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

	<b>Current YTD 30.9.2010 RM</b>	<b>Preceding YTD 30.9.2009 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	28,902,733	27,566,496
Adjustments for :-		
Interest income	(100,504)	(80,254)
Interest expenses	7,463,276	9,167,224
Rental under FRS 117	(1,059,693)	-
Provision for doubtful debts	112,500	102,325
Fair value adjustments	-	-
	<u>35,318,312</u>	<u>36,755,791</u>
Operating income before changes in working capital :-		
Receivables	(3,793,189)	(1,679,837)
Payables	(1,982,300)	(973,853)
	<u>29,542,823</u>	<u>34,102,102</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition/Disposal of properties	4,027,122	(3,550,908)
Refurbishment of investment properties	(15,131,950)	(3,588,163)
Interest income	100,504	80,254
Net cash used for investing activities	<u>(11,004,324)</u>	<u>(7,058,817)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Unitholders' capital	-	-
Interest expenses	(7,463,276)	(9,167,224)
Listing expenses	-	-
Borrowings	-	800,000
Distribution to Unitholders	(25,920,081)	(24,960,078)
Net cash generated from / (used for) financing activities	<u>(33,383,357)</u>	<u>(33,327,302)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(14,844,858)	(6,284,017)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	36,574,334	18,220,797
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>21,729,476</u>	<u>11,936,780</u>

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 September 2010, there will be a Third Interim Distribution of 2.5 sen per unit, amounting to RM8,000,025 to be made on 6 December 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 September 2010, Hektar REIT generated total revenue of RM68,008,398 comprising rental income of RM67,896,898, interest income of RM100,504 and other income of RM10,996.

Actual revenue of RM68,008,398 was higher than the preceding year's corresponding period by 2.6%. This is due to overall improvement in rentals and car park income in 2010. In addition, the application of FRS117 commencing 1 January 2010 also contributed to the higher revenue in 2010.

The cumulative realised net income of RM28,902,733 in September 2010 is approximately 4.8% higher than 2009.

**B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current Quarter Ended 30.9.2010</b>	<b>Preceding Quarter Ended 30.9.2009</b>
<b>Income before tax</b>		
- Realised income before tax	9,732,825	9,588,093

The individual third quarter's net income of RM9,732,825 is 1.5% higher than the preceding year's corresponding individual quarter of RM9,588,093. This is due to the application of FRS117 commencing 1 January 2010.

**B3 PROSPECTS**

Hektar maintains its view of cautious optimism for the Malaysian retail sector in 2010. Following the completion of Mahkota Parade's refurbishment in the second quarter of 2010, Hektar will maintain the retail centre's leadership position in Bandar Melaka. Hektar also continues to optimise the property portfolio through selective asset enhancement in the existing malls, including a proposed cinema for Subang Parade and a new retail zone for Wetex Parade. Hektar will also continue to explore and negotiate potential acquisition opportunities.

**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**

As announced in Hektar REIT's second quarterly report on 4 August 2010, AmTrustee Berhad has filed an appeal on 11 March 2010 to review the compensation sums awarded. To date, the Manager is still awaiting for a hearing date to be fixed at the High Court. The Manager will make further announcements on the outcome of the hearing in due course.

**Portfolio Composition**

As at 30 September 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 September 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 third interim income distribution of 2.50 sen per unit amounting to RM8,000,025 for the third quarter ended 30 September 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

	<b>Current Quarter Ended 30.9.2010</b>	<b>Preceding Quarter Ended 30.9.2009</b>
Income before tax	9,732,825	9,588,093
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)	3.04	3.00
- 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 September 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 November 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 November 2010