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.

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al-`aqar HEALTHCARE REIT

AL-`AQAR HEALTHCARE REIT

(established in Malaysia under the deed dated 27 June 2006 and as amended by the supplementary deed dated 14 May 2009, 27 January 2011 and 9 November 2011, amended and restated by the Restated Deed dated 31 July 2013, amended and restated by the Second Restated Deed dated 25 November 2019 and further amended by the Supplemental Deed to the Second Restated Deed dated 29 December 2022 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 as amended, varied or supplemented from time to time)

CIRCULAR TO UNITHOLDERS IN RELATION TO THE

PART A

PROPOSED RENEWAL OF LEASE OF THE PROPERTIES BETWEEN THE SUBSIDIARIES AND ASSOCIATED COMPANY OF KPJ HEALTHCARE BERHAD WITH AMANAHRAYA TRUSTEES BERHAD AND DAMANSARA REIT MANAGERS SDN BERHAD FOR AND ON BEHALF OF AL-`AQAR ("PROPOSED LEASE RENEWAL")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS OF AL-`AQAR IN RELATION TO THE PROPOSED LEASE RENEWAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

KAF *INVESTMENT BANK BERHAD (20657-W)*

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

Independent Adviser

ZICO capital

ZICO Capital Sdn Bhd
Reg. No. 201601030444 (1201385-D)

The Notice of the Unitholders' Extraordinary General Meeting ("**EGM**") of Al-`Aqar Healthcare REIT to be held physically at Ballroom 2, Level 2, Pullman Kuala Lumpur Bangsar, 1, Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur on Friday, 25 August 2023 at 10:00 a.m. together with the Form of Proxy set out in the Notice of EGM.

A unitholder 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 the Registered Office of the Damansara REIT Managers Sdn Berhad at Level 14, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor 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 Wednesday, 23 August 2023 at 10:00 a.m. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Wednesday, 23 August 2023 at 10:00 a.m.
Date and time for the EGM	:	Friday, 25 August 2023 at 10:00 a.m.

This Circular is dated 8 August 2023

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
Al-`Aqar or **REIT**	:	Al-`Aqar Healthcare REIT, a real estate investment trust established in Malaysia under the Deed
ART or **Trustee** or **Lessor**	:	AmanahRaya Trustees Berhad (Company Registration No. 200701008892 (766894-T)), being the trustee of Al-`Aqar pursuant to the Deed
Base Rent	:	Rent payable for the first year of the First Rental Term
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))
Circular	:	This circular dated 8 August 2023 to the Unitholders in relation to the Proposed Lease Renewal
Conditions	:	Condition set out in the Lease Agreements as set out in Section 2.4 of Part A of this Circular
Contractual Term	:	The tenure of the Lease Agreements as set out in Section 2.4 of Part A of this Circular
Deed	:	The principal deed dated 27 June 2006, the supplementary deed dated 14 May 2009, 27 January 2011 and 9 November 2011, the Restated Deed dated 31 July 2013, amended and restated by the Second Restated Deed dated 25 November 2019 and further amended by Supplemental Deed to the Second Restated Deed dated 29 December 2022 entered into between the Manager, the Trustee and the persons registered as holders of the units in Al-`Aqar, constituting Al-`Aqar as amended, varied or supplemented from time to time
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 Deed
EGM	:	Extraordinary general meeting of Al-`Aqar

EPU	:	Earnings per unit
First Rental Term	:	Period between 1 October 2023 to 30 September 2026
FYE(s)	:	Financial year(s) ended or ending, as the case may be
Independent Adviser or **ZICO Capital**		ZICO Capital Sdn Bhd (Company Registration No. 201601030444 (1201385-D)), being the Independent Adviser for the Proposed Lease Renewal
IAL	:	Independent advice letter from ZICO Capital to the Non-Interested Unitholders in relation to the Proposed Lease Renewal, as set out in Part B of this Circular
Interested Directors	:	The directors of DRMSB who are deemed interested in the Proposed Lease Renewal as disclosed in Section 9.2 of Part A of this Circular
Interested Major Shareholders	:	The major shareholders of DRMSB who are deemed interested in the Proposed Lease Renewal as disclosed in Section 9.1 of Part A of this Circular
Interested Major Unitholders	:	The Major Unitholders who are deemed interested in the Proposed Lease Renewal as disclosed in Section 9.1 of Part A 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
KMC	:	Kedah Medical Centre
KPJ	:	KPJ Healthcare Berhad (Company Registration No. 199201015575 (247079-M)), being an Interested Major Unitholder
KPJ Group	:	KPJ, its subsidiaries and associated companies
KPJ Kajang	:	KPJ Kajang Specialist Hospital
KPJ Perdana	:	KPJ Perdana Specialist Hospital
KPJ Sentosa	:	KPJ Sentosa KL Specialist Hospital
Kuantan CWC	:	Kuantan Care and Wellness Centre
Lease Agreements	:	Lease agreements executed in escrow between ART (in its capacity as the Trustee and Lessor), the respective Subsidiaries and Associated Company (in their capacity as the Lessee(s)) and DRMSB (in its capacity as the Manager) to renew the leases of the Lease Properties
Listed REIT Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by SC on 15 March 2018 and as revised on 28 November 2022

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	26 July 2023, being the latest practicable date prior to the printing of this Circular
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
NAV	:	Net assets value
NPI	:	Net property income
Open Market Value	:	Reasonable and fair market value of the Properties as determined by an independent valuer appointed by the parties, which value may be varied, subject to mutual agreement by the Subsidiaries and Associated Company, Trustee and Manager
Principal Adviser or **KAF IB**	:	KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W)), being the Principal Adviser for the Proposed Lease Renewal
Principal Lease Agreements	:	The initial lease agreements to lease the Lease Properties held by the Lessor dated 16 June 2008 entered into between the Subsidiaries and Associated Company (in their capacity as the Lessee(s)) with ART (in its capacity as the Trustee and Lessor) and DRMSB (in its capacity as the Manager)
Properties or **Lease Properties**		Collectively, KMC, KPJ Perdana, KPJ Kajang, KPJ Sentosa and Kuantan CWC and shall also include the Lessor's fixtures and fittings as detailed in the Lease Agreements "Property" shall refer to any one of them
Proposed Lease Renewal	:	Proposed renewal of the lease of the Lease Properties between the Subsidiaries and Associated Company (in their capacity as the Lessee(s) with ART (in its capacity as the Trustee and Lessor) and DRMSB (in its capacity as the Manager) for and on behalf of Al-`Aqar
Rental Term(s)	:	Each separate 3-year period within the Contractual Term
RM and sen	:	Ringgit Malaysia and sen, respectively
RRPT	:	Recurrent related party transactions of a revenue or trading nature
SC	:	Securities Commission Malaysia, a statutory body established under the Securities Commission Act 1993
sq. ft.	:	Square feet
sq. m.	:	Square meter

Subsidiaries and Associated Company or **Lessee(s)**	:	Collectively, refers to the following companies of KPJ: (i) Kedah Medical Centre Sdn Bhd (Company Registration No.: 197901003750 (47985-X)) (ii) Perdana Specialist Hospital Sdn Bhd (Company Registration No.: 199601034496 (406848-X)) (iii) Kajang Specialist Hospital Sdn Bhd (Company Registration No.: 199101001486 (211797-T)) (iv) Sentosa Medical Centre Sdn Bhd (Company Registration No.: 197901006248 (50531-T)) (v) Kuantan Wellness Center Sdn Bhd (Company Registration No.: 198101010938 (77065-T)) "Lessee" shall refer to any one of them
Unit(s) or **Al-\`Aqar Units**	:	Unit(s) in Al-\`Aqar
Unitholder(s)	:	Holder(s) of units in Al-\`Aqar
Valuation Reports	:	Valuation reports of the Lease Properties prepared by the Valuer all dated 22 May 2023
Valuer or **CBRE WTW**	:	CBRE WTW Valuation and Advisory Sdn Bhd (Company Registration No. 197401001098 (18149-U))

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 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 or tables included in this Circular between the amounts stated, actual figures 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.

CONTENTS

PART A – LETTER TO THE UNITHOLDERS OF AL-`AQAR IN RELATION TO THE PROPOSED LEASE RENEWAL:

EXECUTIVE SUMMARY

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 Proposed Lease Renewal before voting at the EGM.

Key information	Description
Summary of the Proposed Lease Renewal	On 27 June 2023, on behalf of the Board, KAF IB announced that the Manager and the Trustee on behalf of Al-`Aqar proposes to enter into 5 separate lease agreements with the Lessee(s) to renew the lease of the Properties for the Contractual Term.
Basis and justification in arriving at the rental rate	The rental rate was negotiated between the parties. The total gross rental for the first year of the Contractual Term amounted to RM14.07 million, derived based on the following: (i) 6.25% of the Open Market Value for KMC, KPJ Perdana and KPJ Kajang; and (ii) 6.00% of the Open Market Value for KPJ Sentosa and Kuantan CWC. In determining the Open Market Value of the Lease Properties, Al-`Aqar had appointed CBRE WTW to act as the independent valuer for the Proposed Lease Renewal. The Valuer had adopted the Income Approach by Profits Method (Discounted Cash Flow) as the primary approach and the Cost Method as the secondary approach for cross checking. For the rental rate for the subsequent terms, the incremental increase of 2.00% for 2^{nd} and 3^{rd} year of the rental term was arrived after taking into consideration the average of the 10-year consumer price index year-on-year movement of 2.00%.
Rationale for the Proposed Lease Renewal	(i) The Proposed Lease Renewal will enable Al-`Aqar to continue leasing the Lease Properties to KPJ Group, an established hospital operator in Malaysia and Al-`Aqar's key lessee; (ii) The Proposed Lease Renewal is expected to be beneficial to Al-`Aqar as it will provide Al-`Aqar with a stable and sustainable income stream of up to 15 years; and (iii) The Proposed Lease Renewal will enable Al-`Aqar to continue to meet its financial obligations and providing consistent dividends distribution to its unitholders.
Risk Factors	(i) Non-completion risk of the Lease Agreements; (ii) Dependence on the performance and operations of the Subsidiaries and Associated Company of KPJ for its revenue; and (iii) Business and operational risks. Notwithstanding the above, Al-`Aqar will also continue to be exposed to risk of operating a real estate investment trust some of which include but not limited to fluctuation in the future market value of its properties and Al-`Aqar's ability to pay distributions may be adversely affected by the adverse interest rate fluctuation from its Islamic financing.

Key information	Description
Approvals required	The Proposed Lease Renewal is subject to the approvals to be obtained from the following: (i) the approval of the Unitholders for the Proposed Lease Renewal at the forthcoming EGM to be convened; and (ii) the approval of the shareholders of KPJ for the Proposed Lease Renewal at the forthcoming EGM to be convened and in respect of KMC, the approval of the shareholders of Kedah Medical Centre Sdn Bhd.
Statement by the Board	The Board of DRMSB (save for the Interested Directors), having considered all aspects of the Proposed Lease Renewal, including but not limited to the following: • salient terms of the Lease Agreements; • basis and justification in arriving at the rental rate; • rationale for the Proposed Lease Renewal; • the preliminary evaluation of the Independent Adviser; and • after careful deliberation, is of the opinion that the Proposed Lease Renewal is in the best interest of Al-`Aqar and its Unitholders. Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM.

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PART A

LETTER TO OUR UNITHOLDERS IN RELATION TO THE PROPOSED LEASE RENEWAL

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

Registered Office:

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

8 August 2023

Board of Directors:

Dato' Haji 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)*
Lailatul Azma Binti Abdullah	*(Independent Non-Executive Director)*
Dato' Salehuddin Bin Hassan	*(Non-Independent Non-Executive Director)*
Shamsul Anuar Bin Abdul Majid	*(Non-Independent Non-Executive Director)*
Datuk Sr Akmal Bin Ahmad	*(Non-Independent Non-Executive Director)*
Ng Yan Chuan	*(Non-Independent Non-Executive Director)*

To: The Unitholders of Al-`Aqar Healthcare REIT

Dear Sir/Madam,

PROPOSED LEASE RENEWAL

---

1. INTRODUCTION

On 27 June 2023, on behalf of the Board, KAF IB announced that the Manager and the Trustee on behalf of Al-`Aqar proposes to enter into 5 separate lease agreements with the Lessee(s) to renew the lease of the Properties.

The Proposed Lease Renewal is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the directors and major shareholders of DRMSB, the Major Unitholders of Al-`Aqar and/or persons connected with them as set out in Section 9 of this Circular.

Accordingly, on 7 June 2023, ZICO Capital has been appointed as the Independent Adviser to advise the non-interested directors of DRMSB and the Non-Interested Unitholders on the Proposed Lease Renewal, and whether the Non-Interested Unitholders should vote in favour of the Proposed Lease Renewal. The independent advice letter from the Independent Adviser is set out in Part B of this Circular.

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

2. PROPOSED LEASE RENEWAL

2.1 Details of the Proposed Lease Renewal

Al-`Aqar had, on 16 June 2008 entered into the Principal Lease Agreements to lease the Lease Properties for a contractual lease tenure of 15 years.

The initial 15-year contractual lease period under the Principal Lease Agreements has expired on 28 February 2023 ("**Initial Contractual Term**"). Subsequently the Lessee(s), the Lessor and the Manager had entered into memorandums of extension in relation to the Principal Lease Agreements on 24 February 2023 to extend each of the lease periods from 1 March 2023 until 30 April 2023 ("**Extended Contractual Term**") with a right to extend for a further period of 2 months up to 30 June 2023 at the Lessee(s)' request ("**Memorandums of Extension**"). The monthly rent payable during the Extended Contractual Term is equivalent to the respective rental of the final month under the Initial Contractual Term (the rental of which was derived based on the rent formula as per the Principal Lease Agreements, as set out in Section 2.4 of this Circular). For clarity, the rental income pursuant to the Principal Lease Agreements has been disclosed in Al-`Aqar's yearly RRPT mandate. Furthermore, the Extended Contractual Term has been disclosed in our circular to the Unitholders for the RRPT dated 28 March 2023.

The Lessor had on 20 April 2023, received a letter from KPJ (for and on behalf of the Lessee(s)) requesting for an extension of the Extended Contractual Term for a further period of 2 months until 30 June 2023 and at the expiry, to extend for a further period of 3 months until 30 September 2023. Pursuant to the said request, the Lessee(s), Lessor and the Manager had, on 26 June 2023, entered into supplemental Memorandums of Extension to amend and vary the terms of the Memorandums of Extension (pending the execution of the Lease Agreements), to formalise the extension of the Extended Contractual Term for a further period of 2 months until 30 June 2023 with an option to extend the term for an additional period of 3 months until 30 September 2023 at the Lessee(s)' request, and to execute the Lease Agreements in escrow ("**Further Extended Contractual Term**") ("**Supplemental Memorandums of Extension**"). The monthly rent payable during the Further Extended Contractual Term is equivalent to the respective rental of the final month under the Initial Contractual Term (the rental of which was derived based on the rent formula as per the Principal Lease Agreements, as set out in Section 2.4 of this Circular).

The Lease Agreements have been executed in escrow. Notwithstanding the execution of the Lease Agreements in escrow, the parties agreed to make every effort to fulfil the conditions precedent set out in the Lease Agreements and the parties shall date and stamp the Lease Agreements upon fulfilment of the Conditions as set out in Section 2.4(i) of this Circular. Al--`Aqar and the Manager do not expect any further changes to the agreed terms and should there be any circumstances which lead to such changes, necessary announcements and/or approvals (if required) (in accordance with the Listing Requirements) shall be made/obtained accordingly.

Please refer to Section 2.4 and Appendix I of this Circular for the salient terms of the Lease Agreements and the comparison of the salient terms with the Principal Lease Agreements.

2.2 Information on KPJ Group

KPJ was listed on the Main Market of Bursa Securities on 29 November 1994. Since its introduction of the first private specialist hospital in Johor in 1981, KPJ Group has grown to be one of the leading private healthcare providers in the region.

As at the FYE 31 December 2022, KPJ owns and/or manages:

(i) in West Malaysia, 25 private specialist hospitals, 4 ambulatory care centres, 1 university college, 2 senior and assisted living care centres, 10 clinics (Waqaf An-Nur) and 6 mobile clinics;

(ii) in East Malaysia, 4 private specialist hospitals, 1 senior and assisted living care centre and 7 clinics (Waqaf An-Nur);

(iii) in Indonesia, 2 private specialist hospitals;

(iv) in Bangladesh, 1 private specialist hospitals and 1 nursing college;

(v) in Thailand, 1 private specialist hospital; and

(vi) in Australia, 1 senior and assisted living care centre.

With more than 16,000 employees, KPJ has a pool of expert professionals and experience manager for them to tap upon. Furthermore, KPJ has more than 40 years' experience in the private healthcare industry.

For more information on KPJ, please refer to https://kpj.listedcompany.com/profile.html.

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2.3 Information on the Lease Properties

The details of the Lease Properties are as follows:

Lease Properties	**KPJ Perdana**	**KPJ Kajang**	**KMC**	**KPJ Sentosa**	**Kuantan CWC**
Description	A purpose-built hospital comprising a 5-storey inpatient with a sub-basement level	A 7-storey purpose-built private specialist hospital with a lower ground floor	A purpose-built private hospital comprising a 10-storey main hospital building inclusive of 2 shell floors with a 3-storey annexe building	A purpose-built private hospital comprising a 7-storey main hospital block with a lower ground floor	A purpose-built private hospital comprising a 3-storey block A and 5-storey annexeblock B and open car park
Land Title Details	PN 4133, Lot 657 (formerly known as HSD 917, Lot No. PT 616) Section 14, and HS(D) 11253, PT 705 Section 14, both atTown of Kota Bharu, District of Kota Bharu, in the State of Kelantan	GM 2494 (formerly known as HSM 22394), Lot 42997 (formerly known as Lot No. PT53903), Section 9, Town of Kajang, District of Hulu Langat, in the State of Selangor	GM 34919 (formerly known as HSM 10923), Lot 9425 (formerly known as Lot No. PT 1280), Section 54, Bandar Alor Setar, Tempat Pumpong and HSD 21030, PT 35, Bandar Alor Merah both in the District of Kota Setar in the State of Kedah	GRN 43923, Lot No. 671, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur	GM 3441, GM 3442, GM3466, GM 2827, GM 2823, GM 3443, GM 1575, GM 6875, Lot Nos. 5885, 5886, 5888, 5889, 5890, 5891, 10747 and 10748 respectively, Mukim of Kuala Kuantan, District of Kuantan, in the State of Pahang
Address	No. PT 37 and PT 600, Jalan Bayam, Section 14, 15200 Kota Bharu, Kelantan	Lot No. 53903, Batu 14 ¾, Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan	Nos. 175 & 175A, Pumpong, 05250 Alor Setar.	No. 36, Jalan Chemur, Damai Complex, 50400 Kuala Lumpur	No. 51 Jalan Alor Akar, Taman Kuantan, 25250 Kuantan, Pahang
Tenure of the Land	Lot No. 657 - 66 years leasehold, expiring on 25 May 2064 (unexpired term of about 41 years) Lot No. PT705 - 66 years leasehold, expiring on 8 May 2082 (unexpired term of about 59 years)	Perpetuity (Freehold)	Perpetuity (Freehold)	Perpetuity (Freehold)	Perpetuity (Freehold)
Gross floor area	13,628 sq. m. or 146,686 sq. ft.	6,404 sq. m. or 68,932 sq. ft.	20,053 sq. m. or 215,851 sq. ft.	8,459 sq. m. or 91,052 sq. ft.	6,416 sq. m. or 69,060 sq. ft.

Lease Properties	KPJ Perdana	KPJ Kajang	KMC	KPJ Sentosa	Kuantan CWC
Age of the buildings (years)	21	17	18	25	Block A – 37 and Block B – 22
Fair value @ 31 December 2022 (1) (RM'000)	42,000	52,000	53,000	31,000	16,500
Market value as appraised by the Valuer (2) (RM'000)	45,000	65,000	70,000	30,000	17,000

Notes:

(1) *Based on Al-`Aqar's audited financial statement for FYE 31 December 2022. The fair values were determined based on the capitalisation of net income method (Investment method)*

(2) *As appraised by the Valuer as at 1 March 2023, being the date of valuation of the Properties*

For further details on the Properties, please refer to the valuation certificate as attached in **Appendix II.**

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2.4 Salient terms of the Lease Agreements

(i) The Proposed Lease Renewal is conditional upon the fulfilment of the Conditions as follows:

(a) the approval of the shareholders of KPJ and in respect of KMC, the approval of the shareholders of Kedah Medical Centre Sdn Bhd being obtained in respect of the Proposed Lease Renewal;

(b) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Lease Renewal; and

(c) any other regulatory and/or governmental authorities, if required, to be obtained by the Lessee(s) and/or KPJ and the Lessor in respect of the Lease. For the avoidance of doubt, this condition does not include consent required for the registration of the lease, where applicable.

(ii) The Lessor and the Lessee(s) agree that the Proposed Lease Renewal shall be for the following Contractual Term:

(a) the lease of KMC, KPJ Perdana and KPJ Kajang for a period of fifteen (15) years commencing from 1 October 2023 to 30 September 2038; and

(b) the lease of KPJ Sentosa and Kuantan CWC for a period of three (3) years commencing from 1 October 2023 to 30 September 2026,

The Contractual Term is based upon the terms and conditions stipulated in the Lease Agreements with an option to renew for another fifteen (15) years.

(iii) For clarity, the difference in rental formula for the Lease Agreements and the Principal Lease Agreements are as set out below:

<table>
<tr><th>Lease Agreements</th><th>Principal Lease Agreements</th></tr>
<tr>
<td>
The rent shall be denominated in RM and the formula for determination of the rent in relation to the Proposed Lease Renewal is as follows:

<u>For KMC, KPJ Perdana and KPJ Kajang:</u>

(a) Rent Formula

<table>
<tr><th>First Rental Term</th><th>Rent Formula</th><th>First Rental Term</th></tr>
<tr><td>Year 1</td><td>6.25% per annum × Open Market Value of the respective Lease Properties</td><td>1^{st} year</td></tr>
<tr><td>Year 2 and Year 3</td><td>2.00% incremental increase × the rent for the preceding year.</td><td>2^{nd} and 3^{rd} year</td></tr>
</table>
</td>
<td>
<u>For all Lease Properties:</u>

There was no rent formula used to determine the rent amount payable for the first three (3) financial years of the Initial Contractual Term, being from 1 March 2008 to 28 February 2011. The rent for the Principal Lease Agreements were negotiated and agreed between the parties as follows:

<u>First Rental Term</u>
<table>
<tr><th>Year</th><th>Rent amount payable for the Properties
(RM)</th></tr>
<tr><td>2008 (10 months)</td><td>8,270,230</td></tr>
<tr><td>2009</td><td>10,073,724</td></tr>
<tr><td>2010</td><td>10,212,690</td></tr>
<tr><td>2011 (2 months)</td><td>1,726,150</td></tr>
<tr><td>Total</td><td>30,282,794</td></tr>
</table>
</td>
</tr>
</table>

<table>
<tr><th>Lease Agreements</th><th>Principal Lease Agreements</th></tr>
<tr>
<td>
(b) Rent Review Formula

The rent for every succeeding rental term shall be calculated based on the following formula:

<table>
<tr><th>Succeeding Rental Terms</th><th>Rent Review Formula</th></tr>
<tr><td>1st year of every Succeeding Rental Term (Years 4, 7, 10 and 13)</td><td>6.25% per annum × Open Market Value of the respective Lease Properties, at the point of review subject to:

(I) a minimum Rent of the Base Rent of the 1^{st} year of previous Rental Term of the Lease Properties; and

(II) any adjustment to the Rent shall not be more than 2.00% incremental increase over the Rent for the preceding year which shall be in RM.</td></tr>
<tr><td>2^{nd} & 3^{rd} year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)</td><td>2.00% incremental increase over the Rent for the preceding year which shall be in RM.</td></tr>
</table>

Please refer below for the illustration of the rental formula.
</td>
<td>
<u>Succeeding Rental Terms</u>

The parties agreed to incorporate the following formula for subsequent rental review to determine the rent payable to the Lessor for the subsequent lease period:

(a) Rent Formula

<table>
<tr><th>Second Rental Term</th><th>Rent Formula</th><th>Second Rental Term</th></tr>
<tr><td>Year 1 of 2^{nd} Rental Term</td><td>(10-years Malaysian Government Securities (“MGS”) + 238 basis points) x market value of the Properties at the point of review and subject to a minimum rental per annum as set out in the respective Principal Lease Agreement of each of the Properties and a maximum 2.00% incremental over the preceding year’s rental amount</td><td>1^{st} year of 2^{nd} Rental Term</td></tr>
<tr><td>Year 2 and Year 3 of 2^{nd} Rental Term</td><td>2.00% incremental increase × the rent for the preceding year.</td><td>2^{nd} and 3^{rd} year of 2^{nd} Rental Term</td></tr>
</table>
</td>
</tr>
</table>

<table>
<tr><th>Lease Agreements</th><th>Principal Lease Agreements</th></tr>
<tr>
<td>
<u>For KPJ Sentosa and Kuantan CWC:</u>

(a) Rent Formula
<table>
<tr><th>First Rental Term</th><th>Rent Formula</th></tr>
<tr><td>Year 1</td><td>6.00% per annum × Open Market Value of the respective Lease Properties</td></tr>
<tr><td>Year 2 and Year 3</td><td>2.00% incremental increase × the rent for the preceding year.</td></tr>
</table>
For clarity, the rent review formula does not apply to KPJ Sentosa and Kuantan CWC as their respective Contractual Terms are 3 years. Upon the expiry of their respective Contractual Terms, the parties have the option to extend the lease for another 15 years and the renewal terms including the rental terms will be renegotiated and decided between the Lessor and Lessee(s) accordingly.
</td>
<td>
(b) Rent Review Formula

The rent for every succeeding rental term shall be calculated based on the following formula:
<table>
<tr><th>Succeeding Rental Terms</th><th>Rent Review Formula</th></tr>
<tr><td>1st year of every Succeeding Rental Term as follows:</td><td></td></tr>
<tr><td>Year 7</td><td>(10-years MGS + 238 basis points) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum of the market value (current) of the Properties and a maximum 2.00% incremental over the preceding year’s lease rental amount</td></tr>
<tr><td>Year 10 and 13</td><td>(10-years MGS + 238 basis points) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum at the prevailing market value or purchase consideration of the Properties (whichever is higher) and any lease rental adjustment shall not be more than 2.00% incremental over preceding year’s lease rental</td></tr>
<tr><td>2nd & 3rd year of every Succeeding Rental Term (Years 8, 9, 11, 12, 14, 15)</td><td>2.00% incremental increase over the preceding year’s rental amount</td></tr>
</table>
</td>
</tr>
</table>

The rental income from KMC, KPJ Perdana and KPJ Kajang for Year 1 is based on the collective Open Market Value of the said Properties of RM180 million is RM11.25 million. The rental income will then increase by 2.00% over the rent of the preceding year in the first Rental Term. The rental income for KMC, KPJ Perdana and KPJ Kajang for Year 2 and Year 3 will be as follows:

	Rental income
Year 2	RM11.48 million
Year 3	RM11.70 million

Furthermore, at the start of each succeeding Rental Term i.e., Years 4, 7, 10 and 13, the rent will be reviewed based on the formula set out in the table above. If there is no change to the Open Market Value of KMC, KPJ Perdana and KPJ Kajang at the start of the second Rental Term, then the total rental will remain at RM11.25 million in Year 4.

