

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED BALANCE SHEET FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	As at 30.09.2008 RM (Unaudited)	As at 31.12.2007 RM (Audited)
<u>NON-CURRENT ASSETS</u>		
Investment Properties	681,739,578	559,400,000
<u>CURRENT ASSETS</u>		
Trade receivables	1,036,381	915,562
Other receivables, deposits, prepayments	5,995,658	6,629,415
Capital work in progress	4,803,245	2,755,559
Cash and bank balances	18,738,284	18,096,940
	30,573,568	28,397,476
TOTAL ASSETS	712,313,146	587,797,476
<u>LIABILITIES</u>		
Trade payables	534,289	134,968
Other payables and accruals	2,722,872	1,959,281
Tenancy deposits	20,027,725	16,082,588
Provision for income distribution	8,454,283	11,232,035
Borrowings	301,500,000	184,000,000
TOTAL LIABILITIES	333,239,169	213,408,872
NET ASSET VALUE	379,073,977	374,388,604
<u>FINANCED BY:</u>		
Unitholders' capital	328,136,711	328,136,711
Undistributed income - realised	7,095,649	2,410,276
- unrealised	43,841,617	43,841,617
TOTAL UNITHOLDERS' FUND	379,073,977	374,388,604
NET ASSET VALUE PER UNIT (RM)	1.1846	1.1700
NUMBER OF UNITS IN CIRCULATION	320,001,000	320,001,000

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

**CONDENSED INCOME STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2008 (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2008 RM	Preceding Year Corresponding Quarter 30.9.2007 RM	Current YTD 30.9.2008 RM	Preceding YTD* 30.9.2007 RM
Revenue	22,164,328	18,331,887	61,833,618	59,977,931
Property operating expenses	<u>(8,117,923)</u>	<u>(6,588,666)</u>	<u>(22,282,653)</u>	<u>(21,984,115)</u>
Net property income	14,046,405	11,743,221	39,550,965	37,993,816
Interest Income	73,412	29,575	133,684	93,479
Other Income	10,191	30	12,319	7,994
Trust expenses	(1,235,787)	(931,014)	(3,853,107)	(3,075,053)
Borrowing costs	<u>(3,305,117)</u>	<u>(1,930,290)</u>	<u>(8,118,417)</u>	<u>(6,381,458)</u>
Income before taxation	9,589,104	8,911,523	27,725,445	28,638,778
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income for the period	9,589,104	8,911,523	27,725,445	28,638,778
Provision for income distribution	<u>(7,680,024)</u>	<u>(7,680,024)</u>	<u>(23,040,072)</u>	<u>(23,040,072)</u>
	<u>1,909,080</u>	<u>1,231,499</u>	<u>4,685,373</u>	<u>5,598,706</u>
Earnings per unit (sen)	3.00	2.78	8.66	8.95

* The cumulative quarter for the period ended 30 September 2007 comprised a 10-month result, December 2006 to September 2007.

The Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2008 (UNAUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at 1 January 2008</u>	328,136,711	2,410,276	43,841,617	374,388,604
<u>Operation for the cumulative quarter ended 30 September 2008</u>				
Net Income for the period	-	27,725,445		27,725,445
	328,136,711	30,135,721	43,841,617	402,114,049
<u>Unitholders' transaction</u>				
Distribution to unitholders	-	(23,040,072)		(23,040,072)
Balance at 30 September 2008	328,136,711	7,095,649	43,841,617	379,073,977

CUMULATIVE QUARTER ENDED 31 DECEMBER 2007 (AUDITED)

	Unitholders' Capital RM	<u>Undistributed income</u> Realised Unrealised RM RM		Unitholders' Fund RM
<u>Balance at date of establishment</u>	1,000	-	-	1,000
<u>Operation for the cumulative quarter ended 31 December 2007</u>				
Net Income for the period	-	36,682,383	43,841,617	80,524,000
	1,000	28,638,778	-	80,525,000
<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)
	328,135,711	(23,040,072)	-	293,863,604
Balance at 31 December 2007	328,136,711	5,598,706	-	374,388,604

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

HEKTAR REAL ESTATE INVESTMENT TRUST QUARTERLY REPORT

CONDENSED CASH FLOW STATEMENT (UNAUDITED) FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2008

	Current YTD 30.9.2008 RM	Preceding YTD 30.9.2007* RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	27,725,445	28,638,778
Adjustments for :-		
Interest income	(133,684)	(93,479)
Interest expenses	8,118,417	6,381,458
Provision for doubtful debts	90,000	100,000
	<u>35,800,178</u>	<u>35,026,757</u>
Operating income before changes in working capital :-		
Receivables	422,938	(9,541,587)
Payables	5,108,049	18,900,566
	<u>41,331,165</u>	<u>44,385,736</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of properties	(122,339,578)	(354,947,553)
Refurbishment of investment properties	(2,047,686)	-
Interest income	133,684	93,479
	<u>(124,253,581)</u>	<u>(354,854,074)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Unitholders' capital	-	176,086,000
Interest expenses	(8,118,417)	(6,381,458)
Listing expenses	-	(8,449,289)
Borrowings	117,500,000	184,000,000
Distribution to Unitholders	(25,817,824)	(15,360,048)
	<u>83,563,759</u>	<u>329,895,206</u>
Net cash generated from / (used for) financing activities		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	641,344	19,426,867
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,096,940	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>18,738,284</u>	<u>19,426,867</u>

*The preceding YTD for the period ended 30 September 2007 comprised a 10-month result, December 2006 to September 2007.

