

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	As at 31.12.2011 RM (Unaudited)	As at 31.12.2010 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	822,000,000	752,000,000
Capital work in progress	-	552,911
Fixed deposit with a licensed bank	2,338,995	2,268,626
	824,338,995	754,821,537
<u>CURRENT ASSETS</u>		
Trade receivables	3,002,686	1,930,843
Other receivables, deposits and prepayments	20,451,827	1,016,401
Cash and bank balances	19,265,508	24,670,518
	42,720,021	27,617,762
TOTAL ASSETS	867,059,016	782,439,299
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	363,480,000	150,000,000
<u>CURRENT LIABILITIES</u>		
Trade payables	266,763	565,158
Other payables and accruals	5,708,722	4,896,084
Tenancy deposits	22,450,235	21,516,034
Bank borrowings	-	184,000,000
	28,425,720	210,977,276
TOTAL LIABILITIES	391,905,720	360,977,276
NET ASSET VALUE	475,153,296	421,462,023
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	29,910,936	23,956,870
– unrealised	117,105,649	69,368,442
TOTAL UNITHOLDERS' FUND	475,153,296	421,462,023
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 31 December 2011/31 December 2010	1.48	1.32
-before distribution for the cumulative quarter	1.59	1.42
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,534,781(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 31 DECEMBER 2011 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2011 RM	Preceding Year Corresponding Quarter 31.12.2010 RM	Current YTD 31.12.2011 RM	Preceding YTD 31.12.2010 RM
Revenue	24,255,309	24,035,982	94,881,213	90,873,188
Property operating expenses	(9,101,807)	(8,731,383)	(36,585,339)	(35,530,023)
Net property income	15,153,502	15,304,599	58,295,874	55,343,165
Interest Income	57,853	59,244	163,929	159,748
Other Income	1,799	4,299	13,305	15,296
Trust expenses	(1,815,389)	(2,352,916)	(6,787,096)	(7,196,663)
Borrowing costs	(3,444,153)	(2,686,041)	(12,771,843)	(10,149,317)
Realised income before taxation	9,953,612	10,329,185	38,914,169	38,172,229
Fair value adjustment of investment properties	47,737,207	1,011,661	47,737,207	1,011,661
Income before taxation	57,690,819	11,340,846	86,651,376	39,183,890
Taxation	-	-	-	-
Net income for the period	57,690,819	11,340,846	86,651,376	39,183,890
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	57,690,819	11,340,846	86,651,376	39,183,890
Earnings per unit (sen)	18.03	3.54	27.08	12.24
- realised	3.11	3.23	12.16	11.93

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 31 DECEMBER 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 December 2011</u>				
Total comprehensive income for the period	-	38,914,169	47,737,207	86,651,376
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(32,960,103)	-	(32,960,103)
Balance at 31 December 2011	<u>328,136,711</u>	<u>29,910,936</u>	<u>117,105,649</u>	<u>475,153,296</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 31 DECEMBER 2011

	Current YTD 31.12.2011 RM	Preceding YTD 31.12.2010 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	86,651,376	39,183,890
Adjustments for :-		
Interest income	(163,929)	(159,748)
Interest expense	12,771,843	10,149,317
Rental under FRS 117	(1,119,656)	(1,373,043)
Impairment loss on trade receivables	52,250	99,808
Bad debt written off	-	28,707
Reversal of impairment loss on trade receivables	(82,962)	-
Fair value adjustment	(47,737,207)	(1,011,661)
Operating profit before changes in working capital	50,371,715	46,917,270
Change in working capital :-		
Receivables	(19,356,903)	2,505,200
Payables	1,448,444	50,167
Net cash from operating activities	32,463,256	49,472,637
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of properties	-	4,027,122
Refurbishment of investment properties	(21,709,881)	(21,366,287)
Interest income	100,660	159,748
Placement of fixed deposits	(7,100)	(127,613)
Net cash used in investing activities	(21,616,321)	(17,307,030)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(12,771,843)	(10,149,317)
Bank borrowings	29,480,000	-
Distribution to Unitholders	(32,960,103)	(33,920,106)
Net cash used in financing activities	(16,251,946)	(44,069,423)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,405,011)	(11,903,816)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,670,518	36,574,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	19,265,507	24,670,518

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 DECEMBER 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 December 2011, there will be a Final Distribution of 3 sen per unit, amounting to RM9,600,030 to be made on 13 March 2012.

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 valued on 31 October 2011.

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 RM1,534,781 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 year ended 31 December 2011, Hektar REIT generated total revenue of RM95,058,447 comprising rental income of RM94,881,213, interest income of RM163,929 and other income of RM13,305.

Revenue of RM94,881,213 was higher than the preceding year by 4.4%, principally due to improvement in rentals and car park income.

Property operating expenses of RM36,585,339 was higher than the preceding year's mainly due to higher electricity tariff.

