

## AL-'AQAR HEALTHCARE REIT ("AL-'AQAR")

### PROPOSED AMENDMENTS TO THE SECOND RESTATED TRUST DEED DATED 25 NOVEMBER 2019 ENTERED BETWEEN DAMANSARA REIT MANAGERS SDN BERHAD ("DRMSB" OR "MANAGER") AMANAHRAYA TRUSTEES BERHAD ("ART" OR "TRUSTEE") AND THE PERSONS WHO ARE FOR THE TIME BEING REGISTERED AS HOLDERS OF THE UNITS OF AL-'AQAR ("SECOND RESTATED DEED") ("PROPOSED AMENDMENTS")

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#### 1. INTRODUCTION

On behalf of the Board of Directors of DRMSB ("**Board**"), the manager of Al-'Aqar, KAF Investment Bank Berhad ("**KAF IB**") wishes to announce that DRMSB proposes to undertake the Proposed Amendments by way of a supplemental deed to the Second Restated Deed ("**Supplemental Deed to the Second Restated Deed**").

#### 2. THE PROPOSED AMENDMENTS

##### 2.1 Proposed Amendments for Streamlining

The Manager proposes to amend the Second Restated Deed by way of Supplemental Deed to the Second Restated Deed, which entails the amendments to enhance the provisions under the Second Restated Deed and to align the Second Restated Deed with *inter-alia* the following:

- (i) Guidelines on Listed Real Estate Investment Trusts revised by the Securities Commission Malaysia ("**SC**") on 18 June 2019 ("**Listed REIT Guidelines**"); and
- (ii) Guidelines on the Registration and Conduct of Capital Market Services Providers revised by the SC on 31 January 2022 ("**Registration and Conduct of CMSP Guidelines**"),

(collectively referred to as "**Proposed Amendments for Streamlining**").

In conjunction with the Proposed Amendments for Streamlining, the Manager also proposes to incorporate the following amendments into the Supplemental Deed to the Second Restated Deed:

- (a) modification to the provisions pertaining to the investment strategies of Al-'Aqar ("**Proposed Modification**"); and
- (b) revision in the base fee payable to the Manager ("**Management Fee**") ("**Proposed Revision in Management Fee**").

##### 2.2 Proposed Modification

In order to provide flexibility to Al-'Aqar to consistently improvise its business and/or its investment strategies towards achieving its investment objective, a new Clause 2.5 will be inserted into the Second Restated Deed which will allow the Manager from time to time, change the business strategies and/or investment strategies of Al-'Aqar provided that the Trustee shall be fully informed by the Manager of the business strategies and/or investment strategies of Al-'Aqar and any changes made by the Manager to the same.

The new Clause 2.5 shall read as follows:-

"The Manager may, in consultation with the Trustee, from time to time change the business and/or investment strategies of Al-'Aqar. The Trustee shall ensure that it is fully informed at all times by the Manager of the business and/or investment strategies and of changes made by the Manager to the business and/or investment strategies of Al-'Aqar."

### 2.3 Proposed Revision in Management Fee

The Management Fee is proposed to be revised from the existing rate to the revised rate as follows:

<u>Existing Provision</u>	<u>Revised Provision</u>
<p>The Manager shall be entitled to receive for its own account out of the total assets of Al-'Aqar, a Management Fee (exclusive of service tax, if any), of up to:</p> <p>(a) zero point one zero percent (0.10%) of the gross asset value ("<b>GAV</b>") for the first RM1.0 billion of the value of the total assets of Al-'Aqar; and</p> <p>(b) zero point one two five percent (0.125%) of the GAV above RM1.0 billion of the value of the total assets of Al-'Aqar.</p>	<p>The Manager shall be entitled to receive for its own account out of the total assets of Al-'Aqar a Management Fee of up to zero point three percent (0.30%) per annum of the total asset value of Al-'Aqar (exclusive of service tax, if any).</p>

The Manager must demonstrate, and the Trustee must agree, that the Management Fee is reasonable, considering:

- (i) the roles, duties and responsibilities of the Manager;
- (ii) the interest of the unit holders of Al-'Aqar ("**Unitholders**");
- (iii) the nature, quality and extent of the services provided by the Manager;
- (iv) the size and composition of the portfolio of assets of Al-'Aqar;
- (v) the Manager's success in meeting the investment objectives of Al-'Aqar;
- (vi) the need to maximise returns to the Unitholders; and
- (vii) the maximum rate as stipulated in the Second Restated Deed.