Assuming there is a change in the Open Market Value of KMC, KPJ Perdana and KPJ Kajang at the start of the second Rental Term and the rental for KMC, KPJ Perdana and KPJ Kajang in Year 3 is RM11.70 million, then the rental income for Year 4 shall be calculated as follows:

	Assuming 20% downward revision to Open Market Value	**Assuming 20% upward revision to Open Market Value**
Rental for Year 4 using the Rent Review Formula	6.25% × Open Market Value = 6.25% × RM144.00 million = RM9.00 million	6.25% × Open Market Value = 6.25% × RM216.00 million = RM13.50 million
Minimum Rent - Minimum Rent of the Base Rent of the 1st year of previous Rental Term of the Lease Properties	RM11.25 million	
Maximum Rent - 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	Rental for Year 3 × 1.02 = RM11.70 million × 1.02 = RM11.94 million	
Illustrative chargeable rental at Year 4	**Since the rental computed is less than the minimum rent, the rental for Year 4 shall be RM11.25 million**	**Since the rental computed is more than the maximum rent, the rental for Year 4 shall be capped at RM11.94 million**

The rental will thereon increase by 2% over the rent of the preceding year in the 2nd and 3rd year of every Succeeding Rental term. Based on the illustrative Year 4 rental above, the rental for Year 5 and 6 will be as follows:

	Assuming 20% downward revision to Open Market Value	**Assuming 20% upward revision to Open Market Value**
Year 5	RM11.48 million	RM12.18 million
Year 6	RM11.70 million	RM12.42 million

For the avoidance of doubt, there is no pre-agreed range of adjustment or variation permissible from the market value appraised by the independent valuer. The parties to the Lease Agreements shall have the right to vary such reasonable and fair market value and adopt a varied Open Market Value provided that such variation is mutually agreed by the parties.

Please refer to **Appendix I** for the other salient terms of the Lease Agreements and the comparison of the salient terms with the Principal Lease Agreements.

2.5 Basis and justification in arriving at the rental rate

The rental rate was negotiated between the parties. The total gross rental for the first year of the Contractual Term amounted to RM14.07 million, is derived based on the following:

(a) 6.25% of the Open Market Value for KMC, KPJ Perdana and KPJ Kajang; and
(b) 6.00% of the Open Market Value for KPJ Sentosa and Kuantan CWC.

In determining the market value of the Lease Properties, Al-`Aqar had appointed CBRE WTW to act as the independent valuer for the Proposed Lease Renewal. The Valuer had adopted the Income Approach by Profits Method (Discounted Cash Flow) as the primary approach and the Cost Method as the secondary approach for cross checking.

The market value and the Open Market Value of the Lease Properties are as follows:

Lease Property	Market Value as appraised by the Valuer	Open Market Value	Rental rate	Rental amount for Year 1
	(RM'000)	(RM'000)	(%)	(RM'000)
KPJ Perdana	45,000	46,000	6.25	2,875
KPJ Kajang	65,000	64,000	6.25	4,000
KMC	70,000	70,000	6.25	4,375
KPJ Sentosa	30,000	30,000	6.00	1,800
Kuantan CWC	17,000	17,000	6.00	1,020
Total	**227,000**	**227,000**		**14,070**

Furthermore, the rental rate for the initial term was arrived at after taking into consideration the following:

(i) The performance of the Malaysian real estate investment trusts. The NPI for real estate investment trusts listed on Bursa Securities ranges from 2.2% to 8.4% in year 2022, as set out below;

Name	Net property income (RM'000)	Investment properties (RM'000)	Yield (%)
KLCC Real Estate Investment Trust	548,460	15,722,780	3.5%
IGB Real Estate Investment Trust	420,249	5,020,000	8.4%
Sunway Real Estate Investment Trust	500,238	8,622,501	5.8%
Pavilion Real Estate Investment Trust	364,201	6,045,000	6.0%
Axis Real Estate Investment Trust	245,343	4,186,020	5.9%
YTL Hospitality REIT	214,818	2,754,328	7.8%
IGB Commercial Real Estate Investment Tr	113,621	3,161,000	3.6%
Capitaland Malaysia Trust	152,510	3,892,000	3.9%
Sentral REIT	114,696	2,047,174	5.6%
UOA Real Estate Investment Trust	88,250	1,716,256	5.1%
KIP REIT	56,754	852,000	6.7%
AmanahRaya Real Estate Investment Trust	56,195	1,240,300	4.5%
Atrium Real Estate Investment Trust	35,734	542,800	6.6%
Al-Salam Real Estate Investment Trust	51,439	1,224,173	4.2%
AmFIRST Real Estate Investment Trust	59,255	1,608,747	3.7%
Hektar Real Estate Investment Trust	58,687	1,206,080	4.9%
Tower Real Estate Investment Trust	18,042	818,600	2.2%

(Source: Respective latest available annual reports as at the LPD)

(ii) The NPI of similar type of properties acquired by Malaysian real estate investment trusts recently, which ranges from 5.75% to 6.22%, as set out below;

Details	Comparable 1	Comparable 2	Comparable 3
Transacting parties	RHB Trustees Berhad, on behalf of Sunway Real Estate Investment Trust ("**Sunway REIT**") and Sunway Berhad	The Trustee, on behalf of Al-`Aqar and KPJ	RHB Trustees Berhad, on behalf of Sunway REIT and Sunway Berhad
Property	Sunway Medical Centre (Tower A and B)	KPJ Pasir Gudang Specialist Hospital	Sunway University
Consideration (RM'000)	430,000	93,000	550,000
Source	Announcement by Sunway REIT dated 29 December 2022	Circular by Al-`Aqar dated 22 November 2022	Circular by Sunway REIT dated 22 March 2019
Yield	(1) 6.02%	5.75%	(2) 6.22%

Notes:

(1) *Based on actual lease payment up until the announcement date of 29 December 2022. We noted that the annual lease renewal for 31 December 2022 onwards has increased, as such the net yield based on the revised rental is 6.15%*

(2) *Net yield*

(iii) The current interest environment. For information, the Overnight Policy Rate is at 3.00% as at the LPD;

(iv) Al-`Aqar's capital structure and potential appreciation of the open market value of the Lease Properties; and

(v) Al-`Aqar financial obligations and dividend policy to its unitholders.

In addition, as stated in the valuation certificate as attached in **Appendix II**, the Valuer observed that based on their analysis of the latest rental yield of the investment properties:

(a) office buildings within Klang Valley comprising Centre Point North & South Tower, Mid Valley City, Menara Tan & Tan and G Tower, the rental yields range from 4.93% to 5.85%;

(b) commercial buildings within east coast comprising East Coast Mall and Mydin Hypermarket Gong Badak, the rental yields range from 6.66% to 7.46%; and

(c) commercial buildings in Kedah comprising Central Square, Kulim Centra and Axis Hypermarket, Sungai Petani, the rental yields range from 5.00% to 8.00%.

In light of the above, taking into consideration of the current state of the Malaysian economy and property market, the Valuer is of the view that the rental yields of the Lease Properties are within the abovementioned ranges.

For the rental rate for the subsequent terms, the incremental increase of 2.00% for 2nd and 3rd year of the rental term was arrived after taking into consideration the average of the 10-year consumer price index year-on-year movement of 2.00%. *(Source: Bloomberg)*

3. RATIONALE FOR THE PROPOSED LEASE RENEWAL

The rationale for the Proposed Lease Renewal is as follows:

(i) the Proposed Lease Renewal will enable Al-`Aqar to continue leasing the Lease Properties to KPJ Group, an established hospital operator in Malaysia and Al-`Aqar's key lessee;

(ii) the Proposed Lease Renewal is expected to be beneficial to Al-'Aqar as it will provide Al-`Aqar with a stable and sustainable income stream of up to 15 years. Furthermore, Al-`Aqar will benefit from the subsequent 2% incremental increase of the preceding year's rental income in accordance with the terms and conditions of the Lease Agreements; and

(iii) the Proposed Lease Renewal will enable Al-`Aqar to continue to meet its financial obligations and providing consistent dividends distribution to its unitholders.

Premised on the above, the Manager believes that the Proposed Lease Renewal meets the investment objective of Al-`Aqar to grow its overall income.

4. RISK FACTORS

The Proposed Lease Renewal is subject to certain specific risks, which may not be exhaustive, as follows: -

(i) Non-completion risk of the Lease Agreements

The Proposed Lease Renewal is conditional upon the fulfilment of, among others, the conditions of the respective Lease Agreements. In the event that the conditions are not fulfilled within the stipulated time frame in the Lease Agreements (unless otherwise irrevocably and unconditionally waived by the Trustee, on behalf of Al-`Aqar and the Lessee(s)), and/or the relevant parties do not perform their respective obligations as set out in the Lease Agreements, the Trustee will be entitled to terminate the Lease Agreements. The non-renewal of the Lease Agreements would affect Al-`Aqar's financial performance and its ability to payout dividends to its unitholders.

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

(ii) Dependence on the performance and operations of the Subsidiaries and Associated Company of KPJ for its revenue

The tenants of Al-`Aqar's properties are subsidiaries and associated company 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 Lessee(s) to make timely rental payments under the Lease Agreements.

Nevertheless, there can be no assurance that any default or delay in paying the rental by the Lessee(s) will not adversely affect Al-`Aqar's cash flow and resultantly its distribution to the unitholders. 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, such as active engagement with the Lessee(s). As at the LPD, there was no default in payment from the Lessee(s) under the Principal Lease Agreements for all the Lease Properties.

(iii) 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.

Notwithstanding the above, Al-`Aqar will also continue to be exposed to risk of operating a real estate investment trust some of which include but not limited to fluctuation in the future market value of its properties and Al-`Aqar's ability to pay distributions may be adversely affected by the adverse interest rate fluctuation from its Islamic financing.

5. INDUSTRY OUTLOOK, PROSPECTS AND FUTURE PLAN

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy further expanded in the first quarter of 2023 (5.6%; 4Q 2022: 7.1%; 1Q 2011 - 4Q 2019 average: 5.1%), driven mainly by domestic demand. Further improvement in the labour market, with strong growth in employment and continued expansion in wages, have supported private consumption spending. Meanwhile, investment activity was underpinned by capacity expansion and continued implementation of multi-year projects. Inbound tourism continued to recover, lifting services exports and partially offsetting the slower goods export growth. On the supply side, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (4Q 2022: -1.7%).

Headline inflation during the quarter trended lower to 3.6% (4Q 2022: 3.9%). This was due mainly to the moderation in core inflation and lower RON97 price. The decline in core inflation (1Q 2023: 3.9%; 4Q 2022: 4.2%) was largely contributed by selected services. These include telephone and telefax service, food away from home, and personal transport repair and maintenance. Even as cost pressures, particularly global commodity prices, continued to ease, core inflation remained elevated during the quarter amid continued strength in demand. Price pressures remained pervasive. The share of Consumer Price Index (CPI) items recording monthly price increases rose to 56.0% during the quarter (4Q 2022: 51.2%). This in part reflected price adjustments by firms typically done at the beginning of the year (1Q average from 2011 - 2019: 52.2%; Overall average from 2011 - 2019: 45.6%), as well as continued price increases for some food-related items.

Domestic financial conditions remained broadly stable despite uncertainties surrounding the global economic outlook. Financial market expectations for US monetary policy were affected by evolving concerns over the US economy. These include the pace of disinflation and sustainability of its economic momentum. By the end of the quarter, risks from banking sector stress in the US and Europe weighed further on these expectations. As a result, the US dollar broadly depreciated amid shifting sentiments surrounding these developments, reversing its appreciation gains during first half of the quarter.

Against this backdrop, the ringgit continued to exhibit two-way movements with an overall marginal appreciation of 0.1% against the US dollar during the quarter. Moving forward, Bank Negara Malaysia will continue to closely monitor the global and domestic financial conditions while ensuring orderly financial market adjustments.

Credit to the private non-financial sector expanded by 4.2% (4Q 2022: 4.7%). This was accounted mainly by slower growth in outstanding loans (1Q 2023: 4.7%; 4Q 2022: 5.7%) and outstanding corporate bonds (1Q 2023: 4.4%, 4Q 2022: 4.6%). Outstanding business loans grew by 2.4%, following slower growth in working capital loans. Nonetheless, investment-related loans remained forthcoming, especially in the SME segment. For households, outstanding loan growth expanded by 5.2%. This was supported by sustained growth in outstanding loans for the purchase of big-ticket items, with higher growth recorded particularly for car purchases.

Despite global headwinds, the Malaysian economy is projected to expand by 4.0% to 5.0% in 2023, driven by firm domestic demand. Improving employment and income as well as continued implementation of multi-year projects would support consumption and investment activity. Moreover, higher inbound tourism activity would lift high-touch services industries. Governor Tan Sri Nor Shamsiah Mohd Yunus said, "Risks to Malaysia's growth outlook are relatively balanced. Upside risks stem mainly from domestic factors. These include stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks could emanate from lower exports due to weaker-than-expected global growth and more volatile global financial market conditions."

Headline and core inflation are expected to moderate but would remain above historical average in 2023. The moderation reflects lower global cost factors amid easing supply chain disruptions and lower commodity prices. However, core inflation will remain at elevated levels amid firm demand conditions. Existing price controls and fuel subsidies will continue to partly contain the extent of upward inflationary pressures. The balance of risk to the inflation outlook is tilted to the upside and remains highly subject to any changes in domestic policy, financial market developments and global commodity prices.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2023, Bank Negara Malaysia)

5.2 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, 2019), 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)

5.3 Prospects of the Properties and future plan

Save for Kedah Medical Centre Sdn Bhd (which is an associated company of KPJ), the Lessee(s) are wholly-owned subsidiaries of KPJ, a reputable healthcare service provider. Malaysia transitioning into endemicity and reopening of its international borders has contributed positively to the performance of the KPJ Group. The KPJ Group has seen a resurgence in overall healthcare services throughout its network of hospitals and the current year results has exceeded its pre-pandemic performance.

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

6. EFFECTS OF THE PROPOSED LEASE RENEWAL

6.1 Unit capital and substantial unitholder's unitholdings

The Proposed Lease Renewal will not have any effect on the unit capital as well as substantial unitholders' unitholdings in Al-`Aqar as the Proposed Lease Renewal does not involve issuance of Units.

6.2 NAV, NAV per unit and gearing

Based on Al-`Aqar's audited statement of financial position as at 31 December 2022 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no material impact on the NAV per Unit and gearing of Al-`Aqar.

6.3 Earnings and EPU

The proforma effects of the Proposed Lease Renewal on the earnings and EPU of Al-`Aqar assuming that the Proposed Lease Renewal had been effected at the beginning of the FYE 31 December 2022 are as follows:-

	(RM'000)
Audited PAT	60,139
Less: Reduction in rental income [(1)]	(188)
Less: Estimated expenses (one-off)	[(2)] (740)
Pro forma PAT	**59,211**
Weighted average number of Units in issue	736,093,745
Existing basic EPU (sen) [(3)]	8.17
Proforma basic EPU (sen) [(3)]	
- including estimated expenses	8.04
- excluding estimated expenses	8.14

Notes:

[(1)] *Calculated based on the difference between the rental income for Year 1 and the rental income for the FYE 31 December 2022*

[(2)] *Comprising professional fees and other fees such as printing, advertising and cost of convening the EGM*

[(3)] *Calculated based on pro forma PAT divided by weighted average number of Units in issue*

Notwithstanding the reduction in the EPU as illustrated above, Al-`Aqar will benefit from the subsequent 2% incremental increase of the preceding year's rental rate in accordance with the terms and conditions of the Lease Agreements.

7. APPROVALS REQUIRED

The Proposed Lease Renewal is subject to the approvals to be obtained from the following:

(i) the approval of the Unitholders for the Proposed Lease Renewal at the forthcoming EGM to be convened; and

(ii) the approval of the shareholders of KPJ at the forthcoming EGM to be convened for the Proposed Lease Renewal and in respect of KMC, the approval of the shareholders of Kedah Medical Centre Sdn Bhd.

The Proposed Lease Renewal is not conditional upon any other corporate exercise which has been announced but not yet completed and/or any other corporate exercise by Al-`Aqar. For the avoidance of doubt, the renewal of the respective Lease Agreement is not conditional upon one another.

8. CORPORATE EXERCISES/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Lease Renewal 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.

9. 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 Proposed Lease Renewal.

9.1 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) KPJ is a Major Unitholder of Al-`Aqar having a direct interest of 2.44% and an indirect interest of 32.05% in Al-`Aqar;

(ii) JCorp is a Major Unitholder of Al-`Aqar having an indirect interest of 38.47% in Al-`Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.51% and 9.48% 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, 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 Lease Renewal 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 Lease Renewal to be tabled at the EGM of Al-`Aqar.

9.2 Interested Directors of the Manager

Dato' Haji Mohd Redza Shah Bin Abdul Wahid ("**Dato' Redza**") is deemed interested in the Proposed Lease Renewal by virtue of him being a Director of the Manager and also a Director of KPJ.

Dato' Salehuddin Bin Hassan ("**Dato' Salehuddin**") is deemed interested in the Proposed Lease Renewal by virtue of him being a Director of the Manager and also the Director of JCorp. Shamsul Anuar Bin Abdul Majid ("**Encik Shamsul Anuar**"), Datuk Sr. Akmal Bin Ahmad ("**Datuk Sr Akmal**") and Ng Yan Chuan ("**Mr Ng**") are deemed interested in the Proposed Lease Renewal by virtue of them being the Directors of the Manager nominated by JCorp and persons being part of the senior management of JCorp Group.

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

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the resolution pertaining to the Proposed Lease Renewal at the relevant Board meetings of DRMSB and at the forthcoming EGM.

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 resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-`Aqar.

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

10. STATEMENT BY THE BOARD

The Board of DRMSB (save for the Interested Directors), having considered all aspects of the Proposed Lease Renewal, including but not limited to the salient terms of the Lease Agreements, basis and justification in arriving at the rental rate, rationale for the Proposed Lease Renewal, the evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposed Lease Renewal is in the best interest of Al-`Aqar and its Unitholders.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposed Lease Renewal at the forthcoming EGM.

11. STATEMENT BY THE BOARD OF AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee of DRMSB, having considered all aspects of the Proposed Lease Renewal, including but not limited to the salient terms of the Lease Agreements, basis and justification in arriving at the rental rate, rationale for the Proposed Lease Renewal, the evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposed Lease Renewal 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.

12. INDEPENDENT ADVISER

The Proposed Lease Renewal is deemed as a related party transaction pursuant to the Listing Requirements. In view of the interest of the interested parties in the Proposed Lease Renewal, the Board had, on 7 June 2023, appointed the Independent Adviser to undertake the following:

(i) comment as to whether the Proposed Lease Renewal is:

  (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 Lease Renewal, and whether the non-interested unitholders of Al-`Aqar should vote in favour of the Proposed Lease Renewal; 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 independent advice letter as set out in Part B of this Circular.

13. RELATED PARTY TRANSACTIONS FOR THE PAST 12 MONTHS

Save as disclosed in the audited consolidated financial statements of Al-`Aqar for the FYE 31 December 2022 and as disclosed in the table below, there were no transactions entered into between:

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

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

No.	Proposal
(a)	The Memorandums of Extension and the Supplemental Memorandums of Extension, as set out in Section 2.1 of the Circular.
(b)	Renewal of unitholders' mandate for the RRPT. The RRPT was approved by Al-`Aqar's unitholders in its annual general meeting held on 18 April 2023.
(c)	Acquisition of the following properties: (A) a building known as TMC Health Centre ("**TMC New Building**") from Penang Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ, for a total cash consideration of RM14,300,000 and 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, for a total cash consideration of RM84,700,000 and 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, for a total consideration of RM93,000,000 and lease of the Pasir Gudang Property. (Collectively, "**Acquisitions and Leases**") The Acquisitions and Leases were approved by both Al-`Aqar's unitholders and KPJ's shareholders at their EGM held on 13 December 2022 and 12 December 2022 respectively. The lease agreements in relation to the Acquisitions and Leases commenced on 23 December 2022.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the fulfilment of all Conditions including the required approvals being obtained, the Proposed Lease Renewal is expected to be completed on or before 1 October 2023.

The tentative timetable in relation to the completion of the Proposed Lease Renewal is as follows:

Tentative Date	Events
25 August 2023	- EGM for the Proposed Lease Renewal
1 October 2023	- Commencement of the Lease Agreements
	- Completion of the Proposed Lease Renewal

15. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Lease Renewal pursuant to Paragraph 10.02(g)(ix) of the Listing Requirements is 10.88%, based on total rental income for 15 years for KPJ Perdana, KPJ Kajang and KMC and 3 years for KPJ Sentosa and Kuantan CWC (assuming 2% increase per annum) compared with the total asset value of Al-`Aqar.

16. EGM

The EGM (the notice of which is enclosed in this Circular) will be held physically at Ballroom 2, Level 2, Pullman Kuala Lumpur Bangsar, 1, Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur on Friday, 25 August 2023 at 10:00 a.m. for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposed Lease Renewal.

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 the registered office of the Manager at Level 14 Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, not less than 48 hours before the time appointed for holding the EGM. The last day and time for lodging the Proxy Form is on Wednesday, 23 August 2023 at 10:00 a.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.

17. 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 BHD
(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 LEASE RENEWAL

EXECUTIVE SUMMARY

All the definitions used in this executive summary shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

All references to "you" and "your" are to the non-interested unitholders of Al-`Aqar, whilst references to "we", "us" and "our" are to ZICO Capital, being the Independent Adviser for the Proposed Lease Renewal.

This executive summary highlights the salient information of the Proposed Lease Renewal. Unitholders of Al-`Aqar are advised to read and understand this IAL in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information, and are not to rely solely on the executive summary before forming an opinion on the Proposed Lease Renewal. You are also advised to consider carefully the recommendation contained herein before voting on the relevant resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-`Aqar.

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

1. INTRODUCTION

On 27 June 2023, on behalf of the Board, KAF IB announced that DRMSB and ART on behalf of the REIT proposes to enter into five (5) separate lease agreements with the Lessees to renew the lease of the Lease Properties for a further period of three (3) to 15 years.

The parties had executed the Lease Agreements in escrow and agreed that the Lease Agreements are to be dated upon fulfilment of the conditions of the Lease Agreements as set out under Section 2.4 of Part A of the Circular.

The purpose of this IAL is to provide the non-interested unitholders of Al-`Aqar with an independent opinion as to whether the Proposed Lease Renewal is fair and reasonable and whether or not the terms and conditions of the Proposed Lease Renewal are detriment to the non-interested unitholders of Al-`Aqar.

Please refer to Sections 1 and 2 of Part A of the Circular for details on the Proposed Lease Renewal.

2. OUR EVALUATION OF THE PROPOSED LEASE RENEWAL

In evaluating the Proposed Lease Renewal, we have taken into consideration the following factors:

Section in this IAL	Area of evaluation	Comments
Section 6.1	Rationale for the Proposed Lease Renewal	The Proposed Lease Renewal will enable Al-`Aqar to continue leasing the Lease Properties to KPJ Group, one of the main private hospital operators in Malaysia. As such, the Proposed Lease Renewal will provide a stable and sustainable income to Al-`Aqar for up to 15 years, allowing Al-`Aqar to meet its financial obligations and dividend distributions to its unitholders.

