THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.

AL-`AQAR HEALTHCARE REIT

(established in Malaysia under the deed dated 27 June 2006 and as amended by the supplemental deed dated 14 May 2009, 27 January 2011 and 9 November 2011 and the Restated Trust Deed dated 31 July 2013, entered into between Damansara REIT Managers Sdn Berhad, a company incorporated under the Companies Act 1965 and deemed registered under the Companies Act 2016 and AmanahRaya Trustees Berhad, a trust corporation established under the Trust Companies Act 1949 and incorporated under the Companies Act 1965 and deemed registered under the Companies Act 2016 and the persons who are for the time being registered as holders of the units in Al-`Aqar Healthcare REIT)

CIRCULAR TO UNITHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITION BY AMANAHRAYA TRUSTEES BERHAD, ON BEHALF OF AL-`AQAR HEALTHCARE REIT ("AL-`AQAR"), OF A HOSPITAL KNOWN AS KPJ BATU PAHAT SPECIALIST HOSPITAL TOGETHER WITH A 5 ACRES OF LAND FROM JOHOR LAND BERHAD FOR A TOTAL CONSIDERATION OF RM78 MILLION ("PROPOSED ACQUISITION") AND PROPOSED NOVATION OF THE LEASE OF THE SAID PROPERTY FROM JOHOR LAND BERHAD TO AMANAHRAYA TRUSTEES BERHAD ("PROPOSED LEASE NOVATION") (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

AND

NOTICE OF UNITHOLDERS' EXTRAORDINARY GENERAL MEETING

Principal Adviser	***Independent Adviser***
AmInvestment Bank Berhad	**Crowe Advisory Sdn Bhd**
(Company No. : 197501002220 (23742-V))	*(Company No. : 200801005892 (807176-D))*
(A Participating Organisation of Bursa Malaysia Securities Berhad)	

The Notice of Unitholders' Extraordinary General Meeting ("**EGM**") of Al-`Aqar Healthcare REIT to be held at Permata Ballroom, Level B2, The Puteri Pacific Johor Bahru, Jalan Abdullah Ibrahim 80730 Johor Bahru, Johor on 13 December 2019 at 11.00 a.m. together with the Form of Proxy set out in the Notice of EGM.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. The Form of Proxy should be lodged at the Registered Office of the Damansara REIT Managers Sdn Berhad at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time of the EGM. The last day and time for lodging the Form of Proxy is Tuesday, 12 December 2019 at 11.00 a.m. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	12 December 2019 at 11.00 a.m.
Date and time of EGM	:	13 December 2019 at 11.00 a.m.

The Circular is dated 28 November 2019

DEFINITIONS

For the purpose of this document, except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Agreement to Lease	:	The agreement to lease dated 17 October 2016 entered between JLand, PSHSB and JCorp, whereby JLand has agreed to build the KPJ Batu Pahat Specialist Hospital and thereon lease the Property to PSHSB upon issuance of the CCC
Al-`Aqar or REIT	:	Al-`Aqar Healthcare REIT, a real estate investment trust constituted by the Restated Trust Deed
Al-`Aqar Group or Group	:	Al-`Aqar and its subsidiaries
Appropriate Authorities	:	Means (a) any government in any jurisdiction, whether federal, state, provisional, territorial or local; (b) any minister, department, officer, commission, delegate, instrumentality, agency, board, authority or organisation of any government or in which any government is interested; (c) any provider of public utility services, whether or not government owned or controlled, and "**Appropriate Authority**" means any one of them
ART or Trustee or the Purchaser	:	AmanahRaya Trustees Berhad, being the trustee of Al-`Aqar
AmInvestment Bank	:	AmInvestment Bank Berhad, which was appointed as the principal adviser for the Proposals
Board	:	Board of Directors of DRMSB
Bursa Securities	:	Bursa Malaysia Securities Berhad
CCC	:	Certificate of completion and compliance of the KPJ Batu Pahat Specialist Hospital.
Circular	:	This circular to unitholders of Al-`Aqar dated 28 November 2019
Crowe or the Independent Adviser	:	Crowe Advisory Sdn Bhd, which was appointed as the independent adviser for the Proposals
Director	:	Shall have the same meaning given in Section 2(1) of the Capital Market Services Act, 2007, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of the listed issuer, its subsidiary or holding company
DPU	:	Distribution per unit
DRMSB or the Manager	:	Damansara REIT Managers Sdn Berhad, being the management company of Al-`Aqar
EGM	:	Extraordinary General Meeting to be held on 13 December 2019
EPU	:	Earnings per unit
FYE(s)	:	Financial year(s) ended / ending, as the case may be

GFA	:	Gross Floor Area
IAL	:	Independent Advice Letter
Interested Directors	:	The directors of the Manager who are deemed interested in the Proposals namely Dato' Kamaruzzaman Bin Abu Kassim, Dato' Amiruddin Bin Abdul Satar, Lukman Bin Hj. Abu Bakar, Wan Azman Bin Ismail, Mohd Yusof Bin Ahmad and Yusaini Bin Hj. Sidek, as disclosed in Section 10.2 of Part A of this Circular
Interested Major Unitholders	:	The major unitholders of Al-`Aqar who are deemed interested in the Proposals, as disclosed in Section 10.1 of Part A of this Circular
JCorp	:	Johor Corporation, a corporation established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995) and having its registered address at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000, Johor Bahru, Johor
JCorp Group	:	JCorp and its subsidiaries
JLand or the Vendor or the Lessor	:	Johor Land Berhad, a 100%-effective owned subsidiary of JCorp
Knight Frank or the Valuer	:	Knight Frank Malaysia Sdn Bhd, the independent valuer
KPJ	:	KPJ Healthcare Berhad, being the holding company of PGSHSB and PSHSB
KPJ Group	:	KPJ, its subsidiaries and associated companies
KPJ Batu Pahat Specialist Hospital	:	A 7 multi-storey purpose-built hospital building known as KPJ Batu Pahat Specialist Hospital to be acquired pursuant to the SPA
Land	:	H.S.(D) 69760, PTD 63523, Mukim Simpang Kanan, Daerah Batu Pahat, Negeri Johor with land area of 5 acres (approximately 217,813 sq ft) with JCorp as the registered owner
Law	:	Means all public laws, statutes, orders, rules, ordinances, permits, licences, regulations, Authorisations, directions, decrees and other requirements of government or governmental authority as are applicable to the Property or the operation of the business or which are necessary for the production of the Lease Consideration
Lease Agreement	:	Lease agreement dated 26 August 2019 entered into between the Trustee, JLand and PGSHSB
Listed REIT Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by SC
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 October 2019, being the last practicable date prior to the printing of this Circular
NAV	:	Net assets value
PGSHSB or the Lessee	:	Pasir Gudang Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ

Property	:	Means the Land together with the KPJ Batu Pahat Specialist Hospital erected thereon
Proposals	:	Collectively, the Proposed Acquisition and Proposed Lease Novation
Proposed Acquisition	:	Proposed acquisition of the Property by the Trustee, on behalf of Al-`Aqar, from JLand for the Purchase Price
Proposed Lease Novation	:	Proposed novation of the lease of the Property from JLand to the Trustee upon the completion of the SPA
psf	:	Per sq ft
PSHSB	:	Puteri Specialist Hospital (Johor) Sdn Bhd, a wholly-owned subsidiary of KPJ
Purchase Price	:	RM78,000,000
RM and sen	:	Ringgit Malaysia and sen respectively
SC	:	Securities Commission of Malaysia
SPA	:	Conditional sale and purchase agreement dated 26 August 2019 entered into between the Trustee and JLand, in relation to the Proposed Acquisition
sq ft	:	Square feet
Term or Lease Period	:	A total of 30 years, made up of 6 years (Principal Lease Period) + 8 successive 3-year terms (Extended Lease Period)
Transfer	:	A valid and registrable memorandum of transfer in Form 14A of the National Land Code, 1965 or such other prescribed form in respect of the Property, duly completed and executed by JCorp in favour of the Purchaser

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment of re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

All references to "**you**" in this Circular are to the Unitholders of Al-`Aqar.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This is an executive summary highlighting the salient information relating to the Proposals. The information is derived from and should be read in conjunction with the full text of this Circular. You are advised to read and consider carefully the contents of this Circular (including the IAL set out in Part B and Appendices of this Circular) before voting.

We are asking our unitholders to vote on the matters below. The Board recommends that you vote **FOR** the resolution in relation to the Proposals to be tabled at the forthcoming EGM.

The Proposals to be undertaken by Al-`Aqar are set out below:-

1. The Proposals

1.1 Proposed Acquisition

- AmanahRaya Trustees Berhad, on behalf of Al-`Aqar Healthcare REIT, is proposing to acquire a 7 multi-storey hospital building known as KPJ Batu Pahat Specialist Hospital together with a land area of 5 acres (approximately 217,813 sq ft) on H.S.(D) 69760, PTD 63523, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor for a cash consideration of RM78 million.

Brief details of the Property

Land Area	:	5 acres (20,235.515 square meters / approximately 217,813 sq ft)
Gross Floor Area	:	16,132.05 square meters (173,645.39 sq ft)
Age of Building [(b)]	:	The building is newly-completed based on the issuance of the partial CCC dated 10 April 2019
Proposed Licensed Bed	:	60 beds (with additional 30 beds for future expansion)
Tenure	:	Interest in perpetuity
Category of Land use	:	Building
Registered Proprietor	:	JCorp [(a)]
Encumbrances	:	Subject to the lease under the Lease Agreement
Market value	:	RM78,000,000

Notes:-

(a) JLand and JCorp had executed a development rights agreement, whereby JLand is given the right to develop the land with a land area of 64.892 hectares (of which the Land was subdivided from) and conduct the sale of the constructed building on the land. JLand had duly paid the project consideration and is the beneficial owner of the land. For information, JLand is a 100%-effective owned subsidiary of JCorp.

(b) The full CCC was issued on 10 September 2019.

1.2 Proposed Lease Novation

- The Trustee, JLand and PGSHSB had entered into a lease agreement for the lease of the Property by JLand to PGSHSB. Pursuant to the term of the Lease Agreement, upon completion of the SPA, all of the rights, title, interests, benefits, obligations and liabilities of JLand as the Lessor in the Lease Agreement, shall be novated to the Trustee.

The details of the Lease Agreement are as follows: -

Commencement Date	:	The date of notice which shall be issued by JLand within 14 days from the issuance of the CCC to the Lessee to take vacant possession of KPJ Batu Pahat Specialist Hospital. For information, JLand has informed that the commencement date is on 24 September 2019
Lease Period	:	A total of 30 years, made up of 6 years (Principal Lease Period) + 8 successive 3-year terms (Extended Lease Period)
Triple Net Lease	:	The lessee shall bear all quit rent and assessment, taxes, takaful (save for the fire, property/building and public liability takaful to be maintained by the lessor) and maintenance on the KPJ Batu Pahat Specialist Hospital in addition to any normal fees that are expected under the Lease Agreement such as rent and utilities
Lease Consideration	:	RM4.79 million per annum (initial 3 years). The Lease Consideration is subjected to a 10% increase every 3 years
Free Fit Out Period	:	3 months rent-free period which was offered to PGSHSB in allowing the Lessee to put its furniture and fittings for the purpose of operating the hospital
Defect Liability Period	:	From the Commencement Date until 27 February 2021

<u>Note</u>:-

(a) As at LPD, the remaining period of Principal Lease Period and Extended Lease Period is approximately 359 months.

2. Source of Funding

- The Proposed Acquisition will be fully funded by funds to be raised from a new Islamic financing facility. Al-`Aqar's gearing ratio (total borrowings / total asset value) will increase from 38.2% to 41.2% based on the total borrowings as at 31 December 2018.

3. Rationale

- The Proposals are in line with Al-`Aqar's acquisition strategy, which is to acquire and invest in properties with a view to enhance its income stability through the long-term lease arrangement.
- The Proposals will be beneficial to Al-`Aqar as the lease of the KPJ Batu Pahat Specialist Hospital is expected to provide Al-`Aqar with stable and sustainable income stream over the next 30 years.

4. Risk

- The valuation of the Property carried out by the Independent Valuer does not guarantee a sale price either at the present time or at any time in the future. As such there is no assurance that Al-`Aqar will be able to sell or realise the Property at RM78 million in the future.

- The lease from the Property is highly dependent on a single lessee, PGSHSB.

- Other risks as disclosed in Section 6 of the Circular.

5. Parties involved and conflict of interests

- The parties involved in the Proposed Acquisition are the Trustee and JLand.

- The parties involved in the Proposed Lease Novation are the Trustee, JLand and PGSHSB.

- The parties are deemed interested by virtue of:-

  (a) JLand is a 100%-effective owned subsidiary of JCorp. JCorp is the indirect major unitholder of Al-`Aqar;

  (b) Damansara REIT Managers Sdn Berhad, the management company of Al-`Aqar, is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp; and

  (c) PGSHSB is a wholly-owned subsidiary of KPJ, a major unitholder of Al-`Aqar.

PART A

LETTER FROM THE BOARD TO THE UNITHOLDERS OF AL-`AQAR IN RELATION TO THE PROPOSALS

DAMANSARA REIT MANAGERS
SDN BERHAD

DAMANSARA REIT MANAGERS SDN BERHAD
(MANAGER OF AL-`AQAR HEALTHCARE REIT)
(Company No. 200501035558 (717704-V))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under Companies Act, 2016)

Registered Office:
Level 16 Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor

28 November 2019

Board of Directors

Dato' Kamaruzzaman Bin Abu Kassim	Non-Independent Non-Executive Chairman
Zainah Binti Mustafa	Independent Non-Executive Director
Dr. Mohd Hafetz Bin Ahmad	Independent Non-Executive Director
Dato' Sr. Dr. Rahah Binti Ismail	Independent Non-Executive Director
Wan Azman Bin Ismail	Non-Independent Executive Director
Yusaini Bin Hj. Sidek	Non-Independent Non-Executive Director
Lukman Bin Hj. Abu Bakar	Non-Independent Non-Executive Director
Dato' Amiruddin Bin Abdul Satar	Non-Independent Non-Executive Director
Mohd Yusof Bin Ahmad	Non-Independent Non-Executive Director

To: The Unitholders of Al-`Aqar Healthcare REIT

Dear Sir/Madam,

PROPOSED ACQUISITION AND PROPOSED LEASE NOVATION (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Damansara REIT Managers Sdn Berhad, the management company of Al-`Aqar Healthcare REIT, AmInvestment Bank Berhad had on 26 August 2019 announced that AmanahRaya Trustees Berhad, acting solely in its capacity as trustee for and on behalf of Al-`Aqar entered into a conditional sale and purchase agreement with Johor Land Berhad, a 100%-effective owned subsidiary of Johor Corporation for the acquisition of a new hospital to be known as KPJ Batu Pahat Specialist Hospital together with a 5 acres (217,813 sq ft) of land held under H.S.(D) 69760, PTD 63523, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor (collectively to be referred as "Property"), for a total cash consideration of RM78 million.

On even date, the Trustee, JLand and Pasir Gudang Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ Healthcare Berhad, had also entered into a lease agreement for the lease of the Property by JLand to PGSHSB. Pursuant to the provision in the Lease Agreement, upon completion of the sale and purchase agreement, all JLand's rights, title, interest, benefits, obligation and liabilities as the Lessor in connection with the Lease Agreement shall be novated to the Trustee upon the terms and condition of the Lease Agreement.

In view of the interests of major unitholders of Al-`Aqar, major shareholders and directors of the Manager, as set out in Section 10 of this Circular, the Proposals are deemed related party transactions. Accordingly, Crowe Advisory Sdn Bhd has been appointed on 24 July 2019 as the independent advisor to advise the non-interested directors of the Manager and the non-interested unitholders of Al-`Aqar on the Proposals.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION IN RELATION TO THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EXTRAORDINARY GENERAL MEETING. THE NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE INDEPENDENT ADVICE LETTER (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EXTRAORDINARY GENERAL MEETING.

2. THE PROPOSALS

2.1 Background

On 17 October 2016, JLand, PSHSB and JCorp had entered into an Agreement to Lease which entails JLand to build the KPJ Batu Pahat Specialist Hospital and thereafter lease the said building together with the Land to PSHSB commencing from the date of the notice from JLand to PSHSB to take vacant possession (which shall be within 14 days from the date of the CCC). PSHSB had thereafter assigned all its rights under the Agreement to Lease to PGSHSB.

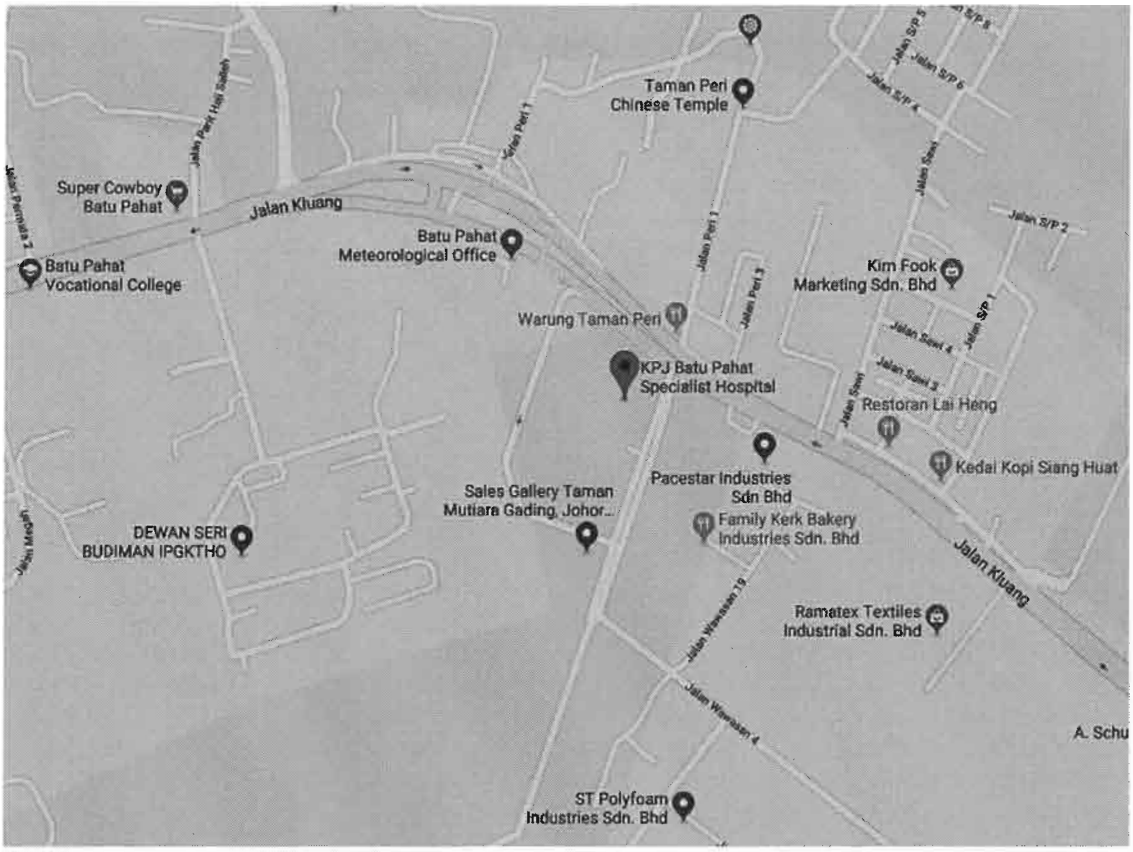
Subject to the Agreement to Lease, on 27 February 2018, the Trustee and JLand had entered into a memorandum of understanding to record the mutual intention of both parties in relation to the acquisition of the Property by the Trustee.

Following the above, JLand and the Trustee had on 26 August 2019 entered into the SPA for the Trustee to acquire the Property for and on behalf of Al-`Aqar. Upon completion of the SPA, the Trustee shall be the Lessor of the Property based on the Lease Agreement entered between JLand, the Trustee and PGSHSB.

2.2 Details of the Property

The KPJ Batu Pahat Specialist Hospital is located within the mixed development enclave of Taman Mutiara Gading, which is approximately 10 kilometers from the Batu Pahat town centre. Taman Mutiara Gading, a development by JLand, is an on-going mixed residential development spanning across an area of 224.12 acres.

Please refer to the diagram below for the location of the KPJ Batu Pahat Specialist Hospital:-



Scale: 1 centimeter : 12.195 kilometer

(Source: Google Maps, https://goo.gl/maps/WsJcfvimxEQqVeVS8)

Other details on the Property are as follows:-

KPJ Batu Pahat Specialist Hospital	:	A 7 multi-storey purpose-built hospital building comprising structures, landscaping, installation, facilities and infrastructure together with car parks
Land	:	H.S.(D) 69760, PTD 63523, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor with land area of 5 acres (217,813 sq ft) with JCorp as the registered owner
Lot No.	:	Lot PTD 63523, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim
Title No.	:	HS(D) 69760
Age of Building [c]	:	The building is newly-completed based on the issuance of the partial CCC on 10 April 2019.

Proposed Licensed Bed	:	60 beds (with additional 30 beds for future expansion)
Tenure	:	Interest in perpetuity
Category of Land Use	:	Building
Land Area	:	20,235.515 square meters (approximately 217,813 sq ft / 5 acres)
Gross Floor Area	:	16,132.05 square meters (173,645.39 sq ft)
Car Park Facilities	:	177 surface car parking bays (inclusive 3 OKU bays) and 50 motorcycle bays
Registered Proprietor	:	JCorp [(a)]
Express conditions	:	(i) Tanah ini hendaklah digunakan untuk tujuan Perdagangan yang belum ditentukan komponen pembangunannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. (ii) Segala kekotoran dan pencemaran akibat ini hendaklah disalurkan ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan. (iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi.
Restriction in interest	:	(i) Tanah ini tidak boleh dijual atau dipindahmilik dengan apacara sekalipun kepada Bukan Warganegara / Syarikat Asing tanpa persetujuaan Pihak Berkuasa Negeri. (ii) Sekiranya pemohon/pemilik berdaftar hendaklah melaksanakan pembangunan ditanah ini, ianya hendaklah melalui proses ubahsyarat/serahbalik kurniasemula dan hendaklah tidak dilaksanakan melalui proses pindaan pelan susunatur sebagainya. (iii) Pihak Berkuasa Tempatan hendaklah tidak boleh memproses permohonan Kebenaran Merancang Pendirian Bangunan (KMP) ataupun permohonan Pelan Bangunan selagi proses serahbalik kurniasemula melalui Kebenaran Merancang tidak diselesaikan terlebih dahulu.
Encumbrances	:	Subject to the lease under the Lease Agreement
Endorsement	:	Nil
Market Value	:	RM78 million [(b)]

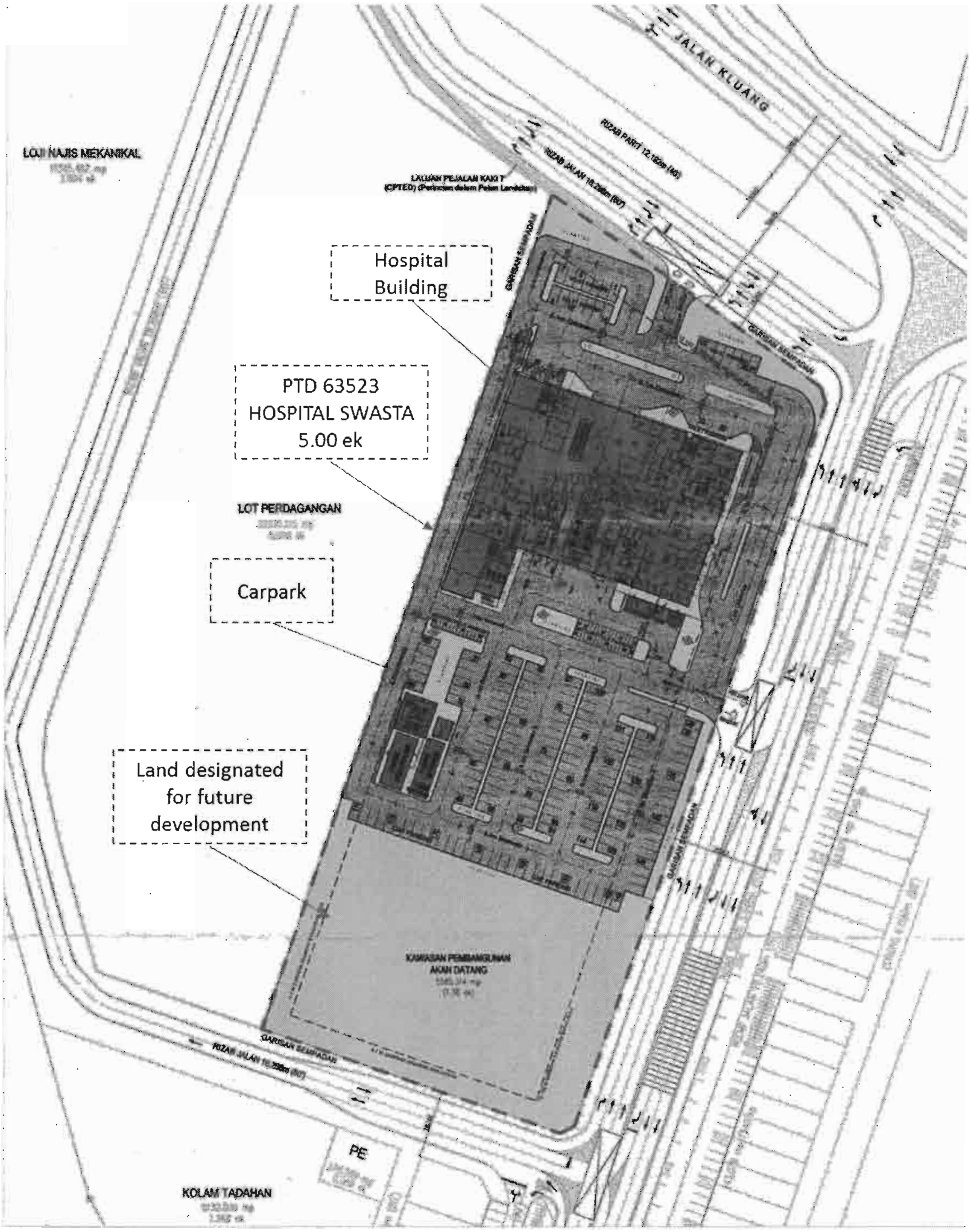
***Notes**:-*

(a) *As stated in the SPA, JLand had on 5th April 2013 executed a development rights agreement wherein, JLand shall have the right to, among others, develop the land with a land area of 64.892 hectares (of which the Land was subdivided from) and conduct the sale of the proposed building to be constructed on the land ("**Development Rights Agreement**"). JLand had duly paid the project consideration under the said Development Rights Agreement to JCorp and is the beneficial owner of the land under the said Development Rights Agreement. For information, JLand is a 100%-effective owned subsidiary of JCorp.*

(b) *Based on the valuation report by Knight Frank dated 29 July 2019.*

(c) *The full CCC was issued on 10 September 2019.*

The net book value of the Property as at 31 December 2018 as recorded in JLand's financial statements is RM85 million.



Scale: 1 centimeter : 0.75 kilometer

Site Layout Plan (Source: Valuation Report)

2.3 The Proposed Acquisition

2.3.1 Basis and Justification of the Purchase Price

The Purchase Price for the Proposed Acquisition was arrived at on a "willing buyer-willing seller" basis after taking into consideration the market value of the Property amounting to RM78 million, as valued by Knight Frank, the independent valuer, vide the valuation report dated 29 July 2019. The material date of inspection for the valuation was 2 July 2019.

In arriving the market value of the Property, the valuer has used the following methods:-

Valuation Method	Derived Value
Income approach by investment method for the hospital building and comparison approach for the land designated for future development	RM78 million
Cost approach	RM79 million

The valuer has adopted the market value as derived from the income approach by investment method (hospital building) and comparison approach (land designated for future development) as the primary approach and supported by cost approach (hospital building and land designated for future development).

The description of the valuation methods used by the valuers in considering the market value of the Property are as follows:-

Valuation Approach	Description
Income approach by investment method (hospital building)	This approach involves the capitalisation of the net annual income stream that is expected to be received from KPJ Batu Pahat Specialist Hospital after deducting the annual outgoings/expenses and other operating expenses incidental to KPJ Batu Pahat Specialist Hospital with allowance for void by using an appropriate market derived capitalisation rate.
Comparison approach (land designated for future development)	This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued us compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.
Cost approach	This method of valuation considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility. The estimate of the land value component is arrived at principally by a comparison approach whereby the sales of similar or substitute properties and related market data are used to establish a value estimate. The building value component is arrived at by the depreciated replacement cost method whereby an estimate is made of the replacement cost new and then allowing for depreciation based on physical deterioration, functional obsolescence and economic obsolescence.

2.3.2 Source of funding

The Proposed Acquisition will be fully funded by funds to be raised from a new Islamic financing facility.

2.3.3 Liabilities to be assumed by Al-`Aqar

There are no liabilities to be assumed by Al-`Aqar pursuant to the Proposed Acquisition.

2.3.4 Salient terms of the SPA

The salient terms of the SPA are set out in Appendix I.

2.4 The Proposed Lease Novation

JLand, the Trustee and PGSHSB have entered into the Lease Agreement where JLand has granted PGSHSB a lease of the Property.

