

HEKTAR REAL ESTATE INVESTMENT TRUST ("HEKTAR REIT")

- I. PROPOSED ACQUISITION AND LEASE BY THE TRUSTEE, ON BEHALF OF HEKTAR REIT, OF 'KOLEJ YAYASAN SAAD' AT THE PURCHASE CONSIDERATION OF RM150 MILLION FROM KYS COLLEGE SDN BHD;
- II. PROPOSED PLACEMENT OF UP TO 145,353,983 NEW UNITS IN HEKTAR REIT, REPRESENTING UP TO 25% OF THE ENLARGED ISSUED UNITS TO THIRD PARTY INVESTORS; AND
- III. PROPOSED AMENDMENT TO THE INVESTMENT OBJECTIVES OF HEKTAR REIT TO FACILITATE THE PROPOSED ACQUISITION AND LEASE

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

*Reference is made to the first announcement on 12 September 2023 in relation to the Proposals ("**Initial Announcement**"). Unless otherwise stated, all terms used herein shall have the same meaning as those previously defined in the Initial Announcement.*

1. INTRODUCTION

1.1 Proposed Acquisition and Lease

On 12 September 2023, UOBKH, had on behalf of the Board, announced that the Trustee, had on 11 September 2023 entered into the SPA with the Vendor for the proposed acquisition of the Subject Property at the purchase consideration of RM150 million.

The Vendor had on 22 June 2023 leased the Subject Property to the Lessee for a period of 30 years and pursuant to the terms of the SPA, the said lease will be novated to the Trustee upon the completion of the acquisition of the Subject Property by way of a deed of novation to be entered between the Vendor, Trustee and the Lessee.

Pursuant to the Initial Announcement, the Purchase Consideration was intended to be satisfied via cash payment, the Settlement Arrangement and issuance of Units to the Vendor (if required). Subsequent to further discussion, the Vendor had acknowledged and accepted the letter of variation on 4 December 2023 to amend the mode of settlement of the Purchase Consideration to comprise solely cash payment and the Settlement Arrangement ("**Letter of Variation**").

In this regard, Hektar REIT shall no longer pursue the Proposed Issuance to KCSB as set out in the Initial Announcement. Unless otherwise stated in **Section 2** of this announcement, the remaining terms of the Proposed Acquisition and Lease shall remain the same per the Initial Announcement.

1.2 Proposed Placement

In conjunction with the Proposed Acquisition and Lease, UOBKH, had on behalf of the Board, announced that Hektar REIT intended to undertake a placement of up to 99,757,594 new Units in Hektar REIT, representing up to 20% of the total number of issued units of Hektar REIT, to partially finance the Purchase Consideration of the Proposed Acquisition and Lease ("**Previous Proposed Placement**").

After due deliberation on the funding requirements of the Proposed Acquisition and Lease, the Board has decided to revise the structure of the Proposed Placement to entail an issuance of up to 25% of the total number of issued units of Hektar REIT to third party investors at an issue price to be determined later.

In addition, on 7 November 2023, UOBKH also announced the private placement of up to 75,836,860, new Units in Hektar REIT, representing up to 15% of the total number of issued units of Hektar REIT pursuant to the authority granted by unitholders at the annual general meeting dated 6 April 2023 ("**Private Placement I**").

For illustrative purposes, throughout this announcement, the effects of the Proposed Placement shall be illustrated based on the following 2 scenarios:

Minimum Scenario	:	Assuming no implementation of Private Placement I prior to the Proposed Placement
Maximum Scenario	:	Assuming full implementation of Private Placement I prior to the Proposed Placement

Pursuant thereto, the revised structure of the Proposed Placement is summarised in the table below:

Details	Initial announcement	Revised announcement	
		Minimum Scenario	Maximum Scenario
LPD	4 September 2023	14 November 2023	
Unit capital base	498,787,970 Units	505,579,073 Units	581,415,933 Units
Placement size	20%	25%	
Placement Units to be issued	99,757,594 Units	126,394,768 Units	145,353,983 Units

Unless otherwise stated in **Section 3** of this announcement, the remaining terms of the Proposed Placement shall remain the same per the Initial Announcement.

