THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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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 and further amended and restated by the Second Restated Deed dated 25 November 2019, entered into between Damansara REIT Managers Sdn Berhad and AmanahRaya Trustees Berhad, both companies incorporated in Malaysia under the laws of Malaysia and the persons who are for the time being registered as holders of the units in Al-`Aqar Healthcare REIT)

CIRCULAR TO UNITHOLDERS IN RELATION TO

PART A

PROPOSED LEASE RENEWAL (AS DEFINED HEREIN)

PART B

INDEPENDENT ADVICE LETTER FOR THE PROPOSED LEASE RENEWAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

AmInvestment Bank Berhad
(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

MainStreet Advisers Sdn Bhd
(Registration No. 200701032292(790320-P))

The Notice of the Extraordinary General Meeting ("**EGM**") of Al-`Aqar Healthcare REIT to be held on a fully virtual basis at the Broadcast Venue: Unit 1-19-02, Block 1, V Square, Jalan Utara, 46200 Petaling Jaya, Selangor, on Thursday, 10 June 2021 at 11.00 a.m., together with the Form of Proxy set out in the Notice of EGM.

A member is entitled to attend and vote at the EGM and is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. The Form of Proxy should be lodged at the Registered Office of the Damansara REIT Managers Sdn Berhad at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time of the EGM. The last day and time for lodging the Form of Proxy is on Wednesday, 9 June 2021 at 11.00 a.m.. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 9 June 2021 at 11.00 a.m.
Date and time of EGM	:	Thursday, 10 June 2021 at 11.00 a.m.

This document is dated 24 May 2021

DEFINITIONS

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

Act	:	The 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
AmInvestment Bank or **Principal Adviser**	:	AmInvestment Bank Berhad
APSH	:	KPJ Ampang Puteri Specialist Hospital
ART or **Trustee** or **Lessor**	:	AmanahRaya Trustees Berhad, being the trustee of Al-`Aqar
Base Rent	:	Rent payable for the first year of the First Rental Term
Board	:	The Board of Directors of the Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cheston or **Independent Valuer**	:	Cheston International (KL) Sdn Bhd, being the independent valuer for the Proposed Lease Renewal
Circular	:	This circular to unitholders of Al-`Aqar dated 24 May 2021 which sets out the details of the Proposed Lease Renewal
COVID-19	:	Coronavirus disease
Deed	:	The principal 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 and further amended and restated by the Second Restated Deed dated 25 November 2019, entered into between DRMSB and ART and the persons who are for the time being registered as holders of the units in Al-`Aqar
Director	:	Directors of DRMSB
DRMSB or **Manager**	:	Damansara REIT Managers Sdn Berhad, being the manager of Al-`Aqar
DSH	:	KPJ Damansara Specialist Hospital
EGM	:	Extraordinary General Meeting
EPU	:	Earnings per Unit
First Rental Term	:	Period between 30 June 2021 to 29 June 2024
FY(s)	:	Financial year(s) ended / ending, as the case may be
Interested Directors	:	The directors of the Manager who are deemed interested in the Proposed Lease Renewal as disclosed in Section 8 of this Circular.
Interested Major Unitholders	:	The major unitholders of Al-`Aqar who are deemed interested in the Proposed Lease Renewal as disclosed in Section 8 of this Circular.

ISH	:	KPJ Ipoh Specialist Hospital
JCorp	:	Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995)
JSH	:	KPJ Johor Specialist Hospital
KPJ	:	KPJ Healthcare Berhad
KPJ Group	:	KPJ, its subsidiaries and associated companies
Lease Agreements	:	Lease agreements executed in escrow between the Trustee (in its capacity as the Lessor), the respective Subsidiaries (in their capacity as the Lessees) and the Manager to renew the leases of the Properties
Letters	:	Exchange of letters entered into by ART, the Subsidiaries and the Manager
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 April 2021, being the latest practicable date prior to the printing of the Circular
Major Unitholder	:	(i) Any person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of the share, or the aggregate of the nominal amounts of those shares, is:- (a) 10% or more of the aggregate of the total number of voting shares in the corporation; or (b) 5% or more of the aggregate of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation, For the purpose of this definition, "interests" shall have the meaning of "interest in shares" given in Section 8 of the Act; and (ii) For the purposes of the Proposed Lease Renewal, a major unitholder 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 major unitholder of Al-`Aqar or any other company which is its subsidiary
MainStreet or **Independent Adviser**	:	MainStreet Advisers Sdn Bhd, being the independent adviser for the Proposed Lease Renewal
NA	:	Net assets
NPI	:	Net property income
Open Market Value	:	Reasonable and fair market value of the Properties as determined by the independent valuer appointed by the parties based on valuation method without having regard to, the Rental Term(s) of the lease provided in the Lease Agreements

Properties	:	Refers to the properties owned by the Lessor as described in Section 2.3 of this Circular in relation to APSH, DSH, ISH, JSH, PSH, and SSH 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 lease of the Properties entered into between the Subsidiaries with the Trustee and the Manager for and on behalf of Al-`Aqar
Principal Lease Agreements	:	The initial lease agreements to lease the Properties held by the Lessor dated 30 June 2006 (as amended from time to time by supplementary agreements) entered into between six subsidiaries of KPJ with Amanah Raya Berhad as trustee of Al-`Aqar KPJ REIT) (now known as Al-`Aqar Healthcare REIT) and lessor of the Properties ("**ARB**") and the Manager
PSH	:	KPJ Puteri Specialist Hospital
RM and **sen**	:	Ringgit Malaysia and sen respectively
SSH	:	KPJ Selangor Specialist Hospital
Subsidiaries or **Lessee(s)**		Collectively, refers to the following subsidiaries of KPJ:- (i) Ampang Puteri Specialist Hospital Sdn Bhd; (ii) Rawang Specialist Hospital Sdn Bhd; (iii) Ipoh Specialist Hospital Sdn Bhd; (iv) Johor Specialist Hospital Sdn Bhd; (v) Pasir Gudang Specialist Hospital Sdn Bhd; and (vi) Selangor Specialist Hospital Sdn Bhd "Lessee" shall refer to any one of them
Succeeding Rental Term	:	Means the second rental term (Year 4 to Year 6), third rental term (Year 7 to year 9), fourth rental term (Year 10 to Year 12) and fifth rental term (Year 13 to Year 15)
Valuation Report(s)	:	Valuation reports of the Properties by Cheston

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

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

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

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

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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 No. 200501035558 (717704-V))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under Companies Act, 2016)

Registered Office:

Level 16 Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor

24 May 2021

Board of Directors

Dato' Mohd Redza Shah Abdul Wahid	Independent Non-Executive Chairman
Abdullah Abu Samah	Independent Non-Executive Director
Dato' Wan Kamaruzaman Wan Ahmad	Independent Non-Executive Director
Wan Azman Ismail	Chief Executive Officer and Non-Independent Executive Director
Datuk Sr. Akmal Ahmad	Non-Independent Non-Executive Director
Shamsul Anuar Abdul Majid	Non-Independent Non-Executive Director
Mohd Yusof Ahmad	Non-Independent Non-Executive Director

To: The Unitholders of Al-`Aqar Healthcare REIT

Dear Sir/Madam,

PROPOSED LEASE RENEWAL

1. INTRODUCTION

On 6 April 2021, on behalf of the Board of DRMSB, AmInvestment Bank announced that DRMSB and ART on behalf of the REIT proposes to enter into 6 separate lease agreements with the Subsidiaries of KPJ (as detailed in Section 2.1 of this Circular) to renew the lease of the Properties.

The parties had on 6 April 2021 executed the Letters and 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 2.4.3 of this Circular.

The purpose 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 including the independent advice letter (as set out in Part B of this Circular) together with the appendices contained herein before voting on the resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM.

2. PROPOSED LEASE RENEWAL

2.1 Details of the Proposed Lease Renewal

The Principal Lease Agreements to lease the Properties to KPJ Group were entered into on 30 June 2006.

The initial 15-year contractual lease period under the Principal Lease Agreements will expire on 29 June 2021. As such, ART as the trustee of Al-`Aqar proposes to enter into the Lease Agreements with the respective Subsidiaries to renew the lease of the Properties in relation to the following hospitals:-

	Subsidiaries	Hospital
(i)	Ampang Puteri Specialist Hospital Sdn Bhd	KPJ Ampang Puteri Specialist Hospital (“**APSH**”)
(ii)	Rawang Specialist Hospital Sdn Bhd*	KPJ Damansara Specialist Hospital (“**DSH**”)
(iii)	Ipoh Specialist Hospital Sdn Bhd	KPJ Ipoh Specialist Hospital (“**ISH**”)
(iv)	Johor Specialist Hospital Sdn Bhd	KPJ Johor Specialist Hospital (“**JSH**”)
(v)	Pasir Gudang Specialist Hospital Sdn Bhd*	KPJ Puteri Specialist Hospital (“**PSH**”)
(vi)	Selangor Specialist Hospital Sdn Bhd	KPJ Selangor Specialist Hospital (“**SSH**”)

Note * : The lessee for the Properties in relation to DSH and PSH have changed from Damansara Specialist Hospital Sdn Bhd to Rawang Specialist Hospital Sdn Bhd and Puteri Specialist Hospital (Johor) Sdn Bhd to Pasir Gudang Specialist Hospital Sdn Bhd respectively as part of an internal reorganisation exercise by KPJ Group to better manage the operations and costs of operating the hospitals.

In addition to the hospitals mentioned above, Al-`Aqar has 17 other properties which include, 11 hospitals, 3 wellness/health centres, 2 colleges and 1 aged care & retirement village as disclosed below. Al-`Aqar intends to renew the respective leases of the 17 properties as and when the respective leases expire.

	Properties	Location	Year of expiry of the contractual lease term
(a)	KPJ Perdana Specialist Hospital	No. PT 37 and PT 600, Jalan Bayam, Section 14, 15200 Kota Bharu, Kelantan	2023
(b)	Kuantan Care & Wellness Center	No. 51 Jalan Alor Akar, Taman Kuantan, 25250 Kuantan, Pahang	2023
(c)	KPJ Sentosa KL Specialist Hospital	No. 36, Jalan Chemur Damai Complex, 50400 Kuala Lumpur	2023
(d)	KPJ Kajang Specialist Hospital	Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan	2023
(e)	Kedah Medical Centre	No. 175 & 175A, Jalan Pumpong, 05250 Alor Setar, Kedah Darul Aman	2023
(f)	Damai Care & Wellness Centre (previously known as KPJ Damai Specialist Hospital)	Lorong Pokok Tepus 1, Off Jalan Damai, 88300 Kota Kinabalu, Sabah	2024
(g)	KPJ Penang Specialist Hospital	No. 570, Jalan Perda Utama, Bandar Perda, 14000 Bukit Mertajam, Pulau Pinang	2024
(h)	Tawakkal Health Centre	No. 202A, Jalan Pahang, 53000 Kuala Lumpur	2024

	Properties	Location	Year of expiry of the contractual lease term
(i)	KPJ Tawakkal Specialist Hospital	No-1, Jalan Pahang Barat / Jalan Sarikei, 53000 Kuala Lumpur	2025
(j)	KPJ Seremban Specialist Hospital	Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan	2024
(k)	Taiping Medical Centre	No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak	2024
(l)	KPJ Healthcare University College, Nilai (Existing Building)	PT 17010, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan	2024
(m)	KPJ Healthcare University College, Nilai (New Building)	PT 17010, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan	2030
(n)	KPJ International College, Penang	No. 565, Jalan Sungai Rambai, 14000 Bukit Mertajam, Pulau Pinang	2024
(o)	Kluang Utama Specialist Hospital	No. 1,3,5,7,9,11 Susur 1, Jalan Besar, 86000 Kluang, Johor Darul Takzim	2027
(p)	KPJ Klang Specialist Hospital	No. 102, Persiaran Rajawali / KU 1, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan	2027
(q)	Jeta Gardens Aged Care & Retirement Village	Jeta Gardens, Aged Care and Retirement Village, 27 Clarendon Avenue, Bethania and 86 Albert Street, Waterford, Queensland, 4205 Australia	Lease of 99 years commencing in year 2011 with options to terminate every 15 years
(r)	KPJ Batu Pahat Specialist Hospital	No 1, Jalan Mutiara Gading 1 Taman Mutiara Gading Sri Gading, 83000 Batu Pahat, Johor	2025 (with 8 successive 3 year terms which shall be automatically renewed and commence from the date of expiry of principal lease term)

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 with a network of 28 hospitals in Malaysia, 2 hospitals in Indonesia, 1 hospital in Thailand, 1 hospital in Bangladesh and 5 senior and assisted living care facilities in Kuala Lumpur, Sabah, Sarawak, Pahang and Australia.

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

2.3 Information on the Properties

The details of the Properties are as follows:-

	APSH	DSH	ISH	JSH	PSH	SSH
Description[(i)]	A 7-storey main medical centre building and an annexed 5-storey consultant building both are with a common lower ground floor and a lower ground floor car park	A 6-storey private specialist medical centre together with a basement floor; and basement floor and ground floor car park	A 3-storey main building (old wing) and a 5-storey building with a basement (new wing) and a basement and ground floor car parks (new wing)	A 7-storey main hospital building, a 4-storey physician consulting building, a 2-level basement car parks, a 7-storey annexed building (premier block), a 5-storey car park building together with a mezzanine and basement level	A 6-storey medical centre building (left wing) and a 6-storey medical centre building (right wing)	A 6-storey main building together with a basement and a 5-storey car park block together with a half basement level and an open roof level
Address	No. 1, Jalan Memanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan	No. 119, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan	No. 26, Jalan Raja Dihilir, 30350 Ipoh Perak Darul Ridzuan	No. 39-B, Jalan Abdul Samad, 80100 Johor Bahru, Johor Darul Takzim	No. 33, Jalan Tun Abdul Razak (Susur 5), 80350 Johor Bahru, Johor Darul Takzim	Lot 1, Jalan Singa 20/1, Section 20, 40300 Shah Alam, Selangor Darul Ehsan
Tenure	99-year leasehold interest expiring on 17 April 2089	Interest in Perpetuity	Interest in Perpetuity	99-year leasehold interest expiring on 1 March 2079	99-year leasehold interest expiring on 31 December 2053	99-year leasehold interest expiring on 1 July 2096
Gross Floor Area (sq.ft.)[(ii)]	420,294	446,493	347,189	432,585	126,754	314,844
Age of the buildings	29 years	23 years	13-40 years	10-40 years	7-35 years	9-25 years
Fair value @ 31.12.2020[(iii)]	137,000,000	135,000,000	77,000,000	122,000,000	42,000,000	82,000,000

Notes :

(i) The Properties excludes buildings and structures that have yet to be acquired by and injected into Al-`Aqar. The Properties includes properties owned by the Lessor subsequent to the initial Principal Lease Agreements of which the expiry date of the lease is the same namely, PSH's vacant lands, JSH's 7-storey annexed building (premier block) and a 5-storey car park and SSH's carpark.

(ii) The gross floor area includes carparks and other ancillary buildings.

(iii) Based on Al-`Aqar's audited financial statement for FY 31 December 2020. The fair values were determined based on the capitalisation of net income method (Investment method).

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

2.4 Salient terms of the Lease Agreements

The salient terms of the Lease Agreements are as follows:-

2.4.1 Lease of Properties

The lease of the Properties is for a period of fifteen (15) years commencing from 30 June 2021 to 29 June 2036 ("**Contractual Term**") upon the terms and conditions stipulated in the Lease Agreements with an option to renew for another fifteen (15) years.

2.4.2 Use of Properties

The Properties shall be used strictly for the purpose of operating a healthcare facility which operation and usage shall not be contrary to Shariah principles.

2.4.3 Conditions of the Lease Agreements

The Proposed Lease Renewal is conditional upon the fulfilment of the following conditions ("**Conditions**"):-

(i) the approval of the shareholders of KPJ being obtained in respect of the Proposed Lease Renewal; and

(ii) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Lease Renewal.

2.4.4 Rental formula for rental amount

2.4.4.1 Formula for the Proposed Lease Renewal

The rent shall be denominated in RM and the formula for determination of the rent in relation to the Proposed Lease Renewal are as follows:-

(i) Rent formula

First Rental Term	Rent Formula
1st year	5.75% per annum x the Open Market Value of the Properties ("**Base Rent**").
2nd & 3rd year	2% incremental increase x the rent for the preceding year.

(ii) Rent review formula

The rent for every Succeeding Rental Term shall be calculated based on the following formula:-

Succeeding Rental Terms	Rent Review Formula
1st year of every Succeeding Rental Term (Years 4, 7, 10 and 13)	(10-years Malaysian Government Securities yield ("**MGS**")) + 200 basis points ("**BPS**")) x Open Market Value (as determined by an independent valuer) of the Properties, at the point of review subject to: (a) a minimum rent of 5.75% per annum x prevailing Open Market Value of the Properties or the rent payable for the 1st year of the First Rental Term of the Properties, whichever is higher; and

Succeeding Rental Terms	Rent Review Formula
	(b) any adjustment to the rent shall not be more than 2% incremental increase over the rent for the preceding year which shall be in RM.
2nd & 3rd year of every Succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)	2% incremental increase over the rent for the preceding year which shall be in RM.

The total first-year rental amount is RM40.94 million under the Lease Agreements based on the market value of the Properties of RM712 million (as detailed in Section 2.5 below). At each of the rent review year i.e. on year 4, 7, 10 and 13 of the Lease Agreements, the rent will be reviewed based on the formula above. If there is no change in the market value and the 10-years MGS + 200BPS is equivalent to 5.75%, the rental shall remain at RM40.94 million. For illustration, assuming the 10-years MGS at the point of review is the same as the MGS as at LPD of 3.11% and the Year 3 rental is RM42.59 million, the rental for Year 4 shall be as follows:-

	Assuming 20% downward revision to Open Market Value	Assuming 20% upward revision to Open Market Value
Market Value	RM569.6 m	RM854.4million
10-years MGS + 200 BPS x Open Market Value of the Properties	(3.11%+2%)*RM569.6m= RM29.11m	(3.11%+2%)*RM854.4m= RM43.66m
Minimum 5.75% per annum x prevailing Open Market Value of the Properties or the rent payable for the 1st year of the First Rental Term of the Properties, whichever is higher	Whichever higher:- (a)5.75%*RM569.6m =RM32.75m OR (b) RM40.94m Hence, RM40.94m	Whichever higher:- (a)5.75%*RM854.4m =RM49.13m OR (b) RM40.94m Hence, RM49.13m
Rental computed	**RM40.94m**	**RM49.13m**
Rental cap Any adjustment not more than 2% incremental increase over the rent for the preceding year which shall be in RM	RM42.59m*1.02= RM43.44m	RM42.59m*1.02= RM43.44m
Illustrative chargeable rental at Year 4	**Since the rental computed is less than the rental cap, the rental for Year 4 shall be RM40.94m**	**Since the rental computed is more than the rental cap, the rental for Year 4 shall be capped at RM43.44m**

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	RM41.76m	RM44.31m
Year 6	RM42.59m	RM45.20m

For clarification, based on the rental review formula above, for each Succeeding Rental Term, the lowest rental amount that can be charged is RM40.94 million (being the Base Rent) and the maximum rental amount is 2% incremental increase over the RM value of the rent for the preceding year.

Rent Formula for 2006 – 2021 under the Principal Lease Agreements

For information only, the rent formula under the Principal Lease Agreements are as follows:-

2006- 2009 (1st rental term)

The total annual rental of the properties (as referred to in the Principal Lease Agreements) for the 1st rental term expiring December 2009 was as follows:-

	Annual Rental (RM'mil)
2006 (5 months)	14.78
2007	35.70
2008	36.43
2009	36.96

For information, the market value of the properties held by the lessor then as disclosed in Al-`Aqar's prospectus dated 24 July 2006 was RM481 million. The above rental translated to yield of 2006: 7.38% (annualised), 2007: 7.42%, 2008: RM7.57% and 2009: RM7.68%.

The rental was to be reviewed on 1 January after every 3 full financial years throughout the 15 years' contractual terms.

2010-2012 (2nd rental term)

The rental review formula for the 1st year was (10-years MGS +238 BPS) x market value of the properties at the point of review subject to:-

(i) a minimum rental of RM33 million per annum; and

(ii) any lease rental adjustment shall not be more than 2% incremental over the preceding year's rental amount

For the 2nd & 3rd year of the 2nd rental term thereon, the rental would be 2% incremental over the preceding year's rental.

2013-2021 (3rd to 5th rental term)

The rental review formula for the 1st year of the 3rd, 4th and 5th rental term is as follows:-

10-years MGS + 238 BPS x market value of the properties, at the point of review subject to:-

(i) a minimum gross rental of 7.1% per annum x prevailing market value or purchase consideration of the properties whichever is higher*; and

(ii) any lease rental adjustment shall not be more than 2% incremental over preceding year's lease rental.

For the 2nd & 3rd year of the 3rd, 4th and 5th rental term thereon, the rental would be a 2% incremental amount over the preceding year's rental amount.

Note *: The clause stating "purchase consideration of the properties whichever is higher" was only included in the 4th and 5th rental term.

For information, the agreed yield of 5.75% and the 200 BPS in the rent formula for the next contractual term under the Proposed Lease Renewal differ from that included in the rent rental formula under the previous Principal Lease Agreements primarily due to, amongst others, the interest rate environment. The 3-month Kuala Lumpur Interbank Offered Rate ("**KLIBOR**") on 30 June 2006 was 3.92% as compared to 1.94% as at LPD (Source: Bloomberg). In addition, the spread under the rent review formula is now proposed at 200 BPS as compared to 238 BPS after taking into consideration, inter-alia, the improved financial standing of KPJ Group over the years. As at LPD, KPJ is a RM4.4 billion (30 June 2006: RM323.7 million) market capitalisation company with revenue of RM2.4 billion for FY 31 December 2020.

2.4.5 Lessor's and/or Manager's covenant

(A) Lessor's covenant

The Lessor shall, amongst others, during the Contractual Term:-

(i) pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings which are now or during the Contractual Term shall be falling due in respect of or charged, assessed or imposed upon the Properties;

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

(iii) in the event the Lessor's fixtures and fittings are irreparable through or by means of normal and routine repairs, the Lessor shall replace such items within reasonable time, at the cost and expense of the Lessor;

(iv) shall at its own cost and expense, carry out structural repairs and works necessary to maintain the external and internal structure of the Properties in good tenantable condition and such structural repairs and works as may be required by the local or relevant authorities or under relevant building regulations; and

(v) shall at its own expense maintain takaful coverage for fire, loss of rent and public liability takaful in respect of the Properties.

(B) Lessor's and/or Manager's covenant

In addition to the Lessor's covenant under Section 2.4.5(A) above, the Lessor and/or the Manager shall, amongst others, during the Contractual Term:-

(i) effect and 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 at the Lessor's cost and expense; and

(ii) shall appoint and pay to the maintenance manager during the Contractual Term for the maintenance and management services rendered by the maintenance manager with respect to the Properties in accordance with the terms of the property management agreement or maintenance management agreement to entered into between the Lessor, the Manager and the maintenance manager.

2.4.6 Lessees' covenant in relation to repairs, cleaning, decoration & etc

The respective Lessees shall keep the Properties in good and tenantable repair and maintenance. The respective Lessees shall as and when necessary issue a notice to the maintenance manager to conduct any repairs on any part of the Properties and shall pay the maintenance manager for work done in connection thereto.

The Lessees shall during the Contractual Term, amongst others, bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the Properties that the Lessees are responsible for during the Contractual Term.

2.4.7 Expansion

In the event that the Lessees requests and the Lessor and/or the Manager agree to meet the expansion requirements of the Lessees through expansion, the Lessees may make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the Properties or work which may affect or may be likely to affect the:-

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

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

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

The Lessees shall bear the development costs and expenses for, and related to the expansion and shall be solely responsible to procure the financing for the expansion.

Upon completion of the expansion, the Lessees shall provide the Lessor with the breakdown of the final development costs of the expansion and the Lessor shall make full payment of the final development cost of the expansion subject to the cost to be agreed by the parties and verification by the Manager of the following items:-

(i) the Certificate of Completion and Compliance for the expansion, issued by the appropriate authority, if any;

(ii) the value of the expansion as recommended by an independent valuer (appointed by the Lessor at its own cost and expense) via the valuation report by the said independent valuer;

(iii) the report prepared by the project consultant of the expansion as verified by an independent quantity surveyor (appointed by the Lessor at the Lessor's own cost and expense); and

(iv) all supporting claims, invoices and documents verifying the final development costs of the expansion.