Section in this IAL	Area of evaluation	Comments
		Based on the financial result of Al-`Aqar for the FYE 31 December 2022, KPJ Group is the sole contributor to its revenue stream. The Lease Properties contributed approximately 12.89% of Al-`Aqar's total revenue for FYE 31 December 2022. In the event that the lease agreements of the Lease Properties are not renewed, Al-`Aqar will be exposed to the risk of losing a portion of its rental income.  Based on the above, we are of the view that the rationale for the Proposed Lease Renewal is **reasonable** and **not detrimental** to the non-interested unitholders of Al-`Aqar as the leasing of the Properties to the KPJ Group will allow Al-`Aqar to receive a long-term stable lease income and eventually to distribute dividends to its unitholders
Section 6.2	Evaluation of the basis and justification of arriving at the rental rate	The rental rate was arrived at based on negotiation between the parties. The new rental amount for the first year has been derived by multiplying the agreed rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC with the respective market value of the Lease Properties. We are of the view that the bases and justifications of arriving at the agreed rental rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC are **fair and reasonable** after taking into account the above analyses as a whole and the following factors: (i) the rental rates of 6.00% and 6.25% is within the range of the NPI for real estate investment trusts listed on Bursa Securities which ranged from 2.20% to 8.40% in year 2022 as set out in Section 2.5 (i) of Part A of the Circular; (ii) the rental rate of 6.00% for KPJ Sentosa and Kuantan CWC is within the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts while the rental rate of 6.25% for KMC, KPJ Perdana and KPJ Kajang is favourably above the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts as set out in Section 2.5 (ii) of Part A of the Circular; (iii) the usage of Open Market Value to determine the rental for the Lease Properties. The potential appreciation of the Open Market Value will result in an increment of rent to be paid by the Lessees. In the event that the open market values of the Lease Properties decrease to values that are unfavourable to Al-`Aqar, it will not be detrimental to non-interested unitholders of Al-`Aqar as the rent will be subject to a minimum Base Rent as detailed in item (3) of Section 6.3 of this IAL;

Section in this IAL	**Area of evaluation**	**Comments**
		(iv) the uncertainties in the current state of the Malaysian economy such as the weakening ringgit which resulted in imported inflation and its impact on purchasing power of households and businesses in the local property market; and (v) the current interest rate environment. For information, the Overnight Policy Rate is at 3.00% as at the LPD.
Section 6.3	Salient terms of the Lease Agreements	The salient terms of the Lease Agreements are **reasonable** and **not detrimental** to the non-interested unitholders of Al-`Aqar.
Section 6.4	Risk factors in relation to the Proposed Lease Renewal	We take cognisance of the risk factors pertaining to the Proposed Lease Renewal as set out in Section 4 of Part A of the Circular. We wish to highlight that although measures will be taken by the Board and the management of Al-`Aqar to limit/mitigate the risks highlighted herein, no assurance can be given that the risk factors will not occur and give rise to material and adverse impact on the operation and business of Al-`Aqar, its competitiveness, financial positions and/or Al-`Aqar's prospects thereon.  In evaluating the Proposed Lease Renewal, non-interested unitholders of Al-`Aqar should carefully consider the said risk factors prior to voting on the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM.
Section 6.5	Effects of the Proposed Lease Renewal	The Proposed Lease Renewal will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Al-`Aqar as the Proposed Lease Renewal does not involve the issuance of any new units in Al-`Aqar. Based on Al-`Aqar's consolidated audited statement of financial position as at 31 December 2022 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no impact on the consolidated NAV per unit and gearing of Al-`Aqar. We note that Al-`Aqar has completed a private placement exercise on 20 April 2023 of which entail the issuance of 83.11 million placement units at issue price of RM1.20 per unit on the Main Market of Bursa Securities ("**Private Placement Exercise**"). The proceeds from the Private Placement Exercise will be used for repayment of bank financing. Al-`Aqar will be able to benefit from the interest saving arising from the repayment of bank financing, which will improve Al-`Aqar's profitability.

Section in this IAL	Area of evaluation	Comments
		Furthermore, Al-`Aqar will also benefit from the subsequent 2% incremental increase of the preceding year's rental rate in accordance with the terms and conditions of the Lease Agreements. Based on the above, we are of the view that the financial effects of the Proposed Lease Renewal are **not detrimental** to the interest of the non-interested unitholders of Al-`Aqar.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Lease renewal and have set our evaluation in Section 6 of this IAL. The non-interested unitholders of Al-`Aqar should carefully consider the merits and demerits of the Proposed Lease Renewal based on all relevant and pertinent factors including those set out above and other considerations as set out in this IAL, the Circular and appendices.

Based on our assessment and evaluation, we are of the opinion that the Proposed Lease Renewal is **fair** and **reasonable**, based on arm's length terms and are **not detrimental** to the non-interested unitholders of Al-`Aqar.

Accordingly, we recommend that the non-interested unitholders of Al-`Aqar **vote in favour** of the resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-`Aqar.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the unitholders of Al-`Aqar as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profile and particular need of any individual unitholder or any specific groups of unitholders of Al-`Aqar.

ZICO | capital

Registered Office:

Level 13A-6, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

Place of Business:

Level 13A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

8 August 2023

To: The non-interested unitholders of Al-`Aqar Healthcare REIT

Dear Sir/Madam,

AL-`AQAR HEALTHCARE REIT ("AL-`AQAR" OR "REIT")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED UNITHOLDERS OF AL-`AQAR IN RELATION TO THE PROPOSED LEASE RENEWAL

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*This IAL is prepared for the inclusion in the circular to the unitholders of Al-`Aqar dated 8 August 2023 ("**Circular**") in relation to the Proposed Lease Renewal. All the definitions used in this IAL shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the content otherwise requires or where otherwise defined herein.*

1. INTRODUCTION

On 27 June 2023, on behalf of the Board, KAF IB announced that DRMSB and ART on behalf of the REIT proposes to enter into five (5) separate lease agreements with the Lessees to renew the lease of the Lease Properties for a further period of three (3) to 15 years.

The parties had executed the Lease Agreements in escrow and agreed that the Lease Agreements are to be dated upon fulfilment of the conditions of the Lease Agreements as set out under Section 2.4 of Part A of the Circular.

By virtue of the interests of the Interested Directors and Interested Major Unitholders, who are deemed interested in the Proposed Lease Renewal as detailed out in Section 9 of Part A of the Circular, the Proposed Lease Renewal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, your Board had on 7 June 2023 appointed ZICO Capital to act as the independent adviser ("**IA**") to advise the non-interested directors and non-interested unitholders of Al-`Aqar in respect of the Proposed Lease Renewal.

The purpose of this IAL is to provide the non-interested unitholders of Al-`Aqar with an independent evaluation on the fairness and reasonableness of the Proposed Lease Renewal and whether or not the terms and conditions of the Proposed Lease Renewal are detrimental to the non-interested unitholders of Al-`Aqar together with our recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposed Lease Renewal.

The non-interested unitholders of Al-`Aqar should nonetheless also perform their own evaluation on the merits of the Proposed Lease Renewal before making a decision on the course of action to be taken.

This IAL is prepared solely for the use of the non-interested unitholders of Al-`Aqar for the purpose of considering the Proposed Lease Renewal and should not be used or relied upon by any other party for any other purpose whatsoever.

NON-INTERESTED UNITHOLDERS OF AL-`AQAR ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED LEASE RENEWAL TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED LEASE RENEWAL

The full details of the Proposed Lease Renewal are set out in Sections 1 and 2 of Part A of the Circular, which should be read in its entirety by the non-interested unitholders of Al-`Aqar.

3. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED LEASE RENEWAL

We were not involved in the formulation or negotiations of the terms and conditions of the Proposed Lease Renewal nor were we involved in the deliberations leading up to the decision by your Board in respect of the Proposed Lease Renewal. The terms of reference of our appointment as the IA to the non-interested unitholders of Al-`Aqar in relation to the Proposed Lease Renewal are in accordance with the requirements set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the IA is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Lease Renewal and whether the Proposed Lease Renewal is detrimental to you, together with our recommendation on whether you should vote in favour of the resolution pertaining to the Proposed Lease Renewal, based on the information and documents requested and provided to us or which are available to us, including the following:

(i) the information contained in Part A of the Circular and the appendices attached thereto;

(ii) information furnished to us (both orally and in writing) as well as discussions with the Board and management of Al-`Aqar;

(iii) the Lease Agreements;

(iv) Valuation Reports and valuation certificate prepared by CBRE WTW; and

(v) other relevant publicly available information.

We have relied on the Board and management of the Manager, the Trustee and Al-`Aqar to exercise due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposed Lease Renewal are accurate, valid and complete in all material aspects. After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of ZICO Capital) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omission of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposed Lease Renewal and therefore, are of general concern to you. Notwithstanding the following:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Lease Renewal; and

(ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual unitholder or any specific group of unitholders. We recommend that any of you who require specific advice in relation to the Proposed Lease Renewal in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the equity capital market, economic, industry, regulatory and other prevailing conditions and the information/documents made available to us as at the LPD. It is also based on the assumption that the parties to the Lease Agreements are able to fulfil their respective obligations in accordance with the terms and conditions of the Lease Agreements.

We shall notify the non-interested unitholders if, after the despatch of this IAL, we become aware of the following:

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

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

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

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

We confirm that there is no situation of conflict of interest or potential conflict of interest situation arising from us carrying out our role as the IA for the Proposed Lease Renewal.

We are a corporate finance advisory firm licensed by the SC to carry on the regulated activity of advising on corporate finance under the CMSA. We have not assumed the role as an Independent Adviser for other corporate exercises since the last two (2) years. Notwithstanding this, our team members have adequate experience in undertaking independent advisory for related party transactions in accordance with Paragraph 10.08 of the Main Market Listing Requirements ("**RPT Transactions**") and have been involved in independent advisory for RPT Transactions within the past two (2) years.

Premised on the above, we confirm that we are capable and competent to carry out the role and responsibilities as the IA to advise the non-interested directors and non-interested unitholders of Al-`Aqar in relation to the Proposed Lease Renewal.

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

We note from Section 9 of Part A of the Circular that, saved as disclosed below, none of the Directors, major unitholders of the REIT and/or persons connected to them have any interest, either direct or indirect, in the Proposed Lease Renewal:

5.1 Interested Major Unitholders' interest 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) KPJ is a Major Unitholder of Al-`Aqar having a direct interest of 2.44% and an indirect interest of 32.05% in Al-`Aqar;

(ii) JCorp is a Major Unitholder of Al-`Aqar having an indirect interest of 38.47% in Al-`Aqar and it is also a major shareholder of KPJ, having a direct and indirect interest of 35.51% and 9.48% 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, the Interested Major Unitholders shall abstain from voting in respect of their direct and indirect unitholdings in Al-`Aqar pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM. In addition, the Interested Major Unitholders will ensure that persons connected to them, if any, shall abstain from voting in respect of their direct and indirect unitholdings in Al-`Aqar on the resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM.

5.2 Interested Directors of the Manager

Dato' Redza is deemed interested in the Proposed Lease Renewal by virtue of him being a Director of the Manager and also a Director of KPJ.

Dato' Salehuddin is deemed interested in the Proposed Lease Renewal by virtue of him being a Director of the Manager and also the Director of JCorp. Datuk Sr Akmal, Encik Shamsul Anuar and Mr Ng are deemed interested in the Proposed Lease Renewal by virtue of them being the Directors of the Manager nominated by JCorp and persons being part of the senior management of JCorp Group.

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

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the resolution pertaining to the Proposed Lease Renewal at the relevant Board meetings of DRMSB and at the forthcoming EGM of Al-`Aqar.

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 resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-`Aqar.

The Interested Directors do not hold any Units in Al-`Aqar as at the LPD.

6. OUR EVALUATION OF THE PROPOSED LEASE RENEWAL

In evaluating the Proposed Lease Renewal, we have taken into consideration the following factors:

	Factors	Details in this IAL
(i)	Rationale for the Proposed Lease Renewal	Section 6.1
(ii)	Evaluation of the basis and justification of arriving at the rental rate	Section 6.2
(iii)	Salient terms of the Lease Agreements	Section 6.3
(iv)	Risk factors relating to the Proposed Lease Renewal	Section 6.4
(v)	Effects of the Proposed Lease Renewal	Section 6.5

6.1 Rationale for the Proposed Lease Renewal

We take note of the rationale for the Proposed Lease Renewal as set out in Section 3 of Part A of the Circular.

The Proposed Lease Renewal will enable Al-`Aqar to continue leasing the Lease Properties to KPJ Group, one of the main private hospital operators in Malaysia. As such, the Proposed Lease Renewal will provide a stable and sustainable income to Al-`Aqar for up to 15 years, allowing Al-`Aqar to meet its financial obligations and dividend distributions to its unitholders. Furthermore, Al-`Aqar will be able to benefit from the subsequent 2% incremental increase of the preceding year's rental income in accordance with the terms and conditions of the Lease Agreements.

Based on the financial result of Al-`Aqar for the financial year ended ("**FYE**") 31 December 2022, KPJ Group is the sole contributor to its revenue stream. The Lease Properties contributed approximately 12.89% of Al-`Aqar's total revenue for FYE 31 December 2022. In the event that the lease agreements of the Lease Properties are not renewed, Al-`Aqar will be exposed to the risk of losing a portion of its rental income. In addition to the above, it will be challenging for Al-`Aqar to identify new ready lessees/tenants given that the Lease Properties are specialised assets.

We also note that it is the investment objective of Al-`Aqar to provide unitholders with stable distribution per unit with the potential for sustainable long-term growth of such distributions and the net asset value per unit.

(Source: Al-`Aqar Annual Report 2022)

Based on the above, we are of the view that the rationale for the Proposed Lease Renewal is **reasonable** and **not detrimental** to the non-interested unitholders of Al-`Aqar as the leasing of the Properties to the KPJ Group will allow Al-`Aqar to receive a long-term stable lease income and eventually to distribute dividends to its unitholders.

6.2 Evaluation of the basis and justification of arriving at the rental rates

As set out Section 2.4 of Part A of the Circular, the rental rate was arrived at based on negotiation between the parties. The new rental amount for the first year has been derived by multiplying the agreed rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC with the respective market value of the Lease Properties. The total rental for the first year of the renewed Contractual Term will amount to RM14.07 million (existing rental amount: RM14.26 million). The new rental amount is a slight reduction of RM0.19 million or 1.33% as compared to the existing rent.

The agreed rates of 6.25% and 6.00% for the Proposed Lease Renewal was arrived at after taking into consideration the following:

(i) the performance of the Malaysian real estate investment trusts. The NPI for real estate investment trusts listed on Bursa Securities ranges from 2.2% to 8.4% in year 2022 as set out in Section 2.5 (i) of Part A of the Circular;

(ii) the NPI of similar type of properties acquired by Malaysian real estate investment trusts recently, which ranges from 5.75% to 6.22% as set out in Section 2.5 (ii) of Part A of the Circular;

(iii) the current interest rate environment. For information, the Overnight Policy Rate is at 3.00% as at the LPD;

(iv) Al-`Aqar's capital structure and potential appreciation of the open market value of the Lease Properties; and

(v) Al-`Aqar financial obligations and dividend policy to its unitholders.

The details of the Lease Properties are disclosed in Section 2.3 of Part A of the Circular. We note that in arriving at the market value of the Properties, the Valuer has adopted Income Approach by Profits Method (Discounted Cash Flow ("**DCF**")) as the primary valuation methodology and Cost Approach as a check. The description of the valuation methodologies used by the Valuer are as follows:

Valuation method	Description
Income Approach by Profits Method (DCF)	This method involves estimating the potential income that the property can generate when operated as a business. The Valuer first calculated the gross annual income by considering rental income and other revenue sources. Then, they deduct the expenses associated with running the business and maintaining the property. Next, a margin of profit were added to account for the business aspect of the property. This margin represents the return expected from operating the property. By subtracting the expenses and adding the profit margin, the Valuer arrived at the net annual income.

Valuation method	Description
	The net income is then capitalized using a suitable rate of return, which reflects the type and quality of the investment and the associated risk. This capitalisation rate is derived from market data and represents the return that investors would expect. Finally, the capitalised net income were divided by the capitalisation rate to determine the market value of the property, which represents the present worth of its future income stream. The accuracy of the valuation depends on the accuracy of income and expense estimates and the appropriateness of the capitalisation rate used. The Income Approach is commonly used for commercial and investment properties where income generation is a key factor in determining value.
Cost Approach	This method involves assessing the value of the land and buildings separately to determine the market value of the property. First, the Valuer determined the value of the land by comparing it to similar land transactions in the surrounding area, considering factors like location, size, and land use. Adjustments are made for any differences. Next, the Valuer assessed the value of the buildings by calculating the cost of replacing them and adjusting for depreciation or obsolescence based on their current condition. Finally, the land value and the building value were added together to arrive at the market value of the property.

The summary of the total market value of the Properties as disclosed in the valuation certificate is as follows:

No.	Property	Market Value RM'000
(1)	KMC	70,000
(2)	KPJ Perdana	45,000
(3)	KPJ Kajang	65,000
(4)	KPJ Sentosa	30,000
(5)	Kuantan CWC	17,000
	TOTAL	**227,000**

6.2.1 Income Approach by Profits Method (DCF)

The Income Approach by Profits Method (DCF) entails the estimation of future annual cash flows over a five (5)-year investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and the Lease Properties are sold at the commencement of the terminal year of the cash flow. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the Lease Properties.

The following parameters were adopted by the Valuer in undertaking its assessment:

(i) KMC

a) Projected bed occupancy rate

The projected bed occupancy rates adopted by the Valuer are as follows:

Year	2023	2024	2025	2026	2027
Occupancy rate (%)	54.00	58.00	62.00	65.00	65.00

The occupancy rate for 2018, 2019 and 2022 were 54.00%, 55.00% and 49.00% respectively. The occupancy rates for 2020 and 2021 were low at 31.00% and 30.00% respectively due to the impact of COVID-19 pandemic.

We note that a higher projected occupancy rates were adopted for KMC *vis-a-vis* its historical occupancy rates after taking into consideration the location of KMC at the town centre of Alor Setar with great accessibility along the main road of Jalan Anak Bukit which is connected to Lebuhraya Darul Aman and partly due to development of residential area within the same locality, namely D'aman Residence. In addition to the above, KMC also offered a variety of more than 20 medical services including laparoscopic surgery, anaesthesiologist, cardiologist, hepatopancreatobiliary, neuro behaviour, obstetrician and gynaecologist, orthopaedic trauma and plastic surgery with competitive rates as compared to other private medical centres in Alor Setar.

(*Source: Valuation report for KMC dated 22 May 2023 by the Valuer*)

Based on the above, we are of the opinion that the projected occupancy rates are fair.

b) Gross operating revenue

The projected revenue consists of hospital revenue, consultant revenue and other income (clinic rental, rental received and sundry income).

The Valuer has taken into consideration the revenue trend for the past five (5) years from 2018 to 2022 and excluded years 2020 and 2021 which were impacted by COVID-19 pandemic to project the revenue for years 2023 to 2027.

Taking into consideration the historical performance, the Valuer has apportioned the projected revenue based on historical five (5)-year trend of 94% for hospital revenue, 5% for consultant revenue and 1% for other income. For further details on the historical and forecasted gross operating revenue, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected gross operating revenue is fair.

c) Cost of sale

The cost of sale consists of material cost, direct staff cost and operating overhead.

We note that the Valuer has adopted 30%, 25% and 6% of the gross operating revenue for material cost, direct staff cost and operating overhead respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected cost of sale is fair.

d) Administrative expenses

The administrative expenses consist of indirect staff cost, administrative overhead and management fees.

We note that the Valuer has adopted 5%, 15% and 2% of the gross operating revenue for indirect staff cost, administrative overhead and management fees respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected administrative expenses is fair.

e) Fixed charges and related expenses

The Valuer has adopted the actual quit rent and assessment and insurance premium for the hospital for the year 2022.

f) Tenant share

Tenant share refers to the portion of the profit generated by a hospital that is allocated to the operator or the entity responsible for managing and running the hospital's operations. In the context of hospitals, this share represents the amount of profit or income that is retained by the operator after deducting various expenses and costs associated with the hospital's operation. This share reflects the operator's compensation for their role in managing the hospital and assumes the associated risks and responsibilities.

The Valuer has adopted 40% tenant share, which is reasonable as it is consistent with the market practice for hospital industry.

g) **Capitalisation rate**

The Valuer adopted a capitalisation rate of 6.75% after taking into consideration the location of the subject property, the gross/net yield ranges of recent transactions of similar properties ranges from 5.75% to 6.22% as well as the net yield of selected commercial buildings in Kedah owned by other REITs in Malaysia as set out below:

REIT	**Property**	**Yield (%)**
Hektar Real Estate Investment Trust	Central Square	5.00
	Kulim Central	8.00
Axis Real Estate Investment Trust	Axis Hypermarket	5.00

Based on the above, we are of the opinion that the applied capitalisation rate of 6.75% is fair.

h) **Discount rate**

The discount rate used in the valuation is derived by considering the risk-free interest rate as a baseline and incorporating an additional risk premium specific to the hospital industry. This approach accounts for the unique risks associated with investments in this particular sector.

The Valuer have made reference to the 10-year Malaysian Government Securities ("**MGS**") yield as at 1 March 2023 ("**Valuation Date**") and added a risk premium within a range of 5% to 7% in view of the greater investment risk in the hospital industry as compared to the normal investment in government bonds. The Valuer have also made reference to yields of different classes of REITs as disclosed in (g) above to arrive at the discount rate. After taking into account the aforementioned, the location and the tenure of the subject property, the discount rate adopted by the Valuer is 8.50%.

Based on the above, we are of the view that the applied discount rate of 8.50% is fair.

(ii) KPJ Perdana

a) **Occupancy rate**

The projected bed occupancy rates adopted by the Valuer are as follows:

Year	**2023**	**2024**	**2025**	**2026**	**2027**
Occupancy rate (%)	68.00	68.00	69.00	71.00	73.00

The occupancy rate for 2018, 2019 and 2022 were 70.00%, 73.00% and 71.00% respectively. The occupancy rates for 2020 and 2021 were low at 57.00% and 50.00% respectively due to the impact of COVID-19 pandemic.

Based on the above, we are of the opinion that the projected occupancy rates are fair as they are within the range of the historical occupancy rates.

b) **Gross operating revenue**

The projected revenue consists of hospital revenue, consultant revenue and other income (clinic rental, rental received and sundry income).

The Valuer has taken into consideration the revenue trend for the past five (5) years from 2018 to 2022 and excluded years 2020 and 2021 which were impacted by COVID-19 pandemic to project the revenue for years 2023 to 2027.

Taking into consideration the historical performance, the Valuer has apportioned the projected revenue based on historical five (5)-year trend of 95.0% for hospital revenue, 3.5% for consultant revenue and 1.5% for other income. For further details on the historical and forecasted gross operating revenue, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected gross operating revenue is fair.

c) Cost of sale

The cost of sale consists of material cost, direct staff cost and operating overhead.

We note that the Valuer has adopted 28%, 24% and 10% of the gross operating revenue for material cost, direct staff cost and operating overhead respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected cost of sale is fair.

d) Administrative expenses

The administrative expenses consist of indirect staff cost, administrative overhead and management fees.

We note that the Valuer has adopted 7%, 9% and 2% of the gross operating revenue for indirect staff cost, administrative overhead and management fees respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected administrative expenses is fair.

e) Fixed charges and related expenses

The Valuer has adopted the actual quit rent and assessment and insurance premium for the hospital for the year 2022.

f) Tenant share

Tenant share refers to the portion of the profit generated by a hospital that is allocated to the operator or the entity responsible for managing and running the hospital's operations. In the context of hospitals, this share represents the amount of profit or income that is retained by the operator after deducting various expenses and costs associated with the hospital's operation. This share reflects the operator's compensation for their role in managing the hospital and assumes the associated risks and responsibilities.

The Valuer has adopted 40% tenant share, which is reasonable as it is consistent with the market practice for hospital industry.

g) Capitalisation rate

The Valuer adopted a capitalisation rate of 7.00% after taking into consideration the location and tenure of the subject property, the gross/net yield ranges of recent transactions of similar properties ranges from 5.75% to 6.22% as well as the net yield of selected commercial buildings within east coast owned by other REITs in Malaysia as set out below:

REIT	Property	Yield (%)
Capitaland Malaysia Trust	East Coast Mall	7.46
Al-Salam Real Estate Investment Trust	Mydin Hypermarket Gong Badak	6.66

Based on the above, we are of the opinion that the applied capitalisation rate of 7.00% is fair.

h) Discount rate

The discount rate used in the valuation is derived by considering the risk-free interest rate as a baseline and incorporating an additional risk premium specific to the hospital industry. This approach accounts for the unique risks associated with investments in this particular sector.

The Valuer have made reference to the 10-year MGS yield as at the Valuation Date and added a risk premium of between 5% to 7% in view of the greater investment risk in the hospital industry as compared to the normal investment in government bonds. The Valuer have also made reference to yields of different classes of REITs as disclosed in (g) above to arrive at the discount rate. After taking into account the aforementioned, the location and the tenure of the subject property, the discount rate adopted by the Valuer is 9.00%.

Based on the above, we are of the view that the applied discount rate of 9.00% is fair.

(iii) KPJ Kajang

a) Occupancy rate

The projected bed occupancy rates adopted by the Valuer are as follows:

Year	2023	2024	2025	2026	2027
Occupancy rate (%)	55.00	60.00	65.00	70.00	70.00

The occupancy rate for 2018, 2019 and 2022 were 68.00%, 73.00% and 55.00% respectively. The occupancy rates for 2020 and 2021 were low at 42.00% and 37.00% respectively due to the impact of COVID-19 pandemic.

Based on the above, we are of the opinion that the projected occupancy rates are fair as they are within the range of the historical occupancy rates.

b) Gross operating revenue

The projected revenue consists of hospital revenue, consultant revenue and other income (clinic rental, rental received and sundry income).

The Valuer has taken into consideration the revenue trend for the past five (5) years from 2018 to 2022 and excluded years 2020 and 2021 which were impacted by COVID-19 pandemic to project the revenue for years 2023 to 2027.

The Valuer has apportioned the projected revenue based on historical five (5)-year trend of 95% for hospital revenue, 4% for consultant revenue and 1% for other income. For further details on the historical and forecasted gross operating revenue, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected gross operating revenue is fair.

c) Cost of sale

The cost of sale consists of material cost, direct staff cost and operating overhead.

