

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED BALANCE SHEET FOR THE QUARTER ENDED 31 DECEMBER 2010

	As at 31.12.2010 RM (Unaudited)	As at 31.12.2009 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	752,000,000	720,000,000
Capital work in progress	552,911	14,202,085
Fixed deposit with a licensed bank	2,268,626	2,141,013
	754,821,537	736,343,098
<u>CURRENT ASSETS</u>		
Trade receivables	1,930,843	375,188
Other receivables, deposits, prepayments	1,016,401	3,832,728
Cash and bank balances	24,670,518	36,574,334
	27,617,762	40,782,250
TOTAL ASSETS	782,439,299	777,125,348
<u>LIABILITIES</u>		
Trade payables	565,158	3,466,092
Other payables and accruals	4,896,084	2,776,199
Tenancy deposits	21,516,034	20,684,818
Borrowings	334,000,000	334,000,000
TOTAL LIABILITIES	360,977,276	360,927,109
NET ASSET VALUE	421,462,023	416,198,239
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income - realised	23,956,870	19,704,747
- unrealised	69,368,442	68,356,781
TOTAL UNITHOLDERS' FUND	421,462,023	416,198,239
NET ASSET VALUE PER UNIT (RM)		
- as at 31 December	1.32	1.30
- before distribution for the year	1.42	1.40
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: Tenancy deposit includes RM1,045,832, which is discounted to present value in compliance with FRS 139 as per note A14

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 31 DECEMBER 2010 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010 RM	Preceding Year Corresponding Quarter 31.12.2009 RM	Current YTD 31.12.2010 RM	Preceding YTD 31.12.2009 RM
Revenue	24,035,982	21,529,758	90,873,188	87,712,338
Property operating expenses	(8,731,383)	(8,547,953)	(35,530,023)	(34,687,631)
Net property income	15,304,599	12,981,806	55,343,165	53,024,707
Interest Income	59,244	41,312	159,748	121,565
Other Income	4,299	19,758	15,296	21,014
Trust expenses	(2,352,916)	(1,095,437)	(7,196,663)	(4,486,128)
Borrowing costs	(2,686,041)	(2,777,375)	(10,149,317)	(11,944,599)
Fair value adjustment of investment properties	1,011,661	400,519	1,011,661	400,519
Income before taxation	11,340,845	9,570,583	39,183,890	37,137,079
Taxation	-	-	-	-
Net income for the period	11,340,845	9,570,583	39,183,890	37,137,079
Earnings per unit (sen)	3.54	2.99	12.24	11.61
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

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Unitholders' Fund RM
<u>Balance at 1 January 2010</u>	328,136,711	19,704,747	68,356,781	416,198,239
<u>Operation for the cumulative quarter ended 31 December 2010</u>				
Net Income for the period	-	38,172,229	1,011,661	39,183,890
	328,136,711	57,876,976	69,368,442	455,382,129
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(33,920,106)	-	(33,920,106)
Balance at 31 December 2010	328,136,711	23,956,870	69,368,442	421,462,023

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
Effects of FRS 110		9,600,030		9,600,030
Restated	328,136,711	15,608,293	67,956,262	411,701,266
<u>Operation for the cumulative quarter ended 31 December 2009</u>				
Net Income for the period	-	36,736,556	400,519	37,137,075
	328,136,711	52,344,849	68,356,781	448,838,341
<u>Unitholders' transaction</u>				
Creation of units	-	-	-	-
Listing expenses	-	-	-	-
Distribution to unitholders	-	(32,640,102)	-	(32,640,102)
Balance at 31 December 2009	328,136,711	19,704,747	68,356,781	416,198,239

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 31 DECEMBER 2010

	Current YTD 31.12.2010 RM	Preceding YTD 31.12.2009 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	39,183,885	37,137,079
Adjustments for :-		
Interest income	(159,748)	(121,565)
Interest expenses	10,149,317	11,944,599
Rental under FRS 117	(1,373,043)	-
Provision for doubtful debts	99,808	37,363
Bad debts written off	28,707	
Fair value adjustments	(1,011,660)	(400,519)
	<u>46,917,266</u>	<u>48,596,957</u>
Operating income before changes in working capital :-		
Receivables	2,505,205	368,711
Payables	50,167	2,019,918
	<u>49,472,638</u>	<u>50,985,586</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition/Disposal of properties	4,027,122	(3,500,000)
Refurbishment of investment properties	(21,366,288)	(16,795,333)
Interest income	159,748	121,565
Placement of fixed deposits	(127,613)	(373,581)
Net cash used for investing activities	<u>(17,307,031)</u>	<u>(20,547,349)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Unitholders' capital	-	-
Interest expenses	(10,149,317)	(11,944,599)
Listing expenses	-	-
Borrowings	-	32,500,000
Distribution to Unitholders	(33,920,106)	(32,640,102)
	<u>(44,069,423)</u>	<u>(12,084,701)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,903,816)	18,353,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,574,334	18,220,797
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>24,670,518</u>	<u>36,574,334</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 DECEMBER 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").

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 31 December 2010, there will be a Final Distribution of 2.8 sen per unit, amounting to RM8,960,028 to be made on 18 March 2011. Total Distribution for 2010 is 10.3 sen per unit, amounting to RM32,960,103.

A8 SEGMENT INFORMATION

Not applicable.

A9 VALUATION OF INVESTMENT PROPERTIES

The Investment Properties were last valued on 31 October 2010.

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 TENANCY DEPOSITS (FRS 139)

Included in the tenancy deposit received from tenants is RM1,045,832 representing the difference between the fair value and the amount of deposit received carried in the balance sheet as a result of the recognition of the said deposits at fair value in compliance with the requirements of FRS 139 financial instruments.

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 31 December 2010, Hektar REIT generated total revenue of RM91,048,232 comprising rental income of RM90,873,188, interest income of RM159,748 and other income of RM15,296.

Revenue of RM90,873,188 was higher than the preceding year's corresponding period by 3.5%, principally due to improvement in rentals and car park income in 2010.

The cumulative realised net income of RM39,183,885 in December 2010 is approximately 5.5% higher than 2009.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2010	Preceding Quarter Ended 31.12.2009
Income before tax		
- Realised income before tax	11,340,845	9,570,583

The individual final quarter's net income of RM11,340,845 is 18.5% higher of the preceding year's corresponding individual quarter of RM9,570,583.

B3 PROSPECTS

Hektar continues to be cautiously optimistic on the Malaysian retail sector in 2011. Hektar will continue to optimise the property portfolio and improve capital values, and at the same time continue to explore 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

As announced in Hektar REIT's third quarterly report on 3 November 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 31 December 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 comprises:

1. A short term borrowing of RM184 million; and
2. A long term borrowing of RM150 million

Both loans are secured.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

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

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B12 MATERIAL LITIGATION

There was no material litigation as at date of reporting.

B13 SOFT COMMISSION

Not applicable.

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B14 INCOME DISTRIBUTION

The Board of Directors of Hektar AM has recommended and the Trustee has approved a final income distribution of 2.80 sen per unit amounting to RM8,960,028 for the final quarter ended 31 December 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 31.12.2010	Corresponding Quarter Ended 31.12.2009
Income before tax	11,340,845	9,570,583
Provision for income distribution	8,960,028	9,920,031
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	3.54	2.99
- realised basic earning per unit	3.22	2.87
Distribution per unit (sen)	2.80	3.10

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with FRS 110, 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 31 December 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 17 February 2011.

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
17 February 2011