2.4.8 New development of the land

The Lessor grants the Lessees the right to undertake new development, including but not limited to, the planning, design, and construction of building(s), carpark and/or other structures on the Land (as defined in the Lease Agreements which refers to the respective plot of land that the Properties are situated on) or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto ("**New Development**") at the Lessees' own cost and expenses for the Lessees' business operations, subject to the following:-

(i) the Lessees shall provide the details of the New Development for approval of the Lessor and the Manager; and

(ii) the Lessees shall obtain the approval from the relevant appropriate authority or authority for the New Development;

prior to the commencement of the New Development.

The parties agree that the New Development may be acquired by the Lessor subject to fulfilment of the conditions in the Lease Agreements which include:-

(i) the Certificate of Completion and Compliance for the New Development has been duly issued and obtained by the Lessees;

(ii) the Lessor and the Lessees have mutually agreed on the acquisition price for the New Development to be satisfied by the Lessor based on the following:-

(a) where required, the valuation report of the New Development issued by the independent valuer(s) (appointed jointly or severally by the Lessor and/or the Lessees) pursuant to a valuation exercise on the New Development and the valuation reports shows the true and fair value or open market value of the New Development and justifies the acquisition price; and/or

(b) the documentary evidence which verifies the final construction costs incurred by the Lessees for the New Development issued by an independent quantity surveyor appointed by the Lessees; and/or

(c) the building audit report following the conclusion of a building inspection and audit exercise conducted on the New Development by a building audit consultant appointed by the Lessor at its own cost and expense to verify the condition, state, nature and character of the New Development and the Lessor is satisfied with the outcome of the building audit and the contents of the aforesaid building audit report.

(iii) approval of the board of directors of the Trustee, the Manager of the Lessor and where required, approval of the unitholders of the Lessor; and

(iv) approval of the board of directors and shareholders of the Lessees.

2.4.9 Event of Default and Termination

2.4.9.1 The Lease Agreements provide for the following events of default:-

(i) a failure or refusal on the part of the respective Lessee:-

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

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

(ii) the Lessee is in breach of any agreement which has a Material Adverse Effect (defined in the Lease Agreements as an event or circumstance, the occurrence or effect of which (in the opinion of the Lessor and/or the Manager) is or might be likely to have a material effect on the constitution, the financial condition, business or operations of the Lessee or where applicable or the Lessee's ability to perform its obligations under any provision of the Lease Agreements) on the business and/or operations of the Lessee which affects its ability to fulfil its obligations under the Lease Agreements; or

(iii) the Lessee 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 for the purpose of Section 466 of the Companies Act 2016 and as such, the Lessee is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend it making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in section 465 of the Companies Act 2016 occurs or the Lessee commences 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 assumes management of the Lessee and in the case of any of the events aforementioned, the financial condition of the Lessee or the ability of the Lessee 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 for the winding up of the Lessee 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 and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or

(vi) the Lessee is unable to pay its debt within the meaning of the Companies Act 2016 which inability may in the opinion of the Lessor may have a Material Adverse Effect;

2.4.9.2 The occurrence and continuation of any of the above sub-paragraphs (i) to (vi) entitles the Lessor 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 as a consequence of such action:-

(i) serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code deemed that the period stipulated in the forfeiture notice shall be thirty (30) calendar days for the occurrence of the events under Section 2.4.9.1 above unless otherwise stated in the respective Lease Agreements as capable of being remedied, where the breach has not been remedied within the stipulated time of thirty (30) calendar days, to re-enter upon the Properties or any part thereof in the name of the whole, and thereupon the respective Lease Agreements shall absolutely terminate;

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

(iii) the Lessor shall be entitled to utilise the security deposits and utilities deposit as described in Section 2.4.11 below towards payment or reduction of all sums payable by the Lessee under the respective Lease Agreements without prejudice to the Lessee's liability for any shortfall;

(iv) the Lessee 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 the Lessee's default or unilateral termination by the Lessee; or

(v) to sue and take any other action the Lessor deems fit (including remedy of specific performance against the Lessee) 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.

Exercise of remedies

The Lessor shall be at liberty to exercise any one or more of the remedies mentioned above at its sole and absolute discretion in any manner it deems fit. Any action taken by the Lessor to exercise any one or more of the above remedies shall not prejudice or affect any other remedies, claims or rights which it may have under the terms hereof.

2.4.9.3 Unilateral termination and consequence of early termination of the expiry of the Contractual Term:-

2.4.9.3.1 In the event of early termination where if at any time during the Contractual Term the Lessee shall attempt to abandon or quit or redeliver possession of the Property, prior to the expiry of the Contractual Term, for any reason whatsoever then it shall be lawful for the Lessor, immediately or at any time thereafter, to serve a forfeiture notice to the Lessee.

2.4.9.3.2 Upon the issuance of the forfeiture notice, the Lessee is required to remedy the subject matter of the forfeiture notice within thirty (30) calendar days from the date of such forfeiture notice.

2.4.9.3.3 On the expiration of the thirty (30) calendar day period and in the event that the Lessee fails to remedy such subject matter of the forfeiture notice, the Lessor is at liberty, within thirty (30) calendar days thereafter, to give to the Lessee a written notice of its intention to determine and terminate the respective Lease Agreements ("**Termination Notice**") and the Lessee shall within seven (7) calendar days from the date of the Termination Notice:-

(i) remove all of the Lessee's asset(s) (including the Lessee's fixtures and fittings) and other articles brought on to the respective Property by the Lessee and shall do so without damaging the said Property and shall immediately make good any damage which occurs thereby; and

(ii) surrender and peacefully yield up the Property.

2.4.9.4 In the event the Lessee fails or refuses to comply, the Lessor may in its absolute discretion:-

(i) remove and dispose of the Lessee's asset(s) (including the Lessee's fixtures and fittings) and other articles in the Property and the Lessee shall indemnify the Lessor for any cost and expenses incurred by the Lessor for such removal or disposal; and/or;

(ii) commence, proceed with and undertake all action as may be necessary to enforce the Lessee's obligation to surrender and yield up the Property and to enforce the Lessor's rights to re-enter, repossess and enjoy the same.

2.4.9.5 The Lessor shall in addition be entitled to exercise all its rights, powers and remedies (conferred by law or otherwise) against the Lessee, including the right to recover from the Lessee the lost of rent suffered by the Lessor for the unexpired period of the Contractual Term (or any part thereof) as liquidated damages subject to the Lessor taking all reasonable efforts to lease or let the Property to any other lessees or tenants.

2.4.9.6 In the event that the Lessor is unable to lease or let the Property to any other lessees and tenants and/or as the case may be, the Lessee shall compensate the Lessor for the deficiency between the originally scheduled rent under the respective Lease Agreements and the rent received or to be received from the other lessees or tenants of the Property for the unexpired period of the Contractual Term.

2.4.9.7 In the event a Termination Notice is issued by the Lessor, the Lessee shall have an option to source, within six (6) calendar months of the Lessee's receipt of such Termination Notice, for a replacement lessee or tenant acceptable 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 failing which the security deposit and the utilities deposit paid by the Lessee in favour of the Lessor shall be forfeited. If the Property is leased or tenanted to a replacement lessee or tenant, the Lessee shall compensate the Lessor for any deficiency between the originally scheduled rent under the respective Lease Agreements and the rent received or to be received from the replacement lessee or tenant for the Property for the unexpired period of the Contractual Term.

2.4.9.8 At the end of the Contractual Term or upon the termination of the respective Lease Agreements for any reason whatsoever, the Lessor shall be entitled to deal with the Property in any manner whatsoever and howsoever including but not limited to leasing out the Property to any other person whomsoever.

Save as otherwise stipulated under Section 2.4.9.2 and 2.4.9.3.3 above, neither the Lessee nor the Lessor and/or the Manager shall be entitled to terminate the respective Lease Agreements without the written consent of the other party.

2.4.10 Late Payment Penalty

In the event that the respective Lessee fails to pay the monthly rent on the due date, the Lessor shall be entitled to charge and the Lessee shall pay the Lessor late payment penalty at the rate of five percent (5%) per annum on any sums of the monthly rent reserved by the respective Lease Agreements remaining unpaid from its due date until the date of actual payment.

If for any reason whatsoever, the respective Lessee fails to pay the monthly rent for two (2) consecutive calendar months or any part thereof on the due date, whether formally demanded or not, and if the respective Lessee fails to rectify such breach or default after the Lessor or its agent has given thirty (30) calendar days' notice in writing to the Lessee to rectify such breach or default, Section 2.4.9.1 above shall be invoked.

2.4.11 Deposits

(i) Security Deposit

The Lessees shall on or before 30 June 2021, being the date of commencement of the lease or such other date to be mutually agreed by the Parties, pay the security deposit to the Lessor for an aggregate sum equivalent to two (2) times of the prevailing monthly rent which shall be revised accordingly for every rental term, such deposit being security for the due observance and performance by the Lessee of any terms and conditions of the Lease Agreements.

(ii) Utilities Deposit

The Lessees shall on or before 30 June 2021, being the date of commencement of the lease, or such other date to be mutually agreed by the Parties, pay to the Lessor a sum to be mutually agreed by the Parties, which shall be revised accordingly for every rental term, such sum being the deposit for electricity, water, solid waste and other utilities services provided by the relevant utilities service providers to the Properties.

2.4.12 Variation of rental

The Lessor shall have the right to vary the rent of the Properties occupied and used by the Lessees, at the recommendation of the Manager due to the following:-

(i) Increase in gross floor area

If the gross floor area of the Properties increases pursuant to the expansion (as described under Section 2.4.7 of this Circular) undertaken by the Lessees in respect of the Properties, the rent shall be increased corresponding with the increase in gross floor area of the Properties but always subject to the reimbursement costs paid by the Lessor to the Lessees and the increase in the monthly rent shall be computed as follows:

Formula: (5.75% per annum x reimbursement costs)/12 months

For avoidance of doubt, in the event the rent has been increased pursuant to the abovementioned clause, the Base Rent amount shall be revised accordingly to include the incremental amount and thereafter, the aforesaid Base Rent shall be applied in the rent review formula for determination of the rent for the relevant Succeeding Rental Terms.

In the event the increase in the rent was incurred during mid of the relevant year of the First Rental Term or Succeeding Rental Term(s) rental year, such rent shall be prorated to full financial year before applying it in the rent review formula.

(ii) Installation of new Lessor's fixtures and fittings

The Lessor and/or the Manager incur costs and incidental costs for installation of new Lessor's fixtures and fittings at the Properties in which the increase in rent shall be mutually agreed between the parties prior to the installation of the said new Lessor's fixtures and fittings. The Lessee shall furnish copies of the relevant documentary evidence, including but not limited to quotations, tender documents, price list, invoices to and for the Lessor and/or the Manager's verification of the costs and incidental costs for installation of the new Lessor's fixtures and fittings.

2.4.13 First right of refusal to purchase the Properties

In the event that the Lessor during the Contractual Term intends to sell the Properties, the respective Lessees shall be given the first right of refusal to purchase the Properties by way of a written notice from the Lessor to the respective Lessees offering to sell the Properties to the respective Lessees on such terms and at the reasonable and fair prevailing/open market value in respect of the Properties and in accordance with the applicable laws and requirements including the Listed Real Estate Investment Trust Guidelines, the relevant guidelines issued by the Securities Commission Malaysia ("**SC**"), the Capital Markets and Services Act 2007 and the listing requirements of Bursa Securities, to which notice the respective Lessees shall reply within 60 calendar days thereof.

The first right of refusal granted shall be valid but shall not be applicable and shall not extend beyond the Contractual Term. For the avoidance of doubt, the right of first refusal granted shall not be enforceable and no longer applicable if the Lease Agreements are terminated pursuant to the terms and conditions under the Lease Agreements.

2.4.14 Extended Contractual Term

If the respective Lessees wishes to take a further extension of the lease of the Properties for another fifteen (15) years from the expiry of the Contractual Term ("**Extended Contractual Term**"), the respective Lessees shall give a written notice to the Lessor of its intention to extend the lease of the Properties not less than twelve (12) calendar months prior to the expiry of the Contractual Term.

The Lessor may at its sole and absolute discretion grant to the Lessees a further lease of the Properties for the Extended Contractual Term at the rental terms and revised rental rate to be mutually agreed by the Lessor, the Manager and the Lessees but with otherwise upon the same terms and conditions of the Lease Agreements with the exception of this provision for renewal, the revised rental rate and the topping up of the security deposit and the utilities deposit to correspond with the revised rental rate, which shall be mutually agreed upon by both parties, variations to the terms and conditions of the Lease Agreements mutually agreed upon in writing by the parties during the Contractual Term and any changes in the applicable laws and requirements.

The parties will use their best endeavours to reach an agreement on the rent for the Extended Contractual Term by the date which is six (6) calendar months prior to the expiry of the Contractual Term.

2.5 Basis and justification in arriving at the rental rate

The rental was negotiated between the parties. The total gross rental for the first year of the renewed Contractual Term amounted to RM40.94 million based on 5.75% of the market value of the Properties. For information, the net rental yield of the Properties is approximately 5.4% after taking into consideration direct expenses to the Properties which include, amongst others, assessment, takaful, maintenance and quit rent.

Al-`Aqar and KPJ had jointly appointed Cheston as the independent valuer for the Proposed Lease Renewal. In arriving at the market value of the Properties, Cheston 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 of the Properties which are subject to the Proposed Lease Renewal are as follows:-

Properties	Market Value (RM'mil)	Date of Valuation
APSH	157	22 January 2021
DSH	135	27 January 2021
ISH	122	29 January 2021
JSH	147	25 January 2021
PSH	51	25 January 2021
SSH	100	26 January 2021
Total	**712**	

The gross rental rate of the initial term of (5.75% x market value of the Properties) was arrived at after taking into consideration of the following:-

(i) The NPI of commercial properties acquired by Malaysian real estate investment trusts in year 2020 up to 31 March 2021, being the latest practicable date prior to the date of the announcement, which ranges from 4.96% and 6.28%;

(ii) The performance of the Malaysian real estate investment trusts. The NPI for real estate investment trusts (excluding foreign properties) listed on Bursa Securities ranges from 1.79% to 7.00% in year 2020 and 3.16% to 8.04% in year 2019;

(iii) The current state of the Malaysian economy and property market which have been impacted by the COVID-19 pandemic; and

(iv) The current interest environment. For information, the 3-month KLIBOR has dropped by more than 50% from 3.92% as at 30 June 2006 to 1.94% as at LPD. (Source: Bloomberg)

In addition, as stated in the valuation certificate as attached in Appendix II, the Independent Valuer observed that based on their analysis of the latest rental yield of the investment properties comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco, the rental yields range from 4.96% to 6.28%. The performance of various real estate investment trusts for the year ending 2019 and 2020 revealed that the current rental yield trends are within the range of 1.79% to 8.04% depending on the type of property, location, characteristics, tenure, nature and risk profile of the investment.

In light of the above, taking into consideration of the current state of the Malaysian economy and property market which have been impacted by the COVID-19 pandemic, the Independent Valuer is of the view that the fair rental yields of the Properties are within the abovementioned ranges.

For information, the total rental for the first year of the renewed Contractual Term amounted to RM40.94 million (existing 30 June 2020 – 29 June 2021: RM42.79 million). The renewed rental amount is a reduction of RM1.85 million or 4.3% as compared to existing rent.

<u>Rental rate for the subsequent terms</u>

The basis for the rental rate for the subsequent terms ((10-years MGS + 200 BPS) of the market value of the Properties) was arrived at after taking into consideration, the difference between Al-`Aqar's cost of equity ("**COE**") and the 10-years MGS as shown below:-

As at	***31.3.2021**	**31.12.2020**	**31.12.2019**	**31.12.2018**	**31.12.2017**
	(%)	**(%)**	**(%)**	**(%)**	**(%)**
Al-`Aqar's COE	5.05	5.07	5.30	7.28	6.72
10-years MGS	3.15	2.65	3.30	4.07	3.91
Difference	1.90	2.42	2.00	3.21	2.81

Note ** : Being the latest practicable date prior to the announcement.*

(Source: Bloomberg and BNM website)

The 2% incremental increase per annum for every Year 2 & Year 3 of the rental term was arrived at after taking into consideration, the average of the 10-year consumer price index year-on-year movement of approximately 2.2% (excluding year 2020 which is a negative). *(Source: Bloomberg)*

For clarification, the rent review formula of ((10-years MGS + 200 BPS) x Open Market Value of the Properties) is a basis for determining the rental amount. At each Succeeding Rental Term, the lowest rental amount that can be charged is RM40.94 million (being the Base Rent) and the maximum rental amount is 2% incremental increase over the RM value of the rent for the preceding year.

2.6 Transacted amount for the preceding 12 months

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

3. RATIONALE FOR THE PROPOSED LEASE RENEWAL

The Proposed Lease Renewal will enable the REIT to continue leasing the Properties to KPJ Group, an established hospital operator in Malaysia and the REIT's key lessee.

4. RISKS IN RELATION TO THE PROPOSED LEASE RENEWAL

The Proposed Lease Renewal is subject to, amongst others, the following risks:-

(i) Non-renewal of the Lease Agreements

The Proposed Lease Renewal is subject to the approval of unitholders of Al-`Aqar and shareholders of KPJ.

Based on FY 2020, the Properties contributed RM42.5 million which represent 36.7% of Al-`Aqar's revenue. The non-renewal of the lease agreement would affect Al-`Aqar's financial performance and its ability to payout dividends to its unitholders.

(ii) Dependence on a single lessee

Pursuant to the Proposed Lease Renewal, each of the Properties will be leased to a single lessee (i.e. the respective Subsidiaries).

As such, the rental income from the Properties is highly dependent on the performance and operation of the respective Subsidiaries. The Subsidiaries' parent company, KPJ, and its group of companies are experienced operators, and are instrumental to the success of the operations of other 28 private specialist hospitals throughout Malaysia. Nevertheless, there can be no assurance that any default or delay in paying the rental by the Lessees will not adversely affect Al-`Aqar's cash flow and resultantly its distribution to the unitholders.

(iii) Suitable Shariah compliant lessees for all of Al-`Aqar's properties

Al-`Aqar is an Islamic REIT which requires tenants of all its properties to be Shariah compliant. As most of Al-`Aqar's properties are built for single use purpose i.e. hospitals, there is a risk that Al-`Aqar is unable to find suitable Shariah compliant lessees should the existing leases are not renewed. There can be no assurance that any non-renewal of existing leases will not have a material adverse impact on the financial performance of the REIT.

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. EFFECTS OF THE PROPOSED LEASE RENEWAL

5.1 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 in Al-`Aqar.

5.2 Net Asset ("NA") and gearing

Based on Al-`Aqar's consolidated audited statement of financial position as at 31 December 2020 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no material impact on the consolidated NA per unit and gearing of Al-`Aqar.

5.3 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 FY 31 December 2020 are as follows:-

	RM'000
Audited profit after tax	12,571
Less: Reduction in rental income	(1,543)
Less: Estimated expenses (one-off)	(600)
Pro forma profit	10,428
Existing basic EPU (sen)	1.71
Proforma basic EPU (sen)	
- including estimated expenses	1.42
- excluding estimated expenses	1.50

For information, Al-`Aqar has recently procured a new islamic financing to replace its Sukuk which had expired in early May 2021. The overall weighted average cost of borrowings of Al-`Aqar subsequent to the refinancing is 3.68% (as at 31 December 2020: 5.15%).

6. PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Lease Renewal pursuant to Paragraph 10.02(g) of the Listing Requirements is 43% based on the total rental income for 15 years (assuming 2% increase per annum) compared with the total assets of the REIT.

7. APPROVALS REQUIRED

The Proposed Lease Renewal is subject to the following approvals:-

(i) the approval of the unitholders of Al-`Aqar at its EGM to be convened for the Proposed Lease Renewal; and

(ii) the approval of the shareholders of KPJ at an EGM to be convened for the Proposed Lease Renewal.

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.

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

Save and disclosed below, none of the Directors, major unitholders of the REIT and persons connected to them, have any interests, direct or indirect in the Proposed Lease Renewal:-

8.1 Interested Major Unitholders' Interest and Major Shareholders of the Manager

The direct and indirect unitholdings of the Interested Major Unitholders in Al-`Aqar as at LPD are as follows:-

	Direct		Indirect	
	No. of Units	**%**	**No. of Units**	**%**
	'000		'000	
JCorp	-	-	[a]284,248	38.6
KPJ	-	-	[b]284,075	38.6

Notes:-

(a) Deemed interested by virtue of its interest in KPJ under Section 8 of the Act.

(b) Deemed interested by virtue of its interest in several companies which are part of the KPJ Group.

The direct and indirect unitholdings of the persons connected to the Interested Major Unitholders in Al-`Aqar as at LPD are as follows:-

	Direct		Indirect	
	No. of Units	**%**	**No. of Units**	**%**
	'000		'000	
Pusat Pakar Tawakal Sdn.Bhd.	54,649	7.43	-	-
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115	4.91	-	-
Selangor Specialist Hospital Sdn. Bhd.	35,000	4.76	-	-
Seremban Specialist Hospital Sdn. Bhd.	23,731	3.22	-	-
Ampang Puteri Specialist Hospital Sdn. Bhd.	21,014	2.86	-	-
Medical Associates Sdn.Bhd.	19,055	2.59	-	-
Sentosa Medical Centre Sdn. Bhd.	15,653	2.13	-	-
Kedah Medical Centre Sdn.Bhd.	15,000	2.04	-	-
Johor Specialist Hospital Sdn.Bhd.	12,203	1.66	-	-
Puteri Specialist Hospital (Johor) Sdn. Bhd.	12,000	1.63	-	-
Perdana Specialist Hospital Sdn Bhd	11,789	1.60	-	-
KPJ Healthcare University College Sdn.Bhd.	7,759	1.05	-	-
Kuantan Specialist Hospital Sdn. Bhd.	5,000	0.68	-	-
Kajang Specialist Hospital Sdn. Bhd.	4,487	0.61	-	-
Jeta Gardens (QLD) Pty Ltd	3,787	0.51	-	-
Kota Kinabalu Specialist Hospital Sdn.Bhd.	3,500	0.48	-	-
Taiping Medical Centre Sdn Bhd	3,334	0.45	-	-
Johor Ventures Sdn Bhd	173	0.02	-	-

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

JCorp and KPJ, being the Interested Major Unitholders, shall abstain from voting in respect of their direct and indirect interests in Al-`Aqar on the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM. JCorp and KPJ have undertaken to ensure that persons connected with them shall abstain from voting on the resolution pertaining to the Proposed Lease Renewal at the forthcoming EGM in respect of their direct or indirect interests in Al-`Aqar.

8.2 Interested Directors' Interests

The following directors are deemed interested by virtue of the following:-

(i) Dato' Mohd Redza Shah Bin Abdul Wahid is an Independent Non-Executive Director of KPJ and also an Independent Non-Executive Chairman of the Manager;

(ii) Wan Azman Bin Ismail is a Non-Independent Executive Director of the Manager and also a senior management personnel of JCorp;

(iii) Datuk Sr. Akmal Bin Ahmad and Mohd Yusof Bin Ahmad are Non-Independent Non-Executive Director of the Manager and also senior management personnels of Johor Land Berhad, a wholly owned subsidiary of JCorp; and

(iv) Shamsul Anuar Bin Abdul Majid is a Non-Independent Non-Executive Director of the Manager, a Non-Independent Non-Executive Director of KPJ and also a senior management of JCorp.

(collectively referred to as "**Interested Directors**")

The Interested Directors and persons connected to the Interested Directors do not have any direct and indirect shareholdings in Al-`Aqar as at LPD.

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

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

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, save for the Interested Directors, after having considered all aspects of the Proposed Lease Renewal, including the rationale and financial effects of the Proposed Lease Renewal, valuation of the Properties as ascribed by the Independent Valuer as well as the independent advice by the Independent Adviser for the Proposed Lease Renewal, is of the opinion that the Proposed Lease Renewal is fair, reasonable and on normal commercial terms and are in the best interests of the REIT and not detrimental to the interest of the minority unitholders.

Accordingly, the Board (save for the Interested Directors) recommends that you vote **IN FAVOUR** of the resolution pertaining to the Proposed Lease Renewal to be tabled at the REIT's forthcoming EGM.

10. BOARD AUDIT AND RISK COMMITTEE'S STATEMENT

The Board Audit and Risk Committee (save for Mohd Yusof Ahmad), after having considered all aspects of the Proposed Lease Renewal, including the rationale and financial effects of the Proposed Lease Renewal, valuation of the Properties as ascribed by the Independent Valuer as well as the independent advice by the Independent Adviser for the Proposed Lease Renewal, is of the opinion that the Proposed Lease Renewal is fair, reasonable and on normal commercial terms and are in the best interests of the REIT and not detrimental to the interest of the minority unitholders.