We note that the Valuer has adopted 28%, 23% and 12% of the gross operating revenue for material cost, direct staff cost and operating overhead respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected cost of sale is fair.

d) Administrative expenses

The administrative expenses consist of indirect staff cost, administrative overhead and management fees.

We note that the Valuer has adopted 8%, 8% and 2% of the gross operating revenue for indirect staff cost, administrative overhead and management fees respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected administrative expenses is fair.

e) Fixed charges and related expenses

The Valuer has adopted the actual quit rent and assessment and insurance premium for the hospital for the year 2022.

f) Tenant share

Tenant share refers to the portion of the profit generated by a hospital that is allocated to the operator or the entity responsible for managing and running the hospital's operations. In the context of hospitals, this share represents the amount of profit or income that is retained by the operator after deducting various expenses and costs associated with the hospital's operation. This share reflects the operator's compensation for their role in managing the hospital and assumes the associated risks and responsibilities.

The Valuer has adopted 40% tenant share, which is reasonable as it is consistent with the market practice for hospital industry.

g) Capitalisation rate

The Valuer adopted a capitalisation rate of 6.50% after taking into consideration the location of the subject property in a less established area as compared to recent transactions of similar properties, the gross/net yield ranges of the said recent transactions of similar properties ranges from 5.75% to 6.22% as well as the net yield of selected office buildings within Klang Valley owned by other REITs in Malaysia as set out below:

REIT	Property	Yield (%)
IGB Commercial Real Estate Investment Trust	Centre Point North, Mid Valley City	5.54
	Centre Point South, Mid Valley City	4.93
	Garden South Tower, Mid Valley City	4.68
	Menara Tan & Tan	5.85
	G Tower	5.43

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

h) Discount rate

The discount rate used in the valuation is derived by considering the risk-free interest rate as a baseline and incorporating an additional risk premium specific to the hospital industry. This approach accounts for the unique risks associated with investments in this particular sector.

The Valuer have made reference to the 10-year MGS yield as at the Valuation Date and added a risk premium of between 5% to 7% in view of the greater investment risk in the hospital industry. The Valuer have also made reference to yields of different classes of REITs as disclosed in (g) above to arrive at the discount rate. After taking into account the aforementioned, the location and the tenure of the subject property, the discount rate adopted by the Valuer is 8.50%.

Based on the above, we are of the view that the applied discount rate of 8.50% is fair.

(iv) KPJ Sentosa

a) Occupancy rate

The projected bed occupancy rates adopted by the Valuer are as follows:

Year	2023	2024	2025	2026	2027
Occupancy rate (%)	38.94	45.00	50.00	55.00	60.00

The occupancy rate for 2018, 2019 and 2022 were 40.49%, 44.06% and 28.94% respectively. The occupancy rates for 2020 and 2021 were low at 28.16% and 25.19% respectively due to the impact of COVID-19 pandemic.

We note that a higher projected occupancy rates was adopted for KPJ Sentosa *vis-à-vis* its historical occupancy rates after taking into consideration the additional target market from both (i) international patients (i.e. Indonesia and Bangladesh) and (ii) specific marketing approach to target domestic patients in Bentong via establishment of Information Centre.

Based on the above, we are of the opinion that the projected occupancy rates are fair as they are within the range of the historical occupancy rates.

b) Gross operating revenue

The projected revenue consists of hospital revenue, consultant revenue and other income (clinic rental, rental received and sundry income).

The Valuer has taken into consideration the revenue trend for the past five (5) years from 2018 to 2022 and excluded years 2020 and 2021 which were impacted by COVID-19 pandemic to project the revenue for years 2023 to 2027.

The Valuer has apportioned the projected revenue based on historical five (5)-year trend of 98.0% for hospital revenue, 0.5% for consultant revenue and 1.5% for other income. For further details on the historical and forecasted gross operating revenue, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected gross operating revenue is fair.

c) Cost of sale

The cost of sale consists of material cost, direct staff cost and operating overhead.

We note that the Valuer has adopted 32%, 25% and 6% of the gross operating revenue for material cost, direct staff cost and operating overhead respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected cost of sale is fair.

d) Administrative expenses

The administrative expenses consist of indirect staff cost, upkeep and maintenance, administrative overhead and retirement benefit.

We note that the Valuer has adopted 12.0%, 3.0%, 12.0% and 0.5% of the gross operating revenue for indirect staff cost, upkeep and maintenance, administrative overhead and retirement benefit respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected administrative expenses is fair.

e) Fixed charges and related expenses

The Valuer has adopted the actual quit rent and assessment and insurance premium for the hospital for the year 2022.

f) Tenant share

Tenant share refers to the portion of the profit generated by a hospital that is allocated to the operator or the entity responsible for managing and running the hospital's operations. In the context of hospitals, this share represents the amount of profit or income that is retained by the operator after deducting various expenses and costs associated with the hospital's operation. This share reflects the operator's compensation for their role in managing the hospital and assumes the associated risks and responsibilities.

The Valuer has adopted 40% tenant share, which is reasonable as it is consistent with the market practice for hospital industry.

g) Capitalisation rate

The Valuer adopted a capitalisation rate of 6.25% after taking into consideration the location of the subject property in a less established area as compared to recent transactions of similar properties, the gross/net yield ranges of the said recent transactions of similar properties ranges from 5.75% to 6.22% as well as the net yield of selected commercial buildings within Klang Valley owned by other REITs in Malaysia as set out in Section 6.2.1 (iii) (g) above.

Based on the above, we are of the opinion that the applied capitalisation rate of 6.25% is fair.

h) Discount rate

The discount rate used in the valuation is derived by considering the risk-free interest rate as a baseline and incorporating an additional risk premium specific to the hospital industry. This approach accounts for the unique risks associated with investments in this particular sector.

The Valuer have made reference to the 10-year MGS yield as at the Valuation Date and added a risk premium of between 5% to 7% in view of the greater investment risk in the hospital industry. The Valuer have also made reference to yields of different classes of REITs as disclosed in (g) above to arrive at the discount rate. After taking into account the aforementioned, the location and the tenure of the subject property, the discount rate adopted by the Valuer is 8.25%.

Based on the above, we are of the view that the applied discount rate of 8.25% is fair.

(v) Kuantan CWC

a) Gross operating revenue

The projected revenue consist of hospital revenue, consultant revenue and other income (rental received and sundry income).

The Valuer has taken into consideration the revenue trend for the past five (5) years from 2018 to 2022 and excluded years 2020 and 2021 which were impacted by COVID-19 pandemic to project the revenue for years 2023 to 2027.

The Valuer has apportioned the projected revenue based on historical five (5)-year trend of 100.13% for hospital revenue, -5.72% for consultant revenue and 5.59% for other income. For further details on the historical and forecasted gross operating revenue, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected gross operating revenue is fair.

b) Cost of sale

The cost of sale consists of material cost, direct staff cost and operating overhead.

We note that the Valuer has adopted 34.6%, 48.7% and 16.7% of the gross operating revenue for material cost, direct staff cost and operating overhead respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected cost of sale is fair.

c) Administrative expenses

The administrative expenses consist of indirect staff cost, administrative overhead and management fees.

We note that the Valuer has adopted 4.9%, 91.2% and 3.9% of the gross operating revenue for indirect staff cost, administrative overhead and management fees respectively, which have been derived based on the five (5)-year trend from 2018 to 2022 (excluding years 2020 and 2021 which were impacted by COVID-19 pandemic). For further details on the historical and forecasted gross operating cost, kindly refer to the valuation certificate in Appendix II of the Circular.

Based on the above, we are of the opinion that the projected administrative expenses is fair.

d) Fixed charges and related expenses

The Valuer has adopted the actual quit rent and assessment and insurance premium for the hospital for the year 2022.

e) Tenant share

Tenant share refers to the portion of the profit generated by a hospital that is allocated to the operator or the entity responsible for managing and running the hospital's operations. In the context of hospitals, this share represents the amount of profit or income that is retained by the operator after deducting various expenses and costs associated with the hospital's operation. This share reflects the operator's compensation for their role in managing the hospital and assumes the associated risks and responsibilities.

The Valuer has adopted 40% tenant share, which is reasonable as it is consistent with the market practice for hospital industry.

f) Capitalisation rate

The Valuer adopted a capitalisation rate of 6.75% after taking into consideration the location of the subject property, the gross/net yield ranges of recent transactions of similar properties ranges from 5.75% to 6.22% as well as the net yield of selected commercial buildings within east coast owned by other REITs in Malaysia as set out in Section 6.2.1 (ii) (g) above.

Based on the above, we are of the opinion that the applied capitalisation rate of 6.75% is fair.

g) Discount rate

The discount rate used in the valuation is derived by considering the risk-free interest rate as a baseline and incorporating an additional risk premium specific to the hospital industry. This approach accounts for the unique risks associated with investments in this particular sector.

The Valuer have made reference to the 10-year MGS yield as at the Valuation Date and added a risk premium of between 5% to 7% in view of the greater investment risk in the hospital industry. The Valuer have also made reference to yields of different classes of REITs as disclosed in (g) above to arrive at the discount rate. After taking into account the aforementioned, the location and the tenure of the subject property, the discount rate adopted by the Valuer is 8.75%.

Based on the above, we are of the view that the applied discount rate of 8.75% is fair.

6.2.2 Cost approach

The Valuer adopted the cost approach as a check for the income approach as detailed in Section 6.2.1 of this IAL. The summary of the cost approach for the Properties are as follows:

(i) KMC

In arriving at the market value of the land component, the Valuer has adopted the market/comparison approach. The following sale evidence, amongst others, are considered suitable comparables and adopted:

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Location	:	Pekan Simpang Kuala	Jalan Alor Setar – Alor Janggus	Jln Spg Empat – Kota Srg Semut	Jln Nyior Setali
Lot no.	:	No. Pejabat Tanah 12354	No. Pejabat Tanah 1657 and No. Pejabat Tanah 1625	Hakmilik Muktamad 1266	Hakmilik Muktamad 23
Mukim/Town	:	Bandar Alor Setar	Bandar Kuala Kedah	Kangkong	Bandar Alor Setar
District	:	Kota Setar	Kota Setar	Kota Setar	Kota Setar
State	:	Kedah			
Property type	:	Vacant commercial land	Vacant commercial land	Vacant development land	Vacant development land for residential
Land area (sq. ft.)	:	165,951	43,594	43,701	61,774
Tenure	:	Freehold			
Transaction date	:	12 October 2022	8 March 2022	2 March 2022	14 December 2021
Vendor	:	Yayasan Islam Negeri Kedah	Amteg Land Sdn Bhd	Thye Choon Holdings Sdn bhd	Ooi Tsin Kheng
Purchaser	:	Imperio Setia Sdn Bhd	Ahmad Sahbudin bin Che Mat	Berjaya Bahan Binaan Sdn Bhd	Yong Yet Meng
Consideration	:	RM9,360,000	RM2,615,628	RM2,389,523	RM595,000
Analysis (per square foot (“**psf**”))	:	RM56.40	RM60.00	RM54.01	RM85.17

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Adjustment factors considered	:	Adjustments have been made to time factor, location, tenure, accessibility, visibility, land area, land use and zoning			
Total adjustments	:	55%	40%	55%	20%
Adjusted value of land (psf)	:	RM87.42	RM84.00	RM83.72	RM97.10

Based on the above, the Valuer is of the opinion that Comparable 1 is the best comparable as it is the latest transaction. The Valuer has adopted the rounded adjusted value of RM90.00 psf as fair representation which translates into a market value of the commercial land of RM7,487,476 and the Valuer has rounded up to RM7,500,000.

The Valuer has adopted RM302 psf for the cost of building replacement based on analysis of estimated construction cost and guidance from JUBM and Arcadis Construction Cost Handbook Malaysia 2022. After taking into account the age and existing condition of the building, the Valuer has applied a depreciation rate of 30% over a lifespan of 50 years from the Valuation Date. The building value of the subject property is derived at RM45,557,103 and the Valuer has rounded up to RM45,500,000

Thus, the market value derived from the cost approach is RM53,000,000.

(ii) KPJ Perdana

In arriving at the market value of the land component, the Valuer has adopted the market/comparison approach. The following sale evidence, amongst others, are considered suitable comparables and adopted:

Description		Comparable 1	Comparable 2	Comparable 3
Location	:	Jalan Telipot, Kota Bharu	Lembah Sireh, Kota Bharu	Bandar Baru Kubang Kerian, Kota Bharu
Lot no.	:	Lot no. 120	Lot no. 10047	Lot no. PT 1592
Mukim/Town	:	Section 21, Town of Kota Bharu	Section 17, Town of Kota Bharu	Kenali
District	:	Kota Bharu		
State	:	Kelantan		
Land area (sq. ft.)	:	65,013	410,212	46,188
Tenure	:	Term in perpetuity	Leasehold 99 years (expiring on 20 August 2102)	Leasehold 99 years (expiring on 12 June 2106)
Transaction date	:	27 October 2020	28 July 2020	19 November 2014
Vendor	:	Wong Kim Chong Sdn Bhd	Liziz Standaco Sdn Bhd	Majlis Perbandaran Kota Bharu Bandaraya Islam
Purchaser	:	Ong Hock Boon	Sunway Medical Centre Kota Bharu Sdn Bhd	Sentosa Jaya Development Sdn Bhd
Consideration	:	RM6,826,395	RM28,704,410	RM5,000,000
Analysis (psf)	:	RM105	RM70	RM108
Adjustment factors considered	:	Adjustments have been made to location, size, tenure, category of land use, planning approval and special condition		
Total adjustments	:	16%	65%	5%
Adjusted value of land (psf)	:	RM121	RM115	RM114

Based on the above, the Valuer is of the opinion that Comparable 1 is the best comparable as it is one of the latest transactions and is similar land size to the subject property. The Valuer has adopted the rounded adjusted value of RM120.00 psf as fair representation for Lot 657 and RM60.00 psf for PT 705 after further adjustments on accessibility, size and shape. The market value derived for the commercial land was RM10,917,780 of which was rounded up to RM11,000,000.

The Valuer has adopted RM299 psf for the cost of building replacement based on analysis of estimated construction cost and guidance from JUBM and Arcadis Construction Cost Handbook Malaysia 2022. After taking into account the age and existing condition of the building, the Valuer has applied a depreciation rate of 27% over a lifespan of 50 years from the Valuation Date. The building value of the subject property is derived at RM32,017,153 and the Valuer has rounded up to RM32,000,000.

Thus, the market value derived from the cost approach is RM43,000,000.

(iii) KPJ Kajang

In arriving at the market value of the land component, the Valuer has adopted the market/comparison approach. The following sale evidence, amongst others, are considered suitable comparables and adopted:

Description		**Comparable 1**	**Comparable 2**	**Comparable 3**
Location	:	Bandar Sri Putra	Taman Sri Jelok	Taman Impian Ehsan
Lot no.	:	Lot no. PT 69794	Lot no. PT 33059 Section 9	Lot no. PT 74375
Mukim/Town	:	Kajang	Bandar Semenyih	Pekan Kajang
District	:	Ulu Langat		
State	:	Selangor		
Property type	:	Vacant commercial land		
Land area (sq. ft.)	:	43,701	61,774	42,259
Tenure	:	Freehold	Freehold	Leasehold 99 years (expiring on 5 October 2110)
Transaction date	:	3 March 2021	19 September 2019	30 May 2019
Vendor	:	M. Kaz Auto Services Sdn Bhd	Prestige Improvement Sdn Bhd	Uptownace (M) Sdn Bhd
Purchaser	:	Thaqwa (Malaysia) Sdn Bhd	L.K.C. Ventures Sdn Bhd	My Car Motorsports Sdn Bhd
Consideration	:	RM6,547,500	RM11,500,000	RM7,500,000
Analysis (psf)	:	RM150	RM186	RM177
Adjustment factors considered	:	Adjustments have been made to time factor, location, tenure, plot ratio, site improvement and public transportation (MRT/LRT/KTM)		
Total adjustments	:	15%	5%	15%
Adjusted value of land (psf)	:	RM172	RM186	RM194

Based on the above, the Valuer adopted average of Comparable 1 as it is the latest transaction and Comparable 2 as it has similar land area and closest to the subject property. The Valuer has adopted the rounded adjusted value of RM180.00 psf as fair representation which translates into a market value of the commercial land of RM12,407,760 and the Valuer has rounded up to RM12,000,000.

The Valuer has adopted RM330 psf for the cost of building replacement based on analysis of estimated construction cost and guidance from JUBM and Arcadis Construction Cost Handbook Malaysia 2022. After taking into account the age and existing condition of the building, the Valuer has applied a depreciation rate of 33% over a lifespan of 50 years from the Valuation Date. The building value of the subject property is derived at RM42,892,265 and the Valuer has rounded up to RM43,000,000

Thus, the market value derived from the cost approach is RM55,000,000.

(iv) KPJ Sentosa

In arriving at the market value of the land component, the Valuer has adopted the market/comparison approach. The following sale evidence, amongst others, are considered suitable comparables and adopted:

Description		Comparable 1	Comparable 2	Comparable 3
Location	:	Jalan Kampong Attap	Jalan Usahawan 5, Kawasan Perindustrian Ringan	Off Jalan Tun Razak
Lot no.	:	Lot 20034 Section 69	PT 6332	PT 200 Section 48
Mukim/Town	:	Bandar Kuala Lumpur	Setapak	Bandar Kuala Lumpur
District	:	Kuala Lumpur		
State	:	Federal Territory of Kuala Lumpur		
Property type	:	Commercial land	Vacant industrial land with commercial potential	Vacant commercial land
Land area (sq. ft.)	:	209,616	217,797	38,331
Tenure	:	Leasehold 99 years (expiring on 3 December 2118)	Leasehold 99 years (expiring on 26 August 2097)	Leasehold 99 years (expiring on 31 December 2065)
Transaction date	:	23 May 2022	4 May 2021	31 October 2019
Vendor	:	Cahaya Tinggi Sdn Bhd	Teratai Constructors Sdn Bhd	Abdul Rahid bin Abdul Manaf
Purchaser	:	Eupe Belfield Sdn Bhd	Nova Century Development Sdn Bhd	The Malaysia Indian Congress
Consideration	:	RM125,000,000	RM89,000,000	RM18,000,000
Analysis (psf)	:	RM596	RM409	RM470
Adjustment factors considered	:	Adjustments have been made to location, accessibility/visibility, land size, tenure, shape, land use, planning/layout approval, site improvement, plot ratio, public transportation (MRT/LRT/KTM) and affordable housing component		
Total adjustments	:	-15%	25%	15%
Adjusted value of land (psf)	:	RM507	RM511	RM540

Based on the above, the Valuer is of the opinion that Comparable 1 is the best comparable to the subject property as it is the latest transaction. The Valuer has adopted the rounded adjusted value of RM507.00 psf as fair representation which translates into a market value of the commercial land of RM12,066,117 and the Valuer has rounded up to RM12,000,000.

The Valuer has adopted RM359 psf (lower ground floor to 6th floor of the main building) and RM352 psf (extension, i.e. 7th floor of the main building) for the cost of building replacement based on analysis of estimated construction cost and guidance from JUBM and Arcadis Construction Cost Handbook Malaysia 2022. After taking into account the age and existing condition of the building, the Valuer has applied a depreciation rate of 45% (lower ground floor to 6th floor of the main building) and 10% (extension, i.e. 7th floor of the main building) over a lifespan of 50 years from the Valuation Date. The building value of the subject property is derived at RM19,113,290 and the Valuer has rounded up to RM19,000,000.

Thus, the market value derived from the cost approach is RM31,000,000.

(v) Kuantan CWC

In arriving at the market value of the land component, the Valuer has adopted the market/comparison approach. The following sale evidence, amongst others, are considered suitable comparables and adopted:

Description		Comparable 1	Comparable 2	Comparable 3
Location	:	Tanah Putih, Jalan Tanah Putih	Jalan Kota SAS, Kota SAS	Darat Galing, off Jalan Beserah
Lot no.	:	Lot nos. PT 150920 and PT 150921	Lot no. 130797	Lot no. 83
Mukim/Town	:	Bandar Kuantan	Kuala Kuantan	Kuala Kuantan
District	:	Kuantan		
State	:	Pahang		
Property type	:	Commercial and development lands	Commercial land (petrol station)	Development land
Land area (sq. ft.)	:	85,444	43,691	46,069
Tenure	:	Freehold	Leasehold 99 years (expiring on 23 March 2109)	Freehold
Transaction date	:	23 September 2022	25 November 2020	27 November 2019
Vendor	:	YCM Agriculture Sdn Bhd	Kot Asas Sdn bhd	Honest Sam Development Sdn Bhd
Purchaser	:	Pesat Auto CTM Sdn Bhd	Koperasi Serbaguna Felda Bukit Goh	Acara Realty Sdn Bhd
Consideration	:	RM5,700,000	RM2,621,400	RM2,585,092
Analysis (psf)	:	RM67	RM60	RM56
Adjustment factors considered	:	Adjustments have been made time factor, location, accessibility/visibility, tenure, category of land use and site improvement		
Total adjustments	:	70%	40%	50%
Adjusted value of land (psf)	:	RM80	RM84	RM80

Based on the above, the Valuer is of the opinion that Comparable 2 is the best comparable against the subject property. The Valuer has adopted the rounded adjusted value of RM85.00 psf as fair representation which translates into a market value of the commercial land of RM6,147,370 and the Valuer has rounded up to RM6,000,000

The Valuer has adopted RM280 psf for the cost of building replacement based on analysis of estimated construction cost and guidance from JUBM and Arcadis Construction Cost Handbook Malaysia 2022. After taking into account the age and existing condition of the building, the Valuer has applied a depreciation rate of 48% over a lifespan of 60 years from the Valuation Date. The building value of the subject property is derived at RM10,872,115 and the Valuer has rounded up to RM11,000,000.

Thus, the market value derived from the cost approach is RM17,000,000.

6.2.3 Summary

	Income Approach by Profits Method (DCF) RM'000	Cost Approach RM'000
KMC	70,000	53,000
KPJ Perdana	45,000	43,000
KPJ Kajang	65,000	55,000
KPJ Sentosa	30,000	31,000
Kuantan CWC	17,000	17,000
Total	**227,000**	**199,000**

The Valuer has considered the market values derived from the Income Approach by Profits Method (DCF) to be fair and accurate representation of the market values of the Lease Properties and supported by the values derived from the Cost Approach.

Private specialist hospitals and wellness centres are centres that provide healthcare services with various sources of revenues generated from operating the property as a business entity which trading is the essence of the value of the property. As such, the Valuer has given greater emphasis on the Income Approach by Profits Method (DCF) as a more reliable and appropriate method of valuation. The Income Approach by Profits Method (DCF) is able to capture the annual income and expenses over the investment horizon of the investor and thus it is an appropriate valuation method to determine the fair and accurate market value of a private specialist medical and wellness centres.

In arriving at the market value of the land, the Valuer adopted the market/comparison approach which is premised on the principle that comparison is made of the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustments are made. The market/comparison approach is an appropriate method to be adopted for homogeneous properties with minimal dissimilarities which require less complicated adjustments. However, for specialised profit orientated properties which are physically, functionally and economically complex where adjustments are numerous and more difficult to quantify, it will be difficult to make adjustments using the market/comparison approach. The Valuer also notes that there are either infrequent or very limited sale evidence of private specialist hospitals and wellness centres in Malaysia as these properties are often constructed for owner operation and seldom held as an investment asset.

Therefore, the Valuer has concluded that the Market/Comparison Approach may not be a suitable approach to determine the accurate market value of the private specialist hospitals and wellness centres.

We are of the view that the valuation methodologies applied by the Independent Valuer for the valuation of Lease Properties are acceptable and appropriately applied. As such, we concur with the Valuer's approach in valuing the Lease Properties and are of the view that the market value of RM227 million as appraised by the Valuer is fair.

For KPJ Perdana and KPJ Kajang, we note that Al-`Aqar and KPJ Group has adopted the market value appraised by Cheston International (KL) Sdn Bhd, an independent property valuer appointed by KPJ Group to value the Properties, to derive the rental for these two (2) properties. The market values appraised by Cheston International (KL) Sdn Bhd for KPJ Perdana and KPJ Kajang are slightly different as disclosed in Section 2.4 of Part A of the Circular, which is immaterial and the total market value for the Properties remains at RM227 million.

We are also of the view that the bases and justifications of arriving at the agreed rental rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC are **fair and reasonable** after taking into account the above analyses as a whole and the following factors:

(i) the rental rates of 6.00% and 6.25% is within the range of the NPI for real estate investment trusts listed on Bursa Securities which ranged from 2.20% to 8.40% in year 2022 as disclosed in Section 2.5 (i) of Part A of the Circular;

(ii) the rental rate of 6.00% for KPJ Sentosa and Kuantan CWC is within the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts while the rental rate of 6.25% for KMC, KPJ Perdana and KPJ Kajang is favourably above the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts as disclosed in Section 2.5 (ii) of Part A of the Circular;

(iii) the usage of Open Market Value to determine the rental for the Lease Properties. The potential appreciation of the Open Market Value will result in an increment of rent to be paid by the Lessees. In the event that the open market values of the Lease Properties decrease to values that are unfavourable to Al-`Aqar, it will not be detrimental to non-interested unitholders of Al-`Aqar as the rent will be subject to a minimum Base Rent as detailed in item (3) of Section 6.3 below;

(iv) the uncertainties in the current state of the Malaysian economy such as the weakening ringgit which resulted in imported inflation and its impact on purchasing power of households and businesses in the local property market; and

(v) the current interest rate environment. For information, the Overnight Policy Rate is at 3.00% as at the LPD.

