THIS DOCUMENT 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.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of the circular, valuation certificates and report, if any, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Circular.

Bursa Securities has not perused the contents of this Circular in respect of the Proposed Amendments (as defined herein) prior to its issuance as it is an exempt document pursuant to Paragraph 2.1(f) of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

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, amended and restated by the restated trust deed dated 31 July 2013 and further amended and restated by the second restated trust deed dated 25 November 2019, entered into between Damansara REIT Managers Sdn Berhad and AmanahRaya Trustees Berhad, both companies incorporated in Malaysia under the laws of Malaysia 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 THE

PART A

(I) PROPOSED ACQUISITIONS BY AMANAHRAYA TRUSTEES BERHAD (ACTING SOLELY IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF AL-'AQAR HEALTHCARE REIT), OF THE FOLLOWING:

(A) A BUILDING KNOWN AS TMC HEALTH CENTRE ("TMC NEW BUILDING") FROM PENANG SPECIALIST HOSPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ HEALTHCARE BHD, FOR A TOTAL CASH CONSIDERATION OF RM14,300,000 AND PROPOSED LEASE OF THE TMC NEW BUILDING;

(B) A BUILDING FORMING PART OF KPJ SEREMBAN SPECIALIST HOSPITAL ("SEREMBAN NEW BUILDING") FROM MAHARANI SPECIALIST HOSPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ HEALTHCARE BHD, FOR A TOTAL CASH CONSIDERATION OF RM84,700,000 AND PROPOSED LEASE OF THE SEREMBAN NEW BUILDING; AND

(C) KPJ PASIR GUDANG SPECIALIST HOSPITAL ("PASIR GUDANG PROPERTY") FROM PASIR GUDANG SPECIALIST HOSPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ HEALTHCARE BHD, FOR A TOTAL CONSIDERATION OF RM93,000,000 AND PROPOSED LEASE OF THE PASIR GUDANG PROPERTY,

(COLLECTIVELY REFERRED TO AS "PROPOSED ACQUISITIONS AND LEASES")

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

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS AND LEASES

PART C

PROPOSED AMENDMENTS TO THE SECOND RESTATED TRUST DEED DATED 25 NOVEMBER 2019 ENTERED BETWEEN DAMANSARA REIT MANAGERS SDN BERHAD, AMANAHRAYA TRUSTEES BERHAD AND THE UNITHOLDERS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A and C and Joint Placement Agent

KAF INVESTMENT BANK BERHAD
Registration No. 197401003530 (20657-W)

KAF Investment Bank Berhad
Reg. No. 197401003530 (20657-W)

Joint Placement Agents

CIMB Investment Bank Berhad
Reg. No. 197401001266 (18417-M)

Kenanga Investment Bank Berhad
Reg. No. 197301002193 (15678-H)

Independent Adviser for Part B

DWA advisory

DWA Advisory Sdn Bhd
Reg. No. 201301002419 (1032257-D)

The Notice of the Unitholders' Extraordinary General Meeting ("**EGM**") of Al- 'Aqar Healthcare REIT to be held on a virtual basis at the Broadcast Venue: Anugerah Hall, Level 14, West Wing, KPJ Ampang Puteri Specialist Hospital, No. 1, Jalan Mamanda 9, Taman Dato Ahmad Razali, 68000 Ampang, Selangor on Tuesday, 13 December 2022 at 3:30 p.m. together with the Form of Proxy set out in the Notice of EGM.

A member is entitled to attend and vote at the EGM and is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. The Form of Proxy should be lodged at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time of the EGM. The last day and time for lodging the Form of Proxy is on Sunday, 11 December 2022 at 3:30 p.m. The lodgement of the Form of Proxy will preclude you from attending in person at the EGM.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Sunday, 11 December 2022 at 3:30 p.m.
Date and time for the EGM	:	Tuesday, 13 December 2022 at 3:30 p.m.

This Circular is dated 21 November 2022

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following words and abbreviations shall have the following meanings:

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
AGM	:	Annual general meeting of Al-‘Aqar
Al-‘Aqar or **REIT**	:	Al-‘Aqar Healthcare REIT, a real estate investment trust established in Malaysia under the Trust Deed
ART or **Trustee** or **Lessor**	:	AmanahRaya Trustees Berhad (Company Registration No. 200701008892 (766894-T)), being the trustee of Al-‘Aqar pursuant to the Trust Deed and acting solely in its capacity as trustee for and on behalf of Al-‘Aqar
Board Audit and Risk Committee	:	Board Audit and Risk Committee of DRMSB
Board	:	Board of Directors of DRMSB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company Registration No. 200301033577 (635998-W))
CIMB IB	:	CIMB Investment Bank Berhad (Company Registration No. 197401001266 (18417-M)), being the Joint Placement Agent for the Proposed Private Placement
Circular	:	This circular dated **21 November 2022** to the Unitholders in relation to the Proposals and the Proposed Amendments
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
Consideration Units	:	Issuance of 20,500,669 new Al-‘Aqar Units at an issue price of RM1.22 per Unit to be issued and allotted in the name of KPJ
DCF	:	Discounted cash flow method of valuation
Deposit	:	The sum equivalent to 5% of the Purchase Consideration payable upon the execution of the TMC SPA, Seremban SPA and Pasir Gudang SPA
Directors	:	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 **Manager**	:	Damansara REIT Managers Sdn Berhad (Company Registration No. 200501035558 (717704-V)), being the manager of Al-‘Aqar pursuant to the Trust Deed

DEFINITIONS

EGM	:	Extraordinary general meeting of Al-‘Aqar
EPF	:	Employees Provident Fund Board, a body corporate established Employees Provident Fund Act 1991, being a Major Unitholder
EPU	:	Earnings per unit
FYE(s)	:	Financial year(s) ended or ending, as the case may be
Independent Adviser or **DWA Advisory**		DWA Advisory Sdn Bhd (Company Registration No. 201301002419 (1032257-D)), being the Independent Adviser for the Proposed Acquisitions and Leases
IAL	:	Independent advice letter from DWA Advisory to the Non-Interested Unitholders in relation to the Proposed Acquisitions and Leases, as set out in Part B of this Circular
Interested Directors	:	The directors of DRMSB who are deemed interested in the Proposals as disclosed in Section 12.2 of Part A and Section 6.2 of Part C of this Circular
Interested Major Shareholders	:	The major shareholders of DRMSB who are deemed interested in the Proposals as disclosed in Section 12.1 of Part A and Section 6.1 of Part C of this Circular
Interested Major Unitholders	:	The Major Unitholders who are deemed interested in the Proposals as disclosed in Section 12.1 of Part A and Section 6.1 of Part C of this Circular
JCorp	:	Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995), being a Major Unitholder
JCorp Group	:	JCorp, its subsidiaries and associated companies
Joint Placement Agent(s)	:	KAF IB, CIMB IB and Kenanga IB
KAF IB	:	KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W)), being the Principal Adviser for the Proposals, the Proposed Amendments and the Joint Placement Agent for the Proposed Private Placement
Kenanga IB	:	Kenanga Investment Bank Berhad (Company Registration No. 197301002193 (15678-H)), being the Joint Placement Agent for the Proposed Private Placement
KPJ	:	KPJ Healthcare Berhad (Company Registration No. 199201015575 (247079-M)), being an Interested Major Unitholder
KPJ Group	:	KPJ, its subsidiaries and associated companies
Lease Agreements	:	Collectively, the TMC Lease Agreement, the Seremban Lease Agreement, and the Pasir Gudang Lease Agreement
Lessee	:	Collectively, PNG, MSH and PGSH in respect of the Lease Agreements

Listed REIT Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by SC on 15 March 2018 and as revised on 18 June 2019
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	**31 October 2022**, being the latest practicable date prior to the printing of this Circular
LTH	:	Lembaga Tabung Haji, a body corporate established under Tabung Haji Act 1995, being the Major Unitholder
Major Unitholder(s)	:	A person who has an interest or interests in Al-‘Aqar of 10.00% or more of the total number of issued units in Al-‘Aqar, or 5.00% or more of the total number of issued units in Al-‘Aqar if such person is the largest Unitholder
Management Fee	:	Management fee in the form of base fee payable to the Manager
MSH	:	Maharani Specialist Hospital Sdn Bhd (Company Registration No. 199501038576 (367778-U)), a wholly-owned subsidiary of KPJ, being the Vendor in relation to the Seremban SPA
NAV	:	Net asset value
Non-Interested Directors	:	Directors of the Manager other than the Interested Directors
Non-Interested Unitholders	:	Unitholders other than the Interested Major Unitholders
NPI	:	Net property income
Pasir Gudang Lease Agreement	:	Conditional lease agreement dated 2 September 2022 entered into between the Lessor, PGSH and the Manager to lease the Pasir Gudang Property
Pasir Gudang Property	:	KPJ Pasir Gudang Specialist Hospital Land and Building
Pasir Gudang SPA	:	Conditional sale and purchase agreement dated 2 September 2022 entered into between PGSH and the Trustee in relation to the Proposed Acquisition of Pasir Gudang Property
PG Purchase Consideration	:	Purchase consideration of RM93,000,000 to be satisfied by combination of cash of RM67,989,183 and the Consideration Units in relation to the Proposed Acquisition of Pasir Gudang Property
PGSH	:	Pasir Gudang Specialist Hospital Sdn Bhd (Company Registration No. 200901033717 (876830-H)), a wholly-owned subsidiary of KPJ, being the Vendor in relation to the Pasir Gudang SPA
Placement Units	:	Up to 118,965,517 new Al-‘Aqar Units to be issued pursuant to the Proposed Private Placement
PNG	:	Penang Specialist Hospital Sdn Bhd (Company Registration No. 200501022411 (704541-H)), a wholly-owned subsidiary of KPJ, being the Vendor in relation to the TMC SPA

Point Zone	:	Point Zone (M) Sdn Bhd (Company Registration No. 200901036907 (880036-H)) a wholly-owned subsidiary of KPJ
Principal Adviser	:	KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W)), being the Principal Adviser for the Proposals and the Proposed Amendments
Properties	:	Collectively, the TMC New Building, Seremban New Building and Pasir Gudang Property
Proposals	:	Collectively, the Proposed Acquisitions and Leases and the Proposed Private Placement
Proposed Acquisitions	:	The Proposed Acquisition of TMC New Building, the Proposed Acquisition of Seremban New Building, and the Proposed Acquisition of Pasir Gudang Property
Proposed Acquisitions and Leases	:	Collectively, the Proposed Acquisitions and the Proposed Leases
Proposed Acquisition of TMC New Building	:	The proposed acquisition by the Trustee of the TMC New Building from PNG for a total cash consideration of RM14,300,000
Proposed Acquisition of Seremban New Building	:	The proposed acquisition by the Trustee of the Seremban New Building from MSH for a total cash consideration of RM84,700,000
Proposed Acquisition of Pasir Gudang Property	:	The proposed acquisition by the Trustee of the Pasir Gudang Property from PGSH for a total consideration of RM93,000,000
Proposed Allotment to EPF	:	Proposed allotment of up to 73,598,509 Placement Units, representing up to 10% of the total number of Units issued, to EPF and/or persons connected with EPF pursuant to the Proposed Private Placement
Proposed Allotment to LTH	:	Proposed allotment of up to 73,598,509 Placement Units, representing up to 10% of the total number of Units issued, to LTH and/or persons connected with LTH pursuant to the Proposed Private Placement
Proposed Amendments	:	Collectively, the Proposed Amendments for Streamlining, the Proposed Modification and the Proposed Revision in Management Fee, as set out in Part C of this Circular
Proposed Amendments for Streamlining	:	The proposed streamlining to enhance the provisions under the Trust Deed as set out in Part C of this Circular
Proposed Leases	:	The Proposed Lease of TMC New Building, the Proposed Lease of Seremban New Building and the Proposed Lease of Pasir Gudang Property
Proposed Lease of TMC New Building	:	The proposed lease of the TMC New Building between the Lessor, PNG as the lessee and the Manager
Proposed Lease of Seremban New Building	:	The proposed lease of the Seremban New Building between the Lessor, MSH as the lessee and the Manager

Proposed Lease of Pasir Gudang Property	:	The proposed lease of the Pasir Gudang Property between the Lessor, PGSH as the lessee and the Manager
Proposed Modification	:	The proposed modification to the provisions pertaining to the investment strategies of Al-‘Aqar as set out in Part C of this Circular
Proposed Private Placement	:	The proposed private placement of new Units pursuant to the authority to allot and issue new Units of up to 16.16% of the total number of issued Units
Proposed Revision in Management Fee	:	The proposed revision in the Management Fee as set out in Part C of this Circular
Purchase Consideration	:	Collectively, the TMC Purchase Consideration, the Seremban Purchase Consideration and the PG Purchase Consideration
Registration and Conduct of CMSP Guidelines	:	Guidelines on the Registration and Conduct of Capital Market Services Providers, issued by the SC on 19 October 2018 and revised on 31 January 2022
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale and Purchase Agreements	:	Collectively, the TMC SPA, Seremban SPA and Pasir Gudang SPA
SC	:	Securities Commission Malaysia, a statutory body established under the Securities Commission Act 1993
Second Restated Trust Deed	:	Second Restated Trust Deed dated 25 November 2019 entered into between the Trustee, the Manager and the Unitholders
Seremban Lease Agreement	:	Conditional lease agreement dated 2 September 2022 entered into between the Lessor and MSH and the Manager to lease the Seremban New Building
Seremban New Building	:	A new building and an expansion which forming part of KPJ Seremban Specialist Hospital, whereby the Trustee is the registered proprietor of the KPJ Seremban Specialist Hospital’s building (exclusive of Seremban New Building) and land on which the Seremban New Building and KPJ Seremban Specialist Hospital are located on
Seremban Purchase Consideration	:	Purchase consideration of RM84,700,000 to be satisfied entirely in cash in relation to the Proposed Acquisition of Seremban New Building
Seremban SPA	:	Conditional sale and purchase agreement dated 2 September 2022 entered into between MSH, a subsidiary of KPJ and the Trustee, on behalf of Al-‘Aqar, in relation to the Proposed Acquisition of Seremban New Building
Supplemental Deed to the Second Restated Trust Deed	:	The supplemental deed to the Second Restated Trust Deed incorporating the Proposed Amendments
TMC Lease Agreement	:	Conditional lease agreement dated 2 September 2022 entered into between the Lessor and PNG and the Manager to lease the TMC New Building

TMC New Building	:	A new building and an expansion forming part of Taiping Medical Centre, whereby the Trustee is the registered proprietor of Taiping Medical Centre's building (exclusive of the TMC New Building) and land on which the TMC New Building and Taiping Medical Centre are located on
TMC Purchase Consideration	:	Purchase consideration of RM14,300,000 to be satisfied entirely in cash in relation to the Proposed Acquisition of TMC New Building
TMC SPA	:	Conditional sale and purchase agreement dated 2 September 2022 entered into between PNG, a subsidiary of KPJ and the Trustee, on behalf of Al-'Aqar, in relation to the Proposed Acquisition of TMC New Building
Transaction Documents	:	The Sale and Purchase Agreements and the Lease Agreements
Trust Deed	:	The principal trust deed dated 27 June 2006 between the Trustee, Manager and the Unitholders and as amended by the supplemental trust deed dated 14 May 2009, 27 January 2011 and 9 November 2011, amended and restated by the restated trust deed dated 31 July 2013 and further amended and restated by the Second Restated Trust Deed which was duly registered with the SC on 10 January 2020 and which includes any amendment(s) and variation(s) thereof and addition(s) thereto or in substitution thereof from time to time
Unit(s) or **Al-'Aqar Units**	:	Unit(s) in Al-'Aqar
Unitholder(s)	:	Holder(s) of units in Al-'Aqar
VWAMP	:	Volume weighted average market price
Valuation Certificates	:	Valuation certificate of the Properties prepared by the Valuer dated 30 June 2022
Valuation Reports	:	Valuation report of the Properties prepared by the Valuer all dated 30 June 2022
Valuer	:	Henry Butcher Malaysia Sdn Bhd (Company Registration No. 198701001968 (160636-P)), being the valuer for the Proposed Acquisitions and Leases
Vendors	:	Collectively, PNG, MSH and PGSH in respect of the Sale and Purchase Agreements

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.

Certain amounts and percentage figures included in this Circular have been subject to rounding adjustments. Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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CONTENTS

PART A – LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSALS:

CONTENTS

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the "Definitions" Section and context in this Circular.

This Executive Summary highlights only the pertinent information from other parts of this Circular. You are advised to read and understand the contents of this Circular (including the IAL set out in Part B and Appendices of this Circular) in its entirety and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

PART A

Key information	Description
Summary of the Proposals	On 2 September 2022, KAF IB had, on behalf of the Board, announced that the Trustee had on even date entered into the Sale and Purchase Agreements, for the Purchase Consideration, upon the terms and conditions as set out in the Sale and Purchase Agreements. In addition, KAF IB on behalf of the Board also announced that DRMSB proposes to undertake the Proposed Private Placement. For the avoidance of doubt, the Proposed Private Placement is a separate corporate exercise and that it is not related to or conditional upon the Proposed Acquisitions and Leases.
Details of the Proposed Acquisitions	(i) Proposed Acquisition of the TMC New Building The Proposed Acquisition of the TMC New Building entails the acquisition of the TMC New Building from PNG for the TMC Purchase Consideration. (ii) Proposed Acquisition of the Seremban New Building The Proposed Acquisition of the Seremban New Building entails the acquisition of the Seremban New Building from MSH for the Seremban Purchase Consideration. (iii) Proposed Acquisition of the Pasir Gudang Property The Proposed Acquisition of the Pasir Gudang Property entails the acquisition of the Pasir Gudang Property from PGSH for the PG Purchase Consideration. Please refer to Section 2 of this Circular for further details on the Proposed Acquisitions.
Basis and justification in arriving at the respective Purchase Consideration	The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration the market value as follows: - **Property** | **Valuation Method** | **Ascribed Value (RM)** [1] TMC New Building | Depreciated Replacement Cost Approach | 14,300,000 Seremban New Building | Depreciated Replacement Cost Approach | 84,700,000 Pasir Gudang Property | Income Approach by Profit Method (DCF technique) | 93,000,000 **Total Purchase Consideration** | | **192,000,000** ***Note:*** *(1) As appraised by the Valuer, for the TMC New Building, Seremban New Building and Pasir Gudang Property, vide the respective Valuation Reports.*

Key information	Description
Details of the Proposed Leases	Concurrently with the execution of the Sale and Purchase Agreements, the Trustee and DRMSB with the respective PNG, MSH and PGSH have executed in escrow the TMC Lease Agreement, Seremban Lease Agreement and Pasir Gudang Lease Agreement for the Proposed Leases. The parties to the Lease Agreements agree that the TMC New Building, Seremban New Building and Pasir Gudang Property shall be used strictly for the purpose of operating a healthcare facility whose operation and usage shall not be contrary to Shariah principles.
Basis and justification in arriving at the rental rate	(i) First year : The rental of the first year of the initial term is 5.75% x the market value of the Properties. The lease rental rate was arrived at after taking into consideration the net property income yield of other Malaysian listed real estate investment trusts for year 2021, which ranges from 3.47% to 7.40%. (ii) Second year and third year(1) : 2.00% incremental increase x the rent for the preceding year which shall be in Ringgit Malaysia. The incremental increase of 2.00% was arrived at after taking into consideration the average of the 10-year consumer price index year-on-year movement of approximately 2.20% (excluding year 2020 which is a negative). *(Source: Bloomberg)* ***Note:*** *(1) The existing rental terms for the TMC Lease Agreement and the Seremban Lease Agreement are up until 30 April 2024 and 13 October 2024, respectively. The existing rental term for the Pasir Gudang Lease Agreement is 15 years. The succeeding rental term (Year 4 until year 15) is only applicable to the Pasir Gudang Property.*
Details of the Proposed Private Placement	The Proposed Private Placement involves the issuance of up to 118,965,517 Placement Units, representing up to 16.16% of the total issued Units as at the LPD.
Utilisation of proceeds	For illustrative purposes, assuming that the issue price of RM1.09 per Placement Unit, representing about 10.00% discount to the 5-day VWAMP of the Units up to and including the LPD of RM 1.21 per Unit, the Proposed Private Placement is expected to raise gross proceeds of up to about RM129,672,414. The gross proceeds from the Proposed Private Placement are expected to be utilised in the following manner:

No.	Utilisation proceeds	Expected timeframe for utilisation	Amount (RM'000)
(i)	Repayment of bank financing	Within 12 months	126,472
(ii)	Estimated expenses for the Proposals	Within 1 month	3,200
Total			**129,672**

Key information	Description
Rationale for the Proposals	<u>Proposed Acquisitions and Leases</u> (i) Enhancement of future earnings and DPU yield accretion (ii) Stable rental income (iii) Enhances the size of Al-'Aqar's portfolio (iv) Al-'Aqar's Strategies <u>Proposed Private Placement</u> The Proposed Private Placement is currently the most appropriate avenue and manner to raise funds for Al-'Aqar. The Proposed Private Placement will enable Al-'Aqar to raise funds expeditiously for the following reasons: (i) The Proposed Private Placement will enable Al-'Aqar to raise funds to be used to repay its bank financing; and (ii) The Proposed Private Placement will involve the issuance of new Placement Units, which will increase the number of Units in circulation and is expected to improve the trading liquidity of the Units.
Risk Factors	(i) Non-completion risk of the Transaction Documents (ii) Business and operational risks (iii) Dependence on the performance and operations of the subsidiary and associated companies of KPJ for its revenue (iv) Exposure to higher financing costs as well as the ability to service future loan repayment obligations (v) Compulsory acquisition by the Malaysian Government (vi) The future market value of the Properties may be less than its current valuation or the purchase price by Al-'Aqar
Prospects of the Properties	(i) Quality tenant PNG, MSH and PGSH, wholly-owned subsidiaries of KPJ, are the operators of the TMC New Building, the Seremban New Building and the Pasir Gudang Property, respectively. (ii) Quality portfolio The Properties are strategically located. Barring any unforeseen circumstances, the Manager believes that in the longer term that the Proposed Acquisitions and Leases is favourable to Al-'Aqar as it provides additional, stable, and sustainable income stream and cash flow and as such, potentially enhance the financial performance of Al-'Aqar moving forward.

Key information	Description
Approvals required	The Proposals are subject to the approvals to be obtained from the following: - (i) Bursa Securities for the listing of and quotation for the Consideration Units pursuant to the Proposed Acquisition of the Pasir Gudang Property and the Placement Units pursuant to the Proposed Private Placement on the Bursa Securities; (ii) the approval of the Unitholders for the Proposed Acquisitions and Leases at the forthcoming EGM to be convened; and (iii) any other relevant authorities and/or parties, if required. The Proposed Allotment to Major Unitholder(s) will be subject to the approval of the Non-Interested Unitholders at a Unitholders' general meeting to be convened and any other relevant authorities and/or parties, if required. The Proposed Acquisitions and Leases and the Proposed Private Placement are not inter-conditional upon one another or upon any other proposals undertaken or to be undertaken by Al-'Aqar.
Statement by the Board	The Board of DRMSB (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the salient terms of the Transaction Documents, basis and justification for the Purchase Considerations and the issue price of the Consideration Units, rationale for the Proposals, prospects of the Properties as well as the preliminary evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are in the best interest of Al-'Aqar and its Unitholders. Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.

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PART C

<table>
<tr><th>Key information</th><th>Description</th></tr>
<tr><td>Summary of the Amendments</td><td>On 17 November 2022, on behalf of the Board, KAF IB had announced that the Manager proposes to undertake the Proposed Amendments by way of a Supplemental Deed to the Second Restated Trust Deed.</td></tr>
<tr><td>Details of the Proposed Revision in Management Fee</td><td>The Management Fee is proposed to be revised from the existing rate to the revised rate as follows:
<table>
<tr><th>Existing Provision</th><th>Revised Provision</th></tr>
<tr><td>The Manager shall be entitled to receive for its own account out of the total assets of Al-‘Aqar, a management fee (exclusive of service tax, if any), of up to:

(a) zero point one zero percent (0.10%) of the gross asset value (“GAV”) for the first RM1.0 billion of the value of the total assets of Al-‘Aqar; and

(b) zero point one two five percent (0.125%) of the GAV above RM1.0 billion of the value of the total assets of Al-‘Aqar.</td><td>The Manager shall be entitled to receive for its own account out of the total assets of Al-‘Aqar a Management Fee of up to zero point three percent (0.30%) per annum of the total asset value of Al-‘Aqar (exclusive of service tax, if any).</td></tr>
</table></td></tr>
<tr><td>Rationale for the Proposed Revision in Management Fee</td><td>The Proposed Revision in Management Fee was proposed after taking into consideration the following:

(i) to align with the industry and that the proposed Management Fee of up to 0.30% per annum of the total asset value of Al-‘Aqar is within the range of the fees charged by other managers of real estate investment trusts;

(ii) the growing size and value of Al-‘Aqar’s assets managed by the Manager since the inception of Al-‘Aqar;

(iii) that the current Management Fee has not been increased since 2009; and

(iv) to cater the potential increase in the future operational cost, among others, implementation of Al-‘Aqar’s strategic direction and compliance costs.