11. 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 17 February 2021, appointed the Independent Adviser to undertake the following:-

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

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

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

(ii) advise the non-interested directors of the Manager and the non-interested unitholders of Al-`Aqar on the Proposed 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.

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the private placement to raise gross proceeds of up to RM50 million which was announced on 27 October 2020, the Board is not aware of any outstanding corporate exercise which has been announced by Al-`Aqar but pending completion prior to the printing of this Circular.

Al-`Aqar had on 23 April 2021 announced that Bursa Securities had vide its letter dated 22 April 2021 granted Al-`Aqar an extension of time to 3 November 2021 to complete the implementation of the Proposed Private Placement. In addition, Al-`Aqar had at its annual general meeting on 28 April 2021 procured its unitholders' approval for the general mandate to allot and issue new units up to 20% of the total number of issued units of Al-`Aqar.

13. TENTATIVE TIMETABLE FOR COMPLETION

Barring any unforeseen circumstances, subject to the required Al-`Aqar's unitholders' approvals being obtained, the Proposed Lease Renewal is expected to be completed by the end of the 2nd quarter of 2021 and the Lease Agreements shall commence on the 30 June 2021.

The estimated timeframe for the Proposed Lease Renewal is as follows:-

Date	Events
10 June 2021	- EGM to approve the Proposed Lease Renewal
30 June 2021	- Commencement of the Lease Agreement - Completion of the Proposed Lease Renewal

14. EGM

The EGM, (the notice of which was circulated on 24 May 2021 and an extract of which is also enclosed in this Circular), will be held on a fully virtual basis at the Broadcast Venue: Unit 1-19-02, Block 1, V Square, Jalan Utara, 46200 Petaling Jaya, Selangor, on Thursday, 10 June 2021 at 11a.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 in person at the EGM, you may complete and return the Form of Proxy in the notice of EGM accordance with the instructions therein as soon as possible and in any event so as to arrive at the Registered Office of DRMSB at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least twenty-four (24) hours before the time set for the EGM. The lodging of a Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

15. 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
DAMANSARA REIT MANAGERS SDN BERHAD
(as the Manager of Al-`Aqar Healthcare REIT)

DATO' WAN KAMARUZAMAN WAN AHMAD
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET 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 MainStreet, 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 6 April 2021, on behalf of the Board of DRMSB, AmInvestment Bank announced that DRMSB and ART on behalf of the REIT proposes to enter into six (6) separate lease agreements with the Subsidiaries of KPJ (as detailed in Section 2.1 of Part A of the Circular) to renew the lease of the Properties for a further period of 15 years.

The parties had on 6 April 2021 executed the Letters and 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 2.4.3 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.

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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 Properties to KPJ Group, an established hospital operator in Malaysia and the REIT's principal lessee. The Properties contributed RM42.48 million or 36.71% of Al-'Aqar's total revenue of RM115.71 million for FY 2020. We note that the new rental amount of the Properties will reduce by RM1.85 million or 4.32% which is in line with the prevailing market conditions as compared to the existing rent. Nevertheless, the new rental amount will continue to contribute significantly to Al-'Aqar's revenue. 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 by leasing the Properties to KPJ Group, it will allow Al-'Aqar to meet its financial obligations and distribution to its unitholders.
Section 6.2	Evaluation of the basis and justification of arriving at the rental rate	The rental amount for the first year has been derived by multiplying the agreed rate of 5.75% with the respective market value of the Properties. We concur with the valuation methodologies adopted by the Independent Valuer for the valuation of the Properties and the valuation methodologies are appropriately applied. As such, we are satisfied with the valuation of the Properties by the Independent Valuer and are of the view that the market value of RM712 million as appraised by the Independent Valuer is fair. We are also of the view that the basis and justifications for arriving at the rental rate of 5.75% are **fair** and **reasonable** after taking into account the following factors: (i) the rental rate of 5.75% is within the range of the NPI for real estate investment trusts (excluding foreign properties) listed on Bursa Securities which ranges from 1.79% to 7.00% in 2020 and 3.16% to 8.04% in 2019; (ii) the rental rate of 5.75% is within the range of the NPI of commercial properties acquired by Malaysian real estate investment trusts in 2020 up to 31 March 2021 which ranges from 4.96% and 6.28%; (iii) the uncertainties in the current state of the Malaysian economy and the negative impact of the COVID-19 pandemic on the local property market; and

Section in this IAL	**Area of evaluation**	**Comments**
		(iv) the current interest environment as evidence by the drop in the three (3)-month KLIBOR as stated in Section 2.5 of Part A of the Circular.
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 factors, 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 result in any change in Al-'Aqar's total unit capital and substantial unitholders' unitholdings as the Proposed Lease Renewal does not involve any issuance of new units in Al-'Aqar. Based on Al-'Aqar's consolidated audited statement of financial position as at 31 December 2020 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no material impact on the consolidated NA per unit and gearing of Al-'Aqar. As stated in Section 5.3 of Part A of the Circular, Al-'Aqar has recently procured a new Islamic financing to replace its Sukuk which had expired in early May 2021. The overall weighted average cost of borrowings of Al-'Aqar subsequent to the refinancing is 3.68% (as at 31 December 2020: 5.15%). This will mitigate the expected reduction in Al-'Aqar's EPU as a result of the Proposed Lease Renewal. Based on the above, we are of the view that the overall 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 out 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**, at arm's length and are **not to the detriment** of 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.

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MainStreet

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24 May 2021

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 24 May 2021 ("**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 6 April 2021, on behalf of the Board of DRMSB, AmInvestment Bank announced that DRMSB and ART on behalf of the REIT proposes to enter into six (6) separate lease agreements with the Subsidiaries of KPJ (as detailed in Section 2.1 of Part A of the Circular) to renew the lease of the Properties for a further period of 15 years.

The parties had on 6 April 2021 executed the Letters and 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 2.4.3 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 8 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 17 February 2021 appointed MainStreet to act as the Independent Adviser to advise the non-interested directors of the Manager and the 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 detriment 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 Independent Adviser 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 Independent Adviser 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 Cheston; 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 MainStreet) 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.

After the despatch of the Circular and the IAL, we will notify the non-interested unitholders if we become aware of the following:

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

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

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

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

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 in the past assumed the role as an Independent Adviser for other corporate exercises, which included the following transactions since the last three (3) years:

(i) Proposed exemption under Paragraph 4.08(1)(B) and 4.08(1)(C) of the Rules on Take-overs, Mergers and Compulsory Acquisitions and the Malaysian Code on Take-overs and Mergers 2016 for F.C.H. Holdings Sdn Bhd ("**FCH**") and its parties acting in concert from the obligation to undertake a mandatory offer for all remaining shares and convertible securities in Sinmah Capital Berhad not already owned by FCH and its parties acting in concert.

(ii) Proposed acquisition by Sinmah Capital Berhad of the entire share capital of Budi Saja Sdn Bhd comprising 3,000,003 ordinary shares for a cash consideration of RM10,345,000 and proposed acquisition of the entire share capital of Meadow Assets Sdn Bhd, comprising 3,000,000 ordinary shares for a cash consideration of RM1,500,000.

(iii) Unconditional mandatory take-over offer by Ho Wah Genting Holding Sdn Bhd through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares and all the remaining unexercised warrants in Ho Wah Genting Berhad not already owned by Ho Wah Genting Holding Sdn Bhd, Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew; and

(iv) Unconditional mandatory take-over offer by Hextar Rubber Sdn Bhd (formerly known as Erpstar Inc. Sdn Bhd) and Dato' Ong Choo Meng (collectively referred to as the "**Joint Offerors**") through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Rubberex Corporation (M) Berhad which are not already owned by the Joint Offerors.

We did not have any professional relationship with Al-'Aqar in the past (2) years preceding the date of our appointment.

Premised on the foregoing, we confirm that we are capable and competent to carry out the role and responsibilities as the Independent Adviser 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 8 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 Shareholders of the Manager

The direct and indirect unitholdings of the Interested Major Unitholders in Al-'Aqar as at the LPD are as follows:

	Direct		Indirect	
	No. of Units '000	%	No. of Units '000	%
JCorp	-	-	(i)284,248	38.6
KPJ	-	-	(ii)284,075	38.6

***Notes**:*

(i) Deemed interested by virtue of its interest in KPJ under Section 8 of the Act.

(ii) Deemed interested by virtue of its interest in several companies which are part of the KPJ Group.

The direct and indirect unitholdings of the persons connected to the Interested Major Unitholders in Al-'Aqar as at LPD are as follows:

	Direct		Indirect	
	No. of Units '000	%	No. of Units '000	%
Pusat Pakar Tawakal Sdn.Bhd.	54,649	7.43	-	-
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115	4.91	-	-
Selangor Specialist Hospital Sdn. Bhd.	35,000	4.76	-	-
Seremban Specialist Hospital Sdn. Bhd.	23,731	3.22	-	-
Ampang Puteri Specialist Hospital Sdn. Bhd.	21,014	2.86	-	-
Medical Associates Sdn.Bhd.	19,055	2.59	-	-
Sentosa Medical Centre Sdn. Bhd.	15,653	2.13	-	-
Kedah Medical Centre Sdn.Bhd.	15,000	2.04	-	-
Johor Specialist Hospital Sdn.Bhd.	12,203	1.66	-	-
Puteri Specialist Hospital (Johor) Sdn. Bhd.	12,000	1.63	-	-
Perdana Specialist Hospital Sdn Bhd	11,789	1.60	-	-
KPJ Healthcare University College Sdn.Bhd.	7,759	1.05	-	-
Kuantan Specialist Hospital Sdn. Bhd.	5,000	0.68	-	-
Kajang Specialist Hospital Sdn. Bhd.	4,487	0.61	-	-
Jeta Gardens (QLD) Pty Ltd	3,787	0.51	-	-
Kota Kinabalu Specialist Hospital Sdn.Bhd.	3,500	0.48	-	-
Taiping Medical Centre Sdn Bhd	3,334	0.45	-	-
Johor Ventures Sdn Bhd	173	0.02	-	-

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

Accordingly, the Interested 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 have undertaken to 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' interest

The following directors are deemed interested by virtue of the following:

(i) Dato' Mohd Redza Shah Bin Abdul Wahid is an Independent Non-Executive Chairman of the Manager and also an Independent Non-Executive Director of KPJ;

(ii) Wan Azman Bin Ismail is a Non-Independent Executive Director of the Manager and also a senior management personnel of JCorp;

(iii) Datuk Sr. Akmal Bin Ahmad and Mohd Yusof Bin Ahmad are Non-Independent Non-Executive Director of the Manager and also senior management personnel of Johor Land Berhad, a wholly-owned subsidiary of JCorp; and

(iv) Shamsul Anuar Bin Abdul Majid is a Non-Independent Non-Executive Director of the Manager, a Non-Independent Non-Executive Director of KPJ and also a senior management of JCorp.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and decisions at the Board meetings relating to the Proposed Lease Renewal. The Interested Directors will also abstain from voting in respect of their direct and indirect unitholdings in Al-‘Aqar on any resolution in relation to the Proposed Lease Renewal at the forthcoming EGM of Al-‘Aqar.

In addition, the Interested Directors have undertaken to ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect interests on the resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM of Al-‘Aqar.

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 the REIT to continue leasing the Properties to KPJ Group, an established hospital operator in Malaysia and the REIT’s principal lessee.

In terms of revenue contribution, the Properties contributed RM42.48 million or 36.71% of Al-‘Aqar’s total revenue of RM115.71 million for FY 2020. We note that the new rental amount of the Properties will reduce by RM1.85 million or 4.32% in line with the prevailing market conditions as compared to the existing rent. Nevertheless, the new rental amount will still contribute significantly to Al-‘Aqar’s revenue.

We also note that it is the objective of Al-‘Aqar to provide its unitholders with stable distribution per unit with the potential for sustainable long-term growth of such distributions and the net asset value per unit. The lease period of 15 years will provide a long-term stable income stream for Al-‘Aqar.

(Source: Al-‘Aqar Annual Report 2020)

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 rate

As set out Section 2.5 of Part A of the Circular, the rental rate was arrived at after the negotiation between the parties. The new rental amount for the first year has been derived by multiplying the agreed rate of 5.75% with the respective market value of the Properties. The total rental for the first year of the renewed Contractual Term will amount to RM40.94 million (existing rental amount from 30 June 2020 to 29 June 2021: RM42.79 million). The new rental amount is a slight reduction of RM1.85 million or 4.32% as compared to the existing rent.

The agreed rate of 5.75% for the Proposed Lease Renewal was arrived at after taking into consideration the following:

(i) the NPI of commercial properties acquired by Malaysian real estate investment trusts in 2020 up to 31 March 2021, which ranges from 4.96% and 6.28%;

(ii) the performance of the Malaysian real estate investment trusts. The NPI for real estate investment trusts (excluding foreign properties) listed on Bursa Securities ranges from 1.79% to 7.00% in 2020 and from 3.16% to 8.04% in 2019;

(iii) the current state of the Malaysian economy and property market which have been adversely impacted by the COVID-19 pandemic; and

(iv) the current interest environment. For information, the three (3)-month KLIBOR has dropped by more than 50% from 3.92% as at 30 June 2006 to 1.94% as at LPD. *(Source: Bloomberg)*

The details of the 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 Independent 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 Independent Valuer are as follows:

Valuation method	Description
Income Approach by Profits Method (DCF)	This method is adopted where trading is the essence to the value of the property (business-based property) and capitalises future net trading profit as a basis for estimating the market value of the Properties as a going concern inclusive of goodwill, hospital operating equipment, furniture, fittings, plant, machinery and equipment.
Cost Approach	This approach entails the summation of the market value of land and Depreciated Replacement Cost ("**DRC**") of the building. This approach is the most common method as it can be applied to wide range of assets. It estimates value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. It is based on the principle of substitution, i.e. that unless undue time, inconvenience, risk or other factors are involved, the price that a buyer in the market would pay for the asset being valued would not be more than the cost to construct an equivalent asset. In arriving at the market value of the land, the Independent Valuer has 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 building component is arrived at by the DRC method which is derived from the Gross Current Reproduction/Replacement Cost New ("**GCRCN**") and deducting therefrom the accrued depreciation comprising physical, functional and economical obsolescence.

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)	APSH	157,000
(2)	DSH	135,000
(3)	JSH	147,000
(4)	PSH	51,000
(5)	SSH	100,000
(6)	ISH	122,000
	TOTAL	**712,000**

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 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 Properties.

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

(i) APSH

a) Occupancy rate

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

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	60.00	63.00	66.15	69.46	72.93

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2016, 2017 and 2018 were 76.27%, 80.21% and 73.24% respectively. In 2019, the occupancy rate reduced to 71.29%. The occupancy rate has further reduced to 44.74% in year 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.92 days, which is the average for 2017 to 2019. The Independent Valuer excluded year 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 7.92, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM897, RM139, RM2,281 and RM349 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 29.6% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 13.3% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 11.9%, 0.1% and 4.8% from the total revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) **Quit rent and assessment and insurance premium**

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

h) **Capital reserve fund**

The Independent Valuer has adopted a five (5)-year average of RM7.8 million from 2014 to 2018 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) **Terminal capitalisation rate**

The Independent Valuer uses a terminal capitalisation rate of 9.75% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. APSH has an unexpired leasehold interest of about 68.28 years. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 9.75% is fair.

j) **Discount rate**

The Independent Valuer is of the opinion that a discount rate of 11.75%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 11.75% is fair.

(ii) DSH

a) **Occupancy rate**

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

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	50.70	53.24	55.90	58.70	61.64

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2016, 2017 and 2018 were 58.87%, 56.63% and 56.48% respectively. In 2019, the occupancy rate increased to 61.47%. The occupancy rate reduced to 39.44% in year 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.57 days, which is the average for 2017 to 2019. The Independent Valuer excluded year 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 10.68, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM1,116, RM135, RM2,763 and RM264 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 30.3% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 12.9% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 11.9%, 0.6% and 5.4% of the total operating revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) Quit rent and assessment and insurance premium

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

h) Capital reserve fund

The Independent Valuer has adopted a five (5)-year average of RM10.60 million from 2015 to 2019 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) Terminal capitalisation rate

The Independent Valuer uses a terminal capitalisation rate of 8.00% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. DSH has an interest in perpetuity. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 8.00% is fair.

j) Discount rate

The Independent Valuer is of the opinion that a discount rate of 10.00%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 10.00% is fair.

(iii) JSH

a) Occupancy rate

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

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	62.00	65.10	68.36	71.77	75.36

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2016, 2017 and 2018 were 71.67%, 75.14% and 69.95% respectively. In 2019, the occupancy rate increased to 72.62%. The occupancy rate reduced to 48.73% in year 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.65 days, which is the average for 2017 to 2019. The Independent Valuer excluded 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 7.76, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM1,010, RM128, RM2,479 and RM442 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 26.9% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 12.6% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consists of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 13.0%, 0.4% and 4.5% of the total operating revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) Quit rent and assessment and insurance premium

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

h) Capital reserve fund

The Independent Valuer has adopted a five (5)-year average of RM11.70 million from 2015 to 2019 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) Terminal capitalisation rate

The Independent Valuer used terminal capitalisation rate of 10.25% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. JSH has an unexpired leasehold interest of about 58.13 years. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 10.25% is fair.

j) Discount rate

The Independent Valuer is of the opinion that a discount rate of 12.25%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 12.25% is fair.

(iv) PSH

a) Occupancy rate

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

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	59.00	61.95	65.05	68.30	71.72

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2017 and 2018 were 72.07% and 73.88% respectively. In 2019, the occupancy rate increased to 82.19%. The occupancy rate reduced to 59.71% in 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.08 days, which is the average for 2017 to 2019. The Independent Valuer excluded 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 7.75, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM1,072, RM133, RM2,457 and RM259 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 24.32% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 12.5% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 18.0%, 0.2% and 4.9% of the total operating revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) Quit rent and assessment and insurance premium

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

h) Capital reserve fund

The Independent Valuer has adopted a five (5)-year average of RM5.80 million from 2015 to 2019 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) Terminal capitalisation rate

The Independent Valuer uses a terminal capitalisation rate of 11.25% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. PSH has an unexpired leasehold interest of about 32.95 years. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 11.25% is fair.

j) Discount rate

The Independent Valuer is of the opinion that a discount rate of 13.25%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 13.25% is fair.

(v) SSH

a) Occupancy rate

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

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	61.75	64.84	60.08	71.48	75.05

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2016, 2017 and 2018 were 65.54%, 66.19% and 64.21% respectively. In 2019, the occupancy rate increased to 75.16%. The occupancy rate reduced to 46.27% in year 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.61 days, which is the average for 2017 to 2019. The Independent Valuer excluded 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 9.52, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM863, RM99, RM2,141 and RM249 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 25.8% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 15.8% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 11.7%, 0.5% and 5.2% of the total operating revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) **Quit rent and assessment and insurance premium**

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

h) **Capital reserve fund**

The Independent Valuer has adopted a five (5)-year average of RM7.0 million from 2015 to 2019 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) **Terminal capitalisation rate**

The Independent Valuer used terminal capitalisation rate of 9.25% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. SSH has an unexpired leasehold interest of about 75.47 years. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 9.25% is fair.

j) **Discount rate**

The Independent Valuer is of the opinion that a discount rate of 11.25%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 11.25% is fair.

(vi) ISH

a) **Occupancy rate**

The projected occupancy rate adopted by the Independent Valuer are as follows:

Year	2021	2022	2023	2024	2025
Occupancy rate (%)	67.00	69.35	71.78	74.29	76.89

The Independent Valuer projects a lower occupancy rate for 2021 due to the impact of COVID-19 pandemic. They have gradually increased the occupancy rate at 3.5% per annum for the average occupancy rate, which is expected to return to normalcy in tandem with the recovery in the Malaysian economy.

We note that the occupancy rate for 2017, 2018 and 2019 were 91.37%, 84.84% and 79.29% respectively. The occupancy rate has further reduced to 73.74% in year 2020 due to the impact of COVID-19 pandemic.

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

b) No. of inpatient admitted days

The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. The Independent Valuer has adopted 2.64 days, which is the average for 2017 to 2019. The Independent Valuer excluded 2020 as it was impacted by the COVID-19 pandemic and it does not reflect the real performance of the hospital.

Thus, we are of the opinion that the number of inpatients admitted days is fair.

c) Ratio of number of outpatient/inpatient

The Independent Valuer has adopted average ratio of 9.90, which is the average for 2017 to 2019.

We are of the opinion that the ratio of number of outpatient/inpatient is fair.

d) Projected revenue

The projected revenue consists of consultant inpatient revenue per occupied bed, consultant outpatient revenue, hospital inpatient revenue per occupied bed and hospital outpatient revenue. The Independent Valuer has adopted the average revenue for the past three (3) years historical performance from 2017 to 2019. The revenues used for the forecast are RM906, RM89, RM2,024 and RM167 for consultant inpatient revenue per occupied bed, consultant outpatient revenue per person, hospital inpatient revenue per occupied bed and hospital outpatient revenue per person respectively.

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

e) Cost of sale

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

We note that for the material cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 33.9% of hospital inpatient and outpatient revenue throughout the projection period. Whilst for direct staff cost, the Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 12.6% of the gross operating revenue.

For the operating overheads, the Independent Valuer has adopted 5% per annum escalation throughout the projection period.

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

f) Undistributed operating expenses

Undistributed operating expenses consist of administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost. The undistributed operating expenses moves in tandem with the Total Operating Revenue.

The Independent Valuer has adopted the past three (3) years average from 2017 to 2019 of 10.8%, 0.1% and 4.3% of the total operating revenue for administrative and general expenses, sales and marketing expenses and property operations, maintenance and energy cost respectively.

g) **Quit rent and assessment and insurance premium**

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

h) **Capital reserve fund**

The Independent Valuer has adopted a five (5)-year average of RM8.6 million from 2015 to 2019 for the capital reserve fund for the replacement of furniture fitting equipment, hospital operating equipment and capital expenditure.

i) **Terminal capitalisation rate**

The Independent Valuer uses a terminal capitalisation rate of 8.00% after making necessary adjustments based on recent transacted yields of private medical centres in Malaysia and the current economic condition that is impacted by the COVID-19 pandemic. ISH has an interest in perpetuity. Based on the Independent Valuer's yield analysis, the recent transacted yields of private medical centres in Malaysia were in the region of about 7.19% to 9.79%.

Based on the above, we are of the opinion that the applied terminal capitalisation rate of 8.00% is fair.

j) **Discount rate**

The Independent Valuer is of the opinion that a discount rate of 10.00%, which is 2% higher than the terminal capitalisation rate to reflect additional risk on the projected future revenue. The discount rate adopted is within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the hospital.

Based on the above, we are of the view that the applied discount rate of 10.00% is fair.

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6.2.2 Cost approach

The Independent 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) APSH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	Lot 81095 (Formerly PT No. 26888)/Mukim of Batu/District of Kuala Lumpur/Kuala Lumpur	PT No. 50040/ Mukim of Setapak/ District of Kuala Lumpur/Kuala Lumpur	Lot 33105 and Lot 33106, Section 1/ Both within Town of Cheras/District of Ulu Langat/ Selangor Darul Ehsan	Lot 122, Section 92/Town and District of Kuala Lumpur/Kuala Lumpur
Title no.	:	Pajakan Negeri 53431	HS(D) 121142	Geran 80304 and Geran Mukim 1820	Pajakan Negeri 35427
Property type	:	A parcel of commercial land (End)	A parcel of commercial land (Intermediate)	Two (2) adjoining parcels of commercial land (Intermediate)	A parcel of development land potential for commercial use (Intermediate)
Location	:	Located along Jalan Metropolitan, Off Middle Ring Road 2	Located along Jalan 3/50C, Off Jalan Genting Kelang, Kuala Lumpur	Fronts onto SILK Highway, Balakong Business Centre	Fronts onto Jalan 2, Chan Sow Lin
Category of land use	:	Building	Building	Building	Building
Town planning	:	Commercial	Commercial	Commercial	Commercial
Tenure	:	99-year leasehold interest expiring on 4 April 2115 (unexpired term of about 94 years)	99-year leasehold interest expiring on 13 October 2087 (unexpired term of about 67 years)	Interest in perpetuity, in respect of both titles	99-year leasehold interest expiring on 9 May 2100 (unexpired term of about 79 years)
Land area (sq. ft.)	:	238,298	26,738	102,569	37,900
Consideration	:	RM94,764,144	RM13,050,810	RM42,500,000	RM18,191,870
Date of transaction	:	23 July 2019	3 June 2019	16 November 2018	3 April 2017
Vendor	:	JL 99 Holdings Sdn Bhd	Immitec Sdn Bhd (in liquidation)	Empayar Mantap Sdn Bhd	Poon Siew Hong and Poon Siew Kai
Purchaser	:	Vienna Homes Sdn Bhd	Kit-M Corporation Sdn Bhd	Columbia Asia Sdn Bhd	Wan Hong Hardware Trading Sdn Bhd
Analysis (per square foot ("**psf**"))	:	RM398.00	RM488.10	RM414.35	RM480.00
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM478.85	RM479.29	RM472.87	RM478.37

Based on the above, the Independent Valuer is of the opinion that Comparable 4 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM478.37 psf as fair representation which translates into a market value of the commercial land of RM111,550,365.