JLand has informed that the Lease Agreement has commenced on 24 September 2019. Pursuant to the terms of the Lease Agreement and the SPA, all of the rights, title, interests, benefits, obligations and liabilities of JLand as the Lessor in connection with the Lease Agreement, will be novated to the Trustee upon completion of the SPA.

The salient terms of the Lease Agreement are set out in Appendix II.

2.4.1 Basis and Justification of the Lease Consideration

As mentioned above, the lease of the Property will be novated from JLand to Al-`Aqar upon the completion of the SPA. The Lease Consideration for initial 3 years is RM4.79 million per annum or RM0.40 million per month which translates into RM2.30 psf based on the gross floor area of the KPJ Batu Pahat Specialist Hospital of 173,645.39 sq ft.

The Lease Consideration of RM2.30 psf is within the rental of the following hospitals identified by the valuer and it is higher than the adjusted rental as follows:-

Building	KPJ Seremban Specialist Hospital	KPJ Puteri Specialist Hospital	Pantai Hospital Majung	Sunway Medical Centre
Location	Seremban, Negeri Sembilan	Johor Bahru, Johor	Seri Manjung, Perak	Bandar Sunway, Selangor
Land Area (sq ft)	241,834	104,110	233,188	195,838
Estimated Gross Floor Area (sq ft)	241,833	134,100	189,783	780,578
Rental (psf)	RM1.64	RM1.97	RM1.79	RM2.42
Adjusted Rental (psf) [(a)]	RM1.79	RM1.88	RM1.79	RM1.94

Source: Valuation Report by Knight Frank dated 29 July 2019

Note:-

(a) *As stated in the valuation report, there is no recorded sales / rental evidences of similar asset class within the locality of Batu Pahat. Based on the market rental payable (with master lease arrangement) of other selected healthcare assets located nationwide, the Valuer has vide the valuation report on the Property assessed and adopted RM1.80 psf as the market rent (upon reversionary term) of the property after having considered and made diligent adjustment for differences including but not limited rental on triple net basis, location and catchment area, size, building condition/specification and facilities offered.*

The lease consideration for the initial 3 years of RM4.79 million per annum translates to lease rental yield of 6.14% or net property income yield of 6.01%. However, note that the Lease Consideration of the Property is subject to a 10% increase every 3 years, over the next 30-years Lease Period.

Note that for the first year, JLand has agreed to grant a 3 months free fit-out period (i.e. rental free) to PGSHSB. It is expected the SPA will only be completed after the 3-months fit-out period, whereupon Al-`Aqar will be the lessor of the Property.

The location, size and yield of Al-`Aqar's existing properties *vis-à-vis* the Property are as stated below:-

Properties	Locations	Area Land Area (sq ft)	 Gross Floor Area (sq ft)	Net Property Income Yield [(b)]
		'000	'000	%
Northern Region				
5 properties	Alor Setar, Bukit Mertajam, Taiping, Ipoh	47.85 - 217.80	40.26 - 382.87	6.68% - 6.93%
East Coast Region				
2 properties	Kota Bharu, Kuantan	72.10 - 87.80	67.56 - 147.54	6.51% - 6.84%
Central Region				
8 properties	Ampang, Petaling Jaya, Shah Alam, Kajang, Kuala Lumpur, Klang	23.66 - 233.25	81.21 - 445.11	6.15% - 6.69%
Southern Region				
5 properties	Johor Bahru, Nilai Seremban, Kluang	10.63 - 746.96	31.44 - 482.46	5.36% - 7.19% [(c)]
Sabah / Sarawak				
1 property	Kota Kinabalu	33.99	44.69	7.07%
Outside Malaysia				
1 property	Australia	1287.14	121.68	8.64% [(d)]
Range				**5.36% - 7.19%**
Property	**Batu Pahat, Johor**	**217.81**	**173.65**	**6.01%** [(a)]

Source: Al-`Aqar FYE 2018 annual report ended 31 December 2018 and management of DRMSB

Notes:-

(a) The net property income is based on one full year rental, less the estimated takaful and maintenance manager fee.

(b) Computed by dividing the net yield of the investment properties over the value of the properties as stated in the valuation report.

(c) Exclude KPJ Healthcare University College, Nilai, as the rental payment was based on a purchase consideration which was payable on a deferred basis. Hence, the net property income yield is only 4.02%. For information, the final purchase consideration is made in November 2019.

(d) Outlier.

For information, the net property income yield of the Property is within the net investment properties yield of Malaysian Real Estate Investment Trusts ("**REIT**") ranging between 4.54% and 7.79%.

3. INFORMATION ON THE PARTIES INVOLVED IN THE PROPOSALS

3.1 Information on the Vendor, JLand

JLand is a 100%-effective owned subsidiary of JCorp.

JLand is a company incorporated on 13 July 1972 in Malaysia with its registered office at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000, Johor Bahru, Johor and a place of business at Kompleks Mutiara Johor Land, Jalan Bukit Mutiara, Bandar Dato Onn, 81100 Johor Bahru, Johor.

JLand has a paid-up capital of RM445,745,488. The principal activities of JLand are property development, construction and investment holding.

The directors of JLand are Dato' Kamaruzzaman Bin Abu Kassim, Lukman Bin Hj. Abu Bakar, Zulkifli Bin Ibrahim, Yusaini Bin Hj. Sidek, Rabiatul Adawiah Binti Adnan, Mohd Sahir Bin Rahmat, Ungku Harunalrashid Bin Ahmad and Mohd Yusof Bin Ahmad.

3.2 Information on the Lessee, PGSHSB

PGSHSB is a wholly owned subsidiary of KPJ.

PGSHSB is a company incorporated on 28 October 2009 in Malaysia with its registered address at Level 11, Menara JCorp, No. 249 Jalan Tun Razak, Kuala Lumpur, Wilayah Persekutuan.

PGSHSB has a paid-up capital of RM65,000,000. The principal activities of PGSHSB are operations of private hospitals.

The directors of PGSHSB are Aminudin Bin Dawam, Khairun Bin Ahmad, Dr Saharudin Bin Abdul Jalal, Asmadi Bin Mohd Bakri, Dr. Ahmad Fauzi Bin Abdul Rahman, Dr. Mohd Ali Salleh, Dr. Shamsuddin Abdul Aziz, Ahmad Mustaqim Bin Baharudin, Ab. Razak Bin Samsudin and Aziah Binti Ahmad.

4. RATIONALE FOR THE PROPOSALS

The Proposals are in line with Al-`Aqar acquisition strategy, which is to acquire and invest in properties with a view to enhance its income stability through long-term lease arrangement.

The rationale for the Proposals is further elaborated below:-

4.1 Accretive income

Al-`Aqar aims to achieve income growth and enhance the value of its property portfolio over time through, inter alia, selectively acquiring additional properties that meet Al-`Aqar's investment criteria. Al-`Aqar's investment criteria is to invest in healthcare assets to optimise the performance and diversify geographically its portfolio. The Proposals are expected to be accretive to Al-`Aqar's income through the long-term lease arrangement.

4.2 Increased income stability through the Lease Agreement

The Proposals will be beneficial to Al-`Aqar as the lease of the KPJ Batu Pahat Specialist Hospital is expected to provide Al-`Aqar with stable and sustainable income stream over the next 30 years.

5. PROSPECTS IN RELATION TO THE PROPERTY

Information in the ensuing Sections 5.1, 5.2, 5.3 and 5.4 have been extracted from the most recent available government publications and other publicly available resources.

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew at a stronger pace of 4.9% in the second quarter of 2019. Gross domestic products ("**GDP**") registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending.

After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.

Growth in gross fixed capital formation registered a smaller contraction of 0.6% (1Q 2019: -3.5%), driven by a slightly higher private investment growth amid a continued decline in public investment. By type of assets, investments in structures turned around to register a positive growth of 1.2% (1Q 2019: -1.3%), reflecting some improvement in the residential property segment. Capital expenditure on machinery and equipment recorded a smaller decline of 4.2% (1Q 2019: -7.4%), following higher spending on information and communications technology.

Private investment expanded at a faster pace of 1.8% (1Q 2019: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Nonetheless, uncertainty surrounding global trade tensions and prevailing weaknesses in the broad property segment continued to weigh on the investment growth performance.

Public investment registered a smaller contraction of 9.0% (1Q 2019: -13.2%), mainly reflecting higher fixed asset spending by the Federal Government which partially offset the continued weak investment by public corporations.

The construction sector registered marginally higher growth at 0.5% (1Q 2019: 0.3%), on account of growth improvements in the residential and special trade subsectors. While the residential subsector registered a smaller contraction, activity remained weak amid the high unsold properties. The higher growth in the special trade subsector was due to end-works activity amid completion of some mixed development projects. The near completion of a large petrochemical project continued to affect growth in the civil engineering subsector, while the non-residential subsector remained weak amid the oversupply of commercial properties.

(Source: Economic and Financial Developments the Malaysian Economy in Second Quarter of 2019, Bank Negara Malaysia)

Supported by strong fundamentals, the Malaysian economy is expected to remain resilient despite global economic uncertainties. Real GDP is projected to grow by 4.7% in 2019. In 2020, the economy is expected to remain steady, with a growth of 4.8% led by domestic demand. Private sector expenditure will remain the key driver of growth with private consumption and investment rising 6.9% and 2.1%, respectively. Meanwhile, public sector expenditure is forecast to rebound, following improvement in investment. On the supply side, the expansion is expected to be broad-based, with all sectors registering positive growth.

Despite the anticipated expansion, external uncertainties pose downside risks to the growth prospect. To minimise the risks and drive the economy, the Government will implement measures to harness economic opportunities, level up human capital, ensure inclusivity and revitalise public institutions and public finances. This will lay the foundation for the crystallisation of the objectives of Shared Prosperity Vision 2030 and for Malaysia to reemerge as an Asian Tiger.

(Source: Chapter 1, Economic Outlook 2020, Ministry of Finance)

5.2 Overview and outlook of the Johor economy

The service sector continues to be the largest contributor to the State's economic growth, contributing 49% or RM64 billion to the State's GDP. Meanwhile, the manufacturing sector contributed 29% or RM38 billion to the State's GDP.

For 2019 and 2020, the Johor economy is expected to continue on a solid path with projected growth of between 5.2% and 5.5%, which is higher than the national average. Johor's economic growth recorded in 2018 was very encouraging at the rate of 5.6%, higher compared with the national growth rate of 4.7% in the same year.

Projects in Batu Pahat under the Johor 2020 Budget, amongst others, are as follows:-

(a) Construction of new road from Mukim 6 Linau and Mukim 7 Tanjung Sembrong;

(b) Flood mitigation project in Kampung Parit Haji Hashim;

(c) Increase the height of seacoast fort; and

(d) to repair and beautify the Batu Pahat Municipal Council building turning it into Batu Pahat museum

(Source: translated from Johor 2020 Budget speech text)

5.3 Overview of Hospitals in Johor

There are 6 notable projects with wellness components in Johor, namely KPJ Batu Pahat Specialist Hospital at Batu Pahat, KPJ Kluang Specialist Hospital at Kluang, Thomson Iskandar Medical Hub at Stulang Darat, Columbia Asia Hospital at Southkey, KPJ Bandar Dato' Onn Specialist Hospital at Bandar Dato' Onn and Gleneagles Medini Hospital at Medini, Iskandar Puteri.

KPJ Kluang Specialist Hospital is located in Taman Saujana, Kluang. The new KPJ Kluang Specialist Hospital will shift its entire operation from the existing Kluang Utama Specialist Hospital to the new building which is scheduled to be opened in 2019, however the exact date was not privy to us. The objective of this hospital building is to have the one-stop medical centre which will facilitate a wider range of comprehensive outpatient and inpatient specialist healthcare services. The hospital will have 9-storey building equipped with 90 beds.

Thomson Iskandar Medical Hub is located along Jalan Stulang Darat, in the vicinity of Stulang Darat, Johor Bahru. The proposed medical hub will contain a 500-bed hospital named Iskandariah Hospital and 400 medical suites. In the future there will also be health and wellness facilities and space of healthcare education for both doctors and allied health professionals. The construction work started in August 2018 and is expected to be completed by Year 2021.

Columbia Asia Hospital is located within Kota Southkey. It fronts the main thoroughfare of Johor Bahru, Jalan Tebrau. With a build-up area of approximately 235,000 sq ft, the 3-storey hospital will have about 150 beds offering a comprehensive multi-disciplinary specially service(s). The development is expected to be completed in 2019.

KPJ Bandar Dato' Onn Specialist Hospital is a standalone private hospital located in Bandar Dato' Onn, Johor Bahru. Phase 1 of KPJ Bandar Data' Onn Specialist Hospital is newly completed and opened in February 2019. It is the most recent addition to the KPJ Group of Hospital with specific focus on service excellence, fully equipped with modern and top of the line equipment matching international standards. This Phase 1 of the specialist hospital offers 150 beds.

Gleneagles Medini Hospital Johor which located in Medini, Iskandar Puteri, Johor Bahru. The hospital is currently operating with almost 150 beds and will add another 30 beds by end of 2019.

Market outlook: Medical Tourism

Malaysia's healthcare system consists of two tiers: a state-owned universal healthcare system for national citizens and the private sector that serves the affluent citizens as well as the international patients. Due to demographic shifts - growing ageing population, increased life expectancy and the growth of non-communicable diseases, demand for healthcare is expected to grow. Healthcare is clearly integral to the government's long-term vision, although doubts have emerged over the viability of heavy state subsidization. There is a growing pressure to restructure the healthcare system, with an emphasis on allowing private facilities to play a greater role. Thus, shifting demographics are influencing the government to rely more heavily on private capital to take Malaysia's healthcare system forward.

The government had taken proactive measures to generate revenue from the healthcare industry. The Malaysia Healthcare Travel Council (MHTC), is being set up with the aim to develop Malaysia's medical tourism industry by collaborating with relevant stakeholders, in particular the private Malaysian healthcare institutions. MHTC also serves as the one-stop centre to handle all enquiries on health tourism in Malaysia.

With specific tax incentives being given to the healthcare facilities depending on the medical purposes (services, manufacturing, R&D, etc.), it was made known that the government has taken a number of steps to incentivize private investment in healthcare. Moving forward, this augurs well for investment in the healthcare / wellness industry.

(Source: Valuation Report)

5.4 Prospects on Malaysian healthcare industry

Healthcare is one of the main thrust in the 11th Malaysia Plan, which is to improve the wellbeing of the rakyat by raising the standard of living and quality of life irrespective of their socioeconomic background and geographical location. To achieve it, one of the plan's objective falls on healthcare delivery system which can be enhanced by creating a sustainable healthcare system, optimising financial resources, strengthening population health and pursuing greater collaboration among stakeholders.

Among the targets set for the healthcare sector under the 11th Malaysia Plan is to achieve 2.3 hospital beds per 1,000 population by 2020, from 1.9 hospital beds per 1,000 population in 2017.

On private investments, up till 2017, private healthcare has been earmarked as one of the 9 subsectors that is being identified that has continued to be the driving force of the economy, contributing 67.7% of total investment of RM659 billion in current prices. Real private investment increased at an average rate of 6.8% during the review period, supported by better performance of the services sector as well as sustained growth momentum of the manufacturing and construction sectors.

(Source: Ministry of Economic Affairs, Mid-Term review of the 11th Malaysia Plan, October 2018)

5.5 Prospects of KPJ Batu Pahat Specialist Hospital

5.5.1 Quality tenant

PGSHSB, a wholly-owned subsidiary of KPJ, is the operator of KPJ Batu Pahat Specialist Hospital.

As at LPD, KPJ owns and/or manages 27 private specialist hospitals throughout Malaysia, 2 private specialist hospitals in Indonesia and 1 private retirement village and aged care service in Australia. In addition, KPJ also has presence in Thailand and Bangladesh. With over 10,000 employees, KPJ has a pool of expert professionals and experienced managers for them to tap upon. Furthermore, KPJ has more than 38 years' experience in the healthcare industry.

5.5.2 Quality real estate portfolio

The Property is strategically located within the mixed development enclave of Taman Mutiara Gading. Taman Mutiara Gading is an on-going mixed residential development, and is developed by JLand. The Property is located along Jalan Kluang, a main connecting road between the Ayer Hitam and Batu Pahat town centre. The Batu Pahat town is located about 10km to the south-west from the Property.

Barring any unforeseen circumstances, the Manager believes that in the longer term, prospect of the Property should be positive.

It is the intention of Al-`Aqar to hold the Property for long-term to derive the rental income.

6. RISKS FACTORS IN RELATION TO THE PROPOSALS

You should consider the following risk factors (which may not be exhaustive) pertaining to the Proposals:-

(a) Future Market Value of the Property

The valuation of the Property by the Independent Valuer is not an indication of, and does not guarantee, a sale price either at the present time or at any time in the future. There can be no assurance that Al-`Aqar would be able to sell the Property, or that the price realised on such sale would not be lower than the present valuation of the Property or the price paid by Al-`Aqar to purchase the Property.

(b) Dependance on a single lessee

Pursuant to the Proposed Lease Novation, the Property will be leased to a single lessee i.e. PGSHSB.

As such the rental income from KPJ Batu Pahat Specialist Hospital is highly dependent on the performance and operation of PGSHSB. PGSHSB's parent company, KPJ, and its group of companies are experienced operators, and are instrumental to the success of the operations of other 27 private specialist hospitals throughout Malaysia. Nevertheless, there can be no assurance that any default or delay in paying the rental by the Lessee will not adversely affect Al-`Aqar cash flow and resultantly its distribution to the unitholders.

(c) **Risk of external financing**

As stated in Section 2.3.2 above, Al-`Aqar proposes to finance the Proposed Acquisition of Property via a new Islamic financing facility. As disclosed in Section 7.4 below, Al-`Aqar's borrowings will increase from RM603.7 million to RM683.7 million and Al-`Aqar's total borrowings to total asset value ratio will increase from 38.2% to 41.2%.

Whilst Al-`Aqar endeavors to comply with the financing terms and conditions, there is no assurance that Al-`Aqar will be able to do so; and that any failure to comply and/or increase in interest rate would have an adverse material impact on the financial performance and thereon the distribution to the unitholders of Al-`Aqar.

(d) **Completion risk**

The completion of the respective Proposals are subjected to the fulfillment of the conditions precedent as stated in Appendix I (C) which include, among others, Al-`Aqar unitholders' approval.

Whilst Al-`Aqar endeavors to take reasonable steps that are within its control to fulfil the terms and conditions of the Proposals as well as to obtain the necessary approvals within the stipulated timeframe, there can be no assurance that all terms and conditions of the Proposals can by fulfilled within the stipulated timeframe, failing which the Proposals may be terminated.

(e) **Compulsory acquisition**

Pursuant to the Land Acquisition Act, 1960, the Malaysian government has the power to compulsory acquire any land in Malaysia in accordance with the aforesaid act. In the event of compulsory acquisition of land, the amount of compensation to be awarded shall be computed on the basis prescribed in the First Schedule of the Land Acquisition Act, 1960.

In the event of any compulsory acquisition on all or any portion of the KPJ Batu Pahat Specialist Hospital, Al-`Aqar shall seek all legal recourse available to them. Nevertheless, there can be no assurance that the amount of such compensation awarded is equivalent to the market price of KPJ Batu Pahat Specialist Hospital or the Purchase Price of KPJ Batu Pahat Specialist Hospital, and that such a compulsory acquisition will not have a material adverse effect.

7. EFFECTS OF THE PROPOSALS

7.1 Unit Capital and Substantial Unitholder's Unitholding

The Proposals will not have any effect on the unit capital and substantial unitholders' unitholdings in Al-`Aqar as the Proposals do not involve any issuance of new units in Al-`Aqar.

7.2 Earnings and Earnings per unit ("EPU")

The Board believes that the Proposals are expected to contribute positively to the future earnings and EPU of Al-`Aqar from the lease of the Property.

For illustrative purposes only, based on the latest audited financial statements of Al-`Aqar for the FYE 31 December 2018 and on the assumption that the Proposals had been effected at the beginning of the FYE 31 December 2018, the proforma effects of the Proposals on the earnings of Al-`Aqar are as follows;-

	Consolidated Earnings (RM'000)
Audited PAT	91,374
Adjustments arising from the Proposals:-	
Add: Lease income	4,790
Less: Property expenses	(a) (101)
Less: Manager fee	(b) (98)
Less: Cost of financing	(c) (4,000)
Pro forma PAT	**91,965**
Weighted average no. of units in circulation ('000)	728,885
EPU	
- Existing @ FYE 31 December 2018 (sen)	12.54
- Pro forma (sen)	12.62

Notes:

(a) Consist of the estimated takaful and maintenance manager fee.

(b) Manager fee is computed assuming the base rate of 0.125% of the property value.

(c) Al-`Aqar intends to raise RM80 million for the Proposed Acquisition from Islamic financing facility to cater for the purchase price, estimated expenses for the Proposed Acquisition and estimated transaction costs in relation to the Islamic financing facility. The cost of financing including amortisation of the financing expenses is assumed to be 5.00% per annum.

For information, the purchase price of RM78 million and the estimated expenses for the proposed acquisition of RM1.3 million are capitalised as initial measurement of the cost of the Property. Assuming that the fair value of the Property remains the same at RM78 million, the difference of RM1.3 million between the cost of investment (RM79.3 million) and fair value (RM78 million) of the Property will be recognised as unrealised fair value loss. The proforma PAT above has not taken into consideration the fair value loss adjustment arising from the capitalisation of the estimated expenses, as the estimated expenses for the Proposals is one-off.

7.3 NAV and NAV per unit

For illustrative purposes, assuming the Proposals are completed on 31 December 2018 (i.e. the latest audited financial year end of Al-`Aqar), the Proposals are not expected to have a material impact on the NAV and NAV per unit of Al-`Aqar as the Purchase Price is to be fully funded by way of a new Islamic financing facility.

As explained in 7.2 above, any fair value changes to the Property will have an impact on the PAT, and the NAV and NAV per unit will change accordingly.

7.4 Gearing (Total Borrowing / Total Asset Value)

For illustrative purposes, assuming that the Proposals were completed on 31 December 2018, the proforma effects of the Proposals on the gearing ratio of Al-`Aqar are as follows:-

	Audited as at 31 December 2018 (RM'000)	**After the Proposed Acquisition (RM'000)**
Total asset value	1,580,468	1,658,468
Total borrowings [(a)]	603,705	683,705
Gearing (total borrowing / total asset value)	**38.2%**	**41.2%**

The above gearing ratio remains below the borrowings limit of 50% prescribed by the Listed REIT Guidelines.

Note:-

(a) Based on an Islamic financing facility of RM80 million.

8. PERCENTAGE RATIO

The percentage ratio applicable for the Proposals (including the 30 year lease) pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is more than 5%.

9. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

(a) the unitholders of Al-`Aqar at the forthcoming EGM; and

(b) any other consents and regulatory and/or governmental approvals, if required.

The Proposed Lease Novation is conditional upon the Proposed Acquisition. The Proposals are not conditional upon any other proposal undertaken or to be undertaken by Al-`Aqar.

10. INTEREST OF MAJOR UNITHOLDERS OF AL-`AQAR, MAJOR SHAREHOLDERS AND DIRECTORS OF THE MANAGER

Save as disclosed below, the Manager is not aware of any other Directors of the Manager and/or major shareholders of the Manager and/or major unitholders of Al-`Aqar and/or persons connected with them who have any interest, direct or indirect, in the Proposals.

10.1 Interested Major Unitholders and Major Shareholders of the Manager

The interested major unitholders and their unitholdings in Al-`Aqar as at the LPD are set out below:-

Name	Direct		Indirect	
	No. Of Units	%	No. Of Units	%
JCorp	-	-	302,448,172	41.09 (i)
KPJ	-	-	284,075,083	38.60 (ii)

(Collectively referred to as "**Interested Unitholders**")

Notes:-

(i) Deemed interested by virtue of its interest in Waqaf An-Nur Corporation Berhad and Johor Ventures Sdn Bhd and by virtue of its interest in KPJ under Section 8 of the Act.

(ii) Deemed interested by virtue of its interest as several Unitholders of Al-`Aqar are part of the KPJ Group.

The Interested Unitholders are deemed interested by virtue of the following:-

(a) JLand is a 100%-effective owned subsidiary of JCorp. JCorp is the indirect major unitholder of Al-`Aqar;

(b) the Manager is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp; and

(c) PGSHSB is a wholly-owned subsidiary of KPJ, a major unitholder of Al-`Aqar.

JCorp is also deemed an interested shareholder of the Manager. The Manager is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp.

Accordingly, the Interested Unitholders will abstain from voting in respect of their direct and indirect interest in Al-`Aqar on the resolution pertaining to the Proposals at the forthcoming EGM. In addition, the Interested Unitholders have undertaken that persons connected with them shall abstain from voting on the resolution pertaining to the Proposals at the forthcoming EGM in respect of their direct or indirect interests in Al-`Aqar.

10.2 Interested Directors

Dato' Kamaruzzaman Bin Abu Kassim and Dato' Amiruddin Bin Abdul Satar, who are directors of the Manager, are also directors of KPJ and senior management personnel of JCorp.

Lukman Bin Hj. Abu Bakar, a director of the Manager, is also the Managing Director of JLand and senior management personnel of JCorp.

Wan Azman Bin Ismail, a director of the Manager, is also a senior management personnel of JCorp. Mohd Yusof Bin Ahmad, a director of the Manager, is also the Executive Director of JLand.

Yusaini Bin Hj. Sidek, a director of the Manager, is also a director of Damansara Assets Sdn Bhd (a wholly-owned subsidiary of JCorp) and a senior management personnel of JCorp.

(Dato' Kamaruzzaman Bin Abu Kassim, Dato' Amiruddin Bin Abdul Satar, Lukman Bin Hj. Abu Bakar, Wan Azman Bin Ismail, Mohd Yusof Bin Ahmad and Yusaini Bin Hj. Sidek are collectively referred to as "**Interested Directors**").

The Interested Directors are deemed interested in the Proposals by virtue of them being persons connected to JCorp and KPJ.

The interests of the Interested Directors as at LPD are as follows:-

Name	**Direct**		**Indirect**	
	No. Of Units	**%**	**No. Of Units**	**%**
Dato' Kamaruzzaman Bin Abu Kassim	50,000	0.01	-	-
Wan Azman Bin Ismail	-	-	-	-
Lukman Bin Hj. Abu Bakar	-	-	-	-
Yusaini Bin Hj. Sidek	-	-	-	-
Dato' Amiruddin Bin Abdul Satar	910	*	-	-
Mohd Yusof Bin Ahmad	-	-	-	-

Note:-

* *Negligible*

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberations and voting on the Proposals at all Board meetings. They will also abstain from voting in respect of their direct and indirect interests, if any, on the resolution pertaining to the Proposals at the forthcoming EGM.

In addition, the Interested Directors have undertaken to ensure that persons connected with them shall abstain from voting on the resolution pertaining to the Proposals at the forthcoming EGM in respect of their direct and indirect interests in Al-`Aqar.

11. TRANSACTED AMOUNT WITH JLAND AND PGSHSB FOR THE PRECEDING 12 MONTHS

There were no transactions (excluding transactions in the ordinary course of business) entered into between Al-`Aqar with (i) JLand and (ii) PGSHSB for the preceding twelve (12) months from the date of this Circular.

12. AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee of the Manager (save for Lukman Bin Hj. Abu Bakar, who is an Interested Director in the Proposals), having considered the rationale and all aspect of the Proposals and the evaluation and recommendation by the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are:-

(a) in the best interest of Al-`Aqar;

(b) fair, reasonable and on normal commercial terms; and

(c) not detrimental to the non-interested unitholders of Al-`Aqar.

13. DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for the Interested Directors), having considered, the rationale and all aspects of the Proposals and the evaluation and recommendation by the Independent Adviser:-

(a) is of the opinion that the Proposals are in the best interests of Al-`Aqar and its unitholders; and

(b) recommends that you vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

14. INDEPENDENT ADVISER

The Proposals are deemed related party transactions pursuant to the Listing Requirements. In view of the interest of the interested parties in the Proposals, the Board had, on 24 July 2019, appointed Crowe to act as the Independent Adviser to undertake the following:-

(a) comment as to whether the Proposals are:-

    (i) fair and reasonable so far as the unitholders of Al-`Aqar are concerned; and

    (ii) to the detriment of the non-interested unitholders of Al-`Aqar, and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise the non-interested directors of the Manager and the non-interested unitholders of Al-`Aqar on the Proposals, and whether the non-interested unitholders of Al-`Aqar should vote in favour of the Proposals; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (a) and (b) above.

Please refer to the IAL as set out in Part B of this Circular.

15. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the proposed amendments to the restated trust deed dated 31 July 2013 entered into between the Manager and the Trustee which was announced on 20 February 2019, the Manager is not aware of any outstanding corporate exercise which has been announced by Al-`Aqar but is pending implementation or completion prior to the printing of this Circular.

The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by Al-`Aqar.

16. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, subject to the fulfilment of all conditions as set out in the SPA and the required Unitholders' approvals being obtained, the Proposed Acquisition is expected to be completed by end of the calendar year 2019 and the novation of the lease shall commence on the date of the completion of the Proposed Acquisition.

