

AL-‘AQAR HEALTHCARE REIT (“AL-‘AQAR”)

(I) PROPOSED ACQUISITIONS BY AMANAHRAYA TRUSTEES BERHAD (“ART” OR “TRUSTEE”) (ACTING SOLELY IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF AL-‘AQAR), OF THE FOLLOWING:

(A) A BUILDING KNOWN AS TMC HEALTH CENTRE (“TMC NEW BUILDING”) FROM PENANG SPECIALIST HOSPITAL SDN BHD (“PNG”), A SUBSIDIARY OF KPJ HEALTHCARE BHD (“KPJ”), FOR A TOTAL CASH CONSIDERATION OF RM14,300,000 (“PROPOSED ACQUISITION OF TMC NEW BUILDING”) AND PROPOSED LEASE OF THE TMC NEW BUILDING TO PNG (“PROPOSED LEASE OF TMC NEW BUILDING”);

(B) A BUILDING FORMING PART OF KPJ SEREMBAN SPECIALIST HOSPITAL (“SEREMBAN NEW BUILDING”) FROM MAHARANI SPECIALIST HOSPITAL SDN BHD (“MSH”), A SUBSIDIARY OF KPJ, FOR A TOTAL CASH CONSIDERATION OF RM84,700,000 (“PROPOSED ACQUISITION OF SEREMBAN NEW BUILDING”) AND PROPOSED LEASE OF THE SEREMBAN NEW BUILDING TO MSH (“PROPOSED LEASE OF SEREMBAN NEW BUILDING”); AND

(C) KPJ PASIR GUDANG SPECIALIST HOSPITAL (“PASIR GUDANG PROPERTY”) FROM PASIR GUDANG SPECIALIST HOSPITAL SDN BHD (“PGSH”), A SUBSIDIARY OF KPJ, FOR A TOTAL CONSIDERATION OF RM93,000,000 (“PROPOSED ACQUISITION OF PASIR GUDANG PROPERTY”) AND PROPOSED LEASE OF PASIR GUDANG PROPERTY TO PGSH (“PROPOSED LEASE OF PASIR GUDANG PROPERTY”),

THE PROPOSED ACQUISITION OF TMC NEW BUILDING, THE PROPOSED ACQUISITION OF SEREMBAN NEW BUILDING, AND THE PROPOSED ACQUISITION OF PASIR GUDANG PROPERTY ARE COLLECTIVELY REFERRED TO AS THE “PROPOSED ACQUISITIONS” AND THE PROPOSED LEASE OF THE TMC NEW BUILDING, THE PROPOSED LEASE OF SEREMBAN NEW BUILDING AND THE PROPOSED LEASE OF PASIR GUDANG PROPERTY ARE COLLECTIVELY REFERRED TO AS THE “PROPOSED LEASES”,

THE PROPOSED ACQUISITIONS AND THE PROPOSED LEASES ARE COLLECTIVELY REFERRED TO AS THE “PROPOSED ACQUISITIONS AND LEASES”; AND

(II) PROPOSED PRIVATE PLACEMENT OF NEW UNITS PURSUANT TO THE AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 16.16% OF THE TOTAL NUMBER OF ISSUED UNITS (“PROPOSED PRIVATE PLACEMENT”).

THE PROPOSED ACQUISITIONS AND LEASES, AND THE PROPOSED PRIVATE PLACEMENT ARE COLLECTIVELY REFERRED TO AS THE “PROPOSALS”.

1. INTRODUCTION

On behalf of the Board of Directors ("**Board**") of Damansara REIT Managers Sdn Berhad, ("**DRMSB**"), the manager of Al-'Aqar, KAF Investment Bank Berhad ("**KAF IB**") wishes to announce that the Trustee, had on 2 September 2022 entered into the following agreements:

- (i) Conditional sale and purchase agreement ("**SPA**") with PNG, a subsidiary of KPJ, in relation to the Proposed Acquisition of TMC New Building ("**TMC SPA**") and a conditional lease agreement with PNG in relation to the Proposed Lease of TMC New Building ("**TMC Lease Agreement**");
- (ii) Conditional SPA with MSH, a subsidiary of KPJ, in relation to the Proposed Acquisition of Seremban New Building ("**Seremban SPA**") and a conditional lease agreement with MSH in relation to the Proposed Lease of the Seremban New Building ("**Seremban Lease Agreement**"); and
- (iii) Conditional SPA with PGSH, a subsidiary of KPJ, in relation to the Proposed Acquisition of Pasir Gudang Property ("**Pasir Gudang SPA**") and a conditional lease agreement with PGSH in relation to the Proposed Lease of the Pasir Gudang Property ("**Pasir Gudang Lease Agreement**").

The TMC New Building, Seremban New Building and Pasir Gudang Property are collectively referred to as the "**Properties**".

The TMC SPA, Seremban SPA and Pasir Gudang SPA are collectively referred to as the "**Sale and Purchase Agreements**".

The TMC Lease Agreement, Seremban Lease Agreement, and Pasir Gudang Lease Agreement are collectively referred to as the "**Lease Agreements**".

The Sale and Purchase Agreements and the Lease Agreements are collectively referred to as the "**Transaction Documents**".

In addition to the Proposed Acquisitions and Leases, DRMSB also proposes to undertake the Proposed Private Placement.

The Proposed Acquisitions and Leases are deemed related party transactions under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") in view of the interests of the directors and major shareholders of DRMSB, the major unitholders of Al-'Aqar and/or persons connected with them as set out in Section 11 of this Announcement.

