

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	As at 31.12.2012 RM (Unaudited)	As at 31.12.2011 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment properties	1,028,970,000	822,000,000
Capital work in progress	533,438	-
Fixed deposit with a licensed bank	4,072,423	2,338,995
	1,033,575,861	824,338,995
<u>CURRENT ASSETS</u>		
Trade receivables	3,333,440	3,002,686
Other receivables, deposits and prepayments	3,231,071	20,451,827
Cash and bank balances	26,127,087	19,265,508
	32,591,598	42,720,021
TOTAL ASSETS	1,066,267,459	867,059,016
<u>NON-CURRENT LIABILITIES</u>		
Bank borrowings	286,100,000	363,480,000
<u>CURRENT LIABILITIES</u>		
Trade payables	1,319,107	266,763
Other payables and accruals	5,084,467	5,708,722
Tenancy deposits	27,099,499	22,450,235
Bank borrowings	150,000,000	-
	183,503,073	28,425,720
TOTAL LIABILITIES	469,603,073	391,905,720
NET ASSET VALUE	596,664,386	475,153,296
<u>FINANCED BY:</u>		
Unitholders' capital	425,738,255	328,136,711
Undistributed income – realised	35,108,545	29,910,936
– unrealised	135,817,586	117,105,649
TOTAL UNITHOLDERS' FUND	596,664,386	475,153,296
<u>NET ASSET VALUE PER UNIT (RM)</u>		
-as at 31 December 2012/31 December 2011	1.49	1.48
-before distribution for the cumulative quarter	1.58	1.59
NUMBER OF UNITS IN CIRCULATION	400,634,117	320,001,000

Note: tenancy deposit includes RM1,922,875 (2011:RM1,534,782) which is discounted to present value in compliance with MFRS 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 DECEMBER 2012 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2012 RM	Preceding Year Corresponding Quarter 31.12.2011 RM	Current YTD 31.12.2012 RM	Preceding YTD 31.12.2011 RM
Revenue	29,057,822	24,255,309	103,231,670	94,881,213
Property operating expenses	(10,886,681)	(9,101,807)	(39,484,959)	(36,585,339)
Net property income	18,171,141	15,153,502	63,746,711	58,295,874
Interest income	47,042	57,853	172,257	163,928
Other income	23,140	1,799	179,137	13,306
Trust expenses	(2,576,541)	(1,815,389)	(8,429,428)	(6,787,096)
Borrowing costs	(4,857,131)	(3,444,153)	(15,910,960)	(12,771,843)
Realised income before taxation	10,807,651	9,953,612	39,757,717	38,914,169
Fair value adjustment of investment properties	18,711,937	47,737,207	18,711,937	47,737,207
Income before taxation	29,519,588	57,690,819	58,469,654	86,651,376
Taxation	-	-	-	-
Net income for the period	29,519,588	57,690,819	58,469,654	86,651,376
Other comprehensive income for the period, after tax	-	-	-	-
Total comprehensive income for the period	29,519,588	57,690,819	58,469,654	86,651,376
Earnings per unit (sen)	7.37 ^a	18.03	17.19 ^b	27.08
- realised	2.70	3.11	11.69	12.16

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.

a. Earning per unit for the current quarter ended 31 December 2012 was calculated based on 400,634,117 units.

b. Earning per unit for the cumulative quarter ended 31 December 2012 was calculated on a weighted average, i.e 340,159,279 units.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 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 December 2012</u>				
Total comprehensive income for the period	-	39,757,717	18,711,937	58,469,654
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(34,560,108)	-	(34,560,108)
Unitholders' capital	99,305,308	-	-	99,305,308
Unit issuance expenses	(1,703,764)	-	-	(1,703,764)
Balance at 31 December 2012	<u>425,738,255</u>	<u>35,108,545</u>	<u>135,817,586</u>	<u>596,664,386</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 DECEMBER 2012

	Current YTD 31.12.2012 RM	Preceding YTD 31.12.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	58,469,654	86,651,376
Adjustments for :-		
Interest income	(172,257)	(163,928)
Interest expense	15,910,960	12,771,843
Rental under MFRS 117	294,150	(1,119,656)
Impairment loss on trade receivables	291,103	52,250
Bad debt written off	1,806	-
Reversal of impairment loss on trade receivables	(41,811)	(82,962)
Fair value adjustment	(18,711,937)	(47,737,207)
Operating profit before working capital changes	<u>56,041,668</u>	<u>50,371,716</u>
Change in working capital :-		
Receivables	1,864,754	(19,356,901)
Payables	5,077,353	1,448,444
Net cash from operating activities	<u>62,983,775</u>	<u>32,463,259</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment properties	(98,540,984)	-
Expenditure for refurbishment and enhancement of investment property incurred	(3,150,517)	(21,709,881)
Interest income	172,257	100,659
Placement of fixed deposits	(1,733,428)	(7,100)
Net cash used in investing activities	<u>(103,252,672)</u>	<u>(21,616,323)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of rights	99,305,307	-
Expenditure in relation to issuance of rights	(1,703,764)	-
Interest expense	(15,910,960)	(12,771,843)
Bank borrowings	-	29,480,000
Distribution to Unitholders	(34,560,108)	(32,960,103)
Net cash from/(used in) financing activities	<u>47,130,476</u>	<u>(16,251,946)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,861,579	(5,405,010)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,265,508	24,670,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>26,127,087</u>	<u>19,265,508</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 DECEMBER 2012 PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**A1 BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Hektar REIT had adopted Malaysian Financial Reporting Standard issued by Malaysian Accounting Standards Board for accounting period beginning 1 January 2012.

