

# HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

|   | As at<br>30.6.2011<br>RM<br>(Unaudited) | As at<br>31.12.2010<br>RM<br>(Audited) |
|---|---|--|
| <b><u>NON-CURRENT ASSETS</u></b>                |   |  |
| Investment Properties                           | 752,000,000                             | 752,000,000                            |
| Capital work in progress                        | 10,745,140                              | 552,911                                |
| Fixed deposit with a licensed bank              | 2,305,741                               | 2,268,626                              |
|   | 765,050,881                             | 754,821,537                            |
| <b><u>CURRENT ASSETS</u></b>                    |   |  |
| Trade receivables                               | 2,504,774                               | 1,930,843                              |
| Other receivables, deposits and prepayments     | 1,160,510                               | 1,016,401                              |
| Cash and bank balances                          | 23,654,115                              | 24,670,518                             |
|   | 27,319,399                              | 27,617,762                             |
| <b>TOTAL ASSETS</b>                             | 792,370,280                             | 782,439,299                            |
| <b><u>LIABILITIES</u></b>                       |   |  |
| Trade payables                                  | 394,065                                 | 565,158                                |
| Other payables and accruals                     | 3,607,240                               | 4,896,084                              |
| Tenancy deposits                                | 22,366,587                              | 21,516,034                             |
| Borrowings                                      | 342,155,259                             | 334,000,000                            |
| <b>TOTAL LIABILITIES</b>                        | 368,523,151                             | 360,977,276                            |
| <b>NET ASSET VALUE</b>                          | <b>423,847,129</b>                      | <b>421,462,023</b>                     |
| <b><u>FINANCED BY:</u></b>                      |   |  |
| Unitholders' capital                            | 328,136,711                             | 328,136,711                            |
| Undistributed income – realised                 | 26,341,976                              | 23,956,870                             |
| - unrealised                                    | 69,368,442                              | 69,368,442                             |
| <b>TOTAL UNITHOLDERS' FUND</b>                  | <b>423,847,129</b>                      | <b>421,462,023</b>                     |
| <b>NET ASSET VALUE PER UNIT (RM)</b>            |   |  |
| -as at 30 June 2011/31 December 2010            | 1.32                                    | 1.32                                   |
| -before distribution for the cumulative quarter | 1.38                                    | 1.42                                   |
| <b>NUMBER OF UNITS IN CIRCULATION</b>           | 320,001,000                             | 320,001,000                            |

Note: tenancy deposit includes RM1,486,493 (2010: RM1,045,832), which is discounted to present value in compliance with FRS 139 as per note A14.

The Condensed Statement of Financial Position 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 30 JUNE 2011 (UNAUDITED)

|                                   | INDIVIDUAL QUARTER                         |   | CUMULATIVE QUARTER                |                                     |
|-----------------------------------|--|---|-----------------------------------|-------------------------------------|
|                                   | Current Year<br>Quarter<br>30.6.2011<br>RM | Preceding Year<br>Corresponding<br>Quarter<br>30.6.2010<br>RM | Current<br>YTD<br>30.6.2011<br>RM | Preceding<br>YTD<br>30.6.2010<br>RM |
| Revenue                           | 23,257,797                                 | 22,197,679  | 46,597,832                        | 45,212,748                          |
| Property operating expenses       | (9,129,942)                                | (9,024,930)   | (18,077,637)                      | (17,910,462)                        |
| <b>Net property income</b>        | <b>14,127,855</b>                          | <b>13,172,749</b>   | <b>28,520,195</b>                 | <b>27,302,286</b>                   |
| Interest Income                   | 57,028                                     | 30,735  | 83,914                            | 68,418                              |
| Other Income                      | 2,152                                      | 5,171   | 6,465                             | 6,332                               |
| Trust expenses                    | (1,627,891)                                | (1,588,384)   | (3,291,619)                       | (3,266,859)                         |
| Borrowing costs                   | (3,157,347)                                | (2,487,799)   | (5,973,797)                       | (4,940,270)                         |
| <b>Income before taxation</b>     | <b>9,401,797</b>                           | <b>9,132,472</b>  | <b>19,345,159</b>                 | <b>19,169,907</b>                   |
| Taxation                          | -  | -   | -                                 | -                                   |
| <b>Net income for the period</b>  | <b>9,401,797</b>                           | <b>9,132,472</b>  | <b>19,345,159</b>                 | <b>19,169,907</b>                   |
| Provision for income distribution | -  | (8,000,025)   | -                                 | (16,000,050)                        |
|                                   | <b>9,401,797</b>                           | <b>1,132,447</b>  | <b>19,345,159</b>                 | <b>3,169,857</b>                    |
| Earnings per unit (sen)           | 2.94                                       | 2.85  | 6.05                              | 5.99                                |

The Condensed Statement of Comprehensive Income 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

