

## HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

### PROPOSED PRIVATE PLACEMENT OF UP TO 99,757,594 NEW UNITS IN HEKTAR REIT, REPRESENTING UP TO 20% OF THE TOTAL ISSUED UNITS OF HEKTAR REIT ("PROPOSED PRIVATE PLACEMENT")

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Hektar Asset Management Sdn Bhd ("**Board**"), being the management company of Hektar REIT ("**Manager**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that Hektar REIT proposes to undertake a private placement of up to 20% of the total number of issued units of Hektar REIT ("**Hektar REIT Unit(s)**" or "**Unit(s)**") ("**Placement Unit(s)**") to third party investor(s) to be identified later, at an issue price to be determined later.

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

On 6 April 2023, the unitholders of Hektar REIT ("**Unitholder(s)**") had at the 11th Annual General Meeting ("**AGM**") of Hektar REIT ("**11th 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 11th AGM where the Authority was passed, at which time the Authority will lapse, unless such Authority is renewed by the Unitholders by a resolution passed at that AGM of Hektar REIT; or
- (ii) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (iii) the Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders' meeting,

whichever occurs first.

##### 2.1 Placement size

The Proposed Private Placement involves an issuance of up to 99,757,594 new units, representing up to 20% of the total issued units of 498,787,970 units as at 26 September 2023, being the latest practicable date prior to this announcement ("**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 and approved by the Board, 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 99,757,594 Placement Units.

## 2.2 Basis of determining the issue price of the Placement Units

The Proposed Private Placement may be implemented subject to the Board's approval, 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 ("**Listing Requirements**").

The issue price of each tranche of the Placement Units ("**Issue Price**"), where applicable, shall be determined separately and fixed and approved 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 Listing Requirements, in determining the issue price of the Placement Units. The issue price shall not be at a discount of more than 10% to the 5-day volume weighted average market price ("**5D-VWAMP**") of unit price of Hektar REIT 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 RM0.5377 each ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 9.99% to the 5D-VWAMP of unit price of Hektar REIT for the 5 market days up to and including the LPD of RM0.5974.

## 2.3 Placement arrangement

The Placement Units will be placed to third party investor(s) ("**Placees**") to be identified later, where such investors shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007. In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Units will not be placed to the following parties:-

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

In accordance with Paragraph 6.59(1A)(b) of the Listing Requirements, placement to any single placee must not exceed 10.0% of the total number of Placement Units to be issued pursuant to the Proposed Private Placement.

## 2.4 Ranking of the Placement Units

The Placement Units shall, upon allotment, issuance and full payment of the issue price, rank equally and carry the same rights with the current existing Hektar REIT Units, save and except that the Placement Units will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution ("**Distributions**"), where the entitlement date of such Distributions precedes the relevant date of allotment and issuance of the Placement Units.

## 2.5 Listing and quotation for the Placement Units

An application will be made to Bursa Securities for the listing and quotation for the Placement Units on the Main Market of Bursa Securities.

## 2.6 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to RM53.64 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
Future viable investments <sup>*1</sup>	Within 24 months from completion	52,500
Estimated expenses <sup>*2</sup>	Upon completion	1,140
<b>Total</b>		<b>53,640</b>

### Notes:-

<sup>\*1</sup> Hektar REIT, managed by the Manager, is principally involved in investing and managing real estates assets predominately involved in retail and/ or shopping centres, acquire and manage future assets which are income producing properties with the objective of extracting synergies and efficiencies from the assets in Hektar REIT's portfolio. Apart from expanding its business organically, Hektar REIT intends to also expand inorganically, via joint ventures, collaborative arrangements, business agreements, and/ or mergers and acquisitions of properties that enhance the value of its current property portfolio.

At this juncture, the Board is engaged in discussion for the potential acquisition of properties, which are part of the Board's ongoing efforts to expand and enhance Hektar REIT's portfolio to maximise returns for Unitholders. The Board believes that further acquisition of properties, through careful evaluation of market conditions presents Hektar REIT with an opportunity to capture new sources of rental/ lease income and potentially achieving higher capital appreciation over the long term.

In addition, MTrustee Berhad, being the trustee of Hektar REIT ("**Trustee**"), had on 11 September 2023, entered into a conditional sale and purchase agreement with KYS College Sdn Bhd for the proposed acquisition of land and buildings which form the fully residential and co-educational private school known as 'Kolej Yayasan Saad' ("**KYS College**") at a purchase consideration of RM150 million ("**Proposed Acquisition**"). Depending on the size and receipt of the placement funds, the proceeds raised from the Proposed Private Placement may allow Hektar REIT to capitalise on such viable investment opportunities in the Proposed Acquisition through the settlement of the cash consideration, either in whole or in part.