The GCRCN of the buildings is RM114,707,690. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM48,177,230. Thus, the market value derived from the cost approach is RM159,727,595 and the Independent Valuer has rounded up to RM160,000,000.

(ii) DSH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	Lots 60858, 47009 & 50368, all within Section 39, Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan	Lot 42406, Pekan Cempaka, District of Petaling, Selangor Darul Ehsan	Lots 2002 and 2003, both within Section 14, Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan.	Lot 45822, Section 39, Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan
Title no.	:	Geran 313564, Geran 336044 and Geran 336037, respectively	Geran 98935	Pajakan Negeri 91465 and Pajakan Negeri 91466	Geran 54432
Property type	:	Three contiguous parcels of commercial land (Corner)	A parcel of commercial land (Corner)	Two parcels of commercial land (Corner)	A parcel of commercial land (Corner)
Location	:	Located along Jalan 21/21, Section 21, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan Bukit Mayang Emas, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan 51A/223, Section 51A, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan SS 2/113, SS 2, Petaling Jaya, Selangor Darul Ehsan.
Category of land use	:	Building	Building	Building	Building
Town Planning	:	Commercial	Commercial	Commercial	Commercial
Tenure	:	Interests in perpetuity, in respect of all the titles	Interest in perpetuity	99-year leasehold interests expiring on 7 April 2103 (unexpired term of about 82 years)	Interest in perpetuity
Land area (sq. ft.)	:	149,597	35,930	420,912	44,143
Consideration	:	RM50,000,000	RM21,558,000	RM160,000,000	RM24,587,651
Date of transaction	:	6 December 2018	30 November 2018	22 December 2017	7 November 2017
Vendor	:	S.E.A Housing Corporation Sdn Bhd	SYM World Ventures Sdn Bhd	Kumpulan Darul Ehsan Berhad	Tropicana City Sdn Bhd
Purchaser	:	Midas De Sdn Bhd	SNS Network (M) Sdn Bhd	Aneka Sepakat Sdn Bhd	O&C Construction Sdn Bhd
Analysis (psf)	:	RM334.23	RM600.00	RM380.13	RM557.00

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM401.08	RM435.00	RM460.30	RM417.75

Based on the above, the Independent Valuer is of the opinion that Comparable 1 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM401.08 psf as fair representation which translates into a market value of the commercial land of RM72,403,256.

The GCRCN of the buildings is RM124,857,179. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM67,422,877. Thus, the market value derived from the cost approach is RM139,826,133 and the Independent Valuer has rounded up to RM140,000,000.

(iii) JSH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	PTB 24422/Town and District of Johor Bahru/ Johor Darul Takzim	Lot 27577/Mukim of Pulai/District of Johor Bahru/ Johor Darul Takzim	PTD 175869 and 175870/All within Mukim of Tebrau/ District of Johor Bahru/Johor Darul Takzim	Lot 4205/Town and District of Johor Bahru/Johor Darul Takzim
Title no.	:	HS(D) 565071	Geran 38925	HS(D) 529771 and 529772, respectively	Geran 32033
Property type	:	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	Two (2) adjoining parcels of commercial land (Corner)	A parcel of commercial land (Intermediate)
Location	:	Off Jalan Tampoi, Taman Damansara Aliff, Johor Bahru	Off Persisiran Perling, Taman Perling (next to Perling Mall), Johor Bahru	Jalan Tampoi, Bandar Baru Uda, Johor Bahru	Jalan Ah Siang, Taman Stualang Laut, Johor Bahru
Category of land use	:	Building	Building	Building	Nil
Town Planning	:	Commercial	Commercial	Commercial	Commercial
Tenure	:	Interest in perpetuity	Interest in perpetuity	99-year leasehold interests expiring on 2 May 2015 (unexpired term of about 84 years)	Interest in perpetuity
Land area (sq. ft.)	:	486,988	223,900	255,320	22,216
Consideration	:	RM65,000,000	RM30,000,000	RM38,295,774	RM5,554,028
Date of transaction	:	28 November 2018	16 October 2018	26 April 2018	14 February 2018
Vendor	:	Naga Berkat Sdn Bhd	Permodalan Nasional Berhad	Perbadanan Johor	Wong Khoong Chin

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Purchaser	:	Tanahmas Kapital Sdn Bhd	PNB Commercial Sdn Berhad	Johor Land Berhad	Looi Teik Hin + 2
Analysis (psf)	:	RM133.47	RM133.99	RM149.99	RM250.00
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM153.35	RM147.36	RM162.79	RM154.42

Based on the above, the Independent Valuer is of the opinion that Comparable 3 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM162.79 psf as fair representation which translates into a market value of the commercial land of RM35,455,941.

The GCRCN of the buildings is RM116,542,366. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM85,233,916. Thus, the market value derived from the cost approach is RM120,689,857 and the Independent Valuer has rounded up to RM121,000,000.

(iv) PSH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	PTB 24422/Town of Johor Bahru/ District of Johor Bahru/Johor Darul Takzim	Lot 27577/Mukim of Pulai/District of Johor Bahru/ Johor Darul Takzim	PTD 175869 and 175870/All within Mukim of Tebrau/ District of Johor Bahru/Johor Darul Takzim	Lot 4205/Town and District of Johor Bahru/Johor Darul Takzim
Title no.	:	HS(D) 565071	Geran 38925	HS(D) 529771 and 529772, respectively	Geran 32033
Property type	:	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	Two (2) adjoining parcels of commercial land (Corner)	A parcel of commercial land (Intermediate)
Location	:	Off Jalan Tampoi, Taman Damansara Aliff, Johor Bahru	Off Persisiran Perling, Taman Perling (next to Perling Mall), Johor Bahru	Jalan Tampoi, Bandar Baru Uda, Johor Bahru	Jalan Ah Siang, Taman Stualang Laut, Johor Bahru
Category of land use	:	Building	Building	Building	Nil
Town Planning	:	Commercial	Commercial	Commercial	Commercial
Tenure	:	Interest in perpetuity	Interest in perpetuity	99-year leasehold interests expiring on 2 May 2015 (unexpired term of about 84 years)	Interest in perpetuity
Land area (sq. ft.)	:	486,988	223,900	255,320	22,216
Consideration	:	RM65,000,000	RM30,000,000	RM38,295,774	RM5,554,028

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Date of transaction	:	28 November 2018	16 October 2018	26 April 2018	14 February 2018
Vendor	:	Naga Berkat Sdn Bhd	Permodalan Nasional Berhad	Perbadanan Johor	Wong Khoong Chin
Purchaser	:	Tanahmas Kapital Sdn Bhd	PNB Commercial Sdn Berhad	Johor Land Berhad	Looi Teik Hin + 2
Analysis (psf)	:	RM133.47	RM133.99	RM149.99	RM250.00
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM166.85	RM157.61	RM180.01	RM206.63

Based on the above, the Independent Valuer is of the opinion that Comparable 4 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM206.63 psf as fair representation which translates into a market value of the commercial land of RM21,512,294.

The GCRCN of the buildings is RM39,400,245. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM19,505,396. Thus, the market value derived from the cost approach is RM41,017,690 and the Independent Valuer has rounded down to RM41,000,000.

(v) SSH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	PT No. 32, Section 14, HS(D) 142037/ Town of Shah Alam, District of Petaling, Selangor Darul Ehsan	Lot 91083, Section 13, Pajakan Negeri 110614, Town of Shah Alam, District of Petaling, Selangor Darul Ehsan	PT No. 38, Section 14, HS(D) 142043, Town of Shah Alam, District of Petaling, Selangor Darul Ehsan	PT No. 294, Section 3, HS(D) 266275, Town of Shah Alam, District of Petaling, Selangor Darul Ehsan
Property type	:	A parcel of commercial land with dual access (Intermediate)	A parcel of commercial land with dual access (Corner)	A parcel of commercial land with triple access (Corner)	A parcel of commercial land with single access (Intermediate)
Location	:	Located along Persiaran Perbandaran	Located along Jalan Rugbi 13/30 @ Persiaran Sukan	Located along Jalan 14/3	Located along Jalan 3/9A
Category of land use	:	Building	Building	Building	Building
Town Planning	:	Commercial	Commercial	Commercial	Commercial
Tenure	:	99-year leasehold interest expiring on 17 December 2099 (unexpired term of about 79 years)	99-year leasehold interest expiring on 22 January 2102 (unexpired term of about 81 years)	99-year leasehold interest expiring on 17 December 2099 (unexpired term of about 79 years)	99-year leasehold interest expiring on 11 March 2085 (unexpired term of about 64 years)
Land area (sq. ft.)	:	111,557	134,893	107,413	32,421
Consideration	:	RM32,000,000	RM38,000,000	RM34,000,000	RM7,600,000
Date of transaction	:	8 May 2020	28 May 2019	31 December 2018	28 February 2018

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Vendor	:	Majlis Bandaraya Shah Alam	Equipark Sdn Bhd	Avisena Holdings Sdn Bhd	Kualiti Megamas Sdn Bhd
Purchaser	:	Puncak Niaga Holdings Berhad	Ara Ville Sdn Bhd	Lembaga Zakat Selangor (MAIS)	Lovely Century Sdn Bhd
Analysis (psf)	:	RM286.85	RM281.70	RM316.54	RM234.42
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM269.91	RM256.41	RM250.63	RM248.77

Based on the above, the Independent Valuer is of the opinion that Comparable 1 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM269.91 psf as fair representation which translates into a market value of the commercial land of RM55,154,160.

The GCRCN of the buildings is RM76,944,472. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM43,101,781. Thus, the market value derived from the cost approach is RM98,255,941 and the Independent Valuer has rounded down to RM98,000,000.

(vi) ISH

In arriving at the market value of the land component, the Independent 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
Lot no./Town/ Mukim/District/ State	:	Lot 3506N/Town of Ipoh (N)/District of Kinta/Perak Darul Ridzuan	Lot 4380S/Town of Ipoh (S)/District of Kinta/Perak Darul Ridzuan	Lot 14741S/Town of Ipoh (S)/District of Kinta/Perak Darul Ridzuan	Lot 2598S/Town of Ipoh (S)/District of Kinta/Perak Darul Ridzuan
Title no.	:	Geran 38323	Geran 60183	Pajakan Negeri 363294	Geran 55092
Property type	:	A parcel of development land potential for commercial use (Intermediate)	A parcel of development land potential for commercial use currently being used as car park (Corner)	A parcel of commercial land (Corner)	A parcel of development land potential for commercial use (Intermediate)
Location	:	Located off Jalan Sultan Abdul Jalil	Located along Jalan Sultan Nazrin Shah	Located along Jalan Sultan Nazrin Shah	Located along Jalan Raja Dihilir
Category of land use	:	Building	Building	Building	Building
Town Planning	:	Residential	Commercial	Commercial	Residential
Tenure	:	Interest in perpetuity	Interest in perpetuity	99-year leasehold interests expiring on 9 January 2106 (unexpired term of about 85 years)	Interest in perpetuity
Land area (sq. ft.)	:	21,834	41,627	73,834	46,963
Consideration	:	RM3,602,676	RM8,800,000	RM13,718,842	RM8,922,980
Date of transaction	:	6 March 2019	8 August 2018	10 April 2018	10 July 2017

Description		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Vendor	:	Liew Hoong Thoe	Aun Huat & Brothers Sdn Bhd	Perbadanan Pembangunan Negeri Perak	Lim Sai Tat, Lim Shyh Kuan and Wong Kam Poh
Purchaser	:	One Roof Development Sdn Bhd	Capital Pi Sdn Bhd	Child's Partner (M) Sdn Bhd	Lee Seng Hee
Analysis (psf)	:	RM165.00	RM211.40	RM185.81	RM190.00
Adjustment factors considered	:	Market condition due to the impact of COVID-19 pandemic (time), location and accessibility, shape, corner/end premium, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum, allowance and tenure			
Adjusted value of land (psf)	:	RM202.12	RM195.55	RM196.91	RM194.75

Based on the above, the Independent Valuer is of the opinion that Comparable 4 has the least dissimilarities against the subject property. The Independent Valuer has adopted the adjusted value of RM194.75 psf as fair representation which translates into a market value of the commercial land of RM27,677,119.

The GCRCN of the buildings is RM97,417,113. Depreciation is at a rate of 2% per annum. The DRC of the buildings is RM52,147,300. Thus, the market value derived from the cost approach is RM79,824,419 and the Independent Valuer has rounded up to RM80,000,000.

6.2.3 Summary

	Income Approach by Profits Method (DCF) RM'000	Cost Approach RM'000
APSH	157,000	160,000
DSH	135,000	140,000
JSH	147,000	121,000
PSH	51,000	41,000
SSH	100,000	98,000
ISH	122,000	80,000
Total	**712,000**	**640,000**

The Independent 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 Properties and supported by the values derived from the Cost Approach.

Private specialist medical centre is the centre of providing quality and skilled health services property with the various sources of revenues generated from operating the property as a business entity which trading is the essence to the value of the property. As such, the Independent 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 centre.

In arriving at the market value of the land, the Independent 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 quantity, it will be difficult to make adjustments using the market/comparison approach. The Independent Valuer also notes that there are either infrequent or very limited sale evidence of private specialist medical centres in Malaysia as the medical centres are often constructed for owner operation and seldom held as an investment asset.

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

We are of the view that the valuation methodologies applied by the Independent Valuer for the valuation of Properties are acceptable and appropriately applied. As such, we concur with the Independent Valuer's approach in valuing the Properties by the Independent Valuer and are of the view that the market value of RM712 million as appraised by the Independent Valuer is fair.

We are also of the view that the bases and justifications of arriving at the agreed rental rate of 5,75 % is **fair and reasonable** after taking into account the above analyses as a whole and the following factors:

(i) the rental rate of 5.75% is within the range of the NPI for real estate investment trusts (excluding foreign properties) listed on Bursa Securities which ranged from 1.79% to 7.00% in 2020 and from 3.16% to 8.04% in 2019;

(ii) the rental rate of 5.75% is within the range of the NPI of commercial properties acquired by Malaysian real estate investment trusts in 2020 up to 31 March 2021 which ranges from 4.96% and 6.28%;

(iii) the uncertainties in the current state of the Malaysian economy and the negative impact of the COVID-19 pandemic on the local property market; and

(iv) the current interest environment as evidence by the drop in the three (3)-month KLIBOR as stated in Section 2.5 of Part A of the Circular.

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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 of the Circular and our comments on the pertinent salient terms are set out below:

<table>
<tr><th>No.</th><th>Salient terms</th><th>MainStreet's comments</th></tr>
<tr><td>(1)</td><td>Lease of Properties

The lease of the Properties is for a period of fifteen (15) years commencing from 30 June 2021 to 29 June 2036 upon the terms and conditions stipulated in the Lease Agreement with an option to renew for another fifteen (15) years.</td><td>The tenure of 15 years 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 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 15 years at a fair rate is good for Al-'Aqar.</td></tr>
<tr><td>(2)</td><td>Use of Properties

The Properties shall be used strictly for the purpose of operating a healthcare facility which operation and usage shall not be contrary to Shariah principles.</td><td>This term is in line with Al-'Aqar's policy to invest in Shariah-compliant portfolio focusing on healthcare related real estates. This is also beneficial to Al-'Aqar as healthcare is considered a very stable industry.</td></tr>
<tr><td>(3)</td><td>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 being obtained in respect of the Proposed Lease Renewal; and

(ii) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Lease Renewal.</td><td>These conditions relate to approvals from the relevant parties to give effect to the Proposed Lease Renewal and are common terms in agreements of such nature.</td></tr>
<tr><td>(4)</td><td>Rental formula for rental amount

<u>Formula for the Proposed Lease Renewal</u>

The rent shall be denominated in RM and the formula for determination of the rent in relation to the Proposed Lease Renewal are as follows:

(a) Rent formula

<table><tr><th>First Rental Term</th><th>Rent Formula</th></tr><tr><td>1st year</td><td>5.75% per annum x Base Rent</td></tr><tr><td>2nd & 3rd year</td><td>2% incremental x the rent for the preceding year.</td></tr></table></td><td>The rental rate of 5.75% 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 (excluding foreign properties) listed on Bursa Securities which ranges from 1.79% to 7.00% in 2020 and from 3.16% to 8.04% in 2019. The rental rate of 5.75% is within the range of the NPI of commercial properties acquired by Malaysian real estate investment trusts in 2020 up to the LPD and it is also in line with current market conditions.

The incremental rate of 2% in rental rate for 2nd and 3rd year was arrived at after taking into consideration the average of the 10-year consumer price index year-on-year movement of approximately 2.2% (excluding year 2020 which was in negative), which is a normal market practice and is common for transactions of such nature.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Salient terms</th><th>MainStreet's comments</th></tr>
<tr><td></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 (Years 4, 7, 10 and 13)</td><td>(10-year MGS + 200 BPS) x Open Market Value (as determined by an independent valuer) of the Properties, at the point of review subject to:

(a) a minimum rent of 5.75% per annum x prevailing Open Market Value of the Properties or the rent payable for the 1st year of the First Rental Term of the Properties, whichever is higher; and

(b) any adjustment to the rent shall not be more than 2% 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% incremental increase over the rent for the preceding year which shall be in RM.</td></tr>
</table>
The total first-year rental amount is RM40.94 million under the Lease Agreements based on the market value of the Properties of RM712 million (as detailed in Section 2.5 of Part A of the Circular). At each of the rent review year i.e. on year 4, 7, 10 and 13 of the Lease Agreements, the rent will be reviewed based on the formula above. If there is no change in market value and the 10-years MGS + 200 BPS is equivalent to 5.75%, the rental shall remain at RM40.94 million. For illustration, assuming the 10-year MGS at the point of review is the same as the MGS as at LPD of 3.11% and the Year 3 rental is RM42.59 million, the rental for Year 4 shall be as follows:
</td><td>
The usage of Open Market Value as one (1) of the parameters is fair and reasonable as the Open Market Value in the rent review formula is based on the reasonable and fair market value of the Properties during the Contractual Term or Extended Contractual Term as determined by an independent valuer appointed by the Lessor and the Lessees.

The minimum rent of 5.75% times the prevailing open market value of the Properties is to safeguard Al-'Aqar's interest in the event that MGS falls lower than 3.75%.

We are of the view that the adjustment to the rent of not more than 2% incremental increase over the rent for the preceding year is reasonable as the average consumer price index for the past 10 years is approximately 2.2%.

The incremental rate of 2% in rental rate for 2nd and 3rd year of every succeeding rental term was arrived at after taking into consideration the average of the 10-year consumer price index year-on-year movement of approximately 2.2% (excluding year 2020 which was in negative). This is a normal market practice and is common for transactions of such nature.
</td></tr>
</table>

No.	Salient terms	MainStreet's comments

	Assuming 20% downward revision to Open Market Value	Assuming 20% upward revision to Open Market Value
Market Value	RM569.6 m	RM854.4million
10-years MGS + 200 BPS x Open Market Value of the Properties	(3.11%+2%)*RM569.6m= RM29.11m	(3.11%+2%)*RM854.4m= RM43.66m
Minimum 5.75% per annum x prevailing Open Market Value of the Properties or the rent payable for the 1st year of the First Rental Term of the Properties, whichever is higher	Whichever higher: (a)5.75%*RM569.6m =RM32.75m OR (b) RM40.94m Hence, RM40.94m	Whichever higher: (a)5.75%*RM854.4m =RM49.13m OR (b) RM40.94m Hence, RM49.13m
Rental computed	**RM40.94m**	**RM49.13m**
Rental cap Any adjustment not more than 2% incremental increase over the rent for the preceding year which shall be in RM	RM42.59m*1.02= RM43.44m	RM42.59m*1.02= RM43.44m
Illustrative chargeable rental at Year 4	**Since the rental computed is less than the rental cap, the rental for Year 4 shall be RM40.94m**	**Since the rental computed is more than the rental cap, the rental for Year 4 shall be capped at RM43.44m**

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	RM41.76m	RM44.31m
Year 6	RM42.59m	RM45.20m

For clarification, based on the rental review formula above, for each Succeeding Rental Term, the lowest rental amount that can be charged is RM40.94 million (being the Base Rent) and the maximum rental amount is 2% incremental increase over the RM value of the rent for the preceding year.

Rent Formula for 2006 – 2021 under the Principal Lease Agreements

2006- 2009 (1st rental term)

The total annual rental of the properties (as referred to in the Principal Lease Agreements) for the 1st term which expired in December 2009 was as follows:

	Annual Rental (RM'mil)
2006 (5 months)	14.78
2007	35.70
2008	36.43
2009	36.96

No.	Salient terms	MainStreet's comments
	For information, the market value of the properties held by the Lessor as disclosed in Al-'Aqar's prospectus dated 24 July 2006 was RM481 million. The above rental translated to yield of 2006: 7.38% (annualised), 2007: 7.42%, 2008: RM7.57% and 2009: RM7.68%. *The rental was to be reviewed on 1 January after every three (3) full financial years throughout the 15 years' contractual terms.* *2010-2012 (2nd rental term)* *The rental review formula for the 1st year was (10-year MGS +238 BPS) x market value of the properties at the point of review subject to:* *(i) a minimum rental of RM33 million per annum; and* *(ii) any lease rental adjustment shall not be more than 2% incremental over the preceding year's rental amount* *For the 2nd & 3rd year of the 2nd rental term thereon, the rental would be 2% incremental over the preceding year's rental.* *2013-2021 (3rd to 5th rental term)* *The rental review formula for the 1st year of the 3rd, 4th and 5th rental term is as follows:* *10-years MGS + 238 BPS x market value of the properties, at the point of review subject to:* *(i) a minimum gross rental of 7.1% per annum x prevailing market value or purchase consideration of the properties whichever is higher*; and* *(ii) any lease rental adjustment shall not be more than 2% incremental over preceding year's lease rental.* *For the 2nd & 3rd year of the 3rd, 4th and 5th rental term thereon, the rental would be a 2% incremental amount over the preceding year's rental amount.* *Note *: The clause stating "purchase consideration of the properties whichever is higher" was only included in the 4th and 5th rental term.*	

No.	Salient terms	MainStreet's comments
	For information, the agreed yield of 5.75% and the 200 BPS in the Rent Formula for the next contractual term under the Proposed Lease Renewal differ from that included in the rent rental formula under the previous Principal Lease Agreements primarily due to, amongst others, the interest rate environment. The 3-month KLIBOR on 30 June 2006 was 3.92% as compared to 1.94% as at LPD (Source: Bloomberg). In addition, the spread under the rent review formula is now proposed at 200 BPS as compared to 238 BPS after taking into consideration, inter-alia, the improved financial standing of KPJ Group over the years. As at LPD, KPJ is a RM4.4 billion (30 June 2006: RM323.7 million) market capitalisation company with revenue of RM2.4 billion for FY 31 December 2020.	
(5)	***Lessor's and/or Manager's covenant*** ***(A) Lessor's covenant*** *The Lessor shall, amongst others, during the Contractual Term:* *(i) pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings which are now or during the Contractual Term shall be falling due in respect of or charged, assessed or imposed upon the Properties;* *(ii) pay for quit rent and assessment of the Properties;* *(iii) in the event the Lessor's fixtures and fittings are irreparable through or by means of normal and routine repairs, the Lessor shall replace such items within reasonable time, at the cost and expense of the Lessor;* *(iv) shall at its own cost and expense, carry out structural repairs and works necessary to maintain the external and internal structure of the Properties in good tenantable condition and such structural repairs and works as may be required by the local or relevant authorities or under relevant building regulations; and* *(v) shall at its own expense maintain takaful coverage for fire, loss of rent and public liability takaful in respect of the Properties.* ***(B) Lessor's and/or Manager's covenant*** *In addition to the Lessor's covenant under Section 2.4.5(A) of Part A of the Circular, the Lessor and/or the Manager shall, amongst others, during the Contractual Term:* *(i) effect and 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 at the Lessor's cost and expense; and*	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	MainStreet's comments
	(ii) shall appoint and pay to the maintenance manager during the Contractual Term for the maintenance and management services rendered by the maintenance manager with respect to the Properties in accordance with the terms of the property management agreement or maintenance management agreement to be entered into between the Lessor, the Manager and the maintenance manager.	
(6)	***Lessees' covenant in relation to repairs, cleaning, decoration & etc*** *The respective Lessees shall keep the Properties in good and tenantable repair and maintenance. The respective Lessees shall as and when necessary issue a notice to the maintenance manager to conduct any repairs on any part of the Properties and shall pay the maintenance manager for work done in connection thereto.* *The Lessees shall during the Contractual Term, amongst others, bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the Properties that the Lessees are responsible for during the Contractual Term.*	This term is considered reasonable as it is usually the lessee's responsibility to pay for these services and maintenance expenses which are directly consumed by them.
(7)	***Expansion*** *In the event that the Lessees requests and the Lessor and/or the Manager agree to meet the expansion requirements of the Lessees through expansion, the Lessees may make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the Properties or work which may affect or may be likely to affect the:* *(i) structure of the Properties (including but not limited to the roof and the foundation); or* *(ii) mechanical or electrical installations of the Properties; or* *(iii) provisions of any services in or to the Properties.* *The Lessees shall bear the development costs and expenses for, and related to the expansion and shall be solely responsible to procure the financing for the expansion.* *Upon completion of the expansion, the Lessees shall provide the Lessor with the breakdown of the final development costs of the expansion and the Lessor shall make full payment of the final development cost of the expansion subject to the cost to be agreed by the parties and verification by the Manager of the following items:* *(i) the Certificate of Completion and Compliance for the expansion issued by the appropriate authority, if any;*	This term is favourable to Al-`Aqar as any expansion to be made by the Lessees requires the Lessor's and/or Manager's approval and it will facilitate the expansion requirements of the Lessees, which may benefit Al`Aqar.