The estimated timeframe for the Proposals is as follows:-

Date		Events
13 December 2019	:	EGM to approve the Proposals
end-December 2019	:	Completion of the Proposals

17. EGM

The EGM, the Notice of which is enclosed with this Circular, will be held at Permata Ballroom, Level B2, The Puteri Pacific Johor Bahru, Jalan Abdullah Ibrahim 80730 Johor Bahru, Johor on 13 December 2019 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution, with or without any modifications, to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy following the instructions contained therein as soon as possible, so as to arrive at the registered office of the Manager at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, not less than 24 hours before the time set for holding the EGM or any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

18. FURTHER INFORMATION

You are requested to refer to the enclosed appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
DAMANSARA REIT MANAGERS SDN BERHAD
(as Manager of Al-`Aqar Healthcare REIT)

DATO' SR. DR. RAHAH BINTI ISMAIL
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM CROWE TO THE NON-INTERESTED UNITHOLDERS OF AL-`AQAR IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the definitions section of Part A of the Circular, except where the content otherwise requires or where defined herein.

The executive summary represents only a summary of the Independent Advice Letter ("**IAL**") by Crowe Advisory Sdn Bhd ("**Crowe**" or the "**Independent Adviser**") and is not intended to substitute the full text of this IAL. The non-interested unitholders of Al-`Aqar Healthcare REIT ("**Al-`Aqar**" or "**REIT**") ("**Non-Interested Unitholders**") are advised to read carefully and understand fully the contents of this IAL, which is to be read in conjunction with Part A of the Circular and the accompanying appendices.

1 INTRODUCTION

On 26 August 2019, AmInvestment Bank Berhad ("**AmInvestment Bank**"), on behalf of the board of directors of Damansara REIT Managers Sdn Berhad, the management company of Al-`Aqar ("**Manager**") ("**Board**"), announced that AmanahRaya Trustees Berhad (**"Trustee"** or the "**Purchaser**"), entered into a conditional sale and purchase agreement ("**SPA**") with Johor Land Berhad ("**JLand**" or the "**Vendor**" or the "**Lessor**"), for the acquisition of a new hospital known as KPJ Batu Pahat Specialist Hospital together with approximately five (5) acres of land held under H.S.(D) 69760, PTD 63523, Mukim Simpang Kanan, District of Batu Pahat, State of Johor (collectively referred to as **"Property"**) for a total cash consideration of RM78 million ("**Purchase Price**") ("**Proposed Acquisition**").

On the same day, the Trustee, JLand as Lessor and Pasir Gudang Specialist Hospital Sdn Bhd ("**PGSHSB**" or the "**Lessee**"), a wholly-owned subsidiary of KPJ Healthcare Berhad ("**KPJ**"), as the Lessee, had also entered into the lease agreement for the lease of the Property ("**Lease Agreement**"). Upon completion of the SPA, all JLand's rights, title, interest, benefits, obligation and liabilities as the Lessor in connection to the Lease Agreement shall be novated to the Trustee ("**Proposed Lease Novation**").

The Proposed Acquisition and Proposed Lease Novation shall collectively be referred to as Proposals.

Premised on the above, Crowe was appointed by the Trustee and the Manager on 24 July 2019 as the Independent Adviser to advise the Non-Interested Unitholders on the Proposals.

2 EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have considered the following:-

2.1 Rationale for the Proposals

- <u>Increase income stability through the long-term lease arrangement</u>

  Under the Proposed Lease Novation of KPJ Batu Pahat Specialist Hospital, the total lease period is thirty (30) years based on a triple net lease arrangement. Currently, Al-`Aqar has a weighted average lease expiry ("**WALE**") of 14.40 years and with the Proposed Lease Novation, the WALE will increase to 15.05 years, assuming that the SPA is completed on 31 December 2019. A longer WALE would provide Al-`Aqar with more predictability and stability of income stream.

2 EVALUATION OF THE PROPOSALS (CONT'D)

2.1 Rationale for the Proposals (Cont'd)

- Accretive income

  The Proposals is in line with Manager's key objective to increase cash flow and enhance unit value through selective acquisitions in the long term. We note the pro forma accretion of the Proposals to REIT's realised earnings per unit ("**EPU**") from 12.54 sen for financial year ended ("**FYE**") 31 December 2018 to 12.62 sen after the Proposals is effected. In addition, the Proposed Acquisition would further strengthen Al-`Aqar's presence in Johor State with a well-diversified geographical portfolio.

We are of opinion that the rational for the Proposals is reasonable on the basis that the Proposals is expected to be earnings accretive to Al-`Aqar.

2.2 Basis and Justification of the Purchase Price

We have relied on the valuation report prepared by the independent valuer, Knight Frank Malaysia Sdn Bhd ("**Valuer**") to consider the fairness of the Purchase Price.

We take note that in arriving at the Purchase Price of the Property, the Valuer adopted the income approach by investment method and the comparison approach as the principal valuation methodology to derive the market value for the Property of RM78 million. The cost approach is used as support to counter-check the valuation for the Property derived from the income approach with a derived market value of RM79 million. Our observations on the valuation of the Property are as follows:-

- Income Approach by Investment Method for Hospital Building (as defined herein)

  (i) Term

  - The term average gross rental is based on the committed monthly rental as per the Lease Agreement. The average gross rental for year 1 is RM1.72 per square feet ("**psf**") per month over gross floor area ("**GFA**"), RM2.30 psf per month over GFA in year 2 to RM5.42 psf per month over GFA in year 30.
  - The allowance of outgoings is 3.00% of gross income.
  - The range of capitalisation rate is 6.50% to 9.00%.

  (ii) Reversionary

  - The average gross rental adopted is RM1.80 psf per month which is within the range of market lease rental of other selected healthcare assets located nationwide by the Valuer of between RM1.64 psf to RM2.42 psf.
  - The Valuer has adopted a higher void allowance of 10.00% of the annual income as PGSHSB, the Lessee, is considered a single operator.
  - The outgoings adopted by the Valuer is 5.00% of gross income, which is reasonable after taking into consideration the structural works, fire and building along with public liability insurance(s) to be maintained by the Lessor.
  - The Valuer indicated that there is a lack of healthcare assets transactions in the market for assessment as benchmark for yields. After considering factors such as the prevailing market conditions, location, concept and design of the building), the Valuer has adopted the rate of 6.75%.

2 EVALUATION OF THE PROPOSALS (CONT'D)

2.2 Basis and Justification of the Purchase Price (Cont'd)

- Comparison Approach for Land designated for Future Development (as defined herein)

  We have considered the comparable properties adopted by the Valuer in applying the comparison approach to the Land designated for Future Development, as well as the adjustments made, and we are satisfied that the Valuer's adopted land value of RM78.43 psf is appropriate.

Overall, we are satisfied with the assumptions adopted by the Valuer from income approach by investment method for the Hospital Building and the comparison approach for the Land designated for Future Development. We are of opinion that the derived Purchased Price is fair and reasonable.

2.3 SPA and Lease Agreement

Based on our review of the salient terms of the SPA and Lease Agreement, below highlights, amongst others, the pertinent terms and our opinion, of the SPA and Lease Agreement which are distinct to the Proposals:

- Salient Terms of SPA

  (i) JLand will assign, novate and substitute all of its rights, title, interest, benefit, obligation and liabilities as the Lessor to the Trustee under the term of the Lease Agreement upon completion of the SPA ("**Novation Clause**"). Completion of the SPA is determined upon the fulfilment or waiver of the conditions precedent as laid out in the SPA (Appendix I of Part A of the Circular) ("**Conditions Precedent**") and the settlement of full Purchase Price.

  (ii) Considering that the Property is new and has only recently been accorded the certificate of completion and compliance ("**CCC**"), notwithstanding the Novation Clause, JLand's obligation under the defect liability period for the constructed KPJ Batu Pahat Specialist Hospital shall continue to apply until 27 February 2021.

  (iii) Upon completion of the SPA and pending registration of the title transfer from Johor Corporation ("**JCorp**") to the Trustee, the beneficial ownership of the Property shall be deemed transferred to the Trustee. We wish to highlight that after the completion date of the SPA, there shall be no right of termination of the SPA as agreed by JLand and the Trustee. Hence, JCorp shall continue to hold the Property as bare trustee of the Trustee in the event that the transfer of title cannot materialise.

- Salient Terms of Lease Agreements

  (i) The lease consideration is RM4.79 million for the initial three (3) years and it shall be reviewed based on a 10% incremental for every three (3) years throughout the total term of the Lease Agreement period of thirty (30) years from the commencement date of the Lease Agreement for Al-`Aqar in relation to the Novation Clause.

  (ii) As similarly covered under the terms of the SPA, the defect liability period will end on 27 February 2021 and will cross over the lease period from the completion date of the SPA. JLand, as the developer to construct KPJ Batu Pahat Specialist Hospital, shall continue to fulfill its responsibility for any defect liability.

2 EVALUATION OF THE PROPOSALS (CONT'D)

2.3 SPA and Lease Agreement (Cont'd)

- Salient Terms of Lease Agreements (Cont'd)

  (iii) In the event of unilateral termination where PGSHSB opts for early termination prior to the end of the thirty (30) years tenure, or do not promptly pay the Lease Consideration for a continuous three (3) months, PGSHSB is required to fulfill its commitment to pay the Lease Consideration for the whole of the remaining unexpired lease period under the terms of the Lease Agreement. On the other hand, if the Lessor is to terminate prior to the end of the tenure, PGSHSB will be at liberty to take such action in law as deemed necessary.

We are of the opinion that overall terms and conditions set out in the SPA and Lease Agreement are fair and reasonable and are common in a transaction of such nature.

2.4 Effects of the Proposed Acquisition

In our evaluation, we have considered the effects arising from the Proposals.

- Unit Capital and Substantial Unitholder's Unitholdings

  The Proposals will not result in any change to Al-`Aqar's total unit capital and substantial unitholders' unitholdings.

- Earnings and EPU

  The Proposals are expected to contribute positively to the future earnings and EPU of Al-`Aqar. Assuming that the Proposals are completed on 31 December 2018, the pro forma earnings will increase from RM91.37 million to RM91.97 million and the EPU will increase from 12.54 sen to 12.62 sen.

  We wish to highlight that in the event that the fair value of the Property falls below the cost of investment of RM79.3 million for the Property (computed as the Purchase Price of RM78 million plus the estimated expenses for the Proposals of RM1.3 million capitalised as initial measurement to the cost of Property), the difference will be recognised as unrealised fair value loss and as such, the earnings and EPU of Al-`Aqar will be impacted accordingly.

- Net Asset Value ("**NAV**") and NAV per Unit

  Notwithstanding any fair value changes to the Property, Al-`Aqar's NAV and NAV per unit will remain unchanged as the Purchase Price is to be fully funded by way of a new Islamic financing facility.

- Gearing

  There will be an increase in gearing by 3.0% from 38.2% to 41.2% on the assumption that the Purchase Price will be funded entirely via debt instruments.

We are of the opinion that the financial effects of the Proposed Acquisition are reasonable.

2 EVALUATION OF THE PROPOSALS (CONT'D)

2.5 Industry Outlook and Future Prospects

We note that the Malaysian economy is expected to sustain its growth momentum with GDP registering a higher growth of 4.9% in the second quarter of 2019 and is expected to grow to 5.8% in 2020. The growth is supported by continued expansion in domestic demand and private sector expenditure remained as the anchor of growth. As for Johor State's economy, the projected growth rate is expected to moderate between 5.2% and 5.5% for 2019 and 2020.

- Overview of Hospitals in Johor

  There are five (5) upcoming private hospitals (excluding KPJ Batu Pahat Specialist Hospital) under construction or scheduled to be operating in 2019 are concentrated within the Southern and Central side of the State of Johor. The northern side of the State of Johor where the Property is located, has limited supply with only three (3) existing hospitals and medical/ specialist centres catering for 197 beds in total. Hence, the overall prospect of KPJ Batu Pahat Specialist Hospital, with its strategic location within the northern of the State should be generally positive.

- Prospects on Malaysian Healthcare Industry

  Healthcare is one of the main thrust in the 11th Malaysia plan, which is to improve the wellbeing of the rakyat by raising the standard of living and quality of life irrespective of their socioeconomic background and geographical location. We note that achieving universal access to quality healthcare is a continuing focused area under the government's plan and an important strategy is to encourage further investment in the private healthcare facilities to complement public healthcare services.

- Prospects of KPJ Batu Pahat Specialist Hospital

  PGSHSB, the operator of KPJ Batu Pahat Specialist Hospital, is subsidiary of KPJ, which has over thirty eight (38) years' experience in the healthcare industry. The location of the hospital is within the sub-town of the State of Johor in Batu Pahat, easily accessible and surrounded by an on-going mixed residential development with upcoming properties to include double-storey shop/ offices, single-storey terraced shops, landed terraced houses as well as stratified residential developments. Given the quality tenant profile coupled with the strategic location of the hospital, this augurs well for the future prospects of KPJ Batu Pahat Specialist Hospital.

2.6 Risk Factors

We note that the risks associated with the Proposals are typical risks associated with the business of leasing / ownership of real estate, and similar with some of the risks undertaken by other real estate investment trust. Nevertheless, we wish to highlight below the risks particularly associated with the Proposals:-

- Completion Risk

  The Purchase Price for the Proposed Acquisition, the estimated expenses pertaining to the Proposals and the transaction costs for the financing facilities of RM1.3 million and RM0.7 million, respectively are to be funded by a new Islamic financing facility. As laid out in the Conditions Precedent of the SPA, the Proposed Acquisition is subject to the Trustee or Al-`Aqar obtaining and accepting letter of offer in relation to the financing of the Property.

2 EVALUATION OF THE PROPOSALS (CONT'D)

2.6 Risk Factors (Cont'd)

- Completion Risk

  In the event that Al-`Aqar is unable to obtain 100% financing or partial financing for the balance of Purchase Price within the stipulated time frame of three (3) months with one (1) month automatic extension from the date of the SPA ("**Completion Date**") or such periods mutually agreed in writing ("**Extended Completion Date**"), it could result in the non-completion of the Proposed Acquisition. A partial financing for the Balance Purchase Price will also result in Al-`Aqar having to use internally generated funds to ensure completion of the Proposed Acquisition.

  Apart from the above, the Proposed Acquisition is also subject to the fulfilment or waiver of the other conditions precedent. Any risk due to the delay or failure of the respective parties' performance of their obligations under the SPA may result in the non-completion of the Proposed Acquisition.

- Transfer of Land Title

  Pursuant to the SPA, the Proposed Acquisition is deemed completed upon fulfilment of the Conditions Precedent in the SPA and upon settlement of the full Purchase Price by Al-`Aqar to JLand. Hence, the transfer of the title of the Land from JCorp to Al-`Aqar may have yet to be completed at the completion of the SPA, where the parties agree that there shall be no right of termination of the SPA after completion has taken place.

  However, under the provisions of the SPA, it is provided for, that pending registration of the transfer of the Property in favour of Al-`Aqar, JCorp shall hold the Property in trust and for the benefit of Al-`Aqar, where JCorp shall deal with the Property in the manner as directed and instructed by Al-`Aqar.

3 CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals and have set out our evaluation in **Section 5 of this IAL**. The Non-Interested Unitholders should consider the merits and demerits of the Proposals carefully based on all relevant and pertinent factors including those and other considerations as set out in this IAL, the Circular and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposals.

Premised on our overall evaluation and assessment of the Proposals based on the information available to us up to LPD, we are of the opinion that the Proposals are **fair and reasonable** and **not detrimental** to the Non-Interested Unitholders of Al-`Aqar.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposals to be tabled at the forthcoming unitholder's Extraordinary General Meeting ("**EGM**").

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Crowe

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80000 Johor Bahru
Johor

28 November 2019

To: The Non-Interested Unitholders of Al-`Aqar

Dear Sirs or Madam

AL-`AQAR HEALTHCARE REIT

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

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*This IAL is prepared for inclusion in the circular to the unitholders of Al-`Aqar dated 28 November 2019 in relation to the Proposals ("**Circular**") and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of the Circular, except where the content otherwise requires or where defined herein.*

1 INTRODUCTION

On 26 August 2019, AmInvestment Bank, on behalf of the Board, announced that the Trustee, had on even date, entered into a conditional SPA with JLand, a 100%-effective owned subsidiary of JCorp for the acquisition of KPJ Batu Pahat Specialist Hospital together with a land area of five (5) acres (approximately 217,813 sq ft) on H.S.(D) 69760, PTD 63523, Mukim Simpang Kanan, District of Batu Pahat, State of Johor for a total cash consideration of RM78 million.

On the same day, the Trustee, JLand as the Lessor and PGSHSB, a wholly-owned subsidiary of KPJ, as the Lessee, had also entered into the Lease Agreement for the lease of the Property. Pursuant to the provision in the Lease Agreement, all JLand's rights, title, interest, benefits, obligation and liabilities as the Lessor in connection to the Lease Agreement shall be novated to the Trustee upon completion of the SPA.

In view of the interests of the directors of the Manager and major unitholders of Al-`Aqar as set out in Section 10 Part A of the Circular, the board of the Trustee and the Manager had on 24 July 2019 appointed Crowe to act as the Independent Adviser in relation to the Proposals.

The purpose of this IAL is to provide our comments to the Non-Interested Unitholders as to whether the Proposals are fair and reasonable, and whether the Proposals are to the detriment of the Non-Interested Unitholders, and to provide our recommendation on the resolution pertaining to the Proposals to be tabled at the forthcoming unitholders' EGM, subject to the limitation of our role and evaluation as explained herein.

1 INTRODUCTION (CONT'D)

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED UNITHOLDERS FOR THE PURPOSES OF CONSIDERING THE MERITS OF THE PROPOSALS AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY.

THE NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ENCLOSED APPENDICES THEREIN AND TO CONSIDER CAREFULLY OUR EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

IF THE NON-INTERESTED UNITHOLDERS ARE IN DOUBT AS TO THE COURSE OF ACTION BE TAKEN, PLEASE CONSULT STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISORS IMMEDIATELY.

1.1 Declaration of Conflict of Interest and Our Credentials, Experience and Expertise

Crowe has conducted its own conflict of interest check in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants (IFAC) and By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (MIA) and confirms that there are no conflict of interest situations arising from Crowe carrying out its role as an Independent Adviser.

Crowe is a licensed corporate finance adviser and provides a range of corporate finance services which include advice on initial public offerings, independent advice letters, fairness opinions, corporate and debt restructuring exercises, mergers and acquisitions, valuation exercises and transaction services.

Crowe had over the past three (3) years provided and issued three (3) fairness opinion reports and two (2) independent advice opinions as follows:-

Report or Letter Issuance Date	Description of the Corporate Exercise
7 December 2018	Expert's report on the fairness of the purchase consideration for the proposed acquisition by Straits Inter Logistics Berhad ("**Straits**") of 1,444,000 ordinary shares in Banle Energy International Limited, Hong Kong ("Banle"), representing 38% equity interest in Banle from CBL (Asia) Limited, Hong Kong, for the purchase consideration of United States Dollar ("**USD**") 3,605,250 to be satisfied entirely via issuance of 63,820,595 ordinary shares in Straits at RM0.235 per ordinary shares.
3 July 2018	IAL pertaining to the proposed ratification of the acquisition by Advance Information Marketing Berhad of 6,132,000 ordinary shares in Jiakun International Berhad which were acquired in several tranches via the open market for a cash consideration of RM1,485,894.
30 November 2017	IAL pertaining to the proposed acquisition by Mieco Chipboard Berhad of the entire equity interest of Great Platform Sdn Bhd ("**GPSB**"), a wholly-owned subsidiary of SYF Resources Berhad ("**SYF**"), comprising 5,000,000 ordinary shares for a Purchase Consideration of RM7,063,341 and the proposed assumption of liabilities owing by GPSB to SYF of RM51,528,809 to be settled entirely via cash.
25 November 2016	Expert's report on the fairness of the purchase consideration for the proposed acquisition by N2N Connect Berhad of the entire equity interest in AFE Solutions Limited from Reuters International Holding S.A.R.L. and Systex Capital Group Inc for an initial purchase consideration of USD 20,597,300 to be fully satisfied in cash.

Crowe

1 INTRODUCTION (CONT'D)

1.1 Declaration of Conflict of Interest and Our Credentials, Experience and Expertise (Cont'd)

Report or Letter Issuance Date	Description of the Corporate Exercise
20 October 2016	Expert's report on the fairness of the purchase consideration for the proposed acquisition by OCK Vietnam Towers Pte Ltd, an indirect 60%-owned subsidiary of OCK Group Berhad, of 42,042,702 ordinary shares in Southeast Asia Telecommunication Holdings Pte Ltd ("**SEATH**"), representing the entire equity interest in SEATH from Vietnam Infrastructure Limited for the indicative Purchase Consideration of USD50,000,000 to be satisfied entirely via cash.

Premised on the foregoing, Crowe has the capability and competency to carry out its role as the Independent Adviser of Al-`Aqar to advise the Non-Interested Unitholders in relation to the Proposals and is able to discharge its duties and responsibilities.

2 SCOPE, LIMITATIONS AND ASSUMPTIONS TO THE EVALUATION AND OPINION

Crowe was not involved in the formulation of, or any deliberation and negotiation on, the terms and conditions of the Proposals. Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals from a financial perspective, subject to the limitations stated herein.

It is not within our terms of reference to express any opinion on the commercial merits of the Proposals and this remains the sole responsibility of the Board, although we may draw upon its views in arriving at our opinion. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposals.

In preparing this IAL, we had relied on the following sources of information:-

(a) information contained in Part A of the Circular and the accompany appendices in the Circular;

(b) the SPA and the Lease Agreement;

(c) the valuation report dated 29 July 2019 in relation to KPJ Batu Pahat Specialist Hospital by the Valuer ("**Valuation Report**") and the valuation certificate prepared by the Valuer;

(d) information contained in the annual reports of Al-`Aqar for the 31 December 2018;

(e) discussions and relevant information, documents and/or representations provided by the Manager and the Valuer; and

(f) other publicly available information which we deemed relevant.

We have not independently verified such information, whether written or verbal, and shall not assume responsibility for the accuracy and/or completeness of such information. Nevertheless, the Board has, however, collectively and individually, confirmed to us that all relevant material facts and information essential to the Proposals have been disclosed to us.

2 SCOPE, LIMITATIONS ASSUMPTIONS TO THE EVALUATION AND OPINION (CONT'D)

The Board have also accepted full responsibility for the accuracy, completeness and validity of the information provided and given herein (except for our evaluation and opinion as contained herein), and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other information and/or facts, the omission of which would make any information supplied to us misleading, incomplete or inaccurate, or would materially affect our evaluation, views and recommendations in this IAL.

Crowe acknowledges that, based on all information made available for purposes of its evaluation of the Proposals, after making all reasonable enquiries and to the best of its knowledge and belief, the information used is reasonable, accurate, complete and free from material omission and this IAL constitutes a full and true disclosure of all material facts concerning the Proposals and there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

In our evaluation, we have only taken into consideration pertinent matters which we believe are of importance in enabling us to form an opinion as to the fairness and reasonableness of the Proposals in so far as the Non-Interested Unitholders are concerned and whether the Proposals are to the detriment of the Non-Interested Unitholders. Hence:-

(a) the scope of our responsibilities with regard to our evaluation and opinion contained herein does not address the underlying commercial decision to any strategic alternative(s) that may be, or has been made, available to Al-`Aqar, and as such, we shall not express any opinion on the commercial justification of the Proposals. Any commercial justification with regard to the Proposals shall be the sole responsibility of the Board;

(b) our view and recommendation contained in this IAL are for the Non-Interested Unitholders at large and not to any unitholder individually. Crowe has not taken into consideration any specific investment objective(s), financial situation(s) and particular need(s) of any unitholder or any specific group of unitholders who are independent to the Proposals. We therefore recommend that any individual unitholder or specific group of unitholders who may require advice in relation to the Proposals within the context of their objective, financial situation and particular needs to consult their stockbroker, bank manager, solicitor, accountant and other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual unitholder or any group of unitholders in reliance of the opinion and/or information stated in this IAL for any purpose which is particular to any individual unitholder or group of unitholders;

(c) our evaluation and recommendation as set out in this IAL are based upon market, industry, economic, regulatory and other conditions (if applicable) prevailing on the information or documents made available to us at the LPD. Such conditions may change significantly over a short period of time. As such, our evaluation and recommendation in this IAL do not take into consideration the information, events and conditions arising after the LPD. In this regard, our advice should be considered in the context of the entirety of this IAL and the Circular.

After the despatch of this IAL, should we become aware of any significant change affecting the information contained in this IAL or have reasonable grounds to believe that any statement in this IAL is misleading or deceptive or have reasonable grounds to believe that there is material omission in this IAL, we will immediately notify the unitholders. If circumstances require, a supplementary IAL will be sent accordingly to the unitholders.

3 INTEREST OF MAJOR UNITHOLDERS OF AL-`AQAR, MAJOR SHAREHOLDERS AND DIRECTORS OF THE MANAGER

The interests of the Interested Unitholders and Interested Directors (as defined in Part A of the Circular) (collectively, referred to as "**Interested Parties**") are set out in Section 10 of Part A of the Circular.

The Interested Parties had abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of Al-`Aqar pertaining to the Proposals. The Interested Parties will also abstain from voting in respect of their direct and/or indirect unitholdings in Al-`Aqar, if any, on the resolution pertaining to the Proposals to be tabled at the forthcoming unitholders' EGM.

The Interested Parties have also undertaken to 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 Proposals to be tabled at the forthcoming Unitholders' EGM.

Save as disclosed in Section 10 of Part A of the Circular, none of the other Directors of the Manager, major unitholders of Al-`Aqar and/or persons connected with them have any interest, direct or indirect, in the Proposals.

4 DETAILS OF THE PROPOSALS

The Proposed Acquisition entails the acquisition of the hospital known as KPJ Batu Pahat Specialist Hospital which is a seven (7) storey purpose built hospital with a gross floor area of 173,645.39 sq ft comprising of structures, landscaping, installation, facilities and infrastructure together with car parks the necessary amenities and utilities in accordance with the design plans approved by the Appropriate Authorities together with the 1.38 acre land earmarked for future development in which JCorp is the registered owner.

The building is newly completed based on the issuance of the partial CCC dated 10 April 2019 and was subsequently issued with its full CCC on 10 September 2019.

The Lease Agreement is the agreement entered into between the Trustee, JLand and PGSHSB in relation to the Proposed Lease Novation of the Property by JLand to PGSHSB, whereby upon the Completion Date, JLand will novate as the lessor to the Trustee all its rights, title, interest, benefit, obligation and liabilities in order for PGSHSB to continue with their operations under similar terms as per the Lease Agreement.

The full details of the Proposals are set out in Section 2 of Part A of the Circular and should be read in its entirety by the unitholders of Al-`Aqar.

5 EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have considered the following:-

(a) rationale for the Proposals;
(b) basis of arriving at the Purchase Price for the Proposals;
(c) the salient terms of the SPA and the Lease Agreement;
(d) the financial effects of the Proposals;
(e) industry outlook and prospects in relation to the KPJ Batu Pahat Specialist Hospital;
(f) risk factors in relation to the Proposals.

We set out in the following sections, the details of our evaluation of the Proposals.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.1 Rationale for the Proposals

We take cognisance of the rationale for the Proposals as set out in Section 4 of Part A of the Circular and the following summarised our opinions on the Proposals.

5.1.1 Increase income stability through the long-term lease arrangement

Under the Proposed Lease Novation and as set out in Section 2.4 and Appendix II of Part A of the Circular, the term of the lease of KPJ Batu Pahat Specialist Hospital is for a total period of thirty (30) years based on a triple net lease arrangement. The principal lease period is for a period of six (6) years ("**Principal Lease Period**") commencing from the Commencement Date and an extended lease period of eight (8) successive 3-year terms which shall be automatically renewed and commence from the expiry of the Principal Lease Period.

As at 31 December 2018 and based on Al-`Aqar's portfolio of twenty two (22) properties of lease expiry ranging from year 2021 to year 2030, we have computed Al-`Aqar's WALE to be at 14.40 years as tabulated in the table below:

No.	Properties	Annual Gross Rental Income FYE 2018 (RM'000)[1] A	Expiry of Lease	Remaining Lease Years from 31/12/2018 B	WALE[2] (Current) A/C*B	WALE[3] (Add) A/D*B
	Malaysia					
1	KPJ Ampang Puteri Specialist Hospital	9,751	29/6/2021	2.42	0.23	0.22
2	KPJ Damansara Specialist Hospital	8,569	29/6/2021	2.42	0.20	0.19
3	KPJ Selangor Specialist Hospital	5,687	29/6/2021	2.42	0.13	0.13
4	KPJ Ipoh Specialist Hospital	5,355	29/6/2021	2.42	0.13	0.12
5	KPJ Johor Specialist Hospital	8,421	29/6/2021	2.42	0.20	0.19
6	KPJ Puteri Specialist Hospital	3,176	29/6/2021	2.42	0.07	0.07
7	KPJ Perdana Specialist Hospital	3,248	29/2/2023	4.08	0.13	0.12
8	KPJ Kajang Specialist Hospital	3,335	29/2/2023	4.08	0.13	0.13
9	Kuantan Wellness Centre	1,434	29/2/2023	4.08	0.06	0.05
10	Kedah Medical Centre	3,732	29/2/2023	4.08	0.15	0.14
11	Sentosa Medical Centre	1,992	29/2/2023	4.08	0.08	0.08
12	Taiping Medical Centre	715	30/4/2024	5.25	0.04	0.03
13	KPJ Penang Specialist Hospital	4,624	13/10/2024	5.75	0.26	0.25
14	KPJ International College, Penang	1,197	13/10/2024	5.75	0.07	0.06
15	KPJ Healthcare University College, Nilai	4,407	30/4/2030[4]	11.83	0.51	0.49
16	KPJ Seremban Specialist Hospital	4,746	13/10/2024	5.75	0.27	0.25
17	KPJ Tawakkal Specialist Hospital	8,775	5/7/2025	6.50	0.56	0.53
18	Tawakal Health Centre	3,224	14/5/2024	5.33	0.17	0.16
19	KPJ Klang Specialist Hospital	7,294	25/6/2027	8.42	0.60	0.57
20	Kluang Utama Specialist Hospital	292	5/1/2027	8.00	0.02	0.02
21	Damai Wellness Centre	1,123	11/6/2024	5.42	0.06	0.06
	Australia					
22	Jeta Gardens	11,552	1/11/2110	10.33	10.33	9.87
	Total C	**102,649**	-		**14.40**	-
23	KPJ Batu Pahat Specialist Hospital	4,790	23/9/2049[5]	29.67	-	1.32
	Total D	**107,439**	-	-	-	**15.05**

(Source: Annual Report 2018 and the management of Damansara REIT Managers Sdn Berhad)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.1 Rationale for the Proposals (Cont'd)

5.1.1 Increase income stability through the long-term lease arrangement (Cont'd)

Notes:

(1) Annual gross rental income amount as at 31 December 2018 rounded to the nearest RM1,000.

