

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

PROPOSED ESTABLISHMENT OF AN INCOME DISTRIBUTION REINVESTMENT PLAN WHICH WILL PROVIDE UNITHOLDERS OF HEKTAR REIT WITH AN OPTION TO ELECT TO REINVEST THEIR INCOME DISTRIBUTION IN NEW UNITS OF HEKTAR REIT ("PROPOSED IDR")

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 the Manager proposes for Hektar REIT to establish an income distribution reinvestment plan that provides unitholders of Hektar REIT ("**Unitholder(s)**") with an option to elect to reinvest, in whole or in part, their cash distribution declared by Hektar REIT (whether interim, final, special or any other types of cash distribution) ("**Income Distribution**") in new units of Hektar REIT ("**Unit(s)**").

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

2. DETAILS OF THE PROPOSED IDR

2.1 Overview

The Proposed IDR will provide Unitholders with an opportunity to reinvest in whole or in part, their Income Distribution in new Units, in lieu of receiving cash.

In relation to any future Income Distribution declared, the Board may, at its sole and absolute discretion, determine whether to pay such Income Distribution in cash or to offer Unitholders the option to reinvest in whole or in part their Income Distribution in new Units ("**Reinvestment Option**") and in the event the Reinvestment Option is applied, to declare the size of the portion of such Income Distribution to which the Reinvestment Option applies ("**Electable Portion**"). Unitholders should note that the Board is not obligated to undertake the Proposed IDR for every Income Distribution declared.

In this respect, the Electable Portion may encompass the whole Income Distribution declared or only a portion of the Income Distribution. In the event the Electable Portion is only applicable for a portion and not the whole Income Distribution declared, the portion of the Income Distribution declared to which the Reinvestment Option does not apply ("**Non-Electable Portion**") will be paid in cash.

Unless the Board has determined that the Reinvestment Option will apply to a particular Income Distribution declared (whether in whole or in part), all Income Distribution as may be declared by the Board will be paid wholly in cash to the Unitholders in the usual manner. An immediate announcement will be made if the Board has determined that the Reinvestment Option will apply to a particular distribution (whether in whole or in part).

2.2 Election to reinvest Income Distribution in the new Units

Unitholders will have the following options in respect of the Reinvestment Option under the Proposed IDR:-

- i. to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion in new Units at an issue price to be determined ("**Issue Price**") on a price-fixing date to be announced later ("**Price-Fixing Date**");

- ii. to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion in new Units at the Issue Price to be determined on the Price-Fixing Date, and to receive the balance of the Electable Portion and Non-Electable Portion in cash; or
- iii. to elect not to participate in the Reinvestment Option and thereby receive their entire Income Distribution (both Electable Portion and Non-Electable Portion) in cash.

The election to reinvest Income Distribution in new Units can be made via a notice of election in relation to the Reinvestment Option ("**Notice of Election**") which will be despatched to Unitholders after the books closure date in relation to a future Income Distribution to which the Reinvestment Option applies ("**Books Closure Date**").

Instructions will be provided in the Notice of Election in respect of the action to be taken by Unitholders should they wish to exercise the Reinvestment Option. The Notice of Election will also state, amongst others, the last date (i.e. a date to be fixed and announced which shall be at least 14 days from the despatch of the Notice of Election or such other period as may be prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") by which an election to be made by the Unitholder in relation to the Electable Portion must be received by the appointed share registrar or such address as may be determined by the Manager from time to time ("**Expiry Date**").

For further information on the administration of the Proposed IDRPs, please refer to Section 2.11 and Appendix I of this announcement.

Unitholders will receive the entire Income Distribution in cash if they do not expressly elect in writing to exercise the Reinvestment Option in accordance with the instructions set out in the Notice of Election by the Expiry Date. As such, Unitholders who wish to receive their Income Distribution wholly in cash need not take any action with regards to the Notice of Election.

Unitholders who wish to receive the entire or part of the Electable Portion in new Units must complete and return the Notice of Election before the Expiry Date.

The percentage unitholding of a Unitholder may be diluted should he/she decides not to exercise his/her Reinvestment Option. However, the extent of the dilution will depend on the number of new Units issued by Hektar REIT pursuant to the exercise level of the Reinvestment Option by other Unitholders, which cannot be ascertained at this juncture.

2.3 Pricing of the new Units

Hektar REIT will issue new Units to Unitholders who elect to exercise the Reinvestment Option. The Issue Price, which will be determined and fixed by the Board on the Price-Fixing Date after receipt of all relevant approvals, shall not be more than 10% discount to the 5-day volume weighted average market price ("**VWAMP**") of the Units immediately prior to the Price-Fixing Date. For avoidance of doubt, the VWAMP shall be adjusted ex-distribution(s) before applying the aforementioned discount in fixing the Issue Price.