6.3 Salient terms of the Lease Agreements

We have reviewed the salient terms for the Lease Agreements as set out in Section 2.4 of Part A and Appendix I of the Circular and our comments on the pertinent salient terms are set out below:

No.	Salient terms	ZICO Capital's comments
(1)	***Conditions of the Lease Agreement*** *The Proposed Lease Renewal is conditional upon the fulfilment of the following Conditions:* *(i) the approval of the shareholders of KPJ and in respect of KMC, the approval of the shareholders of Kedah Medical Centre Sdn Bhd being obtained in respect of the Proposed Lease Renewal;* *(ii) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Lease Renewal; and* *(iii) any other regulatory and/or governmental authorities, if required, to be obtained by the Lessee and/or KPJ and the Lessor in respect of the Lease. For the avoidance of doubt, this condition does not include consent required for the registration of the lease, where applicable.*	These conditions relate to approvals from the relevant parties to give effect to the Proposed Lease Renewal are reasonable as they are common terms in agreements of such nature.
(2)	***Lease of Properties*** *The Lessor and the Lessees agree that the Proposed Lease Renewal shall be for the following Contractual Term:* *(a) the lease of KMC, KPJ Perdana and KPJ Kajang for a period of fifteen (15) years commencing from 1 October 2023 to 30 September 2038;* *(b) the lease of KPJ Sentosa and Kuantan CWC for a period of three (3) years commencing from 1 October 2023 to 30 September 2026,* *The Contractual Term are upon the terms and conditions stipulated in the Lease Agreements with an option to renew for another fifteen (15) years.*	The tenure of 15 years for KMC, KPJ Perdana and KPJ Kajang is considered reasonable as it is the same period as the previous lease agreement. It is to the benefit of the Lessor to secure a long-term lease with an established and listed hospital operator. We understand that the three (3)-year contractual term was proposed for KPJ Sentosa and Kuantan CWC as Al-`Aqar and KPJ Group are currently undertaking a business assessment on KPJ Sentosa and Kuantan CWC. Hence, the proposed three (3)-year contractual term will:  (i) provides sufficient time for both Al-`Aqar and KPJ Group to finalise its business decision; and (ii) provides flexibility to both Al-`Aqar and KPJ Group to negotiate a new terms and conditions of the lease agreements in the event of change in the business plan.  We are of the view that the opportunity for Al-`Aqar to renew the lease as well as the commitment given by Lessees to rent the Properties, for the lease period of a further three (3) to 15 years at a fair rate is good for Al-`Aqar.

<table>
<tr><th>No.</th><th>Salient terms</th><th>ZICO Capital's comments</th></tr>
<tr>
<td>(3)</td>
<td>
Rental formula for rental amount
The rent shall be denominated in RM and the formula for determination of the rent in relation to the Proposed Lease Renewal is as follows:
<u>For KMC, KPJ Perdana and KPJ Kajang:</u>
(a) Rent formula
<table>
<tr><th>First Rental Term</th><th>Rent Formula</th><th>First Rental Term</th></tr>
<tr><td>Year 1</td><td>6.25% per annum × Open Market Value of the respective Lease Properties</td><td>1st year</td></tr>
<tr><td>Year 2 and Year 3</td><td>2.00% incremental increase × the rent for the preceding year.</td><td>2nd and 3rd year</td></tr>
</table>
(b) Rent review formula
The rent for every succeeding rental term shall be calculated based on the following formula:
<table>
<tr><th>Succeeding Rental Terms</th><th>Rent Review Formula</th></tr>
<tr><td>1st year of every Succeeding Rental Term (Years 4, 7, 10 and 13)</td><td>6.25% per annum x Open Market Value of the Lease Properties, at the point of review subject to:
(a) a minimum Rent of the Base Rent of the 1st year of previous Rental Term of the Lease Properties; and
(b) any adjustment to the Rent shall not be more 2.00% incremental increase over the Rent for the preceding year which shall be in RM.</td></tr>
<tr><td>2nd & 3rd year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)</td><td>2.00% incremental increase over the Rent for the preceding year which shall be in RM.</td></tr>
</table>
The rental income from KMC, KPJ Perdana and KPJ Kajang for Year 1 based on the collective Open Market Value of the said Properties of RM180 million is RM11.25 million. The rental income will then increase by 2.00% over the rent of the preceding year in the first Rental Term. At the start of each succeeding Rental Term i.e., Years 4, 7, 10 and 13, the rent will be reviewed based on the formula set out in the table above.
</td>
<td>
The rental rate of 6.25% is reasonable as it is mutually agreed by the Lessor and the Lessees. It is within the range of the NPI for real estate investment trusts listed on Bursa Securities which ranged from 2.20% to 8.40% in year 2022. Furthermore, the rental rate of 6.25% is favourably above the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts, which ranges from 5.75% to 6.22%. A higher rental yield can lead to increased profitability of the REIT, attract more potential investors and provides cushion against economic downturn.
The incremental rate of 2% in rental rate for 2nd and 3rd year is reasonable as it was arrived at after taking into consideration, the average of the 10-year consumer price index year-on-year movement of 2%. It is a normal market practice and is common for transactions of such nature.
The minimum rent based on the Base Rent of the 1st year of previous Rental Term for the 1st year of every Succeeding Rental Term of the Lease Properties is to safeguard Al-`Aqar's interest in the event that the market values of the Lease Properties decrease to values that are unfavourable to Al-`Aqar.
The incremental rate of 2% in rental rate for 2nd and 3rd year of every succeeding rental term is reasonable as it was arrived at after taking into consideration, the average of the 10-year consumer price index year-on-year movement of approximately 2%. It is a normal market practice and is common for transactions of such nature.
</td>
</tr>
</table>

No.	Salient terms	ZICO Capital's comments
	<u>For KPJ Sentosa and Kuantan CWC:</u> *(a) Rent Formula* ***First Rental Term*** / ***Rent Formula*** *Year 1* — *6.00% per annum x Open Market Value of the respective Lease Properties* *Year 2 and Year 3* — *2.00% incremental increase x the rent for the preceding year.* *For clarity, the rent review formula does not apply to KPJ Sentosa and Kuantan CWC as their respective Contractual Terms are three (3) years. Upon the expiry of their respective Contractual Terms, the parties have the option to extend the lease for another 15 years and the renewal terms including the rental terms will be renegotiated and decided between the Lessor and Lessee(s) accordingly.*	The rental rate of 6.00% is reasonable as it is mutually agreed by the Lessor and the Lessees. It is within the range of the NPI for real estate investment trusts listed on Bursa Securities which ranged from 2.20% to 8.40% in year 2022. Furthermore, the rental rate of 6.00% is within the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts, which ranges from 5.75% to 6.22%. The incremental rate of 2% in rental rate for 2nd and 3rd year is reasonable as it was arrived at after taking into consideration, the average of the 10-year consumer price index year-on-year movement of 2%. It is a normal market practice and is common for transactions of such nature.
(4)	***Security deposit*** *The security deposit to be paid to the Lessor on or before the rent commencement date at an aggregate sum equivalent to two (2) times of the prevailing monthly rent.*	The security deposit is intended to protect the Lessor financially, in the event the Lessees fail to pay rent or cause property damage. This term is reasonable as it is a common term in agreements of such nature and is favourable to Al-`Aqar.
(5)	***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 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 Lease 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 external and internal structure of the Properties or total replacement of the Lessor's fixtures and fittings attached to the Properties.*	This term is considered reasonable as it is normally the responsibility of the landlord/lessor to pay for such expenses in a lease arrangement.

No.	Salient terms	ZICO Capital's comments
(6)	***Lessee(s)' covenants*** *The Lessees shall during the Contractual Term inter alia, 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 Lessee(s) are responsible for during the Contractual Term.*	This term is considered reasonable as it is usually the lessee's responsibility to pay for these services and maintenance expenses which are directly consumed by them.
(7)	***Registration of Lease Instrument*** *(i) Notwithstanding the Rent Commencement Date, if required, the Lessee(s) shall, upon execution of the Lease Agreement, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee(s) pursuant to the Lease Agreement.* *"**Rent Commencement Date**" means 1 October 2023 being the date of commencement of the lease and rent of the Properties payable by the Lessee(s).* *(ii) Subject to the prior consent of the Lessor's financier having been obtained by the Lessor (if required), on the Rent Commencement Date:* *(a) the Lessor and the Lessee(s) shall execute the Form 15A of the National Land Code ("**Lease Instrument**") for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and* *(b) the Lessor shall forward the original issue document of title to the land on which the Property is located ("**Land**") to the respective Lessee.* *In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee(s) shall take on a tenancy of the Properties on the terms and conditions as stipulated whereupon the Contractual Term shall be for a fixed period of 3 years with an automatic renewal for additional 4 terms of 3 years each for a period. The Lessee(s) shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).*	This term is reasonable as it serves to protect the contractual operation of the lease so that the Lease Agreement will remain valid and enforceable under the law of contract in the event the registration of the lease is not or cannot be effected or perfected. This term also lays out the responsibilities of the Lessor and the Lessees in order to complete and register the Lease Instrument in favour of the Lessees.

No.	Salient terms	ZICO Capital's comments
	(iii) In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee(s) shall first obtain the written consent of the chargee by procuring chargee's signature on the Lease Instrument prior to attending to the registration of the Lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code. *(iv) The Lessee(s) shall attend to the following:* *(a) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office;* *(b) to pay the stamp duty of the Lease Instrument;* *(c) to present the duly stamped Lease Instrument together with other relevant documents to the relevant land registry for registration of the lease in its favour; and* *(d) upon completion of the registration of the Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor's or its financier's (if any) safekeeping and retention.* *(v) The Lessor and the Lessee(s) agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee(s).* *The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement will remain valid and enforceable under the law of contract.*	
(8)	***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 Lessee(s) 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.*	This term is favourable to Al-`Aqar as any expansion to be made by the Lessees requires Lessor's and Manager's approval and it will facilitate the expansion requirements of the Lessees, which may benefit Al`Aqar in the form of rental increment.

No.	Salient terms	ZICO Capital's comments
	(ii) ***Option 1 of the Expansion*** *In the event the Lessee(s) requests for the expansion and the Lessor and the Manager agree to meet the expansion request of the Lessee(s) according to Lessee(s)' 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 Lessee(s) 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 Lessee(s) ("****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:* *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.*	

No.	Salient terms	ZICO Capital's comments
(9)	***New Development*** *(i)* *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.* *(ii)* ***Option 1 of the New Development*** *The Lessor grants to the Lessee(s) the right to undertake the New Development on the land where the Properties are situated for the Lessee(s)' 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.* *(iii)* ***Option 2 of the New Development*** *Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreements, the Lessee(s) 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 Lessee(s) 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 Lessee(s), the Lessor and the Manager for the lease of the New Development.*	This term is reasonable as it will allow the Lessor to work with the Lessees to undertake new developments to improve the Lessee's business performance and will eventually benefit the Lessor by allowing Al-`Aqar to charge additional lease rental.

<table>
<tr><th>No.</th><th>Salient terms</th><th>ZICO Capital’s comments</th></tr>
<tr><td>(10)</td><td>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 Lessee(s):

(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 the Lease Agreements (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 Lessee(s) 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 Lessee(s) within a period of 30 calendar days from the date after receipt of written notice thereof from the Lessor to the Lessee(s) requesting action to remedy the same; or

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

(iii) the Lessee(s) shall suffer or do any act or thing whereby the Lessor’s and/or the Manager’s rights shall or may be prejudiced; or</td><td>This term is reasonable as it safeguards the Lessor’s interest in the event of default and the Lessees take no action to rectify it. This term is also a common term for lease agreements of similar nature.</td></tr>
</table>

No.	Salient terms	ZICO Capital's comments
	(iv) a judgment is obtained by the Lessee(s) for the purpose of section 466 of the Act and as such, the Lessee(s) are 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 Act occurs or the Lessee(s) 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 Lessee(s) assume management of the Lessee(s) and in the case of any of the events aforementioned, the financial condition of the Lessee(s) or the ability of the Lessee(s) 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 Lessee(s) for the winding up of the Lessee(s) 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 Lessee(s) and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or* *(vi) the Lessee(s) 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 Lessee(s) 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 Lessee(s) as a consequence of such action:* *(A) serve a forfeiture notice upon the Lessee(s) 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;*	

No.	Salient terms	ZICO Capital's comments
	(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 Lessee(s) under the Lease Agreements without prejudice to the Lessee(s)' liability for any shortfall;* *(D) (I) the Lessee(s) 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;* *(II) Notwithstanding the paragraph (D)(I) above, the Lessee(s) 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 Lessee(s) or tenants.* *In the event that the Lessor or the Lessee(s) is able to lease or let the Properties to any other Lessee(s) and tenants at such rental and upon such terms and conditions acceptable to the Lessor, the Lessee(s) 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 (D)(I) above shall be returned by the Lessor to the Lessee(s) within 60 calendar days or any other period as agreed between the parties in writing; or* *(E) to sue and take any other action that the Lessor deems fit (including remedy of specific performance against the Lessee(s)) 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 Lessee(s).*	

Based on our evaluation of the salient terms of the Lease Agreements above, we are of the view that the salient terms of the Lease Agreements are generally on normal commercial terms for transactions of such nature and the said terms are **fair and reasonable**, at arm's length and **not detrimental** to the interests of the non-interested unitholders of Al-`Aqar.

6.4 Risk factors relating to the Proposed Lease Renewal

Section 4 of Part A of the Circular has set out the risk factors which may have an impact on Al-`Aqar in relation to the Proposed Lease Renewal.

We take cognisance of the risk factors pertaining to the Proposed Lease Renewal and we set out our views on the risk factors pertaining to the Proposed Lease Renewal as follows:

6.4.1 Non-completion risk of the Proposed Lease Renewal

We note that under the Lease Agreements, the Proposed Lease Renewal is subject to the fulfilment of the Conditions as stated in Section 2.4 of Part A of the Circular. In the event that the Conditions are not met or waived within the stipulated time frame, the Proposed Lease Renewal will not be completed. Hence, it would adversely affect Al-`Aqar's financial performance and its ability to pay dividend to the unitholders of Al-`Aqar. Nevertheless, Al-`Aqar will endeavour to ensure the satisfaction of the Conditions in order to complete the Proposed Lease Renewal in a timely manner and will take reasonable steps within their control to mitigate the occurrence of termination events.
Notwithstanding this risk, we do not foresee these conditions not being met by the parties as the proposed terms are considered to be fair to both parties.

6.4.2 Dependence on the performance and operations of the Subsidiaries and Associated Company of KPJ for its revenue

The Properties will be leased to the Lessees, all of which are the subsidiaries and associated company of KPJ. As the Lessees are subsidiaries and associated company of KPJ, failure on the part of KPJ Group to fulfil their obligations (including payment of the lease rentals) under the Lease Agreements could have an adverse impact on Al-`Aqar's financial position.

Nonetheless, it can be noted that KPJ is an established and listed healthcare provider and well-known in the healthcare industry in Malaysia. The long-term lease of up to 15 years will mitigate this risk for Al-`Aqar.

6.4.3 Risk relating to the operational and business exposure

Upon completion of the Proposed Lease Renewal, Al-`Aqar will continue to be exposed to business risks associated to the Properties which include, amongst others, the following:

(i) external factors outside the control of the Manager which affect the risk of operating a real estate investment trust. In addition, the Proposed Lease Renewal will be subjected to specific risks associated with the healthcare sector. These include, amongst others, increased competition from other hospitals;

(ii) failure on the part of any of the Lessees to fulfil their obligations (including payment of lease rentals) during the tenure of the tenancies due to, amongst others, changes in statutory laws, regulations or government policies;

(iii) changes in the value of Properties, which is subject to, amongst others, factors such as location, economic outlook, market sentiment, interest rates, development of the surrounding areas, population and demographics and the physical condition of the Properties;

(iv) changes in law and regulations which might result in the Properties having to undergo extensive renovation and reconfiguration of Properties in ensuring compliance with such changes; and

(v) the fluctuation of borrowing rate for Al-`Aqar's Islamic financing. We note that Al-`Aqar have adopted effective capital management approach, to counter the risk if the borrowing rate rises significantly.

We wish to highlight that although measures will be taken by the Board and the management of Al-`Aqar to limit/mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of Al-`Aqar, its competitiveness, financial positions and/or Al-`Aqar's prospects thereon.

In evaluating the Proposed Lease Renewal, non-interested unitholders of Al-`Aqar should carefully consider the said risk factors prior to voting on the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM.

6.5 Effects of the Proposed Lease Renewal

The effects of the Proposed Lease Renewal are set out in Section 6 of Part A of the Circular:

(i) Unit capital and substantial unitholders' unitholdings

The Proposed Lease Renewal will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Al-`Aqar as the Proposed Lease Renewal does not involve the issuance of any new units in Al-`Aqar.

(ii) NAV, NAV per unit and gearing

Based on Al-`Aqar's consolidated audited statement of financial position as at 31 December 2022 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no impact on the consolidated NAV per unit and gearing of Al-`Aqar.

(iii) Earnings and EPU

The proforma effects of the Proposed Lease Renewal on the earnings and EPU of Al-`Aqar assuming that the Proposed Lease Renewal had been effected at the beginning of FYE 31 December 2022 are as follows:

	RM'000
Audited PAT	60,139
Less: Reduction in rental income[(1)]	(188)
Less: Estimated expenses (one-off)[(2)]	(740)
Pro forma profit	**59,211**
Weighted average number of Units in issue	736,093,745
Existing basic EPU (sen)[(3)]	8.17
Proforma basic EPU (sen)[(3)]	
- including estimated expenses	8.04
- excluding estimated expenses	8.14

Notes:

(1) Calculated based on the difference between the rental income for Year 1 and the rental income for the FYE 31 December 2022.

(2) Comprising professional fees and other fees such as printing, advertising and cost of convening the EGM.

(3) Calculated based on pro forma PAT divided by weighted average number of Units in issue.

We note that Al-`Aqar has completed the Private Placement Exercise. Subsequent to the listing of the placement units, the total enlarged number of issued Al-`Aqar units is 839.60 million. The proceeds from the Private Placement Exercise will be used for repayment of bank financing. Al-`Aqar will be able to benefit from the interest saving arising from the repayment of bank financing, which will improve Al-`Aqar's profitability.

Furthermore, Al-`Aqar will also benefit from the subsequent 2% incremental increase of the preceding year's rental rate in accordance with the terms and conditions of the Lease Agreements.

Based on the above, we are of the view that the financial effects of the Proposed Lease Renewal are **not detrimental** to the interest of the non-interested unitholders of Al-`Aqar.

7. OUR CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Lease Renewal after taking into consideration the relevant factors as discussed in Section 6 of this IAL. In arriving at our opinion on the fairness and reasonableness of the Proposed Lease Renewal, we have taken into consideration the following pertinent factors:

No	Details	Our opinion
(i)	**Rationale for the Proposed Lease Renewal**	The Proposed Lease Renewal will enable Al-`Aqar to continue leasing the Lease Properties to KPJ Group, one of the main private hospital operators in Malaysia. As such, the Proposed Lease Renewal will provide a stable and sustainable income to Al-`Aqar for up to 15 years, allowing Al-`Aqar to meet its financial obligations and dividend distributions to its unitholders.  Based on the financial result of Al-`Aqar for the FYE 31 December 2022, KPJ Group is the sole contributor to its revenue stream. The Lease Properties contributed approximately 12.89% of Al-`Aqar's total revenue for FYE 31 December 2022. In the event that the lease agreements of the Lease Properties are not renewed, Al-`Aqar will be exposed to the risk of losing a portion of its rental income. Based on the above, we are of the view that the rationale for the Proposed Lease Renewal is **reasonable** and **not detrimental** to the non-interested unitholders of Al-`Aqar as the leasing of the Properties to the KPJ Group will allow Al-`Aqar to receive a long-term stable lease income and eventually to distribute dividends to its unitholders.
(ii)	**Evaluation of the basis and justification of arriving at the rental rate**	The rental rate was arrived at based on negotiation between the parties. The new rental amount for the first year has been derived by multiplying the agreed rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC with the respective market value of the Lease Properties. We are of the view that the bases and justifications of arriving at the agreed rental rate of 6.25% per annum for KMC, KPJ Perdana and KPJ Kajang and 6.00% per annum for KPJ Sentosa and Kuantan CWC are **fair and reasonable** after taking into account the above analyses as a whole and the following factors: (i) the rental rates of 6.00% and 6.25% is within the range of the NPI for real estate investment trusts listed on Bursa Securities which ranged from 2.20% to 8.40% in year 2022 as set out in Section 2.5 (i) of Part A of the Circular;

No	Details	Our opinion
		(ii) the rental rate of 6.00% for KPJ Sentosa and Kuantan CWC is within the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts while the rental rate of 6.25% for KMC, KPJ Perdana and KPJ Kajang is favourably above the range of NPI of similar type of properties recently acquired by Malaysian real estate investment trusts as set out in Section 2.5 (ii) of Part A of the Circular; (iii) the usage of Open Market Value to determine the rental for the Lease Properties. The potential appreciation of the Open Market Value will result in an increment of rent to be paid by the Lessees. In the event that the open market values of the Lease Properties decrease to values that are unfavourable to Al-`Aqar, it will not be detrimental to non-interested unitholders of Al-`Aqar as the rent will be subject to a minimum Base Rent as detailed in item (3) of Section 6.3 above; (iv) the uncertainties in the current state of the Malaysian economy such as the weakening ringgit which resulted in imported inflation and its impact on purchasing power of households and businesses in the local property market; and (v) the current interest rate environment. For information, the Overnight Policy Rate is at 3.00% as at the LPD.
(iii)	**Salient terms of the Lease Agreements**	The salient terms of the Lease Agreements are **reasonable** and **not detrimental** to the non-interested unitholders of Al-`Aqar.
(iv)	**Risk factors in relation to the Proposed Lease Renewal**	We take cognisance of the risk factors pertaining to the Proposed Lease Renewal as set out in Section 4 of Part A of the Circular. We wish to highlight that although measures will be taken by the Board and the management of Al-`Aqar to limit/mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of Al-`Aqar, its competitiveness, financial positions and/or Al-`Aqar's prospects thereon.  In evaluating the Proposed Lease Renewal, non-interested unitholders of Al-`Aqar should carefully consider the said risk factors prior to voting on the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM.

No	Details	Our opinion
(v)	**Effects of the Proposed Lease Renewal**	The Proposed Lease Renewal will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Al-`Aqar as the Proposed Lease Renewal does not involve the issuance of any new units in Al-`Aqar. Based on Al-`Aqar's consolidated audited statement of financial position as at 31 December 2022 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no impact on the consolidated NAV per unit and gearing of Al-`Aqar. We note that Al-`Aqar has completed the Private Placement Exercise. The proceeds from the Private Placement Exercise will be used for repayment of bank financing. Al-`Aqar will be able to benefit from the interest saving arising from the repayment of bank financing, which will improve Al-`Aqar's profitability.  Furthermore, Al-`Aqar will also benefit from the subsequent 2% incremental increase of the preceding year's rental rate in accordance with the terms and conditions of the Lease Agreements. Based on the above, we are of the view that the financial effects of the Proposed Lease Renewal are **not detrimental** to the interest of the non-interested unitholders of Al-`Aqar.

We have assessed and evaluated the Proposed Lease Renewal and have set our evaluation in Section 6 of this IAL. The non-interested unitholders of Al-`Aqar should carefully consider the merits and demerits of the Proposed Lease Renewal based on all relevant and pertinent factors including those set out above and other considerations as set out in this IAL, the Circular and the appendices.

Based on our assessment and evaluation, we are of the opinion that the terms and conditions of the Proposed Lease Renewal are **fair and reasonable**, based on arm's length terms and are **not detrimental** to the non-interested unitholders of Al-`Aqar.

Accordingly, we recommend that the non-interested unitholders of Al-`Aqar **vote in favour** of the resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-`Aqar.

Yours faithfully,
ZICO CAPITAL SDN BHD

Saifuddin Abu Bakar
Chief Executive Officer

Abd Ghafar Hamzah
Director

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
1.	**Security Deposit** The security deposit to be paid to the Lessor on or before the rent commencement date at an aggregate sum equivalent to two (2) times of the prevailing monthly rent.	**Security Deposit** The security deposit to be paid to the Lessor without any deduction on or before the date of the Principal Lease Agreements equivalent to one (1) month of the prevailing month rent.
2.	**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.	**Lessor's Covenants** No changes.
3.	**Lessee(s)' Covenants** The Lessee(s) shall during the Contractual Term, inter alia, 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 Lessee(s) are responsible for during the Contractual Term.	**Lessee(s)' Covenants** No changes.

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
4.	**Registration of Lease Instrument**	**Registration of Lease Instrument**
	(i) Notwithstanding the Rent Commencement Date, if required, the Lessee(s) shall, upon execution of the Lease Agreement, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee(s) pursuant to the Lease Agreement. "**Rent Commencement Date**" means 1 October 2023 being the date of commencement of the lease and rent of the Properties payable by the Lessee(s). (ii) Subject to the prior consent of the Lessor's financier having been obtained by the Lessor (if required), on the Rent Commencement Date: (a) the Lessor and the Lessee(s) shall execute the Form 15A of the National Land Code ("**Lease Instrument**") for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and (b) the Lessor shall forward the original issue document of title to the land on which the Property is located ("**Land**") to the respective Lessee. In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee(s) shall take on a tenancy of the Properties on the terms and conditions as stipulated whereupon the Contractual Term shall be for a fixed period of 3 years with an automatic renewal for additional 4 terms of 3 years each for a period. The Lessee(s) shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).	Nil.