(2) WALE is calculated by adding up the remaining lease in years of current Al-Aqar's portfolio from 31 December 2018 and is weighted with the individual properties' rental income against the total annual rental income of current Al-`Aqar's portfolio.

(3) WALE is calculated by adding up the remaining lease in years of current Al-`Aqar's portfolio from 31 December 2018 with the addition of the KPJ Batu Pahat Specialist Hospital up to the expiry of the lease tenure per the Lease Agreement, and is weighted with the individual properties' rental income against the total annual rental income of the enlarged Al-`Aqar's portfolio post Proposal.

(4) Based on the new building's expiry of lease term.

(5) Up to the end of the term of the Lease Agreement, assuming the commencement of the novation of the Lease Agreement from JLand to Al-`Aqar to be on 31 December 2019 (based on the estimated timeframe of completion of the Proposals as laid out in Section 16 of Part A of the Circular).

Assuming that the completion of the SPA to be on 31 December 2019 and up to the end of the Lease Period *(a total of 30 years as defined in Part A of the Circular)*, the Proposals will increase the WALE of Al-`Aqar's enlarged portfolio from 14.40 years to 15.05 years as shown in the table above. An increase in the WALE is expected to provide Al-`Aqar with more predictability and stability of income stream over the increased period.

Nonetheless, we note that Al-`Aqar's policy and strategies are steered towards sustainable long-term growth where one of the salient feature of its existing portfolio's lease arrangement are with long tenure of fifteen (15) years with option for renewal of a further fifteen (15) years (*Source: Annual Report 2018*).

Furthermore, the Proposals will also enhance the spread of Al-`Aqar's portfolio rental review. The table below shows the spread of Al-`Aqar's portfolio:

Financial Year	Number of Properties
FY2019	1
FY2020	6
FY2021	14
FY2022 (i)	1
FY2024	1

(Source: Al-`Aqar Annual Report 2018)

Note:

(i) Assuming that the Proposals is completed in FYE 2019. Based on the terms of the Lease Agreement, the rent shall be reviewed on the third anniversary of the Commencement Date during the Principal Lease Period.

A well-spread rental review portfolio of Al-`Aqar will provide income sustainability that will support the REIT's distribution policy of at least 95% of its distributable income annually.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.1 Rationale for the Proposals (Cont'd)

5.1.2 Accretive income

The Manager's key objective is to provide unitholders with stable distributions with the potential for sustainable long-term growth in NAV per unit, of which the acquisition strategy is to increase cash flow and enhance unit value through selective acquisitions.

The Proposals bodes well with the Manager's acquisition and growth strategy of selective acquisitions which conforms to the Fund's policy to diversify its real estate portfolio by location. As at LPD, Al-`Aqar has twenty one (21) properties in Malaysia and one (1) in Australia as shown below:

No.	Properties	Location
	Malaysia	
1	KPJ Ampang Puteri Specialist Hospital	Taman Dato' Ahmad Razali, Ampang, Selangor.
2	KPJ Damansara Specialist Hospital	Damansara Utama, Petaling, Jaya, Selangor.
3	KPJ Selangor Specialist Hospital	Section 20, Shah Alam, Selangor.
4	KPJ Ipoh Specialist Hospital	Jalan Raja Di Hilir, Ipoh, Perak.
5	KPJ Johor Specialist Hospital	Jalan Abdul Samad, Johor Bahru. Johor.
6	KPJ Puteri Specialist Hospital	Jalan Tun Abdul Razak (Susur 5), Johor Bahru, Johor.
7	KPJ Perdana Specialist Hospital	Jalan Bayam, Section 14, Kota Bharu, Kelantan.
8	KPJ Kajang Specialist Hospital	Jalan Cheras, Kajang, Selangor.
9	Kuantan Wellness Centre	Taman Kuantan, Kuantan, Pahang.
10	Kedah Medical Centre	Jalan Pumpong, Alor Setar, Kedah.
11	Sentosa Medical Centre	Jalan Chemur Damai Complex, Kuala Lumpur.
12	Taiping Medical Centre	Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak.
13	KPJ Penang Specialist Hospital	Jalan Perda Utama, Bandar Perda, Bukit Mertajam, Pulau Pinang.
14	KPJ International College, Penang	Jalan Sungai Rambai, Bukit Mertajam, Pulau Pinang.
15	KPJ Healthcare University College, Nilai	Kota Seriemas, Nilai, Negeri Sembilan.
16	KPJ Seremban Specialist Hospital	Kemayan Square, Seremban, Negeri Sembilan.
17	KPJ Tawakkal Specialist Hospital	Jalan Pahang Barat/ Jalan Sarikei, Kuala Lumpur.
18	Tawakkal Health Centre	Jalan Pahang, Kuala Lumpur.
19	KPJ Klang Specialist Hospital	Persiaran Rajawati / KU 1, Bandar Baru Klang, Klang, Selangor.
20	Kluang Utama Specialist Hospital	Jalan Besar, Kluang, Johor.
21	Damai Wellness Centre	Lorong Pokok Tepus 1, Off Jalan Damai, Kota Kinabalu, Sabah.
	Australia	
22	Jeta Gardens Aged Care and Retirement Village	Clarendon Avenue, Bethania and 86 Albelt Street, Waterford, Queensland, Australia.

(Source: Al-`Aqar Annual Report 2018)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.1 Rationale for the Proposals (Cont'd)

5.1.2 Accretive income (Cont'd)

From the table above, we note that in Johor State, Al-`Aqar has two (2) properties in Johor Bahru and one (1) in Kluang. The KPJ Batu Pahat Specialist Hospital is located in Batu Pahat district, which would further strengthen its presence in Johor State with a well-diversified geographical portfolio.

The Manager expects the Proposals to be accretive to Al-`Aqar's income through the long-term lease arrangements. As set out in Section 7.2, Part A of the Circular, we have considered the pro forma effects of the Proposals on Al-`Aqar's EPU for the FYE 31 December 2018 and note the accretive effect of the Proposals as summarised below:

	Audited for FYE 31 December 2018	Pro forma after the Proposals
Pro forma profit after tax ("**PAT**") (RM '000)	91,374	91,965 *(i)*
Pro forma EPU (sen)	12.54	12.62 *(ii)*

Notes:

(i) Assumes that the Proposals had been effected at the beginning of the FYE 31 December 2018, based on the net property income and taking into consideration the cost of financing and other related expenses as below:

Property expenses	:	*Comprise takaful and maintenance manager fee.*
Manager fee	:	*Computed at a base rate of 0.125% of the property value.*
Cost of financing	:	*Assumed at 5.00% per annum on financing amount of RM80 million (comprising the Purchase Price of RM78 million, estimated expenses for the Proposals and transaction costs in relation to the financing facility of RM1.3 million and RM0.7 million, respectively.*

(ii) Based on 728,885,000 units in issue as at the LPD.

The Proposals is expected to be immediately accretive to Al-`Aqar post completion of the exercise, save for a one-off unrealized fair value loss in the event that the fair value of the Property falls below the cost of investment as detailed in Section 5.4.2 of this IAL. Albeit that the accretive income arising from the Proposals is marginal with incremental EPU of RM0.08 sen for FYE 31 December 2018, it is expected to increase over the lease tenure as KPJ Batu Pahat Specialist Hospital is an income generating asset under the terms of the Lease Agreement where the Lease Consideration is subject to an increment of 10% on every three (3) years as set out in Section 5.3.2 of this IAL.

Al-`Aqar has a distribution policy of at least 95% of its distributable income and with Al-`Aqar maintaining an income distribution of 95%, the Proposals is expected to increase the DPU as it is earning accretive.

Our Opinion

Premised on the above, we are of the opinion that the rationale of the Proposals is reasonable.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price

As set out in Section 2.3.1, Part A of the Circular, the Purchase Price for the Proposed Acquisition of RM78 million was arrived on a willing-buyer willing-seller basis after taking into consideration the market value of the Property as appraised by the Valuer.

The Property can be categorised into two (2) components, namely the Hospital Building and the Land designated for Future Development:

Property components	Description
Hospital Building	Seven (7)-storey purpose-built private medical hospital along with an electrical and mechanical substation building and other supporting structures and facilities including surface car parking bays occupying the Property's land with gross floor area of 173,645.39 sq ft.
Land designated for Future Development	Part of the Property's land measuring approximately 1.38 acres (60,113 sq ft) earmarked for future development.

Note: For avoidance of doubt, as per the Valuation Report, both Hospital Building and Land designated for Future Development are sited on a master title (Master Title No. HS(D) 69760).

For the purpose of evaluating the fairness of the Purchase Price, we have relied on the Valuation Report. Non-Interested Unitholders are advised to read our comments below and refer to the Valuation Certificate as enclosed in Appendix III of the Circular.

We note that the Valuer adopted the income approach by investment method for the Hospital Building component and the comparison approach for the Land designated for Future Development component as the principal valuation methodology to derive the market value of the Property. The cost method was also used as support to counter-check the RM78 million valuation for the Property derived from income approach.

<table>
<tr><th></th><th>Components</th><th>Valuation Method</th><th>Market Value</th></tr>
<tr><td rowspan="2">Primary</td><td>Hospital Building</td><td>Income approach by investment method</td><td rowspan="2">RM78 million</td></tr>
<tr><td>Land designated for Future Development</td><td>Comparison approach</td></tr>
<tr><td>Comparative (Check)</td><td>Hospital Building and Land designated for Future Development</td><td>Cost approach</td><td>RM79 million</td></tr>
</table>

The income approach by Investment Method involves capitalisation of the net annual income stream that is expected to be received from the Hospital Building after deducting annual outgoings/ property expenses and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

The comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

The cost approach is derived principally by considering the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

In reviewing the above, we concur with the Valuer in so far as:

(a) the investment method for the Hospital Building is appropriate to be used as the principal valuation methodology taking into consideration that:

(i) the Hospital Building is an income generating asset with relatively predictable income stream based on the Lease Agreement; and

(ii) the resultant net income (net of expenses incurred) is capitalised into market value using a capitalisation rate which reflects the expected return on investment over the lease term.

(b) the comparison approach for the Land designated for Future Development is appropriate as it provides an overview of market demand and supply conditions and the perceived value of a similar nature, given that it is an empty land demarcated for future development.

(c) the cost approach is an appropriate counter-check for the valuation of the Property (both the Hospital Building and the Land designated for Future Development) as it considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that is of equal.

We also wish to highlight that the Valuer had in their Valuation Report indicated that their valuation of the market value of the Property was based on the following assumptions:

(a) that the CCC together with all relevant licenses and permits to operate the medical facility will be issued upon the completion of all related common infrastructure works leading to the hospital building; and

(b) that a lease agreement will be signed with the terms that are similar to the existing agreement to lease dated 17 October 2016 entered into between JLand, JCorp and Puteri Specialist Hospital (Johor) Sdn Bhd ("**Agreement to Lease**") where upon the completion of the SPA, the Lease Agreement together with all rights, title, interests, obligations and liabilities will be novated to the Trustee.

The Lease Agreement between JLand, the Trustee and PGSHSB was entered into on 26 August 2019 with similar key salient terms and conditions as the Agreement to Lease, save and except for:

a) changes relating to the inclusion of public liability insurance on the building to be borne by the Lessor; and

b) the exclusion of rental calculation based on development cost to a lump sum annual rental (triple net basis) for the lease consideration.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

We are of the opinion that the changes of the above terms and condition to the Lease Agreement are reasonable on the following basis:

(a) the inclusion of the public liability insurance is normal practice in a lessor-lessee arrangement; and

(b) principally, there is no change in the method of arriving at the lease consideration based on the Agreement to Lease, where instead, the parties agreed to simplify the terms in the Lease Agreement with an absolute amount of a lump sum annual rental.

The full CCC for the Property was obtained on 10 September 2019 and under the provisions of the Lease Agreement, the lease of the Property will commence within 14 days from the date of the issuance of the full CCC. The commencement date of the Lease Agreement is on 24 September 2019. Upon completion of the SPA, JLand will assign, novate and substitute this lease to the Trustee under the term of the Lease Agreement.

Further details of the valuation methodologies and parameters are set out in the ensuing sections.

5.2.1 Income Approach by Investment Method for Hospital Building

The income approach involves capitalisation of the net annual income stream that is expected to be received from KPJ Batu Pahat Specialist Hospital after deducting the annual outgoings and other operating expenses incidental to KPJ Batu Pahat Specialist Hospital with allowance of void by using an appropriate market derived capitalisation rate.

The following summarises the parameters adopted by the Valuer in undertaking their assessment:

Term [(1)]

Average gross rental [(2)]	Year 1: RM1.72 psf per month over GFA [(3)] Year 2: RM2.30 to Year 30: RM5.42 psf per month over GFA
Void allowance	-
Allowance of outgoings [(4)]	3% of gross income
Capitalisation rate	6.50% to 9.00%

Reversionary [(1)]

Average gross rental	RM1.80 psf per month
Void allowance	10.00%
Allowance of outgoings [(4)]	5% of gross income
Capitalisation rate	6.75%

(Source: Valuation Report)

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.1 Income Approach by Investment Method for Hospital Building (Cont'd)

Notes:

(1) The reference of 'Term' refers to current rates based on the Lease Agreement with term ranging from year 1 to year 30. The reference of 'Reversionary' refers to Valuer's estimates upon the expiry of the term in the Lease Agreement.

(2) Based on committed monthly rental (on triple net lease basis), with an incremental of 10% every three (3) years throughout of Principal lease period of six (6) years with automatic lease renewal period of eight (8) successive three (3)-year terms in accordance to the Lease Agreement.

(3) Year 1's effective rental is calculated after considering the three (3)-month rent free period.

(4) Based on the Lease Agreement, the Lessee will undertake to pay all costs of outgoings/ property expenses, save for major structural repairs, fire, property/ building and public liability takaful to be maintained by the Lessor).

Our observations on the above are as follows:

(a) Average Gross Rental

The Valuer benchmarked the lease rental against the current market rental rates payable by various selected healthcare assets located nationwide as detailed in Section 2.4.1, Part A of the Circular. We note that the Valuer has selected healthcare assets located nationwide as there is no recorded sales/ rental evidences of similar asset class within the locality of the Property i.e. Batu Pahat.

The Valuer adopted an average adjusted rental of RM1.80 psf per month over the total GFA. We note that the unadjusted market lease rental of other selected healthcare assets located nationwide ranges between RM1.64 psf to RM2.42 psf.

As the selected comparables healthcare assets are not of similar asset class within Batu Pahat, adjustments are made by the Valuer for differences including but not limited to the location and catchment area, size, building condition/ specification and facilities offered.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.1 Income Approach by Investment Method for Hospital Building (Cont'd)

(a) Average Gross Rental (Cont'd)

A summary of the adjustments made were as follows:

	KPJ Seremban Specialist Hospital	KPJ Puteri Specialist Hospital	Pantai Hospital Manjung	Sunway Medical Centre
Location	Seremban, Negeri Sembilan	Johor Bahru, Johor	Seri Manjung, Perak	Bandar Sunway, Selangor
GFA (sf)	241,833	134,100	189,783	780,578
No. of beds	151	158	58	369
Analysed rental (RM psf/month over GFA)	RM1.64	RM1.97	RM1.79	RM2.42
Adjustments	Upward • 20% on condition/ specification of the hospital • 5% on car park ratio/ provision	Upward • 25% on condition/ specification of the hospital • 5% on car park ratio/ provision	Upward • 5% location, accessibility and catchment area	Upward • 10% on size • 10% on condition/ specification
	Downward • 10% on location and catchment area	Downward 30% on location and catchment area	Downward • 5% on car park ratio/ provision	Downward • 40% on location and catchment area
Adjusted analysis rental (RM psf/month over GFA)	RM1.79	RM1.88	RM1.79	RM1.94

(Source: Valuation Report)

We note the adjustments made by the Valuer to the selected comparables and the reasonableness of their rationale in arriving at the adjustments made in respect of the age of buildings, the specific facilities and the location of the selected comparables. Based on the above, we are of the opinion that the revisionary average gross rental adopted by the Valuer of RM1.80 psf per month is reasonable as it is within the adjusted analysis rental of selected comparables of RM1.79 psf to RM1.94 psf.

(b) Void Allowance

A void allowance is provided to reflect unforeseen vacancies, possible rent-free periods, fitting-out periods and possibility of bad debts. We note that the Valuer has applied for reversionary void allowance considering that over the Term, the Property has a committed and a secure with a single operator under the Lease Agreement.

Typically, the void allowance is usually in the region of 3.00% to 5.00% for profiles with multiple tenancies. Factors such as the tenant profile as well as the occupancy rate achieved are taken into consideration when determining the void allowance.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.1 Income Approach by Investment Method for Hospital Building (Cont'd)

(b) Void Allowance (Cont'd)

We note that the Valuer has adopted a higher void allowance of 10.00% of the annual income as the Lessee, being PGSHSB, is considered a single operator where the Hospital Building is built to suit a specialised market operation in the healthcare sector. Thus, we are of the opinion that the void allowance of 10.00% of the annual income is fair.

(c) Allowance of Outgoings

Term

Based on the Lease Agreement, the rental payable to Lessor is based on a triple net basis whereby the Lessee will undertake to pay all cost of outgoing or property expenses; save and except for major structural repairs, takaful, fire and building, public liability insurance(s). The Valuer considered it would be fair and adequate to adopt a provisional projection for outgoing at a rate of 3.00% of gross income.

We are of the opinion that the 3.00% term projected outgoings appears to be reasonable, taking into consideration that historically, Al-`Aqar's property expenses over gross rental ratio (excluding quit rent & assessment) range from 2.6% - 2.8% over the last three (3) financial years.

Reversion

Taking into consideration of provision for major structural works, the Valuer adopted an outgoing rate of 5.00% of gross income as the projected allocation for miscellaneous expenses which includes provision for structural works, fire and building along with public liability insurance(s) to be maintained by the Lessor and excludes all quit rent, assessment, maintenances charges and other rates imposed.

We are of the opinion that a higher 5% of reversion projected outgoings is applied by the Valuer is reasonable to accommodate the natural ageing of the building's wear and tear after the term period.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.1 Income Approach by Investment Method for Hospital Building (Cont'd)

(d) Capitalisation Rate

The capitalisation rate reflects the rate of return on investment on a property i.e. net yield, and is used to discount the net annual income stream that is expected to be received to arrive at a present value. A higher capitalisation rate or net yield would results in a lower valuation of the property.

Term

The Valuer adopted a capitalisation rate of 6.50% to 9.00% based on a range of yields adopted under the Term of the Lease Agreement which are benchmarked against prevailing market rate to reflect whether committed rental rates are under, over or at market rate. For every 10% increase in the lease rentals, the capitalisation rate is increased by 0.25 basis points up to a maximum of 9.00%.

The applied capitalisation rate of 6.50% to 9.00% is higher than Al-`Aqar's weighted average cost of capital of 5.78%. *(Source: Bloomberg @ 17 June 2019)*

Based on the above, we are of the opinion that the applied capitalisation rate of 6.50% to 9.00% is fair.

Reversion

In evaluating the revisionary capitalisation rate adopted by the Valuer, we note that there is a lack of healthcare assets transactions in the market to assess a benchmark for yields. Based on the Valuer's yield analysis, the selected historical yields of healthcare assets in Malaysia are in the region of about 6.13% to 6.48%.

The Valuer has also adjusted the selected historical yields of the healthcare assets whereby they are dependent on many factors including location/ catchment area, lease arrangement, operator profile, facilities offered, building design and concept as well as the size of the comparative sets of healthcare assets. The table below summarises the yield analysis:

Comparable Healthcare Assets	Analysed Yield	Adjusted Yield
Sunway Medical Centre	6.13%	6.63%
Johor Specialist Hospital	6.15%	6.40%
Puteri Specialist Hospital	6.48%	6.73%

(Source: Valuation Report)

After taking into consideration the prevailing market conditions, location, concept and design of the building along with its tenancy profile and committed lease arrangement, the Valuer considered it was fair representation to adopt a reversionary capitalisation rate of 6.75%.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.1 Income Approach by Investment Method for Hospital Building (Cont'd)

(d) Capitalisation Rate (Cont'd)

We have cross-checked the yield analysis adopted by the Valuer above against selected comparable real estate investment trusts listed in Bursa Malaysia that we consider broadly comparable to Al-`Aqar's lease model of single-tenanted properties as summarised below:

Comparable real estate investment trusts	Net Rental Yield [(1)]
Axis Real Estate Investment Trust	6.53%
Atrium Real Estate Investment Trust	6.21%

(Source: Annual Reports of comparable REITS for the FYE 31 December 2018)

Note:

(1) Net rental yield is computed by dividing the total net rental income with the fair value of total properties. No adjustment is made to the net rental yield computation.

Based on the above, we note that the reversionary capitalisation rate adopted by the Valuer for the Hospital Building is higher than the comparable real estate investment trusts for the FYE 31 December 2018. However, we are of the view that the higher reversionary capitalisation rate adopted by the Valuer of 6.75% is reasonable with the Property's risk profile of a single-purpose asset focus in healthcare sector as compared to a more flexible tenant profile for commercial properties.

5.2.2 Comparison Approach for Land designated for Future Development

This approach considers the sales of similar or substitute properties as well as related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued is compared against sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

The table below summarises the identified selected transactions of vacant land sales in the immediate and surrounding vicinity of the Property:

	Land Comparable 1	Land Comparable 2	Land Comparable 3
Locality	Located Off Jalan Kluang, Batu Pahat, Johor	Located Off Jalan Kluang, Batu Pahat, Johor	Located along Jalan Tanjong Laboh, Batu Pahat, Johor
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Land Area (sf)	69,578	7,621	99,916
Consideration	RM6,821,670	RM1,150,000	RM11,650,000
Date of Transaction	23 November 2018	24 July 2018	1 August 2016
Adjustment	General adjustments are made for location or establishment, accessibility or exposure, category of land use, express condition and planning approval.	General adjustments are made for location or establishment, accessibility or exposure, category of land use, land area, express condition and planning approval.	General adjustments are made for location or establishment, accessibility or exposure, category of land use, land area, express condition and planning approval and others (special purchaser).
Adjusted Analysis	RM78.43 psf	RM75.45 psf	RM81.62 psf

(Source: Valuation Report)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.2 Comparison Approach for Land designated for Future Development (Cont'd)

We have considered the adjustments made by the Valuer for the respective land comparables and we are of the view that the adjustments are reasonable and consistently applied across based on the general rationale as summarised below:

	General Rationale for Adjustments
Land Comparable 1, 2 and 3	▪ The three (3) comparable lands are situated in closer proximity to Batu Pahat town centre than the Property and hence a downward adjustment is made to the Property. ▪ The three (3) comparable lands are smaller in area and hence a downward adjustment is made to the Property. ▪ A downward adjustment is made for plot ratio and permitted use as the three (3) comparable lands have a similar permissible plot ratio of 4 with no restriction of permitted use in terms of commercial development. ▪ An upward adjustment is made for category of land use and planning approval as the three (3) comparable lands are an unconverted development land zoned for commercial use. ▪ Save for the above, Land Comparable 3 has an additional downward adjustment to reflect the potential value enhancement to the purchaser where their existing development is sited adjoining to the lot of Land Comparable 3.

(Source: Valuation Report)

Based on Valuer's analysis of the data obtained from the sources listed above, we note that recorded transactions of similar land transactions in the immediate and surrounding localities derived ranged from RM75.45 psf to RM81.62 psf.

After taking into consideration of various dissimilarities including but not limited to location or establishment, accessibility or exposure, category of land use, express conditions and planning approval, we note that Valuer has placed greater reliance on Land Comparable 1 as it was the latest sale transaction and the least dissimilarities with the Property for adjusted comparable. The Valuer is of the opinion that the base land value (Land designated for Future Development) to be RM78.43 psf.

Thus, we are of the opinion that the land value of RM78.43 psf is fair since the land size of the land comparable 1 is fairly similar to that of the Land designated for Future Development.

5.2.3 Cost Approach

The Valuer adopted the cost approach as a cross-check for the income approach and comparison approach detailed in Section 5.2.1 and 5.2.2 of this IAL.

This comparative approach considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility. In real estate context, one would normally not be justified in paying more for a given property than the cost of acquiring equivalent land and constructing an alternative structure, unless undue time, inconvenience, and risks are involved. In practice, the approach also involves an estimate of depreciation for older and or less functional properties where an estimate of cost new unreasonably exceeds the likely price that would be paid for the appraised property.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.3 Cost Approach (Cont'd)

The Valuer has identified and analysed the selected recent transactions of vacant land sales in the immediate and surrounding vicinity of the Property and summarised details as below:-

	Land Comparable 1	Land Comparable 2	Land Comparable 3
Locality	Located Off Jalan Kluang, Batu Pahat, Johor	Located Off Jalan Kluang, Batu Pahat, Johor	Located along Jalan Tanjong Laboh, Batu Pahat, Johor
Property Type	A parcel of redevelopment land with potential for commercial use	A parcel of vacant development land	A parcel of vacant development land
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Land Area	6,464.01 square meters (69,578 sf or 1.60 acres)	708.01 square meters (7,621 sf or 0.17 acres)	9,282.50 square metres (99,916 sf or 2.29 acres)
Consideration	RM6,821,670	RM1,150,000	RM11,650,000
Date of Transaction	23 November 2018	24 July 2018	1 August 2016
Adjustment	General adjustments are made for location or establishment, accessibility or exposure, category of land use, express condition and planning approval.	General adjustments are made for location or establishment, accessibility or exposure, category of land use, land area, express condition and planning approval.	General adjustments are made for location or establishment, accessibility or exposure, category of land use, land area, express condition and planning approval and others (special purchaser).
Unadjusted Analysis	RM98.04 psf	RM150.90 psf	RM116.60 psf
Date of Transaction	23 November 2018	24 July 2018	1 August 2016
Adjusted Analysis	RM68.63 psf	RM75.45 psf	RM64.13 psf

The Valuer has analyse based on the same selected transactions of vacant land sales in the immediate and surrounding vicinity of the Property as detailed in Section 5.2.2 of the IAL.

We note that the Valuer, having considered all relevant factors and taking into consideration of various dissimilarities including but not limited to location or establishment, accessibility or exposure, plot ratio, category of land use, express condition and planning approval, the Valuer considered Land Comparable 1 as more reliable being the latest sale transaction and the least adjusted comparable. The Valuer is of the opinion that the adjusted base land value (applicable for the Hospital Building) should be RM68.63 psf and adjusted base land value (applicable for the Land designated for Future Development) should be RM78.43 psf.

As a check, the Valuer had also taken the total construction cost of KPJ Batu Pahat Specialist Hospital excluding land cost of RM64.57 million or RM371.85 psf and compared this construction cost against data published by JUBM and Arcadis Construction Cost Handbook Malaysia 2019, wherein the industry average costing derived from analysis of other awarded contracts of similar healthcare properties ranged between RM250 psf to RM603 psf. As such, the Valuer had adopted the average replacement cost for the new Hospital Building at RM374 psf as fair representation after considering the type, design and building specification of the building.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.2 Basis and Justification of the Purchase Price (Cont'd)

5.2.3 Cost Approach (Cont'd)

A depreciation rate of 2.0% per annum is adopted by the Valuer which translates to a building lifespan of 50 years. We consider the basis of 2.0% adopted by the Valuer as fair, taking into consideration that the building is newly completed.

Thus, we are of the opinion that the adjusted land value of RM68.63 psf for the Hospital Building and RM78.43 psf for the Land designated for Future Development adopted by the Valuer is fair as summarised below:

Improved land value (Hospital Building) Land Area : 157,700.46 sq ft	RM10,800,000	RM68.48 psf over land area
Land Designated for Future Development Land Area: 60,112.80 sq ft	RM4,700,000	RM78.19 psf over land area
Depreciated Building Value	RM63,700,000	RM367 psf over GFA
Depreciation rate	2%	
Market Value		RM79,000,000

5.2.4 Summary on the Reasonableness of Purchase Price for the Proposed Acquisition

In our evaluation of the Purchase Price of the Property, we have:

(a) considered the various parameters adopted under the Investment Method for the Building Hospital component and have found the bases and assumptions to be reasonable and consistently applied; and

(b) considered the comparable healthcare assets and adjustments adopted under the comparison approach, and have found them to be appropriate.