1.3 Proposed Amendment

In addition to the above, UOBKH also wishes to announce that the Board proposes to amend the investment objectives of Hektar REIT stipulated in the Trust Deed 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) ("**Trust Deed**") to facilitate the Proposed Acquisition and Lease ("**Proposed Amendment**").

For avoidance of doubt, the Proposed Acquisition and Lease, Proposed Placement and Proposed Amendment are inter-conditional upon each other. Further details of the Proposed Amendment are set out in **Sections 4 to 8** of this announcement.

2. DETAILS OF THE PROPOSED ACQUISITION AND LEASE

Pursuant to the SPA, the Vendor has agreed to sell and the Trustee on behalf of Hektar REIT has agreed to purchase KYS College (land and buildings) and its building system on the basis there is no change to the existing state and condition (fair wear and tear excepted) and free from encumbrances at the Purchase Consideration.

2.1 Mode of settlement of the Purchase Consideration

The Manager and the Vendor have mutually agreed to vary the mode of settlement of the Purchase Consideration to the following manner:

Payment terms	Timing of settlement	RM'000	%
Cash Deposit	Upon execution of the SPA	7,500	5.0
Balance Sum:			
Defect Retention Sum ^{*1}	On or before the expiry of the completion period	1,500	1.0
Lease Retention Sum ^{*2}	On or before the expiry of the completion period	13,500	9.0
First Balance Sum	On or before the expiry of the completion period	92,500	61.7
Final Balance Sum ^{*3}	On or before the expiry of the completion period with an automatic extension of 3 months from the expiry or such other extended period	35,000	23.3
Total		150,000	100.0

Notes:

^{*1} The Defect Retention Sum shall be paid directly to the Vendor's solicitors as stakeholders to hold and deal with.

^{*2} Payment for the Lease Retention Sum shall be satisfied via the Settlement Arrangement which involves the set-off with part of the advance rental and the security deposit made for and on behalf of the Lessee under the Lease Agreement.

^{*3} Payable to the Vendor solely in cash. Pursuant to the SPA, the parties agreed that the acquisition of the Subject Property may deem completed upon settlement of the Balance Sum less the Final Balance Sum. If the RM35 million Final Balance Sum is not settled within the completion period, there will be an automatic extension of 3 months from the expiry of the completion period or such other extended period as may be mutually agreed between the parties.

2.2 Source of funding

The Purchase Consideration will be satisfied via cash payment and the Settlement Arrangement. The cash payment is intended to be financed through a combination of borrowings, internal funds and/ or proceeds to be raised via the Proposed Placement, the exact breakdown of which cannot be determined at this juncture as it depends on the eventual proceeds raised from the Proposed Placement.

3. DETAILS OF THE PROPOSED PLACEMENT

The Proposed Placement is undertaken with the intention to partially finance the Purchase Consideration in relation to the Proposed Acquisition and Lease.

3.1 Placement size

The Proposed Placement involves the issuance of up to 145,353,983 Placement Units, representing up to 25% of the enlarged issued 581,415,933 Hektar REIT Units under the Maximum Scenario.

3.2 Basis and justification of determining the issue price(s) of the Placement Units

The issue price of the Placement Units is assumed to be RM0.5417 each, which represents a discount of approximately 9.99% to the 5D-VWAMP of Hektar REIT Units up to and including 14 November 2023, being the latest practicable date of this announcement ("**Revised LPD**") of RM0.6018.

3.3 Allocation to the Vendor

The Proposed Issuance to KCSB shall be aborted as the Purchase Consideration will be satisfied solely via a combination of cash payment and the Settlement Arrangement.

3.4 Utilisation of proceeds

Based on the illustrative issue price of RM0.5417, the Proposed Placement is expected to raise gross proceeds of up to RM78.74 million under the Maximum Scenario, which are intended to be utilised by Hektar REIT in the following manner:

Details	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Partial settlement of the Purchase Consideration ^{*1}	Within 12 months from unconditional date of the SPA	66,468	76,738
Estimated expenses ^{*2}	Upon completion	2,000	2,000
Total		68,468	78,738

Notes:

^{*1} Partial settlement of the First and Final Balance Sums of the Purchase Consideration. Any balance thereon shall be financed through a combination of borrowings and internal funds.

