

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	As at 30.6.2012 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	1,124,333	-
Fixed deposit with a licensed bank	2,582,146	2,338,995
	825,706,479	824,338,995
<u>CURRENT ASSETS</u>		
Trade receivables	2,763,273	3,002,686
Other receivables, deposits and prepayments	21,432,463	20,451,827
Cash and bank balances	18,064,284	19,265,508
	42,260,020	42,720,021
TOTAL ASSETS	867,966,499	867,059,016
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	213,480,000	363,480,000
<u>CURRENT LIABILITIES</u>		
Trade payables	272,098	266,763
Other payables and accruals	4,812,431	5,708,722
Tenancy deposits	23,165,261	22,450,235
Bank borrowings	150,000,000	-
	178,249,790	28,425,720
TOTAL LIABILITIES	391,729,790	391,905,720
NET ASSET VALUE	476,236,709	475,153,296
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income – realised	30,994,350	29,910,936
– unrealised	117,105,649	117,105,649
TOTAL UNITHOLDERS' FUND	476,236,709	475,153,296
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 30 June 2012/31 December 2011	1.49	1.48
-before distribution for the cumulative quarter	1.54	1.59
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

Note: tenancy deposit includes RM1,774,309 (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 30 JUNE 2012 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2012 RM	Preceding Year Corresponding Quarter 30.6.2011 RM	Current YTD 30.6.2012 RM	Preceding YTD 30.6.2011 RM
Revenue	24,308,503	23,257,797	48,764,409	46,597,832
Property operating expenses	(9,588,042)	(9,129,942)	(19,105,948)	(18,077,637)
Net property income	14,720,461	14,127,855	29,658,461	28,520,195
Interest Income	51,402	57,028	85,619	83,914
Other Income	86,453	2,152	120,087	6,465
Trust expenses	(1,924,589)	(1,627,891)	(3,750,686)	(3,291,619)
Borrowing costs	(3,655,504)	(3,157,347)	(7,110,012)	(5,973,797)
Income before taxation	9,278,223	9,401,797	19,003,469	19,345,158
Taxation	-	-	-	-
Net income for the period	9,278,223	9,401,797	19,003,469	19,345,158
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	9,278,223	9,401,797	19,003,469	19,345,158
Earnings per unit (sen)	2.90	2.94	5.94	6.05

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 30 JUNE 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 30 June 2012</u>				
Total comprehensive income for the period	-	19,003,469	-	19,003,469
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(17,920,056)	-	(17,920,056)
Balance at 30 June 2012	<u>328,136,711</u>	<u>30,994,349</u>	<u>117,105,649</u>	<u>476,236,709</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 30 JUNE 2012

	Current YTD 30.6.2012 RM	Preceding YTD 30.6.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	19,003,469	19,345,159
Adjustments for :-		
Interest income	(85,619)	(83,914)
Interest expense	7,110,012	5,973,797
Rental under FRS 117	129,467	(403,461)
Impairment loss on trade receivables	75,000	75,000
Reversal of impairment loss on trade receivables	(30,233)	-
Operating profit before working capital changes	<u>26,202,096</u>	<u>24,906,581</u>
Change in working capital :-		
Receivables	(915,457)	(389,579)
Payables	(175,930)	(609,385)
Net cash from operating activities	<u>25,110,709</u>	<u>23,907,617</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Refurbishment of investment properties	(1,124,333)	(10,192,228)
Interest income	85,619	83,914
Placement of fixed deposits	(243,151)	(37,115)
Net cash used in investing activities	<u>(1,281,865)</u>	<u>(10,145,429)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(7,110,012)	(5,973,797)
Bank borrowings	-	8,155,259
Distribution to Unitholders	(17,920,056)	(16,960,053)
Net cash used in financing activities	<u>(25,030,068)</u>	<u>(14,778,591)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,201,224)</u>	<u>(1,016,403)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>19,265,508</u>	<u>24,670,518</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>18,064,284</u></u>	<u><u>23,654,115</u></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 30 JUNE 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

There will be a Second Interim Distribution of 2.6 sen per unit, amounting to RM8,320,026 to be made on 14 September 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 RM1,774,309 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 2012, Hektar REIT generated total revenue of RM48,970,115 comprising rental income of RM48,764,409, interest income of RM85,619 and other income of RM120,087.

Revenue of RM48,764,409 was higher than the preceding year's corresponding period by 4.7%, principally due to improvement in rentals and car park income.

Property operating expenses of RM19,105,948 was higher than the preceding year's mainly due to higher electricity tariff.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.6.2012 RM	Preceding Quarter Ended 30.6.2011 RM
Income before taxation	9,278,223	9,401,797

The individual second quarter's net income of RM9,278,223 is 1.3% lower than the previous corresponding period of 2011 mainly due to higher borrowing cost.

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 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 and 1st Quarter 2012 report) are currently ongoing and the Manager has, on 5 July 2012, announced that all the resolutions (as set out in the Notice of the Unitholders' Meeting of Hektar REIT ("Meeting") dated 20 June 2012), have been approved by the Unitholders of Hektar REIT as tabled at the Meeting held on 5 July 2012.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 3rd quarter of 2012.

Government Land Acquisition

Further to the announcements dated 10 May 2010, 4 August 2010, 3 November 2010, 17 February 2011, 11 May 2011, 17 August 2011, 4 November 2011, 13 February 2012, 25 May 2012 and 29 June 2012, the Manager announced that the sealed copy of the High Court order dated 29 September 2011 granting additional compensation amounting to RM282,332.00 to be paid by the Pentadbir Tanah Daerah Petaling ("PTD") to AmTrustee Berhad (for and on behalf of Hektar REIT) ("AmTrustee") in respect of the compulsory land acquisition on part of land held under Grn 55365, Lot 14193, Town of Subang Jaya, District of Petaling, Selangor, has been received on 28 June 2012.

The salient points of the High Court order include the following :-

- i) the PTD to pay interest at the rate of eight percent (8%) from the date of the Form K dated 23 June 2009 until the date of payment of the additional sum is fully paid;
- ii) the PTD to pay the additional compensation sum within a period of three (3) months from the date of presentation of the sealed court order to the PTD (which will be presented to the PTD in due course);
- iii) the deposit amounting to RM3,000.00 paid by AmTrustee be refunded to AmTrustee; and
- iv) the PTD and AmTrustee to each pay RM250.00 to the independent valuers appointed by the High Court as costs for the hearing, with PTD paying to the private valuer and AmTrustee paying to the government valuer, within a period of one (1) month from the date of the order.

The Manager has decided not to make any further appeal against the decision of the High Court.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM363,480,000 comprise:

1. Current liability of RM150,000,000; and
2. Non-current liability of RM213,480,000.

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 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 second interim distribution of 2.6 sen per unit, amounting to RM8,320,026 for the Second Quarter ended 30 June 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 30.6.2012	Preceding Quarter Ended 30.6.2011
Income before tax	9,278,223	9,401,797
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)	2.90	2.94
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 30 June 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 10 August 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

10 August 2012