Based on our analysis of the valuation of the Property by the Valuer, as detailed in the Valuation Report, we are of the view that the Purchase Price is reasonable.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement

The SPA was entered into to facilitate the Proposed Acquisition. The Lease Agreement was entered into to facilitate the operations of the Hospital Building upon completion of the SPA. Please refer to Appendix I of Part A of this Circular for a summary of the salient terms of the SPA in relation to the Proposed Acquisition and Appendix II of Part A of this Circular for a summary of the salient terms of the Lease Agreement in relation to the Proposed Lease Novation. The salient terms of the SPA and Lease Agreement are mutually agreed and negotiated between all parties.

5.3.1 Salient Terms of the SPA

We have taken note of the salient terms of the SPA stated therein and our comments are as follow:-

Salient terms of the SPA	Our Opinion
Purchase Price **<u>Clause 3</u>** ▪ The Trustee has paid the deposit of RM780,000.00 which is equivalent to 1% of the Purchase Price ("**Deposit**") to the Vendor upon execution of the SPA. ▪ The issue document title to the Land shall be delivered by the Vendor or JCorp to Trustee as stakeholders upon execution of the SPA together with the duly executed transfer documents. ▪ The balance of purchase price of RM77,220,000.00 which is equivalent to 99% of the Purchase Price ("**Balance of Purchase Price**") shall be paid by the Trustee to the Vendor by the Completion Date.	The Deposit serves as a safeguard of the Vendor's interest in the event the Trustee fails to satisfy the Balance of Purchase Price or breach the terms of the SPA. We note that Deposit paid by the Trustee upon entering into the SPA is in the norm in the past for Al-`Aqar in transactions of such nature. The Balance Purchase Price will be paid to the Vendor upon the fulfillment of the Conditions Precedent set out in Clause 4.1 of the SPA and shall be paid within one (1) month thereafter. We further note that the Purchase Price will be funded via loan/ credit facility or debt instruments. We wish to highlight that based on paragraph 8.32 of the Guidelines on Listed Real Estate Investment Trusts ("**Listed REIT Guidelines**"), the total borrowings of a fund (including borrowings through insurance of debt securities) should not exceed 50% of the total asset value of the funds at the time the borrowings are incurred. Based on the audited total asset value of Al-'Aqar for the FYE 31 December 2018 and as illustrated in Section 7.4 of Part A of the Circular, the pro forma gearing ratio of Al-'Aqar after Proposed Acquisition will be increased from 38.2% to 41.2%. Based on above, we are of the opinion that the terms are reasonable.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.1 Salient Terms of the SPA (Cont'd)

Salient terms of the SPA	Our Opinion
Conditions Precedent __Clause 4.1__ The SPA is conditional upon the following conditions:- i. the approval from the board of directors of the Vendor and JCorp; ii. the execution of the relevant documents to give effect to the Lease Agreement including but not limited to Form 15A of the National Land Code; iii. the approval of the unitholders of Al-'Aqar Healthcare REIT with respect to the Proposals; iv. the approval from the board of directors of the REIT with respect to the Proposals; v. the approval/consent being obtained from the existing financiers, creditors or lender of Al-'Aqar for the Proposed Acquisition, where such consent is required; vi. the letter of offer or letter of commitment in relation to the financing of the KPJ Batu Pahat Specialist Hospital being issued by the Purchaser's financier and accepted by the Purchaser or Al-'Aqar Healthcare REIT's special purpose company which will be used for the purposes of the Purchaser's financing; and vii. the CCC has been duly obtained by the Vendor.	We note that conditions (i), (iiii), (iv) and (v) ensures the necessary compliance with the requirements imposed by the relevant regulatory authorities and/or financiers as well as the proper due governance process of the parties involved in the transaction. Condition (ii) ensures that the rights of Al-`Aqar is protected with legal enforceable sale rights and operational rights on the lease's Novation Clause arrangements with PGSHSB subsequent to the completion of the SPA as laid out in the Lease Agreement.  Al-`Aqar intends to finance the Proposed Acquisition by a new Islamic financing facility and hence condition (vi) is pertinent that financing is available to the Vendor in order to complete the Proposed Acquisition with the payment of the Balance of Purchase Price. Further we note that the financing would be issued by the Purchaser or Al-`Aqar's special purpose company to facilitate the Islamic financing structure of the fund which is allowed under paragraph 8.06 of the Listed REIT Guidelines. We note that the full CCC has been obtained by the Vendor on 10 September 2019. Based on above, we are of the opinion that the Conditions Precedent are fair and reasonable. We wish to highlight that if the Conditions Precedent are not fulfilled or waived within the six (6) months of the SPA date, the parties have the right to terminate the SPA and obtain a refund of the Deposit free of interest in the event of a breach by the JLand.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.1 Salient Terms of the SPA (Cont'd)

Salient terms of the SPA	Our Opinion
Lease Agreement **<u>Clause 5A</u>**	
▪ On the same day of the SPA, the Vendor, the Trustee and PGSHSB entered into the Lease Agreement where JLand has grant PGSHSB a lease of the Property within fourteen (14) days from the date of the issuance of CCC. ▪ Upon Completion Date, JLand will assign, novate and substitute all of its rights, title, interest, benefit, obligation and liabilities as the Lessor to the Trustee under the term of the Lease Agreement. ▪ Notwithstanding the Novation Clause, JLand's obligation under the defect liability period of the Agreement to Lease and the equivalent provision in the Lease Agreement shall continue to apply from the commencement date of the Lease Agreement until 27 February 2021.	This term determine: ▪ the onset of the lease arrangement of which we note that JLand has commenced to grant the lease of the Property to PGSHSB on 24 September 2019, within the fourteen (14) days from the full CCC issued on 10 September 2019; ▪ validity of novation from JLand to the Trustee under the Lease Agreement is upon Completion Date or the Extended Completion Date of the SPA which appears reasonable as any lease rental entitlement should only be passed upon Al-`Aqar completing the transaction. We note that the Property is new and has only recently been accorded the CCC. Pursuant to Clause 5A of the SPA, we note that the obligation during the defects liability period shall be the obligation of JLand and any claims from the Lessee shall be indemnified by JLand. The defect liability period as defined under the Lease Agreement will be from 24 September 2019 (being fourteen (14) days from full CCC issued) until 27 February 2021. This clause protects the interest of Al-`Aqar with the Trustee as the new Lessor under the Novation Clause, of which the obligation of JLand under the defect liability period would continue to apply during the cross over lease period with PGSHSB under the Agreement to Lease. Thus, we are of the opinion that the terms are fair and reasonable.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.1 Salient Terms of the SPA (Cont'd)

Salient terms of the SPA	Our Opinion
Completion **<u>Clause 6</u>** ▪ The completion of the SPA shall take place within three (3) months with an automatic extension of one (1) month from the date of the SPA (being the or one (1) month from the expiry of Completion Date or such later period as the parties mutually agree to in writing. ▪ From the expiry of the Completion Date, the Vendor is entitled, but not obligated to charge the Purchase penalty on the Balance of Purchase Price calculated at the rate of 8% per annum on a daily basis. ▪ The parties agree that on Completion Date or Extended Completion Date, the parties agree that the novation of the Lease Agreement shall take place upon the terms set out in the agreement.	We note that under Clause 10.1 on events as laid out as default by Vendor, where the Vendor fails to pay any moneys required to be refunded within the timeframe stipulated, the Vendor shall be liable to pay to the Trustee interest at the rate of 8% per annum calculated on a daily basis from the due date for refund. We are of the opinion that the terms and the penalty in the event of unpaid Balance of Purchase Price upon expiry of Completion is fair and reasonable as it is consistent with the interest rate of 8% in the event of default by the Vendor.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.1 Salient Terms of the SPA (Cont'd)

Salient terms of the SPA	Our Opinion
Beneficial Ownership & Transfer of Titles **Clause 3A**	
▪ Upon payment of the Purchase Price together with damages, if any, the beneficial ownership to the said Property shall be deemed transferred to and vested in the Purchaser. ▪ Pending registration of the Transfer of the said Property free from all Encumbrances in favour of the Purchaser, the Vendor or JCorp shall hold the said Property and all such title, rights, interest and benefits therein on trust and for the benefit of the Purchaser. Clause 9 ▪ The Vendor undertakes warrants and covenants at the Vendor's sole cost and expense to procure JCorp as the registered owner of the Land to transfer the legal ownership on the title deed directly in favour of the Purchase in fulfilling the Vendor's obligation under the SPA to sell the Property to the Purchaser. ▪ If the transfer cannot be registered for any reason whatsoever other than through any default of the Purchaser or their solicitors, the Vendor and the Purchaser shall work together to procure the registration of the Transfer. Non-registration by virtue of any errors or mistakes or any other documentations in the preparation of Transfer that can be remedied ("**Rectifiable Errors**") shall not be a ground to invoke termination of this Agreement. If the matter giving rise to the non-registration cannot be rectified with six (6) months, the Vendor shall ensure JCorp hold the Property as the bare trustee of the Purchaser who shall deal with the property in the manner as directed and instructed by the Purchaser.	We wish to highlight that under the Listed REIT Guidelines, the REIT's assets must have proof of title or ownership of interests to allow proper custodial arrangements to be made (Paragraph 8.03) and has good marketable legal and beneficial title in all its real estate (Paragraph 8.09). In essence, REIT must have the legal, beneficial title, majority ownership and control of all its real estate properties. Both clauses of 3A and 9 serve as a safeguard of the REIT's interest in the event that the title of the Property has not been transferred or delayed in the transfer due to any Rectifiable Errors, Al-`Aqar will still have the legal enforceable operational rights on the lease novation clause arrangements with PGSHSB under the Lease Agreement until the transfer of title is effected. Further, Clause 9 deal with the event where transfer of title do not/ could not materialise within a period of six (6) months, JCorp holds the Property as the bare trustee of the Trustee in the manner as directed and instructed by the Trustee, unless the default by the Vendor is effected by the Purchaser (i.e. the Trustee) on non-fulfilment of the Vendor's warrants and covenants pursuant to the terms and conditions in the SPA prior to the Completion Date or the Extended Completion Date. Hence, JCorp shall continue to hold the Property as bare trustee of the Trustee in the event that the transfer of title could not materialise subsequent to the Completion Date, until such time the transfer of title is effected from JCorp to the Trustee. Based on the above, we are of the opinion that the overall terms of beneficial ownership and transfer of titles are fair and reasonable.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.1 Salient Terms of the SPA (Cont'd)

Salient terms of the SPA	Our Opinion
Termination and Default **<u>Clause 10</u>** <u>Default by Vendor</u> In the event there is a default by JLand under the terms of the SPA, and where JLand fails to rectify the alleged breach or default within the stipulated 45 days (or such later period mutually agreed) notice given by the Trustee to JLand, the Trustee is entitled to the remedy at law for specific performance and where available at law, damages or is entitled to terminate the SPA. In termination of the SPA, JLand will refund to the Trustee all monies paid toward account of the Purchase Price interest-free, and pay a sum equivalent to the Deposit as liquidated damages. If JLand fails to pay the Trustee the sum of liquidated damages, a penalty at the rate of 8% per annum on a daily basis until the date of actual payment shall be payable by JLand to the Trustee. In exchange, the Trustee will redeliver legal possession for the Property, if the same has been delivered to the Trustee and to return all documents in relation to the completion of the SPA to JLand, following which the SPA shall become null and void. <u>Default by Purchaser</u> If the Trustee defaults in the satisfaction of the Purchase Price or a default under the terms of the SPA, and where the Trustee fails to rectify the alleged breach or default within the stipulated 45 days (or such later period mutually agreed) notice given by JLand to the Trustee, JLand is entitled to the remedy at law for specific performance or to terminate the SPA. In termination of the SPA, JLand will forfeit the Deposit as agreed liquidated damages and in exchange, the Trustee will redeliver legal possession for the Property, if the same has been delivered to the Trustee and to return all documents in relation to the completion of the SPA to JLand, following which the SPA shall become null and void.	The term serves to safeguard the interest of both parties pursuant to Proposed Acquisition and hence, is deemed reasonable. In the event of default by the Vendor, we note that the Trustee has the right to request for specific performance by the Vendor. In the event the Trustee chooses not to seek specific performance by the Vendor and terminate the SPA, the Vendor is required to return all moneys received as part of the Purchase Price to the Trustee, plus an equivalent amount of the Deposit plus 8% interest per annum of the Deposit calculated as daily basis from the expiry of fourteen (14) Business days as agreed liquidated damages. This clause serves to safeguard the interest of the Al-`Aqar. Conversely, in the event of termination of the SPA by the Purchaser, the Vendor has the right to forfeit the Deposit. Based on the above, we are of the opinion that the overall terms for termination and breach are reasonable.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement

We have taken note the salient terms of the Lease Agreements stated therein and our opinions are as follow:-

<table>
<tr><th>Salient terms of the Lease Agreement</th><th>Our Opinion</th></tr>
<tr><td>Lease Consideration

RM4.79 million per annum for the initial three (3) years, calculated on a Triple Net Lease basis with the monthly lease consideration of approximately RM0.40 million ("Lease Consideration").

The Lease Consideration shall be reviewed based on a 10% incremental as follows:

(a) where the Commencement Date falls on the fifteenth day of a calendar month or earlier:

i. the Lease Consideration for the purpose of the Principal Lease Period shall be increased on the third anniversary of the first day of the calendar month in which the Commencement Date falls; and

ii. the Lease Consideration for the Extended Lease Period shall be increased on the third anniversary of the date of commencement of the Extended Lease Period; or

(b) where the Commencement Date falls after the fifteenth day of a calendar month, the Lease Consideration shall be increased on the third anniversary of the first day of the calendar month following the calendar month in which the Commencement Date falls.</td><td>We note that the Lease Consideration was mutually agreed between the parties.

The Lease Consideration is subject to an increment of 10% on every three (3) years, throughout the total Term of the Lease Agreement period of thirty (30) years.

The Principal Lease Period's lease consideration begins with RM4.79 million in year 1 to RM5.27 million by year 6, taking into consideration the 10% increment every three (3) years. The lease consideration from Year 1 to Year 3 of RM4.79 million per annum translates into lease rental yield of 6.14% which is similar and within the range of selected comparable healthcare assets of 6.13% to 6.48% as set out in Section 5.2.1(d) of this IAL. Further, we note that the net rental yield of the Property of 6.01% is within Al-`Aqar's existing portfolio of properties of 5.36% - 7.19% and in specific, within the Southern region as set out in Section 2.4.1 of Part A of the Circular.

Based on the above, we are of the opinion that the Lease Consideration is fair and reasonable.</td></tr>
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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement (Cont'd)

Salient terms of the Lease Agreement	Our Opinion
Lease and Renewal <u>Lease period</u> ▪ Principal Lease Period A period of six (6) years commencing from the Commencement Date. ▪ Extended Lease Period A period of eight (8) successive three (3)-year terms which shall be automatically renewed and commence from the expiry of the Principal Lease Period on the same terms and conditions subject to the increase in the Rent pursuant to Section 8 of Schedule 1 hereof. <u>Option to renew</u> The new lease or tenancy for the Extended Lease Period shall contain the same terms and conditions as the Lease Agreement, except for variations, change in the law, no perpetual renewal and top up deposit. <u>New lease or tenancy upon the expiry of the Principal Lease Period and Extended Lease Period</u> In the event the Lessee would like to extend the tenancy or lease, the Lessor and Lessee agree to negotiate in good faith for renewal prior to the expiry of the terms.	We note that the lease term and renewal have been mutually agreed between the parties and are deemed reasonable for transactions of similar nature. We wish to highlight that after the Principal Lease Period, with the 10% incremental review of lease consideration on every three (3) years, the security and utilities deposits shall be adjusted accordingly at the beginning of each 3-year term to take into consideration any shortfall as a result of the increase in Lease Consideration throughout the Extended Lease Period. We have also note that the Lease Agreement provides for further negotiation of renewal upon the expiry of the thirty (30) years between PSGHSB and the Trustee. As at the date of this IAL, the lease period has commenced on 24 September 2019. The remaining Principal Lease Period and the Extended Lease Period is approximately 359 months as at the LPD.
Lease Consideration Free Fit-Out Period The Lessor agrees to grant to the Lessee three (3) months Lease Consideration free fit-out period commencing from the Commencement Date.	The term is customary in transactions of similar nature and hence, is deemed reasonable.
Novation to the REIT Trustee All of the rights, title, interests, benefits, obligations and liabilities of JLand as the Lessor in connection with the Lease Agreement shall be novated to the Trustee on and from completion date of the SPA. On Novation Effective Date, the contracting party releases and discharges JLand from all of its obligations and liabilities and future claims and demands whatsoever under the Lease Agreement.	We note that the clause on defect liability period as detailed in the earlier section (and below) shall apply to JLand notwithstanding this novation clause. The term is deemed fair and reasonable as Al-`Aqar nor the Trustee was a party to the Agreement to Lease where JLand's obligation shall continue.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement (Cont'd)

Salient terms of the Lease Agreement	Our Opinion
Defect liability period The Parties agree that any defect, shrinkage or other faults in the Hospital which shall become apparent within the defect liability period which are due to defective workmanship or materials or if KPJ Batu Pahat Specialist hospital not having been constructed in accordance with the building plan and building deliverables hereof or as approved by the relevant authority, it shall be repaired and made good by JLand at its own cost and expense. For the avoidance of doubt, the parties agree that the Trustee shall not be responsible for the cost to rectify any defect, shrinkage or other faults in KPJ Batu Pahat Specialist Hospital which are due to defective workmanship or materials or if KPJ Batu Pahat Specialist Hospital not having been constructed in accordance with the building plan and building deliverables hereof or as approved by the relevant authority during the Defective Liability Period.	We note that the defect liability period will end on 27 February 2021 and will cross over the lease period from the Novation Effective Date where all the rights, title, interest, benefits, obligations and liabilities of JLand as Lessor is novated to the Trustee. As JLand was the party responsible to construct KPJ Batu Pahat Specialist Hospital together with the terms stipulated under the Agreement to Lease, it is fair and reasonable that JLand shall continue to fulfill its obligations under the Agreement to Lease.
Variation and/or adjustment to Lease Consideration (a) In the event that the Lessor or the Lessee, elects to undertake works to the Property, the party proposes to undertake such works shall engage an independent valuer at its own cost and expense to revalue and determine the value of the Property upon completion of the works. The parties agree that the valuation is to be carried out for the purpose of varying and/or adjusting the Lease Consideration, calculated in accordance with the Lease Consideration per square foot with effect from the month immediately preceding the date of the valuation report.	It is deemed reasonable as any renovation or refurbishment works over the lease period shall be computed based on the market value and reflected accordingly to the Lease Consideration.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement (Cont'd)

Salient terms of the Lease Agreement	Our Opinion
Variation and/or adjustment to Lease Consideration (Cont'd)	
(b) The Lessor shall have the rights to vary the Lease Consideration of the net lettable area of the Property occupies and used by the Lessee due to the occurrence of any of the following future events:- (i) If the net lettable area of the Property increases arising from the renovation or refurbishments undertaken by the Lessor, the Lease Consideration shall be increased corresponding with the increase in the Lessee's net lettable area of the Property; (ii) The Lessor incurs maintenance costs as determined from time to time by the Lessor for maintenance and upkeep works under term maintenance costs as stipulated in the Lease Agreement, the employment and other expenses incidental to the employment of personnel engaged in and about the provision of the term maintenance; (iii) The Lessor incurs costs for the refurbishment or renovation of the Property for the purposes of expansion and to increase the capacity of the Property. (c) The Lessee shall have the right to vary the Lease Consideration of the net lettable area of the Hospital if the net lettable area of the KPJ Batu Pahat Specialist Hospital decreases arising from the compulsory acquisition. The Lease Consideration shall be decreased corresponding with the decrease in the Lessee's net lettable area of the KPJ Batu Pahat Specialist Hospital.	The terms to vary and adjust the Lease Consideration's upwards or downwards in the event of increase in net lettable area, renovation, refurbishments and/or any compulsory acquisition are deemed fair and reasonable as the change in conditions of the Property over the lease period should be reflected in the Lease Consideration accordingly and hence is deemed reasonable.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement (Cont'd)

Salient terms of the Lease Agreement	Our Opinion
Termination The Lessee will be in default under the Lease Agreement if:- (a) Non-payment of Lease Consideration; (b) Non-payment of other amounts; (c) Essential terms; (d) Repudiation; (e) Breach of other obligation; (f) Insolvency event. In the event of default is capable of remedy by the Lessee but is not remedied within thirty (30) days after the date of service of a notice from the Lessor asking the Lessee to remedy that event of default or such further period as the Lessor may determine in writing.	The term is customary in transactions of similar nature and hence, is deemed reasonable.
Unilateral termination (a) In the event the Lessee unilaterally terminates the Lease Agreement and/or vacates the KPJ Batu Pahat Specialist Hospital without continuing to promptly pay the Lease Consideration for a continuous period of three (3) months in accordance with the terms of the Lease Agreement before the expiration of the Principal Lease Period or the Extended Lease Period, as the case may be, the Lessee shall forthwith pay to the Lessor a sum equivalent to the Lease Consideration for the whole of the unexpired Principal Lease Period and Extended Lease Period or any other sum as may be mutually agreed between the Lessor and the Lessee. (b) In the event that other than as provided for in the Lease Agreement, the Lessor unilaterally terminates the Lease Agreement before the expiration of the Principal Lease Period or the Extended Lease Period, as the case may be, the Lessee will be at liberty to take such action in law as may be deemed necessary by the Lessee.	The term sets out the irrevocable commitment of PGSHSB as the Lessee over the thirty (30) years lease period and protects the interest of the Lessor throughout the tenure of the Lease Agreement. We note that in the event PGSHSB opts for early termination prior to the end of the tenure of thirty (30) years, or do not promptly pay the Lease Consideration for a continuous three (3) months, PGSHSB is required to fulfill its commitment to pay the Lease Consideration for the whole of the remaining unexpired lease period under the term of the Lease Agreement. On the other hand, if the Lessor is to terminate the Lease Agreement before the expiration of the tenure of thirty (30) years from commencement, PGSHSB has the rights to take the Lessor to court or any other avenue by law. Based on the above, we are of the opinion that these terms are fair.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.3 SPA and Lease Agreement (Cont'd)

5.3.2 Salient Terms of the Lease Agreement (Cont'd)

Salient terms of the Lease Agreement	Our Opinion
Lessor's entitlement to damages If the Lessee:- (a) repudiates the Lease Agreement; (b) breaches an essential term under the Lease Agreement; or (c) defaults under the Lease Agreement in any other way The Lessee must compensate the Lessor for the loss suffered by the Lessor as a consequence of the repudiation, breach or other default. The compensation payable by the Lessee extends to the Loss suffered by the Lessor during the term, including the periods after any termination of this Agreement. The Lessee's obligation to compensate the Lessor for loss is not affected if:- (a) the Lessee abandons or vacates the demised premises; (b) the Lessor elects to re-enter or to terminate this Agreement; (c) the Lessor accepts the Lessee's repudiation; or (d) the parties' conduct constitutes a surrender by operation of law.	The term is customary in transactions of similar nature and hence, is deemed reasonable.

Our Opinion

Premised on the above, we are of the opinion that the overall terms of the SPA and Lease Agreement are fair and reasonable and not detrimental to the Non-Interested Unitholders of Al-`Aqar.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.4 Effects of the Proposals

In our evaluation, we have considered the effects arising from the Proposals as set out in Section 7 of Part A of the Circular as follows:

5.4.1 Unit Capital and Substantial Unitholder's Unitholdings

The Proposals will not result in any change to Al-`Aqar's total unit capital and substantial unitholders' unitholdings as the Purchase Price will be satisfied entirely in cash via funds to be raised from a new Islamic financing facility.

5.4.2 Earnings and EPU

The Proposals are expected to contribute positively to the future earnings and EPU of Al-`Aqar from the lease arrangement of the KPJ Batu Pahat Specialist Hospital.

Assuming that the Proposals are completed on 31 December 2018, Al-`Aqar's pro forma PAT will increase from RM91.37 million to RM91.97 million and the pro forma EPU from 12.54 sen to 12.62 sen. In the event that the fair value of the Property falls below the cost of investment of RM79.3 million for the Property (computed as the Purchase Price of RM78 million plus the estimated expenses for the Proposals of RM1.3 million capitalised as initial measurement to the cost of Property), the difference will be recognised as unrealised fair value loss and as such, the earnings and EPU of Al-`Aqar will be impacted accordingly.

The pro forma PAT is computed based on the Lease Consideration in year 1, net of takaful, maintenance manager fee and manager fee ("**Property Fees**") and the cost of financing for the Proposed Acquisition of which the basis of the computation as detailed in Section 7.2 of Part A of the Circular. We are of the opinion that the basis is reasonable as the Property Fees are consistent with the Property Maintenance Agreement entered into by Al-`Aqar in relation to the management of its fund *(Source: Al-`Aqar's Annual Report 2018)*. The cost of financing is assumed at 5.00% per annum which is reasonable based on FYE 31 December 2018 finance costs over total Islamic financing of 5.23% per annum.

Nevertheless, unitholders should note that the actual effect of the Proposals on the future earnings of Al-`Aqar will be dependent on, amongst others, cost of operating the Property as well as the borrowing costs incurred for the Proposed Acquisition.

5.4.3 NAV and NAV per Unit

Assuming the Proposed Acquisition is completed on 31 December 2018 and notwithstanding any fair value changes to the Property, Al-`Aqar's NAV and NAV per unit will remain unchanged as the Purchase Price is to be fully funded by way of a new Islamic financing facility.

5.4.4 Gearing (Total Borrowing/Total Asset Value)

Based on the audited statement of financial positions of Al-`Aqar as at 31 December 2018, there will be an increase in gearing by 3.0% from 38.2% to 41.2% on the assumption that the Purchase Price will be funded entirely via debt instruments. Further, we note that the finance service cover ratio will not fall below 1.5 times as the required covenant under Al-`Aqar's existing Sukuk Ijarah Programme post Proposals. Al-`Aqar is still able to maintain a manageable gearing position with a debt headroom, not exceeding the gearing limit allowed under the Listed REIT Guidelines where total borrowings of REIT does not exceed 50% of its total asset value.

Premised on the above, going forward, the Proposals should contribute positively to the financials of Al-Aqar.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects

In evaluating the prospects of the Property and the Proposed Acquisition by Al-`Aqar, we have considered the overview of the Malaysian economy and the Malaysian healthcare industry as highlighted under Section 5 of Part A of the Circular.

5.5.1 Overview and Outlook of the Malaysia Economy

As extracted from Section 5.1 of Part A of the Circular, the overview and outlook of the Malaysian healthcare industry are as below:

*The Malaysian economy grew at a stronger pace of 4.9% in the second quarter of 2019. Gross domestic products ("**GDP**") registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).*

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending. After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.

Growth in gross fixed capital formation registered a smaller contraction of 0.6% (1Q 2019: -3.5%), driven by a slightly higher private investment growth amid a continued decline in public investment. By type of assets, investments in structures turned around to register a positive growth of 1.2% (1Q 2019: -1.3%), reflecting some improvement in the residential property segment. Capital expenditure on machinery and equipment recorded a smaller decline of 4.2% (1Q 2019: -7.4%), following higher spending on information and communications technology.

Private investment expanded at a faster pace of 1.8% (1Q 2019: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Nonetheless, uncertainty surrounding global trade tensions and prevailing weaknesses in the broad property segment continued to weigh on the investment growth performance.

Public investment registered a smaller contraction of 9.0% (1Q 2019: -13.2%), mainly reflecting higher fixed asset spending by the Federal Government which partially offset the continued weak investment by public corporations.

The construction sector registered marginally higher growth at 0.5% (1Q 2019: 0.3%), on account of growth improvements in the residential and special trade subsectors. While the residential subsector registered a smaller contraction, activity remained weak amid the high unsold properties. The higher growth in the special trade subsector was due to end-works activity amid completion of some mixed development projects. The near completion of a large petrochemical project continued to affect growth in the civil engineering subsector, while the non-residential subsector remained weak amid the oversupply of commercial properties.

(Source: Economic and Financial Developments the Malaysian Economy in Second Quarter of 2019, Bank Negara Malaysia)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.1 Overview and Outlook of the Malaysia Economy (Cont'd)

Supported by strong fundamentals, the Malaysian economy is expected to remain resilient despite global economic uncertainties. Real GDP is projected to grow by 4.7% in 2019. In 2020, the economy is expected to remain steady, with a growth of 4.8% led by domestic demand. Private sector expenditure will remain the key driver of growth with private consumption and investment rising 6.9% and 2.1%, respectively. Meanwhile, public sector expenditure is forecast to rebound, following improvement in investment. On the supply side, the expansion is expected to be broad-based, with all sectors registering positive growth.

Despite the anticipated expansion, external uncertainties pose downside risks to the growth prospect. To minimise the risks and drive the economy, the Government will implement measures to harness economic opportunities, level up human capital, ensure inclusivity and revitalise public institutions and public finances. This will lay the foundation for the crystallisation of the objectives of Shared Prosperity Vision 2030 and for Malaysia to reemerge as an Asian Tiger.

(Source: Chapter 1, Economic Outlook 2020, Ministry of Finance)

Our Comments

Based on the above, we note that the Malaysian economy is expected to sustain its growth momentum with GDP registering a higher growth of 4.9% in the second quarter of 2019 as compared to first quarter 2019 at 4.5%. The recent announced Budget 2020 by the government, GDP is expected to grow by 4.7% in 2019 with improvement to 4.8% in 2020, hence it is anticipated that the Malaysian economy will remain resilient going forward.