No.	Salient terms	MainStreet's comments
	(ii) the value of the expansion as recommended by an independent valuer (appointed by the Lessor at its own cost and expense) via the valuation report by the said independent valuer; *(iii) the report prepared by the project consultant of the expansion as verified by an independent quantity surveyor (appointed by the Lessor at the Lessor's own cost and expense); and* *(iv) all supporting claims, invoices and documents verifying the final development costs of the expansion.*	
(8)	***New development of the Land*** *The Lessor grants the Lessees the right to undertake new development, including but not limited to, the planning, design, and construction of building(s), carpark and/or other structures on the Land (as defined in the Lease Agreements which refers to the respective plot of land that the Properties are situated on) or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto at the Lessees' own cost and expenses for Lessees' business operations, subject to the following:* *(i) the Lessees shall provide the details of the New Development for approval of the Lessor and the Manager; and* *(ii) the Lessees shall obtain the approval from the relevant appropriate authority or authority for the New Development,* *prior to the commencement of the New Development.* *The parties agree that the New Development may be acquired by the Lessor subject to fulfilment of the conditions in the Lease Agreements which include:* *(i) the Certificate of Completion and Compliance for the New Development has been duly issued and obtained by the Lessees;* *(ii) the Lessor and the Lessees have mutually agreed on the acquisition price for the New Development to be satisfied by the Lessor based on the following:* *a. where required, the valuation report of the New Development issued by the independent valuer(s) (appointed jointly or severally by the Lessor and/or the Lessees) pursuant to a valuation exercise on the New Development and the valuation reports shows the true and fair value or open market value of the New Development and justifies the acquisition price; and/or*	This term is reasonable as it will allow the Lessor to work with the Lessees to undertake new developments that will benefit Al-'Aqar. The acquisition on the New Development is reasonable as it will allow Al-'Aqar to acquire any new development or addition to the Properties' existing buildings. After the acquisition, Al-'Aqar will be able to charge additional lease rental.

No.	Salient terms	MainStreet's comments
	b. *the documentary evidence which verifies the final construction costs incurred by the Lessees for the New Development issued by an independent quantity surveyor appointed by the Lessees; and/or* c. *the building audit report following the conclusion of a building inspection and audit exercise conducted on the New Development by a building audit consultant appointed by the Lessor at its own cost and expense to verify the condition, state, nature and character of the New Development and the Lessor is satisfied with the outcome of the building audit and the contents of the aforesaid building audit report.* *(iii) approval of the board of directors of the Trustee, the Manager of the Lessor and where required, approval of the unitholders of the Lessor; and* *(iv) approval of the board of directors and shareholders of the Lessees.*	
(9)	***Event of Default and Termination*** *I. The Lease Agreements provide for the following events of default:* *(i) a failure or refusal on the part of the respective Lessee:* *(a) to pay the monthly rent for 2 consecutive calendar months or any other sum due under the terms of the respective Lease Agreements on the day such payment is required to be made under the terms of the respective Lease Agreement (whether the same shall have been formally demanded or not); or* *(b) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the respective Lease Agreements of which is not capable of being remedied or if capable of being remedied such breach is not remedied by the Lessee within a period of 30 calendar days from the date after receipt of written notice thereof from the Lessor to the Lessee requesting action to remedy the same; or*	The terms for events of default and termination in the Lease Agreements are reasonable as they are common terms for lease agreements of similar nature.

No.	Salient terms	MainStreet's comments
	(ii) the Lessee is in breach of any agreement which has a Material Adverse Effect (defined in the Lease Agreements as an event or circumstance, the occurrence or effect of which (in the opinion of the Lessor and/or the Manager) is or might be likely to have a material effect on the constitution, the financial condition, business or operations of the Lessee or where applicable or the Lessee's ability to perform its obligations under any provision of the Lease Agreements) on the business and/or operations of the Lessee which affects its ability to fulfil its obligations under the Lease Agreements; or *(iii) the Lessee 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 for the purpose of Section 466 of the Companies Act 2016 and as such, the Lessee is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend it making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in section 465 of the Companies Act 2016 occurs or the Lessee commences 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 assumes management of the Lessee and in the case of any of the events aforementioned, the financial condition of the Lessee or the ability of the Lessee 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 for the winding up of the Lessee 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 and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or*	

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No.	Salient terms	MainStreet's comments
	(vi) the Lessee is unable to pay its debt within the meaning of the Companies Act 2016 which inability may in the opinion of the Lessor may have a Material Adverse Effect; *II. The occurrence and continuation of any of the above sub-paragraphs (i) to (vi) entitles the Lessor 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 as a consequence of such action:* *(i) serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code deemed that the period stipulated in the forfeiture notice shall be thirty (30) calendar days for the occurrence of the events under Section 2.4.9.1 of Part A of the Circular unless otherwise stated in the respective Lease Agreements as capable of being remedied, where the breach has not been remedied within the stipulated time of thirty (30) calendar days, to re-enter upon the Properties or any part thereof in the name of the whole, and thereupon the respective Lease Agreements shall absolutely terminate;* *(ii) to claim for the monthly rent and all sums due and payable as stipulated in the respective Lease Agreements;* *(iii) the Lessor shall be entitled to utilise the security deposits and utilities deposit as described in Section 2.4.11 of Part A of the Circular towards payment or reduction of all sums payable by the Lessee under the respective Lease Agreements without prejudice to the Lessee's liability for any shortfall;* *(iv) the Lessee 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 the Lessee's default or unilateral termination by the Lessee; or* *(v) to sue and take any other action the Lessor deems fit (including remedy of specific performance against the Lessee) 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.*	

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<u>Exercise of remedies</u>
The Lessor shall be at liberty to exercise any one or more of the above remedies mentioned above at its sole and absolute discretion in any manner it deems fit. Any action taken by the Lessor to exercise any one or more of the above remedies shall not prejudice or affect any other remedies, claims or rights which it may have under the terms hereof.
III. Unilateral termination and consequence of early termination of the expiry of the Contractual Term:
(i) In the event of early termination where if at any time during the Contractual Term the Lessee shall attempt to abandon or quit or redeliver possession of the Property, prior to the expiry of the Contractual Term, for any reason whatsoever then it shall be lawful for the Lessor, immediately or at any time thereafter, to serve a forfeiture notice to the Lessee.
(ii) Upon the issuance of the forfeiture notice, the Lessee is required to remedy the subject matter of the forfeiture notice within thirty (30) calendar days from the date of such forfeiture notice.
(iii) On the expiration of the thirty (30) calendar day period and in the event that the Lessee fails to remedy such subject matter of the forfeiture notice, the Lessor is at liberty, within thirty (30) calendar days thereafter, to give to the Lessee a Termination Notice and the Lessee shall within seven (7) calendar days from the date of the Termination Notice:
a. remove all of the Lessee's asset(s) (including the Lessee's fixtures and fittings) and other articles brought on to the respective Property by the Lessee and shall do so without damaging the said Property and shall immediately make good any damage which occurs thereby; and
b. surrender and peacefully yield up the Property.
IV. In the event the Lessee fails or refuses to comply, the Lessor may in its absolute discretion:
(i) remove and dispose of the Lessee's asset(s) (including the Lessee's fixtures and fittings) and other articles in the Property and the Lessee shall indemnify the Lessor for any cost and expenses incurred by the Lessor for such removal or disposal; and/or;
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No.	Salient terms	MainStreet's comments
	(ii) commence, proceed with and undertake all action as may be necessary to enforce the Lessee's obligation to surrender and yield up the Property and to enforce the Lessor's rights to re-enter, repossess and enjoy the same. *V. The Lessor shall in addition be entitled to exercise all its rights, powers and remedies (conferred by law or otherwise) against the Lessee, including the right to recover from the Lessee the lost of rent suffered by the Lessor for the unexpired period of the Contractual Term (or any part thereof) as liquidated damages subject to the Lessor taking all reasonable efforts to lease or let the Property to any other lessees or tenants.* *VI. In the event that the Lessor is unable to lease or let the Property to any other lessees and tenants and/or as the case may be, the Lessee shall compensate the Lessor for the deficiency between the originally scheduled rent under the respective Lease Agreements and the rent received or to be received from the other lessees or tenants of the Property for the unexpired period of the Contractual Term.* *VII. In the event a Termination Notice is issued by the Lessor, the Lessee shall have an option to source, within six (6) calendar months of the Lessee's receipt of such Termination Notice, for a replacement lessee or tenant acceptable 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 failing which the security deposit and the utilities deposit paid by the Lessee in favour of the Lessor shall be forfeited. If the Property is leased or tenanted to a replacement lessee or tenant, the Lessee shall compensate the Lessor for any deficiency between the originally scheduled rent under the respective Lease Agreements and the rent received or to be received from the replacement lessee or tenant for the Property for the unexpired period of the Contractual Term.* *VIII. At the end of the Contractual Term or upon the termination of the respective Lease Agreements for any reason whatsoever, the Lessor shall be entitled to deal with the Property in any manner whatsoever and howsoever including but not limited to leasing out the Property to any other person whomsoever.* *Save as otherwise stipulated under Section 2.4.9.2 and 2.4.9.3.3 of Part A of the Circular, neither the Lessee nor the Lessor and/or the Manager shall be entitled to terminate the respective Lease Agreements without the written consent of the other party.*	

No.	Salient terms	MainStreet's comments
(10)	***Late Payment Penalty*** *In the event that the respective Lessee fails to pay the monthly rent on the due date, the Lessor shall be entitled to charge and the Lessee shall pay the Lessor late payment penalty at the rate of five percent (5%) per annum on any sums of the monthly rent reserved by the respective Lease Agreements remaining unpaid from its due date until the date of actual payment.* *If for any reason whatsoever, the respective Lessee fails to pay the monthly rent for two (2) consecutive calendar months or any part thereof on the due date, whether formally demanded or not, and if the respective Lessee fails to rectify such breach or default after the Lessor or its agent has given thirty (30) calendar days' notice in writing to the Lessee to rectify such breach or default, Section 2.4.9.1 of Part A of the Circular shall be invoked.*	The late payment penalty at the rate of five percent (5%) is to safeguard the Lessor's interest in the event that the Lessees fails to pay the monthly rent on the due date. This term is reasonable as it is a common term for lease agreements of similar nature.
(11)	***Deposits*** *(i) Security Deposit* *The Lessees shall on or before 30 June 2021, being the date of commencement of the lease or such other date to be mutually agreed by the Parties, pay the security deposit to the Lessor for an aggregate sum equivalent to two (2) times of the prevailing monthly rent which shall be revised accordingly for every rental term, such deposit being security for the due observance and performance by the Lessee of any terms and conditions of the Lease Agreements.* *(ii) Utilities Deposit* *The Lessees shall on or before 30 June 2021, being the date of commencement of the lease, or such other date to be mutually agreed by the Parties, pay to the Lessor a sum to be mutually agreed by the Parties, which shall be revised accordingly for every rental term, such sum being the deposit for electricity, water, solid waste and other utilities services provided by the relevant utilities service providers to the Properties.*	The security deposit is to safeguard the Lessor's interest as it is intended for due observance and performance by the Lessee of any terms and conditions of the Lease Agreements whilst the utilities deposits are the deposit for electricity, water, solid waste and other utilities services provided by the relevant utilities service providers to the Properties. In the event the Lessees fail to settle any of the utilities bills, the Lessor can use the utilities deposits to pay for the outstanding utilities charges incurred by the Lessees. These terms are reasonable as they are common terms for lease agreements of similar nature.

No.	Salient terms	MainStreet's comments
(12)	***Variation of rental*** *The Lessor shall have the right to vary the rent of the Properties occupied and used by the Lessees, at the recommendation of the Manager due to the following:* *(i) Increase in gross floor area* *If the gross floor area of the Properties increases pursuant to the expansion (as described under Section 2.4.7 of Part A of the Circular) undertaken by the Lessees in respect of the Properties, the rent shall be increased corresponding with the increase in gross floor area of the Properties but always subject to the reimbursement costs paid by the Lessor to the Lessees and the increase in the monthly rent shall be computed as follows:* ***Formula: (5.75% per annum x reimbursement costs)/12 months*** *For avoidance of doubt, in the event the rent has been increased pursuant to the abovementioned clause, the Base Rent amount shall be revised accordingly to include the incremental amount and thereafter, the aforesaid Base Rent shall be applied in the rent review formula for determination of the rent for the relevant Succeeding Rental Terms.* *In the event the increase in the rent was incurred during mid of the relevant year of the First Rental Term or Succeeding Rental Term(s) rental year, such rent shall be prorated to full financial year before applying it in the rent review formula.* *(ii) Installation of new Lessor's fixtures and fittings* *The Lessor and/or the Manager incur costs and incidental costs for installation of new Lessor's fixtures and fittings at the Properties in which the increase in rent shall be mutually agreed between the parties prior to the installation of the said new The Lessor's fixtures and fittings. The Lessee shall furnish copies of the relevant documentary evidence, including but not limited to quotations, tender documents, price list, invoices to and for the Lessor and/or the Manager's verification of the costs and incidental costs for installation of the new Lessor's fixtures and fittings.*	The term to vary the rental in the event of increase in gross floor area as a result of the expansion (as described under Section 2.4.7 of Part A of the Circular) undertaken by the Lessees and costs and incidental costs for installation of new Al-`Aqar's fixtures and fittings at the Properties is fair and reasonable as any change in conditions of the Properties within the lease period should be reflected in the rental charge.

No.	Salient terms	MainStreet's comments
(13)	***First right of refusal to purchase the Properties*** *In the event that the Lessor during the Contractual Term intend to sell the Properties, the respective Lessees shall be given the first right of refusal to purchase the Properties by way of a written notice from the Lessor to the respective Lessees offering to sell the Properties to the respective Lessees on such terms and at the reasonable and fair prevailing/open market value in respect of the Properties and in accordance with the applicable laws and requirements including the Listed Real Estate Investment Trust Guidelines, the relevant guidelines issued by the SC, the Capital Markets and Services Act 2007 and the listing requirements of Bursa Securities, to which notice the respective Lessees shall reply within 60 calendar days thereof.* *The first right of refusal granted shall be valid but shall not be applicable and shall not extend beyond the Contractual Term. For the avoidance of doubt, the right of first refusal granted shall not be enforceable and no longer applicable if the Lease Agreements are terminated pursuant to the terms and conditions under the Lease Agreements.*	This clause is reasonable as the relevant subsidiaries of KPJ are the lessees of the Properties.
(14)	***Extended Contractual Term*** *If the respective Lessees wishes to take a further extension of the lease of the Properties for another fifteen (15) years from the expiry of the Contractual Term, the respective Lessees shall give a written notice to the Lessor of its intention to extend the lease of the Properties not less than twelve (12) calendar months prior to the expiry of the Contractual Term.* *The Lessor may at its sole and absolute discretion grant to the Lessees a further lease of the Properties for the Extended Contractual Term at the rental terms and revised rental rate to be mutually agreed by the Lessor, the Manager and the Lessees but with otherwise upon the same terms and conditions of the Lease Agreement with the exception of this provision for renewal, the revised rental rate and the topping up of the security deposit and the utilities deposit to correspond with the revised rental rate, which shall be mutually agreed upon by both parties, variations to the terms and conditions of the Lease Agreements mutually agreed upon in writing by the parties during the Contractual Term and any changes in the applicable laws and requirements.* *The parties will use their best endeavours to reach an agreement on the rent for the Extended Contractual Term by the date which is six (6) calendar months prior to the expiry of the Contractual Term.*	This term presents the Lessees with the opportunity to renew the lease of the Properties for another 15 years upon expiry of the Contractual Term with written notice within a fixed timeframe. The option to extend the lease to the Lessees by the Lessor is common for lease agreements with such nature and is reasonable. The period of six (6) months provides both parties sufficient time to negotiate and agree on the rent for the Extended Contractual Term and is considered reasonable.

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 Risk relating to non-renewal and the completion of the Proposed Lease Renewal

The Proposed Lease Renewal is subject to the approval of unitholders of Al-`Aqar and shareholders of KPJ. In the event that the existing leases are not renewed, there is a risk that Al-'Aqar is unable to find suitable Shariah compliant lessees within a short period of time and it would adversely affect Al-'Aqar's financial performance.

We also note that under the Lease Agreements, the Proposed Lease Renewal is subject to the fulfilment of the Conditions as stated in Section 2.4.3 of Part A of the Circular. In the event that the Conditions are not met or waived, 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.

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 and the Properties are crucial to the Lessees' business operations.

6.4.2 Dependence on single lessee

The Properties will be leased to the Lessees, all of which are the subsidiaries of KPJ. As all of the lessees are subsidiaries 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, we don't foresee the KPJ Group not meeting their contractual obligations as KPJ is an established and listed healthcare provider and well-known in the healthcare industry in Malaysia. The long-term lease of a further 15 years will mitigate this risk for Al-'Aqar.

6.4.3 Risk relating to the business exposure

Upon completion of the Proposed Lease Renewal, Al-'Aqar will continue to be exposed to the risk of operating a real estate investment trust and 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, the impact of COVID-19 pandemic and changes in statutory laws, regulations or government policies;

(iii) changes in the value of Properties, which are 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; and

(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 which may increase Al-'Aqar's financing cost in the future. We note that Al-'Aqar have adopted effective capital management approach, to counter the risk if the borrowing rate rises significantly in the future.

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 the Al-'Aqar, its competitiveness, financial positions and/or Al-'Aqar's prospects thereon. The Proposed Lease Renewal for a further 15 years is intended to mitigate the aforesaid risks.

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 5 of Part A of the Circular:

(i) Unit capital and substantial unitholders' unitholdings

The Proposed Lease Renewal will not have any effect on the unit 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) NA and gearing

Based on Al-'Aqar's consolidated audited statement of financial position as at 31 December 2020 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no material impact on the consolidated NA 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 FY 31 December 2020 are as follows:

	RM'000
Audited profit after tax	12,571
Less: Reduction in rental income	(1,543)
Less: Estimated expenses (one-off)	(600)
Pro forma profit	10,428
Existing basic EPU (sen)	1.71
Proforma basic EPU (sen)	
- including estimated expenses	1.42
- excluding estimated expenses	1.50

As stated in Section 5.3 of Part A of the Circular, Al-‘Aqar has recently procured a new Islamic financing to replace its Sukuk which had expired in early May 2021. The overall weighted average cost of borrowings of Al-`Aqar subsequent to the refinancing is 3.68% (as at 31 December 2020: 5.15%). This will mitigate the expected reduction in Al-‘Aqar’s EPU as a result of the Proposed Lease Renewal.

Based on the above, we are of the view that the overall 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:

(i)	**Rationale for the Proposed Lease Renewal**	The Proposed Lease Renewal will enable Al-‘Aqar to continue leasing the Properties to KPJ Group, an established hospital operator in Malaysia and the REIT’s principal lessee. The Properties contributed RM42.48 million or 36.71% of Al-‘Aqar’s total revenue of RM115.71 million for FY 2020. We note that the new rental amount of the Properties will reduce by RM1.85 million or 4.32% which is in line with the prevailing market conditions as compared to the existing rent. Nevertheless, the new rental amount will continue to contribute significantly to Al-‘Aqar’s revenue. 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 by leasing the Properties to KPJ Group, it will allow Al-‘Aqar to meet its financial obligations and distribution to its unitholders.
(ii)	**Evaluation of the basis and justification of arriving at the rental rate**	The rental amount for the first year has been derived by multiplying the agreed rate of 5.75% with the respective market value of the Properties. We concur with the valuation methodologies adopted by the Independent Valuer for the valuation of the Properties and the valuation methodologies are appropriately applied. As such, we are satisfied with the valuation of the Properties by the Independent Valuer and are of the view that the market value of RM712 million as appraised by the Independent Valuer is fair. We are also of the view that the basis and justifications for arriving at the rental rate of 5.75% are **fair** and **reasonable** after taking into account the following factors: (i) the rental rate of 5.75% is within the range of the NPI for real estate investment trusts (excluding foreign properties) listed on Bursa Securities which ranged from 1.79% to 7.00% in 2020 and 3.16% to 8.04% in 2019;

		(ii) the rental rate of 5.75% is within the range of the NPI of commercial properties acquired by Malaysian real estate investment trusts in 2020 up to 31 March 2021 which ranges from 4.96% and 6.28%; (iii) the uncertainties in the current state of the Malaysian economy and the negative impact of the COVID-19 pandemic on the local property market; (iv) the current interest environment as evidence by the drop in the three (3)-month KLIBOR as stated in Section 2.5 of Part A of the Circular.
(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 factors, 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 the 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.
(v)	**Effects of the Proposed Lease Renewal**	The Proposed Lease Renewal will not result in any change in Al-'Aqar's total unit capital and substantial unitholders' unitholdings as the Proposed Lease Renewal does not involve any issuance of new units in Al-'Aqar. Based on Al-'Aqar's consolidated audited statement of financial position as at 31 December 2020 and on the assumption that the Proposed Lease Renewal had been effected on that date, there will be no material impact on the consolidated NA per unit and gearing of Al-'Aqar. As stated in Section 5.3 of Part A of the Circular, Al-'Aqar has recently procured a new Islamic financing to replace its Sukuk which had expired in early May 2021. The overall weighted average cost of borrowings of Al-`Aqar subsequent to the refinancing is 3.68% (as at 31 December 2020: 5.15%). This will mitigate the expected reduction in Al-'Aqar's EPU as a result of the Proposed Lease Renewal. Based on the above, we are of the view that the overall 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 out 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**, at arm's length and are **not to the detriment** of 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,
MAINSTREET ADVISERS SDN BHD

Dato' Siow Kim Lun Adviser	**Abd Ghafar bin Hamzah** Director

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

1. Principal Lease Agreements

The initial lease agreements to lease the properties held by Al-`Aqar, in relation to the hospitals below, were originally entered into on 30 June 2006 (as amended from time to time by supplementary agreements) between the following subsidiaries of KPJ with Amanah Raya Berhad as trustee of Al-`Aqar KPJ REIT) (now known as Al-`Aqar Healthcare REIT) and lessor of the Properties (“**ARB**”) and the Manager (“**Principal Lease Agreements**”):

	Subsidiaries	Hospitals
(i)	Ampang Puteri Specialist Hospital Sdn. Bhd.	APSH
(ii)	Damansara Specialist Hospital Sdn. Bhd.	DSH
(iii)	Ipoh Specialist Hospital Sdn. Bhd.	ISH
(iv)	Johor Specialist Hospital Sdn. Bhd.	JSH
(v)	Selangor Specialist Hospital Sdn. Bhd.	SSH
(vi)	Puteri Specialist Hospital (Johor) Sdn. Bhd.	PSH

(collectively known as the “**Previous Lessees**”)

The trustee for Al-`Aqar when the Principal Lease Agreements were first entered into was ARB and was subsequently replaced by ART, its wholly owned entity, which entered into the subsequent agreements relating to the Principal Lease Agreements.

For the purposes of the remaining sections under this Appendix II, the term “Previous Lessor” shall refer to ARB; and subsequently, ART as successor trustee of Al-`Aqar and as the lessor of the Properties during the Previous Contractual Term (as hereinafter defined).