The Proposed Revision in Management Fee will also further incentivise the Manager to further grow Al-‘Aqar for the benefit of Unitholders, which will then allow Al-‘Aqar to be managed more effectively.</td></tr>
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PART A

LETTER TO THE UNITHOLDERS OF AL-‘AQAR IN RELATION TO THE PROPOSALS

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

Registered Office:

Level 14 Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor Malaysia

21 November 2022

To: The Unitholders of Al-'Aqar Healthcare REIT

Dear Sir/Madam,

(I) PROPOSED ACQUISITIONS AND LEASES
(II) PROPOSED PRIVATE PLACEMENT

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1. INTRODUCTION

On 2 September 2022, on behalf of the Board, KAF IB announced that the Trustee had entered into the following agreements:

(i) TMC SPA for the acquisition of the TMC New Building from PNG for a purchase consideration of RM14,300,000 to be satisfied by cash of RM14,300,000, subject to the terms and conditions of TMC SPA and the TMC Lease Agreement for the lease of the TMC New Building;

(ii) Seremban SPA for the acquisition of the Seremban New Building from MSH for a purchase consideration of RM84,700,000 to be satisfied by cash of RM84,700,000, subject to the terms and conditions of Seremban SPA and the Seremban Lease Agreement for the lease of the Seremban New Building; and

(iii) Pasir Gudang SPA for acquisition of the Pasir Gudang Property from PGSH for a purchase consideration of RM93,000,000 to be satisfied by a combination of cash of RM67,989,183 and the issuance of 20,500,669 new Al-'Aqar Units at an issue price of RM1.22 per Unit, subject to the terms and conditions of Pasir Gudang SPA and the Pasir Gudang Lease Agreement for the lease of the Pasir Gudang Property.

In addition to the Proposed Acquisitions and Leases, KAF IB on behalf of the Board also announced that DRMSB proposes to undertake the Proposed Private Placement.

On 7 September 2022, KAF IB had, on behalf of the Board, announced additional information in relation to the Proposals.

On 16 November 2022, KAF IB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 16 November 2022, approved the listing and quotation of the Consideration Units and the Placement Units, subject to the conditions as set out in Section 10 of this Circular.

The Proposed Acquisitions and Leases are deemed related party transactions under Paragraph 10.08 of the Listing Requirements of Bursa Securities in view of the interests of the directors and major shareholders of DRMSB, the Major Unitholders of Al-'Aqar and/or persons connected with them as set out in Section 12 of this Circular. Accordingly, DWA Advisory has been appointed as the Independent Adviser to advise the non-interested directors of DRMSB and the Non-Interested Unitholders on the Proposed Acquisitions and Leases, and whether the Non-Interested Unitholders should vote in favour of the Proposed Acquisitions and Leases. The independent advice letter from the Independent Adviser in relation to the Proposed Acquisitions and Leases is set out in Part B of this Circular. For the avoidance of doubt, the Proposed Private Placement is a separate corporate exercise and that it is not related to or conditional upon the Proposed Acquisitions and Leases.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE INDEPENDENT ADVICE LETTER AND APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

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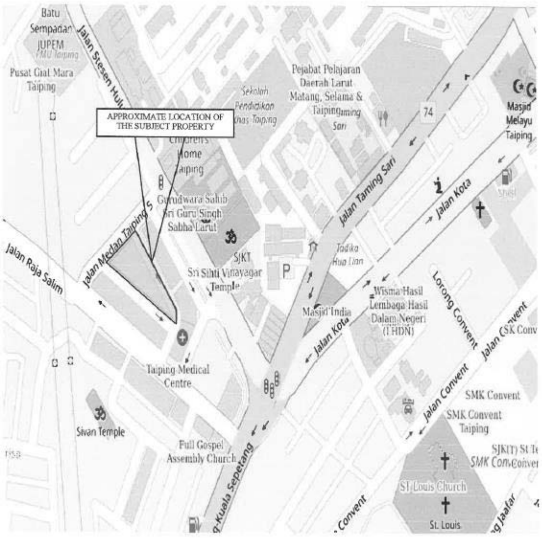
2. PROPOSED ACQUISITIONS

2.1 Proposed Acquisition of TMC New Building

2.1.1 Description of the TMC New Building

The TMC New Building is located about 2 kilometres southwest of Taiping Town Centre and situated approximately 67 kilometres north west of Ipoh City Centre.

Please refer to the diagrams below for the location of the TMC New Building:



(Source: Google Maps)

Other details on the TMC New Building are as follows:

Registered owner	:	ART
Postal address	:	T/K PT 1106, Medan Taiping, 34000 Taiping, Perak Darul Ridzuan
Land title	:	Pajakan Negeri 361304 Lot 3140, Town of Bandar Taiping, District of Larut Matang, State of Perak Darul Ridzuan
Land area	:	3,554 square metres
Tenure of leasehold land	:	99 years leasehold interest with an unexpired term of about 66 years, expiring on 25 July 2088
Category of land use	:	Building
Express condition	:	Commercial – Shop Building
Approximate age of the building	:	3 years
No. of licensed beds/ description of properties	:	A 4-storey private ambulatory care centre with 5-day ward beds, 3 treatment rooms, 3 specialist consultation rooms, 1 minor operation theatre with 2 recovery beds, 1 endoscopy room with 2 observation beds, a pharmacy and a satellite laboratory by the Ministry of Health, Malaysia under the Private Healthcare Facilities and Services Act 1998 bearing license no. 930806-00182-03/2021 dated 16 June 2021 for the period from 27 May 2021 until 3 January 2023 and 82 parking bays
Gross floor area/ Net lettable area	:	2,928 square metres

Occupancy Rate	:	100%
Existing use	:	Hospital (private ambulatory care centre)
Restrictions in interest	:	The land cannot be transferred without the consent of the Chief Minister of Perak
Encumbrances	:	Nil
Net book value as at 31 December 2021	:	RM12,359,185
Expected rental income per annum for the TMC New Building for first year of the lease	:	RM822,250

2.1.2 Description of the Seremban New Building

The Seremban New Building is located within a commercial precinct known as Kemayan Square, approximately 3 kilometres due south of Seremban town centre.

Please refer to the diagram below for the location of the Seremban New Building:

(Source: Google Maps)

Other details on the Seremban New Building are as follows:

Registered owner	:	ART
Postal address	:	Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus
Land title	:	GRN 277698 Lot 50604 Seksyen 2, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan
Land area	:	22,470 square metres
Tenure of leasehold land	:	Term in perpetuity
Category of land use	:	Building
Express condition	:	This land shall be used for private hospitals building only
Approximate age of the building	:	3 years

No. of licensed beds/ description of properties	:	8-storey private consultant block and an annexed 6-storey private medical centre consisting of 99 beds including a dialysis centre, 50 consultant clinics, a pharmacy and a central sterile supply department. As per latest hospital license, the Subject Property is permitted to operate with 61 beds and 41 Consultant Clinics.
Gross floor area	:	20,053 square metres
Occupancy Rate	:	100%
Existing use	:	Private hospital
Restrictions in interest	:	This allotted land cannot be transferred, leased, charged except with the written consent of the state authority
Encumbrances	:	Nil
Net book value as at 31 December 2021	:	RM82,886,138
Expected rental income per annum for the Seremban New Building for first year of the lease	:	RM4,870,250

2.1.3 Description of the Pasir Gudang Property

The Pasir Gudang Property is strategically located within a locality known as Taman Bukit Dahlia, Pasir Gudang, approximately 20 kilometres due east of Johor Bahru City Centre.

Please refer to the diagram below for the location of the Pasir Gudang Property:

(Source: Google Maps)

Other details on the Pasir Gudang Property are as follows:

Registered owner	:	PGSH
Postal address	:	Lot PTD 204781, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim
Land title	:	PN70767 Lot No. 198635, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim
Land area	:	13,144 square metres
Tenure of leasehold land	:	99 years leasehold interest with an unexpired term of about 86 years, expiring on 28 December 2108

Category of land use	:	Building
Express condition	:	(i) This land shall be used for a private hospital, built in accordance with the plan approved by the relevant Local Authorities (ii) All impurities and pollution resulting from this activity must be channelled/ disposed to places that have been determined by the relevant authority (iii) All policies and conditions that have been set and enforced from time to time by the relevant authority shall be complied with
Approximate age of the building	:	9 years
No. of licensed beds/ description of properties	:	8-storey purpose built private hospital building with 148 beds (including 5 for intensive care units and 6 for day-care ward), 3 bassinets 2 cots, and the latest carpark count at 223 parking bays
Gross floor area	:	19,302 square metres
Occupancy rate	:	100%
Existing use	:	Private hospital
Restrictions in interest	:	(i) Landowners are not allowed to sell building units (parcels) to be built on this land unless the building was first built according to the plan approved by the relevant local authority (ii) The title of this land when subdivided into 'Subsidiary' title and transferred to a Bumiputera then it cannot be later sold, leased, charged or transferred in any way to a non-Bumiputera person without the consent of the state authorities (iii) Subdivision of 'Subsidiary' title from this title may not be sold or transferred in any way to non-Bumiputera without the consent of the state authority
Encumbrances	:	Nil
Net book value as at 31 December 2021	:	RM78,766,257
Expected rental income per annum for the Pasir Gudang Property (including the land) for first year of the lease	:	RM5,347,500

2.2 Basis and justification in arriving at the Purchase Consideration

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

Property	**Valuation Method**	**Ascribed Value (RM) (1)**	**Purchase Consideration (RM)**
TMC New Building	Depreciated Replacement Cost Approach	14,300,000	14,300,000
Seremban New Building	Depreciated Replacement Cost Approach	84,700,000	84,700,000

Property	Valuation Method	Ascribed Value (RM) [1]	Purchase Consideration (RM)
Pasir Gudang Property	Income Approach by Profit Method (DCF technique)	93,000,000	93,000,000
Total		**192,000,000**	**192,000,000**

Note:
[1] *As appraised by the Valuer as at 31 May 2022, being the date of valuation of the Properties.*

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

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

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

The Valuer has adopted Income Approach by Profit Method to appraise Pasir Gudang Property as it is a whole operational hospital whereas for the Seremban New Building and the TMC New Building involves valuation of new building extension components only and therefore the depreciated replacement cost approach is the most appropriate valuation method.

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

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

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

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

2.4 Ranking of the Consideration Units

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

2.5 Listing of and quotation for the Consideration Units

The Consideration Units will be listed and quoted on the Main Market of Bursa Securities.

Bursa Securities had, vide its letter dated 16 November 2022, approved the listing and quotation of the Consideration Units on the Main Market of Bursa Securities.

2.6 Source of funding

The cash portion of the Purchase Consideration amounting to RM167 million, will be fully funded by bank financing. Notwithstanding, pending disbursement of such financing, the Deposit has been paid from the internally generated funds of Al-‘Aqar.

As at the LPD, Al-‘Aqar has received several financing offers from the local financial institutions and the financing agreements will be finalised in due course. Notwithstanding the Proposed Private Placement, which is subject to the vagaries of the capital market, the bank financing will provide certainty in ensuring the successful completion of the Proposed Acquisitions and Leases.

2.7 Assumption of liabilities

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

2.8 Original date and cost of investment

The original date and cost of investment by the Vendors in the TMC New Building, Seremban New Building and Pasir Gudang Property respectively, are as follows:

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

2.9 Salient terms of the Sale and Purchase Agreements

The salient terms of the Sale and Purchase Agreements are set out in **Appendix I**.

2.10 Additional financial commitment

There is no additional financial commitment required by Al-‘Aqar in putting the Properties on-stream.

2.11 Information on the Vendors

2.11.1 PNG

PNG, a wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 29 July 2005 as a private company limited by shares. The principal activity of PNG is operating a private hospital and providing ancillary healthcare services. As at the LPD, the issued share capital of PNG is RM20,000,000 comprising 20,000,000 ordinary shares.

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

2.11.2 MSH

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

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

2.11.3 PGSH

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

As at the LPD, the directors of PGSH are Khairun bin Ahmad @ Saliman, Badrul Hisham bin Abdullah, Rafiza binti Mohamed Nazir, Dato' Mohamad Farid bin Salim, Hazarul Azly bin Hamzah and Khairul Hasanain bin Abdul Hamid.

3. PROPOSED LEASES

3.1 The salient terms of the Lease Agreements

Concurrently with the Sale and Purchase Agreements, the Trustee and DRMSB with PNG, MSH and PGSH, respectively, have executed in escrow the TMC Lease Agreement, Seremban Lease Agreement and the Pasir Gudang Lease Agreement..

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

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

3.2 Basis and justification in arriving at the rental rate

The rental rate for the Properties was arrived at on a negotiated basis and after taking into consideration the following:

(i)	First year	:	The rental of the first year of the initial term is 5.75% **x** the market value of the Properties. The lease rental rate was arrived at after taking into consideration the net property income yield of other Malaysian listed real estate investment trusts for year 2021, which ranges from 3.47% to 7.40%.
(ii)	Second and third year [1]	:	2.00% incremental increase **x** the rent for the preceding year. The incremental increase of 2.00% was arrived at after taking into consideration the average of the 10-year consumer price index year-on-year movement of approximately 2.20% (excluding year 2020 which is a negative). *(Source: Bloomberg)*

Note:

(1) *The principal lease term under the TMC Lease Agreement and the Seremban Lease Agreement is for a period of 2 years from the rent commencement date until 30 April 2024 and 13 October 2024, to coincide with the expiry of the existing principal lease agreements for Taiping Medical Centre and KPJ Seremban Specialist Hospital.*

On the other hand, the lease term under the Pasir Gudang Lease Agreement is for 15 years. The succeeding rental term (referring to year 4 until year 15 of the lease) is only applicable to the Pasir Gudang Property as the Pasir Gudang Property is a new asset injection into Al-'Aqar.

The succeeding rental term (referring to year 4 until year 15 of the lease) does not apply to the TMC New Building and the Seremban New Building since they are expansion of the Taiping Medical Centre and KPJ Seremban Specialist Hospital.

For clarity, upon expiry of the Proposed Lease of TMC New Building and the Proposed Lease of Seremban New Building, the parties to the lease will have the option to renew the lease for 15 years.

4. PROPOSED PRIVATE PLACEMENT

4.1 Details of the Proposed Private Placement

The Proposed Private Placement will be undertaken in accordance with the authority granted to the directors of DRMSB to allot and issue new Units of up to 16.16% of the total number of Units issued to facilitate Al-'Aqar in raising funds via a placement exercise ("**Authority**") pursuant to Section 6.59 of the Listing Requirements, the approval of which was obtained from the Unitholders at the 10th AGM of Al-'Aqar convened and held on 20 April 2022 or as may be renewed by the Unitholders at the next AGM.

4.2 Placement size

The Proposed Private Placement involves the issuance of up to 118,965,517 Placement Units, representing up to 16.16% of the total issued Units as at the LPD of 735,985,088 Al-'Aqar Units. The actual number of the Placement Units will be determined at a later stage by DRMSB in consultation with the Joint Placement Agents appointed for the Proposed Private Placement on the price-fixing date to be determined and announced later after all the relevant approvals for the Proposed Private Placement have been obtained and also after the completion of the book-building process ("**Price-Fixing Date**").

The size of the Proposed Private Placement of up to 16.16% of the total Units issued as at the LPD was determined after taking into consideration the funding requirement of Al-'Aqar and its gearing ratio and the effects of the Proposed Private Placement.

4.3 Placement arrangement

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

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

The Proposed Allotment to LTH and/or EPF will involve the allotment of the Placement Units in the following manner:

(i) up to 73,598,509 Placement Units, representing up to 10% of the total number of Units issued, to LTH and/or persons connected with LTH; and/or

(ii) up to 73,598,509 Placement Units, representing up to 10% of the total number of Units issued, to EPF and/or persons connected with EPF.

The actual number of Placement Units as well as the actual number of Placement Units to be allotted to LTH and/or EPF and persons connected with them will be determined at a later stage by the Manager in consultation with the Joint Placement Agent through the bookbuilding process.

In any event, the total number of Placement Units will not exceed 118,965,517 Units and the allotment to any single placee must not exceed 73,598,509 Units or equivalent to 10% of the total number of Units issued.

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

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

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

4.5 Ranking of the Placement Units

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

4.6 Listing of and quotation for the Placement Units

The Placement Units will be listed and quoted on the Main Market of Bursa Securities.

Bursa Securities had, vide its letter dated 16 November 2022, approved the listing and quotation of the Placement Units on the Main Market of Bursa Securities.

4.7 Utilisation of proceeds

The exact amount of proceeds to be raised from the Proposed Private Placement is dependent upon the issue price and the actual number of the Placement Units. For illustrative purposes, assuming that the issue price of RM1.09 per Placement Unit, representing about 10% discount to the 5-day VWAMP of the Units up to and including the LPD of RM1.21 per Unit, the Proposed Private Placement is expected to raise gross proceeds of up to about RM129,672,414.

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

No.	Utilisation proceeds	Expected timeframe for utilisation	Amount (RM'000)	(%)
(i)	Repayment of bank financing [(1)]	Within 12 months	126,472	97.5
(ii)	Estimated expenses for the Proposals [(2)]	Within 1 month	3,200	2.5
Total			**129,672**	**100.0**

Notes:

(1) *As at the LPD, the total bank financing of Al-'Aqar stood at approximately RM690.00 million. DRMSB expects to use the entire proceeds, after deducting the estimated expenses in relation to the Proposals, to repay Al-'Aqar's bank financing. The repayment is expected to result in net savings in interest of approximately RM5.58 million per annum. If the actual amount outstanding is less than the amount as at the LPD, such variance shall be allocated to the working capital requirement of Al-'Aqar.*

(2) *The estimated expenses relating to the Proposals comprise the following:*

	(RM'000)
Joint Placement Agent fees	*1,600*
Professional fees	*1,500*
Fees payable to relevant authorities	*16*
Other ancillary expenses	*84*
	3,200

In the event of a surplus/deficit in the allocated amounts for the estimated expenses, such variance may be adjusted to/from the proceeds allocated for the repayment of the bank financing.

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

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Acquisitions and Leases

5.1.1 Enhancement of future earnings and DPU yield accretion

Al-'Aqar aims to achieve income growth and enhance the value of its portfolio of properties over time through, among others, selective acquisitions of additional properties which meet Al-'Aqar's investment criteria i.e., high quality tenants to provide positive and long-term growth investment. Since its listing on Bursa Malaysia in year 2006, Al-`Aqar' properties comprised exclusively of KPJ assets. KPJ has grown to be one of the region's leading private healthcare providers, since its introduction as the first private specialist hospital in Johor in 1981, Please refer to Section 7.3.1 for further details of KPJ. Furthermore, Al-'Aqar's investment policy comprises of investing in healthcare assets to optimise its performance and geographical diversification of its portfolio.

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

5.1.2 Stable rental income

The Proposed Acquisitions and Leases are expected to be beneficial to Al-'Aqar as the Proposed Leases will provide Al-'Aqar with a stable and sustainable income stream of up to 15 years. PNG, MSH and PGSH, are reputable lessees and have been operating the TMC New Building, Seremban New Building and Pasir Gudang Property since 2018, 2018 and 2013, respectively.

The Proposed Lease of TMC New Building and the Proposed Lease of Seremban New Building will also provide an additional income stream in addition to the existing rental income from PNG and MSH under the existing principal lease agreement.

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

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

	As at 31 December 2021	The Properties	After the Proposed Acquisitions and Leases
Value of investment properties (RM'mil)	1,538	[(1)] 192	1,730
Gross floor area ('000 square feet)	4,817	455	5,272

Note:

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

5.1.4 Al-'Aqar's strategies

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

5.2 Proposed Private Placement

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

(i) The Proposed Private Placement will enable Al-'Aqar to raise funds to be used to repay its bank financing; and

(ii) The Proposed Private Placement will involve the issuance of new Placement Units, which will increase the number of Units in circulation and is expected to improve the trading liquidity of the Units.

Notwithstanding the Proposed Private Placement, which is subject to the vagaries of the capital market, the bank financing will provide certainty in ensuring the successful completion of the Proposed Acquisitions and Leases.

The Manager had appointed the Joint Placement Agents for a more extensive reach of the potential investors to ensure the highly successful implementation of the Proposed Private Placement.

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

6. RISK FACTORS

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

(i) Non-completion risk of the Transaction Documents

The Proposed Acquisitions and Leases are conditional upon the fulfilment of, among others, the Conditions Precedent of the respective Sale and Purchase Agreements. In the event that the Conditions Precedent are not fulfilled within the stipulated time frame in the Sale and Purchase Agreements (unless otherwise irrevocably and unconditionally waived by the Trustee, on behalf of Al-'Aqar and the Vendors), and/or the relevant parties do not perform their respective obligations as set out in the Sale and Purchase Agreements, the Trustee will be entitled to terminate the Sale and Purchase Agreements. Upon termination of the Sale and Purchase Agreements, the Trustee shall be discharged from their respective obligations without any liability to each other save for any antecedent breach under the Sale and Purchase Agreements occurring prior to such termination.

Nevertheless, Al-‘Aqar will endeavour to ensure the satisfaction of the Conditions Precedent in order to complete the Proposed Acquisitions and Leases in a timely manner and will take reasonable steps within their control to mitigate the occurrence of termination events.

(ii) Business and operational risks

Business and operational risks are inherent in the healthcare industry, which include but are not limited to, changes in business conditions such as deterioration in prevailing market conditions, changes in labour supply such as limited availability of professionally trained medical specialists, increase in operational costs, compliance and regulatory costs, obsolescence of healthcare technologies and adverse changes in the legal framework or government policies.

There is no assurance that the occurrence of the abovementioned risks will not materialise, which may adversely affect the business, operational and financial performance of Al-‘Aqar. However, Al-‘Aqar seeks to mitigate the risks by keeping abreast with the latest developments in the healthcare industry.

(iii) Dependence on the performance and operations of the subsidiary and associated companies of KPJ for its revenue

The tenants of Al-‘Aqar’s properties are subsidiaries and associated companies of KPJ, which has been the leading operator in the healthcare industry. The performance of Al-‘Aqar is dependent on, among others, the ability of the Vendors to make timely rental payments under the Lease Agreement. Nevertheless, the ability of the Vendors to make rental payments to Al-‘Aqar during the tenure may be affected due to, among others, the following reasons that could adversely affect the Vendor’s business operations and financial performance:

(a) Emergence and spread of infectious diseases with pandemic potential including COVID-19 pandemic;

(b) Global recession and economic downturn;

(c) Government imposed lockdowns or restrictions; and

(d) Changes in laws, regulations or government policies.

However, the risk is mitigated as Al-‘Aqar has entered or shall enter into lease agreements with the Vendors for the Properties and other existing properties to ensure its occupancy rate. Al-‘Aqar shall continuously monitor the rental payments and will closely work with the relevant parties to employ the necessary measures to resolve any issues arising from the above-mentioned factors such as active engagement with the Vendors.

The percentages of revenue and the NPI derived from KPJ Group is 100% based on the following:

(i) audited FYE 31 December 2021; and

(ii) assuming the Proposed Acquisitions and Leases had been effected at the beginning of the financial period.

(iv) Exposure to higher financing costs as well as the ability to service future financing repayment obligations

In view that Al-'Aqar is proposing to obtain external financing through bank financing to fund the Proposed Acquisitions and Leases, Al-'Aqar may be exposed to an increase in profit rates on such external financing obtained, resulting in higher financing costs which may adversely affect Al-'Aqar's future financial performance as well as the ability to service future financing repayment obligations.

Nevertheless, DRMSB shall continuously monitor and review Al-'Aqar's capital structure, which includes taking into consideration the gearing level, interest costs as well as cash flows in achieving an overall optimal capital structure.

(v) Compulsory acquisition by the Malaysian Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960 for, among other things, public use or due to public interest.

The compensation awarded pursuant to a compulsory acquisition is dependent on the fair market value of a property assessed on the basis prescribed in the relevant laws. If the Malaysian Government compulsorily acquired the Properties at a point in time when the market value of the Properties has decreased, the amount of compensation paid to Al-'Aqar may be unsatisfactory, which may have a material adverse effect on Al-'Aqar's financials and operations.

As at the LPD, DRMSB is not aware of any notice of acquisition or notice of intended acquisition having been received by PNG, MSH and PGSH in relation to the TMC New Building, Seremban New Building and Pasir Gudang Property or any part thereof.

(vi) The future market value of the Properties may be less than its current valuation or the purchase price by Al-'Aqar

The valuation of the Properties by the Valuer is based on certain assumptions, which are subjective and uncertain and may differ materially from actual measures of the market. Further, property valuations generally include subjective determination of certain factors, and they include location, relative market position and physical conditions. The market value of the Properties as appraised by the Valuer is not an indication of and does not guarantee an equivalent or greater sale price either at the present time or at any time in the future.