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2. PROPOSED ACQUISITIONS

2.1 Details of the Properties

The Proposed Acquisitions entail the following acquisitions by the Trustee, solely acting in the capacity as trustee for and on behalf of Al-'Aqar, free from all encumbrances, as set out below:

- (i) acquisition of the TMC New Building from PNG for a purchase consideration of RM14,300,000 to be satisfied by a cash payment of RM14,300,000, subject to the terms and conditions of TMC SPA ("**TMC Purchase Consideration**");
- (ii) acquisition of the Seremban New Building from MSH for a purchase consideration of RM84,700,000 to be satisfied by a cash payment of RM84,700,000, subject to the terms and conditions of Seremban SPA ("**Seremban Purchase Consideration**"); and
- (iii) acquisition of the Pasir Gudang Property from PGSH for a purchase consideration of RM93,000,000 to be satisfied by a combination of cash payment of RM67,989,183 and the issuance of 20,500,669 new ordinary units in Al-'Aqar ("**Al-'Aqar Unit(s)**" or "**Unit(s)**") at an issue price of RM1.22 per Unit based on five (5)-day volume weighted average market price ("**VWAMP**") up to and including 1 September 2022 ("**Consideration Units**"), subject to the terms and conditions of Pasir Gudang SPA ("**PG Purchase Consideration**").

The TMC Purchase Consideration, the Seremban Purchase Consideration and the PG Purchase Consideration are collectively referred to as the "**Purchase Consideration**".

A summary of the Properties is set out below:

Details	TMC New Building	Seremban New Building	Pasir Gudang Property
Postal address	T/K PT 1106, Medan Taiping, 34000 Taiping, Perak Darul Ridzuan	Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Lot PTD 204781, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim
Land title	Pajakan Negeri 361304 Lot 3140, Town of Bandar Taiping, District of Larut Matang, State of Perak Darul Ridzuan	GRN 277698 Lot 50604 Seksyen 2, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan	PN70767 Lot No. 198635, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim
Land area	3,554 square metres	22,470 square metres	13,144 square metres
Tenure of leasehold land	99 years leasehold interest with an unexpired term of about 66 years, expiring on 25 July 2088	Term in perpetuity	99 years leasehold interest with an unexpired term of about 86 years, expiring on 28 December 2108

Details	TMC New Building	Seremban New Building	Pasir Gudang Property
Category of land use	Building	Building	Building
Express condition(s)	Commercial – Shop Building	This land shall be used for private hospitals building only	<p>(i) This land shall be used for a private hospital, built in accordance with the plan approved by the relevant Local Authorities</p> <p>(ii) All impurities and pollution resulting from this activity must be channelled/ disposed to places that have been determined by the Relevant Authority</p> <p>(iii) All policies and conditions that have been set and enforced from time to time by the Relevant Authority shall be complied with</p>
Approximate age of the building	3 years	3 years	9 years
No. of licensed beds/ description of properties	A private ambulatory care centre with 5-day ward beds, 3 treatment rooms, 3 specialist consultation rooms, 1 minor operation theatre with 2 recovery beds, 1 endoscopy room with 2 observation beds, a pharmacy and a satellite laboratory by the Ministry of Health, Malaysia under the Private Healthcare Facilities and Services Act 1998 bearing license no. 930806-00182-03/2021 dated 16 June 2021 for the period from 27 May 2021 until 3 January 2023 and 82 parking bays	99 beds including a dialysis centre, 50 consultant clinics, a pharmacy and a central sterile supply department	148 beds (including 5 for intensive care units and 6 for day-care ward), 3 bassinets 2 cots, and the latest carpark count at 223 parking bays
Gross floor area/ Net lettable area	2,928 square metres	19,246 square metres	18,885 square metres
Occupancy Rate	100%	100%	100%
Existing use	Hospital (private ambulatory care centre)	Private hospital	Private hospital

Details	TMC New Building	Seremban New Building	Pasir Gudang Property
Restrictions in interest	The land cannot be transferred without the consent of the Chief Minister of Perak	This allotted land cannot be transferred, leased, charged except with the written consent of the state authority	<p>(i) Landowners are not allowed to sell building units (parcels) to be built on this land unless the building was first built according to the plan approved by the relevant local authority</p> <p>(ii) The title of this land when subdivided into 'Subsidiary' title and transferred to a Bumiputera then it cannot be later sold, leased, charged or transferred in any way to a non-Bumiputera person without the consent of the state authorities</p> <p>(iii) Subdivision of 'Subsidiary' title from this title may not be sold or transferred in any way to non-Bumiputera without the consent of the state authority</p>
Encumbrances	Nil	Nil	Nil
Net book value as at 31 December 2021	RM12,359,185	RM82,886,138	RM78,766,257

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2.2 Basis and justification in arriving at the purchase consideration for the Proposed Acquisitions

The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis and after taking into consideration the market value as follows:

<u>Property</u>	<u>Valuation Method</u>	<u>Ascribed Value (RM) ⁽¹⁾</u>
TMC New Building	Depreciated Replacement Cost Approach	14,300,000
Seremban New Building	Depreciated Replacement Cost Approach	84,700,000
Pasir Gudang Property	Income Approach by Profit Method (discounted cash flow technique (“DCF”))	93,000,000
Total Purchase Consideration		192,000,000

Note:

⁽¹⁾ As appraised by Henry Butcher Malaysia Sdn Bhd, being the independent valuer appointed by DRMSB (“Valuer”), for the TMC New Building, Seremban New Building and Pasir Gudang Property, vide the respective valuation reports all dated 30 June 2022.

