

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

PROPOSED PRIVATE PLACEMENT OF UP TO 141,857,337 NEW UNITS IN HEKTAR REIT, REPRESENTING UP TO 20% OF THE TOTAL ISSUED UNITS OF HEKTAR REIT ("PROPOSED PRIVATE PLACEMENT")

Reference is made to the first announcement on 24 March 2025 in relation to the Proposed Private Placement ("Initial Announcement"). Unless otherwise stated, all terms used herein shall have the same meanings as those previously defined in the Initial Announcement.

1. INTRODUCTION

On 24 March 2025, UOBKH, had on behalf of the Board, announced that Hektar REIT intended to undertake a private placement of up to 20% of the total number of issued units of Hektar REIT pursuant to the Authority granted by unitholders at the AGM dated 25 April 2024.

After due deliberation on Hektar REIT's funding requirements, the Board has decided to vary the utilisation of proceeds for the Proposed Private Placement from the REIT's future viable investments towards the repayment of its bank borrowings and asset enhancement initiatives.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement involves an issuance of up to 141,857,337 new units, representing up to 20% of the total issued units of 709,286,684 units as at the LPD.

For illustration purpose, the issue price of the Placement Units is assumed to be RM0.4390 each. The Indicative Issue Price represents a discount of approximately 9.87% to the 5D-VWAMP of unit price of Hektar REIT for the 5 market days up to and including the LPD of RM0.4871.

2.6 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to RM62.28 million. For illustrative purposes, the proceeds are intended to be utilised by Hektar REIT in the following manner:-

Details of utilisation	Timeframe for utilisation	RM'000
Asset enhancement initiatives ^{*1}	Within 18 months from completion	37,800
Repayment of bank borrowings ^{*2}	Within 12 months from completion	19,200
Working capital requirements ^{*3}	Within 12 months from completion	4,155
Estimated expenses ^{*4}	Upon completion	1,120
Total		62,275

Notes:-

^{*1} Hektar REIT intends to earmark approximately RM37.80 million of the proceeds for asset enhancement initiatives of its investment portfolio, which include but not limited to, the refurbishment and enhancement of the facilities and condition of Hektar REIT's properties and the replacement and investment in systems to enhance energy management and consumption efficiency at Hektar REIT malls.

The breakdown of which is as follows:-

Property	Description	RM'000	%
All Hektar REIT malls	Retail space reconfiguration, mechanical, electrical and plumbing provision for conversion to F&B-ready lots, modernisation of aging equipment with energy efficient components (e.g. mall LED lighting, escalators and lifts parts, water pumps); marketing capital expenditure (e.g. digital signages and directory to boost advertising income and enhance customers' overall experience while navigating Hektar REIT malls)	21,800	57.67
Wetex Parade	Replacement of water cooled package unit (WCPU) and sewage treatment plant upgrading	5,000	13.23
Kulim Central	Retail lot reconfiguration, and upgrading of mall's interior including waterproofing works and installation of Energy Monitoring System	2,500	6.61
Segamat Central	Replacement of 200RT chiller, upgrading of mall's facade and interior	2,500	6.61
Subang Parade	Main storm drain diversion and parking bay upgrades	2,500	6.61
Central Square	Retail lot reconfiguration and replacement of Level 3&4 air conditioning system	2,000	5.30
Mahkota Parade	Replacement of 250RT chiller	1,500	3.97
		37,800	100.00

² As at the LPD, the total borrowings of Hektar REIT (comprising amongst others, cash lines, term loans and revolving credits) stood at RM598.27 million. In an effort to reduce the gearing level and financing costs of Hektar REIT, the Board intends to earmark up to RM19.20 million of the proceeds to partially repay the existing Short Term Revolving Credit ("STRC") and the current principal portion of existing long term loans. For shareholders' information, the STRC had been utilised towards working capital of REIT and the long term loans have been utilised towards refinancing of borrowings originated from asset acquisitions.

Hektar REIT had incurred such borrowings in the past to mainly finance its working capital requirements. The potential interest savings from the repayment are set out below:-

Type of facility	Amount outstanding as at the LPD	Weighted average annual interest rate (%)	Proposed allocation of proceeds (RM'000)	Estimated yearly interest cost savings arising from the repayment (RM'000)
STRC	15,000	4.5%	15,000	675
Term loans	368,270	5.4%	4,200	227

³ Hektar REIT intends to earmark approximately RM4.16 million of the proceeds raised from the Proposed Private Placement to fund its working capital for property operating expenses such as property maintenance, marketing and promotions.

⁴ The estimated expenses include professional fees, placement fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Any variation in the actual expenses will be adjusted against the proceeds allocated for working capital of Hektar REIT.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the eventual issue price and the number of Placement Units to be issued. In the event the actual proceeds raised from the Proposed Private Placement is less than RM62.28 million, the shortfall between actual expenditure to be incurred and total gross proceeds raised will be funded via internally generated funds and/or bank borrowings from financial institution(s).

Pending the actual utilisation of proceeds from the Proposed Private Placement, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital of Hektar REIT.

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.2 NAV per Unit and gearing

Based on the latest audited consolidated statements of financial position of Hektar REIT as at 31 December 2023, the pro forma effects of the Proposed Private Placement on the NAV per Unit and gearing are set out as follows:-

	Audited as at 31 December 2023 RM'000	Subsequent adjustments up to the LPD RM'000	After the Proposed Private Placement RM'000
Unit capital	560,887	632,445 ^{*1}	694,720 ^{*4}
Undistributed income	111,843	85,042 ^{*2}	83,922 ^{*5}
Unitholders' fund/ NAV	672,730	717,487	778,642
Number of Units in issue ('000)	581,415	709,287	851,144
NAV per Unit (RM)	1.16	1.01	0.91
Total borrowings (RM'000)	562,228	562,228	543,028 ^{*6}
Total asset value (RM'000)	1,314,849	1,289,285 ^{*3}	1,350,440 ^{*7}
Gearing level (times)	0.43	0.44	0.40

Notes:-

^{*1} After adjusting for the following:-

- i. Pursuant to the 2023 Private Placement, a total of 125,397,584 placement units were issued at RM0.5850 per unit.
- ii. Pursuant to the 2024 interim income distribution, RM1.24 million were distributed in the form of new units in lieu of cash. A total of 2,474,027 units were issued at RM0.50 per unit.

^{*2} After deducting the 2023 final income distribution and 2024 interim income distribution of RM13.37 million and RM13.43 million, respectively.

^{*3} Pursuant to the 2023 final income distribution and 2024 interim income distribution of RM13.37 million and RM12.19 million, respectively, which were distributed in the form of cash.

^{*4} After the issuance of 141,857,337 Placement Units at RM0.4390 each.

^{*5} After deducting estimated expenses of approximately RM1.12 million in relation to the Proposed Private Placement.

^{*6} After deducting the repayment of the STRC and long term loans amounting to RM19.20 million in relation to the Proposed Private Placement.

^{*7} After adjusting for the proceeds of up to RM61.15 million (net expenses) from the Proposed Private Placement.

This announcement is dated 4 April 2025.