

# HEKTAR REAL ESTATE INVESTMENT TRUST

## QUARTERLY FINANCIAL REPORT

Fourth Quarter financial results for the period ending 31 December 2007. The figures are unaudited.

### CONDENSED BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2007

	<b>As at 31.12.2007 RM</b>	<b>As at 30.9.2007 RM</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Investment Properties	559,400,000	515,447,553
<b><u>CURRENT ASSETS</u></b>		
Trade receivables	915,562	1,049,349
Other receivables, deposits, prepayments	5,350,886	7,327,094
Capital work in progress	2,755,559	1,165,144
Fixed deposits with a licensed bank	1,278,529	1,269,329
Cash and bank balances	18,096,940	18,157,538
	<b>28,397,476</b>	<b>28,968,454</b>
<b>TOTAL ASSETS</b>	<b>587,797,476</b>	<b>544,416,007</b>
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	134,968	313,576
Other payables and accruals	1,959,281	1,350,729
Tenancy deposits	16,082,588	17,336,261
Provision for income distribution	11,232,035	7,680,024
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,408,872</b>	<b>26,680,590</b>
	<b><u>558,388,604</u></b>	<b><u>517,735,417</u></b>
<b><u>FINANCED BY:</u></b>		
Unitholders' fund	328,136,711	328,136,711
Undistributable income - realised	2,410,276	5,598,706
- unrealised	43,841,617	
	<b>374,388,604</b>	<b>333,735,417</b>
<b>NON-CURRENT LIABILITY</b>		
Bank borrowings	184,000,000	184,000,000
	<b><u>558,388,604</u></b>	<b><u>517,735,417</u></b>
<b>NET ASSET VALUE PER UNIT</b>	1.1700	1.0429
<b>NUMBER OF UNITS IN CIRCULATION</b>	320,001,000	320,001,000

**HEKTAR REAL ESTATE INVESTMENT TRUST  
CONDENSED INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 31 DECEMBER 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2007 RM	Preceding Year Corresponding Quarter 31.12.06 RM	YTD 31.12.2007 RM	Previous YTD 31.12.06 RM
Revenue	18,345,588	n/a	78,330,975	n/a
Property operating expenses	(7,067,958)	n/a	(29,052,074)	n/a
<b>Net property income</b>	<b>11,277,630</b>	n/a	<b>49,278,901</b>	n/a
Interest Income	28,380	n/a	121,858	n/a
Other Income	960	n/a	1,500	n/a
Trust expense	(1,320,013)	n/a	(4,395,067)	n/a
Borrowing cost	(1,943,351)	n/a	(8,324,809)	n/a
Fair value adjustment of investment properties	43,841,617	n/a	43,841,617	n/a
<b>Income before taxation</b>	<b>51,885,222</b>	n/a	<b>80,524,000</b>	n/a
Taxation	-	n/a	-	n/a
<b>Net income for the period</b>	<b>51,885,222</b>	n/a	<b>80,524,000</b>	n/a
Provision for income distribution	(11,232,035)	n/a	(34,272,107)	n/a
	40,653,187	n/a	46,251,893	n/a
Earnings per unit (sen) :	16.21	n/a	25.16	n/a
Net Income for the period is made as follows				
Realised	8,043,605	n/a	36,682,383	n/a
Unrealised - fair value adjustment	43,841,617	n/a	43,841,617	n/a
	51,885,222	n/a	80,524,000	n/a

**The comparative financial information for the corresponding period is not available as the trust commenced operations on 1 December 2006.**

**\* The Cumulative Quarter comprises a 13-month result for the period of Dec 06 to Dec 07**

**HEKTAR REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (UNAUDITED)  
FOR THE QUARTER ENDED 31 DECEMBER 2007**

	Unitholders' capital RM	Distributable income		Unitholders fund RM
		Unrealised RM	Realised RM	
<u>At 5 October 2006</u>	1,000	-	-	1,000
<u>Operation for the quarter ended 31 December 2007</u>				
Net Income for the period	-	-	36,682,383	36,682,383
Fair value adjustment of investment properties		43,841,617	-	43,841,617
	<u>1,000</u>	<u>43,841,617</u>	<u>36,682,383</u>	<u>80,525,000</u>
<u>Unitholders' transaction</u>				
Creation of units	336,585,000	-	-	336,585,000
Listing expenses	(8,449,289)	-	-	(8,449,289)
Distribution to unitholders	-	-	(34,272,107)	(34,272,107)
	<u>328,135,711</u>	<u>-</u>	<u>(34,272,107)</u>	<u>293,863,604</u>
At 31 December 2007	<u>328,136,711</u>	<u>43,841,617</u>	<u>2,410,276</u>	<u>374,388,604</u>

**The comparative financial information for the corresponding period is not available as the trust commenced operations on 1 December 2006.**

**HEKTAR REAL ESTATE INVESTMENT TRUST  
CONDENSED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 31 DECEMBER 2007**