Notwithstanding the above, if the Manager has identified other suitable business expansions or investment opportunities (other than the Proposed Acquisition as mentioned above), the Manager may allocate certain level of proceeds arising from the Proposed Private Placement to capitalise on such other potential acquisition(s) and/ or business investment(s), as and when it arises. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, the Manager shall seek the necessary approvals from its shareholders prior to completing the transaction.

In the event the Manager is unable to identify any suitable and viable opportunities within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for future viable investments shall be utilised as working capital of Hektar REIT, the exact breakdown of which cannot be determined at this juncture, and depends on Hektar REIT's operating requirements at material time. Should the Manager wish to vary the utilisation of proceeds raised, Hektar REIT shall make the necessary announcements and/ or seek the approval from its unitholders in accordance with Paragraph 8.22 of the Listing Requirements in the event of a material variation.

<sup>2</sup> The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	<b>RM'000</b>
Professional fees (i.e. adviser and placement agent)	1,120
Regulatory fees	15
Other incidental expenses in relation to the Proposed Private Placement	5
<b>Total</b>	<b>1,140</b>

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 RM53.64 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).

### 3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising to address Hektar REIT's needs as set out in **Section 2.6** of this announcement as the Proposed Private Placement:-

- (i) enables Hektar REIT to raise additional funds without incurring interest costs as compared to conventional bank borrowings, which may affect Hektar REIT's bottom line;
- (ii) increases the size and strength of Hektar REIT's Unitholders' funds; and
- (iii) enables Hektar REIT to raise funds in an expeditious manner, compared to pro-rated issuance such as a rights issue, which usually requires a longer timeframe for implementation, also without certainty that Hektar REIT will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate by the entitled unitholders and/ or renouncee(s).

### 4. INDUSTRY OUTLOOK AND OVERVIEW AND FUTURE PROSPECTS OF HEKTAR REIT

#### 4.1 Overview and outlook of the Malaysian economy

The global gross domestic product ("GDP") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth and trade. Therefore, the Government has taken various holistic and comprehensive measures to help the people and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily from private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

*(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)*

## **4.2 Overview and outlook for the property industry in Malaysia**

### **Office and retail property sectors performance**

The overall performance of shopping complex continued to moderate, recording an occupancy rate of 75.4%, down from 76.3% in 2021. WP Kuala Lumpur and Selangor recorded 77.5% and 82.7% respectively above national occupancy rate, whereas Johor and Pulau Pinang managed to secure an average occupancy of 68.8% and 72.6% respectively. Negeri Sembilan and Melaka recorded among the lowest occupancy rate in the country, each at 66.6% and 61.2%.

Ten new shopping complexes were completed in 2022, adding nearly 264,000 s.m. of retail space into the market, bringing the national total existing space to 17.51 million square metres. There were another 40 complexes (1.38 million s.m.) in the incoming supply and with another nine complexes (0.35 million s.m.) in the planned supply. The office market saw ten new completions offering a total office space of 0.42 million s.m., giving a total of 24.30 million s.m. existing space from 2,585 buildings. There were another 1.53 million s.m. (48 buildings) in the incoming supply and nearly 0.99 million s.m. (31 buildings) in the planned supply.

### **Conclusion**

The property market performance is expected to grow in line with the moderately lower economic growth projected for 2023 given the unpredictable external environment. Notwithstanding this, the accommodative policies, continuous government support, well execution of all planned measures outlined in the revised Budget 2023 and the proper implementation of strategies and initiatives under 12MP are expected to remain supportive of the property sector.

*(Source: Property Market Report 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)*

### 4.3 Prospects of the Hektar REIT

As at the LPD, the property portfolio size of Hektar REIT is a total of 6 shopping centres and 1 hotel valued at RM1.20 billion with a cumulative net lettable area of more than 2 million square feet. As at the second quarter of 2023, the occupancy rate of Hektar REIT's portfolio is approximately 85.7%.

Hektar REIT's focus remains very much towards forming a solid and defensible portfolio to create stable and sustainable value to its Unitholders. The Manager has been able to provide good returns to its Unitholders through systematic and diligent efforts in the acquisitions of stabilised properties with sustainable cash flow and turnaround properties which are underserving in the current market, allowing Hektar REIT to implement value creation initiative to enhance the value of said properties, increasing yields in the long term.

The Manager continuously reviews Hektar REIT's portfolio, while leveraging the management's industry insights to ensure it stays strategically positioned to meet the future demands of tenants and the broader market. The Manager believes that commercial properties will persistently yield stable and sustainable returns for the benefit of the Unitholders. The Manager is also actively exploring avenues for growth by ensuring a strong portfolio of retail brands in Hektar REIT's portfolio that can optimise sustainable returns and defensible income through active tenancy mixing and rejuvenation of the shopping centres.