There are no brokerage fees and other related transaction costs payable by Unitholders on new Units allotted, unless otherwise provided by any statute, law or regulation. However, participating Unitholders are required to pay RM10.00 for stamp duty.

2.4 Ranking and listing of the new Units

The new Units will, upon allotment and issuance, rank equally in all respects with the existing Units, save and except that the holders of new Units shall not be entitled to any distributable income, rights, benefits, entitlements and/or any other forms of distributions that may be declared, made or paid to Unitholders where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the new Units.

Approval will be sought from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the new Units on the Main Market of Bursa Securities pursuant to each Income Distribution to which the Reinvestment Option is made available by the Board. The new Units will be listed on the Main Market of Bursa Securities.

2.5 Eligibility to participate in the Proposed IDR P

All Unitholders of Hektar REIT are eligible to participate in the Proposed IDR P provided that such participation will not result in a breach of any restrictions applicable to such Unitholder's holdings in Hektar REIT which may be imposed by any contractual obligations, or by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts).

Unitholders without a valid and subsisting Central Depository System ("CDS") account should take note of the following:-

As the new Units to be issued pursuant to the Proposed IDR P are prescribed securities, the new Units will be credited directly into the respective CDS accounts of the Unitholders who have elected to reinvest their Electable Portion. No physical certificates will be issued. In this regard, it is important for Unitholders to have a valid and subsisting CDS account in order to receive their entitled new Units should they wish to participate in the Proposed IDR P.

Unitholders with addresses outside Malaysia ("Foreign Addressed Unitholders") should take note of the following:-

The Proposed IDR P will only be offered for subscription in Malaysia. No action has been and will be taken to ensure that the Proposed IDR P complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Accordingly, the documents relating to the Proposed IDR P including the Notice of Election will not be sent to Foreign Addressed Unitholders to avoid any violation on the part of Hektar REIT, the Manager or MTrustee Berhad, being the trustee of Hektar REIT ("**Trustee**") of any securities laws applicable outside Malaysia.

Foreign Addressed Unitholders who receive or come to have in their possession a Notice of Election and/or any other documents relating to the Proposed IDR P may not treat the same as being applicable to them (unless where the documents have been collected from the appointed share registrar in the manner specified below). In any event, such Unitholders are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Proposed IDR P as may be applicable to them.

Foreign Addressed Unitholders who wish to participate in the Proposed IDRPs are strongly advised to collect the documents relating to the Proposed IDRPs from the appointed share registrar identified in the Notice of Election or at such address in Malaysia as may be announced by Hektar REIT from time to time and the appointed share registrar may in such an event be entitled to satisfy itself as to the identity and authority of the person collecting the documents relating to the Proposed IDRPs.

Alternatively, the Foreign Addressed Unitholders who wish to participate in the Proposed IDRPs may provide the share registrar their respective address in Malaysia no later than 3 market days before the relevant Books Closure Date in respect of any particular distribution to which the Board has determined that the Proposed IDRPs shall apply.

The Foreign Addressed Unitholders who wish to permanently change their address for service of documents to an address in Malaysia should inform their respective stockbrokers to effect the change of address. Such notification should be done no later than 3 market days before the Books Closure Date if they wish to participate in the Proposed IDRPs.

Foreign Addressed Unitholders will be solely responsible for seeking advice as to the laws of any jurisdiction that they may be subjected to, and participation by such Foreign Addressed Unitholders in the Proposed IDRPs will be on the basis that they may lawfully so participate without Hektar REIT, the Manager, the Board, the Trustee, employees and advisers being in breach of the laws of any jurisdiction.

2.6 Odd lots and fractional Units

Unitholders who exercise the Reinvestment Option may be allotted new Units in odd lots depending on his/her entitlement of new Units. Unitholders who receive odd lots of new Units and who wish to trade such odd lots may do so via the odd lots market of Bursa Securities, which allows the trading of odd lots with a minimum of 1 Unit.

Unitholders who do not wish to receive new Units in odd lots may round down the number of new Units elected such that he/she will receive new Units in multiples of 100 new Units. Where a Unitholder's entitlement of new Units is less than 100 Units, the Unitholder can elect to receive his/her entire Income Distribution entitlement in cash in the usual manner or new Units in odd lots.

Fractional new Units will not be allotted. Any amount of a distribution payment that is insufficient for the issuance of 1 whole new Unit will be received in cash by Unitholders in the usual manner together with the Non-Selectable Portion (if any).