Accordingly, there can be no assurance that Al-'Aqar would be able to sell the Properties, or that the price realisable on such sale would not be lower than the present valuation or the price paid by Al-'Aqar to purchase the Properties.

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7. INDUSTRY OUTLOOK, PROSPECTS AND FUTURE PLAN

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021,1 the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

All economic sectors expanded in the third quarter of 2022. The services sector strengthened further by 16.7% (2Q 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending.

The manufacturing sector grew by 13.2% (2Q 2022: 9.2%). The E&E cluster continued to record strong growth (17.3%; 2Q 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; 2Q 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders.

The construction sector recorded a higher growth of 15.3% (2Q 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed-development and small-scale projects continued to support activities in the non-residential and special trade subsectors.

Commodities-related sectors rebounded. Growth in the mining sector rose to 9.2% (2Q 2022: -0.5%), attributed mainly to higher oil and gas output, including from the Pegaga gas field in Block SK320, Sarawak, as well as Block PM302, Terengganu. Growth was also partly contributed by base effects arising from maintenance-related closures in the same period last year. The agriculture sector grew by 1.2% (2Q 2022: -2.4%), driven mainly by higher oil palm output amid gradual receding of labour shortages and improved yields following higher rainfall earlier in the year.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2022, Bank Negara Malaysia)

7.2 Outlook and prospects of the healthcare industry in Malaysia

There is concern regarding the sustainability of Malaysia's healthcare system and its ability to meet the needs of the population; given the demands on the healthcare services due to changing socio-demographic, economics as well as evolving disease burden. The country faces several issues and challenges in ensuring the financial sustainability of the healthcare system. Malaysia's total health expenditure ("**THE**") stood at 4.24% of GDP in 2017, of which 2.2% came from the government's expenditure (Ministry of Health Malaysia, 2019b). World average of THE is between 9.4 – 10.0% of GDP (2010 – 2016) (The World Bank, 2018). The public sector contributed 51% of THE and private sector contribution was 49% of THE.

Out-of-pocket (OOP) spending accounted for a significantly high proportion of 38% of THE. Even though 70% of THE were spent on curative services, the largest component compared to other functions of healthcare such as public health services, administration and research (Ministry of Health Malaysia, 2019b), the secondary and tertiary care services continue to face challenges to maintain its services to the people.

Under-utilised or unutilised facilities due to lack of staff and equipment, hospital congestions, brain drain of medical specialist to the private sectors are hereditary issues that require sustainable strategies and investments.

As such, the Ministry of Health has given emphasis to various reform agendas in healthcare system including restructuring the system, creating a robust financing system, better public-private partnership, and seamless integration between primary and secondary care. The Ministry has also given emphasis not only on evidence-based medicine but also on value-based medicine and opened for more innovative solutions including digital technology. The objective is to mainly improve access to medical care, leaving no one behind, through strengthening, enhancement and consolidation of medical services.

The Ministry of Health has identified four (4) main outcomes for Twelfth Malaysia Plan;

1. Sustainable, equitable and affordable healthcare,
2. Reduced preventable mortality and morbidity,
3. Person-centred integrated care and
4. Enhanced adoption of healthy lifestyle.

With the theme “Invigorating Healthcare Towards a Progressive Nation”, the Ministry of Health has outlined five (5) preliminary strategies to achieve the outcome and the strategies are

S1: restructuring healthcare delivery system,
S2: strengthening governance and stewardship,
S3: reforming health financing,
S4: enhancing digital trajectory and value-based innovations and
S5: empowering individuals, families and communities.

With primary aim to further develop the hospital services and also to better execute its functions, the Medical Programme has identified seven (7) strategies for the upcoming five years (2021 - 2025), following which a total of sixty-one (61) implementation plans and 176 activities will be carried out in phases.

(Source: Strategic Framework of the Medical Programme, Ministry of Health Malaysia, 2021 – 2025)

7.3 Prospects of the Properties and future plan

7.3.1 Quality tenant

KPJ was listed on the Main Market of Bursa Securities on 29 November 1994. Since its introduction as the first private specialist hospital in Johor in 1981, KPJ has grown to be one of the region’s leading private healthcare providers. KPJ has a network of 29 hospitals in Malaysia, 2 hospitals in Indonesia, 1 hospital in Thailand, 1 hospital in Bangladesh and 4 senior and assisted living care facilities in Kuala Lumpur, Sarawak, Pahang and Australia. With more than 1,451 medical consultants on board, KPJ treats more than 2.9 million patients annually. Its education arm KPJ Healthcare University College offers more than 38 programmes from foundation to doctor of philosophy ensuring KPJ has a ready pool of experienced and well-trained talent to support its expansion strategies. KPJ has been a constituent of the Bursa Malaysia FTSE4Good Index since 2016.

(Source: The management of KPJ)

7.3.2 Quality portfolio

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

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

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

Barring any unforeseen circumstances, the Manager believes that in the longer term that the Proposed Acquisitions and Leases is favourable to Al-‘Aqar as it provides additional, stable, and sustainable income stream and cash flow and as such, potentially enhance the financial performance of Al-‘Aqar moving forward.

(Source: Valuation Reports and the management of DRMSB)

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8. EFFECTS OF THE PROPOSALS

8.1 Unitholders' capital

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

	Number of Units	Unitholders' capital
		RM
As at the LPD	735,985,088	731,398,126
Arising from the Proposed Acquisitions and Leases	20,500,669	25,010,816
Arising from the Proposed Private Placement	118,965,517	(1) 128,051,508
Enlarged Unitholders' capital	**875,451,274**	**884,460,450**

Note:

(1) *After taking into consideration the estimated expenses for the Proposed Private Placement which is allowed to be capitalised from Unitholders' capital amounting to approximately RM1.60 million.*

8.2 NAV, NAV per Unit and gearing

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

	Audited as at 31 December 2021	(I) After the Proposed Acquisitions and Leases	(II) After (I) and the Proposed Private Placement
	RM'000	RM'000	RM'000
Unitholders' capital	731,398	756,409	884,460
Undistributed income	221,626	(1) 221,526	221,526
Foreign currency translation reserve	(8,022)	(8,022)	(8,022)
Unitholders' funds/NAV	**945,002**	**969,913**	**1,097,964**
Number of Units in circulation ('000)	735,985	756,486	875,451
NAV per Unit (RM)	1.28	1.28	1.25
Total asset value (RM'000)	1,664,733	(3) 1,860,153	1,860,153
Total borrowings (RM'000)	683,876	(4) 850,865	(5) 724,393
Gearing (2) (times)	0.41	0.46	0.39

Notes:

(1) *After deducting the estimated transaction costs of RM100,000 in relation to the Proposals comprising the professional fees and fees payable to the relevant authorities and other fees such as printing, advertising and cost of convening the EGM.*

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

(3) *Including the estimated expenses of professional fees which is allowed to be capitalised to the total assets amounting to approximately RM1.50 million.*

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

(5) *After taking into account the repayment of bank financing pursuant to the Proposed Private Placement of RM126.5 million.*

8.3 Substantial Unitholders' unitholdings

The pro forma effects of the Proposed Acquisitions and the Proposed Private Placement on the substantial Unitholders' unitholdings of Al-'Aqar are as follows:

	As at the LPD				After the Proposed Acquisitions and Leases				After (I) and the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	**No. of Units '000**	**%**	**No. of Units '000**	**%**	**No. of Units '000**	**%**	**No. of Units '000**	**%**	**No. of Units '000**	**%**	**No. of Units '000**	**%**
KPJ	-	-	(1) 269,075	36.56	20,501	2.71	269,075	35.57	20,501	2.34	269,075	30.74
JCorp	-	-	(2) 269,248	36.58	-	-	289,749	38.30	-	-	289,749	33.10
LTH	105,532	14.34	-	-	105,532	13.95	-	-	105,532	12.05	-	-
EPF	83,228	11.31	-	-	83,228	11.00	-	-	83,228	9.51	-	-
Kumpulan Wang Persaraan (Diperbadankan)	65,391	8.88	-	-	65,391	8.64	-	-	65,391	7.47	-	-
Pusat Pakar Tawakal Sdn Bhd	54,649	7.43	-	-	54,649	7.22	-	-	54,649	6.24	-	-
Amanah Saham Bumiputera	46,000	6.25	-	-	46,000	6.08	-	-	46,000	5.25	-	-
Other placees (3)	-	-	-	-	-	-	-	-	118,966	13.59	-	-

Notes:

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

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

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

8.4 Earnings and EPU

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

		(I)	**(II)**
	Audited for the FYE 31 December 2021	**After the Proposed Acquisitions and Leases**	**After (I) and the Proposed Private Placement**
	(RM'000)	**(RM'000)**	**(RM'000)**
Audited distributable income	73,550	73,550	73,550
Add: Annual incremental net distributable income contribution [(1)]	-	2,333	7,869
Proforma distributable income	**73,550**	**75,883**	**81,419**
Units in circulation ('000)	735,985	756,486	875,451
Proforma EPU (sen)	9.99	10.03	9.30

Note:

[(1)] *Computation in arriving at the annual incremental net distributable income contribution is as follows:*

		(I)	*(II)*
Description	***Basis of computation***	***(RM'000)***	***(RM'000)***
NPI	*The NPI is derived after taking into consideration the expected annual incremental NPI pursuant to the Proposed Acquisitions and Leases*	*10,047*	*10,047*
Manager and Trustee fees	*Manager fees are computed at a base rate of 0.125% per annum of the incremental total asset value. Trustee fee is computed based on 0.04 % of the net asset value*	*(250)*	*(291)*
Cost of financing	*Transaction costs in relation to the Proposed Acquisitions and Leases and the Proposed Private Placement*	*(7,364)*	*(1,787)*
Expenses of Proposals	*Estimated expenses of the Proposals which are not allowed to be capitalised such as certain professional fees and fees payable to the relevant authorities.*	*(100)*	*(100)*
		2,333	***7,869***

8.5 Convertible securities

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

9. HISTORICAL UNIT PRICES

The monthly high and low market prices of the Units as traded on the Main Market of Bursa Securities for the past twelve (12) months preceding the date of this Circular are as follows:

	High RM	Low RM
2022		
November	1.23	1.18
October	1.23	1.18
September	1.24	1.18
August	1.23	1.20
July	1.22	1.19
June	1.22	1.17
May	1.21	1.17
April	1.21	1.16
March	1.20	1.11
February	1.15	1.09
January	1.18	1.10
2021		
December	1.19	1.10
November	1.20	1.14
Last transacted market price of the Units on 1 September 2022, being the last full trading day prior to the announcement of the Proposals		1.21
Last transacted market price as at the LPD		1.21

(Source: Bloomberg)

10. APPROVALS REQUIRED

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

(i) Bursa Securities for the listing of and quotation for the Consideration Units and the Placement Units;

The approval of Bursa Securities, which was obtained vide its letter dated 16 November 2022, is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(a)	Confirmation by KAF IB on the compliance of at least 25% of the public unitholding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements upon the listing and quotation of the Consideration Units;	To be complied
(b)	Al-'Aqar and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals	To be complied
(c)	KAF IB to furnish Bursa Securities with the certified true copy of the resolutions passed by the unitholders at extraordinary general meeting approving the Proposed Acquisition of Pasir Gudang Property	To be complied
(d)	Payment of additional listing fee, if any, based on the final issue price together with a copy of the details of the computation of the amount of listing fees payable	To be complied
(e)	KAF IB to inform Bursa Securities upon the completion of the Proposals	To be complied

No.	Conditions imposed	Status of compliance
(f)	KAF IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed	To be complied

(ii) the approval of the Unitholders for the Proposed Acquisitions and Leases at the forthcoming EGM to be convened; and

(iii) any other relevant authorities and/or parties, if required.

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

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

11. CORPORATE EXERCISES/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals which is the subject matter of this Circular, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by Al-'Aqar prior to the issuance of this Circular.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

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

12.1 Interested Major Shareholders of the Manager and Major Unitholders of Al-'Aqar

As at the LPD, the details of the unitholding of the Interested Major Shareholders of the Manager and Major Unitholders of Al-'Aqar are as follows:

(i) Proposed Acquisitions and Leases

(a) KPJ is a Major Unitholder of Al-'Aqar having an indirect interest of 36.56% in Al-'Aqar;

(b) JCorp is a Major Unitholder of Al-'Aqar having an indirect interest of 36.58% in Al-'Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.58% and 9.63% respectively in KPJ; and

(c) JCorp also owns a 100% equity interest in Damansara Assets Sdn Bhd, which in turn owns 100% equity interest in DRMSB.

Accordingly, the JCorp Group and the KPJ Group will abstain from voting in respect of their indirect unitholdings in Al-'Aqar on the resolution pertaining to the Proposed Acquisitions and Leases to be tabled at the EGM.

As PNG, MSH and PGSH are the Vendors and wholly-owned subsidiaries of KPJ, which JCorp has an indirect interest in, they are deemed interested in the Proposed Acquisitions and Leases. The Vendors will abstain from voting in respect of their direct and/or indirect unitholdings in Al-'Aqar on the resolution pertaining to the Proposed Acquisitions and Leases to be tabled at the EGM.

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

(ii) Proposed Allotment to Major Unitholders

(a) EPF is a Major Unitholder of Al-‘Aqar having a direct interest of 11.31% in Al-‘Aqar and it is also a shareholder of KPJ, having a direct interest of 13. 48% in KPJ.

(b) LTH is a Major Unitholder of Al-‘Aqar having a direct interest of 14.34% in Al-‘Aqar and it is also a shareholder of KPJ, having a direct interest of 2.95% in KPJ.

LTH will abstain from voting in respect of its direct and/or indirect unitholding in Al-‘Aqar, if any, on the resolution pertaining to the Proposed Allotment to LTH to be tabled at the EGM. Further, LTH will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in Al-‘Aqar, if any, on the resolution pertaining to the Proposed Allotment to LTH to be tabled at the EGM.

EPF will abstain from voting in respect of its direct and/or indirect unitholding in Al-‘Aqar, if any, on the resolution pertaining to the Proposed Allotment to EPF to be tabled at the EGM. Further, EPF will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in Al-‘Aqar, if any, on the resolution pertaining to the Proposed Allotment to EPF to be tabled at the EGM.

As at the LPD, EPF and LTH do not have any nominee directors on the Board.

12.2 Interested directors of the Manager

(i) Dato’ Mohd Redza Shah bin Abdul Wahid (“**Dato’ Redza**”) is the Chairman and Independent Non-Executive Director of DRMSB, and a Senior Independent Non-Executive Director of KPJ;

(ii) Datuk Sr Akmal bin Ahmad (“**Datuk Sr Akmal**”) is a Non-Independent Non-Executive Director of DRMSB, a senior management personnel of Johor Land Berhad, a subsidiary of JCorp and also a senior management personnel of JCorp;

(iii) Shamsul Anuar bin Abdul Majid (“**Shamsul Anuar**”) is a Non-Independent Non-Executive Director of DRMSB, a Non-Independent Non-Executive Director of KPJ and a senior management personnel of JCorp; and

(iv) Dato’ Salehuddin bin Hassan (“**Dato’ Salehuddin**”) is a Non-Independent Non-Executive Director of DRMSB and a Director of JCorp;

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

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

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

Datuk Sr Akmal, an Interested Director who sits on the Board of Audit and Risk Committee of DRMSB, has abstained from deliberation and from providing opinion on the Proposed Acquisitions and Leases.

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

13. STATEMENT BY THE BOARD

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

Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.

14. STATEMENT BY THE BOARD OF AUDIT AND RISK COMMITTEE

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

(i) in the best interest of Al-‘Aqar;

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

(iii) not detrimental to the interest of the Non-Interested Unitholders.

15. INDEPENDENT ADVISER

The Proposed Acquisitions and Leases is deemed as a related party transaction pursuant to the Listing Requirements. In view of the interest of the interested parties in the Proposed Acquisitions and Leases, the Board had, on 28 July 2021, appointed the Independent Adviser to undertake the following:

(i) comment as to whether the Proposed Acquisitions and Leases are:

    (a) fair and reasonable so far as the non-interested unitholders of Al-‘Aqar are concerned; and

    (b) 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;

(ii) advise the non-interested directors of the Manager and the non-interested unitholders of Al-‘Aqar on the Proposed Acquisitions and Leases, and whether the non-interested unitholders of Al-‘Aqar should vote in favour of the Proposed Acquisitions and Leases; and

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

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

16. RELATED PARTY TRANSACTIONS FOR THE PAST 12 MONTHS

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

(i) Al-'Aqar and the Interested Directors and Interested Major Shareholders of DRMSB and/or persons connected with them; and

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

The aggregate total amount transacted in relation to the existing rental income from the Taiping Medical Centre and KPJ Seremban Specialist Hospital under the existing principal lease agreement in the 12 months preceding the LPD is approximately RM5.85 million.

17. ESTIMATED TIMEFRAME FOR COMPLETION

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

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

The tentative timetable in relation to the completion of the Proposals are as follows:

Tentative Date	Events
13 December 2022	EGM for the Proposals
End of December 2022	Completion of the Proposed Acquisitions
First half of 2023	Listing and quotation of the Placement Units on the Main Market of Bursa Securities

18. HIGHEST PERCENTAGE RATIO

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

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19. EGM

The EGM (the notice of which is enclosed in this Circular) will be held on a fully virtual basis at the Broadcast Venue: Anugerah Hall, Level 14, West Wing, KPJ Ampang Puteri Specialist Hospital, No. 1, Jalan Mamanda 9, Taman Dato Ahmad Razali, 68000 Ampang, Selangor on Tuesday, 13 December 2022 at 3:30 p.m. for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposals.

If you are unable to attend and vote at the EGM, you may appoint a proxy(ies) to do so by completing and depositing the Form of Proxy in accordance with the instructions therein at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time appointed for holding the EGM. The last day and time for lodging the Form of Proxy is on Sunday, 11 December 2022 at 3:30 p.m.

The lodging of the Form of Proxy will not preclude you from participating, speaking and voting at the EGM should you subsequently decide to do so. If you do, your proxy shall be precluded from participating in the EGM.

Please refer to the Notice of the EGM and the Administrative Guide at this link http://www.alaqar.com.my for further information on the meeting.

20. FURTHER INFORMATION

Unitholders are advised to refer to the attached appendices 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)

ENCIK ABDULLAH BIN ABU SAMAH
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS OF AL- ‘AQAR IN RELATION TO THE PROPOSED ACQUSITIONS AND LEASES

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the 'Definitions' section and Part A of the Circular except where the context otherwise requires or where otherwise defined in this IAL. All references to "you" are references to the Non-Interested Unitholders while references to "we", "us" or "our" are to DWA Advisory, being the Independent Adviser for the Proposed Acquisitions and Leases. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

This executive summary, highlighting the salient information of the Proposed Acquisitions and Leases, is intended to be a brief summary of this IAL prepared by DWA Advisory. The Non-Interested Unitholders are advised to read this IAL carefully together with Part A of the Circular and the enclosed appendices, and to consider carefully the recommendation contained in this IAL before voting on the ordinary resolution to give effect to the Proposed Acquisitions and Leases at the forthcoming EGM of Al-'Aqar.

1. INTRODUCTION

On 2 September 2022, on behalf of the Board, KAF IB announced that the Trustee, had on 2 September 2022 entered into the TMC SPA, Seremban SPA and Pasir Gudang SPA with PNG, MSH and PGSH, respectively, in respect of the Proposed Acquisitions.

Concurrently, the Trustee and DRMSB have executed in escrow the TMC Lease Agreement, Seremban Lease Agreement and Pasir Gudang Lease Agreement with PNG, MSH and PGSH, respectively, in respect of the Proposed Leases.

In addition to the Proposed Acquisitions and Leases, KAF IB on behalf of the Board also announced that DRMSB proposes to undertake the Proposed Private Placement. For the avoidance of doubt, the Proposed Private Placement is a separate corporate proposal from the Proposed Acquisitions and Leases and that it is not related to or conditional upon the Proposed Acquisitions and Leases.

The Proposed Acquisitions and Leases are regarded as related party transactions under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors, Interested Major Shareholders and Interested Major Unitholders as set out in Section 12 of Part A of the Circular. Accordingly, the Board on 28 July 2021 had appointed DWA Advisory as the Independent Adviser to advise the Non-Interested Unitholders in respect of the Proposed Acquisitions and Leases.

The purposes of this IAL are to provide the Non-Interested Unitholders with an independent evaluation on the fairness and reasonableness of the terms of the Proposed Acquisitions and Leases, in so far as the Non-Interested Unitholders are concerned and whether the Proposed Acquisitions and Leases are to detriment if the Non-Interested Unitholders. This IAL will also provide recommendation in relation to the ordinary resolution pertaining to the Proposed Acquisitions and Leases.

2. EVALUATION OF THE PROPOSED ACQUISITIONS AND LEASES

In forming our opinion to the Non-Interested Unitholders, we have considered the following factors in our evaluation of the Proposed Acquisitions and Leases.

(i) Rationale for the Proposed Acquisitions and Leases

The rationale for the Proposed Acquisitions and Leases is as follows:

- to enhance the future earnings and DPU yield accretion;

- to provide stable rental income;

- to enhance the size of Al-'Aqar's property portfolio; and

- to increase cash flow and enhance unit value through selective acquisitions in line with Al-'Aqar acquisition strategies.

We are of the view that the rationale for the Proposed Acquisitions and Leases is reasonable and not detrimental to the interest of the Non-Interested Unitholders.

Please refer to Section 6.1 of this IAL for further details on the rationale for the Proposed Acquisitions and Leases.

(ii) Evaluation of the Purchase Consideration

The Purchase Consideration of RM192.00 million was arrived at based on the market value of the Properties as ascribed by the Valuer.

As such, in evaluating the Purchase Consideration, we have relied on the information in the Valuation Reports and Valuation Certificates which were prepared by the Valuer in respect of the valuation of the Properties.

Premised on the foregoing, we are of the view that the valuation methods and approaches applied by the Valuer for the valuation of the Properties are reasonable and hence we view that the Purchase Consideration which is based on the market value of the Properties as ascribed by the Valuer is fair.

Please refer to Section 6.2 of this IAL on our detailed evaluation of the Purchase Consideration.

(iii) Evaluation of the issue price of the Consideration Units

We note that the RM166.99 million of the Purchase Consideration will be satisfied by cash which will be fully funded by bank financing and the balance of RM25.01 million will be via the issuance of 20,500,669 Consideration Units based on the issue price of RM1.22 per Consideration Unit.

We have evaluated the issue price of the Consideration Units as follows:

- the issue price has been fixed at RM1.22 based on the five (5)-day VWAMP of Al-'Aqar Units up to and including 1 September 2022, being the date immediately preceding the signing of the Pasir Gudang SPA;

- the issue price represents a discount to the NAV per Al-'Aqar Unit of RM1.28 as at 31 December 2021 and the proforma NAV per Al-'Aqar Unit of RM1.28 after the Proposed Acquisitions and Leases; and

- the issue price is above the average closing market price of RM1.178 for the past one (1)-year between 2 September 2021 to 1 September 2022.

Please refer to section 6.3 of this IAL on our detailed evaluation of the issue price of the Consideration Units.

(iv) Salient terms of the Transaction Documents

Based on our review of the salient terms of the Sale and Purchase Agreements and the Lease Agreements, we are of the view that the overall terms and conditions of the said agreements are reasonable and not detrimental to the interest of the Non-Interested Unitholders.

Please refer to Section 6.4 of this IAL on our detailed evaluation of the salient terms of the Sale and Purchase Agreements and the Lease Agreements.

(v) Financial effects of the Proposed Acquisitions and Leases

- Al-‘Aqar’s proforma NAV as at 31 December 2021 is expected to increase from RM0.95 billion to RM0.97 billion due to the increase in Unitholders’ capital arising from the issuance of the Consideration Units. The proforma NAV per Unit as at 31 December 2021 will remain at RM1.28 upon completion of the Proposed Acquisitions and Leases, despite the increase in the number of Units in circulation pursuant to the issuance of new Consideration Units.

- The proforma gearing ratio of Al-‘Aqar is expected to increase from 41.08% to 45.74% upon completion of the Proposed Acquisitions and Leases in view of the bank financing to be raised to finance cash portion of the Purchase Consideration of RM166.99 million.

Premised on the above, we are of the view that the overall effects arising from the Proposed Acquisitions and Leases are reasonable and not detrimental to the interest of the Non-Interested Unitholders.

Please refer to Section 6.5 of this IAL on our detailed evaluation of the financial effects of the Proposed Acquisitions and Leases.

(vi) Industry overview, outlook and prospects

For 2022, the Malaysian economy is progressively recovering with the transition into endemic phase of COVID-19 outbreak with the reopening of economic activities and border following the successful rollout of vaccination programme and high vaccination rate achieved.

Despite the external demand could face headwinds from slower global growth, the Malaysian economy will continue to be supported by firm domestic demand. Growth would also benefit from improving labour market conditions and continued implementation of multi-year investment projects.