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
	(iii) In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee(s) shall first obtain the written consent of the chargee by procuring chargee's signature on the Lease Instrument prior to attending to the registration of the Lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code. (iv) The Lessee(s) shall attend to the following: (a) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office; (b) to pay the stamp duty of the Lease Instrument; (c) to present the duly stamped Lease Instrument together with other relevant documents to the relevant land registry for registration of the lease in its favour; and (d) upon completion of the registration of the Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor's or its financier's (if any) safekeeping and retention. (v) The Lessor and the Lessee(s) agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee(s). The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement will remain valid and enforceable under the law of contract.	

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
5.	**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 Lessee(s) 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 Lessee(s) requests for the expansion and the Lessor and the Manager agree to meet the expansion request of the Lessee(s) according to Lessee(s)' 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.	**Expansion** For expansion requested by the Lessee(s), the Lessor and/or the Manger allows Lessee(s) to undertake expansion through expansion, refurbishment and renovation of the Properties. The Lessor shall then reimburse the Lessee(s) based on the recommendation of the Manager according to the work done and subject to verification by the Manager for all costs incurred by the Lessee(s).

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
	(iii) **Option 2 of the Expansion** Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreements, the Lessee(s) 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 Lessee(s) ("**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: *The rental rate to be agreed between the parties to the Lease Agreements × Expansion Reimbursement Costs or Expansion Costs, as the case may be/12 calendar months*	
6.	**New Development** (i) 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. (ii) **Option 1 of the New Development** The Lessor grants to the Lessee(s) the right to undertake the New Development on the land where the Properties are situated for the Lessee(s)' 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.	**New Development** There was no provision for new development for the first three (3) rental terms of the Initial Contractual Term, being from 1 March 2008 to 28 February 2017. Starting from the Fourth Rental Term of the Initial Contractual Term, the provision for new development was inserted as follows: The Lessor grants to the Lessee the right to undertake future development on the Properties or any part thereof ("**New Development**") at the Lessee's own cost and expenses, subject to the following: (i) the Lessee shall provide the details of the New Development for approval of the Lessor and the Manager; and (ii) the Lessee shall obtain the approval from the relevant Governmental Agency or authority for the New Development. The Lessor shall acquire the New Development from the Lessee at a price to be mutually agreed by the parties based on the valuation to be conducted by an independent valuer or an independent quantity surveyor appointed by the Lessor.

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
	(iii) **Option 2 of the New Development** Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreements, the Lessee(s) 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 Lessee(s) 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 Lessee(s), the Lessor and the Manager for the lease of the New Development.	Upon completion of acquisition of the New Development, the parties shall enter into a new lease agreement for the lease back for the New Development and the rental shall be revised accordingly to include the New Development.
7.	**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 Lessee(s): (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 the Lease Agreements (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 Lessee(s) 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 Lessee(s) within a period of 30 calendar days from the date after receipt of written notice thereof from the Lessor to the Lessee(s) requesting action to remedy the same; or	**Events of Default** The forfeiture and termination of the Principal Lease Agreements shall take place if and whenever during the Contractual Term: (i) the rent or any other sum due under the Principal Lease Agreements shall be in arrears and shall remain unpaid for thirty (30) working days after becoming payable (whether formally demanded or not); or (ii) there shall be any breach non-performance or non-observance by the Lessee(s) of any of the covenants and conditions contained in the Principal Lease Agreements of which is not capable of being remedied or if capable of being remedied such breach is not remedied within a reasonable time stipulates by the Lessor in its notices to the Lessee(s) requesting action to remedy the same; or (iii) the Lessee(s) are in breach of any agreement which is binding upon it or its assets; or (iv) any provision of the Principal Lease Agreements is or becomes for any reason whatsoever, invalid or unenforceable; or (v) the Lessee(s) cease or threaten to cease to carry on its business; or

No.	The Lease Agreements	Principal Lease Agreements
	(ii) the Lessee(s) are in breach of any agreement which has a material adverse effect on the business and/or operations of the Lessee(s) and which affects its ability to fulfil its obligations under the Lease Agreements; or (iii) the Lessee(s) 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 Lessee(s) for the purpose of section 466 of the Act and as such, the Lessee(s) are 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 Act occurs or the Lessee(s) 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 Lessee(s) assume management of the Lessee(s) and in the case of any of the events aforementioned, the financial condition of the Lessee(s) or the ability of the Lessee(s) 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 Lessee(s) for the winding up of the Lessee(s) 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 Lessee(s) and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or	(vi) the Lessee(s) are unable to pay its debts as they become due or commits an act of bankruptcy or insolvency, as the case may be, or any act analogous thereto; or (vii) a trustee or administrator or receiver or manager or liquidator or bailiff or similar officer is appointed in respect of the Lessee(s) or in respect of its assets; or (viii) the Lessee(s) entered into or proposes to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspensions of payments generally; or (ix) any step is taken for the winding up or dissolution (whether compulsory or voluntary) or bankruptcy, as the case may be, of the Lessee or a petition for winding up or bankruptcy, as the case may be, is presented against the Lessee(s); or (x) a compromise or arrangement is proposed or is intended to be proposed between the Lessee(s) and its creditors; or (xi) the Lessee(s) enter into or proposes to enter into an arrangement or composition for the benefit of its creditors; or (xii) the Lessee(s) have or suffer any distress, execution, attachments or other legal process to be levied, enforced or sued out against its assets; or (xiii) the Lessee(s) shall suffer or do any act or thing whereby the Lessor's and/or the Manager's rights shall or may be prejudiced; or

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No. **The Lease Agreements**

(vi) the Lessee(s) 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 Lessee(s) 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 Lessee(s) as a consequence of such action:

(A) serve a forfeiture notice upon the Lessee(s) 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 Lessee(s) under the Lease Agreements without prejudice to the Lessee(s)' liability for any shortfall;

(D) (I) the Lessee(s) 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;

Principal Lease Agreements

(xiv) in the event that the Demised Premises or any part thereof shall at any time during the Contractual Term be damaged or destroyed by fire or by any event so as to become unfit for occupation or use then and provided always that such aforesaid fire or event shall not have been caused by the wilful and malicious acts of the Lessee(s) its servants and agents, the rent reserved or a fair and just proportion thereof according to the nature and extent of the damage sustained shall be superseded and cease to be payable until the Lease Properties shall have been rendered fit for occupation and use provided always that in the event that the Lessor shall be unable to restore or render the Lease Properties fit for occupation within three (3) months from the date hereof, the Lessee(s) shall have an option either to terminate the Principal Lease Agreements created or to continue suspending and ceasing payment of the rent reserved or a proportionate part thereof according to the extent of damage or destruction until the date the Lease Properties shall be rendered fit for occupation or use by the Lessor. In the event the Lessee(s) decide to terminate the Principal Lease Agreements, the Lessor shall within fourteen (14) days thereof, refund the deposit (with interest earned thereon) to the Lessee(s) less all payment due and payable under the Principal Lease Agreements.

SALIENT TERMS OF THE LEASE AGREEMENTS AND THE COMPARISON WITH THE PRINCIPAL LEASE AGREEMENTS

No.	The Lease Agreements	Principal Lease Agreements
	(II) Notwithstanding the paragraph (D)(I) above, the Lessee(s) 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 Lessee(s) or tenants. In the event that the Lessor or the Lessee(s) is able to lease or let the Properties to any other Lessee(s) and tenants at such rental and upon such terms and conditions acceptable to the Lessor, the Lessee(s) 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 (D)(I) above shall be returned by the Lessor to the Lessee(s) within 60 calendar days or any other period as agreed between the parties in writing; or (E) to sue and take any other action that the Lessor deems fit (including remedy of specific performance against the Lessee(s)) 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 Lessee(s).	

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)
(formerly known as C H Williams Talhar & Wong Sdn Bhd)
30-01 30th Floor
Menara Multi-Purpose
8 Jalan Munshi Abdullah
P O Box 12157
50100 Kuala Lumpur
Malaysia

T +(6 03) 2616 8888
F +(6 03) 2616 8899
E kualalumpur@cbre-wtw.com.my
W www.cbre-wtw.com.my

Report and Valuation

Our Ref : WTW/01/V/002536/22/MHA

22 May 2023

PRIVATE & CONFIDENTIAL

DAMANSARA REIT MANAGERS SDN BERHAD
(MANAGER FOR AL-'AQAR HEALTHCARE REIT)
Unit 1-19-02, Level 19
Block 1, VSQ, Jalan Utara
46200 Petaling Jaya
Selangor

Dear Sirs,

MASTER VALUATION CERTIFICATE OF
FIVE (5) PROPERTIES FOR THE PURPOSE OF PROPOSED LEASE RENEWAL

In accordance with the instructions of Damansara REIT Managers Sdn Berhad, we, CBRE WTW Valuation & Advisory Sdn Bhd (formerly known as C H Williams Talhar & Wong Sdn Bhd), have conducted our valuation on the above mentioned properties. This Master Valuation Certificate is prepared for inclusion in the circular to shareholders in relation to the proposed lease renewal.

We have prepared and provided this Master Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

For all intents and purposes, this Master Valuation Certificate should be read in conjunction with the full Report and Valuation dated 22 May 2023.

The basis of the valuation is Market Value which is defined by the Malaysian Valuation Standards (MVS) to be "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 where the parties had each acted knowledgeably, prudently and without compulsion".

We have inspected the subject property on various occasion and the material date of valuation is taken as at 1 March 2023.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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METHOD OF VALUATION

In arriving at our opinion of Market Values, we have adopted the following Valuation Methodologies.

Income Approach (Profits Method – Discounted Cash Flow)

We have adopted the Income Approach (Profits Method - Discounted Cash Flow) as the primary approach. This method entails estimating the gross annual income that can be derived from the running of the property as a business concern. The net annual income is then arrived at by deducting therefrom the operating costs and outgoings incidental to the running of the business and ownership of the property, and allowing a margin of profit for the running of the business. The net annual income so arrived at is then capitalised at a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

In arriving to our opinion of Market Value, we have analysed and conducted our due diligence on five (5) years historical performance, five (5) years projections provided by KPJ, discussions and consultations with KPJ as well as other publicly available information.

Base on the above, we have carried out five (5) years discounted cash flow and made several assumptions including the projected revenue growth, projected expenses and projected occupancy rates amongst others. We have further assigned a tenant's share of 40% from Gross Operating Profit to reflect the operator's risks, capital required and capability to operate the medical facility.

Whilst we consider the figures in our projections to be reasonable taking into considerations all the data/information made available and our knowledge on the present market conditions, we do not warrant the projected figures will be achieved.

Cost Approach

As a check, we have adopted the Cost Approach of Valuation. The Cost Approach of valuation entails separate valuations of the land and buildings to arrive at the market value of the subject property.

The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, accessibility, visibility, size, tenure, shape, plot ratio, land use, zoning, planning approval, site improvement, public transportation and any other relevant characteristics.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and building values are then summated to arrive at the market value of the subject property.

RECONCILIATION OF VALUE

We have adopted the market value derived from Income Approach (Profits Method – Discounted Cash Flow) as a fair representation of the market value for the subject property.

In arriving to the market value via Income Approach (Profits Method – Discounted Cash Flow), we have taken into considerations the actual performance of the hospital i.e bed occupancy rate trends, gross operating revenue, gross operating cost / expenditure, tenant's share and others in order to provide more realistic and certain projection in our cashflow.

This approach is deemed more reflective as it will eliminate the uncertainty in terms of qualitative and quantitative adjustment made via the Cost Approach.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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The summary of Market Value for each property is as follows:-

No.	Property Details	Market Value
1.	**KPJ Sentosa KL Specialist Hospital** A purpose-built private hospital comprising a nine (9)-storey main hospital block together with a basement car park erected on Lot No. 671 Section 47, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur (Our Ref : WTW/01/V/002536A/22/KSW)	RM30,000,000/-
2.	**KPJ Kajang Specialist Hospital** A seven (7)-storey purpose-built private specialist hospital with one (1)-level of basement car park erected on Lot No. 42997, Section 9, Bandar Kajang, District of Hulu Langat, Selangor (Our Ref : WTW/01/V/002536B/22/MHA)	RM65,000,000/-
3.	**Kedah Medical Centre** A purpose built private hospital comprising a ten (10)-storey main hospital building with a three (3)-storey annexe building erected on Lot No. 9425 Section 54, Town of Alor Setar & PT 35, Town of Alor Merah, District of Kota Setar, Kedah (Our Ref : WTW/08/V/005730/22/PEH/MK)	RM70,000,000/-
4.	**KPJ Perdana Specialist Hospital** A purpose-built private hospital comprising a five (5)-storey inpatient building with a sub-basement level erected on Lot No. 657 & PT 705, Section 14, Bandar Kota Bharu, District of Kota Bharu, Kelantan (Our Ref : WTW/09/V/004752/22/WAN)	RM45,000,000/-
5.	**Kuantan Care & Wellness Centre** A purpose built private hospital comprising a three (3) storey block A annexed with a five (5) storey block B erected on Lot Nos. 5885, 5886, 5888 to 5891 (inclusive), 10747 and 10748, all located in Mukim of Kuala Kuantan, District of Kuantan, Pahang (Our Ref : WTW/05/V/004782/22/YAP)	RM17,000,000/-
	Total	**RM227,000,000/-**

Yours faithfully
for and on behalf of
CBRE WTW Valuation & Advisory Sdn Bhd
(formerly known as C H Williams Talhar & Wong Sdn Bhd)

Sr UNGKU MOHD ISKANDAR UNGKU ISMAIL
BSc. (Hons) Property Management,
MRICS, MRISM, MPEPS, MMIPFM
Registered Valuer (V-855)

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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MASTER CERTIFICATE OF VALUATION

1. KPJ Sentosa KL Specialist Hospital
A purpose-built private hospital comprising a nine (9)-storey main hospital block together with a basement car park erected on Lot No. 671 Section 47, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur
(Our Ref : WTW/01/V/002536A/22/KSW)

PROPERTY IDENTIFICATION

The property : A purpose-built private hospital comprising a nine (9)-storey main hospital block together with a basement car park known as KPJ Sentosa KL Specialist Hospital

Address : KPJ Sentosa KL Specialist Hospital, No. 36, Jalan Chemur Damai Complex, 50400 Kuala Lumpur

Title No. : Geran 43923

Lot No. : 671 Section 47, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur

Tenure : Term in Perpetuity (Freehold)

Land Area : 2,198 square metres (approximately 23,659 square feet/0.54 acres)

Gross Floor Area : 8,459 square metres (approximately 91,052 square feet)

Licenced Bed / Bed Capacity :

Type of Bed	No. of Bed
Intensive Care Unit (ICU)	2 beds
Daily Ward	8 beds
Isolation Room	9 beds
Single Bedded Room	16 beds
Double Bedded Room	32 beds
Three Bedded Room	6 beds
Four Bedded Room	28 beds
Total	**101 beds**

Occupancy Status :

Year	Occupancy Rate
2018	40%
2019	44%
2020	28%
2021	25%
2022	29%

Age of Building : Approximately 25 years as per the Certificate of Fitness for Occupation (CFO) by Dewan Bandaraya Kuala Lumpur bearing Certificate Reference No. 23840 dated 17 November 1998

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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PROPERTY IDENTIFICATION (Cont'd)

Planning Provision : Based on the gazetted local plan of Kuala Lumpur 2020 Volume 2 reveals that the subject property is zoned for commercial use with permissible Plot Ratio of 1:8.0

GBI Certificate Building : No

Registered Owner : AMANAHRAYA TRUSTEES BERHAD

Encumbrances : Charged to MAYBANK INVESTMENT BANK BERHAD

Caveat : Private caveat has been lodged by MAYBANK INVESTMENT BANK BERHAD ON 22 April 2021

Reconciliation of Value :

Method of Valuation	Market Value
Income Approach (Profits Method – Discounted Cash Flow)	RM30,000,000/-
Cost Approach	RM31,000,000/-

Market Value : RM30,000,000/-

HISTORICAL PERFORMACE

Five (5) years historical operating performance as provided to us as follows:-

Year	2018	2019	*2020	*2021	2022
No. of Bed	101	101	101	101	101
Occupancy Rate	40%	44%	28%	25%	29%
Gross Operating Revenue	RM97,357,888	RM50,748,423	RM42,650,619	RM44,943,782	RM48,433,842
Gross Operating Cost/Expenditure	RM56,024,185	RM43,661,826	RM38,401,898	RM41,816,268	RM44,689,780
Gross Operating Profit (before CAPEX)	RM41,333,703	RM7,086,597	RM4,248,720	RM3,127,514	RM3,744,062
Fixed Charges	RM811,744	RM2,439,817	RM1,535,084	RM1,583,513	RM1,499,374
Net Operating Profit	RM40,521,959	RM4,646,780	RM2,713,636	RM1,544,001	RM2,244,688

Source : Sentosa Medical Centre Sdn Bhd
*Covid-19 impact

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VALUE CONSIDERATIONS

Income Approach (Profits Method – Discounted Cash Flow)

The key parameters adopted in the Income Approach – Investment (Discounted Cash Flow) Method for the subject property is as follows:-

<table>
<tr><th>Key Parameters</th><th>Remarks</th></tr>
<tr><td>Bed Occupancy Rate</td><td>Reference has been made to the historical annual bed occupancy rate of the subject property from year 2018 to 2022.

Taking into considerations the historical performance and impact of Covid-19, we have made the following projections:

<table>
<tr><th>Year</th><th>Occupancy Rate</th></tr>
<tr><td>Year 1 : 2023</td><td>39%</td></tr>
<tr><td>Year 2 : 2024</td><td>45%</td></tr>
<tr><td>Year 3 : 2025</td><td>50%</td></tr>
<tr><td>Year 4 : 2026</td><td>55%</td></tr>
<tr><td>Year 5 : 2027</td><td>60%</td></tr>
<tr><td>Terminal Year : 2028</td><td>65%</td></tr>
</table></td></tr>
<tr><td>Gross Operating Revenue (GOR)</td><td>Taking into consideration the historical performance, we have distributed the projected Gross Operating Revenue based on average rate as follows :

<table>
<tr><th>Projection Year</th><th>Total Gross Operating Revenue</th></tr>
<tr><td>Year 1 : 2023</td><td>RM55,045,314</td></tr>
<tr><td>Year 2 : 2024</td><td>RM64,721,347</td></tr>
<tr><td>Year 3 : 2025</td><td>RM67,295,147</td></tr>
<tr><td>Year 4 : 2026</td><td>RM67,345,782</td></tr>
<tr><td>Year 5 : 2027</td><td>RM70,352,135</td></tr>
<tr><td>Terminal Year : 2028</td><td>RM76,725,778</td></tr>
</table></td></tr>
<tr><td>Gross Operating Cost (GOC)</td><td>Reference has been made to the historical performance of Gross Operating Cost over Gross Operating Revenue of the subject property from year 2018 to 2022.

Taking into consideration the historical performance, we have distributed the projected Gross Operating Cost based on rate as follows :

<table>
<tr><th>Projection Year</th><th>Total Gross Operating Cost</th></tr>
<tr><td>Year 1 : 2023</td><td>RM49,816,009</td></tr>
<tr><td>Year 2 : 2024</td><td>RM58,572,819</td></tr>
<tr><td>Year 3 : 2025</td><td>RM60,902,108</td></tr>
<tr><td>Year 4 : 2026</td><td>RM60,947,933</td></tr>
<tr><td>Year 5 : 2027</td><td>RM63,668,682</td></tr>
<tr><td>Terminal Year : 2028</td><td>RM69,436,829</td></tr>
</table></td></tr>
<tr><td>Fixed Charges and Property Related Expenses</td><td>In arriving the fixed charges and property related expenses in term of Quit Rent, Assessment and Fire Insurance, we have based on actual charges recorded for the recent year.

<table>
<tr><th>Property Related Expenses</th><th>Projection</th></tr>
<tr><td>Maintenance – FF&E</td><td>0.50%</td></tr>
<tr><td>CAPEX and Maintenance Building</td><td>2.5%</td></tr>
</table></td></tr>
</table>

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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VALUE CONSIDERATION (Cont'd)

Income Approach (Profits Method – Discounted Cash Flow) (Cont'd)

Key Parameters		Remarks
Capitalisation Rate	Capitalisation Rate - 6.25%.	Recent yield based on transactions of similar type properties as follows: Property/Building — Yield Sunway Medical Centre (Tower A & B) — *6.02% KPJ Pasir Gudang Specialist Hospital — **5.75% Sunway University — *6.22% *Net Yield **Gross Yield We further noted the net yield for selected office buildings within Klang Valley ranging from 4.93% to 5.85% whilst we noted that the net yield for industrial properties within Klang, Selangor is approximately 6.5%.
Discount Rate	Discount Rate - 8.25%.	In general, discount rate that we have adopted in our valuation is derived from determining the risk free interest rate as an indicator and added with additional risk premium associated with the hospital industry. Indicative rate for yield to maturity of 10 years as at 1 March 2023 was traded at 3.92%. For the purpose of this valuation, we have made reference to the risk free interest rate published by Central Bank of Malaysia i.e: the Malaysian Government Securities (MGS) yield. We have allocate additional risk premium over the MGS to arrive at the discount rate. We have also made reference to other different classes of real estate yield in arriving to our discount rate.

The market value derived from Income Approach (Profits Method – Discounted Cash Flow) is RM28,321,620/- say, RM30,000,000/-.

We are of the opinion that the above key parameter and assumptions adopted in our valuation are in-line with present market condition.

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES. BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS. WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

VALUE CONSIDERATION (Cont'd)

Cost Approach

In arriving at the market value of the subject property via Cost Approach, we have relied on the transactions of vacant commercial land within the vicinity as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Valuation and Property Services Department (JPPH)	Bursa Announcement dated 4 May 2021	Valuation and Property Services Department (JPPH)
Location	Jalan Kampong Attap	Jalan Usahawan 5, Kawasan Perindustrian Ringan	Off Jalan Tun Razak
Lot No.	Lot 20034 Sec 69	PT 6332	PT 200 Section 48
Mukim/Town	Bandar Kuala Lumpur	Setapak	Bandar Kuala Lumpur
District	Kuala Lumpur		
State	Federal Territory of Kuala Lumpur		
Property Type	Commercial Land	Vacant Industrial Land with Commercial Potential	Vacant Commercial Land
Land Area	19,474.000 sq. metres (209,616 sq. feet / 4.81 acres)	20,234.000 sq. metres (217,797 sq. feet / 5.00 acres)	3,561.043 sq. metres (38,331 square feet/ 0.88 acres)
Tenure	99 years leasehold expiring on 03 December 2118	99 years leasehold expiring on 26 August 2097	99 years leasehold expiring on 31 December 2065
Date	23/05/2022	04/05/2021	31/10/2019
Vendor	CAHAYA TINGGI SDN BHD	TERATAI CONSTRUCTORS SDN BHD	ABDUL RAHID BIN ABDUL MANAF
Purchaser	EUPE BELFIELD SDN BHD	NOVA CENTURY DEVELOPMENT SDN BHD	THE MALAYSIAN INDIAN CONGRESS
Consideration	RM125,000,000/-	RM89,000,000/-	RM18,000,000/-
Analysis (RM per square foot)	RM596/-	RM409/-	RM470/-
Adjustments	Adjustments have been made to location - general, location - accessibility/visibility, land size, tenure, shape, land use, planning/layout approval, site improvement, plot ratio, other adjustment - public transportation (MRT/LRT/KTM) and other adjustment - affordable housing component		
Adjusted Value (RM per sq. foot)	RM507/-	RM511/-	RM540/-

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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VALUE CONSIDERATION (Cont'd)

Cost Approach (Cont'd)

Land Value

From the above analysis, the adjusted land values range from RM507 per square foot to RM540 per square foot.

Having regard to the foregoing, we have adopted Comparable 1 as the best comparable as it is the latest transaction.

Therefore, we have adopted the rounded adjusted land value of RM507 per square foot and the land value is derived at RM12,066,117/- say, RM12,000,000/-.

Building Value

The building values are derived based on our analysis of estimated construction cost inclusive of profits and financial elements compiled during our previous valuation and from our research as well as referring to the JUBM and Arcadis Construction Cost Handbook Malaysia 2022 published by Arcadis (Malaysia) Sdn Bhd as a guide.

Further adjustments made on depreciation or obsolescence in order to reflect the existing condition of the buildings as at the date of valuation.

The building value of the subject property is derived at RM19,113,290/- say, RM19,000,000/-.