The Proposed Revision in Management Fee shall be reflected in the Supplemental Deed to the Second Restated Deed upon obtaining the approval from the Unitholders at the forthcoming extraordinary general meeting ("**EGM**").

### 3. RATIONALE FOR THE PROPOSED AMENDMENTS

The Proposed Amendments for Streamlining and the Proposed Modification are deemed necessary for the purpose of enhancing the provisions under the Second Restated Deed and to comply with *inter-alia* the Listed REIT Guidelines and Registration and Conduct of CMSP Guidelines including administrative and/or technical amendments, which aims to provide better clarity to certain provisions in the Second Restated Deed. Subsequently, this will allow the Manager and the Trustee to perform their duties effectively and result in an increasingly expeditious decision making process.

The Proposed Revision in Management Fee was proposed after taking into consideration the following:

- (i) to align with the industry and that the proposed Management Fee of up to 0.30% per annum of the total asset value of Al-'Aqar is within the range of the fees charged by other managers of real estate investment trusts;
- (ii) the growing size and value of Al-'Aqar's assets managed by the Manager since the inception of Al-'Aqar;
- (iii) the current Management Fee has not been increased since 2009; and

- (iv) the potential increase in the future operation cost to cater i.e the implementation of Al-'Aqar's strategic direction and compliance cost.

The Proposed Revision in Management Fee will also further incentivise the Manager to further grow Al-'Aqar for the benefit of Unitholders, which will then allow Al-'Aqar to be managed more effectively.

## **4. EFFECTS OF THE PROPOSED AMENDMENTS**

### **4.1 Issued Unitholders' capital and substantial Unitholders' unitholdings**

The Proposed Amendments will not have any effect on the issued Unitholders' capital and substantial Unitholders' unitholdings in Al-'Aqar as the Proposed Amendments do not involve new issuance of units.

### **4.2 Net Assets Value ("NAV"), NAV per Unit and gearing**

The Proposed Amendments will not have any material effect on the NAV and NAV per unit.

The impact of the Proposed Revision in Management Fee on the NAV is dependent on the rates charged. The NAV would reduce proportionately by the increase in the Management Fee.

### **4.3 Earnings and Earnings per Units**

The Proposed Amendments for Streamlining and the Proposed Modification will not have any effect on the profit after tax.

The Proposed Revision in Management Fee will not have any material impact on the earnings of Al-'Aqar .

As stated in Section 2.3 above, the Manager must demonstrate, and the Trustee must agree, that the Management Fee is reasonable, considering the following:

- (i) the roles, duties and responsibilities of the Manager;
- (ii) the interest of the Unitholders;
- (iii) the nature, quality and extent of the services provided by the Manager;
- (iv) the size and composition of the portfolio of assets of Al-'Aqar;
- (v) the Manager's success in meeting the investment objectives of Al-'Aqar;
- (vi) the need to maximise returns to Unitholders; and
- (vii) the maximum rate as stipulated in the Second Restated Deed.

## **5. APPROVALS REQUIRED**

The Proposed Amendments for Streamlining and the Proposed Modification are not subject to Unitholders' approval as the variations to the Second Restated Deed are to comply with *inter-alia* the Listed REIT Guidelines and Registration and Conduct of CMSP Guidelines including administrative and/or technical amendments. However, the Manager and the Trustee are required to provide written statements upon the finalisation of the Supplemental Deed to the Second Restated Deed confirming that they are of the opinion that the Proposed Amendments for Streamlining and the Proposed Modification:

- (i) do not materially prejudice the interests of the Unitholders; and
- (ii) do not operate to release the Manager or the Trustee from any responsibility to the Unitholders,

and a statement from the Manager and the Trustee certifying the above has been issued pursuant to Section 295(4)(b) of the CMSA.

