

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	As at 31.3.2011 RM (Unaudited)	As at 31.12.2010 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	752,000,000	752,000,000
Capital work in progress	3,354,679	552,911
Fixed deposit with a licensed bank	2,283,309	2,268,626
	757,637,988	754,821,537
<u>CURRENT ASSETS</u>		
Trade receivables	2,401,296	1,930,843
Other receivables, deposits and prepayments	1,748,753	1,016,401
Cash and bank balances	21,928,057	24,670,518
	26,078,106	27,617,762
TOTAL ASSETS	783,716,094	782,439,299
<u>LIABILITIES</u>		
Trade payables	453,846	565,158
Other payables and accruals	3,418,999	4,896,084
Tenancy deposits	21,835,811	21,516,034
Borrowings	335,562,081	334,000,000
TOTAL LIABILITIES	361,270,737	360,977,276
NET ASSET VALUE	422,445,357	421,462,023
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	24,940,204	23,956,870
- unrealised	69,368,442	69,368,442
TOTAL UNITHOLDERS' FUND	422,445,357	421,462,023
NET ASSET VALUE PER UNIT (RM)		
-as at 31 March 2011/31 December 2010	1.32	1.32
-before distribution for the cumulative quarter	1.35	1.42
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,448,827 (2010: 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 2010 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2011 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2011 RM	Preceding Year Corresponding Quarter 31.3.2010 RM	Current YTD 31.3.2011 RM	Preceding YTD 31.3.2010 RM
Revenue	23,340,035	23,015,069	23,340,035	23,015,069
Property operating expenses	(8,947,696)	(8,885,532)	(8,947,696)	(8,885,532)
Net property income	14,392,339	14,129,537	14,392,339	14,129,537
Interest Income	26,887	37,683	26,887	37,683
Other Income	4,315	1,163	4,315	1,163
Trust expenses	(1,663,728)	(1,678,475)	(1,663,728)	(1,678,475)
Borrowing costs	(2,816,451)	(2,452,472)	(2,816,451)	(2,452,472)
Fair value adjustment of investment properties	-	-	-	-
Income before taxation	9,943,362	10,037,436	9,943,362	10,037,436
Taxation	-	-	-	-
Net income for the period	9,943,362	10,037,436	9,943,362	10,037,436
Earnings per unit (sen)	3.11	3.14	3.11	3.14

The Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2011 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2011</u>	328,136,711	23,956,870	69,368,442	421,462,023
<u>Operation for the cumulative quarter ended 31 March 2011</u>				
Net Income for the period	-	9,943,362	-	9,943,362
	<u>328,136,711</u>	<u>33,900,232</u>	<u>69,368,442</u>	<u>431,405,385</u>
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(8,960,028)	-	(8,960,028)
Balance at 31 March 2011	<u>328,136,711</u>	<u>24,940,204</u>	<u>69,368,442</u>	<u>422,445,357</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2010 (AUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised 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
	<u>328,136,711</u>	<u>57,876,976</u>	<u>69,368,442</u>	<u>455,382,129</u>
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(33,920,106)	-	(33,920,106)
Balance at 31 December 2010	<u>328,136,711</u>	<u>23,956,870</u>	<u>69,368,442</u>	<u>421,462,023</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 2010 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2011**

	Current YTD 31.3.2011 RM	Preceding YTD 31.3.2010 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	9,943,362	10,037,436
Adjustments for :-		
Interest income	(26,887)	(37,683)
Interest expenses	2,816,451	2,452,472
Rental under FRS 117	(222,361)	(421,774)
Provision for doubtful debts	37,500	37,500
Bad debts written off	-	-
Fair value adjustments	-	-
	<u>12,548,065</u>	<u>12,067,951</u>
Operating income before changes in working capital :-		
Receivables	(1,017,945)	(587,601)
Payables	(1,268,620)	(1,532,316)
	<u>10,261,500</u>	<u>9,948,034</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition/Disposal of properties	-	-
Refurbishment of investment properties	(2,801,767)	(8,890,829)
Interest income	26,887	37,683
Placement of fixed deposits	(14,683)	(10,077)
Net cash used for investing activities	<u>(2,789,563)</u>	<u>(8,863,222)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Unitholders' capital	-	-
Interest expenses	(2,816,451)	(2,452,472)
Listing expenses	-	-
Borrowings	1,562,081	-
Distribution to Unitholders	(8,960,028)	(9,920,031)
Net cash generated from / (used for) financing activities	<u>(10,214,398)</u>	<u>(12,372,503)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,742,461)	(11,287,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,670,518	36,574,334
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,928,057</u>	<u>25,286,643</u>

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2011 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 2010 in their report dated 17 February 2011.

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 March 2011, there will be a First Interim Distribution of 2.5 sen per unit, amounting to RM8,000,025 to be made on 15 June 2011.

A8 SEGMENT INFORMATION

The principal activity of Hektar REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium-to-long term growth. Hence, no segmental reporting is presented

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 RM1,448,827 representing the difference between the fair value and the amount of deposits carried in the statement of financial position 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 March 2011, Hektar REIT generated total revenue of RM23,371,237 comprising rental income of RM23,340,035, interest income of RM26,887 and other income of RM4,315.

Revenue of RM23,340,035 was higher than the preceding year's corresponding period by 1.4%, principally due to improvement in rentals and car park income.

The cumulative realised net income of RM9,943,362 in March 2011 is comparable to the previous corresponding period of 2010.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.3.2011	Preceding Quarter Ended 31.3.2010
Income before tax		
- Realised income before tax	9,943,362	10,037,436

The individual first quarter's net income of RM9,943,362 is comparable to the previous corresponding period of 2010.

B3 PROSPECTS

New mall openings in Malaysia have created a more challenging environment. However, Hektar is well positioned to compete effectively as it has a proven track record over the last 5 years which includes continuously refurbishing its malls.

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 annual report on 17 February 2011, 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.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM335,562,081 comprises:

1. Current liability of RM184,000,000; and
2. Non-current liability of RM151,562,081

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

For the quarter ended 31 March 2011, there was no soft commission received by the Manager, or its delegates, from its broker from any transactions conducted by the Trust.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

B14 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd has recommended and the Trustee has approved a first interim income distribution of 2.50 sen per unit amounting to RM8,000,025 for the First Quarter ended 31 March 2011.

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 31.3.2011	Preceding Quarter Ended 31.3.2010
Income before tax	9,943,362	10,037,436
Provision for income distribution	8,000,025	8,000,025
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	3.11	3.14
Distribution per unit (sen)	2.50	2.50

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 11 May 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
11 May 2011