The summary of the Market Value of the subject property based on Cost Approach is as follows:-

Component	Market Value
Land Value	RM12,000,000/-
Building Value	RM19,000,000/-
Market Value	RM31,000,000/-

Hence, the Market Value of the subject property derived from the Cost Approach is RM31,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** free from all encumbrances at **RM30,000,000/- (Ringgit Malaysia: Thirty Million Only).**

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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2. KPJ Kajang Specialist Hospital
A seven (7)-storey purpose-built private specialist hospital with one (1)-level of basement car park erected on Lot No. 42997, Section 9, Bandar Kajang, District of Hulu Langat, Selangor
(Our Ref : WTW/01/V/002536B/22/MHA)

PROPERTY IDENTIFICATION

The property	:	A seven (7)-storey purpose-built private specialist hospital with one (1)-level of basement car park known as KPJ Kajang Specialist Hospital
Address	:	KPJ Kajang Specialist Hospital, Jalan Cheras, 43000 Kajang, Selangor
Title No.	:	GM 2494
Lot No.	:	Lot 42997, Section 9, Bandar Kajang, District of Hulu Langat, Selangor
Tenure	:	Term in Perpetuity (Freehold)
Land Area	:	6,404 sq. metres (approximately 68,932 sq. feet / 1.582 acres)
*Gross Floor Area	:	17,757.69 square metres (approximately 191,142 square feet)

Licenced Bed / Bed Capacity :

Type of Bed	No. of Bed
Intensive Care Unit (ICU)	5 beds
Daily Ward	5 beds
Isolation Room	3 beds
Single Bedded Room	32 beds
Double Bedded Room	88 beds
Four Bedded Room	12 beds
Total	**145 beds**

Occupancy Status :

Year	Occupancy Rate
2018	68%
2019	73%
2020	42%
2021	37%
2022	55%

Age of Building	:	Approximately 16 years as per the Certificate of Fitness for Occupation (CFO) by Majlis Perbandaran Kajang (MPKj) bearing certificate reference no. 1499 dated 26 January 2006
GBI Certificate Building	:	No
Planning Provision	:	Based on the gazetted local plan of Majlis Perbandaran Kajang (MPKj) under "SISTEM MAKLUMAT PERANCANGAN NEGERI SELANGOR (SISMAPS)" reveals that the subject property is zoned for commercial use with permissible Plot Ratio of 1:4.0

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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PROPERTY IDENTIFICATION (Cont'd)

Registered Owner : AMANAHRAYA TRUSTEES BERHAD

Encumbrances :
i) Charged to MAYBANK INVESTMENT BANK BERHAD
ii) Private caveat has been lodged by MAYBANK INVESTMENT BANK BERHAD ON 28 April 2021

Reconciliation of Value :

Method of Valuation	Market Value
Income Approach (Profits Method – Discounted Cash Flow)	RM65,000,000/-
Cost Approach	RM55,000,000/-

Market Value : RM65,000,000/-

HISTORICAL PERFORMACE

Five (5) years historical operating performance as provided to us as follows:-

Year	2018	2019	*2020	*2021	2022
No. of Bed	145	145	145	145	145
Occupancy Rate	68%	73%	42%	37%	55%
Gross Operating Revenue	RM93,025,998	RM103,112,833	RM83,586,653	RM88,367,842	RM105,151,187
Gross Operating Cost/Expenditure	RM70,356,917	RM74,612,227	RM66,726,464	RM67,884,078	RM75,875,480
Gross Operating Profit (before CAPEX)	RM22,669,081	RM28,500,606	RM16,860,189	RM20,483,764	RM29,275,707
Fixed Charges	RM3,583,954	RM6,038,967	RM4,328,980	RM5,852,779	RM4,911,199
Net Operating Profit	RM19,085,127	RM22,461,639	RM12,531,209	RM14,630,985	RM24,364,508

Source : Kajang Specialist Hospital Sdn Bhd
*Covid-19 impact

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VALUE CONSIDERATIONS

Income Approach (Profits Method – Discounted Cash Flow)

The key parameters adopted in the Income Approach – Investment (Discounted Cash Flow) Method for the subject property is as follows:-

<table>
<tr><th>Key Parameters</th><th>Remarks</th></tr>
<tr><td>Bed Occupancy Rate</td><td>Reference has been made to the historical annual bed occupancy rate of the subject property from year 2018 to 2022.

Taking into considerations the historical performance and impact of Covid-19, we have made the following projections:

<table><tr><th>Year</th><th>Occupancy Rate</th></tr><tr><td>Year 1 : 2023</td><td>55%</td></tr><tr><td>Year 2 : 2024</td><td>60%</td></tr><tr><td>Year 3 : 2025</td><td>65%</td></tr><tr><td>Year 4 : 2026</td><td>70%</td></tr><tr><td>Year 5 : 2027</td><td>70%</td></tr><tr><td>Terminal Year : 2028</td><td>70%</td></tr></table></td></tr>
<tr><td>Gross Operating Revenue (GOR)</td><td>Taking into consideration the historical performance, we have distributed the projected Gross Operating Revenue based on average rate as follows :

<table><tr><th>Projection Year</th><th>Total Gross Operating Revenue</th></tr><tr><td>Year 1 : 2023</td><td>RM106,236,650</td></tr><tr><td>Year 2 : 2024</td><td>RM116,474,000</td></tr><tr><td>Year 3 : 2025</td><td>RM126,811,068</td></tr><tr><td>Year 4 : 2026</td><td>RM139,979,909</td></tr><tr><td>Year 5 : 2027</td><td>RM139,979,909</td></tr><tr><td>Terminal Year : 2028</td><td>RM139,979,909</td></tr></table></td></tr>
<tr><td>Gross Operating Cost (GOC)</td><td>Reference has been made to the historical performance of Gross Operating Cost over Gross Operating Revenue of the subject property from year 2018 to 2022.

Taking into consideration the historical performance, we have distributed the projected Gross Operating Cost based on rate as follows :

<table><tr><th>Projection Year</th><th>Total Gross Operating Cost</th></tr><tr><td>Year 1 : 2023</td><td>RM86,051,687</td></tr><tr><td>Year 2 : 2024</td><td>RM94,343,940</td></tr><tr><td>Year 3 : 2025</td><td>RM102,716,965</td></tr><tr><td>Year 4 : 2026</td><td>RM113,383,726</td></tr><tr><td>Year 5 : 2027</td><td>RM113,383,726</td></tr><tr><td>Terminal Year : 2028</td><td>RM113,383,726</td></tr></table></td></tr>
<tr><td>Fixed Charges and Property Related Expenses</td><td>In arriving the fixed charges and property related expenses in term of Quit Rent, Assessment and Fire Insurance, we have based on actual charges recorded for the recent year.

<table><tr><th>Property Related Expenses</th><th>Projection</th></tr><tr><td>Maintenance – FF&E</td><td>3.00%</td></tr><tr><td>CAPEX and Maintenance Building</td><td>5.00%</td></tr></table></td></tr>
</table>

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VALUE CONSIDERATION (Cont'd)

Income Approach (Profits Method – Discounted Cash Flow) (Cont'd)

Key Parameters		Remarks
Capitalisation Rate	Capitalisation Rate - 6.50%.	Recent yield based on transactions of similar type properties as follows: Property/Building — Yield Sunway Medical Centre (Tower A & B) — *6.02% KPJ Pasir Gudang Specialist Hospital — **5.75% Sunway University — *6.22% *Net Yield **Gross Yield We further noted the net yield for selected office buildings within Klang Valley ranging from 4.93% to 5.85% whilst we noted that the net yield for industrial properties within Klang, Selangor is approximately 6.5%.
Discount Rate	Discount Rate - 8.50%.	In general, discount rate that we have adopted in our valuation is derived from determining the risk free interest rate as an indicator and added with additional risk premium associated with the hospital industry. Indicative rate for yield to maturity of 10 years as at 1 March 2023 was traded at 3.92%. For the purpose of this valuation, we have made reference to the risk free interest rate published by Central Bank of Malaysia i.e: the Malaysian Government Securities (MGS) yield. We have allocate additional risk premium over the MGS to arrive at the discount rate. We have also made reference to other different classes of real estate yield in arriving to our discount rate.

The market value derived from Income Approach (Profits Method - Discounted Cash Flow) is RM65,318,822/- say, RM65,000,000/-.

We are of the opinion that the above key parameter and assumptions adopted in our valuation are in-line with present market condition.

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES, BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS, WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Cost Approach

In arriving at the market value of the subject property via Cost Approach, we have relied on the transactions of commercial land within a larger locality as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Valuation and Property Services Department (JPPH)		
Location	Bandar Sri Putra	Taman Sri Jelok	Taman Impian Ehsan
Lot No.	Lot No. PT 69794	Lot No. PT 33059 Section 9	Lot No. PT 74375
Mukim/Town	Kajang	Bandar Semenyih	Pekan Kajang
District	Ulu Langat	Ulu Langat	Ulu Langat
State	Selangor		
Property Type	Vacant commercial Land		
Land Area	4,060.00 sq. metres (43,701 sq. feet / 1.00 acre)	5,739.00 sq. metres (61,774 sq. feet / 1.42 acres)	3,926.00 sq. metres (42,259 square feet/ 0.97 acre)
Tenure	Term in perpetuity (Freehold)		Leasehold 99 years expiring on 5 October 2110
Date	03/03/2021	19/09/2019	30/05/2019
Vendor	M. KAZ AUTO SERVICES SDN. BHD.	PRESTIGE IMPROVEMENT SDN. BHD.	UPTOWNACE (M) SDN BHD
Purchaser	THAQWA (MALAYSIA) SDN. BHD.	L.K.C. VENTURES SDN. BHD.	MY CAR MOTORSPORTS SDN BHD
Consideration	RM6,547,500/-	RM11,500,000/-	RM7,500,000/-
Analysis (RM per square foot)	RM150/-	RM186/-	RM177/-
Adjustment	Adjustments have been made to Time Factor, Location – General, Tenure, Plot Ratio, Site Improvement and Public Transportation (MRT/LRT/KTM)		
Adjusted Value (RM per square foot)	RM172/-	RM186/-	RM194/-

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Cost Approach (Cont'd)

Land Value

From the above analysis, the adjusted land values range from RM172 per square foot to RM194 per square foot.

Having regard to the foregoing, we have adopted average of Comparable 1 as it is the latest transaction and Comparable 2 as it is similar in terms of land area and located closest to the subject property.

Therefore, we have adopted the rounded adjusted land value of RM180 per square foot and the land value is derived at RM12,407,760/- say, RM12,000,000/-.

Building Value

The building values are derived based on our analysis of estimated construction cost inclusive of profits and financial elements compiled during our previous valuation and from our research as well as referring to the JUBM and Arcadis Construction Cost Handbook Malaysia 2022 published by Arcadis (Malaysia) Sdn Bhd as a guide.

Further adjustments made on depreciation or obsolescence in order to reflect the existing condition of the buildings as at the date of valuation.

The building value of the subject property is derived at RM42,892,265/- say, RM43,000,000/-.

The summary of the Market Value of the subject property based on Cost Approach is as follows:-

Component	Market Value
Land Value	RM12,000,000/-
Building Value	RM43,000,000/-
Market Value	RM55,000,000/-

Hence, the Market Value of the subject property derived from the Cost Approach is RM55,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** free from all encumbrances at **RM65,00,000/- (Ringgit Malaysia: Sixty Five Million Only).**

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3. Kedah Medical Centre
A purpose built private hospital comprising a ten (10)-storey main hospital building with a three (3)-storey annexe building erected on Lot No. 9425 Section 54, Town of Alor Setar & PT 35, Town of Alor Merah, District of Kota Setar, Kedah
(Our Ref : WTW/08/V/005730/22/PEH/MK)

PROPERTY IDENTIFICATION

The property : A purpose built private hospital comprising a ten (10)-storey main hospital building with a three (3)-storey annexe building known as Kedah Medical Centre

Address : Kedah Medical Centre, Nos. 175 & 175-A, Jalan Pumpong, 05250 Alor Setar, Kedah

Title Nos. / Lot Nos. / Land Area / Town :

Title Nos.	Lot Nos.	Town	*Surveyed Land Area (Square metres)
GM 34919	9425 Section 54	Alor Setar	5,801
HSD 21030	PT 35	Alor Merah	1,927
Total Land Area			**7,728 square metres (approximately 83,183 square feet / 1.910 acres)**

All within District of Kota Setar, Kedah

Tenure : Term in Perpetuity (Freehold)

Gross Floor Area : 20,053 square metres (approximately 215,851 square feet)

Licenced Bed / Bed Capacity :

Category	No. of Beds
VVIP	2 beds
VIP	3 beds
Isolation Room	5 beds
Single Bedded Room	32 beds
Double Bedded Room	58 beds
Four Bedded Room	60 beds
Total	**160 Beds**

Occupancy Status :

Year	Occupancy Rate
2018	54%
2019	55%
2020	31%
2021	30%
2022	49%

Age of Building : Approximately 18 years as per the Certificate of Fitness for Occupation (CFO) by Majlis Bandaraya Alor Setar bearing certificate reference no. A0088 dated 9 September 2004

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PROPERTY IDENTIFICATION (Cont'd)

GBI Certificate Building	:	No
Planning Provision	:	Based on the gazetted local plan of Majlis Bandaraya Alor Setar (MBAS) under "Jilid 2: Kawalan Perancangan" reveals that the subject property is zoned for commercial use with permissible Plot Ratio of 1:5.0
Registered Owner	:	AMANAHRAYA TRUSTEES BERHAD as Trustee
Encumbrances	:	Charged to MAYBANK INVESTMENT BANK BERHAD
Caveat	:	Private caveat has been lodged by MAYBANK INVESTMENT BANK BERHAD

Reconciliation of Value :

Method of Valuation	Market Value
Income Approach (Profits Method – Discounted Cash Flow)	RM70,000,000/-
Cost Approach	RM53,000,000/-

Market Value : RM70,000,000/-

***Note:**
According to the Certified Plan No. 112943 the subject Lot No. 35 have been resurveyed and allotted new Lot No. 9527 respectively. The resurveyed land area is 1,927 square metres, respectively. The resurveyed land areas are adopted for the purpose of this valuation.

HISTORICAL PERFORMACE

Five (5) years historical operating performance as provided to us as follows:-

Year	2018	2019	*2020	*2021	2022
No. of Bed	160	160	160	160	160
Occupancy Rate	54%	55%	31%	30%	49%
Gross Operating Revenue	RM91,621,562	RM97,598,311	RM73,707,720	RM84,459,781	RM104,361,950
Gross Operating Cost/Expenditure	RM74,885,048	RM74,836,168	RM62,856,259	RM68,916,599	RM79,185,510
Gross Operating Profit (before CAPEX)	RM16,736,514	RM22,762,143	RM10,851,461	RM15,543,182	RM25,176,440
Fixed Charges	RM4,136,949	RM5,936,198	RM4,538,649	RM4,877,377	RM5,251,992
Net Operating Profit	RM12,599,565	RM16,825,945	RM6,312,812	RM10,665,805	RM19,924,448

Source : Kedah Medical Centre
*Covid-19 impact

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VALUE CONSIDERATIONS

Income Approach (Profits Method – Discounted Cash Flow)

The key parameters adopted in the Income Approach – Investment (Discounted Cash Flow) Method for the subject property is as follows:-

Key Parameters	Remarks
Bed Occupancy Rate	Reference has been made to the historical annual bed occupancy rate of the subject property from year 2018 to 2022. Taking into considerations the historical performance and impact of Covid-19, we have made the following projections:

Year	Occupancy Rate
Year 1 : 2023	54%
Year 2 : 2024	58%
Year 3 : 2025	62%
Year 4 : 2026	65%
Year 5 : 2027	65%
Terminal Year : 2028	65%

Key Parameters	Remarks
Gross Operating Revenue (GOR)	Taking into consideration the historical performance, we have distributed the projected Gross Operating Revenue based on average rate as follows :

Projection Year	Total Gross Operating Revenue
Year 1 : 2023	RM113,861,825
Year 2 : 2024	RM128,132,437
Year 3 : 2025	RM143,817,614
Year 4 : 2026	RM158,315,358
Year 5 : 2027	RM166,231,126
Terminal Year : 2028	RM166,231,126

Key Parameters	Remarks
Gross Operating Cost (GOC)	Reference has been made to the historical performance of Gross Operating Cost over Gross Operating Revenue of the subject property from year 2018 to 2022. Taking into consideration the historical performance, we have distributed the projected Gross Operating Cost based on rate as follows :

Projection Year	Total Gross Operating Cost
Year 1 : 2023	RM94,505,315
Year 2 : 2024	RM106,349,923
Year 3 : 2025	RM119,368,620
Year 4 : 2026	RM131,401,747
Year 5 : 2027	RM137,971,834
Terminal Year : 2028	RM137,971,834

Key Parameters	Remarks
Fixed Charges and Property Related Expenses	In arriving the fixed charges and property related expenses in term of Quit Rent, Assessment and Fire Insurance, we have based on actual charges recorded for the recent year.

Property Related Expenses	Projection
Maintenance – FF&E	2.00%
CAPEX and Maintenance Building	5.00%

VALUE CONSIDERATION (Cont'd)

Income Approach (Profits Method – Discounted Cash Flow) (Cont'd)

Key Parameters		Remarks
Capitalisation Rate	Capitalisation Rate - 6.75%.	Recent yield based on transactions of similar type properties as follows: Property/Building — Yield Sunway Medical Centre (Tower A & B) — *6.02% KPJ Pasir Gudang Specialist Hospital — **5.75% Sunway University — *6.22% *Net Yield **Gross Yield We further noted the net yield for selected commercial buildings in Kedah are range from 5.0 % to 8.0% whilst industrial properties within Penang are range from 5.0% to 8.0%.
Discount Rate	Discount Rate - 8.50%.	In general, discount rate that we have adopted in our valuation is derived from determining the risk free interest rate as an indicator and added with additional risk premium associated with the hospital industry. Indicative rate for yield to maturity of 10 years as at 1 March 2023 was traded at 3.92%. For the purpose of this valuation, we have made reference to the risk free interest rate published by Central Bank of Malaysia i.e: the Malaysian Government Securities (MGS) yield. We have allocate additional risk premium over the MGS to arrive at the discount rate. We have also made reference to other different classes of real estate yield in arriving to our discount rate.

The market value derived from Income Approach (Profits Method – Discounted Cash Flow) is RM69,598,887/- say, RM70,000,000/-.

We are of the opinion that the above key parameter and assumptions adopted in our valuation are in-line with present market condition.

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES, BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS, WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Cost Approach

In arriving at the market value of the subject property via Cost Approach, we have relied on the transactions of vacant land within the locality as follows:-

Details	Comparable 1	Comparable 2	Comparable 3	Comparable 3
Source	Valuation and Property Services Department (JPPH)			
Location	PEKAN SIMPANG KUALA	Jalan Alor Setar - Alor Janggus	(97B)JLN SPG EMPAT - KOTA SRG SEMUT	(75C) JLN NYIOR SETALI
Lot No.	NO. PEJABAT TANAH 12354	NO. PEJABAT TANAH 1657 & NO. PEJABAT TANAH 1625	HAKMILIK MUKTAMAD 1266	HAKMILIK MUKTAMAD 23
Mukim/Town	BANDAR ALOR SETAR(14)	BANDAR KUALA KEDAH	KANGKONG	BANDAR ALOR SETAR(31)
District	KOTA SETAR	KOTA SETAR	KOTA SETAR	KOTA SETAR
State	Kedah			
Property Type	Vacant Commercial Land	Vacant Commercial Land	Vacant Development Land	Vacant Development Land for residential
Land Area	15,417.40 sq. metres (165,951 sq. feet / 3.81 acre)	4,050.00 sq. metres (43,594 sq. feet / 1.00 acres)	4,060.00 sq. metres (43,701 sq. feet / 1.02 acre)	5,739.00 sq. metres (61,774 sq. feet / 1.42 acres)
Tenure	Term in perpetuity (Freehold)			
Date	12/10/2022	08/03/2022	02/03/2022	14/12/2021
Vendor	YAYASAN ISLAM NEGERI KEDAH	AMTEG LAND SDN BHD	THYE CHOON HOLDINGS SDN BHD	OOI TSIN KHENG
Purchaser	IMPERIO SETIA SDN BHD	AHMAD SAHBUDIN BIN CHE MAT	BERJAYA BAHAN BINAAN SDN BHD	YONG YET MENG
Consideration	RM9,360,000/-	RM2,615,628/-	RM2,389,523/-	RM595,000/-
Analysis (RM per square foot)	RM56.40/-	RM60.00/-	RM54.01/-	RM85.17/-
Adjustment	Adjustments have been made to Time Factor, Location - General, Tenure, Location - Accessbility / Visibility, land Area, Land Use and Zoning			
AdjustedValue (RM per square foot)	RM87.42/-	RM84.00/-	RM83.72/-	RM97.10/-

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Cost Approach (Cont'd)

Land Value

From the above analysis, the adjusted land values range from RM83.72 per square foot to RM97.10 per square foot.

Having regard to the foregoing, we have adopted of Comparable 1 as the best comparable as it is the latest transaction.

Therefore, we have adopted the rounded adjusted land value of RM90 per square foot and the land value is derived at RM7,487,476/- say, RM7,500,000/-.

Building Value

The building values are derived based on our analysis of estimated construction cost inclusive of profits and financial elements compiled during our previous valuation and from our research as well as referring to the JUBM and Arcadis Construction Cost Handbook Malaysia 2022 published by Arcadis (Malaysia) Sdn Bhd as a guide.

Further adjustments made on depreciation or obsolescence in order to reflect the existing condition of the buildings as at the date of valuation.

The building value of the subject property is derived at RM45,557,103/- say, RM45,500,000/-.

The summary of the Market Value of the subject property based on Cost Approach is as follows:-

Component	Market Value
Land Value	RM7,500,000/-
Building Value	RM45,500,000/-
Market Value	RM53,000,000/-

Hence, the Market Value of the subject property derived from the Cost Approach is RM53,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** free from all encumbrances at **RM70,000,000/- (Ringgit Malaysia: Seventy Million Only).**

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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4. KPJ Perdana Specialist Hospital
A purpose-built private hospital comprising a five (5)-storey inpatient building with a sub-basement level erected on Lot No. 657 & PT 705, Section 14, Bandar Kota Bharu, District of Kota Bharu, Kelantan
(Our Ref : WTW/09/V/004752/22/WAN)

PROPERTY IDENTIFICATION

The property : A purpose-built private hospital comprising a five (5)-storey inpatient building with a sub-basement level known as KPJ Perdana Specialist Hospital

Address : KPJ Perdana Specialist Hospital, No PT 37 & PT 600, Jalan Bayam, Section 14, 15200 Kota Bharu, Kelantan

Title Nos. / Lot Nos. / Land Area :

Title Nos.	Lot Nos.	*Surveyed Land Area (Square metres)
PN 4133	Lot 657	8,157
HSD 11253	PT 705	591
Total Land Area		**8,748 (approximately 94,163 square feet / 2.16 acres)**

Section 14, Bandar Kota Bharu, District of Kota Bharu, Kelantan

Tenure : Lot No. 657
Leasehold 66 years expiring 25 May 2064
(Unexpired term of about 41 years)

Lot No. PT 705
Leasehold 66 years expiring 8 May 2082
(Unexpired term of about 59 years)

Gross Floor Area : 13,627.63 square metres (approximately 146,686 square feet)

Licenced Bed / Bed Capacity :

Category	No. of Beds
VIP	4 beds
Executive	1 bed
Deluxe	21 beds
Standard Single (Type A)	1 bed
Single Standard	22 beds
2-Bedded	46 beds
3-Bedded	3 Beds
4-Bedded	12 Beds
Day Ward	6 Beds
ICU	5 Beds
CCU	3 Beds
CICU	1 Bed
PICU	1 Bed
Total	**126 Beds***

Note:-
*Excluding additional 43 beds on Level 2.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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PROPERTY IDENTIFICATION (Cont'd)

Occupancy Status :

Year	Occupancy Rate
2018	70%
2019	73%
2020	57%
2021	50%
2022	71%

Age of Building : Approximately 21 years as per the Certificate of Fitness for Occupation (CFO) by Majlis Perbandaran Kota Bharu bearing certificate reference no. 3302 dated 26 March 2002

GBI Certificate Building : No

Planning Provision : Our verbal enquiry with Majlis Perbandaran Kota Bharu (MPKB) reveals that the subject property is zoned for commercial use with permissible Plot Ratio of 1:4.0

Registered Owner : AMANAHRAYA TRUSTEES BERHAD

Encumbrances : Lot No. 657
Charged to MAYBANK TRUSTEES BERHAD

Lot No. PT 705
Nil

Caveat : Lot No. 657
Private caveat has been lodged by:
1) MAYBANK INVESTMENT BANK BERHAD ON 26 April 2021
2) MAYBANK TRUSTEES BERHAD ON 24 April 2018

Lot No. PT 705
Nil

Reconciliation of Value :

Method of Valuation	Market Value
Income Approach (Profits Method – Discounted Cash Flow)	RM45,000,000/-
Cost Approach	RM43,000,000/-

Market Value : RM45,000,000/-

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE | WTW

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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HISTORICAL PERFORMACE

Five (5) years historical operating performance as provided to us as follows:-

Year	2018	2019	*2020	*2021	2022
No. of Bed	113	114	114	108	108
Occupancy Rate	70%	73%	57%	50%	71%
Gross Operating Revenue	RM70,417,069	RM77,792,013	RM71,952,449	RM68,903,368	RM81,181,495
Gross Operating Cost/Expenditure	RM56,449,747	RM61,541,204	RM57,569,514	RM60,487,780	RM66,594,047
Gross Operating Profit (before CAPEX)	RM13,967,322	RM16,250,808	RM14,382,935	RM8,415,588	RM14,587,448
Fixed Charges	RM3,257,217	RM4,976,295	RM3,803,599	RM4,311,993	RM4,452,168
Net Operating Profit	RM10,710,105	RM11,274,513	RM10,579,336	RM4,103,595	RM10,135,280

Source : Perdana Specialist Hospital Sdn Bhd
*Covid-19 impact

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VALUE CONSIDERATION

Income Approach (Profits Method - Discounted Cash Flow)

The key parameters adopted in the Income Approach – Investment (Discounted Cash Flow) Method for the subject property is as follows:-

<table>
<tr><th>Key Parameters</th><th>Remarks</th></tr>
<tr><td>Bed Occupancy Rate</td><td>
Reference has been made to the historical annual bed occupancy rate of the subject property from year 2018 to 2022.
Taking into considerations the historical performance and impact of Covid-19, we have made the following projections:
<table>
<tr><th>Year</th><th>Occupancy Rate</th></tr>
<tr><td>Year 1 : 2023</td><td>68%</td></tr>
<tr><td>Year 2 : 2024</td><td>68%</td></tr>
<tr><td>Year 3 : 2025</td><td>69%</td></tr>
<tr><td>Year 4 : 2026</td><td>71%</td></tr>
<tr><td>Year 5 : 2027</td><td>73%</td></tr>
<tr><td>Terminal Year : 2028</td><td>73%</td></tr>
</table>
</td></tr>
<tr><td>Gross Operating Revenue (GOR)</td><td>
Taking into consideration the historical performance, we have distributed the projected Gross Operating Revenue based on average rate as follows :
<table>
<tr><th>Projection Year</th><th>Total Gross Operating Revenue</th></tr>
<tr><td>Year 1 : 2023</td><td>RM83,536,329</td></tr>
<tr><td>Year 2 : 2024</td><td>RM85,207,055</td></tr>
<tr><td>Year 3 : 2025</td><td>RM88,189,302</td></tr>
<tr><td>Year 4 : 2026</td><td>RM90,745,514</td></tr>
<tr><td>Year 5 : 2027</td><td>RM93,301,725</td></tr>
<tr><td>Terminal Year : 2028</td><td>RM93,301,725</td></tr>
</table>
</td></tr>
<tr><td>Gross Operating Cost (GOC)</td><td>
Reference has been made to the historical performance of Gross Operating Cost over Gross Operating Revenue of the subject property from year 2018 to 2022.
Taking into consideration the historical performance, we have distributed the projected Gross Operating Cost based on rate as follows :
<table>
<tr><th>Projection Year</th><th>Total Gross Operating Cost</th></tr>
<tr><td>Year 1 : 2023</td><td>RM66,829,063</td></tr>
<tr><td>Year 2 : 2024</td><td>RM68,165,644</td></tr>
<tr><td>Year 3 : 2025</td><td>RM70,551,442</td></tr>
<tr><td>Year 4 : 2026</td><td>RM72,596,411</td></tr>
<tr><td>Year 5 : 2027</td><td>RM74,641,380</td></tr>
<tr><td>Terminal Year : 2028</td><td>RM74,641,380</td></tr>
</table>
</td></tr>
<tr><td>Fixed Charges and Property Related Expenses</td><td>
In arriving the fixed charges and property related expenses in term of Quit Rent, Assessment and Fire Insurance, we have based on actual charges recorded for the recent year.
<table>
<tr><th>Property Related Expenses</th><th>Projection</th></tr>
<tr><td>Maintenance – FF&E</td><td>2.00%</td></tr>
<tr><td>CAPEX and Maintenance Building</td><td>5.00%</td></tr>
</table>
</td></tr>
</table>

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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VALUE CONSIDERATION (Cont'd)

Income Approach (Profits Method – Discounted Cash Flow) (Cont'd)

<table>
<tr><th colspan="2">Key Parameters</th><th>Remarks</th></tr>
<tr><td>Capitalisation Rate</td><td>Capitalisation Rate - 7.00%.</td><td>Recent yield based on transactions of similar type properties as follows:
<table><tr><th>Property/Building</th><th>Yield</th></tr><tr><td>Sunway Medical Centre (Tower A & B)</td><td>*6.02%</td></tr><tr><td>KPJ Pasir Gudang Specialist Hospital</td><td>**5.75%</td></tr><tr><td>Sunway University</td><td>*6.22%</td></tr></table>*Net Yield
**Gross Yield

We further noted the net yield for selected shopping mall within east coast ranging from 6.66% to 7.46% whilst we noted that the net yield for industrial premises ranges from 5.88% to 6.76%.</td></tr>
<tr><td>Discount Rate</td><td>Discount Rate - 9.00%.</td><td>In general, discount rate that we have adopted in our valuation is derived from determining the risk free interest rate as an indicator and added with additional risk premium associated with the hospital industry.