	<b>Current Year To Date 31.12.07 * RM</b>	<b>Preceding Year To Date 31.12.06 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITY</b>		
Profit before taxation	80,524,000	n/a
Adjustments for:		
Interest income	(121,858)	n/a
Interest expense	8,324,809	n/a
Provision for doubtful debts	79,844	n/a
Fair value adjustment	(43,841,617)	n/a
Operating profit before changes in working capital		
Receivables	18,176,837	n/a
Payables	(6,346,292)	n/a
Net cash generated/(used) from operating activities	<u>56,795,722</u>	<u>n/a</u>
<b>CASH FLOW FROM INVESTING ACTIVITY</b>		
Acquisition of properties	(351,500,000)	n/a
Expenditure for enhancement of investment properties	(3,558,383)	
Expenditure for refurbishment of investment properties	(2,755,559)	
Placement of fixed deposits	(1,278,529)	
Interest income	121,858	n/a
Net Cash generated/(used) from investing activities	<u>(358,970,613)</u>	<u>n/a</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Unitholders' capital	176,086,000	n/a
Interest paid	(8,324,809)	n/a
Listing expenses	(8,449,289)	n/a
Borrowings	184,000,000	n/a
Distribution to Unitholders	(23,040,072)	n/a
Net cash used in financing activities	<u>320,271,831</u>	<u>n/a</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	18,096,940	n/a
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	-	n/a
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<u>18,096,940</u>	<u>n/a</u>

\*The comparative financial information for the corresponding period is not available as this is the first year of operation.

**HEKTAR REAL ESTATE INVESTMENT TRUST  
NOTES TO THE QUARTERLY REPORT - 31 DECEMBER 2007**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS")  
134**

**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.

The accounting policies and methods of computation used in the preparation of the quarterly financial reports are consistent with those adopted in the preparation of the proforma financial information presented in the prospectus of HEKTAR Real Estate Investment Trust ("HEKTAR REIT") dated 15 November 2006.

**A2 *Audit Report of Preceding Financial Year***

There was no audit report of the preceding financial year ended 31 December 2006 as Hektar REIT was established on 5 October 2006 and commenced operations on 1 December 2006.

**A3 *Seasonality or cyclicity of operations***

The business of the Trust is not affected by material, seasonal or cyclical factors.

**A4 *Unusual items***

There were no unusual items to be disclosed for the quarter under review.

**A5 *Change in Estimates***

There were no unusual items to be disclosed for the quarter under review.

**A6 *Debt and Equity Securities***

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and period-to-date.

**A7 *Income distribution***

Based on the quarterly result ending 31 December 2007, there will be a Final Distribution of 3.51 sen per unit, amounting to RM11,232,035 to be made on 4 March 2008.

**A8 *Segment information***

Not applicable.

**A9 *Valuation of Investment Properties.***

A revaluation exercise was undertaken by independent valuer Messrs Henry Butcher on 30 November 2007. The exercise has resulted in a fair value gain on investment properties of RM43,841,617.

**A10 *Material Subsequent Events to the End of the Interim Period***

There are 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 the Trust 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.

**B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD.**

**B1 *Review of performance***

The Manager is pleased to report that for the thirteen (13) months financial period ended 31 December 2007, the total revenue of the Trust was RM78,454,333 comprising gross rental income of RM78,330,975, interest income of RM121,858 and other income of RM1,500.

The actual total revenue of RM78,454,333 exceeded the forecast by 4.7% while actual expenses were capped within forecast. Savings on interest expenses were also substantial as the actual interest rate (4.7% p.a.) was significantly lower than forecasted (5.85% p.a.).

Income before taxation was RM67,804,124 after deducting total Trust expenditure and borrowings of RM12,719,876.

**B2 *Variation of results against preceding quarter***

	<b>Current Quarter Ended 31.12.07</b>	<b>Preceding Quarter Ended 30.9.07</b>
<b><i>Income before tax</i></b>	51,885,222	8,911,523

The current quarter income before tax of RM51,885,222 is more than 5 times higher than the preceding quarter primarily due to a fair value gain on investment properties of RM43,841,617 generated in the current quarter.

**B3 *Prospects***

The Trust is expected to continue its good performance in 2008. To recap, the Manager formulated a three-pronged strategy to achieve its objectives, i.e., via :

- a) Yield-accretive acquisitions
- b) Active leasing
- c) Asset enhancement

The Manager is currently undertaking due-diligence exercises on several shopping centres for the purpose of acquisition. In connection with this, the Manager will make the relevant announcements in due course.

**B4 *Variance of profit forecast or profit guarantee***

This is not applicable as there was no profit forecast or profit guarantee issued for this financial quarter.

**B5 *Tax expense***

Pursuant to the new tax system for Real Estate Investment Trusts ("REITs"), 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.

There was no tax payable as the Trust will distribute more than 90% of the distributable income to unitholders for the 13-month ended 31 December 2007.

**B6 Unquoted investments and/or properties**

There was no purchase or disposal of unquoted investments or properties during the quarter.

**B7 Quoted investments**

There was no purchase or disposal of quoted investments during the quarter.