2.7 Maximum number of new Units

The maximum number of new Units to be issued under the Proposed IDRPs will depend on, amongst others:-

- i. the quantum of the Income Distribution;
- ii. the Board's decision on the proportion/size of the Selectable Portion;
- iii. the number of Unitholders who elect to exercise the Selectable Portion and the extent of their election;
- iv. the Issue Price of the new Units;
- v. applicable withholding tax rates of the Unitholders; and

- vi. any necessary downward adjustment by the Board to the final number of new Units to be allotted and issued to any of the Unitholders as referred to in Section 2.12.2 of this announcement.

The new Units to be issued pursuant to the Proposed IDRP will not be underwritten.

2.8 Utilisation of proceeds

The Proposed IDRP will potentially result in cash retention for Hektar REIT if Unitholders elect to reinvest their Income Distribution in new Units. The amount of cash reinvested into Hektar REIT arising from the Proposed IDRP can only be ascertained on or after the relevant Expiry Date. Therefore, the time frame for the utilisation of such cash proceeds can only be determined later.

Nonetheless, the net cash reinvested into Hektar REIT arising from the Proposed IDRP (after deducting related expenses) will be utilised for future working capital requirements of Hektar REIT's existing portfolio of properties to fund daily operations, general administrative and other operating expenditure as well as capital expenditure for asset enhancement initiatives for its properties. Such cash to be utilised for each component of working capital and capital expenditure are subject to Hektar REIT's operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

2.9 Taxation

For income tax purposes, where the Unitholders elect to reinvest their Income Distribution in new Units, the Unitholder will be deemed to have received the Income Distribution and reinvested it with Hektar REIT. For avoidance of doubt, all gross distribution with respect to the Electable Portion and Non-Electable Portion will be subject to the usual withholding tax. The net distribution (net of withholding tax) will either be paid in cash and/or reinvested in new Units at its equivalent amount (as the case may be).

Hence, the election for the Reinvestment Option does not relieve the Unitholder from any income tax obligations (if applicable) and there is no tax advantage to be gained by Unitholders when exercising any of the options mentioned in Section 2.2 of the announcement.

2.10 Modification, suspension and termination of the Proposed IDRP

Subject to any statute, law or regulation currently in force in Malaysia, as the case may be, the Proposed IDRP may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit and such development shall be communicated through an announcement to Bursa Securities, notwithstanding any other provision or the terms and conditions of the Proposed IDRP stating the contrary and irrespective of whether an election to exercise the Reinvestment Option has been made.

2.11 General

The following shall be applicable to any future Income Distribution to which the Reinvestment Option is applied.

Subject to all the relevant approvals for the Proposed IDRP being obtained, the Issue Price shall be announced on or before the announcement of a Books Closure Date. Approval for the listing of and quotation for the new Units on the Main Market of Bursa Securities will be sought from Bursa Securities and the announcement of the Books Closure Date will be made after the receipt of the said approval from Bursa Securities and such approval from other relevant authorities, if any.

Subsequent to the Books Closure Date, a Notice of Election will be despatched to Unitholders. Should Unitholders wish to exercise the Reinvestment Option, there will be instructions provided in the Notice of Election in respect of the action to be taken by Unitholders. The Expiry Date will also be stated in the Notice of Election and shall be at least 14 days from the despatch of the Notice of Election or such other period as may be prescribed by the Listing Requirements.

After the Expiry Date, Hektar REIT shall transfer funds amounting to the total net distribution (after the deduction of any distribution reinvested in new Units and the deduction of withholding tax) payable to Unitholders from Hektar REIT's account to a designated account opened to facilitate the payment of the said distribution held in trust for Unitholders.

An announcement in respect of the day on which the new Units will be listed and quoted on the Main Market of Bursa Securities will also be made accordingly.

In accordance with Paragraph 6.09 of the Listing Requirements, Hektar REIT will within 8 market days from the Expiry Date or such date as may be prescribed by Bursa Securities, allot and issue the new Units and despatch notices of allotment to Unitholders who have elected to exercise the Reinvestment Option. The cash payment in respect of the Non-Selectable Portion and any remaining portion of the Selectable Portion not reinvested will be paid to Unitholders in the usual manner.

Further in accordance with Paragraphs 9.19(2)(a)(ii) and 8.26(2) of the Listing Requirements, a distribution must be paid within 1 month from the Books Closure Date and in any event, within 3 months from the date of the declaration of the distribution. Other than the funds to be reinvested by the Unitholders, there will be no new funds to be raised under the Proposed IDRPs.

The process flow chart in relation to the administration of the Proposed IDRPs is set out in Appendix I of this announcement.