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

A. EXPLANATORY NOTES FOR THE QUARTER ENDED 30 SEPTEMBER 2008 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 ("Bursa Malaysia").

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

The auditors have expressed an unqualified opinion on Hektar REIT's financial statements for the year ended 31 December 2007 in their report dated 4 February 2008.

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 30 September 2008, there will be a Third Interim Distribution of 2.40 sen per unit, amounting to RM7,680,024 to be made on 5 December 2008.

A8 SEGMENT INFORMATION

Not applicable.

A9 VALUATION OF INVESTMENT PROPERTIES

The valuations of the Investment Properties have been brought forward, without amendment from the previous annual report.

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.

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

B1 REVIEW OF PERFORMANCE

For the cumulative quarter ended 30 September 2008, Hektar REIT generated a total revenue of RM61,979,621, comprising rental income of RM61,833,618, interest income of RM133,684 and other income of RM12,319.

On an average basis, actual revenue of RM61,979,621 exceeded the forecast as published in Hektar REIT's Prospectus dated 15 November 2006, by 18 %. This is due to (i) the rental rates for Subang Parade and Mahkota Parade which were higher than forecasted; and (ii) the inclusion of Wetex Parade's five-month performance.

The cumulative quarter's net income was 3 % lower than the preceding year's corresponding cumulative quarter. This is because the preceding year's corresponding cumulative quarter comprised a 10-month performance (December 2006 - September 2007) vis-à-vis the current cumulative quarter's 9-month performance (January 2008 - September 2008). If December 2006's net income is excluded from the preceding year's corresponding cumulative quarter, the current cumulative quarter's net income is 7% higher.

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter Ended 30.9.2008	Preceding Quarter Ended 30.9.2007
Income before tax ("IBT")	9,589,104	8,911,523

The individual third quarter's net income of RM9,589,104 is higher than the preceding year's corresponding individual quarter of RM8,911,523 by 8%. This is due to higher overall rental rates in Subang Parade and Mahkota Parade and the inclusion of Wetex Parade's five-month performance (May 2008 - September 2008).

B3 PROSPECTS

Barring any unforeseen circumstances, Hektar REIT remains optimistic of meeting its forecast for 2008 as published in the prospectus, despite the recent increase in the cost of fuel and electricity tariff. Hektar AM will continue its strategy to optimise the property portfolio and improve the property performance of the 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 new tax system 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 2008.

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 DEVELOPMENTS

Public Spread

As at 30 September 2008, the public spread for Hektar REIT was 21.8% in the hands of 524 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 17 July 2008, Hektar Asset Management Sdn Bhd ("Hektar AM") has announced that Bursa Malaysia, in its letter dated 15 July 2008 has granted Hektar REIT until 30 November 2008 for Hektar REIT to comply with this requirement.

Hektar AM is continuing to exercise its best endeavors to rectify the public spread number by continuing its active promotion of Hektar REIT to the public via its various activities – investment roadshows, conferences, presentations to analysts and investors, participation in the Investor Relations Incentive Programme ("IRIP") and the Capital Market Development Fund ("CMDF") Bursa Research Scheme ("CBRS") and press-related activities.

Acquisition of Sold Lot

In the third quarter of 2008, AmTrustee Berhad acting for and on behalf of Hektar REIT had entered into a Sale & Purchase Agreement to acquire Lot LG02 at Subang Parade for the purchase price of RM1,100,000. During the same quarter, the earlier acquisitions of Lot F10 and Lot F18 which were announced in the last quarter report were completed on 13 and 14 August 2008 respectively.

Lots LG02, F10 and F18 were amongst the individual lots which were previously sold to individual purchasers prior to the acquisition of Subang Parade by Hektar REIT.

B9 BORROWINGS AND DEBT SECURITIES

Hektar REIT's total borrowings of RM301,500,000 are long term and secured.

B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at date of reporting.

B11 MATERIAL LITIGATION

There was no material litigation as at date of reporting.

B12 INCOME DISTRIBUTION

The Board of Directors of Hektar AM has recommended and the Trustee has approved an interim income distribution of 2.40 sen per unit (equivalent to 80 % of income before tax) amounting to RM7,680,024 for the third quarter ended 30 September 2008.

Resident individual	Withholding tax at 15%
Non-resident individual	Withholding tax at 15%
Resident institutional investors	Withholding tax at 15%
Non-resident institutional investors	Withholding tax at 20%
Resident companies	No withholding tax. Subject to corporate tax at 26% for year of assessment 2008
Non-resident companies	Withholding tax at 26% for year of assessment 2008

B13 DISTRIBUTION PER UNIT AND EARNINGS PER UNIT

	Current Quarter Ended 30.9.2008	Preceding Quarter Ended 30.9.2007
Income before tax	9,589,104	8,911,523
Provision for income distribution	<u>7,680,024</u>	<u>7,680,024</u>
Number of units in issue	<u>320,001,000</u>	<u>320,001,000</u>
Basic earning per share (sen)	<u>3.00</u>	<u>2.78</u>
Distribution per unit (sen)	<u>2.40</u>	<u>2.40</u>

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
4 November 2008