Premised on the above and after having considered all the relevant aspects including the outlook of the property market in Malaysia as set out in **Section 4.2** of this announcement, the Board remains optimistic of the future prospects of Hektar REIT.

*(Source: Management of the Manager)*

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## 5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

### 5.1 Issued unit capital

The pro forma effects of the Proposed Private Placement on the issued unit capital of Hektar REIT are set out below:-

	No. of Units	RM
Issued unit capital as at the LPD	498,787,970	514,625,014
After the Proposed Private Placement	99,757,594	53,639,658 <sup>*1</sup>
<b>Enlarged issued unit capital</b>	<b>598,545,564</b>	<b>568,264,672</b>

**Note:-**

<sup>\*1</sup> Computed based on the indicative issue price of RM0.5377 per Placement Unit.

### 5.2 Net asset value ("NAV") per Unit and gearing

Based on the latest audited consolidated statements of financial position of Hektar REIT as at 31 December 2022, 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 2022 RM'000	Subsequents adjustments up to the LPD RM'000	After the Proposed Private Placement RM'000
Unit capital	496,732	514,625 <sup>*1</sup>	568,265 <sup>*4</sup>
Undistributed income	101,230	76,253 <sup>*2</sup>	75,113 <sup>*5</sup>
<b>Unitholders' fund/ NAV</b>	<b>597,962</b>	<b>590,878</b>	<b>643,378</b>
Number of Units in issue ('000)	471,260	498,788	598,546
<b>NAV per Unit (RM)</b>	<b>1.27</b>	<b>1.18</b>	<b>1.07</b>
Total borrowings (RM'000)	551,444	551,444	551,444
Total asset value (RM'000)	1,235,507	1,228,423 <sup>*3</sup>	1,280,923 <sup>*6</sup>
<b>Gearing level (times)</b>	<b>0.45</b>	<b>0.45</b>	<b>0.43</b>

**Notes:-**

<sup>\*1</sup> Pursuant to the 2022 final income distribution, RM17.89 million were distributed in the form of new Units in lieu of cash. A total of 27,527,792 units were issued at RM0.65 per Unit.

<sup>\*2</sup> After deducting the 2022 final income distribution of RM24.98 million.

<sup>\*3</sup> Pursuant to the 2022 final income distribution, RM7.09 million were distributed in the form of cash.

<sup>\*4</sup> After the issuance of 99,757,594 Placement Units at RM0.5377 each.

<sup>\*5</sup> After deducting estimated expenses of RM1,140,000.

<sup>\*6</sup> After adjusting for the proceeds of up to RM52.50 million (net expenses) from the Proposed Private Placement.

### 5.3 Earnings and 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.

## 5.4 Convertible securities

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

## 5.5 Substantial unitholding structure

The pro forma effects of the Proposed Private Placement on the substantial unitholders' unitholdings of Hektar REIT as at the LPD are set out below:-

	Unitholdings as at the LPD				After the Proposed Private Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Units	% <sup>*1</sup>	No. of Units	% <sup>*1</sup>	No. of Units	% <sup>*2</sup>	No. of Units	% <sup>*2</sup>
Frasers Centrepont Trust	154,458,326	30.97	-	-	154,458,326	25.81	-	-
Hektar Black Sdn Bhd	125,754,507	25.21	448,653 <sup>*3</sup>	0.09	125,754,507	21.01	448,653 <sup>*3</sup>	0.07

### Notes:-

<sup>\*1</sup> Based on the total issued Units of 498,787,970.

<sup>\*2</sup> Based on the total issued Units of 598,545,564.

<sup>\*3</sup> Deemed interested pursuant to Section 8 of the Companies Act 2016 via its interest in Hektar Green Sdn Bhd.

## 6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:-

- (i) the Trustee of Hektar REIT which was obtained on 9 October 2023;
- (ii) Bursa Securities, for the listing and quotation of the Placement Units on the Main Market of Bursa Securities; and
- (iii) any other relevant authority, if required.

For avoidance of doubt, the Proposed Private Placement is not subject to the Unitholders' approval. Hektar REIT had obtained the approval from its Unitholders at the last AGM convened on 6 April 2023. Further details on the approval has been set out in **Section 2** of this announcement.

The Proposed Private Placement is not conditional upon any other 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.

## 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER AND CHIEF EXECUTIVE OF THE MANAGER, MAJOR UNITHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

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



**8. DIRECTORS' STATEMENT**

The Board, 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 5** of this announcement, is of the opinion that the Proposed Private Placement is in the best interest of Hektar REIT.

**9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed in the first quarter of 2024.

**10. APPLICATION TO THE AUTHORITIES**

The application to the relevant authorities shall be made within 1 month from the date of this announcement.

**11. ADVISER AND PLACEMENT AGENT**

UOBKH has been appointed as the Adviser and Placement Agent for the Proposed Private Placement.

**This announcement is dated 11 October 2023.**