In respect to the property market in Malaysia, the performance has improved gradually and is expected to continue with a positive recovery trend while the prospects of the Properties are expected to be positively driven mainly by the strategic locations, high occupancy rate and reputable lessees.

As mentioned above, we note that the prospects of the Proposed Acquisitions and Leases are expected to be positive and thus the Proposed Acquisitions and Leases are not detrimental to the interest of the Non-Interested Unitholders.

Please refer to Section 6.6 of this IAL for further details on the overview and outlook of the Malaysian economy, overview and prospects of Malaysian healthcare industry and property market in Malaysia as well as prospects of the Properties.

(vii) Risk factors associated with the Proposed Acquisitions and Leases

The risk factors associated with the Proposed Acquisitions and Leases are, amongst others, non-completion risk, business and operational risks and compulsory acquisition of the Properties by the Malaysian Government.

Please refer to Section 6.7 of this IAL for further details on the risk factors associated with the Proposed Acquisitions and Leases.

3. CONCLUSION AND RECOMMENDATION

Premised on the foregoing and our evaluation of the Proposed Acquisitions and Leases, DWA Advisory is of the opinion that the terms of the Proposed Acquisitions and the salient terms of the Lease Agreements are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the interest of the Non-Interested Unitholders.

Accordingly, DWA Advisory recommends that the Non-Interested Unitholders **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisitions and Leases at the forthcoming EGM of Al-'Aqar.

The Non-Interested Unitholders are advised not to rely solely on the executive summary before forming an opinion on the Proposed Acquisitions.

The Non-Interested Unitholders are also advised to read this IAL carefully together with Part A of the Circular and the enclosed appendices, and to consider carefully the recommendation contained in this IAL before voting on the ordinary resolution to give effect to the Proposed Acquisitions and Leases at the forthcoming EGM.

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DWA advisory

Registered office:

E-2-1, Block E, Oasis Square
No. 2, Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan

21 November 2022

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

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS AND LEASES

This IAL is prepared for inclusion as Part B of the 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 defined in the 'Definitions' section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" and "our" in this IAL are to DWA Advisory, being the Independent Adviser for the Proposed Acquisitions and Leases. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

1. INTRODUCTION

On 2 September 2022, on behalf of the Board, KAF IB announced that the Trustee, had on 2 September 2022 entered into the TMC SPA, Seremban SPA and Pasir Gudang SPA with PNG, MSH and PGSH, respectively, in respect of the Proposed Acquisitions.

Concurrently, the Trustee and DRMSB have executed in escrow the TMC Lease Agreement, Seremban Lease Agreement and Pasir Gudang Lease Agreement with PNG, MSH and PGSH, respectively, in respect of the Proposed Leases.

In addition to the Proposed Acquisitions and Leases, KAF IB on behalf of the Board also announced that DRMSB proposes to undertake the Proposed Private Placement. For the avoidance of doubt, the Proposed Private Placement is a separate corporate proposal from the Proposed Acquisitions and Leases and that it is not related to or conditional upon the Proposed Acquisitions and Leases.

The Proposed Acquisitions and Leases are regarded as related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors, Interested Major Shareholders and Interested Major Unitholders as set out in Section 12 of Part A of the Circular. Accordingly, the Board on 28 July 2021 had appointed DWA Advisory as the Independent Adviser to advise the Non-Interested Unitholders in respect of the Proposed Acquisitions and Leases.

The purposes of this IAL are to provide the Non-Interested Unitholders with an independent evaluation on:

(i) the fairness and reasonableness of the terms of the Proposed Acquisitions and Leases and, in so far as the Non-Interested Unitholders are concerned; and

(ii) whether the Proposed Acquisitions and Leases are to the detriment of the Non-Interested Unitholders,

together with our recommendation on whether the Non-Interested Unitholders should vote in favour of the ordinary resolution pertaining to the Proposed Acquisitions and Leases to be tabled at the forthcoming EGM of Al-‘Aqar. DWA Advisory's evaluation and recommendation are subject to the scope and limitation of our role as specified herein.

THE NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ THIS IAL CAREFULLY TOGETHER WITH PART A OF THE CIRCULAR AND THE ENCLOSED APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED IN THIS IAL BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITIONS AND LEASES AT THE FORTHCOMING EGM.

THIS IAL IS SOLELY FOR THE USE OF THE NON-INTERESTED UNITHOLDERS FOR THE PURPOSE OF CONSIDERING THE PROPOSED ACQUISITIONS AND LEASES AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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2. DETAILS OF THE PROPOSED ACQUISITIONS AND LEASES

The full details of the Proposed Acquisitions and Leases are set out in Section 2 and Section 3 of Part A of the Circular and should be read in its entirety by the Non-Interested Unitholders.

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITIONS AND LEASES

DWA Advisory was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisitions and Leases. DWA Advisory has also not undertaken any independent investigation into the business, affairs, operations, financial position or prospects of Al-'Aqar.

Our scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the salient terms of the Proposed Acquisitions and Leases and whether it is to the detriment of the Non-Interested Unitholders.

DWA Advisory is satisfied with the adequacy of information and documents provided by the Board and the Manager in order for us to form the basis of our opinion. DWA Advisory wishes to highlight that the Board has collectively and individually confirmed to us that all relevant material facts and information critical to our evaluation has been disclosed to us. The Board has also accepted responsibility for the accuracy of the information provided to us by the Board, the Trustee, the Manager and/or its advisers which is reproduced herein and confirmed that, after making all reasonable enquiries and to the best of its knowledge and belief, there are no other information and/or facts, the omission of which would make any information provided to us misleading, incomplete or inaccurate.

In performing our evaluation, DWA Advisory has relied on the following sources of information and documents:

(i) the Transaction Documents;

(ii) the information obtained or derived from Al-'Aqar's announcements to Bursa Securities on 2 September 2022 and 7 September 2022 in relation to the Proposals;

(iii) the information contained in Part A of the Circular and the enclosed appendices;

(iv) discussions and consultation with the representatives of the Manager on 30 September 2022 and 19 October 2022;

(v) the audited financial statements of Al-'Aqar for the FYE 31 December 2020 and 2021;

(vi) the unaudited financial statements of Al-'Aqar for the financial period ended 30 June 2022;

(vii) other relevant information, documents, confirmations and representations provided to us by the Board and the Manager;

(viii) the Valuation Reports and Valuation Certificates issued by the Valuer dated 30 June 2022 in relation to TMC New Building, Seremban New Building and Pasir Gudang Property; and

(ix) other publicly available information which we have deemed to be relevant.

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advisory

DWA Advisory has relied on the Board, the Trustee, the Manager and representatives of Al-'Aqar to take due care and to ensure that all information, documents and representations provided to us by them to facilitate our evaluation are accurate, valid and complete in all material aspects. Accordingly, DWA Advisory has not independently verified the information provided to us for its feasibility, reliability, accuracy and/or completeness and we express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of Al-'Aqar and all relevant parties involved in the Proposed Acquisitions and Leases. Nonetheless, DWA Advisory has made reasonable enquiries, and as at the date of this IAL, DWA Advisory has no reason to believe that the aforementioned information provided to us is unreliable, incomplete, misleading and/or inaccurate. The scope of our responsibility with regard to the evaluation and recommendation contained herein is confined to the financial terms and implications arising from the Proposed Acquisitions and Leases.

DWA Advisory has evaluated the Proposed Acquisitions and Leases and in rendering our advice, DWA Advisory has also considered the current situation of the capital market, economic, industry, regulatory, monetary, social-political and other factors prevailing on, and the general future plans of the Al-'Aqar as well as the other information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time. DWA Advisory believes that these factors are of relevance and general importance to the assessment of the implications of the Proposed Acquisitions and Leases and would be of relevance and general concern to the Non-Interested Directors and the Non-Interested Unitholders. This opinion is rendered solely for the benefit of the Non-Interested Unitholders.

DWA Advisory's evaluation and recommendations expressed herein are confined to the Proposed Acquisitions and Leases. DWA Advisory's scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits, legal and tax implications arising from the Proposed Acquisitions and Leases as this remains the sole responsibility of the Board.

DWA Advisory's views and recommendations contained in this IAL are to the Non-Interested Unitholders at large and not to any Non-Interested Unitholder individually. As such, in carrying out our evaluation, DWA Advisory has not given any consideration to any specific future plans nor to consider the specific objectives, financial situation and particular needs of any individual Unitholder or specific group of Unitholders.

DWA Advisory recommends that any individual Non-Interested Unitholder or any specific group of Non-Interested Unitholders who is in doubt of the action to be taken or require specific advice in relation to the Proposed Acquisitions and Leases, in the context of their individual objectives, financial situation and particular needs, to consult with their stockbrokers, bankers, solicitors, accountants or other professional advisers. DWA Advisory shall not be responsible for any damage or loss of any kind sustained or suffered by any individual Non-Interested Unitholder or any specific group of Non-Interested Unitholders in reliance on the opinion stated herein for any purpose whatsoever other than for the purpose of considering the Proposed Acquisitions and Leases at the forthcoming EGM.

After the dispatch of the Circular and this IAL, DWA Advisory will notify the Non-Interested Unitholders if we become aware of the following:

(i) significant change affecting the information contained in the IAL;

(ii) there is a reason to believe that the statements in the IAL are misleading/deceptive; and

(iii) there is a material omission in the IAL.

4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

DWA Advisory confirms that it is not aware of any circumstances which exist or are likely to give rise to a possible conflict of interest situation for DWA Advisory to carry out the role as the Independent Adviser in relation to the Proposed Acquisitions and Leases.

Save for our role as the Independent Adviser for the Proposed Acquisitions and Leases, as at the LPD, DWA Advisory has not had any professional relationship with Al-‘Aqar, the Manager and the Vendors at any time during the past 2 years.

DWA Advisory is an advisory firm incorporated in Malaysia and licensed by the SC (License No. CMSL/A0315/2013) to carry out the regulated activity of advising on corporate finance pursuant to Section 58 of the Capital Markets and Services Act 2007. DWA Advisory has also obtained approval from the SC to act as Independent Adviser under the Rules on Take-over, Mergers and Compulsory Acquisitions (“**Rules**”). DWA Advisory has undertaken the role as an Independent Adviser for corporate exercises in the past three (3) years prior to the Proposed Acquisitions and Leases, which include the following:

(i) conditional mandatory take-over offer by Wong Sak Kuan and Yau Ming Teck (“**Offerors**”) through KAF Investment Bank Berhad to acquire all the remaining ordinary shares in MESB Berhad (“**MESB**”) not already owned by the Joint Offerors arising from the exercise of the outstanding warrants in MESB not already owned by the Joint Offerors (“**Offer Shares**”) and all the remaining unexercised outstanding warrants in MESB not already owned by the Joint Offerors (“**Offer Warrants**”) for a cash offer price of RM0.315 per Offer Share and RM0.015 per Offer Warrant, where our independent advice circular was issued on 12 November 2020;

(ii) unconditional mandatory take-over offer by Ekovest Berhad ("**Offeror**") through RHB Investment Bank Berhad to acquire all the remaining ordinary shares in PLS Plantation Berhad not already held by the Offeror including any new PLS Shares that may be allotted prior to the closing date of the offer arising from the exercise of any of the 10-year warrants 2020/2030 issued by PLS ("**PLS Warrants**") and all the remaining PLS Warrants not already held by the Offeror, where our independent advice circular was issued on 30 November 2020;

(iii) unconditional mandatory take-over offer by Batu Kawan Berhad ("**Offeror**") through CIMB Investment Bank Berhad to acquire all the remaining ordinary shares in Chemical Company of Malaysia Berhad not already held by the Offeror ("**Offer Shares**") for a cash consideration of RM3.10 per Offer Share, where our independent advice circular was issued on 7 January 2021;

(iv) unconditional mandatory take-over offer by Datuk Tiah Thee Kian ("**Offeror**") through TA Securities Holdings Berhad to acquire all the remaining ordinary shares in TA Enterprise Berhad not already held by the Offeror ("**Offer Shares**") at a cash offer price of RM0.655 per Offer Share, where our independent advice circular was issued on 14 January 2021;

(v) unconditional mandatory take-over offer by Tiong Toh Siong Enterprises Sdn Bhd (“**Offeror**”) through Kenanga Investment Bank Berhad to acquire all the remaining ordinary shares in Subur Tiasa Holdings Berhad (excluding treasury shares) not already held by the Offeror and the enlarged persons acting in concert with them ("**Offer Shares**") at a cash consideration of RM0.65 per Offer Share, where our independent advice circular was issued on 30 September 2021;

(vi) selective capital reduction and repayment exercise of KAF-Seagroatt & Campbell Berhad pursuant to Section 116 of the Companies Act 2016, where our independent advice letter was issued on 3 March 2022; and

(vii) conditional mandatory take-over offer by Dato' Lim Kian Onn ("**Offeror**") through Mercury Securities Sdn Bhd to acquire all the remaining ordinary shares in ECM Libra Group Berhad not already held by the Offeror and persons acting in concert with him ("**Offer Shares**") for a cash offer price of RM0.22 per Offer Share, where our independent advice circular was issued on 7 July 2022.

Premised on the foregoing, DWA Advisory is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Unitholders in relation to the Proposed Acquisitions and Leases.

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

The details of the Interested Directors, Interested Major Shareholders and Interested Major Unitholders and/or persons connected with them who have an interest, directly and/or indirectly in the Proposed Acquisitions and Leases are set out in Section 12 of Part A of the Circular.

5.1 Interested Directors of the Manager

(i) Dato' Mohd Redza Shah bin Abdul Wahid is the Chairman and Independent Non-Executive Director of DRMSB, and a Senior Independent Non-Executive Director of KPJ;

(ii) Datuk Sr Akmal bin Ahmad is a Non-Independent Non-Executive Director of DRMSB, a senior management personnel of Johor Land Berhad which is a subsidiary of JCorp and also a senior management personnel of JCorp;

(iii) Shamsul Anuar bin Abdul Majid is a Non-Independent Non-Executive Director of DRMSB, a Non-Independent Non-Executive Director of KPJ and a senior management personnel of JCorp; and

(iv) Dato' Salehuddin bin Hassan is a Non-Independent Non-Executive Director of DRMSB and a Director of JCorp.

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

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

Datuk Sr Akmal bin Ahmad, an Interested Director who sits on the Board of Audit and Risk Committee of DRMSB, has abstained from deliberation and from providing opinion on the Proposed Acquisitions and Leases.

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

5.2 Interested Major Shareholders of the Manager and Major Unitholders of Al-'Aqar

(i) KPJ is a Major Unitholder of Al-'Aqar having an indirect interest of 36.56% in Al-'Aqar;

(ii) JCorp is a Major Unitholder of Al-'Aqar having an indirect interest of 36.58% in Al-'Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.58% and 9.63% respectively in KPJ; and

(iii) JCorp also owns a 100.00% equity interest in Damansara Assets Sdn Bhd, which in turn owns 100.00% equity interest in DRMSB.

The details of the unitholdings of the Interested Directors and Interested Major Shareholders of the Manager and Interested Major Unitholders as at the LPD are as follows:

Interested party	Direct No. of Units ('000)	(%)	Indirect No. of Units ('000)	(%)
Interested Directors				
Dato' Mohd Redza Shah bin Abdul Wahid	-	-	-	-
Datuk Sr Akmal bin Ahmad	-	-	-	-
Shamsul Anuar bin Abdul Majid	-	-	-	-
Dato' Salehuddin bin Hassan	-	-	-	-
Interested Major Shareholders of the Manager and Interested Major Unitholders				
KPJ	-	-	269,075[(1)]	36.56
JCorp	-	-	269,248[(2)]	36.58

Notes:

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

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

Accordingly, the JCorp Group and the KPJ Group will abstain from voting in respect of their indirect unitholdings in Al-'Aqar on the resolution pertaining to the Proposed Acquisitions and Leases to be tabled at the EGM of Al-'Aqar.

As PNG, MSH and PGSH are the Vendors and wholly-owned subsidiaries of KPJ, which JCorp has an indirect interest in, they are deemed interested in the Proposed Acquisitions and Leases. The Vendors will abstain from voting in respect of their direct and/or indirect unitholdings in Al-'Aqar on the resolution pertaining to the Proposed Acquisitions and Leases to be tabled at the EGM of Al-'Aqar.

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

6. EVALUATION OF THE PROPOSED ACQUISITIONS AND LEASES

DWA Advisory has assessed various aspects of the Proposed Acquisitions and Leases including the rationale and financial effects of the Proposed Acquisitions and Leases as its implications to the Non-Interested Unitholders. Hence, DWA Advisory's opinion on the fairness and reasonableness of the Proposed Acquisitions and Leases is rendered on a holistic approach. In forming our opinion to the Non-Interested Unitholders, we have considered the following factors in our evaluation of the Proposed Acquisitions and Leases:

No.	Item	Sections in this IAL
(a)	Rationale for the Proposed Acquisitions and Leases	**6.1**
(b)	Evaluation of the Purchase Consideration	**6.2**
(c)	Evaluation of the issue price of the Consideration Units	**6.3**
(d)	Salient terms of the Transaction Documents	**6.4**
(e)	Financial effects of the Proposed Acquisitions and Leases	**6.5**
(f)	Industry overview, outlook and prospects	**6.6**
(g)	Risk factors associated with the Proposed Acquisitions and Leases	**6.7**

6.1 Rationale for the Proposed Acquisitions and Leases

The rationale for the Proposed Acquisitions and Leases is set out in Section 5 of Part A of the Circular.

Based on the rationale for the Proposed Acquisitions and Leases, DWA Advisory had made the following observations:

(i) Enhancement of future earnings and DPU yield accretion

Based on the proforma effect as at FYE 31 December 2021, we note that the Proposed Acquisitions and Leases will result in the proforma distributable income of Al-'Aqar to increase from RM73.55 million to RM75.88 million.

We note that Al-'Aqar may potentially benefit from higher rental rates from the Properties as per the rent formula and rent review formula as set out in Section 6.4.2 of this IAL. This may further enhance the future earnings of Al-'Aqar and as such, the DPU yield of Al-'Aqar is expected to be yield accretive.

(ii) Stable rental income

The Proposed Acquisitions and Leases are expected to be beneficial to Al-'Aqar as the Proposed Leases will provide Al-'Aqar with stable and sustainable income stream of up to fifteen (15) years.

We note that the Lessees of the Properties are wholly-owned subsidiaries of KPJ which makes up 100.00% of the tenant of Al-'Aqar's existing leased properties as at 31 December 2021. In addition, the Manager does not foresee any non-renewal of leases by KPJ as the Properties were owned and occupied by the Lessees prior to the Proposed Acquisitions and Leases. As at the LPD, there have been no non-renewal of Al-Aqar's leases by KPJ.

Furthermore, TMC New Building and Seremban New Building are expansions of Taiping Medical Centre and KPJ Seremban Specialist Hospital, respectively, which are currently owned by the Trustee and leased to PNG and MSH according to the terms of the principal lease agreements dated 1 May 2009 and 14 October 2009, respectively. The Trustee is the existing lessor for the Taiping Medical Centre and KPJ Seremban Specialist Hospital.

The acquisition and lease of TMC New Building and KPJ Seremban New Building will add to the existing rental income from the lessees, namely PNG and MSH of approximately RM0.82 million and RM4.87 million, respectively for the first year.

(iii) Enhances the size of Al-'Aqar property portfolio

Following the completion of the Proposed Acquisitions and Leases, we note that the value of Al-'Aqar's properties which stood at RM1.54 billion as at 31 December 2021 is expected to increase to RM1.73 billion which represents an increase of approximately 12.34% and the gross floor area ("**GFA**") is also expected to increase from 4.82 million square feet ("**sq. ft.**") to 5.27 million sq. ft. which represents an increase of approximately 9.34%.

With increase in the value of its property portfolio, Al-'Aqar is expected to improve its position among the listed real estate investment trusts in Malaysia pursuant to the Proposed Acquisitions and Leases as illustrated as follows:

No.	Real Estate Investment Trust	Classification	Value of Investment Properties[(1)] (RM' million)
1	KLCC Real Estate Investment Trust	Shariah Compliant	9,114
2	Sunway Real Estate Investment Trust	Non-Shariah Compliant	8,702
3	Pavilion Real Estate Investment Trust	Non-Shariah Compliant	5,880
4	IGB Real Estate Investment Trust	Non-Shariah Compliant	4,960
5	Capitaland Malaysia Trust	Non-Shariah Compliant	3,826
6	Axis Real Estate Investment Trust	Shariah Compliant	3,614
7	IGB Commercial Real Estate Investment Trust	Non-Shariah Compliant	3,161
8	YTL Hospitality REIT	Non-Shariah Compliant	2,773
9	Sentral REIT	Non-Shariah Compliant	2,066
10	**Al-'Aqar**	**Shariah Compliant**	[(2)]**1,730**
11	UOA Real Estate Investment Trust	Non-Shariah Compliant	1,716
12	AmFIRST Real Estate Investment Trust	Non-Shariah Compliant	1,609
13	AmanahRaya Real Estate Investment Trust	Non-Shariah Compliant	1,370
14	Al-Salām Real Estate Investment Trust	Shariah Compliant	1,177
15	Hektar Real Estate Investment Trust	Non-Shariah Compliant	1,165
16	KIP Real Estate Investment Trust	Non-Shariah Compliant	852

No.	Real Estate Investment Trust	Classification	Value of Investment Properties[1] (RM' million)
17	Tower Real Estate Investment Trust	Non-Shariah Compliant	819
18	AME Real Estate Investment Trust	Shariah Compliant	[3]557
19	Atrium Real Estate Investment Trust	Non-Shariah Compliant	503

Notes:

(1) *Extracted from the latest available audited financial statements from the annual reports of the respective real estate investment trusts as at the LPD.*

(2) *Excluding estimated expenses relating to the Proposed Acquisitions and Leases that are allowed to be capitalised as part of investment properties amounting to RM3.00 million.*

(3) *Extracted from the unaudited financial statements as at the date of establishment.*

For illustrative purposes, based on the above, upon completion of the Proposed Acquisitions and Leases, Al-'Aqar is expected to rank tenth (10th) among the listed real estate investment trusts in Malaysia in terms of the total value of investment properties, an improvement from its current position of twelfth (12th).

With a larger investment asset base, Al-'Aqar which is an Islamic real estate investment trust, is expected to attract greater attention from the investment community in Malaysia, particularly those with a mandate for Shariah investment which may lead to a potential increase in the trading liquidity and improvement in the price performance of the Units.

(iv) Al-'Aqar's Strategies

We note that the Properties are located in the respective townships of Taiping, Seremban and Pasir Gudang where certain portfolio of Al-'Aqar's properties currently operate from. We view that the Proposed Acquisitions and Leases are in line with Al-'Aqar's long term acquisition strategy to increase cash flow and enhance unit value through selective acquisitions, as highlighted in Section 6.1 (i) of this IAL.

Al-'Aqar has undertaken two (2) acquisitions from the JCorp Group in the past five (5) years, namely, a 5-storey car park block together with a half basement level and an open roof level (building only) from Selangor Specialist Hospital Sdn Bhd, a subsidiary of KPJ which was completed on 27 December 2017 and a 7 multi-storey hospital building known as KPJ Batu Pahat Specialist Hospital together with a land of 5 acres from Johor Land Berhad, which was completed on 30 December 2019.

Premised on the above, we view that the rationale for the Proposed Acquisitions and Leases is reasonable and not detrimental to the interest of the Non-Interested Unitholders.

6.2 Evaluation of the Purchase Consideration

6.2.1 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration based on the total market value of the Properties of RM192.00 million as ascribed by the Valuer.

In evaluating the Purchase Consideration, we have relied on the information in the Valuation Reports and Valuation Certificates which were prepared by the Valuer in respect of the valuation of the Properties. The details of the Valuation Certificates are set out in Appendix III of the Circular.

We note that, in arriving at the market value of the Properties, the Valuer adopted different valuation methods for the respective Properties. The description of the valuation methods used by the Valuer is as follows:

Valuation method	Description
Depreciated Replacement Cost Approach	This method involves determining the market value of the subject property arrived at by estimating the cost of constructing a new similar building taking into consideration factors such as building size, construction finishes, professional fees and developers' profit.
Income Approach by Profit Method (DCF)	This method involves determining the net annual income derived from the subject property by deducting all outgoings from the estimated gross annual income and then capitalising the net annual income with an appropriate capitalisation rate to arrive at the market value of the subject property.
Comparison Approach	This method involves determining the market value of the subject property by directly comparing the subject property with similar properties which have been sold, finding its value from these transactions. This method is based on the principle that the market value of a property would be in line with the market values of similar properties in the same locality as the subject property, the values being indicated through sales transactions of these properties. Adjustments are then made for differences in factors including location, size, facilities available, market conditions and other factors to arrive at a common basis for comparison.
Cost Approach	This method involves determining market value by aggregating the identified value of the building and land using the Depreciate Replacement Cost Approach and Comparison Approach, respectively.