The Proposed Revision in Management Fee is however conditional upon the approval of the Unitholders at the EGM. The Proposed Revision in Management Fee must be approved by the Unitholders by way of a resolution of not less than two-thirds of all the Unitholders at the EGM.

Upon obtaining the approval of the Unitholders for the Proposed Revision in Management Fee, the Manager and the Trustee will enter into the Supplemental Deed to the Second Restated Deed to formalise the Proposed Amendments (which includes the Proposed Revision in Management Fee). Thereafter, the Supplemental Deed to the Second Restated Deed will be registered and lodged with the SC.

The proposals under the Proposed Amendments are not inter-conditional upon each other and not conditional upon any other proposal undertaken or to be undertaken by Al-'Aqar.

## **6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS OF AL-'AQAR AND/OR PERSONS CONNECTED WITH THEM**

Save as disclosed below, none of the directors and/or major shareholders of the Manager, the major Unitholders as well as persons connected with them has any interests, direct or indirect, in the Proposed Amendments.

### **6.1 Interested major shareholders of the Manager and major Unitholders**

As at 31 October 2022 being the latest practicable date prior to this announcement ("**LPD**"), the details of the unitholding of the interested major shareholders of the Manager and major Unitholders are as follows:

- (a) KPJ Healthcare Berhad ("**KPJ**") is a major Unitholder of Al-'Aqar having an indirect interest of 36.56% in Al-'Aqar;
- (b) Johor Corporation ("**JCorp**") is a major Unitholder of Al-'Aqar having an indirect interest of 36.58% in Al-'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; and
- (c) JCorp also owns a 100% equity interest in Damansara Assets Sdn Bhd, which in turn owns 100% equity interest in DRMSB.

Accordingly, JCorp, its subsidiaries and associated companies ("**JCorp Group**") and KPJ, its subsidiaries and associated companies ("**KPJ Group**") will abstain from voting in respect of their indirect unitholdings in Al-'Aqar on the resolution pertaining to the Proposed Revision in Management Fee to be tabled at the EGM of Al-'Aqar.

Further, the JCorp Group and the KPJ Group will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in Al-'Aqar, if any, on the resolution pertaining to the Proposed Revision in Management Fee to be tabled at the EGM of Al-'Aqar.

## 6.2 Interested directors of the Manager

- (i) Dato' Mohd Redza Shah bin Abdul Wahid ("**Dato' Redza**") is the Chairman and Independent Non-Executive Director of the Manager, and a Senior 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 the Manager, a Non-Independent Non-Executive Director of KPJ and a senior management personnel of JCorp; and
- (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 Revision in Management Fee at the relevant board meetings of the Manager.

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 Revision in Management Fee to be tabled at the EGM of Al-'Aqar.

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

## 7. BOARD AUDIT AND RISK COMMITTEE'S STATEMENT

The Board Audit and Risk Committee of the Manager, having considered all aspects of the Proposed Revision in Management Fee, and after careful deliberation, is of the opinion that the Proposed Revision in Management Fee is:

- (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.

## 8. STATEMENT BY THE BOARD

The Board (save for the Interested Directors) having considered all aspects of the Proposed Amendments, is of the opinion that the Proposed Amendments are in the best interests of Al-'Aqar, and its Unitholders.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposed Revision in Management Fee.

**9. ADVISERS**

The Manager has appointed KAF IB as the Principal Adviser for the Proposed Amendments.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the registration of the Supplemental Deed to the Second Restated Deed with the SC, the Proposed Amendments are expected to be completed by the first quarter of 2023.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

The Second Restated Deed and the draft Supplemental Deed to the Second Restated Deed will be available for inspection by the Unitholders at the registered office of the Manager at Level 14, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia during normal business hours from Sundays to Thursdays (except public holidays) for a period of three (3) months from the date of this announcement.

**This announcement is dated 17 November 2022.**