

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

PROPOSED PRIVATE PLACEMENT OF UP TO 23,098,000 NEW UNITS IN HEKTAR REIT, REPRESENTING UP TO 5% OF ITS TOTAL ISSUED UNITS ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd ("**Board**"), being the management company of Hektar REIT ("**Manager**"), M&A Securities Sdn Bhd ("**M&A**") wishes to announce that Hektar REIT proposes to undertake a private placement of up to 23,098,000 new units of Hektar REIT ("**Hektar Unit(s)**" or "**Unit(s)**"), representing up to 5% of its total issued Units of 461,960,178 Units as at 27 May 2020, being the latest practicable date prior to this announcement ("**LPD**").

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

On 16 April 2019, the unitholders of Hektar REIT ("**Unitholder(s)**") had at the 7th Annual General Meeting ("**AGM**") of Hektar REIT ("**7th AGM**"), approved, among others, the authority to allot and issue new Units of up to 20% of the issued fund size of Hektar REIT to facilitate Hektar REIT in raising funds ("**Authority**"). The Authority empowers the Board to allot and issue new Units at any time to such persons and for such purposes as the Board may deem fit and in the best interest of Hektar REIT, provided that the aggregate number of new Units to be issued pursuant to the Authority, when aggregated with the number of Units issued during the preceding 12 months, does not exceed 20% of the issued fund size of Hektar REIT.

The Authority shall continue to be in force until:

- (i) the conclusion of the next AGM of Hektar REIT following the 7th AGM where the Authority was passed, at which time the Authority will lapse, unless by a resolution passed by the Unitholders at that AGM of Hektar REIT, such Authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (ii) the Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders' meeting,

whichever is the earliest.

2.1 Placement size

The Proposed Private Placement involves an issuance of up to 23,098,000 new Units, representing up to 5% of the total issued Units of 461,960,178 Units ("**Placement Units**") as at the LPD.

The actual number of Placement Units to be issued under the Proposed Private Placement will be determined at a later stage by the Manager, in consultation with the placement agent(s) to be appointed for the Proposed Private Placement ("**Placement Agent(s)**"), at a price-fixing date to be determined after the relevant approvals have been obtained. In any event, the number of Placement Units to be issued will not exceed 23,098,000 Placement Units.

2.2 Basis of arriving at the issue price of the Placement Units

The Proposed Private Placement may be implemented in a single tranche or in multiple tranches, within 6 months from the date of approval of Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") or any extended period as may be approved by Bursa Securities, or until the conclusion of the next AGM of Hektar REIT unless the Authority is renewed by the Unitholders at that AGM of Hektar REIT. As such, there could potentially be several price-fixing dates depending on the number of tranches for the implementation of the Proposed Private Placement.

The implementation of the Proposed Private Placement in tranches will provide the Manager with flexibility to raise funds while in compliance with Paragraph 6.59(1A)(a) of the Main Market Listing Requirements of Bursa Securities ("**MMLR**").

The issue price of each tranche of the Placement Units ("**Issue Price**"), where applicable, shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals for the Proposed Private Placement.

The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Paragraph 6.04(a) of the MMLR, in determining the issue price of the Placement Units. The issue price shall not be priced at a discount of more than 10% to the 5-day volume weighted average market price ("**5D-VWAMP**") of Hektar Units immediately preceding the price fixing date(s). The mechanism to determine the issue price of the Placement Units is in accordance with market based principles.

For illustration purpose, the issue price of the Placement Units is assumed to be RM0.6400 each ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 8.94% to the 5D-VWAMP of Hektar Units for the 5 market days up to and including the LPD of RM0.7028.

2.3 Placement arrangement

The Placement Units are proposed to be placed out to independent third party investor(s) ("**Placee(s)**") to be identified later. In accordance with Paragraph 6.04(c) of the MMLR, the Placement Units are not to be placed to the following parties:

- (i) a director, major shareholder, chief executive of the Manager or a major Unitholder (collectively "**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Additionally, the Placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

The Placement Units will not be placed to any single placee for more than 10% of the total issued Units pursuant to Paragraph 6.59(1A)(b) of the MMLR.