The market value is defined herein as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing-buyer and a willing-seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Valuer adopted the Depreciated Replacement Cost Approach as the method of valuation in formulating its opinion on the market value of the TMC New Building and Seremban New Building. The Depreciated Replacement Cost Approach method is based on the estimation of the costs to construct other similar buildings, taking into consideration certain factors such as the building size, construction finishes, professional fees and developer’s profit.

With respect to the Pasir Gudang Property, the Valuer adopted the Income Approach by applying the DCF technique as the primary valuation methodology and cross-checking with the Cost Approach in formulating its opinion on the market value. The Income Approach involves determining the net annual income derived from the property and capitalising with an appropriate discount rate to arrive at the market value of the property. The Cost Approach arrives at the market value of the property by aggregating the identified value of the building and land using the Depreciated Replacement Cost Approach and Comparison Approach, respectively.

2.3 Basis and justification of determining the issue price of the Consideration Units

The issue price of RM1.22 for the Consideration Units was arrived at after taking into consideration the five (5)-day VWAMP of Al-‘Aqar Units up to and including 1 September 2022 (being the last market day preceding the day of signing of the Pasir Gudang SPA) of RM1.22.

The issue price of RM1.22 per Unit represents a range of premiums/(discounts) over the abovementioned VWAMP as follows:

<u>VWAMP up to and including the 1 September 2022</u>	<u>VWAMP (RM)</u>	<u>Premium/(Discount) over the VWAMP</u>	
		<u>(RM)</u>	<u>(%)</u>
5-day	1.22	0.00	0.00
1-month	1.22	0.00	0.00
3-month	1.20	0.02	1.67
6-month	1.19	0.03	2.52
1-year	1.17	0.05	4.27

2.4 Ranking of the Consideration Units

The Consideration Units shall, upon allotment and issuance, rank equally in all respects with the existing Units, save and except that the Consideration Units shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of the Consideration Units were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

2.5 Listing of and quotation for the Consideration Units

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

2.6 Source of funding

The cash portion of the Purchase Consideration shall be funded through a combination of bank financing and/or internally generated funds. The exact breakdown of bank financing and internally generated funds will be determined by the Manager at a later stage, after taking into consideration Al-'Aqar's gearing level and the financing costs.

2.7 Assumption of liabilities

Al-'Aqar will not be assuming any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisitions.

2.8 Original date and cost of investment

The original date and cost of investment by PNG, MSH and PGSH (collectively, "Vendors") in the TMC New Building, Seremban New Building and Pasir Gudang Property respectively, are as follows:

<u>Name of property</u>	<u>Date of investment</u>	<u>Cost of investment</u> <u>(RM)</u>
TMC New Building	13 September 2018	12,359,185
Seremban New Building	17 July 2018	84,625,205
Pasir Gudang Property	18 April 2013	80,249,667

2.9 Salient terms of the Sale and Purchase Agreements

2.9.1 Purchase Consideration

The Purchase Consideration will be satisfied as follows:

<u>Properties</u>	<u>Vendors</u>	<u>Settlement of Purchase Consideration</u>			
		<u>Cash</u>	<u>Consideration Units</u>		
		<u>(RM'000)</u>	<u>(RM'000)</u>	<u>Issue Price</u> <u>(RM)</u>	<u>No of Units</u> <u>('000)</u>
Pasir Gudang Property	PGSH	67,989	25,011	1.22	20,500
Seremban New Building	MSH	84,700	-	-	-
TMC New Building	PNG	14,300	-	-	-
Total Purchase Consideration		166,989	25,011		

2.9.2 Condition Precedents

The Sale and Purchase Agreements are conditional upon the fulfilment and satisfaction of the following conditions (“**Conditions Precedent**”) to be obtained within six (6) months from the date of the Sale and Purchase Agreements or any extension thereof agreed by the parties:

- (i) The approval from the shareholders and board of directors of the Vendors and KPJ in relation to the Proposed Acquisitions and Leases;
- (ii) The approval and notification from relevant authorities:
 - (a) notification by the Vendors to the Ministry of Health on the change of ownership of the Properties;
 - (b) other consents and regulatory and/or governmental, if any;
- (iii) The approval of the unitholders of Al-‘Aqar in relation to the Proposed Acquisitions and Leases;
- (iv) The approval from the board of directors of the Trustee and DRMSB in relation to the Proposed Acquisitions and Leases;
- (v) The approval/consent is obtained from the existing financiers, creditors or lenders of Al-‘Aqar for the Proposed Acquisition, if required;
- (vi) The letter of offer or letter of commitment in relation to the financing of the Properties being issued by the purchaser’s financier and accepted by the Trustee or Al-‘Aqar’s special purpose vehicle company;
- (vii) The Certificate of Completion and Compliance of the Properties has been duly obtained by the Vendors;
- (viii) The execution of the Lease Agreements in escrow and the relevant documents to give effect to the Lease Agreements including but not limited to the Form 15A of the National Land Code, if applicable; and
- (ix) The parties’ solicitors certifying all conditions precedent are satisfied and that the Sale and Purchase Agreements are ready for completion.

In relation to the Pasir Gudang Property, the additional Conditions Precedent are as follows:

- (i) The approval and notification from Bursa Securities for the listing of and official quotation for the Consideration Units on the Main Market of Bursa Securities;
- (ii) The approval of the unitholders of Al-‘Aqar in relation to the issuance of Consideration Units as required by the REIT Guidelines and the Trust Deed; and
- (iii) The receipt of a registrable memorandum of transfer of the Pasir Gudang Property with the relevant stamp duty endorsement for the exemption from the payment of stamp duty pursuant to the Stamp Duty (Exemption) (No. 4) Order 2004

The parties may mutually agree to waive any of the Conditions Precedent for the Sale and Purchase Agreements, to the extent that failure to satisfy any of the conditions does not contravene any law or regulations issued by the Securities Commission Malaysia or Bursa Securities.