The summary of the total market value of the Properties as extracted from the Valuation Certificates is tabulated as follows:

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DWA advisory

No.	Properties	Location	Primary valuation method	Cross check method	Market value (RM'000)
1.	TMC New Building	T/K PT 1106, Medan Taiping, 34000, Taiping, Perak Darul Ridzuan	Depreciated Replacement Cost Approach	Nil	14,300
2.	Seremban New Building	Lot 6219 & 6220, Jalan Toman 1, Kemayan, Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Depreciated Replacement Cost Approach	Nil	84,700
3.	Pasir Gudang Property	Lot PTD 204781, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim	Income Approach by Profit Method (DCF)	Cost Approach	93,000
Total market value					**192,000**

We note that the Valuer has adopted the Income Approach by Profit Method (DCF) and Cost Approach as the primary valuation and cost check method, respectively for Pasir Gudang Property, whilst only the Depreciated Replacement Cost Approach was adopted for the TMC New Building and Seremban New Building.

We concur with the Valuer's opinions as follows:

(a) the Depreciated Replacement Cost Approach is the most appropriate approach to arrive at the market value of TMC New Building and Seremban New Building as the valuation involves only building components. Furthermore, there were no reported comparable of similar rental/ capital value transactions that were available to the Valuer. Depreciated Replacement Cost Approach is the commonly adopted methodology in the industry for valuation of specialised assets similar to hospital block/ purpose-built proposed hospital properties in view that they are rarely transacted or tenanted/ leased in the open market; and

(b) the Income Approach by Profit Method (DCF) is the most appropriate approach to arrive at the market value of Pasir Gudang Property in view of the age and operating period of the property as it incorporates the terminal capitalisation of the net annual income stream that is expected to be received from Pasir Gudang Property after deducting the annual outgoings/ expenses and other operating expenses incidental to Pasir Gudang Property.

Overall, we are of the view that the valuation methods and approaches applied by the Valuer for the valuation of the Properties are reasonable, appropriately applied and consistent with generally applied valuation methodologies for properties in conformity with the SC's Asset Valuation Guidelines as revised on 19 January 2017 and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia. As such, we have relied upon and are satisfied with the valuation of the Properties as conducted by the Valuer.

Notwithstanding our opinion on the reasonableness of the valuation methods adopted, we wish to highlight that such valuations are subject to, amongst others, the prevailing market condition, supply and demand within the industry, general state of the economy and all the bases and assumptions used by the Valuer in deriving the market value.

Further details of the basis used to arrive at the market value of the respective Properties are set out below.

Market Value of the Properties

1. TMC New Building

TMC New Building is a 4-storey purpose-built hospital building that is currently operating as a private ambulatory care centre, erected on a leasehold land held under title Pajakan Negeri 361304 Lot No. 3140, (previously known as H.S.(D) 2094/89, PT No. 1106) Town of Bandar Taiping, District of Larut Matang and State of Perak Darul Ridzuan.

In arriving at the market value of TMC New Building, the Valuer has adopted the Depreciated Replacement Cost Method as the single method of valuation. The market value of the building component of TMC New Building is illustrated as follows:

Building	**GFA** (sq. ft.)	**Estimated Replacement Cost** (RM per sq. ft.)	**Depreciated Replacement Cost** (RM'000)
Main building	31,514	459.61	14,484
Add: Developer's Profit (5.00% on building cost)			724
Total building cost			15,208
Less: Depreciation @ 6.00%			(912)
Total Depreciated Building Cost			**14,296**

We further note that after taking into consideration the contractor's remuneration on building cost of 5.00% and depreciation rate of 6.00% calculated based on 2.00% per annum over 3 years being the age of the building, which is a common practice in the industry for similar type of properties, the total depreciated replacement cost for the building component of TMC New Building adopted by the Valuer is RM14.30 million. The market value ascribed by the Valuer is higher by 2.51% of the development cost of RM13.95 million incurred by KPJ for the TMC New Building.

Based on the foregoing, the Valuer has adopted the market value which is derived from the Depreciated Replacement Cost Method of RM14.30 million as fair and accurate representation of the market value of TMC New Building.

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2. Seremban New Building

Seremban New Building is an 8-storey private consultant block and an annexed 6-storey private medical centre with a ground floor car park which forms part of KPJ Seremban Specialist Hospital erected on a freehold land held under title Geran 277698 Lot 50604 (formerly known as H.S.(D) 247203 PT 3304) Seksyen 2, Pekan of Bukit Kepayang, District of Seremban and State of Negeri Sembilan.

In arriving at the market value of Seremban New Building, the Valuer has adopted the Depreciated Replacement Cost Method as the single method of valuation. The market value of the building component of Seremban New Building is derived using the Depreciated Replacement Cost Method as illustrated as follows:

Building	**GFA (sq. ft.)**	**Estimated Replacement Cost (RM per sq. ft.)**	**Depreciated Replacement Cost (RM'000)**
Main building	207,161	399.48	82,757
Utility building	7,750	380.90	2,952
Medical gas	690	111.48	77
Rubbish compartment	246	111.48	27
Total			**85,813**
Add: Developer's Profit (5.00% on building cost)			4,291
Total building cost			90,104
Less: Depreciation @ 6.00%			(5,406)
Total Depreciated Building Cost			**84,698**

We further note that after taking into consideration the developer's profit on building cost of 5.00% and depreciation rate of 6.00% calculated based on 2.00% per annum over 3 years being the age of the building, which is a common practice in the industry for similar type of properties, the total depreciated replacement cost for the building component of Seremban New Building adopted by the Valuer is RM84.70 million. The market value ascribed by the Valuer is lower by 13.68% than the development cost of RM98.12 million incurred by KPJ for Seremban New Building.

Based on the foregoing, the Valuer has adopted the market value which is derived from the Depreciated Replacement Cost Method of RM84.70 million as fair and accurate representation of the market value of Seremban New Building.

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3. Pasir Gudang Property

Pasir Gudang Property is an 8-storey purpose-built private hospital building of comprehensive healthcare facilities known as KPJ Pasir Gudang Specialist Hospital, erected on a leasehold land held under title Pajakan Negeri 70767, Lot No. 198635, Mukim of Plentong, District of Johor Bahru and State of Johor Darul Takzim.
In arriving at the market value of Pasir Gudang Property, the Valuer has adopted the Income Approach by Profit Method (DCF) as the primary method of valuation while using the Cost Approach as a check method.

(i) Income Approach by Profit Method (DCF)

In arriving at the market value of Pasir Gudang Property using the Income Approach by Profit Method (DCF), the Valuer has applied a DCF technique. The DCF technique involves forecasting the revenue to be generated and expenditure to be incurred by Pasir Gudang Property, after which a terminal value is incorporated.

We note that the Valuer has made an analysis based on a 3-year financial performance from year 2017 to 2019 and excluded the financial data for year 2020 and 2021 in forming the annual average indicators. The subsequent financial data for period up to March 2022 was set as the terminal year for the remaining term of tenure.

The exclusions of financial data for year 2020 and 2021 were due to the adverse impact COVID-19 pandemic and subsequent travel restrictions imposed on the Malaysian property market and such data were not reflective of the actual earning capacity of Pasir Gudang Property. We note that the occupancy rate for Pasir Gudang Property for year 2017, 2018 and 2019 were 71.00%, 76.00% and 78.00% respectively. In year 2020 and 2021, the occupancy rate has reduced to 61.00% and 44.00%, respectively. As such, we are of the view that the exclusion of year 2020 and 2021 in the Valuer's analysis is reasonable.

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

(a) Hospital beds

(i) Bed occupancy rate

We note that the Pasir Gudang Property has 137 beds in operation and that the Valuer has adopted the bed occupancy rate projection for Pasir Gudang Property as follows:

Year	1	2	3	4	5	Terminal
Bed occupancy rate	50.00%	55.00%	57.80%	60.60%	63.70%	66.90%

The Valuer projected a lower occupancy rate for year 1 with an assumption as a 'recovery year'. They have gradually increased the occupancy rate, which is expected to return to normalcy as a result of herd immunity achieved via successful COVID-19 vaccination program nationwide.

(ii) Average inpatients admission duration

The number of inpatients admission duration in a year is derived from the total beds occupied divided by the number of inpatients admitted. We note that the Valuer has adopted 2.19 days, based on the average for the past three (3) years from 2017 to 2019.

(iii) Ratio of number of outpatients or number of inpatients

For the number of outpatients or number of inpatients, we note that the Valuer has adopted average ratio of 3.80 times, which is based on past three (3) years average from 2017 to 2019.

(b) Operating revenue

The projected operating revenue consists of hospital inpatient revenue per occupied bed, hospital outpatient revenue per person, consultant inpatient revenue per occupied bed and consultant outpatient revenue per person. We note that the Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019.

The revenues used for the forecast are RM2,100.00, RM220.00, RM740.00 and RM116.00 for hospital inpatient revenue per occupied bed, hospital outpatient revenue per person, consultant inpatient revenue per occupied bed and consultant outpatient revenue per person, respectively.

(c) Non-operating revenue

The non-operating revenue consists of rental income from convenience store, coffee shop and café located within the main building of Pasir Gudang Property. We note that the Valuer has adopted the past three (3) years average from 2017 to 2019 of 0.10% of the total net operating revenue.

(d) Cost of sales

The cost of sales consists of material, direct staff cost and operating overhead. We note that for the material cost, the Valuer has adopted the past three (3) years average from 2017 to 2019 of 25.00% of total hospital inpatient and outpatient revenue throughout the projection period.

Whilst for direct staff cost and operating overhead, the Valuer has adopted the past three (3) years average from 2017 to 2019 of 18.60% and 9.50%, respectively.

(e) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost.

The undistributed operating expenses move in tandem with the total operating revenue. We note that the Valuer has adopted the past three (3) years average from 2017 to 2019 of 11.80%, 0.40% and 7.10% from the total revenue for administrative and general expenses, sales and marketing expenses and property operations maintenance and energy cost, respectively.

(f) Hospital management fees

The Valuer has adopted the hospital management fees of 1.50% of the gross operating revenue based on the management agreement between KPJ and PGSH dated 1 January 2017 and subsequent renewals thereon.

(g) Fixed charges and property expenses

The Valuer has adopted the actual quit rent, assessment and insurance expense for Pasir Gudang Property as at year 2020.

(h) Tenant's share

We note that for the tenant's share, the Valuer has adopted 40.00% of the net operating profit before capital expenditure to reflect the operator's risk, management advisory and skill operate the various income generating resources.

(i) Discount rate

The Valuer has examined the sales date of two proposed medical centres in arriving at the discount rate of the Pasir Gudang Property:

	Comparable 1	**Comparable 2**
Name	KPJ Batu Pahat Specialist Hospital	Sunway Medical Centre
Property address	PTD 63523, Jalan Mutiara Gading 1, Taman Mutiara Gading, Batu Pahat, Johor	No. 5, Jalan Lagoon Selatan, Bandar Sunway, Petaling Jaya, Selangor
Building type	A seven multi-storey purpose-built hospital building comprising structures, landscaping, installation, facilities and infrastructure together with car parks	A seven-storey purpose-built hospital building with a lower ground floor annexed with a multistorey car park block and a convention centre
Tenure	Freehold in perpetuity	Leasehold for 99 years expiring on April 1 2097
GFA excluding car park	173,644 sq. ft.	545,158 sq. ft.
Car park facility	177 surface parking bays	675 bays
Vendor(s)	Johor Corporation / Johor Land Berhad	Sunway Medical Centre Bhd
Transaction date	26 August 2019	9 October 2012
Transaction price	RM78.00 million	RM310.00 million

	Comparable 1	Comparable 2
Net annual income	RM4.79 million	RM19.00 million
Analysed transaction yield	6.14%	6.13%
Adjusted yield	7.89%	8.88%

The Valuer has made adjustments in arriving at the adjusted yield of 7.89% and 8.88% for Comparable 1 and Comparable 2, respectively by giving emphasis on time, tenure, location and catchment area as well as secured lease agreement factors.

Premised on the above, the Valuer has adopted 8.50% as the terminal capitalisation rate for the Pasir Gudang Property. We note that the Valuer has allowed for an additional 2.00% to arrive at the discount rate of 10.50% to reflect short-term risk and expectations.

Accordingly, the market value of Pasir Gudang Property derived from the Income Approach by Profit Method (DCF) is RM93.00 million.

(ii) Cost Method

(a) Land component of Pasir Gudang Property

In arriving at the market value of the land component of Pasir Gudang Property using the Comparison Method, the Valuer has made an analysis on the following comparable transactions:

Description	Comparable 1	Comparable 2	Comparable 3
Address	GRN 427805, Lot 63136, within Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim	HSD 591621, PTD 238752, within Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim	HSD 499883, PTD 210466, within Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim
Locality	Off Lebuhraya Pasir Gudang	Jalan Persiaran Seri Alam, Bandar Seri Alam	Bandar Baru Seri Alam
Tenure	Freehold	Freehold	Freehold
Surveyed Land Area	61,214 sq. ft.	140,154 sq. ft.	52,011 sq. ft.
Type	Commercial land	Commercial land	Commercial land
Vendor	Chevron Sdn Bhd	Seri Alam Properties Sdn Bhd	Seri Alam Properties Sdn Bhd
Purchaser	Sim Teong Huat Sdn Bhd	Consomac Sdn Bhd	Regency Specialist Hospital Sdn Bhd
Date of Transaction	8 January 2020	31 October 2018	7 June 2017
Consideration	RM4,460,000	RM11,212,344	RM4,441,344

Description	Comparable 1	Comparable 2	Comparable 3
Analysed Land Value	RM72.86 per sq. ft.	RM80.00 per sq. ft.	RM85.39 per sq. ft.
Adjusted Land Value	RM80.14 per sq. ft.	RM84.00 per sq. ft.	RM89.66 per sq. ft
Source	Jabatan Pernilaian dan Perkhidmatan Harta ("**JPPH**")	JPPH	JPPH
Adjustments	Upwards Location/ surrounding and improvement on land 15.00%	Upwards Location/ surrounding and improvement on land 10.00%	Upwards Location/ surrounding and improvement on land 10.00%
	Downwards Tenure -5.00%	Downwards Tenure -5.00%	Downwards Tenure -5.00%
Total adjustments	10.00%	5.00%	5.00%

We note that the above comparable lands yielded a fair value of between RM80.14 per sq. ft. to RM89.66 per sq. ft. after relevant adjustments have been made. The Valuer had placed a greater emphasis on Comparable 2 in view that it is more recently transacted having the least adjustment factors and being similar in land area. Hence an adjusted value of RM84.00 per sq. ft. was adopted which translates into a market value of the land component of RM11.88 million.

(b) Building component of Pasir Gudang Property

The market value of the building component of Pasir Gudang Property is derived using the Depreciated Replacement Cost Method as illustrated as follows:

Building	Land area / GFA (sq. ft.)	Rate Adopted (RM per sq. ft.)	Sub Total (RM'000)	Total (RM'000)
Land	141,481	84.00		11,884
Main building	203,280	400.00	81,312	
TNB substation	3,200	200.00	640	
Fire pump house	442	80.00	35	
Bin centre	840	80.00	67	
Sub Total			82,054	
Add: Developer profit (5.00% on building cost)			4,103	

Building	Land area / GFA (sq. ft.)	Rate Adopted (RM per sq. ft.)	Sub Total (RM'000)	Total (RM'000)
Total building cost			86,157	
Less: Depreciation @ 15.00%			(12,923)	
Total Depreciated Building Cost				73,234
Total cost for land and building				**85,118**

We note that after taking into consideration the depreciation rate of 15.00% over 9 years being the age of the building, which is a common practice in the industry for similar type of properties, the total depreciated building cost for the building component of Pasir Gudang Property adopted by the Valuer is RM73.23 million.

Accordingly, the market value of Pasir Gudang Property derived from the Cost Method upon the summation of the value of the land and the building is RM85.00 million.

Based on the foregoing, we note that the Valuer has arrived at the market value of RM93.00 million based on the Income Approach by Profit Method and RM85.00 million based on the Cost Method. However, the Valuer has adopted the market value which is derived from the Income Approach by Profit Method (DCF) of RM93.00 million as fair and accurate representation of the market value of Pasir Gudang Property as it is the preferred method in view of the age and operating period of the property.

Our review of the valuation undertaken by the Valuer in arriving at the market value of the Properties is as follows:

(i) TMC New Building and Seremban New Building

The data which the Valuer had relied on to arrive at the market value using the Depreciated Replacement Cost Method are sourced from construction cost data adopted from Juru Ukur Bahan Malaysia ("**JUBM**") and Arcadis Construction Cost Handbook 2021, actual development cost of the hospital building, actual development cost of similar buildings extracted from the public domain and the Valuer's internal record and that adjustments were then made to reflect the age of the buildings and current condition of TMC New Building and Seremban New Building, hence is deemed reliable and appropriately applied.

(ii) Pasir Gudang Property

(a) The parameters adopted under the Income Approach by Profit Method (DCF) as the primary valuation method, including but not limited to hospital beds, operating revenue, non-operating revenue, cost of sales, hospital management fees, fixed charges and discount rate. We are of the view the basis and assumptions adopted by the Valuer are reasonable;

(b) The selection of comparable properties under the Cost Method is deemed to be appropriate as they are located in the vicinity of the subject properties and were recently transacted, thus reflects the fair value of the properties in the area. Further, we have found that the adjustments adopted by the Valuer to be reasonable; and

(c) The data which the Valuer had relied on to arrive at the market value using the Depreciated Replacement Cost Method are sourced from construction cost data adopted from JUBM and Arcadis Construction Cost Handbook 2021, actual development cost of the hospital building, actual development cost of similar buildings and extracted from the public domain and the Valuer's internal record and that adjustments were then made to reflect the age of the buildings and current condition of the Pasir Gudang Property, hence is deemed reliable and appropriately applied.

Premised on the above, we are of the view that the valuation methods and approaches applied by the Valuer for the valuation of the Properties are reasonable and hence we view that the Purchase Consideration of RM192.00 million which based on the market value of the Properties as ascribed by the Valuer is fair.

6.3 Evaluation of the issue price of the Consideration Units

6.3.1 Mode of Settlement of the Purchase Consideration

As stated in Appendix I of the Circular, the Purchase Consideration will be satisfied as follows:

Properties	Cash (RM'000)	Consideration Units Issue Price (RM)	No. of Units (RM'000)	Total (RM'000)	Grand Total (RM'000)
TMC New Building	14,300				14,300
Seremban New Building	84,700				84,700
Pasir Gudang Property	67,989	1.22	20,501	25,011	93,000
	166,989				**192,000**

The cash portion of the Purchase Consideration will be fully funded by bank financing totaling of approximately RM166.99 million. The balance Purchase Consideration will be satisfied via the issuance of 20,500,669 Consideration Units to KPJ amounting to RM25.01 million, based on the issue price of RM1.22 per Consideration Unit.

We note that the Balance Purchase Consideration shall be satisfied on or before the expiry of 3 months from the date of the TMC SPA, Seremban SPA and Pasir Gudang SPA becomes unconditional or such other date as the parties may agree in writing. The utilisation of proceeds to be raised from bank financing will facilitate the successful completion of the Proposed Acquisitions and Leases before the Completion Date.

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Based on the audited statement of financial position of Al-'Aqar as at 31 December 2021, the proforma gearing ratio of Al-'Aqar pursuant to the Proposed Acquisitions and Leases will increase from 41.08% to 45.74%. The said gearing level is still in compliance with Paragraph 8.32 of the Listed REIT Guidelines which stipulates that the total borrowings or financing facilities, including borrowings or financing through the issuance of debt securities or Sukuk, and deferred payment arrangements of a real estate investment trusts, must not exceed 50.00% of the total asset value of the real estate investment trusts at the time the borrowings or financing facilities, or deferred payment arrangement are incurred. Subsequently, upon completion of the Proposed Private Placement, the gearing level is expected to reduce as illustrated in Section 8.2 of Part A of the Circular as the proceeds to be raised from the Proposed Private Placement will be utilised to repay Al-'Aqar's bank financing.

The issuance of the Consideration Units allows Al-'Aqar to reserve some of its cash resources for other business developments and/or opportunities.

Based on the above, we view that the mode of satisfaction of the Purchase Consideration is reasonable and not detrimental to the interest of the Non-Interested Unitholders.

6.3.2 Issue price of the Consideration Units

Section 2.3 of Part A of the Circular sets out the basis and justification for the issue price of the Consideration Units.

In assessing the fairness and the reasonableness of the issue price of RM1.22 per Consideration Unit to be issued pursuant to acquisition of Pasir Gudang Property, we have compared the said issue price against:

(i) the closing market price of Al-'Aqar Units on 1 September 2022, being the last market day preceding the date of the signing of the Pasir Gudang SPA; and

(ii) the respective VWAMPs as set out in the table below:

Basis of comparison based on	**VWAMP / Closing price**	**Premium / (discount) over VWAMP / Closing price**	
	(RM)	**(RM)**	**(%)**
Closing market price on 1 September 2022, being the date immediately preceding the date of signing of the Pasir Gudang SPA	1.21	0.01	0.83
VWAMP for the five (5)-day up to and including 1 September 2022	1.22	-	-
VWAMP for the one (1)-month up to and including 1 September 2022	1.22	-	-
VWAMP for the three (3)-month up to and including 1 September 2022	1.20	0.02	1.67
VWAMP for the six (6)-month up to and including 1 September 2022	1.19	0.03	2.52
VWAMP for the one (1)-year up to and including 1 September 2022	1.17	0.05	4.27

(Source: Bloomberg)

Based on the above table, we note that the issue price per Consideration Unit represents a premium of 0.83% over the closing market price on 1 September 2022 and a premium of 1.67% to 4.27% over the VWAMP for the three (3)-month, six (6)-month and one (1)-year up to 1 September 2022.

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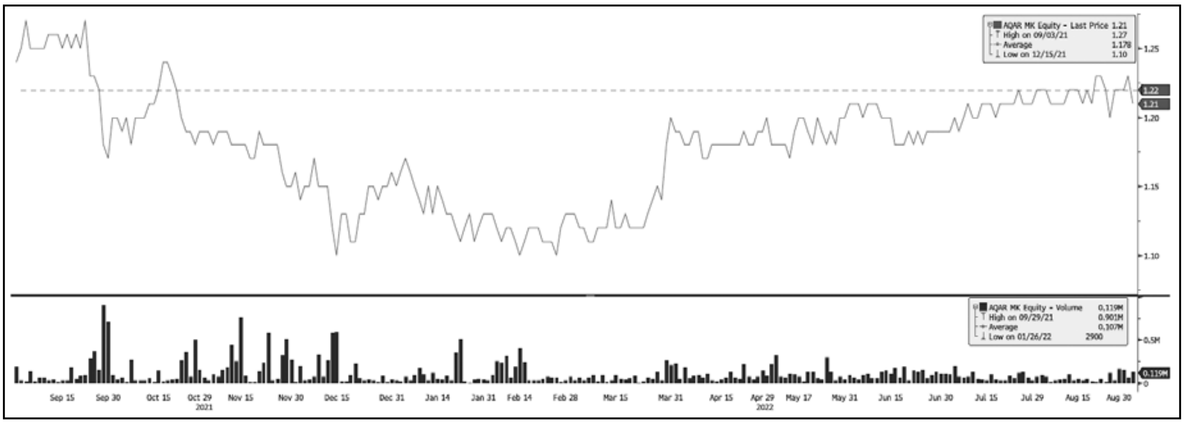
DWA Advisory has observed that:

(i) the issue price of the Consideration Units is equivalent to the five (5)-day VWAMP of Al-'Aqar Units up to and including 1 September 2022, being the date of the signing of the Pasir Gudang SPA is reasonable; and

(ii) the issue price of the Consideration Units represents a discount to the NAV per Al-'Aqar Unit of RM1.28 as at 31 December 2021 and the proforma NAV per Al-'Aqar Unit of RM1.28 pursuant to the Proposed Acquisitions and Leases.

The movement of daily closing market price of Al-'Aqar Units on Bursa Securities for the past one (1)-year up to 1 September 2022, being the date immediately preceding the date of the signing of the Pasir Gudang SPA is as follows:



(Source: Bloomberg)

From the above, we noted the following:

(i) the market price of Al-'Aqar Units was between RM1.10 and RM1.27 for the past one (1)-year between 2 September 2021 to 1 September 2022; and

(ii) the average market price of Al-'Aqar Units was RM1.178 for the past one (1)-year between 2 September 2021 to 1 September 2022.

Premised on the above, we view that the issue price of the Consideration Units is reasonable and not detrimental to the interest of the Non-Interested Unitholders.