2. Information on the Properties

The properties are more particularly described in the respective Principal Lease Agreements, which are available for inspection at the registered office of KPJ. Although differently specified, the subject matter of the lease is the same hospitals as that in the Lease Agreements which are APSH, DSH, ISH, JSH, PSH and SSH respectively.

3. Lease Term

Fifteen (15) years expiring on 29 June 2021, with an option to renew for another fifteen (15) years subject to the terms and conditions to be agreed upon by the Parties (“**Previous Contractual Term**”).

For clarity, the lease is renewable every three (3) years, up to the expiry of the Previous Contractual Term.

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

4. **Rent Formula for 2006 - 2021**

2006- 2009 (1st rental term)

The total annual rental for the first term ending December 2009 is as follows:-

	Annual Rental (RM'mil)
2006 (5 months)	14.78
2007	35.70
2008	36.43
2009	36.96

The rental was to be reviewed on 1 January after every 3 full financial years throughout the 15 years contractual terms.

2010-2012 (2nd rental term)

The rental review formula for the 1st year is (10-years MGS +238 BPS) x market value of the properties at the point of review subject to:-

(i) a minimum rental of RM33 million per annum; and

(ii) any lease rental adjustment shall not be more than 2% incremental over the preceding year's rental amount

For the 2nd & 3rd year of the 2nd rental term thereon, the rental would be 2% incremental over the preceding year's rental.

2013-2021 (3rd to 5th rental term)

The rental review formula for the 1st year of the 3rd, 4th and 5th rental term is as follows:-

10-years MGS + 238 BPS x market value of the properties, at the point of review subject to:-

(i) a minimum gross rental of 7.1% per annum x prevailing market value or purchase consideration of the properties whichever is higher*; and

(ii) any lease rental adjustment shall not be more than 2% incremental over preceding year's lease rental.

For the 2nd & 3rd year of the 3rd, 4th and 5th rental term thereon, the rental would be a 2% incremental amount over the preceding year's rental amount.

Note *: The clause stating "purchase consideration of the properties whichever is higher" was only included in the 4th and 5th rental term.

5. **Security Deposit and Utilities Deposit**

Security Deposit

Shall refer to such amount equivalent to one (1) month rent which had been mutually agreed by the parties and such amount shall be deposited with/retained by the Previous Lessor on trust for Al-`Aqar.

Utilities Deposit

Shall refer to such amount which had been mutually agreed by the parties

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

6. Previous Lessees' covenants

The Previous Lessees' covenants with the Previous Lessor and/or the Manager, includes amongst others:-

Rent

To pay the rent payable during the Previous Contractual Term without any deduction by monthly payments in advance on the first day of every month and proportionately for any period of less than a month.

To pay the rent on the days and in the manner set out in the Principal Lease Agreements and not to exercise or seek to exercise any right or claim to withhold the rent or any right or claim to legal or equitable set-off.

Repair, cleaning, decoration etc

The Previous Lessees shall keep the properties in good and tenantable repair and maintenance. The Previous Lessees shall as and when necessary issue a notice to the maintenance manager to conduct any repairs on any part of the properties and shall pay the maintenance manager for work done in connection thereto.

The Previous Lessee shall bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, statutory payments (save for quit rent and assessment), insurance, capital expenditure and/or other payments/ costs related to the properties during the lease term.

7. The Previous Lessor and/or the Manager covenants

The Previous Lessor and/or the Manager's covenants with the Previous Lessees, includes amongst others: -

Taxes

To pay for:-

(i) all rates, taxes, assessments, duties, charges, impositions, levies and outgoings during the Previous Contractual Term; and

(ii) any service tax chargeable in respect of any payment made by the Previous Lessor and/or the Manager under any of the terms of or in connection with the Principal Lease Agreements or in respect of any payment made by the Previous Lessees where the Previous Lessor and/or Manager agreed in the Principal Lease Agreements to reimburse the Previous Lessees for such payment.

Quit rent and assessment

To pay all quit rent and assessment which are now or during the Previous Contractual Term shall be falling due in respect of the land.

Takaful

To effect and maintain Takaful coverage in respect of the structure of the properties and the Previous Lessor's assets, equipment and machinery in the properties against fire and allied perils at the Previous Lessor's cost and expense.

Services of Maintenance Manager

The Previous Lessor and/or the Manager shall appoint and pay to the maintenance manager during the Previous Contractual Term for the maintenance and management services rendered by the maintenance manager with respect to the properties in accordance with the maintenance management agreement.

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

Repair and maintenance

The Previous Lessor and/or the Manager:-

(i) appoint the maintenance manager and pay for the services rendered by the maintenance manager based on the recommendation of and subject to verification by the Manager of the services rendered as follows:

(a) To maintain in reasonably good and tenantable repair and maintenance (fair preventive and/or fair corrective maintenance excepted) the structure of the properties including the main walls structural slabs of the floor boundary, walls beams and columns (other than in respect of those parts of the properties for which the respective Previous Lessees or occupier is responsible); and

(b) To operate service and maintain in reasonably good and tenantable repair and maintenance (fair preventive and/or fair corrective maintenance excepted) the electrical, mechanical and other equipment and assets for common benefit including the lift and fire-fighting installations (other than in respect of those parts of the properties for which the respective Previous Lessees or occupier is responsible).

(ii) carry out any work which may affect or may be likely to affect the structure of the properties (including but not limited to the roof and the foundation) or the mechanical or electrical installations of the properties or the provision of any services in or to the properties.

Repair, cleaning, decoration etc

The Previous Lessor and/or the Manager, shall as and when required by the Previous Lessees based on the advice and recommendation of the maintenance manager, issue a notice to the maintenance manager to coordinate or arrange for any repairs on any part of the properties on any of the assets in the properties.

If so required by the Previous Lessees, based on the proposal and/or at the advise of the maintenance manager, to replace from time to time the properties the assets in the properties which may be or become beyond repair, at any time during or at the end of the Previous Contractual Term, in accordance with the planned budget prepared by the maintenance manager which shall be approved by the Previous Lessor and/or the Manager at any time during the Previous Contractual Term.

8. Expansion

In the event the Previous Lessees requests and the Previous Lessor and/or the Manager desire to meet the expansion requirements of the Previous Lessees through expansion, refurbishment and renovation of the properties, the Previous Lessor shall through the Manager, instruct the maintenance manager to make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the properties or work which may affect or may be likely to affect the structure of the properties (including but not limited to the roof and the foundation) or the mechanical or electrical installations of the properties or the provisions of any services in or to the properties. The Previous Lessor shall then reimburse the Previous Lessees based on the recommendation of the Manager according to the work done and subject to verification by the Manager of all costs incurred by the Previous Lessees as recommended by the auditors of Al-`Aqar for the expansion, refurbishment and renovation of the properties at such dates and/or amount to be agreed mutually by the Previous Lessor and/or the Manager and the Previous Lessees.

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

9. Forfeiture and termination

The forfeiture and termination of the Principal Lease Agreements shall take place if and whenever during the Previous Contractual Term:-

(i) the rent or any other sum due under the Principal Lease Agreements shall be in arrear 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 Previous Lessees 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 Previous Lessor in its notices to the Previous Lessees requesting action to remedy the same; or

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

(iv) any provision of the Principal Lease Agreements is, or becomes for any reason whatsoever, invalid or unenforceable; or

(v) the Previous Lessees cease or threaten to cease to carry on its business; or

(vi) the Previous Lessees 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 Previous Lessees or in respect of its assets; or

(viii) the Previous Lessees enter 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 Previous Lessees or a petition for winding up or bankruptcy, as the case may be, is presented against the Previous Lessees; or

(x) a compromise or arrangement is proposed or is intended to be proposed between the Previous Lessees and its creditors; or

(xi) the Previous Lessees enter into or proposes to enter into an arrangement or composition for the benefit of its creditors; or

(xii) the Previous Lessees have or suffer any distress, execution, attachment or other legal process to be levied, enforced or sued out against its assets; or

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

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

(xiv) in the event that the properties or any part thereof shall at any time during the Previous 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 cause by the wilful and malicious acts of the Previous Lessees, 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 suspended and cease to be payable until the properties shall have been rendered fit for occupation and use provided always that in the event that the Previous Lessor shall be unable to restore or render the properties fit for occupation within three (3) months from the date of occurrence of the events stated under this clause, the Previous Lessees shall have an option either to terminate the Principal Lease Agreements or to continue suspending and ceasing payment of the rent reserved or proportionate part thereof according to the extent of damage or destruction until the date of the properties shall be rendered fit for occupation or used by the Previous Lessor. In the event the Previous Lessees decide to terminate the Principal Lease Agreements, the Previous Lessor shall within fourteen (14) days thereof, refund the security deposit to the Previous Lessees less all payment due and payable under the Principal Lease Agreements.

Any demand for or acceptance of any rent or any other payment by the Previous Lessor after the happening of any of the events specified above or the exercise by the Previous Lessor of any of its rights under the Principal Lease Agreements shall not prejudice the exercise by the Previous Lessor of any of its rights or, as the case may be, the further exercise of its rights under the Principal Lease Agreements nor shall it constitute an election by the Previous Lessor to exercise or to not exercise any of the rights, powers or privileges under the Principal Lease Agreements.

In addition to the Previous Lessor's and/or the Manager's right of specific performance and right of termination specified above, the Previous Lessees shall compensate the Previous Lessor for any breach by the Previous Lessees of any term of the Principal Lease Agreements and the Previous Lessor shall at all times be entitled to sue for and recover all losses, damages, costs and expenses of whatever nature from the Previous Lessees in respect of any and all such breaches.

Notwithstanding the termination of the Principal Lease Agreements by the Previous Lessor, the obligations and liabilities of the Previous Lessees and the rights of the Previous Lessor under the Principal Lease Agreements which are to apply upon the termination of the Principal Lease Agreements or at or after the end of the Previous Contractual Term shall survive such termination until the Previous Lessees shall have fully and finally satisfied all of such obligations and liabilities and the Previous Lessor shall have full and finally exercised all of such rights.

If the Previous Lessees vacate the properties during the Previous Contractual Term (whether or not the Previous Lessees cease to pay any rent or other moneys payable):-

(i) acceptance of the keys or entry into the properties by the Previous Lessor or by any person on the Previous Lessor's and/or the Manager's behalf or the advertising of the properties for re-leting will not constitute a re-entry forfeiture or waiver of the Previous Lessor's and/or the Manager's rights to recover in full all rent and other moneys from time to time due or payable under the Principal Lease Agreements;

(ii) in the absence of a written agreement by the Previous Lessor to accept the surrender of the Previous Lessees' interest under the Principal Lease Agreements or a formal notice of forfeiture or re-entry by the Previous Lessor, the Principal Lease Agreements shall be deemed to continue in full force and effect until the date from which a new Previous Lessee actually commences to occupy the whole of the properties or until the expiry of the Previous Contractual Term, whichever may be the earlier.

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

Save as otherwise provided above or any other provision of the Principal Lease Agreements, neither party shall be entitled to terminate the Principal Lease Agreements during the Previous Contractual Term without the written consent of the other party. However, in the event of termination of the lease by the Previous Lessees, prior to the expiry of the Previous Contractual Term, the Previous Lessees shall be liable to pay to the Previous Lessor all rent due and payable for the remaining and unutilised/unexpired period of the Previous Contractual Term as liquidated damages without prejudice to the other rights to claim by the Previous lessor for any antecedent breach by the Previous Lessees.

At the end of the Previous Contractual Term or upon the termination of the Principal Lease Agreements for any reason whatsoever, the Previous Lessor shall be entitled to deal with the properties in any manner whatsoever and howsoever including but not limited to letting out the properties to any other person whomsoever.

10. Variation of Rental

The Previous Lessor and/or the Manager shall have the right to vary the rent of the nett lettable area occupied and used by the Previous Lessees, at the recommendation of the Manager due to the occurrence of any of the following future events:-

(i) if the nett lettable area of the properties increases arising from the renovations or refurbishments undertaken by the Previous Lessor and/or the Manager, the rent shall be increased corresponding with the increase in the Previous Lessees' nett lettable area of the properties;

(ii) The Previous Lessor and/or the Manager incurs maintenance costs as determined from time to time by the Previous Lessor and/or the Manager for the maintenance upkeep and management of the properties, the land and the common areas and includes the costs of electric power for and the costs of maintenance and upkeep of the lifts and main air-conditioning plant, payment for electricity and water supplied and used in the common areas of the properties the employment and other expenses incidental to the employment of personnel engaged in and about the provision of services and maintenance and upkeep of the common areas of the properties;

(iii) The Previous Lessor and/or the Manager incurs costs for the refurbishment or renovation of the properties for the purposes of expansion and to increase the capacity of the properties;

for the purposes of increasing the capacity and future expansion of the properties.

11. First Right of Refusal to Purchase

In the event the Previous Lessor and/or the Manager intends to sell or dispose the properties at any time during the Previous Contractual Term, the first right of refusal to purchase the properties shall be given to the Previous Lessees.

12. Option to renew

If the respective Previous Lessees wish to take a further extension of the lease of the properties from the expiry of the Previous Contractual Term, the Previous Lessees shall give a written notice to the Previous Lessor not less than twelve (12) calendar months prior to the expiry of the Previous Contractual Term. However, the parties agreed that such extension may also be made by way of the parties executing a new lease agreement to effect the same.

If the Previous Lessees shall be desirous of renewing the lease of the properties for a further rental term as the Previous lessees may determine and require from the expiry of the rental term, the Previous Lessees shall give to the Lessor a notice in writing of its intention to renew the lease of the properties, of not less than three (3) calendar months prior to the expiry of the rental term.

No	SALIENT TERMS OF THE PRINCIPAL LEASE AGREEMENTS

Subject to the Previous Lessees on the expiry of the rental term or the Previous Contractual Term (as the case may be) having paid the rent reserved by and performed and observed the covenants contained in the Principal Lease Agreements, the Previous Lessor shall grant to the Previous Lessees a further lease of the properties for the renewed contractual term commencing on the day immediately following the last day of the Previous Contractual Term but otherwise upon the same terms and conditions of the Principal Lease Agreements with the exception of this provision for renewal, the new rental rate which shall be mutually agreed upon by both parties and the topping up of the security deposit and the utilities deposit to correspond with the new rental rate. The stamp duty (if any) payable on the renewal notice and/or in respect of the renewed contractual term shall be borne and paid by the Previous Lessees.

13. Future Development

The Previous Lessor hereby grants to the Previous Lessees the right to undertake future development on the land or any part thereof ("**New Development**") at the Previous Lessees' own cost and expenses for the expansion of the Previous Lessees' business operations, subject to the following:

(i) the Previous Lessees shall provide the details of the New Development for approval of the Previous Lessor and the Manager; and

(ii) the Previous Lessees shall obtain the approval from the relevant governmental agency or authority for the New Development

prior to the commencement of the New Development.

The parties hereby further agree that subject to the issuance of the Certificate of Completion and Compliance for the New Development, the Previous Lessor shall acquire the New Development from the Previous Lessees 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 Previous Lessor, subject to the approval of relevant governmental agency or authorities', the approval of the unit holders of Al-`Aqar and/or shareholders of the Previous Lessees and/or its holding company, KPJ (if required) and the terms and conditions of the sale and purchase agreement, to be entered into between the Previous Lessor and the Previous Lessees in connection with the aforementioned acquisition of the New Development.

The parties hereby further agree that upon completion of the acquisition of the New Development stipulated in the clause above, the Previous Lessees shall enter into a lease agreement with the Previous Lessor and the Manager for the lease back of the New Development by the Previous Lessees and the rental for the properties shall be revised accordingly to include the New Development and subject to the terms and conditions of a new lease agreement to be entered upon by the Previous Lessor, the Previous Lessees and the Manager.

CHESTON INTERNATIONAL

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02 April 2021

AMANAHRAYA TRUSTEES BERHAD
Level 14, Wisma AmanahRaya,
Jalan Ampang,
50508 KUALA LUMPUR

And

KPJ HEALTHCARE BERHAD
Level 15, Menara KPJ,
Jalan Tun Razak,
50400 KUALA LUMPUR

Dear Sirs,

CERTIFICATE OF VALUATION OF

a. **KPJ AMPANG PUTERI SPECIALIST HOSPITAL ("Property No. 1")**
b. **KPJ DAMANSARA SPECIALIST HOSPITAL ("Property No. 2")**
c. **KPJ JOHOR SPECIALIST HOSPITAL ("Property No. 3")**
d. **KPJ PUTERI SPECIALIST HOSPITAL ("Property No. 4")**
e. **KPJ SELANGOR SPECIALIST HOSPITAL ("Property No. 5")**
f. **KPJ IPOH SPECIALIST HOSPITAL ("Property No. 6")**

("SUBJECT PROPERTIES")

We were jointly instructed by AmanahRaya Trustees Berhad ("**ART**") as trustee of Al-Aqar Healthcare REIT ("**Al-Aqar REIT**") and KPJ Healthcare Berhad ("**KPJHB**") to conduct valuation of the Subject Properties for the purposes of the proposed renewal of the leases and the details of the valuations are contained in our Valuation Reports bearing reference nos. V/AAQ6LR/RT/6415520/A to V/AAQ6LR/RT/6415520/F (inclusive), all dated 02 April 2021.

We have prepared this Certificate of Valuation for inclusion in the circulars to the shareholders of Al-Aqar REIT and KPJHB in conjunction with the proposed renewal of the leases.

The salient details of the Subject Properties are attached as Appendix 'A'.

The relevant dates of valuations are taken to be as at the dates of our inspections.

The Reports and Valuations and this Certificate of Valuation have been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia with the necessary professional responsibility and due diligence.

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

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1.0 VALUATION METHODOLOGY

In arriving at our opinion of the Market Values of the abovementioned properties, we have adopted the Income Approach by Profits Method (Discounted Cash Flow / "DCF") as the primary valuation methodology and Cost Approach as check.

1.1 Income Approach by Profits Method (DCF)

This method is adopted where trading is the essence to the value of the property (business based property) and capitalises future net trading profit as a basis for estimating the market value of the Subject Properties as a going concern inclusive of goodwill, hospital operating equipment, furniture, fittings, plant, machinery and equipments.

We have used a 5-year discounted cash flow and have forecasted the profit for a 5-year period, after which we have calculated the terminal value based on the fifth year's net profit for the remaining term of the tenure. We have obtained profit and loss statements of the Subject Properties from the Client. We were also made available with the future projections of the medical centres by the Client. We have forecasted the 5-year revenues and operating expenditures of the Subject Properties based on the analysis of thier past operating performances. We have taken into consideration of the projections of the Client, made necessary due diligence and have arrived at our independent projections as per the practice in the industry.

We note that the private specialist medical centre sector is not spared by the global economic crisis caused by the Covid-19 pandemic. The gross revenues of Subject Properties have declined due to the movement control order ("MCO"), conditional MCO (CMCO) and recovery MCO (RMCO) announced by the Malaysian government to control the spread of the virus. We have taken into consideration of the above factor in our projections of the 5-year DCF.

Generally, in arriving at the revenues of the various departments of the medical centres, we have made indebt analysis of thier historical performance.

In analysing the past years performance of the Subject Properties, we note that the revenue and expenses of year 2020 have been impacted by the coronavirus disease 2019 ("Covid-19") pandemic and as at date of valuation the profit and loss accounts of the medical centres have yet to be audited. In light of the above, we have analysed and taken cognizance of the performance of year 2020 which has been substantially hampered by the Covid-19 pandemic. However, the year 2020 performance has been excluded as it does not reflect the real perfomance of the medical centres. In lieu, adopted as the floor level benchmark performance of the medical centres in our 5-year cash flow. Our projections of the revenues and expenses for the 5-year cash flow have taken into consideration of the Covid-19 pandemic impact on the medical centres with recovery from the pandemic phase for the initial years and gradual increase to return to normalcy phase from the floor level benchmark. The parameters adopted are noted to be fair and reflective of the performance of the private specialist medical centres.

We have adopted the following parameters in arriving at the market value of the Subject Properties using the Income Approach by Profits Method (DCF).

Summary of Parameters Adopted (Common)

Beds Available	The number of beds available in a year is derived by multiplying operational beds available for the year with 365 days.
Occupancy Rate of Beds	The occupancy rate is derived based on the historical occupancy rate achieved by the medical centres since years 2017 to 2020 (inclusive). We foresee the impact of Covid-19 pandemic to follow through to year 2021. Thus, we have reflected a lower occupancy rate for year 2021. We have gradually increased the occupancy rate for the average occupancy rate to return to normalcy in line with the recovery in the Malaysian economy.
No. of Inpatients Admitted Days	The number of inpatients admitted days in a year is derived from the total beds occupied divided by the number of inpatients admitted. We have adopted the past 3 years (excluding year 2020) average from years 2017 to 2019 (inclusive) which is considered reasonable to project the number of inpatients admitted days in our 5-year DCF projection.
Ratio of No. of Outpatients / Inpatients	We have adopted average ratio of no. of outpatients / inpatients of past 3 years (excluding year 2020) from years 2017 to 2019 (inclusive) which is considered reasonable to project the number of outpatients for the 5-year DCF projection.
Revenue	
Consultant Inpatient Revenue Per Occupied Bed ("CRPOB")	The revenue is derived by multiplying the total beds occupied for the year with the estimated revenue per occupied bed. We have analysed CRPOB of past 5 years from years 2016 to 2020 (inclusive). We have adopted the average of the past 3 years (excluding year 2020) from years 2017 to 2019 (inclusive) as fair representation.
Consultant Outpatient Revenue (COR)	The revenue is derived by multiplying the total outpatients visited for the year with the outpatient revenue per patient per year. We have adopted the average of the past 3 years (excluding year 2020) from years 2017 to 2019 (inclusive) as fair representation.

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Hospital Inpatient Revenue Per Occupied Bed	The revenue is derived by multiplying the total beds occupied for the year with the revenue per occupied bed. We have adopted the average of the past 3 years (excluding year 2020) from years 2017 to 2019 (inclusive) as fair representation.
Hospital Outpatient Revenue	The revenue is derived by multiplying the total outpatients visited for the year with the outpatient revenue per patient per year.
Expenses	
Cost Of Sale	We have analysed and adopted the past five years cost of sale i.e. material, direct staff cost, operating overhead and adopted its average of years 2017 to 2019 (inclusive) of the Subject Properties. From our analysis of the historical cost of sale, we note that the material cost moved in tandem with the hospital inpatient and outpatient revenues whilst the direct staff cost and operating overhead moved in tandem with the gross operating revenue. As the occupancy of the medical centre increases, so does the cost of sale, thus, both the revenue and cost of sale have a direct relationship.
Undistributed Operating Expenses	We have analysed the past five years expenses i.e. administrative & general, sales & marketing, property operations maintenance & energy cost ("POMEC") and adopted its average of years 2017 to 2019 (inclusive) of the Subject Properties. From our analysis of the historical expenses, we note that the undistributed operating expenses moves in tandem with the Total Operating Revenue. As the occupancy of the medical centre increases, so does the undistributed operating expenses, thus, both the revenue and undistributed operating expenses have a direct relationship.
Hospital Management Fee	We have adopted the actual rate being charged by KPJHB as hospital management fee which is in line with the management fees adopted for similar medical centres and other profit orientated real estate assets.
Quit Rent & Assessment	We have adopted the actual quit rent and assessment of the medical centres.
Insurance	To insure against total and partial damage / loss caused by fire ("F") and other insurable perils i.e. burglary ("B"), plate glass ("PG"), machinery breakdown ("MB"), public liability ("PL"), consequential loss ("CL"), all risk ("AR") and medical malpractice ("MM").
Incentive Management Fee	The incentive management fee to reflect operator's risk, management advisory and skill to operate the various income generating resources of the medical centres. It is also often referred as tenant's share in the profit based property assets and adopted based on the percentage of gross operating profit of the medical centres.
Capital Reserve Fund For The Replacement Of Furniture Fitting Equipment ("FFE"), Hospital Operating Equipment ("HOE") And Capital Expenditure ("CAPEX")	We have analysed historical expenditures incurred by the medical centres over the past 5 years. We have adopted the average of the past 5 years as fair expenditure for FFE, HOE and CAPEX in line with our 5-year DCF projection.
Terminal Capitalisation Rate / All Risk Yield	In arriving at the terminal value, the resultant net revenue (profit) of the fifth year projection is capitalised by an appropriate capitalisation rate / rate of return (an 'all risk yield') to arrive at the terminal value of the Subject Properties. The capitalisation rate adopted is the rate which reflects the investor's / entrepreneur's expected investment rate of return of the Subject Properties. We wish to inform that we have adopted a market corroborated capitalisation rate to arrive at the capital value of the Subject Properties. The market based rate is the most frequently adopted methodology by the property industry in Malaysia as it reflects the inherent risk associated with the investment. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of private specialist medical centre buildings were carried out. We note that there is a dearth of transaction of private specialist medical centres in Malaysia except for KPJ Batu Pahat Specialist Hospital (transacted in year 2019) and Sunway Medical Centre (transacted in year 2012). Based on our yield analysis, we note that the yields of the abovementioned private specialist medical centres are 7.19% and 9.79%, respectively. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of the Subject Properties and the sales. We have made necessary diligent adjustments to arrive at the capitalisation rate of the Subject Properties. We have given emphasis on the time, location, quality, characteristics and tenure of the Subject Properties. We have also taken into account the current economic condition as impacted by the Covid-19 pandemic, the existing and future demand and supply of the private specialist medical centre segment in arriving at the capitalisation rate. The Rate is adopted after taking into consideration of the risk involved to obtain the net revenue (profit). We have reflected the above factors accordingly and have adopted fair capitalisation rates to capitalise the net profit (profit) to arrive at the terminal value of Subject Properties which are also derived from comparison of yields of the abovementioned private specialist medical centres, various types of residential, commercial, industrial and agricultural properties.