2.4 Ranking of the Placement Units

The Placement Units shall, upon allotment and issuance, rank equally in all respects with the then existing Units, save and except that the Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Placement Units, as the case may be.

2.5 Listing of and quotation for the Placement Units

Hektar REIT shall make an application to Bursa Securities for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

For illustrative purposes, assuming 23,098,000 Placement Units are issued at the Indicative Issue Price, the gross proceeds raised are expected to be utilised in the following manner:

Details	RM	Notes	Expected time frame for utilisation of proceeds (from listing date)
Working capital and capital work in progress	14,182,720	(i)	Within 12 months
Estimated expenses for the Proposed Private Placement	600,000	(ii)	Immediately
Total estimated proceeds	<u>14,782,720</u>		

Notes:

(i) Working capital and capital work in progress

The total proceeds of RM14,182,720 shall be utilised to fund working capital and capital work in progress for Hektar REIT's existing business as follows:

Description	RM
Working capital comprising the following:	
(a) Property operating expenses ⁽ⁱ⁾	10,725,934
(b) Trust expenses ⁽ⁱⁱ⁾	1,777,941
Capital work in progress comprising the following:	
(a) Refurbishment and enhancement of investment properties	1,678,845
Total	<u>14,182,720</u>

Notes:

(i) *Property operating expenses includes property maintenance, utilities, marketing and promotion, and insurance costs as well as property management fees. A further breakdown cannot be determined at this juncture.*

(ii) *Trust expenses include Manager's fees and administration expenses.*

(ii) Estimated expenses for the Proposed Private Placement

This includes payment of fees to the relevant authorities, advisory fees and placement fees. If the actual expenses are higher than the amount budgeted, the deficit will be funded out of the amount earmarked for working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for the working capital. The breakdown of estimated expenses for the Proposed Private Placement is as follows:-

No.	Description	RM
(i)	Advisory and placement fees	550,000
(ii)	Others (fees to relevant authorities and miscellaneous)	50,000
	Total	600,000

The actual proceeds to be raised from the Proposed Private Placement are dependent on the Issue Price and actual number of Placement Units issued. Any excess or shortfall of the actual proceeds raised will be adjusted to or from the amount earmarked for the working capital.

Pending full utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s). The interest derived from such deposits will be used as additional working capital of Hektar REIT.

3. RATIONALE

The Proposed Private Placement will mainly allow Hektar REIT to raise the necessary funds for working capital and capital work in progress to help to facilitate Hektar REIT's existing day-to-day operations as a whole by providing more flexibility in terms of cash flow management.

The Proposed Private Placement will also strengthen the capital base of Hektar REIT and allow Hektar REIT to have greater focus on prioritising its business strategy to overcome the economic and business challenges in light of the current economic situation brought about by the COVID-19 pandemic.

After having considered various fund raising options, the Board is of the opinion that the Proposed Private Placement is currently an appropriate avenue of fund raising as it enables Hektar REIT to raise funds expeditiously without incurring interest cost as compared to bank borrowings.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Unitholders' capital

The proforma effects of the Proposed Private Placement based on the maximum number of Placement Units which may be issued by Hektar REIT, on the Unitholders' capital of Hektar REIT are as follows:

	No. of Units	RM
As at the LPD	461,960,178	492,500,449
To be issued pursuant to the Proposed Private Placement	23,098,000	⁽¹⁾ 14,782,720
Enlarged Unitholders' capital	485,058,178	507,283,169

Note:

- (i) Assuming a maximum of 23,098,000 Placement Units, representing 5% of the total issued Units as at the LPD, are issued at an issue price of RM0.640 per Unit (representing a discount of approximately 8.94% to the 5D-VWAMP up to and including the LPD of RM0.7028 per Unit).

4.2 Distributable income

The Proposed Private Placement is not expected to have any material effect on Hektar REIT's distributable income policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of Hektar REIT and prevailing economic conditions.