6.4 Salient terms of the Transaction Documents

6.4.1 Salient terms of the Sale and Purchase Agreements

The salient terms of the Sale and Purchase Agreements are set out in Appendix I of the Circular. DWA Advisory has made the following observations:

(i) Purchase Consideration

As stated in Appendix I of the Circular, we note that the Purchase Consideration of RM192.00 million will be satisfied by the Trustee by the combination of cash and issuance of Units as follows:

(a) Upon execution of the Sale and Purchase Agreements, 5.00% of the Purchase Consideration which is equivalent to RM9.60 million to be deposited to Point Zone, a wholly-owned subsidiary of KPJ;

(b) The balance Purchase Consideration of RM182.40 million shall be paid to Point Zone and on or before the expiry of the three (3) months from the date of the Sale and Purchase Agreements becomes unconditional ("**Completion Date**") or other such date as the parties may agree in writing; and

(c) The consideration Units shall be issued and allotted to KPJ upon the Completion Date.

We note that the Vendors have nominated Point Zone, which is part of the KPJ Group, to receive the Deposit and balance Purchase Consideration. We are of the view that this arrangement is reasonable as Point Zone provides treasury management services to the KPJ Group, thus minimising transactions within the KPJ Group.

The Purchase Consideration term is reasonable as it is a common practice in transaction of this nature and the amount and the manner of the payment has been mutually agreed upon by the parties.

(ii) Conditions precedent

The conditions precedent are ordinary terms typical to transactions of such nature and necessary for the completion of the Proposed Acquisitions. These conditions precedent are mainly approvals required from the relevant authorities and parties to give effect to the Sale and Purchase Agreements.

We wish to highlight some of the critical conditions precedent, including but not limited to the following:

(a) The approvals and consents from the board of directors of the Trustee and the Manager, Unitholders, the Bursa Securities and relevant state authority are required in order to ensure compliance with the requirements and guidelines as set by the relevant authorities and/or any acts; and

(b) The signing of the relevant financing documents with the relevant financier in order to ensure certainty of funding for the Proposed Acquisitions.

We note that the approvals of the board of directors of the Trustee and Manager have been obtained.

We further note that one of the conditions precedent is the escrow execution of the Lease Agreements, which eliminates a situation where the parties complete the acquisition of the Properties from the respective Vendors without the lease of the Properties.

(iii) Events of default

We note that these terms outline the remedies and recourse available to either party if the other party defaults are deemed reasonable as it serves to safeguard the interests of the non-defaulting parties in any given circumstances as stipulated in the Sale and Purchase Agreements.

6.4.2 Salient terms of the Lease Agreements

The salient terms of the Lease Agreements are set out in Appendix II of the Circular. DWA Advisory has made the following observations:

(i) Lease term

We note that the lease term for TMC New Building and Seremban New Building is for a period of two (2) years from the rent commencement date until 30 April 2024 and 13 October 2024 to coincide with the expiry of the existing principal lease agreements for Taiping Medical Centre and KPJ Seremban Specialist Hospital, respectively. Whilst the lease term for Pasir Gudang Property is for a period of fifteen (15) years.

We understand that it is the intention of the Manager, after the expiry of the TMC Lease Agreement and Seremban Lease Agreement, to enter into:

(a) a master lease agreement in respect of Taiping Medical Centre which involves the lease of Taiping Medical Centre and TMC New Building; and

(b) a master lease agreement in respect of KPJ Seremban Specialist Hospital which involves the lease of the Seremban New Building and KPJ Seremban Specialist Hospital,

as such, the two (2) year lease term was mutually agreed by the parties.

We are of the view that the lease term is reasonable as it is to the benefit of Al-‘Aqar.

(ii) Renewal term

We note that the renewal term presents the Lessees with the opportunity to renew the lease of the Properties for another fifteen (15) years upon expiry of the lease term with a prior written notice within the stipulated timeframe. The option for the renewal of the lease in relation to lease agreements of such nature and is a common arrangement and reasonable.

(iii) Rent formula and rent review formula

(a) TMC New Building

The rent formula for TMC New Building is as follows:

Rental Term	Rent Formula
1st Year	Rent commencement date until 30 April 2023: 5.75% times the purchase consideration of TMC New Building.
2nd Year	1 May 2023 until 30 April 2024: 2.00% incremental increase times the rent of the preceding year.

(b) Seremban New Building

The rent formula for Seremban New Building is as follows:

Rental Term	Rent Formula
1st Year	Rent commencement date until 13 October 2023: 5.75% times the purchase consideration of Seremban New Building.
2nd Year	14 October 2023 until 13 October 2024: 2.00% incremental increase times the rent of the preceding year.

(c) Pasir Gudang Property

For the Pasir Gudang Property, we note that the fifteen (15) year rental term is divided into the following:

Rental Term	Period of Rental Term	Commencement Date
First rental term	Year 1 to Year 3	Rent commencement date
Second rental term	Year 4 to Year 6	Three (3) years after the rent commencement date
Third rental term	Year 7 to Year 9	Six (6) years after the rent commencement date
Fourth rental term	Year 10 to Year 12	Nine (9) years after the rent commencement date
Fifth rental term	Year 13 to Year 15	Twelve (12) years after the rent commencement date

The rent formula for the first rental term of Pasir Gudang Property is as follows:

Rental Term	Rent Formula
1st Year	5.75% per annum times the purchase consideration of Pasir Gudang Property (“**Base Rent**”).
2nd and 3rd Year	2.00% incremental increase times the rent of the preceding year.

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The rent review formula for the succeeding rental term of Pasir Gudang Property is as follows:

Rental Term	**Rent Review Formula**
1st Year of every succeeding rental term (4th, 7th, 10th and 13th Year)	5.75% per annum times the market value of the Pasir Gudang Property, as at the point of review subject to: (a) a minimum of rent of the Base Rent of the Pasir Gudang Property; and (b) any adjustment to the rent shall not be more than 2.00% incremental increase of the rent for the preceding year.
2nd and 3rd Year of every succeeding rental term (5th, 6th, 8th, 9th, 11th, 12th 14th and 15th Year)	2.00% incremental increase times the rent of the preceding year.

Based on the above, we note that the rental for the first year of the rental term collectively amounts to approximately RM7.99 million based on the aggregate market value of the respective Properties of RM192.00 million as ascribed by the Valuer. Moreover, the rental term is within the net property income yield of other Malaysian listed real estate investment trust for 2021 of 3.47% to 7.10%.

We further note that the incremental increase of 2.00% is reasonable in view of the average of the 10-year consumer price index year-on-year movement of approximately 2.20% (excluding year 2020 which is negative).

Furthermore, Al-'Aqar may potentially benefit from higher rental rates from the Properties in view of the incremental nature of the rent formula and the rent review formula under the Lease Agreements.

Premised on the above, we are of the view that the rental from the Properties is reasonable and will contribute positively to the future earnings and distributable income of Al-'Aqar.

(iv) Conditions precedent

The conditions precedent are ordinary terms typical to transactions of such nature and necessary for the completion of the Proposed Leases. These conditions precedent are mainly approvals required from the relevant authorities and parties to give effect to the Lease Agreements.

(v) Security deposit

We note that the refundable security deposit is to be paid to Al-'Aqar on or before the rent commencement date at an aggregate sum equivalent to two (2) times of the prevailing monthly rent quantum. This is a common practice in transaction of this nature. Accordingly, we are of the view this term is reasonable.

(vi) Expansion

Expansion refers to the construction, renovations and/or refurbishment works within the building of the Properties and/or attached to the building of the Properties. Under the Lease Agreements, we note that the lessee may request for such expansion subject to the approval from Al-'Aqar and the Manager, and that Al-'Aqar shall bear such development costs and expenses relating to the expansion ("**Expansion Costs**") or subject to the agreement between the parties of the Lease Agreements, the lessee shall have the option to undertake the expansion and bear such Expansion Costs whereby the Expansion Costs shall be reimbursed by Al-'Aqar.

This term is reasonable as it will allow Lessees to work with the Al-'Aqar to undertake expansions which subsequently will increase the rental corresponding to the increase in the GFA, thus benefiting Al-'Aqar.

(vii) New development

New development refers to the planning, design and construction of new building(s), carpark and/or other structures on the land where the Properties are situated or any part thereof. Under the Lease Agreements, we note that Al-'Aqar has granted approval to the lessee to undertake new development on the respective Properties. Al-'Aqar, shall have the option to undertake the new development and bear such development costs and expenses related to the new development ("**New Development Costs**") or subject to the agreement between the parties of the Lease Agreements, the lessee shall have the option to undertake the new development and bear such New Development Costs whereby the new development shall be acquired by Al-'Aqar.

This term is reasonable as it will allow the Lessees to work with Al-'Aqar to undertake new developments which subsequently will increase the rental corresponding to the increase in the GFA, thus benefiting Al-'Aqar.

(viii) Trustee's covenants

The Trustee, acting for and on behalf of the Al-'Aqar, shall during the contractual term, including but not limited to, pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings in relation to the Properties, maintain takaful coverage in respect of the Properties, appoint and pay to the maintenance manager for the maintenance and management services, and to maintain the external and internal structure of the Properties.

This term is considered reasonable as it is normally the responsibility of the Trustee to pay for such expenses in a lease arrangement.

(ix) Lessees's covenants

The Lessees shall during the contractual term, including but not limited to, bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the Properties that the Lessees are responsible for during the contractual term.

This term is considered reasonable as it is commonly the lessee's responsibility to pay for these services and maintenance expenses which are directly incurred by them.

(x) Events of default

We note that these terms outline the remedies and recourse available to either party if the other party defaults are deemed reasonable as it serves to safeguard the interests of the non-defaulting parties in any given circumstances as stipulated in the Lease Agreements.

Premised on the above, we are of the view that the salient terms of the Sale and Purchase Agreements and the Lease Agreements are reasonable and not detrimental to the interest of the Non-Interested Unitholders.

6.5 Financial effects of the Proposed Acquisitions and Leases

In our evaluation of the Proposed Acquisitions and Leases, we have taken note of the effects of the Proposed Acquisitions and Leases as set out in Section 8 of Part A of the Circular.

6.5.1 Unitholders' capital

The Proposed Acquisitions and Leases will result in an increase in the Unitholders' capital of Al-'Aqar from 735,985,088 Units to 756,485,757 Units.

Save for the Interested Major Unitholders, the Proposed Acquisitions and Leases will result in a dilution of the unitholdings of Al-'Aqar's substantial Unitholders which are detailed out in Section 8.3 of Part A of the Circular.

6.5.2 NAV, NAV per Unit and gearing

The details of the proforma effects of the Proposed Acquisitions and Leases on the NAV, NAV per Unit and gearing of Al-'Aqar based on the audited statements of financial position of Al-'Aqar as at 31 December 2021 are set out in Section 8.2 of Part A of the Circular.

We note that Al-'Aqar's proforma NAV as at December 2021 will increase from RM0.95 billion to RM0.97 billion upon completion of the Proposed Acquisitions and Leases. However, the NAV per Unit as at 31 December 2021 will remain at RM1.28 upon completion of the Proposed Acquisitions and Leases despite of the increase in number of Units in circulation pursuant to the issuance of new Consideration Units.

As at the same date, the proforma gearing ratio of Al-'Aqar will increase from 41.08% to 45.74% upon completion of the Proposed Acquisitions and Leases whereby approximately RM166.99 million will be fully funded by bank financing to fund the cash portion of the Purchase Consideration.

However, we note the gearing level of Al-'Aqar pursuant to the Proposed Acquisitions and Leases of 45.74% is below 50.00% which is in compliance with Paragraph 8.32 of the Listed REIT Guidelines which states that the total borrowings or financing facilities, including borrowings or financing through the issuance of debt securities or Sukuk, and deferred payment arrangements of a real estate investment trust, must not exceed 50.00% of the total asset value at the time the borrowings or financing facilities, or deferred payment arrangements are incurred.

6.5.3 Substantial Unitholders' unitholdings

The details of the proforma effects of the Proposed Acquisitions and Leases on the substantial Unitholders' unitholdings are set out in Section 8.3 of Part A of the Circular.

The Proposed Acquisitions and Leases is dilutive to Al-'Aqar's substantial Unitholders' unitholdings, save for the collective unitholdings of the Interested Major Unitholders and persons connected with them in Al-'Aqar is expected to be increased from 73.14% as at the LPD up to 73.87% after the Proposed Acquisitions and Leases. However, we note that there will be no change in the controlling Unitholders as the Interested Major Unitholders and persons connected with them in Al-'Aqar will still collectively remain as the largest Unitholders in Al-'Aqar after the Proposed Acquisitions and Leases.

6.5.4 Earnings and EPU

The details of the proforma effects of the Proposed Acquisitions and Leases on the earnings and distributable income of Al-'Aqar based on the audited financial statements of Al-'Aqar for FYE 31 December 2021 are set out in Section 8.4 of Part A of the Circular.

We note that Al-'Aqar's proforma realised profit for FYE 31 December 2021 will increase from RM73.55 million to RM75.88 million upon completion of the Proposed Acquisitions and Leases. Subsequently, Al-'Aqar proforma EPU for the same period will increase from 9.99 sen to 10.03 sen.

This increase in the earnings is due to the additional rental income which is expected to be derived from the lease of the Properties as a result of the Lease Agreements to be entered into pursuant to the Proposed Acquisitions and Leases. The Lease Agreements will provide a stable and sustainable income stream to Al-'Aqar up to fifteen (15) years.

Based on the above, the Proposed Acquisitions and Leases is expected to contribute positively to the future earnings and distributable income of Al-'Aqar.

Premised on the above, we are of the view that the overall effects arising from the Proposed Acquisitions and Leases are reasonable and not detrimental to the interest of the Non-Interested Unitholders.

6.6 Industry overview, outlook and prospects

6.6.1 Overview and outlook of the Malaysian economy

Malaysia's economy is projected to expand 5.5 percent in 2022 (2021: 3.1 percent), driven mainly by a robust rebound in consumption demand. Private consumption growth is forecast to reach 8.5 percent this year - its fastest pace since 2008 (1.9 percent). This strong recovery in household spending is premised on further and dissipation of public health concerns in absence of a severe resurgence of COVID-19 caseloads, as well as continued policy support and gradual improvements to employment and income prospects. Meanwhile, public consumption is expected to grow at a more moderate pace of 1.8 percent in 2022 (2021: 5.3 percent), in line with expectations of lower spending growth in emoluments as well as supplies and services.

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Gross fixed capital formation (GFCF) is expected to grow at 6.5 percent this year (2021: -0.9 percent), driven by a strong rebound in public investment and a gradual pickup in private investment. Capital spending by the government will be mainly directed to transportation, health and education sectors, while investment activity by public corporations will be largely supported by the implementation of existing and new transportation infrastructure projects. Private investment is expected to expand across all sectors this year, albeit at a more moderate pace than public investment, in line with the broader recovery in domestic demand conditions. However, increased uncertainty regarding the external environment could affect investment decisions, particularly among export-oriented firms.

Softening global growth momentum will weigh on trade growth over the near term. Notwithstanding continued support from global demand for Electricals and Electronics (E&E) exports and higher commodity prices, Malaysia's exports are projected to expand at a slower rate of 4.9 percent next year (2021: 15.4 percent), in line with the ongoing slowdown in global trade growth. Imports are forecast to grow by 5.0 percent in 2022 (2021f: 17.7 percent), with broad-based expansion expected across consumption, intermediate and capital imports, supported by stronger household consumption and continued expansion in investment and export activity. The current account surplus to projected to widen to 4.2 percent of GDP (2021: 3.5 percent) on account of a larger trade surplus in goods, in part reflecting higher commodity prices.

(Source: Malaysia Economic Monitor Report, June 2022, World Bank)

6.6.2 Overview and prospects of Malaysian services sector and healthcare subsector

Towards achieving inclusivity across the country, focus will be given on the measures to upgrade and expand education and healthcare facilities as well as transportation and communication connectivity. The effort will minimise the development gap between urban and rural areas, subsequently meeting the needs of the rakyat holistically. To further elevate the quality of healthcare, the Government will strengthen its services by increasing the number of healthcare professionals and provide a conducive environment at the public healthcare facilities.

The other services subsector rebounded by 7.7% in the first half of 2022 following improvement in private education and health segments in line with a higher enrolment in private colleges and universities as well as strong demand for private healthcare services. The rebound was also supported by the recovery in sports and recreational activities as the country transitions into normalcy. The subsector is expected to grow by 7.8% in the second half of the year, driven by strong demand for private education and healthcare services as well as continuous effort to promote health tourism. Overall, the subsector is anticipated to turn around by 7.8% in 2022. Meanwhile, the government services subsector grew by 5.5% in the first half of 2022 and expected to increase by 1.3% in the second half. For the year, the subsector is forecast to grow at a rate of 3.3%.

The other services subsector is projected to rise by 8.5%, driven by private health and education segments. The continuous commitment and active participation of Malaysia Healthcare Travel Council ("**MHTC**") in international conferences and exhibitions to promote Malaysian healthcare services, are expected to boost the private health segment. In this regard, MHTC estimates healthcare tourism revenue to increase by 30% to RM1.3 billion in 2023.

(Source: Malaysian Economic Outlook 2023, Ministry of Finance Malaysia)

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6.6.3 Overview of property market in Malaysia

The property market performance recorded an increase in the first half of 2022 (H1 2022) compared to the same period last year (H1 2021). A total of 188,002 transactions worth RM84.40 billion were recorded, showing an increase of 34.5% in volume and 36.1% in value compared to the same period last year. Of the total transactions, 34.3% (64,479) and 62.6% (117,655) were transfers dated in 2021 and 2022 respectively while the remaining percentage share was for prior years' transfers.

Volume of transactions across the sub-sectors showed upward movements. Residential, commercial, industrial, agriculture and development land sub-sectors recorded year-on-year growths of 26.3%, 45.4%, 49.5%, 57.4% and 35.0% respectively. Value of transactions moved in tandem with residential, commercial, industrial, agriculture and development land sub-sectors recorded growths of 32.2%, 28.3%, 66.0%, 56.2% and 17.6% respectively.

The property market performance recorded a rebound in the first half of 2022 (H1 2022), a reflective of normalising economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia, expected between 5.3% to 6.3% in 2022, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track. The property sector would also benefit from the improving labour market conditions and higher tourist arrivals as well as continued implementation of multi-year investments projects.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

6.6.4 Prospects of the Properties

The Properties are located in the States of Perak, Negeri Sembilan and Johor. The Properties are strategically located within or in close proximity to the nearest city centre or town centre. The Properties are mainly situated in the immediate vicinity of established commercial areas, industrial and logistic hubs with developments which comprise of, amongst others, residential houses, private and government office buildings, petrol stations, financial institutions, hotels, religious buildings, schools, shopping complexes, markets and government hospitals.

We note that the Proposed Acquisitions and Leases are part of the continuous growth strategy of Al-'Aqar which amongst others, allows the Manager to tap into KPJ's pool of assets or suitable properties for acquisitions opportunities. As such the Properties were identified in view of its potential to provide long term and sustainable distribution of income to the Unitholders and contribute to long-term growth in the NAV per Unit.

Al-'Aqar is expected to immediately recognise additional rental income upon completion of the Proposed Acquisitions and Leases, which will be stable and sustainable up to the next fifteen (15) years. The leases may also be renewed for a further fifteen (15) years period. Al-'Aqar is also expected to benefit from potential appreciation in the value of the Properties.

Furthermore, we note that the Lessees are wholly-owned subsidiaries of KPJ, a reputable healthcare provider with more than 40 years' experience in the healthcare industry which owns and/or manages multiple private specialist hospitals, clinics, ambulatory care centres, senior and assisted living care centres and a healthcare-related university college in Malaysia as well as other healthcare related services overseas. As at the LPD, all of Al-'Aqar's existing properties are leased by KPJ and there have been no non-renewal of tenancies by KPJ.

We view that such characteristics of the Properties and reasonable terms of the Lease Agreements will give some level of certainty that the Lessees will maintain its lease at the Properties over the tenure of the Lease Agreements and, barring unforeseen circumstances, would be expected to renew said leases for further rental terms which will, in turn, provide Al-'Aqar with a steady income stream in the long term.

Premised on the above, we note that the prospects of the Proposed Acquisitions and Leases are expected to be positive and thus the Proposed Acquisitions and Leases are not detrimental to the interest of the Non-Interested Unitholders.

6.7 Risk factors associated with the Proposed Acquisitions and Leases

We have taken note of the risk factors in relation to the Proposed Acquisitions and Leases as set out in Section 6 of Part A of the Circular.

The Non-Interested Unitholders are advised to carefully consider the risk factors as set out in Section 6 of Part A of the Circular before voting on the resolution pertaining to the Proposed Acquisitions and Leases at the forthcoming EGM of Al-'Aqar.

We set out below our views on certain risk factors pertaining to the Proposed Acquisitions and Leases:

6.7.1 Risks relating to the Proposed Acquisitions and Leases

(i) Non-completion risk of the Transaction Documents

We note that pursuant to the Sale and Purchase Agreements, the Proposed Acquisition and Leases are subject to the fulfilment or waiver of the conditions precedent as per in Appendix I of the Circular. In the event of failure to fulfilment or waiver of the conditions precedent as well as non-performance by the relevant parties of their respective obligations under the Sale and Purchase Agreements, the Proposed Acquisitions and Leases will not be completed. Therefore, the potential benefits that are anticipated to be derived from the Proposed Acquisitions and Leases by Al-'Aqar may not be realised.

However, we take note that the Manager together with the Trustee will, in their endeavours, ensure the satisfaction of the conditions precedent under the Sale and Purchase Agreements that are within their control, in facilitating towards the successful completion of the Proposed Acquisitions and Leases.

(ii) Business and operational risks

We note that the Properties are subject to business and operational risks inherent to the healthcare industry. Such risks include deterioration in prevailing market conditions, limited availability in labour supply particularly professionally trained medical specialist, increase in operational, compliance and regulatory costs and obsolescence of assets due to rapid advancement of healthcare technologies. Furthermore, the Properties may also be at risk to strategic and reputation risk related to the operation of the subject properties as well as competition from virtual healthcare services.

Additional cost and expenses may be incurred by Al-'Aqar to mitigate the abovementioned risk, which may be substantial and adversely affect the net income of Al-'Aqar.

(iii) Exposure to higher financing costs as well as the ability to service future loan repayment obligations

We note that the cash portion of the Purchase Consideration will be fully funded by bank financing of approximately RM166.99 million. Notwithstanding, pending disbursement of such financing, the Deposit has been paid from internally generated funds of Al-'Aqar.

Al-'Aqar will be subjected to financing risk, which include, amongst others, increase cost of financing, less favourable terms of borrowings, adverse interest rate fluctuations and non-fulfilment of its payment obligations and breach of covenants.

Following the completion of the Proposed Acquisitions and Leases, the gearing level of Al-'Aqar will increase from 41.08% to 45.74%. Despite there still being headroom for Al-'Aqar's financing needs, additional capital commitments to its capital expenditure requirements and daily operations may have an impact on the profitability and cash flows sufficiency for distributions to Unitholders.

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

6.7.2 Risks relating to the Properties

(i) Dependence on the performance and operations of the subsidiary and associated companies of KPJ for its revenue

We note that the Properties will be leased to the Lessees, all of whom are subsidiaries of KPJ. We further note that all of Al-'Aqar's properties are tenanted by subsidiaries and associated companies of KPJ. Failure on the part of KPJ to fulfil their obligations (including payment of the lease rentals) under the lease agreements entered could have an adverse impact on Al-'Aqar's financial position.

Nonetheless, we do not foresee KPJ not meeting their contractual obligations as KPJ is an established and listed healthcare provider and well-known in the healthcare industry in Malaysia with more than 40 years of experience in the industry operating 29 private specialist hospitals, 2 ambulatory care centres, 1 university college, 4 senior and assisted living care centres, 17 clinics (Waqaf An-Nur) and 6 mobile clinics. Furthermore, we note that there has been no non-renewal of Al-'Aqar's leases by KPJ.

However, there is no assurance that the subsidiaries and associate companies of KPJ will continue to be profitable in foreseeable future.

(ii) The future market value of the Properties may be less than its current valuation or the purchase price by Al-'Aqar

We note that Al-'Aqar is required to undertake the revaluation of its investment properties to measure its fair value at each reporting date.

In the event of a significant decrease in the market value of Al-'Aqar's investment properties as the outcome of the revaluation exercise, it will result in the fair value losses that will be charged to its statement of comprehensive income and is not expected to have any material impact on the cashflow of Al-'Aqar.

We wish to highlight that the market value of the Properties is expected to be supported by the prospects of the Properties as highlighted in Section 6.6.4 of this IAL.

6.7.3 Risks relating to the property market

(i) Compulsory acquisition by the Malaysian government

We note that the Malaysian Government, under certain provisions of applicable legislation including the Land Acquisition Act, 1960, may enforce a compulsory acquisition on any land in Malaysia for public use or due to public interest. This may adversely affect the value of the Properties and eventually may compromise the financial condition of Al-'Aqar.

However, we note that Al-'Aqar may minimise any potential losses in the event of any compulsory acquisition by, among others, invoking the relevant provisions of the Land Acquisition Act, 1960 in relation to its right to submit objection in respect of the compensation, where necessary.

