

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	As at 31.3.2012 RM (Unaudited)	As at 31.12.2011 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	822,000,000	822,000,000
Capital work in progress	475,521	-
Fixed deposit with a licensed bank	2,355,642	2,338,995
	824,831,163	824,338,995
<u>CURRENT ASSETS</u>		
Trade receivables	2,921,307	3,002,686
Other receivables, deposits and prepayments	21,970,708	20,451,827
Cash and bank balances	17,618,750	19,265,508
	42,510,765	42,720,021
TOTAL ASSETS	867,341,928	867,059,016
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	363,480,000	363,480,000
<u>CURRENT LIABILITIES</u>		
Trade payables	977,511	266,763
Other payables and accruals	4,844,239	5,708,722
Tenancy deposits	22,761,666	22,450,235
	28,583,416	28,425,720
TOTAL LIABILITIES	392,063,416	391,905,720
NET ASSET VALUE	475,278,512	475,153,296
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	30,036,152	29,910,936
– unrealised	117,105,649	117,105,649
TOTAL UNITHOLDERS' FUND	475,278,512	475,153,296
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 31 March 2012/31 December 2011	1.49	1.48
-before distribution for the cumulative quarter	1.52	1.59
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,589,041 (2011:RM1,534,782) 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 2011 and the accompanying explanatory notes attached.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2012 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2012 RM	Preceding Year Corresponding Quarter 31.3.2011 RM	Current YTD 31.3.2012 RM	Preceding YTD 31.3.2011 RM
Revenue	24,455,906	23,340,035	24,455,906	23,340,035
Property operating expenses	(9,517,905)	(8,947,696)	(9,517,905)	(8,947,696)
Net property income	14,938,001	14,392,339	14,938,001	14,392,339
Interest Income	34,216	26,887	34,216	26,887
Other Income	33,634	4,315	33,634	4,315
Trust expenses	(1,826,097)	(1,663,728)	(1,826,097)	(1,663,728)
Borrowing costs	(3,454,508)	(2,816,451)	(3,454,508)	(2,816,451)
Income before taxation	9,725,246	9,943,362	9,725,246	9,943,362
Taxation	-	-	-	-
Net income for the period	9,725,246	9,943,362	9,725,246	9,943,362
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	9,725,246	9,943,362	9,725,246	9,943,362
Earnings per unit (sen)	3.04	3.11	3.04	3.11

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 MARCH 2012 (UNAUDITED)

	Unitholders' Capital RM	Undistributed income		Unitholders' Fund RM
		Realised RM	Unrealised RM	
<u>Balance at 1 January 2012</u>	328,136,711	29,910,936	117,105,649	475,153,296
<u>Operation for the cumulative quarter ended 31 March 2012</u>				
Total comprehensive income for the period	-	9,725,246	-	9,725,246
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(9,600,030)	-	(9,600,030)
Balance at 31 March 2012	<u>328,136,711</u>	<u>30,036,152</u>	<u>117,105,649</u>	<u>475,278,512</u>

CUMULATIVE QUARTER ENDED 31 DECEMBER 2011 (AUDITED)

	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 year	-	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>

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 2011 and the accompanying explanatory notes.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2012**

	Current YTD 31.3.2012 RM	Preceding YTD 31.3.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	9,725,246	9,943,362
Adjustments for :-		
Interest income	(34,216)	(26,887)
Interest expense	3,454,508	2,816,451
Rental under FRS 117	143,039	(222,361)
Impairment loss on trade receivables	37,500	37,500
Reversal of impairment loss on trade receivables	(30,233)	-
Operating profit before working capital changes	<u>13,295,844</u>	<u>12,548,065</u>
Change in working capital :-		
Receivables	(1,587,808)	(1,017,945)
Payables	157,696	(1,268,620)
Net cash from operating activities	<u>11,865,732</u>	<u>10,261,500</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Refurbishment of investment properties	(475,521)	(2,801,767)
Interest income	34,216	26,887
Placement of fixed deposits	(16,647)	(14,683)
Net cash used in investing activities	<u>(457,952)</u>	<u>(2,789,563)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(3,454,508)	(2,816,451)
Bank borrowings	-	1,562,081
Distribution to Unitholders	(9,600,030)	(8,960,028)
Net cash used in financing activities	<u>(13,054,538)</u>	<u>(10,214,398)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,646,758)	(2,742,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,265,508	24,670,518
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>17,618,750</u>	<u>21,928,057</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2012 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 2011 in their report dated 13 February 2012.

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 2012, there will be a First Distribution of 2.6 sen per unit, amounting to RM8,320,026 to be made on 26 June 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 last 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 RM1,589,041 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 2012, Hektar REIT generated total revenue of RM24,523,756 comprising rental income of RM24,455,906, interest income of RM34,216 and other income of RM33,634.

Revenue of RM24,455,906 was higher than the preceding year's corresponding period by 4.8%, principally due to improvement in rentals and car park income.

Property operating expenses of RM9,517,905 was higher than the preceding year's mainly due to higher electricity tariff.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.3.2012 RM	Preceding Quarter Ended 31.3.2011 RM
Income before taxation	9,725,246	9,943,362

The first quarter's net income of RM9,725,246 is 2.2% lower than the previous corresponding period of 2011 mainly due to higher borrowing cost.

B3 PROSPECTS

Given the global economic uncertainty which gives rise to a more challenging environment, Hektar REIT is cautiously optimistic about its outlook.

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 2012.

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 – Acquisition of Landmark Central Shopping Centre and Central Square Shopping Centre

The following corporate proposals have been announced but not completed.

The Proposed Acquisitions (as announced in the Annual Report 2011) are currently ongoing and the Manager has received the letter of approval dated 14 May 2012 from the Securities Commission of Malaysia (“**SC**”) in relation to the Proposed Rights Issue, Proposed Issuance to the Manager and Proposed Increase in Fund Size (as described in the Annual Report 2011).

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

Government Land Acquisition

Following the Manager’s earlier announcement in the Annual Report 2011, the Manager is still 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

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 March 2012, 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 first income distribution of 2.6 sen per unit amounting to RM8,320,026 for the First Quarter ended 31 March 2012. 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 31.3.2012	Preceding Quarter Ended 31.3.2011
Income before tax	9,725,246	9,943,362
Provision for income distribution	8,320,026	8,000,025
Number of units in issue	320,001,000	320,001,000
Basic earning per unit (sen)	3.04	3.11
Distribution per unit (sen)	2.60	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 March 2012 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 25 May 2012.

By Order of the Board

HEKTAR ASSET MANAGEMENT SDN BHD

(as the Manager of Hektar Real Estate Investment Trust)

Dato' Muhammad Hafidz Nuruddin (MAICSA 7005820)

Lim Seck Wah (MAICSA 0799845)

Joint Company Secretaries

Kuala Lumpur

25 May 2012