Domestic demand remains the anchor of growth in 2019, underpinned by continued expansion in private sector activity whilst contraction in public sector expenditure is expected to weigh on growth. Private consumption remains the largest driver at growth, supported by improvements in wage growth and overall stable labour market conditions.

On the supply side, all economic sectors would continue to expand in 2019, with growth in the construction sector expected to moderate. However, we note that it is reported the residential and non-residential sub-sectors are expected to remain subdued amid the oversupply of residential and commercial properties.

The Malaysia economy is also influenced by the external sector where it is projected to register a more moderate growth in tandem with the moderation in global growth and trade activity. In the second quarter of 2019, it is reported that lower external demand led to weaker export performance in regional economies. We also note that growth in the rest of Asia region also slowed, mainly affected by weaker external demand amid the on-going trade dispute between the United States of America and Republic of China. Any adverse development in global economy may impact the overall growth and prospects of the Malaysian economy.

(Source: 2020 Budget Speech by Ministry of Finance, Bank Negara Malaysia Annual Report 2018, Economic and Financial Developments in the Malaysian Economy in Second Quarter of 2019)

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5 **EVALUATION OF THE PROPOSALS (CONT'D)**

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.2 Overview and Outlook of the Johor Economy

As extracted from Section 5.2 of Part A of the Circular, the overview and outlook of the Johor economy are as below.

The service sector continues to be the largest contributor to the State's economic growth, contributing 49% or RM64 billion to the State's GDP. Meanwhile, the manufacturing sector contributed 29% or RM38 billion to the State's GDP.

For 2019 and 2020, the Johor economy is expected to continue on a solid path with projected growth of between 5.2% and 5.5%, which is higher than the national average. Johor's economic growth recorded in 2018 was very encouraging at the rate of 5.6%, higher compared with the national growth rate of 4.7% in the same year.

Projects in Batu Pahat under the Johor 2020 Budget, amongst others, are as follows:-

(a) Construction of new road from Mukim 6 Linau and Mukim 7 Tanjung Sembrong;

(b) Flood mitigation project in Kampung Parit Haji Hashim;

(c) Increase the height of seacoast fort; and

(d) to repair and beatify the Batu Pahat Municipal Council building turn it into Batu Pahat museum

(Source: translated from Johor 2020 Budget speech text)

Our Comment

Based on the above, we note that Johor State's projected growth rate is expected to moderate between 5.2% and 5.5% for 2019 and 2020, after recording an economic growth rate of 5.6% in 2018. Johor State is the fourth (4^{th}) major contributor to the Malaysia's GDP with contribution of 9.6% to the country's economy in 2018. Johor State grew at a faster pace than the national growth which was mainly driven by a better performance in services sector as well as a sustained growth in manufacturing. Services sector expanded to 7.3% (2017: 6.6%) driven by wholesale & retail trade, utilities, communication and transportation sub sectors. Manufacturing sector eased to 5.1% as compared to 6.9% in 2017 attributed by electrical, electronic and optical product. Construction sector elevated to 9.6% (2017: -6.4%) stimulated by civil engineering and non-residential subsectors. Meanwhile, agriculture sector posted a slower growth at 0.5% (2017: 7.6%) in 2018 due to a reduction in oil palm sub sector to negative 2.1% as compared to 17.3% in the preceding year.

Although past performance may not reflect the future outlook of Johor State's performance, the encouraging growth rate in the services sector as well as the announced projects under the State Government's budget may have an indirect spill over economic multiplier effects to other sub sectors. Nevertheless, there is no assurance that any material adverse development in the regional economy will not affect the State's economy.

(Source: State Socioeconomic Report, 2018, Department of Statistics Malaysia)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.3 Overview of Hospitals in Johor

As extracted from Section 5.3 of Part A of the Circular, the overview and outlook of hospitals in Johor are as below.

There are 6 notable projects with wellness components in Johor, including KPJ Batu Pahat Specialist Hospital. KPJ Kluang Specialist Hospital will shift its entire operation from the existing Kluang Utama Specialist Hospital to the new building which is scheduled to be opened in 2019, However the exact date was not privy to us. The objective of this hospital building is to have the one-stop medical centre which will facilitate a wider range of comprehensive outpatient and inpatient specialist healthcare services. The hospital will have 9-storey building equipped with 90 beds.

Thomson Iskandar Medical Hub is located along Jalan Stulang Darat, in the vicinity of Stulang Darat, Johor Bahru. The proposed medical hub will contain a 500-bed hospital named Iskandariah Hospital and 400 medical suites. In the future there will also be health and wellness facilities and space of healthcare education for both doctors and allied health professionals. The construction work started in August 2018 and is expected to be completed by Year 2021.

Columbia Asia Hospital is located within Kota Southkey. It fronts the main thoroughfare of Johor Bahru, Jalan Tebrau. With a build-up area of approximately 235,000 sq ft, the 3-storey hospital will have about 150 beds offering a comprehensive multi-disciplinary specially service(s). The development is expected to be completed in 2019.

KPJ Bandar Dato' Onn Specialist Hospital is a standalone private hospital located in Bandar Dato' Onn, Johor Bahru. Phase 1 of KPJ Bandar Data' Onn Specialist Hospital is newly completed and opened in February 2019. It is the most recent addition to the KPJ Group of Hospital with specific focus on service excellence, fully equipped with modern and top of the line equipment matching international standards. This Phase 1 of the specialist hospital offers 150 beds.

Gleneagles Medini Hospital Johor which located in Medini, Iskandar Puteri, Johor Bahru. The hospital is currently operating with almost 150 beds and will add another 30 beds by end of 2019.

Malaysia's healthcare system consists of two tiers: a state-owned universal healthcare system for national citizens and the private sector that serves the affluent citizens as well as the international patients. Due to demographic shifts - growing ageing population, increased life expectancy and the growth of non-communicable diseases, demand for healthcare is expected to grow. Healthcare is clearly integral to the government's long-term vision, although doubts have emerged over the viability of heavy state subsidization. There is a growing pressure to restructure the healthcare system, with an emphasis on allowing private facilities to play a greater role. Thus, shifting demographics are influencing the government to rely more heavily on private capital to take Malaysia's healthcare system forward.

The government had taken proactive measures to generate revenue from the healthcare industry. The Malaysia Healthcare Travel Council (MHTC), is being set up with the aim to develop Malaysia's medical tourism industry by collaborating with relevant stakeholders, in particular the private Malaysian healthcare institutions. MHTC also serves as the one-stop centre to handle all enquiries on health tourism in Malaysia.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.3 Overview of Hospitals in Johor (Cont'd)

With specific tax incentives being given to the healthcare facilities depending on the medical purposes (services, manufacturing, R&D, etc.), it was made known that the government has taken a number of steps to incentivize private investment in healthcare. Moving forward, this augurs well for investment in the healthcare / wellness industry.

(Source: Valuation Report)

Our Comment

We note that the upcoming five (5) private hospitals (excluding KPJ Batu Pahat Specialist Hospital) under construction or scheduled to be operating in 2019 are concentrated within the Southern and Central side of the State of Johor. The northern side of the State of Johor where the Property is located, has limited supply with only three (3) existing hospitals and medical/ specialist centres catering for 197 beds in total. Hence, the overall prospect of KPJ Batu Pahat Specialist Hospital, with its strategic location within the northern of the state should be generally positive.

Further, as the Government is steering towards developing Malaysia's medical tourism industry, this is expected to bode well for Al-`Aqar with KPJ being the healthcare provider and as one of the stakeholders in shaping the country's healthcare system.

5.5.4 Prospects on Malaysian Healthcare Industry

As extracted from Section 5.4 of Part A of the Circular, the overview and outlook of the Malaysian healthcare industry are as below.

"Healthcare is one of the main thrust in the 11th Malaysia Plan, which is to improve the wellbeing of the rakyat by raising the standard of living and quality of life irrespective of their socioeconomic background and geographical location. To achieve it, one of the plan's objective falls on healthcare delivery system which can be enhanced by creating a sustainable healthcare system, optimising financial resources, strengthening population health and pursuing greater collaboration among stakeholders.

Among the targets set for the healthcare sector under the 11th Malaysia Plan is to achieve 2.3 hospital beds per 1,000 population by 2020, from 1.9 hospital beds per 1,000 population in 2017.

On private investments, up till 2017, private healthcare has been earmarked as one of the 9 subsectors that is being identified that has continued to be the driving force of the economy, contributing 67.7% of total investment of RM659 billion in current prices. Real private investment increased at an average rate of 6.8% during the review period, supported by better performance of the services sector as well as sustained growth momentum of the manufacturing and construction sectors."

(Source: Ministry of Economic Affairs, Mid-Term review of the 11th Malaysia Plan, October 2018)

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.4 Prospects on Malaysian Healthcare Industry (Cont'd)

Our Comment

Under the 11th Malaysian Plan, one of the focused area is the strategic thrust of "Improving Wellbeing for All" through achieving universal access to quality healthcare. In 2017, out of the government's allocation for "Improving Wellbeing for All" of RM19,903 million, the actual expenditure was recorded at RM19,618 million, a utilisation of 98.6% of the allocation.

In reviews of past performance of 2016 - 2017, the hospital beds per 1,000 population is 1.9 (2017). The figure is supported by the establishment of 153 public hospitals and specialised medical institutions and 2,863 health clinics throughout Malaysia. The continued effort is needed to reach the target of 2.3 hospital beds per 1,000 population in 2020. In addition, to assist in achieving universal access to quality healthcare, the government continues encouraging further investment in the private healthcare facilities to complement public healthcare services.

We note that the government will further strengthen the ecosystem for private investment to continue as the growth catalyst, with a targeted growth of 5.7% per annum and the contribution to GDP to increase from 12.3% in 2010 to 17.8% in 2020.

(Source: Ministry of Economic Affairs, Mid-Term review of the 11th Malaysia Plan, October 2018)

Malaysia's total expenditure on health has been steadily increasing at an average of 7% over the years of 1997 – 2017, reaching RM 57,361 million in 2017. Of the total expenditure of RM 57,361 million, hospital providers accounted for 55% (or RM31,595 million) of which 57% were spent on public hospitals and 43% were spent on private hospitals. From the perspective of health expenditure by states in Malaysia, Johor being the 3rd largest state by population, made up of approximately 8% of the total RM57,361 million.

(Source: Malaysia National Health Accounts by the Ministry of Health, 22 November 2018)

The expenditure growth on medicines had also increased by over 90% from 2013 to 2018. Malaysia's ageing population is anticipated to drive the continued increase in medicine expenditure. It is reported that life expectancy in Malaysia increased to 74.6 years in 2017 compared to 64.6 years in 1966. As of 2017, the number of people aged 65 and above is approximately 2 million or 6.3% of total population. It is projected that by year 2020, it will increase to 2.4 million, constituting about 7% of the total population and hence becoming an ageing nation in accordance to the World Health Organisation benchmark. Amidst this backdrop, the healthcare industry is expected to be moving on an upward trend.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.4 Prospects on Malaysian Healthcare Industry (Cont'd)

Malaysia has a relatively well established healthcare system within the ASEAN region, largely backed by strong government spending and relatively high health workforce. According to the latest available National Health Accounts, total healthcare expenditure has been on an increasing trend with private healthcare expenditure being the largest contributor to growth. In addition, the government is encouraging set up of new private healthcare facilities while existing private healthcare facilities are encouraged to expand, modernise or refurbish. This is done through incentive schemes that allow for tax exemptions (equivalent to investment tax allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years).

Further, the government has introduced liberalisation of private hospital services to allow up to 100% foreign equity participation in phases. In view of the above, Al-`Aqar should be able to benefit from the growing private healthcare sector.

(Source: Department of Statistics Malaysia, Economic Outlook 2019, Ministry of Finance and Malaysia National Health Accounts by the Ministry of Health, 22 November 2018)

5.5.5 Prospects of KPJ Batu Pahat Specialist Hospital

We take cognisance of the prospect of KPJ Batu Pahat Specialist Hospital as detailed in Section 5.5 of Part A of the Circular as summarised below:

(a) Quality tenant

The operator of KPJ Batu Pahat Specialist Hospital is PGSHSB, which is a wholly-owned subsidiary of KPJ. KPJ is an established healthcare provider spanning over thirty eight (38) years' experience in the healthcare industry. KPJ owns and/or manages twenty nine (29) private specialist hospitals throughout Malaysia and Indonesia as well as one (1) private retirement village and aged care service in Australia.

(b) Quality real estate portfolio

The Property is strategically located within the mixed development enclave of Taman Mutiara Gading, an on-going mixed residential development being developed by JLand. The location of the Property is in close vicinity of Batu Pahat town, where it is located about 10km to the south-west from the Property.

Our Opinion

PGSHSB, being the operator of KPJ Batu Pahat Specialist Hospital, is a wholly-owned subsidiary of KPJ. KPJ Group is a reputable established healthcare provider and is the second largest private holding company specialising in the healthcare service business falling behind IHH Healthcare Berhad. In terms of capacity, KPJ dominates the private hospitals industry with twenty six (26) hospitals and 3,107 beds in Malaysia.

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5 EVALUATION OF THE PROPOSALS (CONT'D)

5.5 Industry Outlook and Future Prospects (Cont'd)

5.5.5 Prospects of KPJ Batu Pahat Specialist Hospital (Cont'd)

In year 2018, KPJ recorded the highest inpatient admissions with 286,465 admissions as summarised below:

Public Listed Companies in Malaysia	Number of Hospitals	Number of Beds	Inpatient Admissions
KPJ	26	3,107	286,465
IHH Healthcare Berhad	15	2,327	203,419
TDM Berhad	4	407	23,507

(Source: Companies' fillings, Speeda Research Report)

PGSHSB is expected to be a quality tenant with access to a pool of healthcare expert and experienced professionals via its affiliation to KPJ Group, coupled with the known brand of KPJ in Malaysia, this would provide a strong support to the operations of KPJ Batu Pahat Specialist Hospital.

Further, KPJ Batu Pahat Specialist Hospital is located within the sub-town of the State of Johor in Batu Pahat. The hospital is easily accessible from Batu Pahat town as it is located approximately 10km from the town centre. The hospital was built within an on-going mixed residential development with upcoming properties to include double-storey shop/ offices, single-storey terraced shops, landed terraced houses as well as stratified residential developments.

Being strategically located in the self-contained township of Taman Mutiara Gading and with the future developments within the neighbourhood of the hospital, the hospital is well-positioned to capitalise on the residential and commercial activities within the surrounding neighbourhood, creating a natural demand as the developments progress albeit not immediately. It is apt to note that the northern side of the State of Johor, where Batu Pahat is situated, has limited share of existing hospitals and medical/ specialist centres with only three (3) hospitals with less than 90 beds per hospital to cater for the population in the area. Hence, this present an opportunity for KPJ Batu Pahat Specialist Hospital to capture and provide healthcare services serving the population in the northern side of Johor.

In view of the above, given the quality tenant profile coupled with the strategic location of the hospital, this augurs well for the future prospects of KPJ Batu Pahat Specialist Hospital.

5.6 Risk Factors

In evaluating the Proposals, you should carefully consider the potential risk factors as highlighted under Section 6 of Part A of the Circular before voting on the resolution to the Proposals at the forthcoming EGM.

We take cognisance of the risk factors in Section 6 of Part A of the Circular as summarised below:

5.6.1 Future Market Value of the Property

Generally, the market value of properties are subject to, amongst others, external factors such as economic condition, market sentiment, interest rates, development of the area and its surroundings as well as the population and demographics. There can be no assurance that Al-`Aqar's investment in the Property can be realised at or above the market value ascribed by the Valuer.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.6 Risk Factors (Cont'd)

5.6.1 Future Market Value of the Property (Cont'd)

However, we note that the Property is in the enclave of Taman Mutiara Gading which is an on-going mixed residential development spanning across an area of 224.12 acres (*Source: Valuation Report*). Considering that there would be future development within the Property's area and its' surrounding which might increase the population, the Board do not anticipate that the valuation of the Property would not be adversely affected.

5.6.2 Dependence on a Single Lessee

Under the Proposed Lease Novation, the Property will be leased to a single lessee, PGSHSB due to the customisation of the Property in accordance to the lessee's requirements for its operation as a hospital in accordance to the Agreement to Lease.

As it is a single lessee, failure on the part of PGSHSB to fulfil their obligations (including payment of the lease rentals) under the Lease Agreement could have an adverse impact on Al-`Aqar's financial position. Nonetheless, it can be noted that PGSHSB is a wholly-owned subsidiary of KPJ, who is an established healthcare provider with more than 38 years of experience in the healthcare industry.

We also note that Al-`Aqar has financial risk management to minimise their credit risk exposure, adopting the policy of dealing with customers ensuring appropriate credit history, obtaining sufficient security (including tenancy deposits) and deeds of undertakings, where appropriate. However, there can be no assurance that a default or delay in lease rental will not occur and adversely impact Al-`Aqar's cash flows.

5.6.3 Financing and Completion Risks

The Purchase Price for the Proposed Acquisition, the estimated expenses pertaining to the Proposals and the transaction costs for the financing facilities of RM1.3 million and RM0.7 million, respectively are to be funded by a new Islamic financing facility. Al-`Aqar will be subjected to financing risks, which include, amongst others, increased cost of financing, less favourable terms of borrowings, adverse interest rate fluctuations, non-fulfilment of its payment obligations and breach of covenants. Following the completion of the Proposed Acquisition, the gearing level of Al-`Aqar will increase by 3.0% from 38.2% to 41.2%. Despite that there is still headroom for Al-`Aqar financing needs, additional capital commitments for its capital expenditure requirements and daily operation may have an impact on the profitability and cash flows sufficiency for distributions to the unitholders.

Whilst the Manager can take reasonable steps to mitigate the risk of Al-`Aqar failing to meet its payment obligations, there can be no assurance that the occurrence of one or combination or all of the above financing risk will not lead to events of default and resulting in the foreclosure of Al-`Aqar's properties.

Further, the financing of the Balance of Purchase Price is expected to be fully funded by the new Islamic financing facility. As laid out in the Conditions Precedent of the SPA, the Proposed Acquisition is subject to the Trustee or Al-`Aqar obtaining and accepting letter of offer in relation to the financing of the Property. In the event that Al-`Aqar is unable to obtain 100% financing for the Balance of Purchase Price within the stipulated time frame of three (3) months with one (1) month automatic extension from the date of the SPA (or such periods mutually agreed), it could result in the non-completion of the Proposed Acquisition. A partial financing for the Balance of Purchase Price will also result in Al-`Aqar having to use internally generated funds to ensure completion of the Proposed Acquisition.

5 EVALUATION OF THE PROPOSALS (CONT'D)

5.6 Risk Factors (Cont'd)

5.6.3 Financing and Completion Risks (Cont'd)

Nonetheless, the Manager operates within an enterprise risk management framework where financing risk is identified with mitigation plan where given the stable income from Al-`Aqar's portfolio, the Manager does not foresee the risk associated with inability to procure financing.

Other than the above, the Proposed Acquisition is also subject to the fulfilment or waiver of the other conditions precedent set out in Section 5.3.1 of the IAL. Any risk due to the delay or failure of the respective parties' performance of their obligations under the SPA may result in the non-completion of the Proposed Acquisition.

5.6.4 Transfer of Land Title

We wish to highlight that the documents for the memorandum of transfer (or such other prescribed forms) to transfer the land title of the Property from JCorp to the Trustee ("**Transfer Documents**") together with the issue document of the title was delivered to Al-`Aqar's solicitors as stakeholders at the SPA date. Upon the fulfilment of the Conditions Precedent in the SPA, Al-`Aqar's solicitors shall submit the Transfer Documents in favour of Al-`Aqar and of which upon settlement of the full Purchase Price by Al-`Aqar to JLand, the Proposed Acquisition is deemed completed. Hence, the transfer of the land title to Al-`Aqar from JCorp may yet to be completed at the completion of the SPA, where the parties agree that there shall be no right of termination of the SPA after completion has taken place.

Under the provisions of the SPA, it is provided for that pending registration of the Transfer of the Property in favour of Al-`Aqar, JCorp shall hold the Property on trust and for the benefit of Al-`Aqar, where JCorp shall deal with the Property in the manner as directed and instructed by Al-`Aqar.

5.6.5 Compulsory Acquisition

The Government of Malaysia has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislations including the Land Acquisition Act, 1960.

If the Government of Malaysia invokes a compulsory acquisition of any part of the Property, Al-`Aqar's financial position and results of operations may be adversely affected.

6 FURTHER INFORMATION

We advise the Non-Interested Unitholders to refer to Part A of the Circular and the appendices contained in the Circular for further information on the Proposals.

7 CONCLUSION AND RECOMMENDATION

The Non-Interested Unitholders should consider carefully the terms and conditions of the Proposals based on all relevant and pertinent factors including those which are in Part A of the Circular and the appendices, and this IAL and other publicly available information before making a decision to vote on the resolution pertaining to the Proposals.

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7 CONCLUSION AND RECOMMENDATION (CONT'D)

We have duly assessed and evaluated the Proposals after taking into consideration the various factors discussed above, and have summarised the pertinent factors which you should consider carefully as follows:-

(a) Rationale for the Proposals (Section 5.1 of the IAL)

The Proposals are expected to be earnings accretive to Al-`Aqar and also to increase the income stability and WALE of Al-`Aqar's portfolio. Overall, given the expected benefits of the Proposals, we are of the opinion that the rationale for the Proposals is reasonable.

(b) Evaluation of the Purchase Price (Section 5.2 of the IAL)

In arriving at the market value of RM78 million for the Property, the Valuer adopted the income approach with comparison approach which is supported by the cost approach. We have reviewed and are satisfied with the assumptions adopted by the Valuer in deriving the RM78 million market value for the Property.

Accordingly, we are of the view that the Purchase Price is reasonable.

(c) Salient Terms of the SPA and Lease Agreement (Section 5.3 of the IAL)

Based on our review of the salient terms of the SPA and Lease Agreement, we are of the opinion that the overall terms of the SPA and Lease Agreement are reasonable and not detrimental to the interest of the Non-Interested Unitholders.

(d) Effects of the Proposals (Section 5.4 of the IAL)

Assuming that the Proposals are completed on 31 December 2018 and notwithstanding any fair value changes to the Property, the Proposals:

(i) will not have any effect on the unitholders' capital, substantial unitholders' interest in Al-`Aqar, NAV and NAV per unit of Al-`Aqar; and

(ii) expected to increase the PAT of Al-`Aqar by approximately RM0.60 million and EPU of 0.08 sen per annum.

On the assumption that the Purchase Price will be funded entirely via debt instruments, the gearing of Al-`Aqar is expected to increase from 38.2% to 41.2%.

(e) Industry Outlook and Future Prospects (Section 5.5 of the IAL)

Premised on the general positive outlook of the Malaysia economy, the growing private healthcare industry, the location of the Property as well as the established reputation and operations of KPJ (the holding company of PGHSB), we believe that moving forward, barring any unforeseen circumstances, the overall prospects of the Property should be generally positive.

7 CONCLUSION AND RECOMMENDATION (CONT'D)

(f) Risk Factors in relation to the Proposals (Section 5.6 of the IAL)

The risk factors have been considered and where possible, addressed and mitigated by the Manager. Although measures could be taken by Al-`Aqar to attempt to mitigate and limit the risk associated with the Proposals, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material and adverse impact on the financial position of Al-`Aqar. However, we note that Al-`Aqar's portfolio comprises income-producing healthcare assets, we are of the view that its risk profile will not materially change upon completion of the Proposals.

Based on the evaluation as set out in this IAL, and the information available to us up to the LPD, we are of the opinion that the terms of the Proposals are **fair and reasonable** and **not detrimental** to the Non-Interested Unitholders of Al-`Aqar.

In this regard, we recommend that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming unitholders' EGM of Al-`Aqar.

Yours faithfully
For and on behalf of
Crowe Advisory Sdn Bhd

Pauline Teh Abdullah
Executive Director, Advisory

Leow Sue Fern
Associate Director, Advisory

APPENDIX I – SALIENT TERMS OF THE SPA

(A) Sale and Purchase Agreement

JLand agrees to sell, and the Purchaser agrees to purchase the Property for a Purchase Price of RM78 million together with all rights, title and interest, subject however to the conditions, category of use and restriction of title of the Property, expressed or implied in the title deed and on the basis that the Property shall not be subjected to any prohibitory order, injunction (interim or otherwise) or any orders or judgments of whatsoever nature and/or constraints, upon the terms and conditions of the SPA.

The vendor represents and warrants that upon completion, the Purchaser shall have a good and enforceable rights and interest of the Property free and clear of any form of legal, equitable or security interests including but not limited to lien, pledge, mortgage, debentures, lease, charge, caveats, title, right of first refusal, right of pre-emption, third party right or interest, retention or conditional sales contract, or any other adverse claim or right whatsoever save and except for the lease as stipulated in the Lease Agreement.

(B) Purchase Price

The Purchase Price shall be satisfied as follows:-

	Terms	% of Payment	Amount (RM)
Deposit	Upon the execution of the SPA payable to JLand	1%	0.78 million
Balance of Purchase Price	On the completion of the SPA ("**Completion Date**")	99%	77.22 million
Total		**100%**	**78.00 million**

(C) Conditions Precedent

The SPA is conditional upon the following conditions ("**Conditions Precedent**") to be obtained within 3 months from the date of the SPA with an automatic extension of 1 month or such later period as may mutually agree by the parties:-

(a) the approval from the board of directors of the Vendor and JCorp which were obtained on 18 July 2019 and 6 October 2019;

(b) the execution of the relevant documents to give effect to the Lease Agreement including but not limited to the Form 15A of the National Land Code;

(c) the approval of the unitholders of Al-`Aqar Healthcare REIT with respect to the Proposals;

(d) the approval from the board of directors of the Purchaser with respect to the Proposals which was obtained on 31 July 2019;

(e) the approval/consent being obtained from the existing financiers, creditors or lender of Al-`Aqar for the Proposed Acquisition, where such consent is required;

(f) the letter of offer or letter of commitment in relation to the financing of the Property being issued by the Purchaser's Financier and accepted by the Purchaser or Al-`Aqar Healthcare REIT's special purpose company which will be used for the purposes of the Purchaser's Financing; and

(g) the CCC which has been duly obtained by the Vendor on 10 September 2019.

The parties may mutually agree to waive any of the Conditions Precedent to the extent that failure to satisfy any of the Conditions Precedent does not contravene any law or regulations issued by the SC or Bursa Securities.

The SPA will become unconditional on the day upon which the last of the Conditions Precedent (which have not been waived in writing) have been fulfilled or waived in accordance with the provisions of the SPA ("**Unconditional Date**").

(D) Lease Agreement

JLand, the Trustee and PGSHSB has entered into the Lease Agreement on the same date of the SPA where JLand has grant PGSHSB a lease of the Property which shall commence on the date of notice to be issued by JLand within 14 days from the issuance of the CCC to PGSHSB to take vacant possession of KPJ Batu Pahat Specialist Hospital.

Under the term of the Lease Agreement, JLand will assign, novate and substitute all of its rights, title, interest, benefit, obligation and liabilities as the Lessor to the Trustee with effect from the Completion Date or Extended Completion Date of the Proposed Acquisition ("**Novation Clause**").

Notwithstanding the Novation Clause in the Lease Agreement, JLand's obligation as set out in the Defect Liability Period clause (as defined below) of the Agreement to Lease and the equivalent provision in the Lease Agreement shall continue to apply even after novation has taken effect on the Completion Date or Extended Completion Date. For the avoidance of doubt, JLand shall indemnify the Trustee in the event there is any claim by PGSHSB in respect of the Property pursuant to the Agreement to Lease or the Lease Agreement.

For information, the commencement date of the Lease Agreement is on 24 September 2019.

(E) Completion

The completion of the SPA shall take place on:-

(a) a date which is no later than 1 month from the Unconditional Date ("**Completion Date**"); or

(b) 1 month from the expiry of the Completion Date or such later period(s) thereafter, as the parties may mutually agree to in writing ("**Extended Completion Date**").

The Vendor is entitled (but not obligated) to charge the Purchaser penalty on the Balance of Purchase Price calculated at the rate of 8% per annum on a daily basis commencing from the expiry of the Completion Date until the date of the actual payment.

The parties agree that upon the completion of the SPA, the novation of the Lease Agreement shall take place upon the terms as set out in the Lease Agreement.

(F) Termination

(i) Default by JLand

In the event that:-

(a) there is a default by JLand to complete the sale of the Property; or

(b) JLand fails, neglects or refuses to perform or comply with any of its obligations under the SPA in any material respect and where remediable, fails to remedy the same within 14 Business Days from the date of the notice from the Purchaser; or

(c) any representation, warranty or undertaking by JLand are not true or accurate or is not complied with in any material respect.

at any time prior to the completion of the SPA, the Purchaser shall give JLand a 45 days' notice or such later period as the parties may mutually agree in writing to rectify the alleged breach or default as stipulated in the said notice.

In the event JLand fail to rectify the alleged breach the Purchaser is entitled to do either of the following:-

(i) to require specific performance of the SPA; or

(ii) to claim damages for the breach of the SPA by JLand; or

(iii) to terminate the SPA with the Vendor and the Vendor shall within 14 Business Days from the notice of termination:-

(aa) refund to the Purchaser all monies paid toward account of the Purchase Price interest free; and

(ba) pay to the Purchaser an amount equivalent to the Deposit as liquidated damages failing which the Vendor shall pay the Purchaser penalty on the aforesaid money calculated at the rate of 8% per annum on a daily basis until the date of the actual payment.