The TMC SPA, Seremban SPA, and Pasir Gudang SPA will become unconditional on the day upon which the last of the respective Conditions Precedent (which have not been waived in writing) have been fulfilled or waived in accordance with the provisions of the TMC SPA, Seremban SPA, and Pasir Gudang SPA.

2.10 Information on the Vendors

2.10.1 PNG

PNG, a wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Companies Act, 2016 (“**Act**”) on 29 July 2005 as a private company limited by shares. The principal activity of PNG is operating a private hospital and providing ancillary healthcare services. As at 18 August 2022, being the latest practicable date prior to this Announcement (“**LPD**”), the issued share capital of PNG is RM20,000,000 comprising 20,000,000 ordinary shares.

As at the LPD, the directors of PNG are Norhaizam binti Mohammad, Roslan bin Ahmad, Zabidi bin Hj Abdul Razak, Mohamed Ahsan bin Mohamed Ismail, and Dato’ Mohamad Farid bin Salim.

2.10.2 MSH

MSH, a wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 18 November 1995 as a private company limited by shares. The principal activity of MSH is operating private hospitals. As at the LPD, the issued share capital of MSH is RM55,000,000 comprising 55,000,000 ordinary shares.

As at the LPD, the directors of MSH are Khairun bin Ahmad @ Saliman, Mohamad Sofian bin Ismail, Dato’ Mohd Shukrie bin Mohd Salleh, Aliza binti Jamaluddin, Muhamad Amin bin Othman, and Maisarah binti Omar.

2.10.3 PGSH

PGSH, a wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 28 October 2009 as a private company limited by shares. The principal activity of PGSH is operating a private hospital. As at the LPD, the issued share capital of PGSH is RM65,000,000 comprising 65,000,000 ordinary shares.

As at the LPD, the directors of PGSH are Khairun bin Ahmad @ Saliman, Badrul Hisham bin Abdullah, Rafiza binti Mohamed Nazir, Dato’ Mohd Shukri bin Mohd Salleh, Hazarul Azly bin Hamzah and Haliza binti Khalid.

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3. DETAILS OF THE PROPOSED LEASES

3.1 The salient terms of the Lease Agreements

Concurrently with the execution of the Sale and Purchase Agreements, the Trustee and DRMSB with PNG, MSH and PGSH respectively, will sign in escrow the TMC Lease Agreement, Seremban Lease Agreement and Pasir Gudang Lease Agreement for the Proposed Leases.

The parties to the Lease Agreements agree that the TMC New Building, Seremban New Building and Pasir Gudang Property shall be used strictly for the purpose of operating a healthcare facility whose operation and usage shall not be contrary to Shariah principles.

The salient terms of the Lease Agreements are as follows:

Details	TMC New Building		Seremban New Building		Pasir Gudang Property	
Name of lessee	PNG		MSH		PGSH	
Term	Up until 30 April 2024 being the expiry of the principal lease term		Up until 13 October 2024 being the expiry of the principal lease term		15 years	
Renewal Term	Option to renew for another 15 for the rental rate to be mutually agreed by the Trustee, DRMSB and PNG		Option to renew for another 15 years for the rental rate to be mutually agreed by the Trustee, DRMSB and MSH		Option to renew for another 15 years for the rental rate to be mutually agreed by the Trustee, DRMSB and PGSH	
Rental Term	<u>Rental Term</u>	<u>Rent formula</u>	<u>Rental Term</u>	<u>Rent formula</u>	<u>First Rental Term</u>	<u>Rent formula</u>
	First year	5.75% per annum x Purchase Consideration of the TMC New Building	First year	5.75% per annum x Purchase Consideration of the Seremban New Building	First year	5.75% per annum x Purchase Consideration of the Pasir Gudang Property
	Second year until 30 April 2024	2.00% incremental increase x the rent for the preceding year which shall be in RM.	Second year until 13 October 2024	2.00% incremental increase x the rent for the preceding year which shall be in RM.	Second and Third year	2.00% incremental increase x the rent for the preceding year which shall be in RM.

Details	TMC New Building	Seremban New Building	Pasir Gudang Property						
Rental Review Formula			<p>The Rent for every Succeeding Rental Term shall be calculated based on the following:</p> <table border="1"> <thead> <tr> <th data-bbox="1487 309 1688 363">Succeeding Rental Term</th> <th data-bbox="1711 309 2157 363">Rent formula</th> </tr> </thead> <tbody> <tr> <td data-bbox="1487 395 1688 560"> First year of every Succeeding Rental Term (Years 4, 7, 10 and 13) </td> <td data-bbox="1711 395 2157 751"> 5.75% per annum x Market Value of the Demised Premises, at the point of review, subject to: <ul style="list-style-type: none"> (a) a minimum Rent of the Base Rent of the Demised Premises, whichever is higher; and (b) any adjustment to the Rent shall not be more than 2.00% incremental increase over the Rent for the preceding year which shall be in RM. </td> </tr> <tr> <td data-bbox="1487 783 1688 948"> Second & Third year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15) </td> <td data-bbox="1711 783 2157 863"> 2.00% incremental increase over the Rent for the preceding year shall be in RM. </td> </tr> </tbody> </table>	Succeeding Rental Term	Rent formula	First year of every Succeeding Rental Term (Years 4, 7, 10 and 13)	5.75% per annum x Market Value of the Demised Premises, at the point of review, subject to: <ul style="list-style-type: none"> (a) a minimum Rent of the Base Rent of the Demised Premises, whichever is higher; and (b) any adjustment to the Rent shall not be more than 2.00% incremental increase over the Rent for the preceding year which shall be in RM. 	Second & Third year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)	2.00% incremental increase over the Rent for the preceding year shall be in RM.
Succeeding Rental Term	Rent formula								
First year of every Succeeding Rental Term (Years 4, 7, 10 and 13)	5.75% per annum x Market Value of the Demised Premises, at the point of review, subject to: <ul style="list-style-type: none"> (a) a minimum Rent of the Base Rent of the Demised Premises, whichever is higher; and (b) any adjustment to the Rent shall not be more than 2.00% incremental increase over the Rent for the preceding year which shall be in RM. 								
Second & Third year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)	2.00% incremental increase over the Rent for the preceding year shall be in RM.								
Conditions precedent	<p>The Proposed Leases are conditional upon the fulfilment of the following conditions:</p> <ul style="list-style-type: none"> (i) the approval of the unitholders of Al-'Aqar being obtained in respect of the Proposed Leases; (ii) the approval of the shareholders of the lessees' ultimate holding company, KPJ being obtained in respect of the Proposed Leases; and (iii) the completion of the TMC SPA, Seremban SPA and Pasir Gudang SPA, respectively. 								