For avoidance of doubt, the specific approval to be obtained from Unitholders for the issuance of new Units arising from the Proposed IDRPs is in addition to the general mandate, i.e. the Unitholders' approval for the proposed authority to allot and issue new Units pursuant to Paragraph 6.59 of the Listing Requirements for general purpose, where the Units to be issued during the preceding 12 months, shall not exceed 20% of the total number of issued Units for the time being sought at Hektar REIT's annual general meeting on an annual basis.

Amendments to the Trust Deed constituting Hektar REIT dated 5 October 2006 (as amended by the Supplemental Trust Deed dated 20 March 2012, Second Supplemental Deed to the Trust Deed dated 23 November 2016 and Amended and Restated Trust Deed dated 8 February 2021) entered into between the Manager and the Trustee ("**Deed**") will not be required under the Proposed IDRPs as the Deed already provides for the implementation of a distribution reinvestment plan.

2.12 Implications of the Rules on Take-overs, Mergers and Compulsory Acquisition ("Rules") and other unitholding limits

2.12.1 The Rules

Pursuant to Paragraph 4.01, Part B of the Rules and Sections 217 and 218 of the Capital Markets and Services Act 2007, a Unitholder may be under an obligation to extend a mandatory take-over offer for all the remaining Units not already owned by him/her and persons acting in concert with him/her (collectively, the "**Affected Parties**") if by participating in the Proposed IDRPs in relation to the reinvestment of the Selectable Portion:-

- i. the Affected Parties have obtained control in Hektar REIT via the acquisition or holding of, or entitlement to exercise or control the exercise of voting Units or voting rights of more than 33% in Hektar REIT or such other amount as may be prescribed in the Rules, howsoever effected; or
- ii. the Affected Parties have acquired more than 2% of the voting Units or voting rights in Hektar REIT in any period of 6 months and the Affected Parties hold more than 33% but not more than 50% of the voting Units or voting rights in Hektar REIT during the said 6 months period.

In the event an obligation to undertake a mandatory take-over offer is expected to arise resulting from a Unitholder's participation in the Proposed IDRPs, the Affected Parties may wish to consult their professional advisers at the earliest opportunity in relation to:-

- i. any obligation to make a mandatory take-over offer under the Rules as a result of any subscription of new Units through his/her participation in the Proposed IDRPs; and
- ii. whether or not to make an application to the Securities Commission Malaysia to obtain an exemption from undertaking a mandatory take-over offer pursuant to the Rules prior to exercising his/her Reinvestment Option.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under the Rules or other relevant legislation or regulations.

2.12.2 Other unitholding limits

All Unitholders are responsible for ensuring that their participation in the Proposed IDRPs will not result in a breach of any restrictions on their respective holding of Units which may be imposed by any of the Unitholders' contractual obligations, or by statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities, as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts), or as prescribed in the Deed.

In view of the above, notwithstanding anything to the contrary, should the Board be aware of or be informed in writing of any expected breach of such unitholding limits as a result of the exercise of the Reinvestment Option by such Unitholder, the Board shall be entitled, but not obligated (save and except where required by law), to reduce or limit the number of new Units to be issued to such Unitholder. In such a case, the Board reserves the right to pay the remaining portion of the Electable Portion in cash.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED IDRП

The Proposed IDRП is intended to:-

- i. provide an opportunity for Unitholders to exercise the Electable Portion into new Units in lieu of receiving cash. Unitholders are expected to benefit from their participation in the Proposed IDRП as the new Units may be issued at a discount. Further, their subscription of such new Units will be free from any brokerage fees and other related transaction costs (unless otherwise provided by any statute, law or regulation). However, participating Unitholders are required to pay RM10.00 for stamp duty;
- ii. provides the Manager with flexibility in managing its capital position as well as strengthen its capital position as any cash retained within Hektar REIT that would otherwise be made payable by way of Electable Portion, will be preserved to fund the working capital requirements of Hektar REIT; and
- iii. potentially improve the liquidity of Units currently listed on the Main Market of Bursa Securities through the issuance of new Units pursuant to the Proposed IDRП resulting in an enlarged unit capital base.

4. EFFECTS OF THE PROPOSED IDRП

4.1 Issued Unit capital

The Proposed IDRП will not have any immediate effect on the issued Unit capital of Hektar REIT until such time when new Units are issued pursuant to the Proposed IDRП. However, the issued unit capital of Hektar REIT will increase progressively pursuant to any exercise by Unitholders of the Reinvestment Option whenever the Reinvestment Option is made available by the Board.