Indicative rate for yield to maturity of 10 years as at 1 March 2023 was traded at 3.92%. For the purpose of this valuation, we have made reference to the risk free interest rate published by Central Bank of Malaysia i.e: the Malaysian Government Securities (MGS) yield.

We have allocate additional risk premium over the MGS to arrive at the discount rate.

We have also made reference to other different classes of real estate yield in arriving to our discount rate.</td></tr>
</table>

The market value derived from Income Approach (Profits Method – Discounted Cash Flow) is RM45,158,376/- say, RM45,000,000/-.

We are of the opinion that the above key parameter and assumptions adopted in our valuation are in-line with present market condition.

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES. BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS. WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Cost Approach

In arriving at the market value of the subject property via Cost Approach, we have relied on the transactions of vacant land within the locality as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Valuation and Property Services Department (JPPH)		
Location	Jalan Telipot, Kota Bharu	Lembah Sireh, Kota Bharu	Bandar Baru Kubang Kerian, Kota Bharu
Lot No.	Lot No. 120	Lot No. 10047	Lot No. PT 1592
Mukim/Town	Section 21, Town of Kota Bharu	Section 17, Town of Kota Bharu	Kenali
District	Kota Bharu		
State	Kelantan		
Land Area	6,039.93 sq. metres (65,013 sq. feet / 1.49 acres)	38,110 sq. metres (410,212 sq. feet / 9.42 acres)	4,291 sq. metres (46,188 square feet/ 1.06 acres)
Tenure	Term in perpetuity	Leasehold 99 years expiring on 20/08/2102	Leasehold 99 years expiring on 12/06/2106
Date	27/10/2020	28/07/2020	19/11/2014
Vendor	WONG KIM CHONG SDN BHD	LIZIZ STANDACO SDN BHD	MAJLIS PERBANDARAN KOTA BHARU BANDARAYA ISLAM
Purchaser	ONG HOCK BOON	SUNWAY MEDICAL CENTRE KOTA BHARU SDN BHD	SENTOSA JAYA DEVELOPMENT SDN BHD
Consideration	RM6,826,395/-	RM28,704,410/-	RM5,000,000/-
Analysis (RM per square foot)	RM105/-	RM70/-	RM108/-
Adjustments	Adjustments have been made to Location-General, Size, Tenure, Category of Land Use , Planning Approval / Improvement and Other Adjustment-Special Condition		
Adjusted Value (RM per sq. foot)	RM121/-	RM115/-	RM114/-

Land Value

From the above analysis, the adjusted land values range from RM115 per square foot to RM121 per square foot.

Having regard to the foregoing, we have adopted Comparable 1 as the best comparable as it is one of the latest transactions and having similar land size with the subject property.

Therefore, we have adopted the rounded adjusted value of RM120 per square foot for Lot 657 Section 14 as a base.

VALUE CONSIDERATION (Cont'd)

Cost Approach (Cont'd)

Land Value (Cont'd)

Further adjustments have been made for PT 705 Section 14 as follows:-

Adjustment		Adjusted Value
Upward • Nil	**Downward** • Accessibility • Size • Shape	RM60.00 psf

The land value is derived as follow:

Lot Nos.	Land Value
Lot 657 Section 14 PT 705 Section 14	RM10,536,120/- RM381,660/-
Total Land Value	RM10,917,780/-
Total Land Value, Say	**RM11,000,000/-**

Building Value

The building values are derived based on our analysis of estimated construction cost inclusive of profits and financial elements compiled during our previous valuation and from our research as well as referring to the JUBM and Arcadis Construction Cost Handbook Malaysia 2022 published by Arcadis (Malaysia) Sdn Bhd as a guide.

Further adjustments made on depreciation or obsolescence in order to reflect the existing condition of the buildings as at the date of valuation.

The building value of the subject property is derived at RM32,017,153/- say, RM32,000,000/-.

The summary of the Market Value of the subject property based on Cost Approach is as follows:-

Component	Market Value
Land Value Building Value	RM11,000,000/- RM32,000,000/-
Market Value	RM43,000,000/-

Hence, the Market Value of the subject property derived from the Cost Approach is RM43,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** with permission to transfer, lease, charge and free from all encumbrances at **RM45,000,000/- (Ringgit Malaysia: Forty Five Million Only).**

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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5. Kuantan Care & Wellness Centre
A purpose built private hospital comprising a three (3) storey block A annexed with a five (5) storey block B erected on Lot Nos. 5885, 5886, 5888 to 5891 (inclusive), 10747 and 10748, all located in Mukim of Kuala Kuantan, District of Kuantan, Pahang
(Our Ref : WTW/05/V/004782/22/YAP)

PROPERTY IDENTIFICATION

The property : A purpose built private hospital comprising a three (3) storey block A annexed with a five (5) storey block B known as Kuantan Care & Wellness Centre

Address : Kuantan Care & Wellness Centre, No. 51, Jalan Alor Akar, 25250 Kuantan, Pahang

Title Nos., Lot Nos. & Surveyed Land Area as per Certified Plan No. PA 129555 :

Title Nos.	Lot Nos.	Surveyed Land Area (sq. metres) Note 1
GM 3441	Lot 5885	964
GM 3442	Lot 5886	951
GM 3466	Lot 5888	962
GM 2827	Lot 5889	1,923
GM 2823	Lot 5890	
GM 3443	Lot 5891	961
GM 1575	Lot 10747	479
GM 6875	Lot 10748	479
Total		**6,719 sq. m. (approximately 72,323 sq. feet / 1.660 acres)**

All located in Mukim of Kuala Kuantan, District of Kuantan, Pahang

Tenure : Term in Perpetuity (Freehold)

Gross Floor Area : 6,415.91 square metres (approximately 69,060 square feet) Note 2

Licenced Chair : 18 dialysis chairs (16 Non Hepatitis, 1 Hepatitis B & 1 Hepatitis C)

Age of Building : Approximately 22 years to 37 years as per the Certificate of Fitness for Occupation (CFO) by Majlis Perbandaran Kuantan bearing certificate reference no. 65/86 dated 3 October 1986 and letter of "Perakuan Siapkerja" by Majlis Perbandaran Kuantan bearing reference no. (60)dlm.MPK/B:PT/141/96-C Jld. 2 dated 25 October 2001.

GBI Certificate Building : Nil

Planning Provision : Based on the gazetted Rancangan Tempatan Daerah Kuantan 2035 (Penggantian) of Majlis Bandaraya Kuantan (MBK) reveals that the subject property is zoned for commercial use with permissible Plot Ratio of 1:6.0

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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PROPERTY IDENTIFICATION (Cont'd)

Registered Owner : Lot No. 5885
AMANAHRAYA TRUSTEES BERHAD as Trustee

Lot Nos. 5886, 5888, 5889, 5890, 5891, 10747 & 10748
AMANAHRAYA TRUSTEES BERHAD

Encumbrances : Nil

Reconciliation of Value :

Method of Valuation	Market Value
Income Approach (Profits Method – Discounted Cash Flow)	RM17,000,000/-
Cost Approach	RM17,000,000/-

Market Value : RM17,000,000/-

Note 1:
Based on the Certified Plan PA 129555 by Jabatan Ukur dan Pemetaan Pahang, the Lot Nos., surveyed Lot Nos., titled land area and surveyed land area are summarised as follows:-

Lot Nos.	Surveyed Lot No.	Titled Land Area (sq. metres)	Surveyed Land Area (sq. metres)
Lot 5885	**Lot 1455 Section 39**	**961.00**	**964.00**
Lot 5886	**Lot 1456 Section 39**	**936.00**	**951.00**
Lot 5888	**Lot 1458 Section 39**	**961.00**	**962.00**
Lot 5889	**Lot 1459Section 39**	**961.1269**	**1,923.00**
Lot 5890		**961.1269**	
Lot 5891	**Lot 1460 Section 39**	**961.1269**	**961.00**
Lot 10747	**Lot 1454 Section 39**	**478.7137**	**479.00**
Lot 10748	**Lot 1453 Section 39**	**478.7000**	**479.00**
Total		**6,698.7944**	**6,719.00**

For the purpose of this valuation, we have adopted the surveyed land area of as per Certified Plan No. PA 129555 in our valuation.

Note 2:
The total gross floor area is excluding other ancillary buildings.

HISTORICAL PERFORMACE

Five (5) years historical operating performance as provided to us as follows:-

Year	2018	2019	*2020	*2021	2022
Gross Operating Revenue	RM2,122,561	RM2,575,181	RM3,758,992	RM4,356,558	RM4,653,351
Gross Operating Cost/Expenditure	RM4,676,829	RM4,107,145	RM4,158,030	RM4,514,143	RM5,153,998
Gross Operating Profit (before CAPEX)	-RM2,554,268	-RM1,531,964	-RM399,039	-RM157,586	-RM500,646
Fixed Charges	RM563,760	RM443,870	RM443,799	RM497,338	RM475,095
Net Operating Profit	-RM3,118,028	-RM1,975,834	-RM842,838	-RM654,924	-RM975,741

Source : Kuantan Wellness Centre Sdn Bhd
*Covid-19 impact

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VALUE CONSIDERATION

Income Approach (Profits Method – Discounted Cash Flow)

The key parameters adopted in the Income Approach – Investment (Discounted Cash Flow) Method for the subject property is as follows:-

Key Parameters	Remarks
Gross Operating Revenue (GOR)	Taking into consideration the historical performance, we have distributed the projected Gross Operating Revenue based on average rate as follows : Projection Year / Total Gross Operating Revenue Year 1 : 2023 – RM5,584,022 Year 2 : 2024 – RM7,063,496 Year 3 : 2025 – RM7,721,705 Year 4 : 2026 – RM8,444,532 Year 5 : 2027 – RM9,238,408 Terminal Year : 2028 – RM9,238,408
Gross Operating Cost (GOC)	Reference has been made to the historical performance of Gross Operating Cost over Gross Operating Revenue of the subject property from year 2018 to 2022. Taking into consideration the historical performance, we have distributed the projected Gross Operating Cost based on rate as follows : Projection Year / Total Gross Operating Cost Year 1 : 2023 – RM5,304,820 Year 2 : 2024 – RM5,458,381 Year 3 : 2025 – RM5,297,840 Year 4 : 2026 – RM5,050,608 Year 5 : 2027 – RM4,700,950 Terminal Year : 2028 – RM4,700,950
Fixed Charges and Property Related Expenses	In arriving the fixed charges and property related expenses in term of Quit Rent, Assessment and Fire Insurance, we have based on actual charges recorded for the recent year. Property Related Expenses / Projection Maintenance – FF&E – 2.50% CAPEX and Maintenance Building – 5.50%

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

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VALUE CONSIDERATION (Cont'd)

Income Approach (Profits Method – Discounted Cash Flow) (Cont'd)

Key Parameters		Remarks
Capitalisation Rate	Capitalisation Rate - 6.75%.	Recent yield based on transactions of similar type properties as follows: Property/Building | Yield Sunway Medical Centre (Tower A & B) | *6.02% KPJ Pasir Gudang Specialist Hospital | **5.75% Sunway University | *6.22% *Net Yield **Gross Yield We further noted the net yield for selected shopping mall within east coast ranging from 6.66% to 7.46% whilst we noted that the net yield for industrial premises ranges from 5.88% to 6.76%.
Discount Rate	Discount Rate - 8.75%.	In general, discount rate that we have adopted in our valuation is derived from determining the risk free interest rate as an indicator and added with additional risk premium associated with the hospital industry. Indicative rate for yield to maturity of 10 years as at 1 March 2023 was traded at 3.92%. For the purpose of this valuation, we have made reference to the risk free interest rate published by Central Bank of Malaysia i.e: the Malaysian Government Securities (MGS) yield. We have allocate additional risk premium over the MGS to arrive at the discount rate. We have also made reference to other different classes of real estate yield in arriving to our discount rate.

The market value derived from Income Approach (Profits Method – Discounted Cash Flow) is RM16,854,772/- say, RM17,000,000/-.

We are of the opinion that the above key parameter and assumptions adopted in our valuation are in-line with present market condition.

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES. BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS. WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

VALUATION CERTIFICATE ON THE LEASE PROPERTIES

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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VALUE CONSIDERATION (Cont'd)

Cost Approach

In arriving at the market value of the subject property via Cost Approach, we have relied on the transactions of development land within the locality as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Valuation and Property Services Department (JPPH)		
Location	Tanah Putih, Jalan Tanh Putih	Jalan Kota SAS, Kota SAS	Darat Galing, off Jalan Beserah
Lot No.	Lot Nos. PT 150920 & 150921	Lot No. 130797	Lot No. 83
Mukim/Town	Bandar Kuantan	Kuala Kuantan	Kuala Kuantan
District	Kuantan		
State	Pahang		
Property Type	Commercial & Development Lands	Commercial Land (Petrol Station)	Development Land
Land Area	7,938 sq. metres (85,444 sq. feet / 1.96 acres)	4,059 sq. metres (43,691 sq. feet / 1.00 acres)	4,280 sq. metres (46,069 sq. feet / 1.06 acres)
Tenure	Term in perpetuity (Freehold)	Leasehold expiring on 23/03/2109	Term in perpetuity (Freehold)
Date	23/09/2022	25/11/2020	27/11/2019
Vendor	YCM AGRICULTURE SDN BHD	KOTASAS SDN BHD	HONEST SAM DEVELOPMENT SDN BHD
Purchaser	PESAT AUTO CTM SDN BHD	KOPERASI SERBAGUNA FELDA BUKIT GOH	ACARA REALTY SDN BHD
Consideration	RM5,700,000/-	RM2,621,400/-	RM2,585,092/-
Analysis (RM per square foot)	RM67/-	RM60/-	RM56/-
Adjustments	Adjustment has been made to Time Factor, Location, Accessibility/Visibility, Tenure, Category of Land Use and Site Improvement		
Adjusted Value (RM per sq. foot)	RM80/-	RM84/-	RM80/-

VALUE CONSIDERATION (Cont'd)

Cost Approach (Cont'd)

Land Value

From the above analysis, the adjusted land values range from RM80 per square foot to RM84 per square foot.

Having regard to the foregoing, we have adopted Comparable 2 as the best comparable.

Therefore, we have adopted the rounded adjusted land value of RM85 per square foot and the land value is derived at RM6,147,370/- say, RM6,000,000/-.

Building Value

The building values are derived based on our analysis of estimated construction cost inclusive of profits and financial elements compiled during our previous valuation and from our research as well as referring to the JUBM and Arcadis Construction Cost Handbook Malaysia 2022 published by Arcadis (Malaysia) Sdn Bhd as a guide.

Further adjustments made on depreciation or obsolescence in order to reflect the existing condition of the buildings as at the date of valuation.

The building value of the subject property is derived at RM10,872,115/- say, RM11,000,000/-.

The summary of the Market Value of the subject property based on Cost Approach is as follows:-

Component	Market Value
Land Value Building Value	RM6,000,000/- RM11,000,000/-
Market Value	RM17,000,000/-

Hence, the Market Value of the subject property derived from the Cost Approach is RM17,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** free from all encumbrances at **RM17,000,000/- (Ringgit Malaysia: Seventeen Million Only).**

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. CONSENTS AND CONFLICTS OF INTEREST

2.1 KAF IB

KAF IB, being the Principal Adviser for the Proposed Lease Renewal, has given and has not been subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

KAF IB has confirmed that as at the LPD, it is not aware of any possible conflict of interest which exists or is likely to give rise to a possible conflict of interest situation by virtue of KAF IB's appointment as the Principal Adviser for the Proposed Lease Renewal.

2.2 Independent Adviser

ZICO Capital, being the Independent Adviser for the Proposed Lease Renewal, has given and has not subsequently withdrawn its written consent for the inclusion in this Circular of their names, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

ZICO Capital has given a written confirmation that it is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the independent adviser in respect of the Proposed Lease Renewal.

2.3 Valuer

CBRE WTW, being the Valuer for the Proposed Lease Renewal, has given and has not subsequently withdrawn its written consent for the inclusion in this Circular of their names, the valuation certificate in respect of the Lease Properties as set out in Appendix III of this Circular and all references thereto in the form and context in which they appear in this Circular.

CBRE WTW has given its written confirmation that it is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Valuer in respect of the Proposed Lease Renewal.

3. MATERIAL COMMITMENTS

There are no other material commitments incurred or known to be incurred by Al-`Aqar as at LPD, which upon becoming due or enforceable, may have a material impact on the financial position or business of Al-`Aqar.

4. CONTINGENT LIABILITIES

There are no contingent liabilities incurred or known to be incurred by Al-`Aqar as at LPD, which upon becoming due or enforceable, may have a material impact on the financial position or business of Al-`Aqar.

5. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) The Deed;

(ii) The audited financial statements of Al-`Aqar for the past two FYEs 31 December 2021 and 2022;

(iii) The latest unaudited financial statements of Al-`Aqar for the period ended 31 March 2023;

(iv) The Memorandums of Extension and the Supplemental Memorandums of Extension;

(v) Principal Lease Agreements;

(vi) Copies of the undated Lease Agreements;

(vii) The Valuation Reports;

(viii) The Valuation Certificate; and

(ix) The letters of consent and declaration of conflict of interests referred to in Section 2 of the **Appendix III** of this Circular.

al-`aqar
HEALTHCARE REIT

AL-`AQAR HEALTHCARE REIT

(established in Malaysia under the deed dated 27 June 2006 and as amended by the supplementary deed dated 14 May 2009, 27 January 2011 and 9 November 2011, amended and restated by the Restated Deed dated 31 July 2013, amended and restated by the Second Restated Deed dated 25 November 2019 and further amended by the Supplemental Deed to the Second Restated Deed dated 29 December 2022 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 as amended, varied or supplemented from time to time)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of the holders of units of Al-`Aqar Healthcare REIT ("**Al-`Aqar**") ("**Unitholders**") will be held physically at Ballroom 2, Level 2, Pullman Kuala Lumpur Bangsar, 1, Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur on Friday, 25 August 2023 at 10:00 a.m. for the purpose of considering and if thought fit to pass the following resolution, with or without any amendments:

ORDINARY RESOLUTION 1

PROPOSED RENEWAL OF LEASE OF THE PROPERTIES BETWEEN THE SUBSIDIARIES AND ASSOCIATED COMPANY OF KPJ HEALTHCARE BERHAD WITH AMANAHRAYA TRUSTEES BERHAD AND DAMANSARA REIT MANAGERS SDN BERHAD FOR AND ON BEHALF OF AL-`AQAR ("PROPOSED LEASE RENEWAL")

"**THAT** approval be and is hereby given to AmanahRaya Trustees Berhad, being the trustee for and on behalf of Al-`Aqar ("**Trustee**" or "**Lessor**") and Damansara REIT Managers Sdn Berhad, being the manager of Al-`Aqar ("**Manager**") to enter into the renewal lease agreements with the following companies of KPJ Healthcare Berhad to renew the lease of the properties held by the Lessor including the Lessor's fixtures and fittings (as described in the circular to unitholders dated 8 August 2023) in relation to the following properties:

No.	Properties	Companies of KPJ	Renewed lease period sought
(i)	KPJ Perdana Specialist Hospital	Perdana Specialist Hospital Sdn Bhd	15 years [(1)]
(ii)	KPJ Kajang Specialist Hospital	Kajang Specialist Hospital Sdn Bhd	15 years [(1)]
(iii)	Kedah Medical Centre	Kedah Medical Centre Sdn Bhd	15 years [(1)]
(iv)	KPJ Sentosa KL Specialist Hospital	Sentosa Medical Centre Sdn Bhd	3 years [(1)]
(v)	Kuantan Care and Wellness Centre	Kuantan Wellness Center Sdn Bhd	3 years [(1)]

Note:

(1) *With an option to extend for another 15 years*

AND THAT the Directors of the Manager and the Trustee be and are hereby authorised to do all such acts and things and enter into any arrangements, guarantees, agreements and/or undertakings and, sign, execute and deliver all documents as they deem necessary or expedient in order to implement, finalise and/or give full effect to and complete the Proposed Lease Renewal with full powers to assent to any terms, conditions, modifications, variations and/or amendments as the Directors of the Manager and the Trustee may deem fit, necessary and/or expedient in the interest of Al-`Aqar or as may be imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments to implement, finalise and/or give full effect to and complete the Proposed Lease Renewal."

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

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

Company Secretaries

Johor Bahru
Dated: 8 August 2023

Notes:

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

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

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

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

5. *The instrument appointing a proxy must be deposited at the at the Office of the Poll Administrator at: Mega Corporate Services Sdn. Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof or e-mail to **EGM-support.AlAqar@megacorp.com.my**, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.*

6. *If during the convened EGM and where the discussion pertaining to the resolution of the EGM has concluded, the chairman of the EGM decides to hold the poll voting of the resolution at a later date, the instrument appointing a proxy must be deposited at the at the Office of the Poll Administrator at: Mega Corporate Services Sdn. Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof or e-mail to **EGM-support.AlAqar@megacorp.com.my**, not less than forty-eight (48) hours before the time appointed for the taking of the poll.*

7. *Only Unitholders registered in the Record of Depositors as at 18 August 2023 shall be entitled to attend and speak at the EGM or appoint proxy(ies) to attend on his/her behalf.*

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

PROXY FORM

Al-'Aqar Healthcare REIT

CDS Account No.	No. of Units held

I/We____ Tel:______________________

[Full name in block and as per NRIC/passport, NRIC/Passport/Company No.]

of____

[Full address]

____ being member(s) of Al-'Aqar Healthcare REIT, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of unitholdings represented	
		No. of Units	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of unitholdings represented	
		No. of Units	%
Address			

or failing him/her, the Chairperson of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at Extraordinary General Meeting of the Company to be held at Ballroom 2, Level 2, Pullman Kuala Lumpur Bangsar, 1, Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur on Friday, 25 August 2023 at 10:00 a.m. or any adjournment thereof, and to vote as indicated below:

Description	**Resolution**	**For**	**Against**
The Proposed Lease Renewal	Ordinary Resolution 1		

Signed this __________day of __________2023.

____
Signature of Unitholder/ Common Seal

Notes:

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2. *Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the EGM, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote.*
3. *Where the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with units standing to the credit of the said securities account. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy. Such proxy shall have the same rights as the member to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.*
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8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.*

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AFFIX
STAMP

The Company Secretary of
DAMANSARA REIT MANAGERS SDN BERHAD
(as the manager of Al-`Aqar Healthcare REIT)
Level 14 Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor
Malaysia

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Fold This Flap For Sealing