4. PROPOSED PRIVATE PLACEMENT

4.1 Details of the Proposed Private Placement

The Proposed Private Placement will be undertaken in accordance with the authority granted to the directors of DRMSB to allot and issue new Units of up to 20% of the total number of Units issued to facilitate Al-'Aqar in raising funds via a placement exercise ("**Authority**") pursuant to Section 6.59 of the Listing Requirements, the approval of which was obtained from the unitholders of Al-'Aqar ("**Unitholders**") at the 10th Annual General Meeting ("**AGM**") of Al-'Aqar convened and held on 20 April 2022 or as may be renewed by the Unitholders at the next AGM.

4.2 Placement size

The Proposed Private Placement involves the issuance of up to 118,965,517 new Units ("**Placement Units**"), representing up to 16.16% of the total issued Units as at the LPD. The actual number of the Placement Units will be determined at a later stage by DRMSB in consultation with the joint placement agents appointed for the Proposed Private Placement ("**Joint Placement Agents**") on the price-fixing date to be determined and announced later after all the relevant approvals for the Proposed Private Placement have been obtained and also after the completion of the book-building process ("**Price-Fixing Date**").

4.3 Placement arrangement

The Placement Units are intended to be placed out to investors to be identified later, where such investors may fall within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007.

The Placement Units may be allocated to the major unitholders of Al-'Aqar ("**Major Unitholder(s)**") and/or persons connected to them. As such, in compliance with the Listing Requirements, DRMSB will seek the approval of the non-interested Unitholders at a Unitholders' general meeting to be convened for the specific allotments to Major Unitholders and/or persons connected to them ("**Proposed Allotment to Major Unitholder(s)**").

The Proposed Private Placement may be implemented in 1 or more tranches within a period of 6 months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Units or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions and investors' interest.

4.4 Basis and justification of determining the issue price of the Placement Units

The issue price of the Placement Units will be determined by DRMSB in consultation with the Joint Placement Agents on the Price-Fixing Date and will be based on a discount of not more than 10% to the 5-day VWAMP of the Placement Units immediately prior to the Price-Fixing Date, in compliance with Paragraph 6.04 of the Listing Requirements.

4.5 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 they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of the Placement Units were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

4.6 Listing of and quotation for the Placement Units

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

4.7 Use of proceeds

For illustrative purposes, assuming that the issue price of RM1.16 per Placement Unit, representing about 5% discount to the 5-day VWAMP of the Units up to and including the LPD of RM 1.22 per Unit, the Proposed Private Placement is expected to raise gross proceeds of up to about RM138.0 million.

The gross proceeds from the Proposed Private Placement are expected to be utilised in the following manner:

No.	Utilisation proceeds	Expected timeframe for utilisation	Amount (RM'000)
(i)	Repayment of bank financing ⁽¹⁾	Within 12 months	134,800
(ii)	Estimated expenses for the Proposals ⁽²⁾	Within 1 month	3,200
Total			138,000

Notes:

⁽¹⁾ As at the LPD, the total bank financing of Al-'Aqar stood at approximately RM690.0 million. DRMSB expects to use the entire proceeds, after deducting the estimated expenses in relation to the Proposals, to repay Al-'Aqar's bank financing. If the actual amount outstanding is less than the amount as at the LPD, such variance shall be allocated to working capital requirement of Al-'Aqar.

⁽²⁾ The estimated expenses relating to the Proposals comprise of the professional fees, fees payable to relevant authorities and other relevant expenses such as printing and despatch costs of the circular to the Unitholders and other miscellaneous expenses

Pending utilisation of the proceeds as stated in the table above, the proceeds will be placed in Shariah-compliant bank deposits and/or money market instruments.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Acquisitions and Leases

5.1.1 Enhancement of future earnings and distribution per Unit ("DPU") yield accretion

Al-'Aqar aims to achieve income growth and enhance the value of its portfolio of properties over time through, among others, selective acquisitions of additional properties which meet Al-'Aqar's investment criteria. Al-'Aqar's investment policy comprises of investing in healthcare assets to optimise its performance and geographical diversification of its portfolio.

The Proposed Acquisitions and Proposed Leases are expected to improve the future earnings of Al-'Aqar taking into consideration the additional rental income to be received from the Properties, which is expected to translate into DPU yield accretion.