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### STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2011 (UNAUDITED)

|  | <b>Unitholders'<br/>Capital<br/>RM</b> | <b>Undistributed income</b> |                          | <b>Unitholders'<br/>Fund<br/>RM</b> |
|--|--|-----------------------------|--------------------------|-------------------------------------|
|  |  | <b>Realised<br/>RM</b>      | <b>Unrealised<br/>RM</b> |                                     |
| <u>Balance at 1 January 2011</u>                                   | 328,136,711                            | 23,956,870                  | 69,368,442               | 421,462,023                         |
| <u>Operation for the cumulative<br/>quarter ended 30 June 2011</u> |  |                             |                          |                                     |
| Net Income for the period  | -                                      | 19,345,159                  | -                        | 19,345,159                          |
|  | <u>328,136,711</u>                     | <u>43,302,029</u>           | <u>69,368,442</u>        | <u>440,807,182</u>                  |
| <u>Unitholders' transaction</u>                                    |  |                             |                          |                                     |
| Distribution to unitholders  | -                                      | (16,960,053)                | -                        | (16,960,053)                        |
| Balance at 30 June 2011  | <u>328,136,711</u>                     | <u>26,341,976</u>           | <u>69,368,442</u>        | <u>423,847,129</u>                  |

### CUMULATIVE QUARTER ENDED 31 DECEMBER 2010 (AUDITED)

|  | <b>Unitholders'<br/>Capital<br/>RM</b> | <b>Undistributed income</b> |                          | <b>Unitholders'<br/>Fund<br/>RM</b> |
|--|--|-----------------------------|--------------------------|-------------------------------------|
|  |  | <b>Realised<br/>RM</b>      | <b>Unrealised<br/>RM</b> |                                     |
| <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<br/>ended 31 December 2010</u> |  |                             |                          |                                     |
| Net Income for the year  | -                                      | 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 Assets 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

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## STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 JUNE 2011

|   | <b>Current<br/>YTD<br/>30.6.2011<br/>RM</b> | <b>Preceding<br/>YTD<br/>30.6.2010<br/>RM</b> |
|---|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>              |   |   |
| Income before taxation                                  | 19,345,159                                  | 19,169,907                                    |
| Adjustments for :-                                      |   |   |
| Interest income   | (83,914)                                    | (68,418)                                      |
| Interest expenses                                       | 5,973,797                                   | 4,940,270                                     |
| Rental under FRS 117                                    | (403,461)                                   | (706,893)                                     |
| Provision for doubtful debts                            | 75,000                                      | 75,000  |
|   | <u>24,906,581</u>                           | <u>23,409,866</u>                             |
| Operating income before changes in working capital :-   |   |   |
| Receivables   | (389,579)                                   | 2,874,793                                     |
| Payables  | (609,385)                                   | (2,767,657)                                   |
|   | <u>23,907,617</u>                           | <u>23,517,002</u>                             |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>              |   |   |
| Proceeds from disposal of properties                    | -   | 4,027,122                                     |
| Refurbishment of investment properties                  | (10,192,228)                                | (12,972,201)                                  |
| Interest income   | 83,914                                      | 68,418  |
| Placement of fixed deposits                             | (37,115)                                    | (21,819)                                      |
| Net cash used for investing activities                  | <u>(10,145,429)</u>                         | <u>(8,898,480)</u>                            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>              |   |   |
| Interest expenses                                       | (5,973,797)                                 | (4,940,270)                                   |
| Borrowings  | 8,155,259                                   | -   |
| Distribution to Unitholders                             | (16,960,053)                                | (17,920,056)                                  |
| Net cash used for financing activities                  | <u>(14,778,591)</u>                         | <u>(22,860,326)</u>                           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>        | <b>(1,016,403)</b>                          | <b>(8,241,804)</b>                            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b> | <b>24,670,518</b>                           | <b>36,574,334</b>                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>       | <b><u>23,654,115</u></b>                    | <b><u>28,332,530</u></b>                      |

The Condensed Statement of Cash Flows 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 30 June 2011, there will be a Second Interim Distribution of 2.5 sen per unit, amounting to RM8,000,025 to be made on 23 September 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 RM1,486,493 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 30 June 2011, Hektar REIT generated total revenue of RM46,688,212 comprising rental income of RM46,597,832, interest income of RM83,914 and other income of RM6,466.

Revenue of RM46,597,832 was higher than the preceding year's corresponding period by 3%, principally due to improvement in rentals and car park income.

The cumulative realised net income of RM19,345,159 in June 2011 is comparable to the previous corresponding period of 2010.

**B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

|                              | <b>Current<br/>Quarter<br/>Ended<br/>30.6.2011</b> | <b>Preceding<br/>Quarter<br/>Ended<br/>30.6.2010</b> |
|------------------------------|--|--|
| <b>Income before tax</b>     |  |  |
| - Realised income before tax | RM9,401,797  | RM9,132,472  |

The individual first quarter's net income of RM9,401,797 is 3% higher than the previous corresponding period of 2010, principally due to improvement in rentals and car park income.

**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 2011.

**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. The High Court has recently fixed 14 September 2011 for the appeal hearing.

**B9 BORROWINGS AND DEBT SECURITIES**

Hektar REIT's total borrowings of RM342,155,259 comprise:

1. Current liability of RM184,000,000; and
2. Non-current liability of RM158,155,259

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 30 June 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

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### B14 INCOME DISTRIBUTION

The Board of Directors of Hektar Asset Management Sdn Bhd 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 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<br>Quarter Ended<br>30.6.2011 | Preceding<br>Quarter Ended<br>30.6.2010 |
|-----------------------------------|---------------------------------------|---|
| Income before tax                 | 9,401,797                             | 9,132,472                               |
| 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)      | 2.94                                  | 2.85                                    |
| 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 30 June 2011 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 August 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 August 2011