^{*2} Estimated expenses include professional fees, placement fees, regulatory fees and other incidental expenses in relation to the Proposals.

4. DETAILS OF THE PROPOSED AMENDMENT

The Manager has proposed to amend the Trust Deed via a Supplemental Trust Deed in order to facilitate the Proposed Acquisition and Lease, as well as to expand the investment objectives of Hektar REIT as detailed below:

Existing provision	Proposed Amendment
<p><i>DIVISION 2.5 Investment Objectives</i></p> <p><i>2.5.1 The principal investment objective of the REIT is to invest in income-producing Real Estate in Malaysia which is primarily used for retail purposes. The REIT also intends to provide Unitholders with a secure income distribution and to enhance the long-term value of the REIT.</i></p>	<p><i>DIVISION 2.5 Investment Objectives</i></p> <p><i>2.5.1 The principal investment objective of the REIT is to invest in income-producing Real Estate in Malaysia which is primarily used for retail purposes. The REIT also intends which aims to provide Unitholders with a secure income distribution and to enhance the long-term value of the REIT.</i></p>

Save for the Proposed Amendment and any other necessary amendments to update the Trust Deed, the remaining provisions of the Trust Deed shall remain the same.

5. RATIONALE FOR THE PROPOSED AMENDMENT

The Proposed Amendment is undertaken with the intention to broaden Hektar REIT's investment strategy, which in turn, enables Hektar REIT to explore other asset classes beyond the retail sector with potential attractive yields and/ or capital appreciation to increase unitholders' long-term return.

6. EFFECTS OF THE PROPOSALS

6.1 Issued unit capital

The Proposed Acquisition and Lease as well as the Proposed Amendment will not have any effect on the unit capital of Hektar REIT, while the pro forma effects of the Proposed Placement are set out below:

	<-----Minimum Scenario----->		<-----Maximum Scenario----->	
	No. of Units	RM	No. of Units	RM
As at the Revised LPD	505,579,073	518,418,524	505,579,073	518,418,524
Private Placement I	-	-	75,836,860	41,080,827 ^{*1}
	505,579,073	518,418,524	581,415,933	559,499,351
Proposed Placement	126,394,768	68,468,046 ^{*1}	145,353,983	78,738,253 ^{*1}
Enlarged unit capital	631,973,841	586,886,570	726,769,916	638,237,604

Note:

^{*1} Based on the illustrative issue price of RM0.5417 per Placement Unit.

For the avoidance of doubt, Hektar REIT does not have any convertible units as at the date of this announcement.

6.2 Substantial unitholders' unitholdings

The Proposed Acquisition and Lease as well as the Proposed Amendment will not have any effect on the unitholdings of the substantial unitholders, while the pro forma effects of the Proposed Placement are set out below:

Minimum Scenario

Unitholders	Unitholdings as at the Revised LPD				After the Proposed Placement ^{*2}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%
Frasers Centrepoint Trust	154,458,326	30.55	-	-	154,458,326	24.44	-	-
Hektar Black	126,013,854	24.92	448,653 ^{*1}	0.09	126,013,854	19.94	448,653 ^{*1}	0.07

Maximum Scenario

Unitholders	Unitholdings as at the Revised LPD				After the Private Placement I			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Units	%	No. of Units	%	No. of Units	%	No. of Units	%
Frasers Centrepoint Trust	154,458,326	30.55	-	-	154,458,326	26.57	-	-
Hektar Black	126,013,854	24.92	448,653 ^{*1}	0.09	126,013,854	21.67	448,653 ^{*1}	0.08

Unitholders	After the Proposed Placement ^{*2}			
	<-----Direct----->		<-----Indirect----->	
	No. of Units	%	No. of Units	%
Frasers Centrepoint Trust	154,458,326	21.26	-	-
Hektar Black	126,013,854	17.34	448,653 ^{*1}	0.06

Notes:

^{*1} Deemed interested pursuant to Section 8 of the Act via its interest in Hektar Green Sdn Bhd.