Discount Rate	The discount rate is based on the perceived risk on the future projections and the return on the investment. We have made upward adjustment of 200 basis points (bps) on the capitalisation/all risk yield rate to reflect the higher risk on the future business, Malaysian economy and the future revenue. The discount rates adopted are within the range of the industry averages of medical centres in Malaysia and reflective of all the physical and investment characteristics of the Subject Properties.

1.2 Cost Approach

In essence, this approach entails the summation of the market value of land and Depreciated Replacement Cost ("DRC") of the building. Cost Approach is the most common method as it can be applied to wide range of assets. The Cost Approach estimates value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. It is based on the principle of substitution, i.e. that unless undue time, inconvenience, risk or other factors are involved, the price that a buyer in the market would pay for the asset being valued would not be more than the cost to construct an equivalent asset. In assessing what he might be prepared to pay for a property, a potential purchaser may consider as an alternative to acquiring the Subject Properties by buying a similar type of land and constructing a similar building having the same utility and function. This represents the maximum that a potential purchaser would be prepared to pay for the property.

In arriving at the Market Value of the land, we have 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.

In determination of value of the commercial land by this method, a survey was made of property sales that have occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, corner/end premium, size/quantum allowance, tenure and conversion premium from development land to commercial land to render the sold properties as similar as possible with the Subject Properties.

The building component is arrived at by the DRC Method which is derived from the Gross Current Reproduction / Replacement Cost New ("GCRCN") and deducting therefrom the accrued depreciation comprising physical, functional and economical obsolescences. We also made reference to various contracts awarded, made enquiries with the contractors and quantity surveyors and made reference to JUBM and Arcadis Construction Cost Handbook Malaysia 2020. We have adopted straightline depreciation at a rate of 2% per annum and the estimated life span of the buildings adopted is about 50 years as per the practise in the industry for similar type of properties after consultation with Contractors and Quantity Surveyors which is a fair representation.

1.3 Reconciliation of Value

Private specialist medical centre is the centre of providing quality and skilled health services property with the various sources of revenues generated from operating the property as a business entity which trading is the essence to the value of the property. As such, we have 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 appropriate to arrive at the fair and accurate market value of a private specialist medical centre.

The other suitable methodology which can be adopted as it takes into consideration of the nature of the Subject Properties which are designed and developed according to the specific use of a particular business requirement is the Cost Approach. It is the commonly adopted methodology in the industry for valuation of specialised assets like the Subject Properties. Based on our investigation and analysis, we note that there are adequate sale evidences of similar type of commercial land in the immediate vicinities and larger neighbourhood with similar locational benefit of the Subject Properties which can be relied upon to arrive at the accurate market value of the land component using the Market/Comparison Approach. The details of the sale evidences are easily available from the Valuation And Property Services Department, Ministry Of Finance. The building component is derived from the DRC where the development cost of medical centres are easily available. The summation of the land and building values is adopted as the market value.

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 quantity, it will be difficult to make adjustments using the Market/Comparison Approach. The market value of a trading based property is a function of the future income stream.

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The cash flows are subject to the specific nature of the particular business. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for such properties using Market/Comparison Approach. Based on our research and investigation, we note that there are either infrequent or very limited sale evidences of private specialist medical centres in Malaysia as the medical centres are often constructed for owner operation and seldom held as an investment asset. Therefore, the Market/Comparison Approach may not be a suitable approach to determine the accurate market value of the private specialist medical centres.

In light of the above, we have considered the Income Approach by Profits Method (DCF) and Cost Approach as the suitable valuation methodologies to arrive at the market value of the Subject Properties. Nevertheless, the Cost Approach is derived from the market value of the land and DRC of the building. The Cost Approach is based on the cost which does not reflect the investment characteristics of the Subject Properties and often does not reflect the highest and best use value of the Subject Properties. However, the Cost Approach can provide a good guide on the market value of the Subject Properties due to easily available comparables for the land component and availability of accurate cost of development for the specific design and construction of the private specialist medical centre.

Hence, we have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of the Subject Properties supported by the Cost Approach.

2.0 THE IMPACT OF THE COVID-19 PANDEMIC ON THE VALUATION OF THE SUBJECT PROPERTIES

The unprecedented Covid-19 pandemic has had a negative impact on the Malaysian economy and the property market. The global and Malaysian economic crises caused by the pandemic have not spared the Malaysian private healthcare industry. The number of patients seeking treatment at private medical centres have declined in year 2020. The outbreak also has resulted in border closure that has restricted medical tourism. Nevertheless, the impact of the Covid-19 pandemic is expected to be mitigated by the pro-active fiscal and monetary measures, short-term economic recovery plan (STERP), prihatin rakyat economic stimulus package (PRIHATIN) and national economic recovery plan (pelan jana semula ekonomi negara (PENJANA)) introduced by the government to contain its impact on the Malaysian economy, property market and healthcare industry.

Malaysia, has immense potential as a preferred healthcare travel destination in the world. Prior to the Covid-19 pandemic, the Malaysian healthcare sector had robust growth and this sector has one of the highest multipliers in the Malaysian economy. Moving forward, post Covid-19 pandemic, the Malaysian healthcare sector is expected to remain resilient amid strong demand from the demographic shifts among which are the increase in aging Malaysian population, rising affluence, increasing life expectancy and growing healthcare insurance.

We observe that based on our analysis of the latest rental yields of the investment properties transacted in year 2020 comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco, the rental yields range from 4.96% to 6.28%. The performance of various real estate investment trusts (REITs) for year ending 2019 and 2020 revealed that the current rental yield trends are within the range of 1.79% to 8.04% depending on the type of the property, location, characteristics, tenure, nature and risk profile of the investment. In light of the above, taking into consideration of the current state of the Malaysian economy and property market which have been impacted by the Covid-19 pandemic, we are of the view that the fair rental yields of the Subject Properties are within the above range.

3.0 OPINION OF VALUE

Having regard to the foregoing, taking into consideration of all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the market values of the Subject Properties, on a going concern basis as a fully operational private specialist medical centres and subject to the titles being free of all encumbrances, good, marketable and registrable are as follows: -

Property No.	Property Address	Market Value (RM)
1	KPJ Ampang Puteri Specialist Hospital	157,000,000
2	KPJ Damansara Specialist Hospital	135,000,000
3	KPJ Johor Specialist Hospital	147,000,000
4	KPJ Puteri Specialist Hospital	51,000,000
5	KPJ Selangor Specialist Hospital	100,000,000
6	KPJ Ipoh Specialist Hospital	122,000,000
	TOTAL	**712,000,000**

For And On Behalf Of
CHESTON INTERNATIONAL (KL) SDN BHD

G. PAREMES SIVAM, FRISM, MRICS, MIACVS, MPEPS, MMIPFM
CHARTERED SURVEYOR
REGISTERED VALUER, V-480

APPENDIX 'A' – SALIENT DETAILS OF THE SUBJECT PROPERTIES

Property No. 1

a. Salient Details

Date of Inspection and Valuation:	22 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Ampang Puteri Specialist Hospital ("APSH") identified as PT No. 25119 (New Lot 35523), Mukim of Ampang (Empang), District of Hulu Langat, Selangor Darul Ehsan, held under Title No. HS(M) 26550, bearing postal address No. 1, Jalan Memanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan.
Title Particulars:	

Tenure:	99-year leasehold interest expiring on 17 April 2089 (unexpired term of about 68.28 years)
Provisional Title Land Area:	21,670 square metres ("sq. m.") / 233,254 square feet ("sq. ft.")
Surveyed Land Area:	21,664 sq. m. / 233,189 sq. ft.
Registered Proprietor:	AmanahRaya Trustees Berhad (as Trustee)
Category of Land Use:	Building
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad, registered on 5 November 2018
Endorsements:	i) Nombor Perserahan 66/1998 Jil 4 Fol. 167 Pegambilan Sebahagian Tanah-Borang K seluas lebih kurang 8.50 meter persegi, registered on 23 January 1998. ii) Pajakan Seluruh Tanah to Ampang Puteri Specialist Hospital Sdn Bhd vide Suratkuasa Wakil: 14/2016, Surat Kebenaran: 1138/2018 & 1138/2008 commencing from 1 January 2016 and expiring on 30 June 2021, registered on 28 March 2018.

Location

APSH is located within the commercial centre of Taman Dato' Ahmad Razali famously known as Ampang Point at the periphery of Kuala Lumpur city centre. It is located about 6 kilometres (3.72 miles) to the east of the Kuala Lumpur city centre. APSH is located near the border of Kuala Lumpur city centre and Selangor, fronts onto Jalan Memanda 9 which is accessible from various parts of Kuala Lumpur and Selangor and the common accessibility from Kuala Lumpur city centre is via Jalan Ampang, Jalan Hulu Kelang/Middle Ring Road II ("MRR II").

Prominent developments located in the immediate vicinity are Ampang Point Shopping Complex, De Palma Hotel, M-City Development, Plaza Ampang City, Flamingo Hotel and Business Centre.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from APSH
Private Medical Centre			
Gleneagles Kuala Lumpur	365 beds	Jalan Ampang, 50450 Kuala Lumpur	1.5 kilometres
Pantai Hospital Ampang	117 beds	Jalan Perubatan 1, Pandan Indah, 55100 Kuala Lumpur	4.7 kilometres
Prince Court Medical Centre	227 beds	Jalan Kia Peng, 50450 Kuala Kumpur	5.5 kilometres
Pantai Hospital Cheras	127 beds	Jalan 1/96A, Taman Cheras Makmur, 56100 Kuala Lumpur	8.0 kilometres
Government Hospital			
Hospital Ampang	-	Jalan Mewah Utara, 68000 Ampang, Selangor Darul Ehsan	7.0 kilometres
Hospital Kuala Lumpur	-	Jalan Pahang, 50586 Kuala Lumpur	8.0 kilometres
UKM Specialist Centre (formerly Hospital Universiti Kebangsaan Malaysia / HUKM)	62 beds	Jalan Yaacob Latif, Bandar Tun Razak, 56000 Kuala Lumpur	9.3 kilometres

Source: Ministry of Health ("MOH")

The Site

The subject site comprises a parcel of corner plot, regular in shape and has a frontage of about 227.036 metres (744 feet) onto Jalan Memanda 9, along its southern site boundary.

The Buildings

Brief details of the development, extension and renovation of APSH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / Certificate of Fitness for Occupation ("CF") / Certificate of Completion and Compliance ("CCC")
1992 / 1993 / 1995	The original 7-storey main medical centre building and an annexed 5-storey Consultant building both are with a common lower ground floor	Approved by Majlis Perbandaran Ampang Jaya ("MPAJ") vide plan no. MPAJ 04/5/08/92 on 19 February 1993. CF bearing certificate no. A 0255 was issued by MPAJ on 26 October 1995.
2002 / 2003	The 6th floor of the 7-storey main medical centre building was renovated and being used as Paediatric Ward	Approved by Majlis Perbandaran Ampang Jaya ("MPAJ") vide plan no. MPAJ 04/5/08/92-1 on 29 June 2002. CF bearing certificate no. A 1049 was issued by MPAJ on 06 March 2003.

At the date of our inspection, we noted that a new 15-storey building identified as west wing has been constructed at the western portion of the site. This building has yet to be sold to ART (trustee for Al-Aqar REIT) for valid corporate reasons. Therefore, we have excluded the 15-storey building in the valuation.

All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete frame, beam and column with brick infills plastered internally and rendered externally partly supporting steel roof trusses and purlins laid over with concrete roofing tiles and partly of reinforced concrete flat roof.

Ceilings:	Generally of plaster boards with cornices incorporating downlights, mineral fibre boards incorporating fluorescent lights and centralised air-conditioning ducts with the exception of the toilets which are of cement plaster.
Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The internal walls of the lift lobbies are generally lined with glazed wall tiles up to ceiling height whilst the waiting area on the ground floor is lined with glazed wall tiles up to a height of about 0.915 metre (3 feet) and up to the ceiling height. The male and female toilets are lined with glazed wall tiles up to the ceiling height.
Doors:	Generally, the main entrance to the reception area on the ground floor is fitted with an electronically operated double leaf frameless glass panelled door. Other doors are generally of fire rated timber door, timber flush door, timber panelled door incorporating glass panels, solid timber, an electronically operated double leaf frameless glass panelled door and PVC doors.
Windows:	Generally of aluminium casements incorporating tinted/clear glass panels and top hung units.
Floors:	Generally finished ceramic tiles, marble slabs, homogenous tiles, vinyl tiles and cement screed.

Generally, the buildings are equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical access between floors is by means of eight units of passenger/service lifts (each with a capacity of 1,020 kilogrammes / 15 persons to 1,565 kilogrammes / 23 persons), a Bomba lift (with a capacity of 1,565 kilogrammes or 23 persons) and eight units of reinforced concrete staircases. The medical centre buildings are equipped with medical gas supply system, nurse call button / intercom system and private automatic branch exchange ("PABX") system. Generally, all the buildings are installed with fire fighting systems.

Car Park Bays

There are 242 car park bays provided within APSH comprising 127 covered car park bays located at lower ground floor and 115 surface car park bays (inclusive of valet parking) at the north portion of the site and along the circulation area of the site. All the car park areas are managed by Metro Parking Sdn Bhd except for the drop off and emergency car parks.

Gross Floor Area ("GFA")

The GFA of the buildings computed by Kumpulan Senireka Sdn Bhd and provided by Damansara REIT Managers Sdn Berhad ("DRMSB") are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, The Royal Institution of Surveyors, Malaysia ("RISM"). The GFA and age of each building are tabulated as follows: -

Building	GFA		Age (Year)
	sq. m.	sq. ft.	
ia) A 7-storey main medical centre building and an annexed 5-storey consultant building both are with a common lower ground floor	33,505	360,650	29
ib) A lower ground floor car park	5,541	59,644	
Total	**39,046**	**420,294**	

Beds

Vide a licence to operate bearing licence no. 1301008-0004-01/2020 (Borang 4 No. Siri: 005282) with 3 years validity from 2 November 2020 to 1 November 2022 as approved by MOH on 4 November 2020, we note that APSH has been permitted to operate 279 beds (inclusive of intensive care unit ("ICU"), coronary care unit ("CCU") and isolation room), 20 basinets, 17 cots, 28 dialysis chairs and 6 leaning chairs for both East Wing and the newly completed West Wing. From the prospectus of Al-Aqar REIT dated 24 July 2006, we note that originally there were 218 operational beds within the East Wing. The newly completed 15-storey building, the West Wing accommodates 86 operational beds. Due to the construction of the West Wing with 86 beds, about 39 beds from East Wing were reconfigured and used for treatment of Covid-19 patients. Thus, currently the East Wing accommodates 179 operational beds. Thus, the current operational beds of APSH are 265 beds. For the purposes of this valuation, we have considered the number of beds owned by Al-Aqar REIT i.e. 218 beds. The beds are classified into very very important person ("VVIP") suite, very important person ("VIP"/executive suite, premier suite, executive deluxe, single deluxe, single bedded, two bedded, three bedded, four bedded and five bedded.

The configuration of hospital beds, number of rooms and rates are as follows: -

Bed	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
VVIP / VIP	580 - 980	4	4
Premier Suite	380 - 480	17	17
Executive Deluxe	280 - 480	5	5
Single Deluxe	160 - 430	21	21
Single Bedded	230 - 380	49	49
Two Bedded	160 - 250	20	40
Three Bedded	140 - 210	3	9
Four Bedded	90 -180	17	68
Five Bedded	100	1	5
Sub Total		**137**	**218**
Single Bedded	230 - 380	19	19
Two Bedded	160 - 250	14	28
Sub Total from the newly completed West Wing which have been excluded in the valuation		**33**	**47**
Total (Operational Beds)		**170**	**265**
ICU / CCU	380	10	10
Isolation Room (CCU)	450	4	4
Total		**14**	**14**
Grand Total (Licenced Beds)		**184**	**279**

Source: Ampang Puteri Specialist Hospital Sdn Bhd ("APSHSB")

Facilities and Services: Other medical facilities comprise as follows: -

Other medical facilities	No. of Room / Bed
Operation Theatre (OT) Room	5
Labour Room	6
Central Sterile Supply Department ("CSSD")	1

Neonatal ICU ("NICU")	1
Nursery	1

Source: APSHSB

APSH provides the following services: -

Clinical Disciplines	Facilities and Services
• General & Vascular Surgery • Obstetrics & gynaecology • General Medicine • Internal Medicine • Paediatrics & Paediatric surgery • Haematology • Anaesthesiology • Radiology • Oncology • Cardiology • Cardiothoracic Surgery • Nephrology & Urology • Orthopaedics • Opthalmology • Endorinology • Neonatology • Gastroenterology • Otorhinolaryngology (Ear, Norse & Throat / ENT) • Nephrology & Urology • Neurology • Plastic & reconstructive surgery • Neurosurgery • Psychiatry • Respiratory Medicine • Dentistry • Dermatology	• 24 Hours Accident and Emergency and Out-Patient Services with 24 hours Ambulance Services • Operation Theatres • Day Theatres • Intensive Care / Coronary Care and Neonatal Intensive Care with Haemodynamic and Ventilatory Monitoring and High Dependency Unit ("HDU") • Mother and Baby Centre with comfortable delivery suites and comprehensive nursery • Haemodialysis Unit • Diagnostic Imaging Centre complete with Heart Scan, Magnetic Resonance Imaging ("MRI"), Nuclear Medicine, computerized tomography ("CT") Scan, Ultrasound, Bone Densitometry as well as conventional radiology • Premier Screening and Wellness Centre with treadmill, stress test system, Electrocardiogram ("ECG"), Echocardiography and Lung Function Test Laboratory for full medical investigations 24 hours a day • Pharmacy is well stocked providing extensive range of pharmaceutical items • Physiotherapy with a wide range of electrotherapy and exercise therapy for rehabilitation • Lithotripsy • Diet and Diabetic Counseling • Day Surgery • ECG & Doppler services • Echocardiography ("Echo") • Endoscopic, Colonoscopic & Proncoscopic Investigation • E-Health Centre (Facility) • Wellness Program (Health Screening) • Audiology • Clinical Pharmacy Consultation • Home Nursing • Pain Management • Haematology • Cafeteria, Florist and Convenience shops

Source: APSHSB

Consultants / Clinics:	As at the date of valuation, as provided to us by the client, APSH is supported by 73 consultants / doctors.
Planning Details:	APSH is located within an area designated for commercial use. All the buildings and renovation works are issued with CF as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Ampang Puteri Specialist Hospital Sdn Bhd (APSHSB or Lessee) and DRMSB, we note that APSH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of APSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach By Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	2022	2023	2024	2025
60.00%	63.00%	66.15%	69.46%	72.93%

b)	No. of Inpatient Admitted Days	2.92
c)	Ratio of No. of Outpatient / Inpatient	7.92

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM 897
b)	Consultant Outpatient Revenue Per Person	RM 139
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,281
d)	Hospital Outpatient Revenue Per Person	RM 349

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Expenses

a)	Cost of Sale		
	i) Material	29.6%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	13.3%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	
b)	Undistributed Operating Expenses		
	i) Administrative & General	11.9%	of Total Operating Revenue
	ii) Sales & Marketing	0.1%	
	iii) POMEC	4.8%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM504,892
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM449,700
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM7,800,000
f)	Terminal Capitalisation Rate	9.75%	APSH has an unexpired leasehold interest of about 68.28 years
g)	Discount Rate	11.75%	

2. Cost Approach

In arriving at the Market Value of the land component, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Town / Mukim / District / State:	Lot 81095 (Formerly PT No. 26888) / Mukim of Batu / District of Kuala Lumpur / Kuala Lumpur	PT No. 50040 / Mukim of Setapak / District of Kuala Lumpur / Kuala Lumpur	Lots 33105 and 33106, Section 1 / Both Within Town of Cheras / District of Ulu Langat / Selangor Darul Ehsan	Lot 122, Section 92 / Town and District of Kuala Lumpur / Kuala Lumpur
Title No.:	Pajakan Negeri 53431	HS(D) 121142	Geran 80304 and Geran Mukim 1820	Pajakan Negeri 35427
Property Type:	A parcel of commercial land (End)	A parcel of commercial land (Intermediate)	Two (2) adjoining parcels of commercial land (Intermediate)	A parcel of development land potential for commercial use (Intermediate)
Location:	Located along Jalan Metropolitan, Off Middle Ring Road II	Located along Jalan 3/50C, Off Jalan Genting Kelang, Kuala Lumpur	Fronts onto SILK Highway, Balakong Business Centre	Fronts onto Jalan 2, Chan Sow Lin
Category Of Land Use:	Building	Building	Building	Building
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	99-year leasehold interest expiring on 4 April 2115 (unexpired term of about 94.25 years)	99-year leasehold interest expiring on 13 October 2087 (unexpired term of about 66.76 years)	Interests in perpetuity, in respect of both titles	99-year leasehold interest expiring on 9 May 2100 (unexpired term of about 79.33 years)
Land Area (sq. ft.):	238,298	26,738	102,569	37,900
Consideration:	RM94,764,144	RM13,050,810	RM42,500,000	RM18,191,870
Date of Transaction:	23 July 2019	03 June 2019	16 November 2018	03 April 2017
Vendor:	JL 99 Holdings Sdn Bhd	Immitec Sdn Bhd (In Liquidation)	Empayar Mantap Sdn Bhd	Poon Siew Hong and Poon Siew Kai
Purchaser:	Vienna Homes Sdn Bhd	Kit-M Corporation Sdn Bhd	Columbia Asia Sdn Bhd	Wan Hong Hardware Trading Sdn Bhd
Analysis (per square foot / "psf"):	RM398.00	RM488.10	RM414.35	RM480.00
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM478.85	RM479.29	RM472.87	RM478.37
Market Value of Land:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 4 which has the least dissimilarities against the subject property. We have adopted the adjusted value of **RM478.37 psf** from the adjustments of Comparable 4 as fair representation which translates into a market value of the commercial land of **RM111,550,365**.			