(ii) Default by Purchaser

In the event that:-

(a) the Purchaser fails to satisfy the Purchase Price or to complete the sale and purchase of the Property; or

(b) any representation, warranty or undertaking of the Purchaser is not true or accurate or is not complied with in any material respect.

JLand shall give the Purchaser 45 days' notice or such later period as may be mutually agree to rectify the alleged breach or default.

If the Purchaser fails to rectify the alleged breach or default within 45 days, JLand may do either of the following:-

(i) to require specific performance of the SPA; or

(ii) to terminate the SPA and refund to the Purchaser all monies (save and except for the Deposit which shall be forfeited by the Vendor as the agreed liquidated damages).

(G) Beneficial Ownership

Upon the payment of the Purchase Price for the Proposed Acquisition, together with any penalty (if any), the Property's beneficial ownership is deemed to be transferred to and vested to the Purchaser. For the avoidance of doubt, pending to the registration of the Transfer, JLand and JCorp shall hold the Property and all such title, rights, interest and benefits therein on trust and for the benefit of the Purchaser.

(H) Transfer of Legal Title of the Land

JLand, as the beneficial owner of the Land, is to undertake warrants and covenants to procure JCorp to execute the Transfer or procure JCorp to grant and execute a valid and binding power of attorney to appoint JLand to execute the Transfer or such other documents to give effect to the transfer of the legal ownership of the Land from JCorp as the registered owner of the Land to the Purchaser, in fulfilling JLand's obligation under the SPA to sell the Property to the Purchaser.

In an event the Transfer cannot be registered for any reason, JLand and the Purchaser shall use their best endeavor to immediately rectify any errors or mistake to cause the Transfer to be valid. Any non-registration by virtue of any errors or mistake or any resolutions/corporate documents/certified true copies of any documents or others that can be remedied shall not be a ground to invoke termination of the SPA.

If the Transfer fails to be rectified within 6 months from the notice of rectification, JLand and the Purchaser agrees that JLand shall ensure that JCorp hold the Property of the notice from the Purchaser as the bare trustee for the Purchaser, and shall deal with the Property in the manner as directed and instructed by the Purchaser in writing from time to time without reward.

APPENDIX II – SALIENT TERMS OF THE LEASE AGREEMENT

(A) Lease

Item		Particulars
Commencement Date	:	The date of the notice which shall be issued by the Lessor within 14 days from the issuance of the CCC to the Lessee to take vacant possession of KPJ Batu Pahat Specialist Hospital in accordance with the Agreement to Lease
Principal Lease Period[(a)]	:	A period of 6 years commencing from the Commencement Date.
Extended Lease Period[(a)]	:	A period of 8 successive 3-year terms which shall be automatically renewed and commence from the expiry of the Principal Lease Period
Terms for Extended Lease Period	:	The new lease or tenancy shall contain the same terms and conditions as the Lease Agreement except that:- (a) the new lease or tenancy includes any variations made to the Lease Agreement during the Term; (b) the new lease or tenancy includes any term which the Lessor reasonably requires due to any change in the Law; (c) save for the automatic renewal provided in the Lease Agreement the new lease or tenancy shall not include any further option to renew right or provisions; and (d) where the Lease Consideration varied in the Extended Lease Period, the security and utilities deposits shall be adjusted based on the application Lease Consideration payable for the first 12 months of each term under the Extended Lease Period. Any shortfall in the security and utilities deposits shall be paid by the Lessee prior to the commencement of the Extended Lease Period.
Triple Net Lease	:	The lessee shall bear all quit rent and assessment, taxes, takaful (save for the fire, property/building and public liability takaful to be maintained by the lessor) and maintenance on the KPJ Batu Pahat Specialist Hospital in addition to any normal fees that are expected under the Lease Agreement such as rent and utilities.
Lease Consideration	:	The Lease Consideration of the KPJ Batu Pahat Specialist Hospital is RM4.79 million per annum (initial 3 years), calculated on a Triple-Net Lease basis with the monthly Lease Consideration of RM0.40 million. The Lease Consideration is subjected to a 10% increase every 3 years.
New lease or tenancy upon the expiry of the Extended Lease Period	:	In the event the Lessee wish to extend the tenancy or lease of the Property after the Extended Lease Period ("**Renewal**"), the Lessor and Lessee agree to negotiate the Renewal prior to the expiry of the Extended Lease Period.

Note:

(a) As at LPD, the remaining period of Principal Lease Period and Extended Lease Period is 359 months.

(B) Lease Consideration Free Fit-Out Period

The Lessor agrees to grant to the Lessee 3 months Lease Consideration free fit-out period (rent-free period) commencing from the Commencement Date.

For clarity, the Lease Consideration Free Fit-Out Period is a 3 months rent-free period which was offered to PGSHSB in allowing the Lessee to put its furniture and fittings for the purpose of operating the hospital.

(C) Novation to the Trustee

The parties to the Lease Agreement agree, acknowledge and consent to the following:-

(a) on and from the completion date of the SPA ("**Novation Effective Date**"), all of the rights, title, interests, benefits, obligations and liabilities of JLand as the Lessor in connection with the Lease Agreement, shall be novated to the Trustee;

(b) JLand shall be fully discharged and released from all of its obligations and liabilities in connection with the Lease Agreement effective on the Novation Effective Date; and

(c) with effect from the Novation Effective Date, the contracting party releases and discharges JLand from all future claims and demands whatsoever under the Lease Agreement and accepts the liability of the Trustee as if the Trustee had been named in the Lease Agreement as lessor in place of JLand.

(D) Defect liability period

The parties agree that any defect, shrinkage or other faults in the KPJ Batu Pahat Specialist Hospital which shall become apparent within a period from the Commencement Date until 27 February 2021 ("**Defect Liability Period**") which are due to defective workmanship or materials or if the KPJ Batu Pahat Specialist Hospital not having been constructed in accordance with the building plan and building deliverables or as approved by the relevant authority, it shall be repaired and made good by JLand at its own cost and expense.

For the avoidance of doubt, the parties agree that even after the Novation Effective Date and as long as it is within the Defect Liability Period, the Trustee shall not be responsible for the cost to rectify any defect, shrinkage or other faults in the KPJ Batu Pahat Specialist Hospital which are due to defective workmanship or materials or if the KPJ Batu Pahat Specialist Hospital not having been constructed in accordance with the building plan and building deliverables as defined in the Lease Agreement or as approved by the relevant authority during the Defective Liability Period.

(E) Variation and/or adjustment to Lease Consideration

(a) In the event that the lessor or the lessee, elects to undertake works to the Property, the party proposes to undertake such works shall engage an independent valuer at its own cost and expense to revalue and determine the value of the Property upon completion of the works. The parties agree that the valuation is to be carried out for the purpose of varying and/or adjusting the Lease Consideration, calculated in accordance with the Lease Consideration per square foot with effect from the month immediately preceding the date of the valuation report.

(b) The Lessor shall have the rights to vary the Lease Consideration of the net lettable area of the Property occupies and used by the Lessee due to the occurrence of any of the following future events:-

   (i) If the net lettable area of the Property increases arising from the renovation or refurbishments undertaken by the Lessor, the Lease Consideration shall be increased corresponding with the increase in the Lessee's net lettable area of the Property;

(ii) The Lessor incurs maintenance costs as determined from time to time by the Lessor for maintenance and upkeep works under term maintenance costs as stipulated in the Lease Agreement, the employment and other expenses incidental to the employment of personnel engaged in and about the provision of the term maintenance;

(iii) The Lessor incurs costs for the refurbishment or renovation of the Property for the purposes of expansion and to increase the capacity of the Property.

(c) The Lessee shall have the right to vary the Lease Consideration of the net lettable area of the Hospital of the net lettable area of the KPJ Batu Pahat Specialist Hospital decreases arising from the compulsory acquisition. The Lease Consideration shall be decreased corresponding with the decrease in the Lessee's net lettable area of the KPJ Batu Pahat Specialist Hospital.

(F) Termination

(i) Default by the Lessee

The Lessee will be in default under the Lease Agreement if:-

(a) the Lessee does not pay the Lease Consideration by the due date for payment;

(b) the Lessee does not pay the outgoings, operating expenditure or any amount that is due and payable by it under the Lease Agreement by the due date for payment or within 30 days of receiving a demand for payment from the Lessor where the invoice for the particular item of outgoings or operating expenditure is received directly by the Lessor;

(c) the Lessee does not comply with an essential term of the Lease Agreement;

(d) the Lessee repudiates its obligations under the Lease Agreement;

(e) the Lessee does not comply with any other covenants or obligations under the Lease Agreement which has a material adverse effect on the business and/or the Demised Premises; or

(f) an insolvency event occurs in respect of the Lessee.

and the event of default is capable of remedy by the Lessee but is not remedied within 30 days after the date of service of a notice from the Lessor asking the Lessee to remedy that event of default or such further period as the Lessor may determine in writing then the Lessor may by a forfeiture notice in writing pursuant to Section 235 of the National Land Code issued to the Lessee terminate the Lease Agreement by:-

(i) re-entering and taking possession of the KPJ Batu Pahat Specialist Hospital, using reasonable force to secure possession;

(ii) serving a notice terminating the Lease Agreement on the Lessee; or

(iii) instituting proceedings for possession of the KPJ Batu Pahat Specialist Hospital against the Lessee.

(ii) Default by the Lessor

If the Lessor:-

(a) repudiates the Lease Agreement;

(b) breaches an essential term under the Lease Agreement; or

(c) defaults under the Lease Agreement in any other way,

the Lessor must compensate the Lessee for the loss suffered by the Lessee as a consequence of the repudiation, breach or other default. The compensation shall extend to the loss suffered by the Lessee during the term of the lease, including the periods after any termination of the Lease Agreement.

(iii) Unilateral termination

(a) In the event the Lessee unilaterally terminates the Lease Agreement and/or vacates the KPJ Batu Pahat Specialist Hospital without continuing to promptly pay the Lease Consideration for a continuous period of three (3) months in accordance with the terms of the Lease Agreement before the expiration of the Principal Lease Period or the Extended Lease Period, as the case may be, the Lessee shall forthwith pay to the Lessor a sum equivalent to the Lease Consideration for the whole of the unexpired Principal Lease Period and Extended Lease Period or any other sum as may be mutually agreed between the Lessor and the Lessee.

(b) In the event that other than as provided for in the Lease Agreement, the Lessor unilaterally terminates the Lease Agreement before the expiration of the Principal Lease Period or the Extended Lease Period, as the case may be, the Lessee will be at liberty to take such action in Law as may be deemed necessary by the Lessee.

(G) Assignment by the Lessor

The Lessor shall, with prior notification of no less than 30 days to the Lessee, have the right to sell or assign its interest in the Property to any company within the JCorp Group at any time during the Lease Period.

In the event the Lessor intends to sell the Property to any third party, the Lessor shall first make an offer in writing to the Lessee to sell the Property at a price determined by the Lessor. The Lessee shall provide in writing to the Lessor of its intention to accept such offer within 30 days from the date of the said notice. In the event of non-receipt by the Lessor of a reply from the Lessee before the expiry of the said 30 day period, it is deemed that the Lessee is declining the said offer.

Knight Frank

PRIVATE & CONFIDENTIAL

AmanahRaya Trustee Berhad
(as the Trustee for Al-'Aqar Healthcare REIT)
Tingkat 2, Wisma AmanahRaya II
No. 21, Jalan Melaka
50100 Kuala Lumpur

Date: 29th July 2019

Reference No.: V/JB/17/177/wan

Dear Sir / Madam,

VALUATION CERTIFICATE FOR KPJ BATU PAHAT SPECIALIST HOSPITAL COMPRISING A SEVEN (7)-STOREY PURPOSE-BUILT PRIVATE MEDICAL HOSPITAL ALONG WITH AN ELECTRICAL AND MECHANICAL SUBSTATION BUILDING AND OTHER SUPPORTING STRUCTURES AND FACILITIES INCLUDING SURFACE CAR PARKING BAYS ATTACHED THERETO (IDENTIFIED AS HOSPITAL BUILDING) + PART OF THE LAND MEASURING APPROXIMATELY 1.38 ACRES (60,113 SQUARE FEET) EARMARKED FOR FUTURE DEVELOPMENT (IDENTIFIED AS LAND DESIGNATED FOR FUTURE DEVELOPMENT); ALL SITED ON PARENT LOT PTD 63523 HELD UNDER MASTER TITLE NO. HS(D) 69760, MUKIM OF SIMPANG KANAN, DISTRICT OF BATU PAHAT, STATE OF JOHOR DARUL TAKZIM
(HEREINAFTER COLLECTIVELY REFERRED TO AS THE SUBJECT PROPERTY)

We were instructed by Damansara REIT Managers Sdn Berhad (on behalf of AmanahRaya Trustees Berhad (as Trustee for Al-'Aqar Healthcare REIT) (hereinafter referred to as the "Client") for our firm to ascertain the Market Value of the legal interest in the Subject Property stated herein.

This Valuation Certificate of Valuation is prepared for inclusion in the Circular to unitholders of Al-'Aqar Healthcare REIT pursuant to the Submission to Bursa Malaysia Securities Berhad in relation to the proposed acquisition of the Subject Property by AmanahRaya Trustees Berhad (as Trustee for Al-'Aqar Healthcare REIT).

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia. This Valuation Certificate is prepared in accordance with the general principles adopted and limiting conditions as enclosed at the end of our formal Valuation Report. For all intents and purposes, this Valuation Certificate should be read in conjunction with our formal Valuation Report.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date 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".

Accordingly, we have conducted the site inspection on various occasions; being the latest on **2nd July 2019**. As such, we have adopted **2nd July 2019** as the material date of valuation.

Brief description of the subject property is as attached overleaf.

Knight Frank Malaysia Sdn Bhd (Co. No.585479-A) (VE(1) 0141/1)

Suite 3A-01, Level 3A, Bangunan Pelangi, Jalan Biru, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim, Malaysia
T + 607 338 2888 F + 607 332 6788 www.knightfrank.com

Knight Frank

IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property

Legal interest in a seven (7)-storey purpose-built private medical hospital along with an electrical and mechanical substation building and other supporting structures and facilities including surface car parking bays attached thereto (identified as **Hospital Building**) + part of the Land measuring approximately 1.38 acres (60,113 square feet) earmarked for future development (identified as **Land designated for Future Development**); all sited on Parent Lot PTD 63523 held under Master Title No. HS(D) 69760, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim (hereinafter collectively referred to as the **"Subject Property"**).

Title Particulars

The following table outlines the title particulars of the Subject Property: -

Summary of Title Particulars of the Subject Property		
Lot No.	:	Lot PTD 63523 held under Title No. HS(D) 69760, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim.
Land Area	:	20,235.515 square metres (217,813 square feet or 5.00 acres).
Tenure	:	Interest in perpetuity.
Registered Proprietor	:	Johor Corporation. (*)
Category of Land Use	:	Building.
Express Conditions	:	i) "Tanah ini hendaklah digunakan untuk tujuan Perdagangan yang belum ditentukan komponen pembangunannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan". ii) "Segala kekotoran dan pencemaran akibat ini hendaklah disalurkan ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan". iii) "Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi".
Restrictions-of-Interest	:	i) "Tanah ini tidak boleh dijual atau dipindahmilik dengan apacara sekalipun kepada Bukan Warganegara/ Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri". ii) "Sekiranya pemohon/pemilik berdaftar hendak melaksanakan pembangunan ditanah ini, ianya hendaklah melalui proses ubahsyarat/serahbalik kurniasemula dan hendaklah tidak dilaksanakan melalui proses pindaan pelan susunatur sebagainya". iii) "Pihak Berkuasa Tempatan hendaklah tidak boleh memproses permohonan Kebenaran Merancang Pendirian Bangunan (KMP) ataupun permohonan Pelan Bangunan selagi proses serahbalik kurniasemula melalui Kebenaran Merancang tidak diselesaikan terlebih dahulu".

Knight Frank

IDENTIFICATION OF PROPERTY (CONT'D)

Summary of Title Particulars of the Subject Property (Cont'd)

Encumbrance	:	Nil.
Endorsement	:	Nil.

Note: (*) Pursuant to a Development Rights Agreement dated 5th April 2013, we note that the Registered Proprietor has granted their rights to Johor Land Berhad to, include amongst others, develop the land and conduct the sale of the proposed building to be constructed on the Land. Johor Land Berhad had duly paid the project consideration under the said Development Rights Agreement to the Registered Proprietor; and therefore, it is the beneficial owner of the Land under the said Development Rights Agreement.

PROPERTY DESCRIPTION

Location

Strategically located within the enclave Taman Mutiara Gading; which is running parallel and sited off the south-western (left) side of Jalan Kluang, travelling from Ayer Hitam town centre towards Batu Pahat town centre. Geographically, the Batu Pahat town centre is located approximately 10 kilometers due south-west of the Subject Property.

Property Description

KPJ Batu Pahat Specialist Hospital is a seven (7)-storey purpose-built private medical hospital along with an electrical and mechanical substation building and other supporting structures and facilities including surface car parking bays attached thereto (identified as **Hospital Building**) + part of the Land measuring approximately 1.38 acres (60,113 square feet) earmarked for future development (identified as **Land designated for Future Development**).

General Building Description

Structures	:	Reinforce concrete framework.
Roofs	:	Flat roof concealed behind a parapet wall.
Ceilings	:	Plaster ceiling, plaster ceiling incorporating downlights, ceiling boards incorporating downlights, aluminium panels and cement plaster.
Wall Finishes	:	Granite, timber panels, quality ceramic tiles, wallpapers, ceramic wall tiles, gypsum board and cement plaster.
Floor Finishes	:	Granite flooring, ceramic tiles, timber, wall-to-wall carpet, concrete with polyurethane coating and cement rendered and vinyl flooring.
Windows	:	Aluminium casements incorporating glass panels and top hung units.
Doors	:	Automated frameless double-leaf glass panels, metal roller shutters, frameless glass panels, aluminium frames incorporating glass panels, fire-rated timber, flushed, panelled timber and polycarbonate doors.

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PROPERTY DESCRIPTION (CONT'D)

Gross Floor Area

16,132.05 square metres (173,645.39 square feet).

Buildings	Gross Floor Area	
	Square Metres	Square Feet
Main Hospital Building Including Electrical and Mechanical Substation Building	16,018.03	172,418.08
Pump House	58.57	630.45
Refuse Area	55.45	596.86
Total	16,132.05	173,645.39

Source: Based on Building Plan No. SQA061/BP/MPBP/MB – 100 to 108, SQA061/BP/MPBP/PH – 100 and SQA061/BP/MPBP/RC - 100 provided by Johor Land Berhad prepared by their appointed architect Messrs Suqizam Ibrahim Architect.

Note: Based on Approved Building Plan conversion rate of 1 square metre : 10.7640 square feet.

Car Parking Bays

Circa 177 bays (inclusive of surface car parking bays and OKU bays).

Age of Buildings

Newly-completed; based on the issuance date of the partial Certificate of Completion and Compliance (CCC) dated 10th April 2019.

State of Repair

The buildings appears to be in good state of decorative repair.

Occupancy Status

The Subject Property will be leased and fully occupied by Puteri Specialist Hospital (Johor) Sdn Bhd (subsequently assigned to Pasir Gudang Specialist Hospital Sdn Bhd) as a private medical hospital for a principal lease period of six (6) years with automatic lease renewal period of eight (8) successive three (3)-year terms; subject to the terms and conditions stated therein.

Planning

Designated for commercial use; and issued with a partial Certificate of Completion and Compliance (CCC) by Architect Ar. Mohd Suqizam Bin Ibrahim vide Certificate No. LAM/J/No. 0663 dated 10th April 2019.

Note: We were made to understand by Johor Land Berhad (as the Vendor) that the Final CCC will be obtained by mid-September 2019; pending completion of all related common infrastructure works.

Agreement to Lease

Key salient terms and conditions of the Agreement to Lease are scheduled here below:-

Common Terms		
Date of Agreement	:	17th October 2016.
Term	:	Principal lease period of six (6) years commencing from the Commencement Date and extended lease period of eight (8) successive 3-year terms which shall be automatically renewed and commence from the expiry of the principal lease period.

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PROPERTY DESCRIPTION (CONT'D)

Common Terms (Cont'd)		
Commencement Date	:	Within fourteen (14) days from issuance of the Certificate of Completion and Compliance.
Lessor	:	Johor Land Berhad.
Lessee	:	Puteri Specialist Hospital (Johor) Sdn Bhd.
Permitted Use	:	Hospital only, including all uses which are reasonably ancillary to / associated with the business of a licensed hospital. Any change in nature of the Business of the Lessee from the above is strictly prohibited unless prior written consent is obtained from the Lessor.
Rent	:	The monthly rent shall be the sum equivalent to 1/12 of 6.5% of the development costs. The Rent shall be reviewed based on a 10% incremental as follows: (a) where the Commencement Date falls on the fifteenth day of a calendar month or earlier: (i) the Rent for the purpose of the Principal Lease Period shall be increased on the third anniversary of the first day of the calendar month in which the Commencement Date falls; and (ii) the Rent for the Extended Lease Period shall be increased on the third anniversary of the date of commencement of the Extended Lease Period; or (b) where the Commencement Date falls after the fifteenth day of a calendar month, the Rent shall be increased on the third anniversary of the first day of the calendar month following the calendar month in which the Commencement Date falls.
Rent-Free Period	:	The Lessor agrees to grant the Lessee three (3) months rent-free period during the First Term commencing from the Commencement Date.

Notes: (1) The client has informed us that the agreed total development cost (which is including the land cost) between KPJ Healthcare Berhad and Johor Land Berhad amounts to RM73,686,467.44, and as such, the rental payable for first 3-year per annum shall be RM4,789,620.38 (RM399,135.03 per month).

(2) The lease arrangement will be based on triple-net lease basis whereby the Lessee agrees to pay all quit rent and assessment, taxes and insurance (save for fire and building + public liability insurance(s) to be maintained by the Lessor) ("Triple Net Lease").

We were made to understand that the proposed Lease Agreement to be entered between AmanahRaya Trustees Berhad ("as the Trustee for Al-'Aqar Healthcare REIT"), Johor Land Berhad ("Lessor") and Pasir Gudang Specialist Hospital Sdn Bhd ("Lessee") will have similar key salient terms and conditions as above; save and except for changes relating to the inclusion of public liability insurance on the building to be borne by the Lessor; and the exclusion of rental calculation based on development cost to a lump sum annual rental (triple net basis) for lease consideration amounting to RM4,789,620.38.

The inclusion of the public liability insurance on the building to be borne by the Lessor has been incorporated (as part of outgoings allowance) in our valuation assessment.

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MARKET VALUE

Valuation Methodology

a) Income Approach by Investment Method (Hospital Building)

This approach involves capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalization rate.

Summary of Parameters – Hospital Building	
Term	**Year 1: RM3,592,215.29 (1) per annum** (average monthly rent of RM1.72 per square foot over total gross floor area) (2) **Year 2: RM399,135.03 (3) per month to Year 30: RM941,139.53 per month** (Year 2: RM2.30 per square foot to Year 30: RM5.42 per square foot over total floor area) This is based on the committed monthly rental (on triple net basis), with an increment of 10% every three (3) years throughout, for principal lease period of six (6) years with automatic lease renewal period of eight (8) successive three (3)-year terms in accordance to Agreement to Lease entered between Johor Land Berhad (the "Lessor") Johor Corporation (JCorp) and Puteri Specialist Hospital (Johor) Sdn Bhd (the "Lessee") dated 17th October 2016. Our valuation assessment is based on the basis and/or assumptions that the rental commencement date will commence on 1st October 2019.
Notes:	(1) Effective rental after having considered the three (3) months rent-free period (2) Total Gross Floor Area = 173,645.39 square feet (3) The committed rent calculated based on triple net basis with the monthly rental being a sum equivalent to one-twelfth (1/12) of 6.5% of Development Cost (RM73,686,467.44)
Reversionary	**RM1.80 per square foot** / month over gross floor area Our assessment of the market rent of the Hospital Building is based on the market rental payable (with master lease arrangement) of other selected healthcare assets located nationwide (ranging from RM1.64 psf to RM2.42 psf over the respective GFA) as there is no recorded sales / rental evidences of similar asset class in the locality of Batu Pahat. In our assessment, we have adopted an adjusted rental of **RM1.80 per square foot** as fair representation after having considered and made diligent adjustment for differences including but not limited to the location and catchment area, size, building condition / specification and facilities offered.
Void Allowance (Reversionary)	**10.00%.** We have adopted a void allowance of 10.00% of the annual income in reversionary period as fair representation for allowance of void, unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts. Typically for multiple tenancies, a void allowance of 3.00% - 5.00% (depending on the occupancy rate achieved along with its tenant profile) are adopted to reflect unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts. However, for properties which are committed and secure with a single operator, a higher provision for void allowance will be allowed for risk of unforeseen vacancy etc.

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MARKET VALUE (CONT'D)

Summary of Parameters – Hospital Building (Cont'd)		
Allowance of Outgoings	Term:	**3.00%** of Gross Income. Based on the Agreement to Lease entered between Johor Land Berhad (the "Lessor") Johor Corporation (JCorp) and Puteri Specialist Hospital (Johor) Sdn Bhd (the "Lessee") dated 17th October 2016, we note that the rental payable to the Lessor is based on triple net basis whereby the Lessee will undertake to pay all cost of outgoings / property expenses; save and except for major structural repairs + fire and building + public liability insurance(s) to be maintained by the Lessor. Thus, a 3.00% provisional projection for outgoings are allowed under the term valuation as fair and adequate.
	Reversionary:	**5.00%** of Gross Income. We have allocated a 5.00% of gross income as the projected allocation for miscellaneous expenses (which include provision for major structural works + fire and building along with public liability insurance(s) to be maintained by the Lessor; excluding all quit rent, assessment, maintenance charges and other rates imposed) as fair representation after having benchmarked against any typical replacement / reserve fund allocation (approx. 3.0% - 5.0% of annual income) that will be set aside for similar and / or comparable asset class.
Capitalisation Rate	Term:	**6.50% to 9.00%.** A range of yields adopted under Term are benchmarked against prevailing market rate to reflect whether committed rental rates are under, over or at market rent.
	Reversionary:	**6.75%.** Reversionary yield is adopted at fair market rate and they are market derived. We have observed the existing historical yields of healthcare assets transactions in Malaysia and adopted a benchmark of selected transactions which are in the region of about 6.13% to 6.48% (adjusted yield in the region of about 6.40% to 6.73%). We have thus adopted an adjusted capitalisation rate of 6.75% as fair after having considered the prevailing market condition, location, concept and design of the building along with its tenancy profile and committed lease arrangement.

b) Comparison Approach (Land designated for Future Development)

This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued (subject property) is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

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MARKET VALUE (CONT'D)

Comparison Approach (Land designated for Future Development)	Land Comparable 1	Land Comparable 2	Land Comparable 3
Legal Description	Lot 4659 held under Title No.GRN 95566, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim	Lot 226 held under Title No. GRN 120235, Township of Penggaram, District of Batu Pahat, State of Johor Darul Takzim	Lot 1181 held under Title No. GRN 81031, Township of Penggaram, District of Batu Pahat, State of Johor Darul Takzim
Locality	Located Off Jalan Kluang, Batu Pahat, Johor	Located along Jalan Kluang, Batu Pahat, Johor	Located along Jalan Tanjong Laboh, Batu Pahat, Johor
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Land Area (sf)	69,578	7,621	99,916
Consideration	RM6,821,670	RM1,150,000	RM11,650,000
Date of Transaction	23rd November 2018	24th July 2018	1st August 2016
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)		
Adjustment (Comparable 1)	General adjustments are made for location / establishment, accessibility / exposure, category of land use, restrictive title conditions* and planning approval.		
Adjustment (Comparable 2)	General adjustments are made for location / establishment, accessibility / exposure, category of land use, land area, restrictive title conditions* and planning approval.		
Adjustment (Comparable 3)	General adjustments are made for location / establishment, accessibility / exposure, category of land use, land area, restrictive title conditions*, planning approval and others (special purchaser).		
Adjusted Analysis	RM78.43 psf	RM75.45 psf	RM81.62 psf

Note(*): We are of the opinion that the restriction-in- interest in relation to foreign ownership has minimal impact as our understanding from the relevant land office(s) have revealed that endorsement relating to restrictions on foreign ownership subject to consent of State Authority are and will be applicable to any subdivision of lands (surrendering and re-alienation of new title) upon development and / or redevelopment. Furthermore, all acquisitions of property by foreign interest are subjected to similar restrictions that are provided for under Section 433B of the National Land Code. In our valuation, we have considered the mere dissimilarities under restrictive title conditions where downward adjustment was reflected as compared to the selected Comparable(s) which the same restriction-in-interest are not specifically endorsed on their respective title documents.

Valuation Rationale (Land designated for Future Development)

Based on our analysis of the data obtained from the sources listed herein before, we note that the adjusted land value (land designated for future development) derived ranged from RM75.45 psf to RM81.62 psf.

In view of limited recorded transactions of similar land transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in excess of 50%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are considered relevant as the three (3) comparable(s) that we have relied upon are located along Jalan Kluang locality. With total effective adjustments made for all Comparable(s), we have placed greater reliance on Comparable 1 (being the latest sale transaction + the least adjusted comparable) after having considered and made diligent adjustments for various dissimilarities including but not limited to location / establishment, accessibility / exposure, category of land use, restrictive title conditions and planning approval. Having considered all relevant factors, we are of the opinion that the base land value (applicable for the Land designated for Future Development) should be RM78.43 psf.