^{*2} Assuming that the Proposed Placement does not give rise to the emergence of any substantial unitholders.

6.3 Earnings and distributable income

The Proposals are not expected to have any material effect on the earnings and distributable income of Hektar REIT for the FYE 31 December 2023 since the transactions are only expected to be completed in the second quarter of 2024. The Manager believes that the income generated from the Lease is expected to contribute positively to the future earnings and distributable income of Hektar REIT as and when the Lease is officially novated to Hektar REIT.

The issuance of new Units pursuant to the Proposed Placement will initially dilute the earnings per Unit ("EPU") and DPU of Hektar REIT, given the enlarged number of Units in circulation. However, after taking into consideration the additional rental income from the Subject Property, the Proposals are expected to increase the EPU and DPU of Hektar REIT over the long-term.

Assuming that the Proposals were completed on 1 January 2022 (being the beginning of the FYE 31 December 2022):

Minimum Scenario

	Audited FYE 31 December 2022 RM'000	Subsequent events up to the Revised LPD		After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
		2022 Final Income Distribution ¹ RM'000	2023 Interim Income Distribution ² RM'000		
Realised profit/ distributable income	36,389	36,389	36,389	36,389	36,389
Add:					
Rental for the first year	-	-	-	-	8,096
(Less):					
Additional Interest expense	-	-	-	-	(2,100)
Additional Manager and Trustee fees	-	-	-	-	(2,550)
Estimated expenses of the Proposals	-	-	-	-	(2,000)
Adjusted	36,389	36,389	36,389	36,389	37,835
Number of Units in issue ('000)	471,260	498,788	505,579	631,974	631,974
EPU/ DPU (sen)³	7.72	7.30	7.20	5.76	5.99

Maximum Scenario

	Audited FYE 31 December 2022 RM'000	Subsequent events up to the 2022 Final Income Distribution ^{*1} RM'000	Revised LPD 2023 Interim Income Distribution ^{*2} RM'000	After the Private Placement I RM'000	After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
Realised profit/ distributable income	36,389	36,389	36,389	36,389	36,389	36,389
Add:						
Rental for the first year	-	-	-	-	-	8,096
(Less):						
Additional Interest expense	-	-	-	-	-	(2,100)
Additional Manager and Trustee fees	-	-	-	-	-	(2,550)
Estimated expenses of the Proposals	-	-	-	-	-	(2,000)
Adjusted	36,389	36,389	36,389	36,389	36,389	37,835
Number of Units in issue ('000)	471,260	498,788	505,579	581,416	726,770	726,770
EPU (sen)^{*3}	7.72	7.30	7.20	6.26	5.01	5.21

Notes:

^{*1} After adjusting for the issuance of 27,527,792 Units pursuant to the income distribution reinvestment plan applicable to the 2022 final income distribution.

^{*2} After adjusting for the issuance of 6,791,103 Units pursuant to the income distribution reinvestment plan applicable to the 2023 interim income distribution.

^{*3} Assuming 100% of the net income before tax of Hektar REIT is distributed.

6.4 NAV per Unit and gearing

The Proposed Amendment will not have any effect on the NAV per Unit and gearing level of Hektar REIT. Based on the latest audited statements of financial position of Hektar REIT as at 31 December 2022, the pro forma effects of the Proposed Acquisition and Lease and Proposed Placement on the NAV per Unit and gearing are set out as follows:

Minimum Scenario

	Audited FYE 31 December 2022 RM'000	<-Subsequent events up to the LPD-->		After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
		2022 Final Income Distribution ^{*1} RM'000	2023 Interim Income Distribution ^{*2} RM'000		
Unit capital	496,732	514,625	518,419	586,887	586,887
Undistributed income	101,230	76,253	62,786	62,786	60,786 ^{*3}
NAV	597,962	590,878	581,205	649,673	647,673
Number of Units in issue ('000)	471,260	498,788	505,579	631,974	631,974
NAV per Unit (RM)	1.27	1.18	1.15	1.03	1.03
Total borrowings	551,444	551,444	551,444	551,444	591,444 ^{*4}
Total asset value	1,235,507	1,228,423	1,218,750	1,218,750	1,368,750 ^{*5}
Gearing (times)	0.45	0.45	0.45	0.45	0.43