5.1.2 Stable rental income

The Proposed Acquisitions and Leases are expected to be beneficial to Al-'Aqar as the Proposed Leases will provide Al-'Aqar with a stable and sustainable income stream of up to 15 years. PNG, MSH and PGSH, are reputable lessees and have been operating the TMC New Building, Seremban New Building and Pasir Gudang Property since 2018, 2018 and 2013, respectively. In addition, Al-'Aqar has been receiving steady rental income from PNG and MSH for the existing properties, which will continue under the TMC Lease Agreement and Seremban Lease Agreement.

5.1.3 Enhances the size of Al-'Aqar's portfolio

Al-'Aqar's portfolio size will increase from approximately RM1.54 billion as at 31 December 2021 to RM1.73 billion after the Proposed Acquisitions and Leases, as shown in the table below. The increase in portfolio size further strengthens Al-'Aqar's current position as the only healthcare real estate investment trust in Malaysia.

	<u>As at 31 December 2021</u>	<u>The Properties</u>	<u>After the Proposed Acquisitions and Leases</u>
Value of investment properties (RM'mil)	1,538	192 ⁽¹⁾	1,730
Gross floor area ('000 square feet)	4,817	442	5,259

Note:

⁽¹⁾ Excluding estimated expenses relating to the Proposed Acquisitions and Leases that are allowed to be capitalised as part of investment properties amounting to RM3.0 million.

5.1.4 Al-'Aqar Strategies

The Properties are located within its respective townships. The Proposed Acquisitions and Leases are consistent with Al-'Aqar's acquisition strategies, which is to increase cash flow and enhance unit value through selective acquisitions.

5.2 Proposed Private Placement

After due consideration of the various funding options available, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue and manner to raise funds for Al-'Aqar. The Proposed Private Placement will enable Al-'Aqar to raise funds expeditiously for the following reasons:

- (i) The Proposed Private Placement will enable Al-'Aqar to raise funds to be used to repay its Islamic financing; and
- (ii) The Proposed Private Placement will involve the issuance of new Placement Units, which will increase the number of Units in circulation and may improve the trading liquidity of the Units.

Al-'Aqar has not undertaken any equity fund-raising exercises in the past 12 months prior to this Announcement.

6. RISK FACTORS

The Properties are subject to certain specific risks, which may not be exhaustive, as follows:

- (i) Non-completion risk of the Transaction Documents;
- (ii) Business and operational risks;
- (iii) Dependence on the performance and operations of the subsidiary and associated companies of KPJ for its revenue;
- (iv) Exposure to higher financing costs as well as the ability to service future loan repayment obligations;
- (v) Compulsory acquisition by the Malaysian government; and
- (vi) The future market value of the Properties may be less than its current valuation or the purchase price by Al-'Aqar.

7. PROSPECTS OF THE PROPERTIES

The TMC New Building is located about 2 kilometres southwest of Taiping Town Centre and situated approximately 67 kilometres north west of Ipoh City Centre. It is predominantly known as Medan Taiping, a commercial area surrounded by matured neighbourhoods such as Taiping Town Centre, Kampung Jambu, Taman Pertama and Kawasan Perindustrian Kampung Boyan to name a few.

The Seremban New Building is located within a commercial precinct known as Kemayan Square, approximately 3 kilometres due south of Seremban town centre. It is easily accessible from Seremban town centre via Jalan Sungai Ujong and thereafter through the unnamed access road leading towards Kemayan Square and finally through the internal road network within Kemayan Square which eventually leads to the Seremban New Building. It lies approximately 1 kilometre to the northeast of Seremban Interchange of the North-South Expressway. Kemayan Square is an established commercial development in Seremban developed in the mid 1990's. The area has since been enhanced with the development of a medical centre known as Seremban Specialist Hospital.

The Pasir Gudang Property is located within a locality known as Taman Bukit Dahlia, Pasir Gudang, approximately 20 kilometres due east of Johor Bahru City Centre. Pasir Gudang is commonly known as one of the key industrial areas specialising in shipbuilding, petrochemical and other heavy industries as well as being a prime logistic hub for transportation and logistics activities. It is easily accessible from Johor Bahru City Centre via Lebuhraya Johor Bahru and is also surrounded by matured neighbourhoods such as Taman Masai Utama, Kampung Pasir Gudang Baru, Bandar Baru Seri Alam, Taman Rinting and Taman Scientex and also a few established neighbourhood retail malls namely KIP Mall Masai, Tesco Seri Alam and MyDin Wholesale Hyper Market at Taman Rinting.

(Source: Valuation reports for the Properties all dated 30 June 2022)

8. EFFECTS OF THE PROPOSALS

8.1 Unitholders' capital

For illustrative purposes only, the proforma effects of the Proposed Acquisitions and Leases and the Private Placement on the Unitholders' capital of Al-'Aqar are as follows:

	<u>Number of Units</u>	<u>Unitholders' capital</u> <u>RM</u>
As at the LPD	735,985,088	731,398,126
Arising from the Proposed Acquisitions and Leases	20,500,669	25,010,817
Arising from the Proposed Private Placement	118,965,517	136,296,296 ⁽¹⁾
Enlarged Unitholders' capital	875,451,274	892,705,239

Note:

⁽¹⁾ After taking into consideration the estimated expenses for the Proposed Private Placement which is allowed to be capitalised from Unitholders' capital amounting to approximately RM1.70 million

8.2 NAV, NAV per Unit and gearing

For illustrative purposes, the pro forma effects of the Proposed Acquisitions and Leases and the Proposed Private Placement on the NAV, NAV per Unit and gearing of Al-'Aqar assuming that the Proposed Acquisitions and Leases and the Proposed Private Placement had been completed on 1 January 2021, are as follows:

	Audited as at 31 December 2021	(I) After the Proposed Acquisitions and Leases	(II) After (I) and the Proposed Private Placement
	RM'000	RM'000	RM'000
Unitholders' capital	731,398	756,409	892,705
Undistributed income	221,626	221,526 ⁽¹⁾	219,822
Foreign currency translation reserve	(8,022)	(8,022)	(8,022)
Unitholders' funds/NAV	945,002	969,913	1,104,505
Number of Units in circulation ('000)	735,985	756,486	875,451
NAV per Unit (RM)	1.28	1.28	1.26
Total asset value (RM'000)	1,664,733	1,860,153	1,860,153
Total borrowings (RM'000)	683,876	850,865 ⁽³⁾	716,065
Gearing ⁽²⁾ (times)	0.41	0.46	0.38

Notes:

⁽¹⁾ After deducting estimated transaction costs of RM100,000 in relation to the Proposed Acquisitions comprising professional fees and fees payable to the relevant authorities and other fees such as printing, advertising and cost of convening the extraordinary general meeting ("EGM")

⁽²⁾ Computed as total borrowings divided by total asset value

⁽³⁾ After incorporating the estimated additional bank financing of RM167.0 million to be taken up by Al-'Aqar to partly fund the Proposed Acquisitions

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8.3 Substantial Unitholders' unitholding

Assuming the substantial Unitholders do not participate in the Proposed Private Placement, the pro forma effects of the Proposed Acquisitions and Leases and the Proposed Private Placement on the substantial unitholders' unitholdings of Al-'Aqar are as follows:

Name	As at the LPD				After the Proposed Acquisitions and Leases				After (I) and the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Units '000	%	No. of Units '000	%	No. of Units '000	%	No. of Units '000	%	No. of Units '000	%	No. of Units '000	%
KPJ	-	-	269,075 ⁽¹⁾	36.56	-	-	289,576	38.28	-	-	289,753	33.08
Johor Corporation ("JCorp")	-	-	284,248 ⁽²⁾	38.62	-	-	304,749	40.28	-	-	304,749	34.81
LTH	105,531	14.34	-	-	105,531	13.95	-	-	105,531	12.05	-	-
EPF	83,228	11.31	-	-	83,228	11.00	-	-	83,228	9.51	-	-
Kumpulan Wang Persaraan (Diperbadankan)	65,390	8.88	-	-	65,390	8.64	-	-	65,390	7.47	-	-
Pusat Pakar Tawakal Sdn Bhd	54,649	7.43	-	-	54,649	7.22	-	-	54,649	6.24	-	-
Amanah Saham Bumiputera	46,000	6.25	-	-	46,000	6.08	-	-	46,000	5.25	-	-
Other placees ⁽³⁾	-	-	-	-	-	-	-	-	118,966	13.59	-	-

Notes:

⁽¹⁾ Deemed interested by virtue of its shareholding in several companies which are part of the KPJ group of companies ("KPJ Group"), pursuant to Section 8 of the Act

⁽²⁾ Deemed interested by virtue of its shareholding in KPJ and Johor Ventures Sdn Bhd pursuant to Section 8 of the Act

⁽³⁾ Other placees include investors within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007

8.4 Earnings and EPU

For illustrative purposes only, based on the audited consolidated financial statements of Al-'Aqar for the financial year ended ("FYE") 31 December 2021 and assuming that the Proposed Acquisitions and Leases and the Proposed Private Placement were completed on 1 January 2021, the pro forma effects of the Proposed Acquisitions and Leases and the Proposed Private Placement on the earnings and EPU are set below:

	Audited for the FYE 31 December 2021	After the Proposed Acquisitions and Leases and the Proposed Private Placement
	(RM'000)	(RM'000)
Audited distributable income	73,550	73,550
Add: Annual incremental net distributable income contribution ⁽¹⁾	-	8,395
Proforma distributable income	73,550	81,945
Units in circulation ('000)	735,985	875,451
Proforma EPU (sen)	9.99	9.36

Notes:

⁽¹⁾ Computation in arriving at the annual incremental net distributable income contribution after taking into consideration the net property income, Manager and Trustee fees, cost of financing and expenses in relation to the Proposals.

8.5 Convertible securities

As at the LPD, Al-'Aqar does not have any convertible securities.

9. APPROVALS REQUIRED

The Proposals are subject to the approvals to be obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Consideration Units pursuant to the Proposed Acquisition of the Pasir Gudang Property and the Placement Units pursuant to the Proposed Private Placement on the Bursa Securities;
- (ii) the approval of the Unitholders of Al-'Aqar for the Proposed Acquisitions and Leases at the forthcoming EGM to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Allotment to Major Unitholder(s) will be subject to the approval of the non-interested Unitholders at a Unitholders' general meeting to be convened and any other relevant authorities and/or parties, if required.

The Proposed Acquisitions and Leases and the Proposed Private Placement are not inter-conditional upon one another or upon any other proposals undertaken or to be undertaken by Al-'Aqar.

10. APPLICATIONS TO THE RELEVANT AUTHORITIES

The applications to the relevant authorities in relation to the Proposals are expected to be made within 2 months from the date of this Announcement.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND CHIEF EXECUTIVE OFFICER OF THE MANAGER, MAJOR UNITHOLDERS OF AI-'AQAR AND/OR PERSONS CONNECTED

Save as disclosed below, none of the directors and/or major shareholders of DRMSB, major Unitholders of AI-'Aqar as well as persons connected with them has any interests, direct or indirect, in the Proposals.