4.2 Substantial Unitholders' unitholding

The Proposed IDRП is not expected to have any immediate effect on the unitholding of the substantial Unitholders of Hektar REIT until such time as and when the Reinvestment Option pursuant to the Proposed IDRП is exercised.

Any potential effect on the substantial Unitholders' unitholding in Hektar REIT will depend on the extent to which the substantial Unitholders and other Unitholders elect to reinvest the Electable Portion and their applicable withholding tax rates.

4.3 Distributable income

The establishment of the Proposed IDRП will not have any effect on the distributable income of Hektar REIT for the Financial Year Ending ("FYE") 31 December 2022 and is not expected to have any material effect on Hektar REIT's distributable income policy. Due to the progressive increase in the number of Units as a result of Unitholders' exercise of the Reinvestment Option whenever the Reinvestment Option is offered by the Board, Hektar REIT's future distribution per Unit may be diluted. 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 the prevailing economic conditions.

4.4 Earnings per Unit

The effect of the Proposed IDRП on earnings per Unit will depend on the extent the Unitholders elect to reinvest the Electable Portion into new Units. However, such reinvestment amount will be retained to fund future working capital and capital expenditure requirements of Hektar REIT and is expected to contribute positively to its future earnings.

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

The Proposed IDRP will not have any immediate effect on the consolidated NAV, NAV per Unit and gearing of Hektar REIT until such time when such Reinvestment Option under the Proposed IDRP is exercised.

As compared to paying Income Distribution wholly in cash which results in a decrease of Hektar REIT's available cash and bank balances, the exercise of the Reinvestment Option under the Proposed IDRP by Unitholders will preserve cash in Hektar REIT and improve Hektar REIT's NAV and gearing position to the extent of the exercise of the Reinvestment Option (excluding the effect of related expenses for the Proposed IDRP and the issuance of new Units) since the Income Distribution are being reinvested into Hektar REIT's Unitholders' capital.

Subject to the extent of the Reinvestment Option being exercised by the Unitholders, the exercise of the Reinvestment Option will also dilute Hektar REIT's NAV per Unit due to the increase in the aggregate number of Units issued.

4.6 Convertible securities

Hektar REIT does not have any convertible securities.

5. APPROVALS REQUIRED/TO BE OBTAINED

- a. The establishment of the Proposed IDRP is conditional upon the following approvals being obtained from:-
 - i. The Unitholders for the establishment of the Proposed IDRP at a general meeting to be convened; and
 - ii. Any other relevant authorities, or such other approvals, waivers and/or consents, if required.
- b. In respect of the implementation of any future Income Distribution to which the Reinvestment Option is applied, the new Units to be issued pursuant to the exercise of the Reinvestment Option by Unitholders shall be conditional upon the following approvals being obtained from:-
 - i. The Unitholders at Hektar REIT's Annual General Meeting on an annual basis. For information, the first Unitholders' approval for the issuance of new Units pursuant to the exercise of the Reinvestment Option by Unitholders will be sought at the general meeting referred to in section 5(a)(i) above;
 - ii. Bursa Securities for the listing of and quotation for the new Units to be issued pursuant to the Proposed IDRP on the Main Market of Bursa Securities; and
 - iii. Any other relevant authorities, or such other approvals, waivers and/or consents, if required.

6. INTER-CONDITIONALITY

The Proposed IDRP is not conditional upon any other corporate exercise undertaken or to be undertaken by Hektar REIT.

7. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors of the Manager, major shareholders of the Manager, major Unitholders of Hektar REIT and/or persons connected to them have any interest, whether direct or indirect, in the Proposed IDRPs, save for their respective entitlements as Unitholders, for which all Unitholders are entitled, subject to Section 2.5 of this announcement.

8. DIRECTORS' STATEMENT

The Board having considered all aspects of the Proposed IDRPs, including but not limited to the rationale and effects of the Proposed IDRPs, is of the opinion that the Proposed IDRPs is in the best interest of Hektar REIT and its Unitholders.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed IDRPs is expected to be established in the fourth quarter of 2022.

Further information on the Proposed IDRPs will be set out in the circular to Unitholders to be despatched in due course.

10. APPLICATION TO THE AUTHORITIES

Subject to the establishment of the Proposed IDRPs, applications to the relevant regulatory authorities for the implementation of the Proposed IDRPs shall be made prior to the announcement of the Issue Price and Books Closure Date for the Proposed IDRPs.

11. ADVISER

UOBKH has been appointed as the Principal Adviser to the Manager for the Proposed IDRPs.

This announcement is dated 10 November 2022.

APPENDIX I

A brief process flow chart in relation to the administration of the Proposed IDRP is illustrated below:-