The cumulative realised net income of RM38,914,169 in December 2011 is 1.94% higher than the previous corresponding period of 2010.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2011	Preceding Quarter Ended 31.12.2010
Income before taxation	RM57,690,820	RM11,340,846
- Realised income before taxation	RM9,953,612	RM10,329,185

The individual fourth quarter's realised net income of RM9,953,612 is 3.6% lower than the previous corresponding period of 2010 mainly due to higher borrowing cost.

B3 PROSPECTS

The mall environment is becoming increasingly challenging. To meet these challenges, Hektar has continuously refurbished and renovated its malls on a timely basis. Upon completion of the proposed acquisition of the two malls (see B8), it is Hektar's intention to refurbish and upgrade the malls to generate improvements in income.

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

Status of Corporate Proposals

The following corporate proposals have been announced but not completed.

Corporate proposals announced on 8 December 2011:

AmTrustee Berhad, the Trustee for Hektar REIT, had on 8 December 2011 entered into two (2) separate conditional sale and purchase agreements to acquire the following properties for a total cash consideration of RM181,000,000:

- (i) all that piece of freehold land held under GM 14677, Lot No. 4015 (formerly known as H.S. (M) No: 13459, Lot No. PT 286) Seksyen 44, Bandar Kulim, District of Kulim, State of Kedah measuring approximately 291,917 sq. ft. on which is erected a three (3)-storey mall building (including six hundred and ten (610) car park bays) comprising a shopping mall known as “Landmark Central Shopping Centre” measuring in total a Net Lettable Area (NLA) of 279,291 sq. ft. for a purchase consideration of RM98,000,000 from Sri Awona Sdn Bhd; and
- (ii) one hundred and ten (110) strata parcels (out of a total of two hundred and fifty three (253) strata parcels) within a six (6)-storey mall building comprising a shopping mall known as “Central Square Shopping Centre” (measuring 464,517 sq. ft. and based on the total share units allocated to the one hundred and ten (110) strata parcels, represent 85% of the voting rights in PPKCS) together with all the accessory parcels thereto, which consists of retail space with an aggregate NLA of approximately 300,782 sq. ft. and approximately 488 car park bays erected on freehold land held under Geran 145068, Lot 134 Seksyen 56, Bandar Sungai Petani, District of Kuala Muda, State of Kedah for a purchase consideration of RM83,000,000 from Awona Land Sdn Bhd.

(collectively, the “**Proposed Acquisitions**”)

In conjunction with the Proposed Acquisitions, the following was also proposed:

- (a) proposed renounceable rights issue of new Hektar REIT units (“**Rights Units**”) to the entitled unitholders of Hektar REIT to raise gross proceeds of approximately RM98,580,000 (“**Proposed Rights Issue**”) to part-fund the Proposed Acquisitions;
- (b) proposed issuance of new Hektar REIT units (“**Manager’s Units**”) to the Manager amounting to RM905,000 as part of the acquisition fee due to the Manager (“**Proposed Issuance to the Manager**”); and
- (c) proposed increase in the existing approved fund size of Hektar REIT by such number of Rights Units and Manager’s Units (“**Proposed Increase in Fund Size**”).

(collectively, the abovementioned is referred to as the “**Proposals**”).

Submission to the Securities Commission of Malaysia’s (“**SC**”) Asset Valuation Audit department for the Proposed Acquisitions was made on 4 January 2012 while the submissions to the SC’s Trust & Investment Management department for the Proposed Rights Issue, Proposed Issuance to the Manager and Proposed Increase in Fund Size were made on 20 January 2012. The Proposed Acquisitions, Proposed Rights Issue, and Proposed Increase in Fund Size are inter-conditional. The Proposed Issuance to the Manager is conditional upon the completion of the Proposed Acquisitions.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 2nd quarter of 2012.

Government Land Acquisition

Following the Manager’s earlier announcement in the 3rd quarter 2011 report, the Manager is currently awaiting for the official sealed copy of the court order to determine the details of the additional compensation sums award by the High Court and will make further announcements on the same in due course.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT has increased its borrowings from RM349,000,000 to RM363,480,000. The additional loan of RM14,480,000 is the partial loan drawdown to part-fund the acquisition of Central Square and Landmark Central in Sg Petani and Kulim, Kedah respectively . The total borrowings of RM363,480,000 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 31 December 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 final income distribution of 3 sen per unit amounting to RM9,600,030 for the Fourth Quarter ended 31 December 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 2012
Non-resident companies	Withholding tax at 25% for year of assessment 2012

B15 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 31.12.2011	Preceding Quarter Ended 31.12.2010
Income before tax	57,690,820	11,340,846
Provision for income distribution	9,600,030	8,960,028
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	18.03	3.54
-realised basic earning per unit	3.11	3.23
Distribution per unit (sen)	3.00	2.80

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 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 13 February 2012.

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
13 February 2012