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, except for the issuance of rights, details as follows:-

Rights	No. of units	Price (RM)	RM
Issuance to the public	80,000,250	1.23	98,400,308
Issuance to the manager	634,867	1.43	905,000
Total	80,633,117		99,305,308

A7 INCOME DISTRIBUTION

Based on the quarterly result ended 31 December 2012, there will be a Final Distribution of 2.7 sen per unit, amounting to RM10,817,121 to be made on 11 March 2013.

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 as follows:

1. Subang Parade, Mahkota Parade and Wetex Parade on 31 October 2012
2. Central Square and Landmark Central on 6 December 2012.

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

During the current quarter, Hektar REIT's fund size increased from 320,001,000 to 400,634,117 units arising from a rights issue exercise. The rights issue exercise was undertaken to part- finance the acquisition of two properties, Central Square in Sungai Petani, Kedah and Landmark Central in Kulim, Kedah.

A12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A13 RENTAL INCOME FROM TENANCIES (MFRS 117)

Rental income receivable under tenancy agreements is recognised on a straight-line basis over the term of the lease. Meanwhile, gross turnover rental is recognised as income in the accounting period on a receipt basis.

A14 TENANCY DEPOSITS (MFRS 139)

Included in the tenancy deposit received from tenants is RM1,922,875 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 MFRS 139 financial instruments.

A15 CAPITAL COMMITMENT

Capital expenditure in respect of the following has not been provided for in the financial statement: -

Authorised and contracted for:-
Refurbishment of investment properties

RM
241,920

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 2012, Hektar REIT generated total revenue of RM103,583,064 comprising rental income of RM103,231,670, interest income of RM172,257 and other income of RM179,137.

Revenue of RM103,231,670 was higher than the preceding year's corresponding period by 9%, principally due to revenue arising from the two new shopping malls recently acquired by Hektar REIT in Kedah.

Property operating expenses of RM39,484,959 was also higher than the preceding year mainly due to the same reason mentioned above.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 31.12.2012 RM	Preceding Quarter Ended 31.12.2011 RM
Income before tax	29,519,588	57,690,819
- Realised income before tax	10,807,651	9,953,612

The individual fourth quarter's realised net income of RM10,807,651 is 8.6% higher than the previous corresponding period of 2011 mainly due to net income arising from the two new shopping malls in Kedah.

B3 PROSPECTS

The retail sector in which Hektar is competing in is becoming increasingly more challenging. However, we are confident of maintaining our performance. In the fourth quarter of 2012, Hektar completed the acquisition of two malls in Kedah and plans are underway to conduct asset enhancement initiatives at these 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 ended 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

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, 29 June 2012, 10 August 2012 and 20 November 2012, the Manager is currently awaiting for payment of the additional compensation sum and other charges awarded by the High Court from the Pentadbir Tanah Daerah Petaling (PTD) 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.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM436,100,000 comprise:

1. Current liability of RM150,000,000; and
2. Non-current liability of RM286,100,000.

Both loans are secured.

B10 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

On October 2012, 80,000,250 units of rights was issued, which raised RM98,400,308. The utilisation of the proceeds are as follows:

	RM
Part – acquisition of Central Square & Landmark Central	93,900,308
Incidental cost:	
1. Due Diligence Exercise	680,000
2. Corporate Advisory	1,479,632
3. Acquisition fee paid to the Manager	905,000
4. Regulatory fees	569,368
5. Fees in relation to Bank Borrowing	874,000
Total	98,400,308

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 year ended 31 December 2012, the Manager received a soft commission in the form of Hektar REIT units, amounting to 632,867 units (equivalent to RM905,000). This represents 50% of the total fee paid by Hektar REIT in relation to Hektar REIT's acquisition of Central Square in Sungai Petani, Kedah and Landmark Central in Kulim, Kedah.

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 2.7 sen per unit, amounting to RM10,817,121 for the Fourth Quarter ended 31 December 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 31.12.2012	Preceding Quarter Ended 31.12.2011
Income before tax (RM)	29,519,588	57,690,819
Provision for income distribution (RM)	10,817,121	9,600,030
Number of units in issue	400,634,117	320,001,000
Basic earnings per unit (sen)		
- total	7.37	18.03
- realised	2.70	3.11
Distribution per unit (sen)	2.70	3.00

B16 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, the quarterly report has been prepared in accordance with MFRS 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 2012 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of the Manager on 5 February 2013.

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

5 February 2013