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MARKET VALUE (CONT'D)

c) Cost Approach (Hospital Building + Land for Future Development)

This comparative approach considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility. In real estate context, one would normally not be justified in paying more for a given property than the cost of acquiring equivalent land and constructing an alternative structure, unless undue time, inconvenience, and risks are involved. In practice, the approach also involves an estimate of depreciation for older and / or less functional properties where an estimate of cost new unreasonably exceeds the likely price that would be paid for the appraised property.

The estimate of the land value component in the Cost Approach is arrived at principally by Comparison Approach; whereby it considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

The building value component is arrived at by Depreciated Replacement Cost Method; whereby an estimate is made of the replacement cost new and then allowing for depreciation based on physical deterioration, functional obsolescence and economic obsolescence. In arriving at the replacement cost new, we have referred to the total awarded contract sum as well as the industry average costing as derived from analysis of other awarded contracts of similar development and the average building costs of similar type of properties published by JUBM and Arcadis Construction Cost Handbook Malaysia 2019.

We have identified and analyzed the selected recent transactions of vacant land sales in the immediate and surrounding vicinity of the Subject Property and summarized the details in the table attached below.

Sales Comparison and Analysis of Vacant Land Transactions	Comparable 1	Comparable 2	Comparable 3
Legal Description	Lot 4659 held under Title No. GRN 95566, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim	Lot 226 held under Title No. GRN 120235, Township of Penggaram, District of Batu Pahat, State of Johor Darul Takzim	Lot 1181 held under Title No. GRN 81031, Township of Penggaram, District of Batu Pahat, State of Johor Darul Takzim
Locality	Located off Jalan Kluang, Batu Pahat, Johor	Located along Jalan Kluang, Batu Pahat, Johor	Located along Jalan Tanjong Laboh, Batu Pahat, Johor
Property Type	A parcel of redevelopment land with potential for commercial use	A parcel of vacant development land	A parcel of vacant development land
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Land Area	6,464.01 square metres (69,578 square feet / 1.60 acres)	708.01 square metres (7,621 square feet / 0.17 acre)	9,282.50 square metres (99,916 square feet / 2.29 acres)
Consideration	RM6,821,670	RM1,150,000	RM11,650,000

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MARKET VALUE (CONT'D)

Sales Comparison and Analysis of Vacant Land Transactions (Cont'd)	Comparable 1	Comparable 2	Comparable 3
Analysis	RM98.04 per square foot	RM150.90 per square foot	RM116.60 per square foot
Date of Transaction	23rd November 2018	24th July 2018	1st August 2016
Vendor	Poling Realty Sdn Bhd	Chin Kian Fong, Chin Khan Hee @ Chin Kian Hee, Chin Kiam Hsung and Chin Khan Fee @ Chin Kian Fee	Tan Chuan Kok +2
Purchaser	Mesti Mewah Development Sdn Bhd	BPSH Holdings Sdn Bhd	Linds Signature Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Planning	Located within an area zoned for commercial use, for a permissible plot ratio of 1:4	Located within an area zoned for commercial use, for a permissible plot ratio of 1:4	Located within an area zoned for commercial use with permissible plot ratio of 1:4
Adjustment	General adjustments are made for location / establishment, category of land use, land area, restrictive title conditions, plot ratio and planning approval	General adjustments are made for location / establishment, category of land use, land area, restrictive title conditions, plot ratio and planning approval	General adjustments are made for location / establishment, category of land use, land area, restrictive title conditions, plot ratio, planning approval and others (special purchaser)
Commentary (Comparable 1)	We consider Lot 4659 (Comparable 1) as a relatively recent transaction (Year 2018) situated in an arguably more superior with better locational characteristics and underlying development potential locality (closer proximity to Batu Pahat town centre) as compared to the Subject Property; thus resulting a downward adjustment made relating to factor relating to location / establishment. No adjustment is made for prevailing market condition since Comaprable 1 was transacted in Year 2018. On overall, Comparable 1 shares similar attributes with the Subject Property; save and except for its category of land use, landholding, plot ratio, planning approval and restrictive title conditions. In the real estate context, there is a strong and proven inverse relationship between property sizes and price / value rates (per square foot / per acre / per square metre). In general, larger properties / lands will have lower prices / value rates. This is due to larger lands having higher maintenance costs amongst others including the needs to comply more with planning controls and regulations and the difficulties of disposal / marketability. Comparable 1 is smaller in area (1.60 acres) whereby the improved land of the Subject Property is about 3.62 acres and therefore a downward adjustment is considered. Upward adjustments are made for category of land use and planning approval as the Subject Property is a converted building (commercial) land + the benefit of planning approval (approved as a private medical hospital), when compared to Comparable 1 which is an unconverted development land zoned for commercial use + no planning approval obtained. A further downward adjustment is made for plot ratio and restrictive title conditions as the Subject Property has a lower existing utilised plot ratio with restriction on foreign ownership and subject to the approved limited commercial use as a private medical centre / hospital, when compared to Comparable 1 which has a permissible plot ratio of 4 with no restriction of permitted use in terms of commercial development as well as any transfer restriction. On balance, we consider a lower rate per square foot is applicable to the improved land of the Subject Property.		
Commentary (Comparable 2)	We consider Lot 226 (Comparable 2) as a relatively recent transaction (Year 2018) situated in an arguably more superior with better locational characteristics and underlying development potential locality (closer proximity to Batu Pahat town centre) as compared to the Subject Property; thus resulting a downward adjustment made relating to factor relating to location / establishment. No adjustment is made for prevailing market condition since Comaprable 2 was transacted in Year 2018. On overall, Comparable 2 shares similar attributes with the Subject Property; save and except for its category of land use, landholding, plot ratio, planning approval and restrictive title conditions. Comparable 2 is smaller in area (0.17 acres) whereby the improved land of the Subject Property is about 3.62 acres and therefore a downward adjustment is considered.		

<table>
<tr><th colspan="4">Sales Comparison and Analysis of Vacant Land Transactions (Cont'd)</th></tr>
<tr><th></th><th>Comparable 1</th><th>Comparable 2</th><th>Comparable 3</th></tr>
<tr><td>Commentary (Comparable 2)</td><td colspan="3">Upward adjustments are made for category of land use and planning approval as the Subject Property is a converted building (commercial) land + the benefit of planning approval (approved as a private medical hospital), when compared to Comparable 2 which is an unconverted development land zoned for commercial use with no planning approval obtained. A further downward adjustment is made for plot ratio and restrictive title conditions as the Subject Property has a lower existing utilised plot ratio with restriction on foreign ownership and subject to the approved limited commercial use as a private medical centre / hospital, when compared to Comparable 2 which has a permissible plot ratio of 4 with no restriction of permitted use in terms of commercial development as well as any transfer restriction. On balance, we consider a lower rate per square foot is applicable to the improved land of the Subject Property.</td></tr>
<tr><td>Commentary (Comparable 3)</td><td colspan="3">We consider Lot 1181 (Comparable 3) as a relatively dated transaction (Year 2016) situated in an arguably more superior with better locational characteristics and underlying development potential locality (closer proximity to Batu Pahat town centre) as compared to the Subject Property; thus resulting a downward adjustment made relating to factor relating to location / establishment. No adjustment is made for improved market condition since 2016 as the current domestic sentiment remains lacklustre. On overall, Comparable 3 shares relatively similar attributes with the Subject Property; save and except for its category of land use, landholding, plot ratio, planning approval and restrictive title conditions. Comparable 3 is relatively smaller in area (2.29 acres) whereby the improved land of the Subject Property is about 3.62 acres and therefore a downward adjustment is considered. Upward adjustments are made for category of land use and planning approval as the Subject Property is a converted building (commercial) land + the benefit of planning approval (approved as a private medical hospital), when compared to Comparable 3 which is an unconverted development land zoned for commercial use with no planning approval obtained.

A further downward adjustment is made for plot ratio and restrictive of title condition as the Subject Property has a lower existing utilised plot ratio with restriction on foreign ownership and subject to the approved limited commercial use as a private medical centre / hospital, when compared to Comparable 3 which has a permissible plot ratio of 4 with no restriction of permitted use in terms of commercial development as well as any transfer restriction. An additional downward adjustment was considered for Comparable 3 to reflect the potential value enhancement to the purchaser where their exisitng development are sited adjoining to Lot 1181. On balance, we consider a lower rate per square foot is applicable to the improved land of the Subject Property.</td></tr>
<tr><td>Adjusted Value</td><td>RM68.63 per square foot</td><td>RM75.45 per square foot</td><td>RM64.13 per square foot</td></tr>
</table>

Valuation Rationale

Based on our analysis of the data obtained from the sources listed herein before, we note that the adjusted land value derived ranged from RM64.13 psf to RM75.45 psf. In view of limited recorded transactions of similar land transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in excess of 50%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are considered relevant as the three (3) selected comparable(s) that we have relied upon are located along Jalan Kluang locality.

With total effective adjustments made for all Comparable(s), we have placed greater reliance on Comparable 1 (being the latest sale transaction + the least adjusted comparable) after having considered and made diligent adjustments for various dissimilarities including but not limited to location / establishment, accessibility / exposure, land area, plot ratio, category of land use, restrictive title conditions and planning approval.

MARKET VALUE (CONT'D)

Valuation (Cont'd) **Rationale**

Having considered all relevant factors, we are of the opinion that the base land value (applicable to the Hospital Building) should be RM68.63 psf + the adjusted base land value (for land designated for future development) to be RM78.43 psf (where detailed computation by comparison approach is defined here before) to be fair representation.

In assessing the depreciated building value of the properties constructed thereon, we have made reference to the industry average costing as derived from analysis of other awarded contracts of similar development and the average building costs of similar type of properties published by JUBM & Arcadis Construction Cost Handbook Malaysia 2019.

Kuala Lumpur	RM / sq m	RM / sq ft
General Hospital – Public Sector	3,574 - 4,828	332 - 448

Source: JUBM and Arcadis Construction Cost Handbook Malaysia 2019

Awarded Costing for selected Healthcare Assets in Malaysia	
Description	**Construction Cost**
Medical Centre in Bandar Sunway	RM603 per square foot (over total floor area of 352,857 sq ft)
Sunway Velocity Medical Centre	RM473 per square foot (over total floor area of 327,923 sq ft)
Sunway Medical Centre Phase 4	RM529 per square foot (over total floor area of 851,156 sq ft)
Sunway Medical Centre Seberang Jaya, Penang (First Phase)	RM250 per square foot (over total floor area of 721,139 sq ft)
Sunway Medical Centre Phase 3	RM285 per square foot (over total floor area of 585,858 sq ft)

Source: Sunway Construction Group Berhad website / Knight Frank Research

In addition, we have also referred to the latest total construction cost of KPJ Batu Pahat Specialist Hospital provided to us which is scheduled below.

Total Construction Cost (excluding Land Cost)	Analysis
RM64,570,169.17	RM371.85 per square foot (over total gross floor area of 173,645.39 sq ft)

Source: Johor Land Berhad

Having considered the industry average costing as derived from analysis of other awarded contracts of similar healthcare properties (ranged from RM250 per square foot to RM603 per square foot) and the average building costs of similar type of properties published by JUBM and Arcadis construction Cost Handbook Malaysia 2019, we have adopted an average replacement cost new for the Subject Property at RM374 per square foot as fair representation after having considered the type, design, building specifications and finishes of the building.

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MARKET VALUE (CONT'D)

Building	Average Replacement Cost New	Accumulated Depreciation Rate
KPJ Batu Pahat Specialist Hospital	RM374 per square foot	2.0%

Generally, the building depreciated rate adopted are based on 50 years building lifespan. In our assessment of building value(s), we have adopted an annual depreciation rate of about 2.0% per annum as fair and reflective of the existing condition of the building.

Summary of Parameters (Cost Approach)		
Improved Land Value (Hospital Building) (Land Area: 157,700.46 square feet)	RM10,800,000	RM68.48 psf / land area
Land Designated for Future Development (Land Area: 60,112.80 square feet)	RM4,700,000	RM78.19 psf / land area
Depreciated Building Value	RM63,700,000	RM367 psf over GFA
Depreciation Rate	2.0% per annum	
Market Value (say)	**RM79,000,000**	

Reconciliation of Value

Method of Valuation	Derivation of Values
Income Approach by Investment Method (Hospital Building) + **Comparison Approach** (Land designated for Future Development)	RM78,000,000
Cost Approach (Hospital Building + Land designated for Future Development)	RM79,000,000

Taking into consideration that the Subject Property is a commercial and income generating property (hospital building with part of the Land designated for future development), we have generally adopted the Market Value as derived from the Income Approach by Investment Method (applicable for hospital building) + Comparison Approach (being the preferred valuation approach for lands intended for future development) as fair representation supported by the Market Value as derived from the Cost Approach.

The Cost Approach provides a good guide to Market Value of specialised properties; however, the underlying reason to Cost Approach not being considered an accurate representation in determining the Market Value of the Subject Property was due to the difficulty in estimating the depreciation and the cost of replacing improvements as they exist in their present form. In a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is an appropriate method of valuation as there are less adjustments and analysis on comparable(s).However, in the case of more complex real estate such as healthcare assets and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to be computed or gauged to reflect the differences of the comparable(s) and the property being valued.

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MARKET VALUE (CONT'D)

Therefore, we have not considered Comparison Approach in our valuation assessment for the Hospital Building. Nonetheless, the Comparison Approach can (with relevant and reliable comparative sets of recorded transaction), broadly act as a secondary check / guide to value.

In view of inappropriate and dearth of evidences of ground leases in the market (where it has resulted in continued difficulties in assessing a fair market rent applicable for any development site), we have not considered the Income Approach by Investment Method in our valuation assessment for vacant development lands. Without proper detailed and approved development plans, the Income Approach by Residual Method may not be appropriate as well as it requires many assumptions and estimations regarding the hypothetical improvements that the end result is very much speculative and subjective. In absence of definite, detailed and approved development plans, the Residual Method of Valuation is very much a theoretical methodology where the finer details of the hypothetical end product and estimated building costs are much more difficult to determine with precision. Merely relying on master planning, proposed developments, zoning or other planning controls are theoretical in nature as reliability of the Residual Method depends on the confidence placed on the Gross Development Value and Gross Development Cost computations.

We wish to draw attention that the title of the Subject Property carries a restriction-in-interest which stipulates that **(i) "Tanah ini tidak boleh dijual atau dipindahmilik dengan apacara sekalipun kepada Bukan Warganegara / Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri"; (ii) "Sekiranya pemohon/pemilik berdaftar hendak melaksanakan pembangunan ditanah ini, ianya hendaklah melalui proses ubahsyarat/serahbalik kurniasemula dan hendaklah tidak dilaksanakan melalui proses pindaan pelan susunatur sebagainya"** and **(iii) "Pihak Berkuasa Tempatan hendaklah tidak boleh memproses permohonan Kebenaran Merancang Pendirian Bangunan (KMP) ataupun permohonan Pelan Bangunan selagi proses serahbalik kurniasemula melalui Kebenaran Merancang tidak diselesaikan terlebih dahulu"**. In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction-in-interest will not be unreasonably withheld.

WE WERE SPECIFICALLY INSTRUCTED BY THE CLIENT TO ASCERTAIN THE MARKET VALUE OF THE SUBJECT PROPERTY BASED ON THE FOLLOWING BASIS AND / OR ASSUMPTIONS STATED HERE BELOW:-

I. ON THE BASIS THAT A FINAL CERTIFICATE OF COMPLETION AND COMPLIANCE (CCC) (WHEREBY A PARTIAL CERTIFICATE OF COMPLETION AND COMPLIANCE IS BEING ISSUED) TOGETHER WITH ALL NECESSARY AND RELEVANT LICENCES + PERMITS TO OPERATE AS A MEDICAL FACILITY IN RESPECT OF THE SUBJECT PROPERTY WILL BE ISSUED THEREAFTER UPON COMPLETION OF ALL RELATED COMMON INFRASTRUCTURE WORKS (AMONGST OTHERS INCLUDE A DIRECT DEDICATED LINK / ACCESS ROAD(S) LEADING TO THE HOSPITAL BUILDING FROM JALAN KLUANG)

II. ON THE BASIS THAT A LEASE AGREEMENT WILL BE SIGNED WITH TERMS THAT ARE SIMILAR TO THE EXISTING AGREEMENT TO LEASE DATED 17TH OCTOBER 2016 (BASED ON A STRUCTURED NET LEASE ARRANGEMENT FOR A PERIOD OF THIRTY (30) YEARS) ENTERED BETWEEN JOHOR LAND BERHAD ("LESSOR"), JOHOR CORPORATION ("JCORP") AND PUTERI SPECIALIST HOSPITAL (JOHOR) SDN BHD ("LESSEE") WHICH WILL COMMENCE ON 1ST OCTOBER 2019. UPON COMPLETION OF THE SALE AND PURCHASE AGREEMENT, THE SAID LEASE AGREEMENT INCLUDING ALL RIGHTS, TITLE, INTERESTS, OBLIGATIONS AND LIABILITIES WILL BE NOVATED TO AMANAHRAYA TRUSTEES BERHAD (AS THE TRUSTEE FOR AL-'AQAR HEALTHCARE REIT)

Knight Frank

MARKET VALUE (CONT'D)

WE ARE UNABLE TO PROVIDE A SEPARATE 'AS IS' VALUE FOR THE SUBJECT PROPERTY (WHICH IS WITHOUT THE AFORESAID BASIS AND / OR ASSUMPTIONS) AS REQUIRED BY THE MALAYSIAN VALUATION STANDARDS AS THE BASIS AND / OR ASSUMPTIONS STATED ABOVE FORMS PART OF THE CONDITION PRECEDENTS AND COVENANTS BY THE VENDOR IN THE SALE AND PURCHASE AGREEMENT TO UNDERTAKE, COMPLETE AND DELIVER ALL OUTSTANDING OBLIGATIONS THAT ARE REQUIRED BY THE PLANNING / DEVELOPMENT APPROVAL PRIOR TO THE COMPLETION OF THE TRANSACTION. AS SUCH, OUR INTENDED VALUATION IS LIMITED TO VALUATION BASED ON THE AFORESAID BASIS AND / OR ASSUMPTION(S) STATED ABOVE ONLY.

Having regard to the foregoing, our opinion of the **Market Value** of the interest in perpetuity in the Subject Property; as a seven (7)-storey purpose-built private medical hospital along with an electrical and mechanical substation building and other supporting structures and facilities including surface car parking bays attached thereto (identified as **Hospital Building**) + part of the Land measuring approximately 1.38 acres (60,113 square feet) earmarked for future development (identified as **Land designated for Future Development**); all sited on Parent Lot PTD 63523 held under Master Title No. HS(D) 69760, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim, with Certificate of Completion and Compliance issued, subject **to the basis and / or assumptions stated herein** along with the forthcoming master lease agreement to be entered between the relevant parties and the title being free from all encumbrances, good, marketable and registrable, as at 2nd July 2019 is **RM78,000,000 (Ringgit Malaysia Seventy-Eight Million Only)**.

"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE BASIS AND / OR ASSUMPTIONS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON THE BASIS AND/OR ASSUMPTIONS THAT ARE NOT YET OR FULLY REALISED"

For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
(signed and sealed by)

Knight Frank Malaysia Sdn Bhd
Knight Frank
VE(1)0141
585479-A

OOI HSIEN YU
Registered Valuer, V-692
MRISM, MRICS, MPEPS

Date: 29th July 2019

Notes:-

i) Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.

ii) The above valuation is peer reviewed by Knight Frank Malaysia Sdn Bhd (Head Office), Mr. Chong Teck Seng (Registered Valuer, V-331).

1. RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy and correctness of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Vendor in this Circular have been extracted from information provided by the management of the Vendor. Therefore, the sole responsibility of the Board is restricted to ensuring that such information is accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST

2.1 AmInvestment Bank

AmInvestment Bank, being the Principal Adviser for the Proposals, have given and have not subsequently withdrawn its written consent to the inclusion in this Circular of its name, reports and/or letters (where applicable) and all reference to it in the form and context in which they so appear in this Circular.

AmInvestment Bank has given its written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser in respect of the Proposals.

AmInvestment Bank, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of its holding company ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The AmBank Group has engaged and/or may in the future, engage in transactions with and perform services for the Al-`Aqar Group, in additional to the role involved in the Proposals. The AmBank Group may also provide the financing for the Proposals.

Notwithstanding the above, AmInvestment Bank is of the view that the aforementioned roles are not likely to result in a conflict of interest or potential conflict of interest situation for the following reasons:-

(i) AmInvestment Bank's role in the Proposals, and AmBank Group's extension of products and services are undertaken in the ordinary course of business; and

(ii) AmInvestment Bank undertake its role on an arm's length basis and its conduct is regulated by Bank Negara Malaysia and the Securities Commission Malaysia and governed under, inter alia, the Financial Services Act 2013, the Capital Markets and Services Act 2007, and AmBank Group's Chinese Wall policy and internal controls and checks.

2.2 Crowe Advisory Sdn Bhd

Crowe Advisory Sdn Bhd, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn their written consent for the inclusion in this Circular of their names, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

Crowe has given a written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Independent Adviser in respect of the Proposals.

2.3 Knight Frank Malaysia Sdn Bhd

Knight Frank Malaysia Sdn Bhd, being the Independent Valuer for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the valuation certificates in respect of the Property as set out in Appendix I of this Circular and all references thereto in the form and context in which they so appear in this Circular.

Knight Frank has given its written confirmation that it is not aware of any conflict of interest which exists in its capacity as the Independent Valuer for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at LPD, the Board is not aware of any material commitments incurred or known to be incurred by Al-`Aqar which may have a material impact on the financial position of Al-`Aqar:-

3.2 Contingent liabilities

As at LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by Al-`Aqar which, upon becoming enforceable, may have a material impact on the financial position of Al-`Aqar.

4. MATERIAL LITIGATION, CLAIM OR ARBITRATION

As at the LPD and as warranted by the Vendor under the terms of the SPA, there is no material litigation, claim or arbitration involving the Property.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for your inspection at the registered office of the Manager at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM:-

(a) the Deed of Al-`Aqar;

(b) the audited financial statements of Al-`Aqar for the past 2 FYE 31 December 2017 and 31 December 2018 as well as the latest unaudited financial statements of Al-`Aqar for the 6-month financial period ended 30 June 2019;

(c) the letters of consent referred to in Section 2 of Appendix II of this Circular;

(d) the SPA;

(e) the Lease Agreements; and

(f) Valuation Certificate attached as **Appendix I** of this Circular and Valuation Report.

AL-`AQAR HEALTHCARE REIT

(established in Malaysia under the deed dated 27 June 2006 and as amended by the supplemental deed dated 14 May 2009, 27 January 2011 and 9 November 2011 and the Restated Trust Deed dated 31 July 2013, entered into between Damansara REIT Managers Sdn Berhad, a company incorporated under the Companies Act 1965 and deemed registered under the Companies Act 2016 and AmanahRaya Trustees Berhad, a trust corporation established under the Trust Companies Act 1949 and incorporated under the Companies Act 1965 and deemed registered under the Companies Act 2016 and the persons who are for the time being registered as holders of the units in Al-`Aqar Healthcare REIT)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the EGM of Al-`Aqar Healthcare REIT will be held at Permata Ballroom, Level B2, The Puteri Pacific Johor Bahru, Jalan Abdullah Ibrahim 80730 Johor Bahru, Johor on Friday, 13 December, 2019, at 11.00 a.m. for the purpose of considering and if thought fit, passing, with or without modifications, the following resolution by way of poll:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY AMANAHRAYA TRUSTEES BERHAD, ON BEHALF OF AL-`AQAR, OF A HOSPITAL KNOWN AS KPJ BATU PAHAT SPECIALIST HOSPITAL TOGETHER WITH A 5 ACRES OF LAND FROM JOHOR LAND BERHAD FOR A TOTAL CONSIDERATION OF RM78 MILLION ("PROPOSED ACQUISITION") AND PROPOSED NOVATION OF THE LEASE OF THE SAID PROPERTY FROM JOHOR LAND BERHAD TO AMANAHRAYA TRUSTEES BERHAD ("PROPOSED LEASE NOVATION") (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

"**THAT** subject to the approvals being obtained from the relevant authorities and parties, approval be and is hereby given to AmanahRaya Trustees Berhad, being the trustee of Al-`Aqar ("**Trustee**"), to acquire the hospital known as KPJ Batu Pahat Specialist Hospital together with A 5 acres of land held under H.S.(D) 69760, PTD 63523, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor (collectively "**Property**") upon the terms and conditions set out in the sale and purchase agreement dated 26 August 2019 ("**SPA**") entered into between the Trustee and Johor Land Berhad ("**JLand**"), a 100%-effective owned subsidiary of Johor Corporation.

THAT approval be and is hereby given subject to the completion of the SPA, the Trustee to assume all of JLand's rights, title, interest, benefits, obligation and liabilities as set out in the lease agreement entered into between the Trustee, JLand and Pasir Gudang Specialist Hospital Sdn Bhd dated 26 August 2019 ("**Lease Agreement**") and including the Trustee being the lessor of the Property based on the terms of the Lease Agreement pursuant to the Proposed Lease Novation.

AND THAT the Manager and Trustee be and are hereby authorised to do all such acts and things and enter into any arrangements, guarantees, agreements and/or undertakings, as they deem necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposals with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as they may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposals."

By Order of the Board,
DAMANSARA REIT MANAGERS SDN BERHAD
(as Manager of Al-`Aqar Healthcare REIT)

NURALIZA BINTI A. RAHMAN (MAICSA 7067934)
ROHAYA BINTI JAAFAR (LS 0008376)
Company Secretaries

Johor Bahru
28 November 2019

Notes:-

1. A Unitholder shall be entitled to attend and vote at this EGM, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote.

2. Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the EGM, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote.

3. Where the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with units standing to the credit of the said securities account. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy. Such proxy shall have the same rights as the member to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.

5. The instrument appointing a proxy must be deposited at the registered office of the Manager at: Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof.

6. Only Unitholders registered in the Record of Depositors as at 6 December 2019 shall be entitled to attend and speak at the EGM or appoint proxy(ies) to attend on his/her behalf.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

AL-`AQAR HEALTHCARE REIT

(established in Malaysia under the deed dated 27 June 2006 and as amended by the supplemental deeds dated 14 May 2009, 27 January 2011 and 9 November 2011 and updated by the Restated Deed dated 31 July 2013 entered into between Damansara REIT Managers Sdn Berhad, a company incorporated under the Companies Act 1965 and AmanahRaya Trustees Berhad, a trust corporation established under the Trust Companies Act 1949 and incorporated under the Companies Act 1965)

Form of Proxy

I/We*____

(FULL NAME, NRIC NO./COMPANY NO. IN BLOCK LETTERS)

of____

(FULL ADDRESS)

being a unit holder/unit holders of Al-`Aqar Healthcare REIT, hereby appoint Chairman of the Extraordinary General Meeting ("**EGM**"), or

____

(FULL NAME AND NRIC NO.)

of____

(FULL ADDRESS)

or, failing him/her____

(FULL NAME AND NRIC NO.)

of____

(FULL ADDRESS)

as my/our* Proxy to vote for me/us* on my/our* behalf at the EGM of the unit holders of Al-`Aqar Healthcare REIT to be held at Permata Ballroom, Level B2, The Puteri Pacific Johor Bahru, Jalan Abdullah Ibrahim 80730 Johor Bahru, Johor on 13 December 2019 at 11.00 a.m.

My/Our* proxy is to vote as indicated below:

	FOR	AGAINST
ORDINARY RESOLUTION 1 **PROPOSED ACQUISITION BY AMANAHRAYA TRUSTEES BERHAD, ON BEHALF OF AL-`AQAR, OF A HOSPITAL KNOWN AS KPJ BATU PAHAT SPECIALIST HOSPITAL TOGETHER WITH A 5 ACRES OF LAND FROM JOHOR LAND BERHAD, FOR A TOTAL CONSIDERATION OF RM78 MILLION ("PROPOSED ACQUISITION") AND PROPOSED NOVATION OF THE LEASE OF THE SAID PROPERTY FROM JOHOR LAND BERHAD TO AMANAHRAYA TRUSTEES BERHAD ("PROPOSED LEASE NOVATION") (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")**		

(Please indicate with an "X" in the space as to how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion)

____

Signature(s) / Common Seal of Company

Dated this ....day of....................2019

NO. OF UNITS HELD	CDS ACCOUNT NO

Notes:

**Please delete the words "Chairman of the Extraordinary General Meeting" if you wish to appoint some other person(s) to be your proxy.*

1. *A Unitholder shall be entitled to attend and vote at this EGM, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote.*

2. *Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the EGM, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote.*

3. *Where the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with units standing to the credit of the said securities account. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy. Such proxy shall have the same rights as the member to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.*

5. *The instrument appointing a proxy must be deposited at the registered office of the Manager at: Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof.*

6. *Only Unitholders registered in the Record of Depositors as at 6 December 2019 shall be entitled to attend and speak at the EGM or appoint proxy(ies) to attend on his/her behalf.*

7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

DAMANSARA REIT MANAGERS SDN BERHAD
(as Manager of Al-`Aqar Healthcare REIT)
Level 16, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru, Johor

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