7. CONCLUSION AND RECOMMENDATION

Non-Interested Unitholders should take into account all the merits and demerits of the Proposed Acquisitions and Leases based on all relevant and pertinent factors including those which are set out in the Circular, IAL, and other publicly available information.

In arriving at our conclusion and recommendation, DWA Advisory has considered the following factors, which the Non-Interested Unitholders should consider in evaluating the Proposed Acquisitions and Leases as summarised below:

(a) the rationale for the Proposed Acquisitions and Leases is reasonable and not detrimental to the Non-Interested Unitholders;

(b) the evaluation of the Purchase Consideration is fair and not detrimental to the Non-Interested Unitholders;

(c) the evaluation of the issue price of the Consideration Units is reasonable and not detrimental to the Non-Interested Unitholders.

(d) the salient terms of the Sale and Purchase Agreements and the Lease Agreements are reasonable and not detrimental to the Non-Interested Unitholders;

(e) the financial effects of the Proposed Acquisitions and Leases are reasonable and not detrimental to the Non-Interested Unitholders;

(f) the prospects of the Properties are positive; and

(g) the risk factors associated with the Proposed Acquisitions and Leases.

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Given the factors above, the decision to be made will depend on the individual risk appetite and specific requirements of the Non-Interested Unitholders. While we recognise the fact that the various Non-Interested Unitholders may have different risk profiles and investment outlooks, we advise them to also carefully consider other factors such as the future plans and prospects of Al-'Aqar and any other relevant considerations including those set out in this IAL.

Premised on the foregoing and our evaluation of the Proposed Acquisitions and Leases, DWA Advisory is of the opinion that the terms of the Proposed Acquisitions and Leases are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the interest of the Non-Interested Unitholders of Al-'Aqar.

Accordingly, DWA Advisory recommends that the Non-Interested Unitholders **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisitions and Leases at the forthcoming EGM.

Yours faithfully,
For and on behalf of
DWA ADVISORY SDN BHD

Md Noor Abd Rahim	**Dato' Wan Asmadi Wan Ahmad**
Senior Principal	Managing Principal

PART C

LETTER TO THE UNITHOLDERS OF AL-‘AQAR IN RELATION TO THE PROPOSED AMENDMENTS

DAMANSARA REIT MANAGERS
SDN BERHAD

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

Registered Office:
Level 14 Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor

21 November 2022

Board of Directors:

Dato' Mohd Redza Shah Bin Abdul Wahid	*(Chairman, Independent Non-Executive Director)*
Dato' Wan Kamaruzaman Bin Wan Ahmad	*(Independent Non-Executive Director)*
Abdullah Bin Abu Samah	*(Independent Non-Executive Director)*
Datuk Hashim Bin Wahir	*(Independent Non-Executive Director)*
Datuk Sr Akmal Bin Ahmad	*(Non-Independent Non-Executive Director)*
Dato' Salehuddin Bin Hassan	*(Non-Independent Non-Executive Director)*
Shamsul Anuar Bin Abdul Majid	*(Non-Independent Non-Executive Director)*

To: The Unitholders of Al-'Aqar Healthcare REIT

Dear Sir/Madam,

PROPOSED AMENDMENTS

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1. INTRODUCTION

On 17 November 2022, on behalf of the Board, KAF IB had announced that the Manager proposes to undertake the Proposed Amendments by way of a Supplemental Deed to the Second Restated Trust Deed.

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED AMENDMENTS AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED REVISION IN MANAGEMENT FEE TO BE TABLED AT THE FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART C OF THIS CIRCULAR BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED REVISION IN MANAGEMENT FEE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED AMENDMENTS

2.1 Proposed Amendments for Streamlining

Proposed Amendments for Streamlining entails the amendments to enhance the provisions under the Trust Deed and to align the Trust Deed with *inter-alia* the following:

(i) Listed REIT Guidelines; and

(ii) Registration and Conduct of CMSP Guidelines.

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

(a) Proposed Modification; and

(b) Proposed Revision in Management Fee.

2.2 Proposed Modification

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

The new Clause 2.5 shall read as follows:

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

2.3 Proposed Revision in Management Fee

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

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

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

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

The Proposed Revision in Management Fee shall be reflected in the Supplemental Deed to the Second Restated Trust Deed upon obtaining the approval from the Unitholders at the forthcoming EGM.

3. RATIONALE FOR THE PROPOSED AMENDMENTS

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

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

(i) to align with the industry and that the proposed Management Fee of up to 0.30% per annum of the total asset value of Al-‘Aqar is within the range of the fees charged by other managers of real estate investment trusts;

(ii) the growing size and value of Al-‘Aqar’s assets managed by the Manager since the inception of Al-‘Aqar;

(iii) that the current Management Fee has not been increased since 2009; and

(iv) to cater the potential increase in the future operational cost, among others, implementation of Al-‘Aqar’s strategic direction and compliance costs.

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

4. EFFECTS OF THE PROPOSED AMENDMENTS

4.1 Unitholders' capital and substantial Unitholders' unitholdings

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

4.2 NAV, NAV per Unit and gearing

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

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

4.3 Earnings and EPU

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

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

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

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

5. APPROVALS REQUIRED

The Proposed Amendments for Streamlining and the Proposed Modification are not subject to Unitholders' approval as the variations to the Trust Deed are to comply with *inter-alia* the Listed REIT Guidelines and Registration and Conduct of CMSP Guidelines including administrative and/or technical amendments. However, the Manager and the Trustee have pursuant to Section 295(4) of the CMSA and Clause 20.1(b) of the Trust Deed provided written statements confirming that they are of the opinion that the Proposed Amendments for Streamlining and the Proposed Modification:

(i) do not materially prejudice the interests of the Unitholders; and

(ii) do not operate to release the Manager or the Trustee from any responsibility to the Unitholders,

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

The Proposed Revision in Management Fee is however conditional upon the approval of the Unitholders at the EGM. The Proposed Revision in Management Fee must be approved by the Unitholders by way of a resolution of not less than two-thirds of all the Unitholders at the EGM pursuant to Clause 20.1(a) of the Trust Deed.

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

The Proposed Amendments for Streamlining, the Proposed Modification and the Proposed Revision in Management Fee are not inter-conditional upon each other and not conditional upon any other proposal undertaken or to be undertaken by Al-‘Aqar.

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

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

6.1 Interested major shareholders of the Manager and major Unitholders

As at LPD, the details of the unitholding of the Interested Major Shareholders and the Interested Major Unitholders are as follows:

(i) KPJ is a major Unitholder of Al-‘Aqar having an indirect interest of 36.56% in Al-‘Aqar;

(ii) JCorp is a major Unitholder of Al-‘Aqar having an indirect interest of 36.58% in Al-‘Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.58% and 9.63% respectively in KPJ; and

(iii) JCorp also owns a 100% equity interest in Damansara Assets Sdn Bhd, which in turn owns 100% equity interest in DRMSB.

Accordingly, JCorp Group and KPJ Group will abstain from voting in respect of their indirect unitholdings in Al-‘Aqar on the resolution pertaining to the Proposed Revision in Management Fee to be tabled at the EGM.

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

6.2 Interested directors of the Manager

The Interested Directors have abstained and will continue to abstain from deliberating and voting on the resolution pertaining to the Proposed Revision in Management Fee at the relevant board meetings of the Manager.

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

Datuk Sr Akmal, an Interested Director who sits on the Board of Audit and Risk Committee of DRMSB, has abstained from deliberation and from providing opinion on the Proposed Revision in Management Fee.

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

7. STATEMENT BY THE BOARD AUDIT AND RISK COMMITTEE

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

(i) in the best interest of Al-‘Aqar;

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

(iii) not detrimental to the interest of the non-interested Unitholders.

8. STATEMENT BY THE BOARD

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

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

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

10. EGM

The EGM (the notice of which is enclosed in this Circular) will be held on a virtual basis at the Broadcast Venue: Anugerah Hall, Level 14, West Wing, KPJ Ampang Puteri Specialist Hospital, No. 1, Jalan Mamanda 9, Taman Dato Ahmad Razali, 68000 Ampang, Selangor, on Tuesday, 13 December 2022 at 3:30 p.m. for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposed Revision in Management Fee.

If you are unable to attend and vote at the EGM, you may appoint a proxy(ies) to do so by completing and depositing the Form of Proxy in accordance with the instructions therein at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time appointed for holding the EGM. The last day and time for lodging the Form of Proxy is on Sunday, 11 December 2022 at 3:30 p.m.

The lodging of the Proxy Form will not preclude you from participating, speaking and voting at the EGM should you subsequently decide to do so. If you do, your proxy shall be precluded from participating in the EGM.

Please refer to the Notice of the EGM and the Administrative Guide at this link http://www.alaqar.com.my for further information on the meeting.

10. FURTHER INFORMATION

Unitholders are advised to refer to the attached Appendix IV for further information.

Yours faithfully,

For and on behalf of the Board of
DAMANSARA REIT MANAGERS SDN BERHAD
(as Manager of Al-'Aqar Healthcare REIT)

ENCIK ABDULLAH BIN ABU SAMAH
Independent Non-Executive Director

SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENTS

The salient terms of the Sale and Purchase Agreements are as follows:

1. Purchase Consideration

The Purchase Consideration of RM192,000,000 will be satisfied as follows:

Properties	Vendors	<------ Mode of settlement			------>
		Cash (RM'000)	Units (RM'000)	Issue price (RM)	No. of Units ('000)
Pasir Gudang Property	PGSH	67,989	25,011	1.22	20,501
Seremban New Building	MSH	84,700	-	-	-
TMC New Building	PNG	14,300	-	-	-
Total Purchase Consideration		**166,989**	**25,011**		

The Purchase Consideration will be satisfied in the following manner:

(i) The deposit is 5% of the Purchase Consideration and payable upon the execution of the TMC SPA, Seremban SPA and Pasir Gudang SPA ("**Deposit**"). The Deposit shall be paid to Point Zone;

For information, Point Zone, a wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 20 November 2009 as a private company limited by shares. The principal activity of Point Zone is providing the treasury management services to the companies within the KPJ Group. As at the LPD, the issued share capital of Point Zone is RM1,000,000 comprising 1,000,000 ordinary shares.

As at 31 October 2022, the directors of Point Zone are Norhaizam binti Mohammad and Ariesza Noor.

(ii) The balance of the Purchase Consideration ("**Balance Purchase Consideration**") shall be satisfied on or before the expiry of 3 months from the date of the TMC SPA, Seremban SPA and Pasir Gudang SPA becomes unconditional ("**Completion Date**") or such other date as the parties may agree in writing. In relation to the Pasir Gudang SPA, the Consideration Units shall be issued and allotted to KPJ and the balance cash consideration shall be paid to Point Zone on the Completion Date; and

(iii) For illustrative purposes, the manner of payment of the Purchase Consideration is illustrated in the table below:

(a) TMC New Building

Payment	Terms	Mode	(%)	(RM'000)
Deposit	Upon execution of TMC SPA	Cash	5	715
Balance Purchase Consideration	Upon completion of TMC SPA	Cash	95	13,585
			100	**14,300**

SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENTS

(b) Seremban New Building

Payment	Terms	Mode	(%)	(RM'000)
Deposit	Upon execution of Seremban SPA	Cash	5	4,235
Balance Purchase Consideration	Upon completion of Seremban SPA	Cash	95	80,465
			100	**84,700**

(c) Pasir Gudang Property

Payment	Terms	Mode	(%)	(RM'000)
Deposit	Upon execution of Pasir Gudang SPA	Cash	5	4,650
Balance Purchase Consideration	Upon completion of Pasir Gudang SPA	(i) Cash	68	63,339
		(ii) Consideration Units	27	25,011
			100	**93,000**

2. Condition Precedents

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

(i) The approval from the shareholders and board of directors of the Vendors and KPJ in relation to the Proposed Acquisitions and Leases;

(ii) The approval and notification from relevant authorities:

   (a) notification by the Vendors to the Ministry of Health on the change of ownership of the Properties; and

   (b) other consents and regulatory and/or governmental, if any;

(iii) The approval of the Unitholders in relation to the Proposed Acquisitions and Leases;

(iv) The approval from the board of directors of the Trustee and DRMSB in relation to the Proposed Acquisitions and Leases;

(v) The approval/consent is obtained from the existing financiers, creditors or lenders of Al-'Aqar for the Proposed Acquisition, if required;

(vi) The letter of offer or letter of commitment in relation to the financing of the Properties being issued by the purchaser's financier and accepted by the Trustee or Al-'Aqar's special purpose vehicle company;

(vii) The Certificate of Completion and Compliance of the Properties has been duly obtained by the Vendors;

(viii) The execution of the Lease Agreements in escrow and the relevant documents to give effect to the Lease Agreements including but not limited to the Form 15A of the National Land Code, if applicable; and

(ix) The parties' solicitors certifying all conditions precedent are satisfied and that the Sale and Purchase Agreements are ready for completion.

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

(i) The approval and notification from Bursa Securities for the listing of and official quotation for the Consideration Units on the Main Market of Bursa Securities;

(ii) The approval of the Unitholders in relation to the issuance of Consideration Units as required by the REIT Guidelines and the Trust Deed; and

(iii) The receipt of a registrable memorandum of transfer of the Pasir Gudang Property with the relevant stamp duty endorsement for the exemption from the payment of stamp duty pursuant to the Stamp Duty (Exemption) (No. 4) Order 2004.

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

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

3. Events of Default

3.1 Default by the Vendors and its consequences under the Sale and Purchase Agreements:

In the event that:

(i) there is a default by the Vendors to complete the sale of the Properties in accordance with the terms and conditions of the Sale and Purchase Agreements; or

(ii) the Vendors fail, neglect or refuse to perform or comply with any of its obligations on its part herein to be performed under the Sale and Purchase Agreements in any material respect and where remediable, fails to remedy the same within 14 business days from the date of a written notice from the Trustee requiring the same to be remedied; or

(iii) any representation, warranty or undertaking of the Vendors is not true or accurate or is not complied with in any material respect, or

(iv) an encumbrancer takes possession of, or a trustee, receiver or similar officer is appointed in respect of, all or any substantial part of the business or assets of the Vendors; or

(v) the Vendors become insolvent; or

(vi) (a) any party takes any action or any legal proceedings are started or other steps taken for the Vendors to be adjudicated or found insolvent, (b) the winding-up, dissolution of the Vendors either by an order of a Court of competent jurisdiction or by way of voluntary winding-up save and except to effect a reorganisation of the business of the Vendors (c) the appointment of a liquidator, trustee receiver or similar officer of the Vendors over the whole or any part of the Vendors' or any of its respective undertaking(s), concession, rights or revenues other than a winding-up of the Vendors for the purpose of amalgamation or reconstruction;

at any time prior to the completion of the Sale and Purchase Agreements, then subject always to the Trustee having observed and fulfilled the provisions of Sale and Purchase Agreements required on its part to be observed or performed, the Trustee shall give to the Vendors a 45 business 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. For the avoidance of doubt, no remedy period is to be given to the Vendors in respect of any breach referred to under items (iv) to (vi) above. In the event that the Vendors fail to rectify the alleged breach or default within the said business days or such later period as the parties may mutually agree to in writing, the Trustee shall be entitled at the Trustee's sole and absolute discretion to do either of the following (by notice in writing to the Vendors):

(a) to require specific performance of the Sale and Purchase Agreements; or

(b) to claim damages for the breach of the Sale and Purchase Agreements by the Vendors; or

(c) to terminate the Sale and Purchase Agreements by notice in writing to the Vendors and the parties shall within 14 business days of receipt by the Vendors of such written notice do the following at the Vendors' own cost and expense: -

(1) the Vendors shall refund to the Trustee all monies received by the Vendors under the Sale and Purchase Agreements (save for any late payment compensation which shall be paid by the Trustee) free of interest;

(2) the Vendors pay to the Trustee an amount equivalent to the deposit as liquidated damages failing which the Vendors shall pay the Trustee damages on the aforesaid money calculated at the rate of 8% per annum on a daily basis commencing from the expiry of the aforesaid 14 business days until the date of the actual payment;

(3) the Trustee shall return and procure its solicitors to return all documents received by them and/or their solicitors pursuant to the Sale and Purchase Agreements, to the Vendors in their original state and condition (fair wear and tear excepted);

(4) the Vendors shall return all documents received by the Vendors pursuant to the Sale and Purchase Agreements, to the Trustee in their original state and condition (fair wear and tear excepted);

(5) in relation to the Pasir Gudang SPA, the Trustee shall withdraw the private caveat over the Pasir Gudang Property, if the same has been entered into; and

(6) the Trustee shall re-deliver the possession of the Properties to the Vendors, if the same has been duly delivered to the Trustee pursuant to the Sale and Purchase Agreements in its original state and condition.

Thereafter, the Sale and Purchase Agreements shall become null and void and be of no further effect and neither party hereto shall have any further claims action or proceedings against the other in respect of or arising out of the Sale and Purchase Agreements, save and except for any claim arising from any antecedent breach and as provided in the Sale and Purchase Agreements.

3.2 Default by the Trustee and its consequences under the Sale and Purchase Agreements:

In the event that:

(i) the Trustee shall fail to satisfy the Purchase Consideration or any part thereof or to complete the sale and purchase of the Properties in accordance with the terms and conditions of the Sale and Purchase Agreements; or

(ii) the Trustee fails, neglects or refuses to perform or comply with any of its obligations on its part herein to be performed under the Sale and Purchase Agreements in any material respect and where remediable, fails to remedy the same within 14 business days from the date of a written notice from the Vendors requiring the same to be remedied; or

(iii) any representation, warranty or undertaking of the Trustee is not true or accurate or is not complied with in any material respect, or

(iv) an encumbrancer takes possession of, or a trustee, receiver or similar officer is appointed in respect of, all or any substantial part of the business or assets of the Trustee; or

(v) the Trustee becomes insolvent; or

(vi) in relation to the Pasir Gudang SPA, the Trustee is unable to pay its debts as they fall due, stops or suspends payment of all or a material part of its debts, begins negotiations or takes any proceeding or other steps with a view to readjustment, rescheduling or deferral of all of its borrowed money (or of any part of its borrowings/financing facilities which it will or might otherwise be unable to pay when due) or proposes to make a general assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a part of the borrowings/financing facilities of the Trustee; or

(vii) (a) any party takes any action or any legal proceedings are started or other steps taken for the Trustee to be adjudicated or found insolvent, (b) the winding-up, dissolution of the Trustee either by an order of a court of competent jurisdiction or by way of voluntary winding-up save and except to effect a reorganisation of the business of the Trustee (c) the appointment of a liquidator, trustee receiver or similar officer of the Trustee over the whole or any part of the Trustee's or any of its respective undertaking(s), concession, rights or revenues other than a winding-up of the Trustee for the purpose of amalgamation or reconstruction; or

(viii) the commencement of any proceedings pursuant to Section 366 of the Companies Act, 2016 in relation to the Trustee (except for the purpose of and followed by reconstruction, amalgamation or reorganisation which does not in the opinion of the other party have a material adverse effect),

then subject always to the Vendors having observed and fulfilled the provisions of the Sale and Purchase Agreements required on its part to be observed or performed, the Vendors shall give to the Trustee 45 business days' notice or such later period as the parties may mutually agree to in writing to rectify the alleged breach or default as stipulated in the said notice. For the avoidance of doubt, no remedy period is to be given to the Trustee in respect of any breach referred to under items (iv) to (viii) above. In the event that the Trustee fails to rectify the alleged breach or default within the said 45 business days or such later period as the parties may mutually agree to in writing, the Vendors shall be entitled at the Vendors' sole and absolute discretion to do either of the following (by notice in writing to the Trustee):

(a) to require specific performance of the Sale and Purchase Agreements; or

(b) to claim damages for the breach of the Sale and Purchase Agreements by the Trustee; or

(c) to terminate the Sale and Purchase Agreements by notice in writing to the Trustee and the parties shall within 14 business days of receipt by the Trustee of such written notice do the following at the Trustee's own cost and expense:

1. the Vendors shall refund to the Trustee all monies (save and except for the deposit which shall be forfeited by the Vendor as the agreed liquidated damages) received by the Vendors under the Sale and Purchase Agreements (save for any late payment compensation which shall be paid by the Trustee) free of interest;

2. the Trustee shall return and procure its solicitors to return all documents received by them and/or their solicitors pursuant to the Sale and Purchase Agreements, to the Vendors in their original state and condition (fair wear and tear excepted);

3. the Vendors shall return all documents received by the Vendors pursuant to the Sale and Purchase Agreements, to the Trustee in their original state and condition (fair wear and tear excepted);

4. in relation to the Pasir Gudang SPA, the Trustee shall withdraw the private caveat over the Pasir Gudang Property, if the same has been entered into; and

5. the Trustee shall re-deliver the possession of the Properties to the Vendors, if the same has been duly delivered to the Trustee pursuant to the Sale and Purchase Agreements in its original state and condition.

Thereafter, the Sale and Purchase Agreements shall become null and void and be of no further effect and neither party hereto shall have any further claims action or proceedings against the other in respect of or arising out of the Sale and Purchase Agreements, save and except for any claim arising from any antecedent breach and as provided in the Sale and Purchase Agreements.

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SALIENT TERMS OF THE LEASE AGREEMENTS

The salient terms of the Lease Agreements are as follows:

1.1 Lease

Details	TMC New Building	Seremban New Building	Pasir Gudang Property
Name of the lessor	ART	ART	ART
Name of the lessee	PNG	MSH	PGSH
Term	From the completion date of the Proposed Acquisition of TMC New Building until 30 April 2023 for the first year and 1 May 2023 until 30 April 2024 for the second year	From the completion date of the Proposed Acquisition of Seremban New Building until 13 October 2023 for the first year and 14 October 2023 until 13 October 2024 for the second year	15 years
Renewal Term	Option to renew for another 15 for the rental rate to be mutually agreed by the Trustee, DRMSB and PNG	Option to renew for another 15 years for the rental rate to be mutually agreed by the Trustee, DRMSB and MSH	Option to renew for another 15 years for the rental rate to be mutually agreed by the Trustee, DRMSB and PGSH
Rental Term *	**Rental Term** / **Rent formula** First year: 5.75% per annum x Purchase Consideration of the TMC New Building Second year until 30 April 2024: 2.00% incremental increase x the rent for the preceding year which shall be in RM.	**Rental Term** / **Rent formula** First year: 5.75% per annum x Purchase Consideration of the Seremban New Building Second year until 13 October 2024: 2.00% incremental increase x the rent for the preceding year which shall be in RM.	**First Rental Term** / **Rent formula** First year: 5.75% per annum x Purchase Consideration of the Pasir Gudang Property Second and Third year: 2.00% incremental increase x the rent for the preceding year which shall be in RM.

* *The difference between the rental rate and/or rental term of the TMC New Building and Seremban New Building in comparison with Taiping Medical Centre and KPJ Seremban Specialist Hospital is due to the difference in the capital structure of Al-'Aqar at the time of entering into the existing principal lease agreement and now.*

SALIENT TERMS OF THE LEASE AGREEMENTS

Details	TMC New Building	Seremban New Building	Pasir Gudang Property
Rental Review Formula			The Rent for every Succeeding Rental Term shall be calculated based on the following: **Succeeding Rental Term** — **Rent formula** First year of every Succeeding Rental Term (Years 4, 7, 10 and 13): 5.75% per annum x Market Value of the Pasir Gudang Property, at the point of review, subject to: (a) a minimum Rent of the Base Rent of the Pasir Gudang Property, whichever is higher; and (b) any adjustment to the Rent shall not be more than 2.00% incremental increase over the Rent for the preceding year which shall be in RM. Second & Third year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15): 2.00% incremental increase over the Rent for the preceding year shall be in RM. The basis and justification for the succeeding rental term was arrived at after taking into consideration Al-'Aqar's capital structure and potential appreciation of the open market value of the Pasir Gudang Property.

SALIENT TERMS OF THE LEASE AGREEMENTS

1.2 Condition Precedents

The Proposed Leases are conditional upon the fulfilment of the following conditions: -

(i) the approval of the Unitholders being obtained in respect of the Proposed Leases;

(ii) the approval of the shareholders of the Lessees' ultimate holding company, KPJ being obtained in respect of the Proposed Leases; and

(iii) the completion of the TMC SPA, Seremban SPA and Pasir Gudang SPA, respectively.

1.3 Security Deposit

The security deposit to be paid to the Lessor on or before the rent commencement date at an aggregate sum equivalent 2 times of the prevailing monthly rent.

1.4 Expansion

(i) Expansion means the construction, renovations and/or refurbishment works within building of the Properties and/or attached to building of the Properties, undertaken by the Lessor or the Lessees for the purposes of expansion of its business operations resulting: -

(a) in the increase of the gross floor area of the building of the Properties; and

(b) in the increase of rent pursuant to the Lease Agreements.

(ii) **Option 1 of the Expansion**

In the event the Lessees requests for the expansion and the Lessor and the Manager agree to meet the expansion request of the Lessee according to Lessees' specification, the Lessor may, subject to the terms and conditions in the Lease Agreements, make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the building of the Properties or work which may affect the: -

(a) structure of the Properties (including but not limited to the roof and the foundation);

(b) mechanical or electrical installations of the Properties; or

(c) provisions of any services in or to the Properties.