Maximum Scenario

	Audited FYE 31 December 2022 RM'000	<-Subsequent events up to the LPD-->		After the Private Placement I RM'000	After the Proposed Placement RM'000	After the Proposed Acquisition and Lease RM'000
		2022 Final Income Distribution ^{*1} RM'000	2023 Interim Income Distribution ^{*2} RM'000			
Unit capital	496,732	514,625	518,419	559,499	638,238	638,238
Undistributed income	101,230	76,253	62,786	62,786	62,786	60,786 ^{*3}
NAV	597,962	590,878	581,205	622,285	701,024	699,024
Number of Units in issue ('000)	471,260	498,788	505,579	581,416	726,769	726,769
NAV per Unit (RM)	1.27	1.18	1.15	1.07	0.97	0.96
Total borrowings	551,444	551,444	551,444	551,444	551,444	591,444 ^{*4}
Total asset value	1,235,507	1,228,423	1,218,750	1,218,750	1,218,750	1,368,750 ^{*5}
Gearing (times)	0.45	0.45	0.45	0.45	0.45	0.43

Notes:

*1 Pursuant to the 2022 final income distribution, the following adjustments were made:

Undistributed income : A total of RM24.98 million were distributed to the unitholders from the undistributed income reserve account

Unit capital : RM17.89 million were distributed in the form of new Units in lieu of cash pursuant to the income distribution reinvestment plan

Total asset value : RM7.09 million were distributed in the form of cash

*2 Pursuant to the 2023 interim income distribution, the following adjustments were made:

Undistributed income : A total of RM13.46 million were distributed to the unitholders from the undistributed income reserve account

Unit capital : RM3.79 million were distributed in the form of new Units in lieu of cash pursuant to the income distribution reinvestment plan

Total asset value : RM9.67 million were distributed in the form of cash

*3 After deducting estimated expenses of RM2 million in relation to the Proposals.

*4 Assuming the drawdown of up to RM40 million borrowings to partly finance the Purchase Consideration.

*5 After consolidating the market value of KYS College amounting to RM150 million.

7. APPROVALS REQUIRED

The Proposed Amendment is subject to approvals being obtained from:

- i. unitholders of Hektar REIT at the EGM; and
- ii. any other relevant authority and/ or party, if required.

Upon obtaining the unitholders' approval for the Proposed Amendment, the Manager and the Trustee will enter into the Supplemental Trust Deed to formalise the Proposed Amendment, and the Supplemental Trust Deed will be submitted to the Securities Commission Malaysia ("SC") for registration and its lodgement thereafter. The Supplemental Trust Deed will be effective upon its registration with the SC.

For avoidance of doubt, the Proposed Acquisition and Lease, Proposed Placement and Proposed Amendment are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by Hektar REIT.

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

None of the Directors, major shareholders of the Manager, major unitholders of Hektar REIT and/ or persons connected with them have any interest, direct or indirect in the Proposed Amendment.

However, in view that the Proposed Amendment is conditional upon the Proposed Acquisition and Lease (a RPT transaction) whereby Hektar Black is deemed to be the Interested Major Unitholder, Hektar Black will abstain from voting and will ensure that persons connected with it will also abstain from voting in respect of their direct and/ or indirect unitholdings on the resolution pertaining to the Proposed Amendment at the EGM.

The Manager is prohibited under the Guidelines on Listed Real Estate Investment Trusts from exercising the voting rights attached to the Units it holds or the Units held by its nominees in any unitholders' meeting. Hence, the Manager will abstain from voting on the resolution in connection with the Proposed Amendment to be tabled at the EGM.

9. DIRECTORS' STATEMENT

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

10. ADVISERS

UOBKH has been appointed as the Principal Adviser for the Proposed Amendment.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Amendment is expected to be completed in the second quarter of 2024. Further information on the Proposed Amendment will be set out in the circular to unitholders to be dispatched in due course.

This announcement is dated 7 December 2023.