11.1 Interested major shareholders of the Manager and major Unitholders of AI-'Aqar

As at the LPD, the details of the unitholding of the interested major shareholders of the Manager and major Unitholders of AI-'Aqar are as follows:

In relation to the Proposed Acquisitions and Leases

- (i) KPJ is a Major Unitholder of AI-'Aqar having an indirect interest of 36.56% in AI-'Aqar.
- (ii) JCorp is a Major Unitholder of AI-'Aqar having an indirect interest of 38.62% in AI-'Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.58% and 9.63% respectively in KPJ.
- (iii) JCorp also owns a 100% equity interest in Damansara Assets Sdn Bhd, which in turn owns 100% equity interest in DRMSB.

In relation to the Proposed Allotment to Major Unitholders

- (i) EPF is a major unitholder of AI-'Aqar having a direct interest of 11.31% in AI-'Aqar and it is also a shareholder of KPJ, having a direct interest of 12.70% in KPJ.
- (ii) Lembaga Tabung Haji is a major unitholder of AI-'Aqar having a direct interest of 14.34% in AI-'Aqar and it is also a shareholder of KPJ, having a direct interest of 2.95% in KPJ.

11.2 Interested directors of the Manager

- (i) Dato' Mohd Redza Shah bin Abdul Wahid ("**Dato' Redza**") is the Chairman and Independent Non-Executive Director of DRMSB, and an Independent Non-Executive Director of KPJ.
- (ii) Datuk Sr Akmal bin Ahmad ("**Datuk Sr Akmal**") is a Non-Independent Non-Executive Director of DRMSB, a senior management personnel of Johor Land Berhad, a subsidiary of JCorp and also a senior management personnel of JCorp.
- (iii) Shamsul Anuar bin Abdul Majid ("**Shamsul Anuar**") is a Non-Independent Non-Executive Director of DRMSB, a Non-Independent Non-Executive Director of KPJ and senior management personnel of JCorp.
- (iv) Dato' Salehuddin bin Hassan ("**Dato' Salehuddin**") is a Non-Independent Non-Executive Director of DRMSB and a Director of JCorp.

(Dato' Redza, Datuk Sr Akmal, Shamsul Anuar and Dato' Salehuddin are collectively referred to as the "**Interested Directors**").

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Acquisitions and Leases at the relevant Board meetings of DRMSB.

Further, the Interested Directors have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Al-'Aqar, if any, on the relevant resolutions pertaining to the Proposed Acquisitions and Leases to be tabled at the EGM of Al-'Aqar.

The Interested Directors do not hold any Units as at the LPD.

12. STATEMENT BY THE BOARD

The Board of DRMSB (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the salient terms of the Transaction Documents, basis and justification for the Purchase Considerations and the issue price of the Consideration Units, rationale for the Proposals, prospects of the Properties as well as the preliminary evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are in the best interest of Al-'Aqar and its Unitholders.

13. BOARD AUDIT AND RISK COMMITTEE'S STATEMENT

The Board Audit and Risk Committee of DRMSB, having considered all aspects of the Proposals, including but not limited to the salient terms of the Transaction Documents, basis and justification for the Purchase Considerations and the issue price of the Consideration Units, rationale for the Proposals, prospects of the Properties as well as the preliminary evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are:

- (i) in the best interest of Al-'Aqar;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested Unitholders of Al-'Aqar.

14. ADVISERS

DRMSB has appointed KAF IB as the Principal Adviser for the Proposals.

DRMSB has appointed CIMB Investment Bank Berhad, KAF IB and Kenanga Investment Bank Berhad as the Joint Placement Agents for the Proposed Private Placement.

Pursuant to Paragraph 10.08 of the Listing Requirements, the Proposed Acquisitions and Leases are deemed as a related party transaction, thus, DWA Advisory Sdn Bhd has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested Unitholders as to whether the Proposed Acquisitions and Leases are fair and reasonable as far as Al-'Aqar's Unitholders are concerned and whether the Proposed Acquisitions and Leases are detrimental to the non-interested Unitholders of Al-'Aqar and to advise the non-interested Unitholders on whether they should vote in favour of the Proposed Acquisitions and Leases.

15. RELATED PARTY TRANSACTIONS FOR THE PAST 12 MONTHS

Save for the Proposed Acquisitions and Leases, the recurrent related party transactions that have been disclosed in the circular to the Unitholders of Al-'Aqar dated 28 March 2022, and the related party transactions disclosed in the audited consolidated financial statements of Al-'Aqar for the FYE 31 December 2021, there were no transactions entered into between:

- (i) Al-'Aqar and the Interested Directors and interested Major Unitholders of DRMSB and/or persons connected with them; and
- (ii) Al-'Aqar and the interested Major Unitholders of Al-'Aqar and/or persons connected with them, for the preceding 12 months up to the LPD.

16. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the fulfilment of all Conditions Precedent including the required approvals being obtained, the Proposed Acquisitions and Leases are expected to be completed by the fourth quarter of 2022.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Private Placement is expected to be completed by the first half of 2023.

17. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions and Leases pursuant to Paragraph 10.02(g)(ix) of the Listing Requirements is 11.53% based on the total value of the transaction, compared with the total asset value of Al-'Aqar, based on the latest audited consolidated financial statements of Al-'Aqar for the FYE 31 December 2021.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of DRMSB at Level 14, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement:

- (i) Transaction Documents; and
- (ii) The valuation reports issued by the Valuer all dated 30 June 2022 in relation to the TMC New Building, the Seremban New Building and the Pasir Gudang Property.

This Announcement is dated 2 September 2022.