4.3 Substantial Unitholders' unitholdings

Any issuance of the Placements Units to the Placees other than the substantial Unitholders will dilute the percentage of unitholdings of the substantial Unitholders and vice versa. As at the LPD, the proforma effects of the Proposed Private Placement on the substantial Unitholders' unitholdings in Hektar REIT are as follows:

Substantial unitholders	As at the LPD			
	Direct		Indirect	
	No. of Units	%	No. of Units	%
Hektar Black Sdn Bhd	150,814,666	32.65	600,000	0.13
Frasers Centrepoint Trust	143,898,398	31.15	-	-

Substantial unitholders	After Proposed Private Placement			
	Direct		Indirect	
	No. of Units	%	No. of Units	%
Hektar Black Sdn Bhd	150,814,666	31.09	600,000	0.12
Frasers Centrepoint Trust	143,898,398	29.67	-	-

4.4 Earnings per Unit

Any issuance of the Placement Units will dilute the earnings per Unit, the quantum of which would depend on the number of Placement Units to be issued.

Moving forward, the Proposed Private Placement is expected to contribute positively to the earnings of Hektar REIT as and when the benefits of the proposed utilisation of proceeds as detailed in Section 2.6 above are realised.

4.5 Net asset value ("NAV") per Unit and gearing

For illustrative purposes only, based on the audited statement of financial position of Hektar REIT as at 31 December 2019 and on the assumption that the Proposed Private Placement had been effected on that date, the proforma effects of the Proposed Private Placement on the NAV per Unit and gearing of Hektar REIT are as follows:

	Audited as at 31 December 2019	After Proposed Private Placement
	RM	RM
Unitholders' capital	492,500,449	⁽ⁱ⁾ 507,283,169
Undistributed income - realized	41,687,502	⁽ⁱⁱ⁾ 41,087,502
Undistributed income - unrealized	75,243,700	75,243,700
Unitholders' fund/NAV	609,431,651	623,614,371
Number of Units in issue	461,960,178	⁽ⁱⁱⁱ⁾ 485,058,178
NA per Unit (RM)	1.32	1.29
Total borrowings (RM)	563,090,863	563,090,863
Total assets (RM)	1,276,076,243	⁽ⁱ⁾⁽ⁱⁱ⁾ 1,290,258,963
Gearing ratio (%) ^(iv)	44.13	43.64

Notes:

- (i) Assuming a maximum of 23,098,000 Placement Units, representing 5% of the total issued Units as at the LPD, are issued at an issue price of RM0.640 per Unit (representing a discount of approximately 8.94% to the 5D-VWAMP up to and including the LPD of RM0.7028 per Unit).
- (ii) After netting off estimated expenses for the Proposed Private Placement of about RM0.6 million.
- (iii) After taking into account the maximum of 23,098,000 Placement Units, which may be issued pursuant to the Proposed Private Placement.
- (iv) Gearing is calculated based on total borrowing divided by total assets multiplied by 100%.

4.6 Convertible securities

As at the LPD, Hektar REIT does not have any outstanding convertible securities.

5. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:

- (i) MTrustee Berhad, being the Trustee of Hektar REIT which was obtained on 21 May 2020;
- (ii) Bursa Securities, for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities; and
- (iii) any other relevant persons or authorities, if required.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by Hektar REIT.

In the event the Proposed Private Placement is not completed before the Authority lapses, the Proposed Private Placement will be conditional upon the Authority being renewed by a resolution passed by the Unitholders at the forthcoming AGM of Hektar REIT.

6. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Manager, major Unitholders and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

7. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Private Placement including, but not limited to the rationale as set out in Section 3 and the effects as set out in Section 4 of this announcement, is of the opinion that the Proposed Private Placement is in the best interest of Hektar REIT.

8. ADVISER AND PLACEMENT AGENT

M&A has been appointed as the Principal Adviser and Placement Agent to Hektar REIT for the Proposed Private Placement.

9. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the listing of and quotation for the Placement Units on the Main Market of Bursa Securities is expected to be made within 1 month from the date of this announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Private Placement is expected to be completed by the 2nd half of 2020.

This announcement is dated 28 May 2020.