The Lessor shall bear the development costs and expenses for, and related to the expansion ("**Expansion Costs**") and shall be solely responsible to procure the financing for the expansion.

(iii) **Option 2 of the Expansion**

Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreements, the Lessees shall have the option to undertake the expansion and bear the Expansion Costs, and the parties further agree that the Expansion Costs shall be reimbursed by the Lessor to the Lessees ("**Expansion Reimbursement Costs**") in accordance with the terms and conditions in the Lease Agreements.

(iv) If the expansion results in an increase in the gross floor area of the Properties, the increase in the monthly rent shall be computed as follows:

Formula: (the rental rate to be agreed between the parties to the Lease Agreements x Expansion Reimbursement Costs or Expansion Costs, as the case may be)/12 calendar months.

1.5 New Development

New Development means the planning, design, and construction of a new building(s), carpark and/or other structures on the land where the Properties are situated or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto.

(i) Option 1 of the New Development

The Lessor grants to the Lessees the right to undertake the New Development on the land where the Properties are situated for the Lessees' business operations.

Notwithstanding the paragraph above, the Lessor shall have the option to undertake the New Development and bear the development costs and expenses for, and related to the New Development ("**New Development Costs**") and shall be solely responsible to procure the financing for the New Development, subject to the terms and conditions in the Lease Agreements.

(ii) Option 2 of the New Development

Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreements, the Lessees shall have the option to undertake the New Development and bear the New Development Costs, and the parties to the Lease Agreements further agree that the New Development shall be acquired by the Lessor from the Lessees in accordance with the terms and conditions in the Lease Agreements.

The new rent for the New Development shall be governed by the terms and conditions of the new lease agreement or supplemental lease agreement to be entered into between the Lessees, the Lessor and the Manager for the lease of the New Development.

1.6 Lessor's Covenants

The Lessor shall during the contractual term, inter alia:

(i) pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings which in relation to the Properties;

(ii) pay for quit rent and assessment of the Properties;

(iii) maintain takaful coverage in respect of the Properties and the Lessor's fixtures and fittings, equipment and machinery in the Properties against fire and allied perils;

(iv) appoint and pay to the maintenance manager for the maintenance and management services rendered by the maintenance manager; and

(v) be responsible to make good any structural repairs and works necessary to maintain the external and internal structure of the Properties or total replacement of the Lessor's fixtures and fittings attached to the Properties.

1.7 Lessees' Covenants

The Lessees shall during the contractual term, inter alia:

(i) bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the Properties that the Lessees are responsible for during the contractual term; and

(ii) be given first right of refusal, should the Lessor intends to sell the Properties, by way of written notice from the Lessor to sell the Properties at the prevailing/open market value, to which notice the Lessees shall reply within 60 calendar days thereof.

1.8 Events of Default

Notwithstanding anything to the contrary herein contained, if at any time during the contractual term, any one of the following events occurs: -

(i) a failure or refusal on the part of the Lessees:

(a) to pay the monthly rent for 2 consecutive calendar months under the terms of the Lease Agreements on the day such payment is required to be made under the terms of this agreement (whether the same shall have been formally demanded or not); or

(b) to pay any sum (other than the Rent) due under the terms of the Lease Agreements on the day such payment is required to be made under the terms of the Lease Agreements (whether the same shall have been formally demanded or not); or

(c) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessees contained in the Lease Agreements of which is not capable of being remedied or if capable of being remedied such breach is not remedied by the Lessees within a period of 30 calendar days from the date after receipt of written notice thereof from the Lessor to the Lessees requesting action to remedy the same; or

(ii) the Lessees are in breach of any agreement which has a material adverse effect on the business and/or operations of the Lessees and which affects its ability to fulfil its obligations under the Lease Agreements; or

(iii) the Lessees shall suffer or do any act or thing whereby the Lessor's and/or the Manager's rights shall or may be prejudiced; or

(iv) a judgment is obtained by the Lessees for the purpose of section 466 of the Companies Act 2016 and as such, the less Lessees are is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in section 465 of the Companies Act 2016 occurs or the Lessees commence negotiations or takes or institutes proceedings whether under law or otherwise with a view to obtaining a restraining order against creditors under any law or for adjustment or deferment or compromise or rescheduling of its indebtedness or any part thereof or enters into or makes a general assignment or arrangement or composition with or for the benefit of its creditors or declares a moratorium on the repayment of its indebtedness or part thereof or any creditor of the Lessees assume management of the Lessees and in the case of any of the events aforementioned, the financial condition of the Lessees or the ability of the Lessees to perform its obligation under the Lease Agreements is materially and adversely affected; or

(v) a petition is presented or an order is made or a resolution is passed or any other action or step is taken by the Lessees for the winding up of the Lessees or a liquidator or trustee or receiver or receiver and manager is appointed over the whole or any part of the assets or rights or revenues or undertaking of the Lessees and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or

(vi) the Lessees are unable to pay its debt within the meaning of the Act which inability may have a material adverse effect;

then, at any time thereafter, the Lessor may declare by way of giving notice to the Lessees that an event of default has occurred.

In the event that the events of default has occurred and is continuing, the Lessor shall be at liberty to take any one or more of the following remedies without being responsible or liable for any loss, damage or expense caused to the Lessees as a consequence of such action:

(a) serve a forfeiture notice upon the Lessees pursuant to Section 235 of the National Land Code (Revised 2020) and it is hereby mutually agreed and deemed that the period stipulated in the forfeiture notice shall be 30 calendar days for the occurrence of the event set out in the paragraph above, and where the breach has not been remedied within the stipulated time of 30 calendar days, to re-enter upon the Properties or any part thereof in the name of the whole, and thereupon the Lease Agreements shall absolutely terminate;

(b) to claim for the monthly rent and all other sums due and payable as stipulated in the Lease Agreements;

(c) the Lessor shall be entitled to utilise the security deposits pursuant to the Lease Agreements towards payment or reduction of all sums payable by the Lessees under the Lease Agreements without prejudice to the Lessees' liability for any shortfall;

(iv) (a) the Lessees shall be liable to pay the Lessor a sum equivalent to the rent for the unexpired period of the contractual term as liquidated damages for the loss of rent suffered by the Lessor resulting from termination of the Lease Agreements due to an event of default;

Notwithstanding the paragraph (iv)(a) above, the Lessees shall have an option to source for a replacement lessee or tenant approved by the Lessor for the unexpired period of the contractual term (or any part thereof) at such rental and upon such terms and conditions acceptable to the Lessor, and the Lessor shall take all reasonable efforts to lease or let the Properties to any other Lessees or tenants.

In the event that the Lessor or the Lessees is able to lease or let the Properties to any other Lessees and tenants at such rental and upon such terms and conditions acceptable to the Lessor, the Lessees shall compensate the Lessor in lump sum for the deficiency between the originally scheduled rent under the Lease Agreements and the rent received or to be received from the other lessees or tenants of the Properties for the unexpired period of the contractual term. Upon receipt of the first monthly rental of the Properties from such replacement lessees and tenants, and save for any antecedent breach of the Lease Agreements, any balance of sum received pursuant to paragraph (iv)(a) above shall be returned by the Lessor to the Lessees within 60 calendar days or any other period as agreed between the parties in writing; or

(v) to sue and take any other action that the Lessor deems fit (including remedy of specific performance against the Lessees) to recover all moneys due and owing to the Lessor and the costs and expenses incurred by the Lessor including legal fees (on a solicitor-client basis and on full indemnity basis) of all such actions taken shall be borne by the Lessees.

SALIENT TERMS OF THE LEASE AGREEMENTS

2. Salient terms of the existing principal lease agreement

The TMC New Building and Seremban New Building are the expansions of the Taiping Medical Centre and KPJ Seremban Specialist Hospital, which are currently owned by the Trustee and leased to PNG and MSH according to the terms of the principal lease agreements dated 1 May 2009 and 14 October 2009, ("**existing principal lease agreements**") respectively. The Trustee is the existing lessor for the Taiping Medical Centre and KPJ Seremban Specialist Hospital.

For information, the date of details of the development of the TMC New Building and the Seremban New Building is as follows:

		TMC New Building	Seremban New Building
Commencement date	:	15 November 2016	11 February 2013
Completion date	:	3 June 2020	23 November 2018
Development cost	:	RM13,951,764	RM98,121,566
Party who paid for cost incurred	:	PNG	MSH

The details of the existing principal lease agreements are as follows:

Details	Taiping Medical Centre	KPJ Seremban Specialist Hospital
Acquisition date by the Trustee	1 May 2009	14 October 2009
Contractual Term	15 years commencing from 1 May 2009 until 30 April 2024.	15 years commencing from 14 October 2009 until 13 October 2024.
Expansion	At the request of the lessee and lessor and/or the Manager desires to meet the expansion requirements of the lessee through expansion, refurbishment and renovation of the Taiping Medical Centre. The lessor shall then reimburse the lessee based on the recommendation and verification by the Manager for all costs incurred by the lessee as recommended by either the auditors of Al-'Aqar, an independent valuer or an independent quantity surveyor for such expansion, refurbishment and renovation of the Taiping Medical Centre.	At the request of the lessee and lessor and/or the Manager desires to meet the expansion requirements of the lessee through expansion, refurbishment and renovation of the KPJ Seremban Specialist Hospital. The lessor shall then reimburse the lessee based on the recommendation and verification by the Manager for all costs incurred by the lessee as recommended by either the auditors of Al-'Aqar, an independent valuer or an independent quantity surveyor for such expansion, refurbishment and renovation of the KPJ Seremban Specialist Hospital.
Renewal Term	Option to renew for another 15 years and subject to the terms and conditions to be mutually agreed by the Trustee, DRMSB and PNG.	Option to renew for another 15 years and subject to the terms and conditions to be mutually agreed by the Trustee, DRMSB and MSH.
Rental rate	(i) Minimum gross lease rental of 7.10% per annum x prevailing market value of the property; and (ii) Any lease rental adjustment shall not be more than 2.00% incremental over the rent for the preceding year, whichever is higher.	(i) Minimum gross lease rental of 7.10% per annum x prevailing market value of the property; and (ii) Any lease rental adjustment shall not be more than 2.00% incremental over the rent for the preceding year, whichever is higher.

SALIENT TERMS OF THE LEASE AGREEMENTS

Details	Taiping Medical Centre	KPJ Seremban Specialist Hospital
Variation of Rental	The lessor and/or Manager shall have the right to vary the rental of Taiping Medical Centre at the recommendation of the Manager which include the increase of the net lettable area of Taiping Medical Centre arising from the renovations or refurbishments undertaken.	The lessor and/or Manager shall have the right to vary the rental of KPJ Seremban Specialist Hospital at the recommendation of the Manager which include the increase of the net lettable area of KPJ Seremban Specialist Hospital arising from the renovations or refurbishments undertaken.
Rental income 2022 (per annum)	RM0.74 million	RM5.11 million

VALUATION CERTIFICATE OF THE PROPERTIES

HENRY BUTCHER MALAYSIA
International Asset Consultants

DAMANSARA REIT MANAGERS SDN BERHAD
(Manager for AL-AQAR Healthcare REIT)
Unit 1-19-02, Level 19, Block 1,
V Square. Jalan Utara,
46200 Petaling Jaya,
Selangor Darul Ehsan.

Date: June 30, 2022

Dear Sirs / Madam,

CERTIFICATE OF VALUATION OF THREE HOSPITALS IDENTIFIED AS FOLLOW: -

1) **A PURPOSE-BUILT PRIVATE HOSPITAL IDENTIFIED AS KPJ PASIR GUDANG SPECIALIST HOSPITAL, LOT PTD 204781, JALAN PERSIARAN DAHLIA 2, TAMAN BUKIT DAHLIA, 81700 PASIR GUDANG, JOHOR DARUL TAKZIM. ("KPJPG")**

2) **A HOSPITAL BLOCK (BUILDING ONLY) KNOWN AS KPJ SEREMBAN SPECIALIST HOSPITAL HELD UNDER GRN 277698, LOT NO. 50604, SEKSYEN 2, PEKAN BUKIT KEPAYANG, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN. ("KPJSSH")**

3) **A 4-STOREY PURPOSE-BUILT HOSPITAL BUILDING (BUILDING ONLY) KNOWN AS TMC HEALTH CENTRE HELD UNDER PN 361304, LOT NO. 3140, TOWN OF BANDAR TAIPING, DISTRICT OF LARUT MATANG, STATE OF PERAK DARUL RIDZUAN. ("TMCHC")**

(COLLECTIVELY KNOWN AS "THE SUBJECT PROPERTIES")

This certificate of valuation has been prepared for the purpose of submission to Bursa Malaysia Securities Berhad (**"Bursa Securities"**) pursuant to the proposed acquisition of the Subject Properties by AmanahRaya Trustee Berhad (as trustee for Al-Aqar Healthcare REIT) (**"Trustee"**) in a related party transaction and for inclusion in the Circular pursuant to the proposed acquisition of the Subject Properties.

In accordance with the instruction from **Damansara REIT Managers Sdn Berhad ("the Client")**, we have conducted a valuation to the Subject Properties vide our Valuation Reports detailed as below: -

Subject Properties	Reference No.	Date of Inspections	Date of Valuation
KPJPG	VR/07-21/0193	August 19, 2021 & April 10, 2022	May 31, 2022
KPJSSH	V/NS/D6394/21/SK	August 19, 2021 & April 18, 2022	
TMCHC	HBMPerak/LB9921/07/0102/GR-005	August 26, 2021 & March 31, 2022	

We confirm that we have valued the Subject Properties based on the valuation basis as stated herein. The reports are prepared in accordance with Securities Commission Malaysia's Asset Valuation Guidelines and in conformity with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

VALUATION CERTIFICATE OF THE PROPERTIES

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.

The valuation methodologies in arriving at the opinion of the **Market Value** of the Subject Properties together with the details of the issuance firms and registered valuers for respective property are illustrated as follow: -

Subject Property	Primary Method	Secondary Method	Firm	Registered Valuer
KPJPG	Income Approach by Profits Method (Discounted Cash Flow (**"DCF"**))	Cost Approach	Henry Butcher Malaysia Sdn. Bhd.	Sr. Low Khee Wah (V-724)
KPJSSH	Depreciated Replacement Cost (**"DRC"**)	Not applicable*	Henry Butcher Malaysia (NS) Sdn. Bhd.	Sr. Siew Weng Hong (V-505)
TMCHC		Not applicable*	Henry Butcher Malaysia (Perak) Sdn. Bhd.	Sr. Khaw Eng Leng (V-669)

**Valuation on building only*

The Impact of the Current State of the Economy and Property Market Arising from the Covid-19 Pandemic

Since the Covid-19 outbreak in early 2020, property market was heavily affected by the pandemic by showing contractions in both volume and value of transactions. Emerging from the beginning of the pandemic in 2020 and through 2021, there was a slight improvement to the property market activity but a major uptake and return to pre-pandemic levels of market activity is yet to be seen, but the slight improvement throughout 2021 only bodes well for 2022.

Following the successful Covid-19 vaccination program nationwide, the domestic economy has responded favourably as a result of economy sectors reopening to allow for swift recovery. Albeit the pandemic is still not completely suppressed, the new normalcy has allowed for usual economy routines to take place with care, with the hope of "living with the virus" a thing of the past will finally emerge.

In conclusion, the economy is set to be on the right trajectory and the property market is expected to be moving parallelly on a similar track. With the national economy functioning as close to pre-pandemic days, this is a good sign for the nation as many would be able to resume productions and operations while putting the pandemic behind it.

VALUATION CERTIFICATE OF THE PROPERTIES

Brief details of individual property together with brief summary of respective valuation methodology are presented in each section below.

1) SUBJECT PROPERTY - KPJPG		
Property Type / Interest to be Valued	:	The Subject Property is an 8-storey purpose-built building that is currently operating as a private hospital known as KPJ Pasir Gudang Specialist Hospital. It is located approximately 20 kilometers due east of Johor Bahru City Centre, within a locality known as Taman Bukti Dahlia, Pasir Gudang. The Subject Property is licensed to provide comprehensive standard healthcare facilities with accommodation of 148 beds (including five (5) for Intensive Care Unit (**"ICU"**) and six (6) for day-care Ward) together with three (3) bassinets and two (2) cots. The Subject Property is currently being operated and managed by Pasir Gudang Specialist Hospital Sdn. Bhd. **("the Vendor")**.
Address of Subject Property	:	Lot PTD 204781, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim.
Location & Surrounding Locality	:	The Subject Property is located within a locality known as Taman Bukit Dahlia, Pasir Gudang, approximately 20 kilometers due east of Johor Bahru City Centre. It is easily accessible from Johor Bahru City Centre via Lebuhraya Johor Bahru – Pasir Gudang exit onto Jalan Pekeliling connecting onto Jalan Besar, thereafter turn left onto Persiaran Dahlia 1 and finally another left turn onto Persiaran Dahlia 2 leading to the Subject Property. The locality is surrounded by matured neighbourhoods such as Taman Masai Utama, Kampung Pasir Gudang Baru, Bandar Baru Seri Alam, Taman Rinting and Taman Scientex to name a few. Developments within the immediate vicinity of the Subject Property comprise mainly double storey terrace shop office, double storey terrace houses, semi-detached and detached houses, factories/warehouses as well as vacant industrial plots. Other private hospitals in the locality are Regency Specialist Hospital and Penawar Hospital, while few regional retail malls include KIP Mall Masai, Tesco Seri Alam, MyDin Wholesale Hyper Market, Econsave and Kompleks Pusat Bandar Pasir Gudang. Several prominent industrial estates within the locality are Pasir Gudang Industrial Estate, Pelabuhan Johor Pasir Gudang and Tanjung Langsat Industrial Estate, where some major manufacturing and processing plants can be found.
Site Description	:	The Subject Property has an almost rectangular shaped parcel of land, with a titled land area of 13,144 square meter (**"sq. m."**) (approximately 141,481 square feet (**"sq. ft."**) or 3.2479 acres). The site is generally flat in terrain and levelled with surrounding roads. As at the date of inspection, the subject site is improved with an 8-storey purpose-built building operating as a private hospital together with ancillary structures such as a double storey TNB substation building, fire pump house and a bin centre. The site compound is well maintained with the circulation area generally improved with tarmac to serve as driveway and open parking area.

VALUATION CERTIFICATE OF THE PROPERTIES

Building Description :

The main building is generally constructed of reinforced concrete framework with rendered, plastered and painted brick infill walls with reinforced concrete floor slab and reinforced concrete flat roof and concrete roof tiles. Other ancillary buildings are a double storey TNB substation building, fire pump house and bin centre.

It has a total Gross Floor Area (**"GFA"**) of 203,280 sq. ft. (18,885.34 sq. m.) for the main building and total 4,482 sq. ft. (416.39 sq. m.) to other ancillary buildings i.e. TNB Substation 3,200 sq. ft. (297.29 sq. m.), fire pump house 442 sq. ft. (41.06 sq. m.), bin centre 840 sq. ft. (78.04 sq. m.), makes up total GFA of 207,762 sq. ft. (19,301.73 sq. m.) and with the latest carpark count at 223 parking bays.

In terms of building finishes, the internal floor finishes are generally made of porcelain tiles, homogenous tiles, vinyl tiles, and cement rendering, whilst internal doors are generally of timber panel and timber fire rated type. The windows are generally of aluminium glass panels. The internal ceiling is generally made of plastered boards incorporating downlight, suspended fibre boards incorporating recessed lighting and plastered concrete.

Vertical access within the Subject Property is via five (5) lifts and three reinforced concrete staircases strategically located throughout the building.

The main building accommodations are as shown below: -

Level	Accommodations
Level 1	Main entrance and drop off area, main lobby, shops, cafeteria, accident and emergency department, admission and finance office, lift lobbies, observation area, procedure room, examination rooms, medical records room, pharmacy, diagnostic, imaging services, kitchen, chiller and freezer room, security and fire control room, server room, male and female toilets, linen store, medical gas plant room, mechanical and engineering (M&E) room, M&E riser room, main distribution frame (MDF) room, medical gas pump room, pump room, liquefied petroleum gas (LPG) room and air-handling unit (AHU) room.
Level 2	Lift lobbies, day care ward, ICU wards, central sterile supply department (CSSD), operation theatres, physio centre, equipment store, waiting rooms, housekeeping room, male and female toilets, endoscopy, cardiac catheterization laboratory, male and female prayer rooms and AHU room.
Level 3	Lift lobbies, haemodialysis, administration office, Dewan Anugerah, board room, VIP lounge, IT department laboratory, central store, male and female toilets, roof garden and AHU room.
Level 4 (Maternity Ward)	Lift lobbies, nurse station, labour ward and clinic, obstetric and gynaecological ward, nursery, isolation room, medical wards (VIP room, single bedded room, double bedded room and four bedded room), treatment room, male and female toilet, AHU room.
Level 5 (Medical Ward)	Lift lobbies, consultation clinics, treatment room, waiting area, echo room, treadmill room, ultra sound room, ECG room, treatment rooms, consultant clinics, male and female toilet, AHU room.

VALUATION CERTIFICATE OF THE PROPERTIES

		Level 6 (Surgical Ward): Lift lobbies, medical wards (VIP room, single bedded room, double bedded room and four bedded room), staff pantry, medication room, male and female toilet, AHU room. Level 7 (Paediatric Ward): Lift lobbies, medical wards (VIP room, single bedded room, double bedded room and four bedded room), play room, staff room, medication room, male and female toilet and AHU room. Level 8: Lift lobbies, medical wards (VIP room, single bedded room, double bedded room and four bedded room), treatment room, medication room, male and female toilet and AHU room. Roof/ Mechanical Floor: Water tank, cooling tower, chiller and lift motor room.
Age of Building	:	Approximately 9 years in age from the time when Certificate of Completion and Compliance (**"CCC"**) was issued on November 29, 2012.
Existing Use of Subject Property	:	Private hospital.
Town Planning	:	Zoned commercial
Certificate of Fitness	:	The Subject Property was originally issued with CCC bearing Ref. No. LAM/S/No. 3233 dated November 29, 2012. Subsequently, the Subject Property completed an internal renovation with the corresponding CCC bearing Ref. No. LAM/J/No. 8589 dated March 15, 2017. Most recent renovations of the Subject Property were at Level 2 as well as to fit out Level 8 as a general ward area. These renovations were issued with CCC bearing Ref. No. LAM/J/No. 9174 dated February 19, 2020. The Subject Property has recently obtained an approval on December 19, 2021 from MBPG (Ref. No. MBPG:JPB/KM/35/2010(PG) (Pind.1)(6)) to expand the haemodialysis centre and office area at Level 3, with the expansion area measuring approximately 454.32 sq. m. (about 4,890.26 sq. ft.). However, as at the date of valuation, the renovation works on the expansion works have yet to commence.
Title Particulars.	:	PN 70767, Lot 198635, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim.
Category of land use	:	Bangunan *(building)*
Surveyed Land Area	:	13,144 sq. m. (about 141,481 sq. ft. or 3.2479 acres)
Registered Owner	:	Pasir Gudang Specialist Hospital Sdn. Bhd.
Tenure	:	Leasehold for 99 years expiring on December 28, 2108 thus leaving an unexpired term of about 86 years.

VALUATION CERTIFICATE OF THE PROPERTIES

Express Conditions	:	i) Tanah ini hendaklah digunakan untuk Hospital Swasta, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.
		ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang ditentukan oleh Pihak Berkuasa Berkenaan
		iii) Segala dasar dan syarat yang telah ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.
*Restriction in Interest	:	i) Tuanpunya tanah tidak dibenarkan menjual unit-unit (parcel) bangunan yang akan dibina di atas tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.
		ii) Hakmilik tanah ini apabila dipecahkan kepada hakmilik 'Subsidiary' pecahan hakmilik 'Subsidiary' tersebut apabila sahaja bertukar hakmilik kepada seorang Bumiputera maka tidak boleh terkemudian daripada intu dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun kepada orang yang bukan Bumiputra tanpa persetujuan Pihak Berkuasa Negeri.
		iii) Pecahan hakmilik 'Subsidiary' daripada hakmilik ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada Bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri.
Encumbrance	:	Nil
Endorsement	:	Nil

**As revealed during our visit to Bahagian Pembangunan, Pejabat Tanah Dan Galian Negeri Johor, we were verbally informed that the title of the Subject Property is not classified as Bumiputra title.*

No impact to the valuation as the Restriction in Interest will only take effect should the Subject Property master title is subdivided into individual strata title. In the event individual strata title is applied and issued, Bumiputra quota will be applied and any subsequent transfer of assigned Bumiputra unit to non-Bumiputra will require the consent from the state authority. As at the date of valuation, the Subject Property is still of a master land title status and constructed as a single purpose-built building operating as a private hospital, hence we opine there is no effect resulting from the Restriction in Interest stated in the title.