

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	As at 30.9.2011 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	15,777,056	552,911
Fixed deposit with a licensed bank	2,322,371	2,268,626
	770,099,427	754,821,537
<u>CURRENT ASSETS</u>		
Trade receivables	2,829,810	1,930,843
Other receivables, deposits and prepayments	5,246,447	1,016,401
Cash and bank balances	21,303,884	24,670,518
	29,380,141	27,617,762
TOTAL ASSETS	799,479,568	782,439,299
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	163,097,888	150,000,000
<u>CURRENT LIABILITIES</u>		
Trade payables	264,158	565,158
Other payables and accruals	3,820,830	4,896,084
Tenancy deposits	22,834,190	21,516,034
Bank borrowings	184,000,000	184,000,000
	210,919,178	210,977,276
TOTAL LIABILITIES	374,017,066	360,977,276
NET ASSET VALUE	425,462,502	421,462,023
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	27,957,349	23,956,870
– unrealised	69,368,442	69,368,442
TOTAL UNITHOLDERS' FUND	425,462,502	421,462,023
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 30 September 2011/31 December 2010	1.33	1.32
-before distribution for the cumulative quarter	1.41	1.42
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,515,493 (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 SEPTEMBER 2011 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2011 RM	Preceding Year Corresponding Quarter 30.9.2010 RM	Current YTD 30.9.2011 RM	Preceding YTD 30.9.2010 RM
Revenue	24,028,072	22,684,150	70,625,904	67,896,898
Property operating expenses	(9,405,895)	(8,888,179)	(27,483,533)	(26,798,640)
Net property income	14,622,177	13,795,971	43,142,371	41,098,258
Interest Income	22,161	32,085	106,076	100,504
Other Income	5,040	4,664	11,506	10,996
Trust expenses	(1,680,088)	(1,576,890)	(4,971,705)	(4,843,749)
Borrowing costs	(3,353,893)	(2,523,005)	(9,327,691)	(7,463,276)
Income before taxation	9,615,397	9,732,825	28,960,557	28,902,733
Taxation	-	-	-	-
Net income for the period	9,615,397	9,732,825	28,960,557	28,902,733
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	9,615,397	9,732,825	28,960,557	28,902,733
Earnings per unit (sen)	3.00	3.04	9.05	9.03

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

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 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 30 September 2011</u>				
Total comprehensive income for the period	-	28,960,557	-	28,960,557
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(24,960,078)	-	(24,960,078)
Balance at 30 September 2011	<u>328,136,711</u>	<u>27,957,349</u>	<u>69,368,442</u>	<u>425,462,502</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>				
Total comprehensive income for the year	-	38,172,229	1,011,661	39,183,890
<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

**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2011**

	Current YTD 30.9.2011 RM	Preceding YTD 30.9.2010 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	28,960,557	28,902,733
Adjustments for :-		
Interest income	(106,076)	(100,504)
Interest expense	9,327,691	7,463,276
Rental under FRS 117	(830,214)	(1,059,693)
Impairment loss on trade receivables	112,500	112,500
	<u>37,464,458</u>	<u>35,318,312</u>
Operating income before changes in working capital :-		
Receivables	(4,411,299)	(3,793,189)
Payables	(482,951)	(1,982,300)
	<u>32,570,208</u>	<u>29,542,823</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of properties	-	4,027,122
Refurbishment of investment properties	(15,224,145)	(15,131,950)
Interest income	106,076	100,504
Placement of fixed deposits	(53,744)	-
Net cash used for investing activities	<u>(15,171,813)</u>	<u>(11,004,324)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(9,327,691)	(7,463,276)
Bank borrowings	13,097,888	-
Distribution to Unitholders	(24,535,226)	(25,920,081)
Net cash used for financing activities	<u>(20,765,029)</u>	<u>(33,383,357)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,366,634)	(14,844,858)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,670,518	36,574,334
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>21,303,884</u></u>	<u><u>21,729,476</u></u>

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 30 SEPTEMBER 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 September 2011, there will be a Third Interim Distribution of 2.5 sen per unit, amounting to RM8,000,025 to be made on 12 December 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 RM1,515,493 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 September 2011, Hektar REIT generated total revenue of RM70,743,486 comprising rental income of RM70,625,904, interest income of RM106,076 and other income of RM11,506.

Revenue of RM70,625,904 was higher than the preceding year's corresponding period by 4%, principally due to improvement in rentals and car park income.

The cumulative realised net income of RM28,960,557 in September 2011 is comparable to the previous corresponding period of 2010.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.9.2011	Preceding Quarter Ended 30.9.2010
Income before tax		
- Realised income before tax	RM9,615,397	RM9,732,825

The individual third quarter's net income of RM9,615,397 is 1.2% lower than 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 with timely refurbishment of 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

On 29 September 2011, the High Court heard the appeal to review the compensation sums awarded and decided to grant an increase in the compensation award. The Manager is currently awaiting for the official sealed copy of the court order to determine the details of the additional award by the High Court and will make further announcements on the same in due course.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM347,097,888 comprise:

1. Current liability of RM184,000,000; and
2. Non-current liability of RM163,097,888

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 September 2011, 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 Asset Management Sdn Bhd 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 2011. The withholding tax rate imposed on the recipients of income distribution is as follows:

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 30.9.2011	Preceding Quarter Ended 30.9.2010
Income before tax	9,615,397	9,732,825
Provision for income distribution	<u>8,000,025</u>	<u>8,000,025</u>
Number of units in issue	<u>320,001,000</u>	<u>320,001,000</u>
Basic earning per unit (sen)	<u>3.00</u>	<u>3.04</u>
Distribution per unit (sen)	<u>2.50</u>	<u>2.50</u>

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 September 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 4 November 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
4 November 2011