**B8 Corporate Developments**

**Partnership with Frasers Centrepoint Limited**

On 16 May 2007, an announcement was made to Bursa Malaysia to inform that Hektar Klasik Sdn Bhd ("HKSB"), the holding company of Hektar Asset Management Sdn Bhd ("Hektar AM") had on 16 May 2007 entered into a conditional Sale and Purchase Agreement with Frasers Centrepoint Limited ("FCL") for FCL to acquire 400,000 ordinary shares of RM1.00 each comprising 40% of the issued and paid up share capital in Hektar AM for a total cash consideration of RM500,000..

FCL is a wholly-owned subsidiary of Fraser & Neave, Limited, Singapore, a leading international and diversified business group.

The announcement also added that, as part of a multi-tiered partnership between the Hektar Group and the FCL Group, Hektar Black Sdn Bhd ("HBSB"), a company related to HKSB, has also entered into a Sale and Purchase Agreement with HSBC Institutional Trust Services (Singapore) Limited, the Trustee to Frasers Centrepoint Trust ("FCT"), for FCT to acquire 32,000,000 units of RM1.00 each in Hektar REIT at a purchase consideration of RM1.21 per unit, representing 10% of the total issued units of Hektar REIT from HBSB. The two agreements are not inter-conditional.

The acquisition of the REIT units by FCT as mentioned above has been completed on 5 June 2007. However, the Sales & Purchase Agreement ("SPA") for the acquisition of the 40% interest in the issued and paid up share capital of Hektar AM by FCL is still ongoing.

On 16 November 2007, an announcement was made to Bursa Malaysia to inform that FCL and HKSB have mutually agreed to further extend the cut off date as defined under clause 1.1 of the SPA to 16 November 2007. On 16 January 2008, a further announcement was made to further extend the cut-off date to 16 March 2008.

**Public Spread**

As at 31 January 2008, the public spread for Hektar REIT was 25.86% in the hands of 416 public unit holders holding not less than 100 units each. Under clause 8.15 Of Bursa Malaysia's Listing Requirements, a public-listed entity is required to have at least 25% of its total listed units in the hands of a minimum of 1,000 public unit holders holding not less than 100 units each.

In relation to this, on 7 September 2007, Hektar Asset Management Sdn Bhd ("Hektar AM") has announced that Bursa Malaysia, in its letter dated 6 September 2007 has granted Hektar AM until 25 February 2008 to comply with this requirement.

Hektar AM is continuing to exercise its best endeavors to rectify the public spread number by continuing investor relations programmes via (a) investor and broker conferences; (b) roadshow presentations to fund managers and (c) marketing and investor education of REIT's to new and foreign investors.

**B9 Borrowings and Debt Securities**

The borrowings of RM184,000,000 are long term and secured.

**B10 Off balance sheet financial instruments**

No off balance sheet financial instruments were utilised for the current quarter.

**B11 Material litigation**

There was no material litigation as at the end of the current quarter.

**B12 Income distribution**

The Board of Directors of Hektar AM has recommended and the Trustee has approved a total income distribution of 10.71 sen per unit (equivalent to 90.8% of income before tax) totaling RM34,272,107 for the 13-month period ended 31 December 2007.

The total income distribution of RM34,272,107 surpassed the forecast published in the prospectus by 11.2%.

The schedule of the income distributions are as follows :

Dividend payment	Period covered	Income Distribution (RM)	Status	Remarks
First interim dividend	December 06 portion	2,995,183	} Paid on 17 May 2007	100% payout based on Dec 06 taxable income
	Jan 07 – Mar 07 portion	4,684,841		
Second interim dividend	Apr 07-Jun 07	7,680,024	Paid on 30 August 2007	} 90% payout based on Jan 07-Dec 07 taxable income
Third interim dividend	Jul-Sep 07	7,680,024	Paid on 30 November 2007	
Final dividend	Oct-Dec 07	11,232,035	To be paid on 4 March 2008	
<b>Total</b>		<b>34,272,107</b>		

The Trustee has approved for RM11,232,035 to be paid as final dividend on 4 March 2008.



Withholding tax will be deducted for distribution made to the following types of unitholders :

- Resident individual (withholding tax at 15%)
- Non Resident individual (withholding tax at 15%)
- Resident institutional investors (withholding tax at 20%)
- Non-resident institutional investors (withholding tax at 20%)
- Resident companies (No withholding tax. Subject to corporate tax at prevailing rate of 26%)
- Non-resident companies (withholding tax at 27% for Year of Assessment 2007)

**B13 Distribution per unit and Earnings per unit**

	<b>As at end of Current Quarter 31.12.07</b>
Income after taxation	51,885,222
Provision for income distribution	<hr/> 11,232,035
Number of units in issue	<hr/> 320,001,000
Basic earning per share (sen)	<hr/> 16.21
- realised basic earning per share (sen)	2.50
Distribution per unit (sen)	<hr/> 3.51

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)**  
Company Secretaries

Kuala Lumpur  
4 February 2008