Source: Valuation and Property Services Department, Ministry of Finance

The GCRCN of the buildings is RM114,707,690. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM48,177,230. Thus, the Market Value derived from the Cost Approach is RM159,727,595 and we have rounded up to RM160,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM157,000,000	**RM157,000,000**	We have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of APSH supported by the Cost Approach.
Cost Approach	RM160,000,000		

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Property No. 2

a. Salient Details

Date of Inspection and Valuation:	27 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Damansara Specialist Hospital ("DSH"), identified as Lot 60950, Section 39 [Formerly PT No. 1856], Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan, held under Title No. Geran 336358 [Formerly HS(D) 146423], bearing postal address No. 119, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.
Title Particulars:	Tenure: Interest in perpetuity Title Land Area: 16,771 sq. m. / 180,521.53 sq. ft. Registered Proprietor: AmanahRaya Trustees Berhad (as Trustee) Category of Land Use: Building Encumbrance: Charged by AmanahRaya Trustees Berhad to Maybank Trustee Berhad, registered on 5 November 2018

Location

DSH is located within SS 20, Damansara Utama, Petaling Jaya and is sited off the south-western (left) side of the SPRINT Highway (part of Jalan Damansara), travelling from Section 16, Petaling Jaya towards Bandar Utama/MRR II and also sited off the eastern (right) side of Damansara - Puchong Highway ("LDP"), travelling from Kelana Jaya towards Damansara Perdana. It is located about 16 kilometres (10 miles) to the south-west of Kuala Lumpur city centre and about 6 kilometres (3.75 miles) to the north-east of Petaling Jaya City. DSH fronts onto Jalan SS 20/10 and is accessible from various parts of Kuala Lumpur and Selangor and the common accessibility from Kuala Lumpur city centre is via Jalan Semantan and SPRINT Highway (Jalan Damansara). Alternatively, it is accessible from the Federal Highway via Kerinchi Link and SPRINT Highway. The newly completed nearest Taman Tun Dr. Ismail MRT Line 1 Station (along Jalan Damansara) is located about 550 metres to the south-east of DSH. The under construction nearest Bandar Utama LRT Line 3 Station is located about 2 kilometres (1.25 miles) to the north-west of DSH. Prominent developments located in the immediate vicinity are Plaza VADS, TTDI Plaza, The Starling Shopping Mall, Menara KEN TTDI, One Utama Shopping Complex, Plaza IBM, One World Hotel, Sri Pentas TV3 station and 3 Damansara Shopping Mall.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from DSH
Private Medical Centre			
Columbia Asia Hospital	57 beds	Jalan 13/6, 46200 Petaling Jaya, Selangor Darul Ehsan	3 kilometres
KPJ Damansara 2 Specialist Hospital (expected to be in operation in year 2022)	300 beds	Bukit Lanjan, 60000 Kuala Lumpur	5.5 kilometres
The Tun Hussein Onn National Eye Hospital	30 beds	Lorong Utara B, 46200 Petaling Jaya, Selangor Darul Ehsan	6 kilometres
Beacon Hospital	93 beds	Jalan 215, Section 51, Off Jalan Templer, 46050 Petaling Jaya, Selangor Darul Ehsan	6.5 kilometres
Pantai Hospital Kuala Lumpur	363 beds	Jalan Bukit Pantai, 59100 Kuala Kumpur	7.2 kilometres
Assunta Hospital	245 beds	Jalan Templer, 46050 Petaling Jaya, Selangor Darul Ehsan	7.5 kilometres
Thomson Hospital Kota Damansara	205 beds	Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	10 kilometres
Parkcity Medical Centre	148 beds	Jalan Intisari Perdana, Desa Parkcity, 52200 Kuala Lumpur	10 kilometres
Taman Desa Medical Centre	39 beds	Jalan Desa, Taman Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur	10.5 kilometres
Government Hospital			
University Malaya Medical Centre (formerly University Hospital)	1,617 beds	Jalan Professor Diraja Ungku Aziz, 59100 Kuala Lumpur	8 kilometres

Source: MOH / KPJHB's Annual Report

The Site

The site is an irregular shaped parcel of corner plot. It has frontage onto Jalan SS 20/10 along it's north-eastern site boundary. The north-western and western site boundaries abut onto Jalan SS 20/21 and Jalan SS 20/18, respectively. Part of the southern site boundary abuts onto Jalan SS 20/19, Jalan SS 20/14 and Jalan SS 20/17.

The Buildings

Brief details of the development, extension and renovation of DSH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1994 / 1996 / 1997 / 1998	A 6-storey private specialist medical centre with basement floor A basement floor and ground floor car park A medical gas building A guard house A refuse chamber A Tenaga Nasional Berhad ("TNB") substation	Approved by Majlis Perbandaran Petaling Jaya ("MPPJ") vide plan no. BP519/82 kandungan (505-K) (112AF) (211A-E) on 19 September 1994, 21 September 1996 and 16 December 1997, respectively. CF bearing certificate no. 9042 was issued by MPPJ on 05 January 1998.
2003 / 2004 / 2005	Renovation works on part of the fourth floor	Approved by MPPJ vide plan no. MPPJ/530/S/P10/762/2003 on 18 August 2003 and 24 April 2004, respectively. CF bearing certificate no. 05916 was issued by MPPJ on 05 May 2005.

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All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete frame with brick infills rendered externally and plastered internally, partly supporting steel roof trusses and purlins laid over with concrete roofing tiles and partly of reinforced concrete flat roof.
Ceilings:	Generally of plaster boards with cornices incorporating downlights, air-conditioning ducts and sprinkler system, mineral fibre boards incorporating fluorescent lights and cassette type air-conditioning with the exception of the toilets and car parking area which are of cement plaster.
Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The internal walls of the lift lobbies are generally lined with glazed wall tiles up to the ceiling height whilst the waiting area on the ground floor are lined with glazed wall tiles up to a height of about 0.915 metres (3 feet) and up to the ceiling height. The male and female toilets are lined with glazed wall tiles up to the ceiling height.
Doors:	Generally, the main entrance to the reception area on the ground floor is fitted with an electronically operated double leaf frameless glass panelled door. Other doors are generally of fire rated timber door, timber flush door, timber panelled door incorporating glass panels, electronically operated double leaf frameless glass panelled door and polyvinyl chloride ("PVC") door.
Windows:	Generally of aluminium casements incorporating glass panels and top hung units.
Floors:	Generally of vinyl tiles with the exception of the main lobby and waiting area of the ground floor which are generally finished with marble slabs. The management office and conference room are laid over with wall to wall carpet whilst the security room and toilets are finished with ceramic tiles.

Generally, the medical centre building is equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical movement between floors is by means of three units of passenger lifts (each with a capacity of 750 kilogrammes / 11 persons), a Bomba lift (with a capacity of 1,360 kilogrammes / 15 persons), two units of service lifts (each with a capacity of 1,565 kilogrammes / 21 persons)and five units of reinforced concrete are staircases. It is also equipped with medical gas supply system, nurse call button / intercom system and PABX system. Generally, all the buildings are installed with a fire fighting system.

Car Park Bays

There are 177 car park bays within DSH. The basement and ground floors of the 6-storey building accommodate 60 and 54 car park bays, respectively. There are about 63 open car parking bays located at the north-eastern and eastern portion of the subject site.

All the car park areas are being managed by Metro Parking Sdn Bhd except for the drop off and emergency car parks.

GFA

The GFA computed by Perunding Alam Bina Sdn Bhd and provided to us by DSH are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, RISM. The GFA and age of each building are tabulated as follows: -

Building	GFA		Age (Year)
	sq. m.	sq. ft.	
ia) A 6-storey private specialist medical centre together with a basement floor	37,551.91	404,205.38	23
ib) A basement floor and ground floor car park	3,802.14	40,925.89	
ii) A medical gas building	51.04	549.39	
iii) A guard house	4.00	43.06	
iv) A refuse chamber	38.07	409.78	
v) A TNB substation	33.44	359.95	
Total	**41,480.60**	**446,493.45**	

Beds

Vide a licence to operate bearing licence no. 131005-00068-01/2019 (Borang 4 No. Siri: 004436) with 3 years validity from 25 March 2019 to 24 March 2021 as approved by MOH dated 11 April 2019, we note that DSH has been permitted to operate 232 beds (inclusive of ICU, daycare, cardiac HDU ("CHDU") and cardiac ICU ("CICU")), 11 cots, 10 bassinets, 15 dialysis chairs and 1 dental chair.

From the prospectus of Al-Aqar REIT dated 24 July 2006, we note that originally there were 208 operational beds. Subsequently, the beds were increased to 211 beds. However, in 2018 the number of beds were reduced from 211 beds to 194 beds as 17 beds were converted to additional ICU. We note from the average occupancy rate, number of inpatient and outpatient of the DSH over the past 5 years that the occupancy of DSH has been on the declining trend due to the existence of other hospitals in the neighbourhood which has heightened the competition. In light of the above, conversion of the 17 beds into additional ICU are regarded as business strategy to add revenue to DSH and we have adopted the existing 194 beds in our projections instead of 211 beds.

The beds are classified into VVIP premier, VVIP suite, VIP suite, premier superior single, premier single, Permata suite, Mutiara suite, Kristal suite, Berlian suite, two bedded, four bedded, Qaseh VIP, Qaseh single, Qaseh two bedded, Qaseh four bedded, Mesra VIP and Mesra single.

The configuration of hospital beds, number of rooms and rates are as follows: -

Bed	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
Single Bedded (including isolation room)	280 - 580	102	102
Two Bedded	160 - 180	24	48
Four Bedded	95 - 120	9	36
VVIP / VIP Room	750 - 1,080	8	8
Total (Operational Beds)		**143**	**194**
ICU (including isolation room)	450		12
CHDU	280		4
CICU	380		5
Daycare & Daycare Endoscopy	90 - 135		17
Total			**38**
Grand Total (Licenced Beds)		**143**	**232**

Source: Damansara Specialist Hospital Sdn Bhd ("DSHSB")

Facilities and Services:	Other medical facilities provided in DSH comprise as follows: -

Other medical facilities	No. of Room/Cot/Chair
Operate Theatre (OT) Room	4
Labour Room	3
NICU	1
Nursery	1
Dialysis Centre	15

Source: DSHSB

DSH provides the following services: -

Clinical Disciplines	Facilities and Services
• Anaesthesiology	• 24 Hours Accident & Emergency ("A&E") Services
• Cardiology	• In House 24 Hours Pharmacy
• Cardiothoracic Surgery	• 24 Hours Laboratory Services
• Cardiac Surgeon	• Ambulance Services
• Clinical Oncologist	• 64 Slice CT Scan
• Dental Surgery	• Medical Check-up
• Dermatology & Allergy	• Executive
• Ear, Nose & Throat / Otorhinolaryngology	• Physiotherapy
• Eye / Ophthalmology	• ECG
• General Surgery	• Haemodialysis
• Haematologist	• X-ray and Fluoroscopy
• Interventional Radiology	• MRI
• Laparoscopic Surgery	• Ultrasound
• Maternal-Fetal Medicine	• Dietary Services
• Maxillofacial Surgeon	• Mammography
• Neurology	
• Neurosurgery	
• Obstetric & Gynaecology	
• Orthopaedic Surgery	
• Paediatric Cardiology & Surgery	
• Paediatrics	
• Physician	
• Plastic Surgeon	
• Psychiatrist	
• Urology	
• Vascular / Endovascular Surgery	

Source: DSHSB

Consultants / Clinics:	As at the date of valuation, as provided to us by the client, DSH is supported by 84 consultants / doctors.
Planning Details:	DSH is located within an area designated for commercial use. All the buildings and renovation works are issued with CF as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Damansara Specialist Hospital Sdn Bhd (DSHSB or Lessee) (now Rawang Specialist Hospital Sdn Bhd) and DRMSB (Manager), we note that DSH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of the DSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate of Beds Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	2022	2023	2024	2025
50.70%	53.24%	55.90%	58.70%	61.64%

b)	No. of Inpatient Admitted Days	2.57
c)	Ratio of No. of Outpatient / Inpatient	10.68

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM1,116
b)	Consultant Outpatient Revenue Per Person	RM 135
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,763
d)	Hospital Outpatient Revenue Per Person	RM 264

Expenses

a)	Cost of Sale		
	i) Material	30.3%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	12.9%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	
b)	Undistributed Operating Expenses		
	i) Administrative & General	11.9%	of Total Operating Revenue
	ii) Sales & Marketing	0.6%	
	iii) POMEC	5.4%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM287,359.60
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM372,504.15
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM10,600,000
f)	Terminal Capitalisation Rate	8.00%	DSH has an interest in perpetuity
g)	Discount Rate	10.00%	

2. Cost Approach

In arriving at the Market Value of the land component, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Town / Mukim / District / State:	Lots 60858, 47009 and 50368 / All within Section 39 / Town of Petaling Jaya / District of Petaling / Selangor Darul Ehsan	Lot 42406 / Pekan Cempaka / District of Petaling / Selangor Darul Ehsan	Lots 2002 and 2003 / Both within Section 14 / Town of Petaling Jaya / District of Petaling / Selangor Darul Ehsan	Lot 45822, Section 39 / Town of Petaling Jaya / District of Petaling / Selangor Darul Ehsan
Title No.:	Geran 313564, Geran 336044 and Geran 336037, respectively	Geran 98935	Pajakan Negeri 91465 and Pajakan Negeri 91466	Geran 54432
Property Type:	Three contiguous parcels of commercial land (Corner)	A parcel of commercial land (Corner)	Two parcels of commercial land (Corner)	A parcel of commercial land (Corner)
Location:	Located along Jalan 21/21, Section 21, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan Bukit Mayang Emas, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan 51A/223, Section 51A, Petaling Jaya, Selangor Darul Ehsan	Located along Jalan SS 2/113, SS 2, Petaling Jaya, Selangor Darul Ehsan
Category Of Land Use:	Building	Building	Building	Building
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	Interests in perpetuity, in respect of all the titles	Interest in perpetuity	99-year leasehold interests expiring on 07 April 2103 (unexpired term of about 82 years)	Interest in perpetuity
Land Area (sq. ft.):	149,597	35,930	420,912	44,143
Consideration:	RM50,000,000	RM21,558,000	RM160,000,000	RM24,587,651
Date of Transaction:	06 December 2018	30 November 2018	22 December 2017	07 November 2017
Vendor:	S.E.A Housing Corporation Sdn Bhd	SYM World Ventures Sdn Bhd	Kumpulan Darul Ehsan Berhad	Tropicana City Sdn Bhd
Purchaser:	Midas De Sdn Bhd	SNS Network (M) Sdn Bhd	Aneka Sepakat Sdn Bhd	O&C Construction Sdn Bhd
Analysis (psf):	RM334.23	RM600.00	RM380.13	RM557.00
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM401.08	RM435.00	RM460.30	RM417.75
Market Value Of Land:	In arriving at the market value of the subject land using the Market/Comparison Approach, we have emphasized upon Comparable 1 which has the least dissimilarities against the DSH as fair representation of the market value of the land, as per practice in the industry. We have adopted the adjusted value of **RM401.08 psf** from the adjustments of Comparable 1 as fair representation which translates into a market value of the commercial land of **RM72,403,256**.			

Source: Valuation and Property Services Department, Ministry of Finance

The GCRCN of the buildings is RM124,857,179. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM67,422,877. Thus, the Market Value derived from the Cost Approach is RM139,826,133 and we have rounded up to RM140,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM135,000,000	**RM135,000,000**	We have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of the DSH supported by the Cost Approach.
Cost Approach	RM140,000,000		

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Property No. 3

a. Salient Details

Date of Inspection and Valuation:	25 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Johor Specialist Hospital ("JSH"), identified as PTB 12319 (New Lot 19262), Town and District of Johor Bahru, Johor Darul Takzim, held under Title No. HSD 420217, bearing postal address No. 39-B, Jalan Abdul Samad, 80100 Johor Bahru, Johor Darul Takzim.

Title Particulars:

Tenure:	99-year leasehold interest expiring on 1 March 2079 (unexpired term of about 58.13 years)
Provisional Title Land Area:	20,234.2824 sq. m. / 217,800 sq. ft.
Registered Proprietor:	AmanahRaya Trustees Berhad (as Trustee)
Category of Land Use:	Building
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustee Berhad, registered on 21 November 2018.
Endorsement:	A private caveat has been entered by Maybank Trustees Berhad, registered on 24 April 2018.

Location

JSH fronts onto Jalan Abdul Samad, a parallel road along the western (right) side of Tun Razak Highway, travelling from Skudai towards Johor Bahru city centre. It is located about 5 kilometres to the north-west of Johor Bahru city centre. It is accessible from various parts of Johor Bahru and the common accessibility from Johor Bahru city centre is via Jalan Tun Abdul Razak, Jalan Datin Halimah and Jalan Tasek Utara. Johor Bahru Sentral ("JB Sentral"), an integrated transport hub in Bukit Chagar is located about 5.2 kilometres (3.25 miles) to the south-east of JSH. Prominent developments in the immediate vicinity include Sultan Ibrahim Military Camp (Johor Military Force), Johor Radio Televisyen Malaysia Department ("RTM Johor"), Johor Ministry of Communications and Multimedia Department, Johor Bahru District Health Department, Johor Immigration Department, Johor Bahru District Education Office, Johor Bahru District Fisheries Office, Johor Chemistry Department and Johor Agriculture Department.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from JSH
Private Medical Centre			
KPJ Puteri Specialist Hospital	158 beds	Jalan Tun Abdul Razak (Susur 5), 80350 Johor Bahru	4.8 kilometres
Kempas Medical Centre	47 beds	Jalan Kempas Baru, 81200 Johor Bahru	7 kilometres
Columbia Asia Hospital	33 beds	Persiaran Southkey 5, Kota Southkey, 80150 Johor Bahru	7 kilometres
Government Hospital			
Hospital Sultanah Aminah		Dataran Larkin 2, Larkin Jaya, 80350 Johor Bahru	3.5 kilometres
Hospital Permai Johor Bahru		Persiaran Kempas Baru, Kempas Banjaran, 81200 Johor Bahru	10.8 kilometres
Hospital Sultan Ismail		Jalan Mutiara Emas Utama, Taman Mount Austin, 81100 Johor Bahru	14.8 kilometres

Source: MOH

The Site

The subject site is a parcel of intermediate plot and almost rectangular in shape. It has a frontage onto Jalan Abdul Samad along it's eastern site boundary.

The Buildings

Brief details of the development, extension and renovation of JSH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1981 / 1994	A 7-storey main hospital building (Inpatient Block).	Approved by Majlis Perbandaran Johor Bahru ("MPJB") vide plan nos. MPJB(P) 778/79 and MPJB (PB) 1356/84 on 17 July 1981 and 17 July 1981, respectively. CF bearing certificate no. 1711/81 were issued by MPJB in year 1981 and 17 October 1994, respectively.
1999 / 2003	A 4-storey physician consulting building (Outpatient Block) together with 2-level basement car park	Approved by Majlis Bandaraya Johor Bahru ("MBJB") (formerly MPJB) vide plan nos. 87/99 and 87/99(1) on 28 August 1999 and 1 October 2001. CF bearing certificate no. 131/2003 was issued by MBJB on 26 February 2003.
2004	Renovation of the entire floors of the 7-storey main hospital building (Inpatient Block)	Approved by MBJB vide plan no. PL/UT1203/2003 dated 9 July 2004.
2007 to 2010	A 5-storey annexed building (Premier Block) and a car park building An additional 2-storey and amendment on previous approved building plan of 5-storey annexed building (Premier Block) A 7-storey annexed building (Premier Block) A 5-storey car park building together with a mezzanine and basement level A 3-level Tenaga Nasional Berhad ("TNB") substation	Approved by MBJB vide plan nos. PL/UT184/2007 to PL/UT184/2007(3) (inclusive) on 26 March 2007, 14 May 2008, 10 June 2008 and 10 June 2010, respectively. Certification (Surat Perakuan Siap Bina Ubahan Tambahan) bearing reference no. MBJB/13/UT/952/2006(37) was issued by MBJB on 11 June 2010.

2011	An extension and renovation of 4-storey physician consulting building (Outpatient Block) (new wing) together with 2-level basement car park.	Approved by MBJB vide plan nos. PL/UT175/2009 and PL/UT175/2009(1) on 01 April 2009 and 10 August 2011, respectively. Certification (Surat Perakuan Siap Bina Bangunan) bearing reference no. MBJB/U/2008/14/UBT/569(46) was issued by MBJB on 16 August 2011.
2016 / 2017	A renovation of part of basement 2, levels 3 and 4 of physician consulting building (Outpatient Block).	Approved by MBJB vide plan no. MBJB/U/2015/14/UBT/296 on 19 January 2016. Certification (Surat Perakuan Siap Bina Ubahan Tambahan (U/T)) bearing reference no. MBJB/U/2015/14/UBT/296 was issued by MBJB on 26 December 2017.
2015 / 2017 / 2018	A new 7-storey annexed building (known as New Tower Block).	Approved by MBJB vide plan nos. PL/PB112/2015 and PL/PB112/2015(1) on 07 October 2015 and 08 August 2017, respectively. CCC was issued by Design P.A.C Sdn Bhd bearing certificate no. LAM/J 7622 on 02 May 2018.

At the date of our inspection, we noted that an extension of 4-storey physician consulting building (Outpatient Block) (new wing) together with 2-level basement car park and a new 7-storey annexed building (known as New Tower Block) were completed and fully operational. However, both the extension and the new building have yet to be sold to ART (trustee for Al-Aqar REIT) due to valid corporate reasons. Therefore, we have excluded the said extension and building in our valuation.

All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete frame with brick infills rendered externally and plastered internally supporting a reinforced concrete flat roof concealed behind parapet walls.
Ceilings:	Generally of plaster boards with cornices incorporating downlights, mineral fibre boards incorporating fluorescent lights and air-conditioning ductings and cement plaster.
Internal Walls:	Generally gypsum boards and gypsum boards incorporating glass panels. The internal walls of the lift lobbies are generally lined with glazed wall tiles up to the height of about 2.13 metres (7 feet). The kitchen, male and female toilets are lined with glazed wall tiles up to the ceiling height whilst the cafetaria are lined with ceramic wall tiles up to a height of about 1.52 metres (5 feet).
Doors:	Generally, the main entrance to the main lobby area on the ground floor is fitted with an automatically operated sliding tinted glass panelled door. Other doors are generally of fire rated timber door, timber flush door, timber panelled door, solid timber door, automatically operated sliding door and PVC doors as well as metal roller shutters at loading area.
Windows:	Generally of aluminium casements incorporating glass panels and top hung units.
Floors:	Generally finished with ceramic tiles, marble slabs and heavy duty vinyl floor.

Generally, the buildings are equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical movement between floors is by means of eight units of passenger lifts (each with a capacity of 1,560 kilogrammes / 22 persons to 1,635 kilogrammes / 23 persons), four units of Bomba lifts (each with a capacity of 1,560 kilogrammes / 22 persons to 1,635 kilogrammes / 23 persons) and twelve units of reinforced concrete staircases. The medical centre buildings are equipped with medical gas supply system, nurse call button / intercom system and PABX system. Generally, all the buildings are installed with fire fighting systems.

Car Park Bays

There are 336 car park bays provided within JSH comprising 104 car park bays within physician consulting building (Outpatient Block),124 car park bays within car park building and 108 surface car park bays within the site. There are also two (2) additional open car park areas provided by JSH for their visitors. The first car park area is located at the northern side of the site boundary and the land belongs to RTM Johor and the other car park area is located at the southern side of the site boundary and the land belongs to State Government of Negeri Johor. Both the additional car park areas are rented by JSH from the respective land owners. All the car park areas are being managed by Metro Parking Sdn Bhd except for the drop off and emergency car parks.

GFA

The GFA of the buildings computed by M&R Architects Sdn Bhd and provided by DRMSB are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, RISM. The GFA and age of each building are tabulated as follows: -

Building	GFA		Age (Year)
	sq. m.	sq. ft.	
i) A 7-storey main hospital building (Inpatient Block)	13,738.72	147,882.43	17 *
iia) A 4-storey physician consulting building (Outpatient Block)	7,500.68	80,736.63	10
iib) A 2-level basement car park	5,258.50	56,602.00	
iii) A 7-storey annexed building (Premier Block)	6,771.00	72,882.43	11
iv) A 5-storey car park building together with a mezzanine and basement level	6,508.97	70,062.00	11
v) A sprinkler & pump house	90.12	970.00	40
vi) A generator set room	76.18	820.00	40
vii) A parking booth	5.95	64.00	40
viii) A TNB substation (TNB Substation 1)	46.45	500.00	40
x) A 3-level TNB substation (TNB Substation 2)	178.56	1,922.00	11
xi) A scheduled waste storage	13.38	144.00	40
Total	**40,188.51**	**432,585.49**	

* The 7-storey main hospital building (Inpatient Block) was constructed in year 1981. However, the entire building had undergone major renovation and refurbished in year 2004.

Beds

Vide a licence to operate bearing licence no. 130102-00089-01/2019 (Borang 7 No. Siri: 001913) with 3 years validity from 21 February 2019 to 7 January 2021 as approved by MOH dated 11 March 2019 that JSH is permitted to operate 268 beds (inclusive of 8 ICU beds, 8 HDU beds, 3 CICU beds and 5 Endoscopy beds), 4 basinets, 3 cots, 36 dialysis chairs and 12 reclining chairs.

From the prospectus of Al-Aqar REIT dated 24 July 2006, we note that originally there were 192 operational beds. Vide a Supplemental Lease Agreement, we note that a new building comprising a 7 storey annexed building and a 5 storey car park building were sold to Al-Aqar REIT in year 2010. The additional operational beds were 50 beds. Thus, total operational beds of JSH in year 2010 were 242 beds.

From years 2011 to 2016 (inclusive), 109 beds from the 4th to 7th floors (inclusive) have been reconfigured to reduce the number of beds to 80 beds. Thus, the number of beds in the main hospital building (Inpatient Block) had been reduced about 29 beds. In light of the above, as at year 2017, the total operational beds were 213 beds. In year 2017, based on information from the client, the operational beds had been further reduced to 198 beds due to 10 operational beds in Surgical Ward were used for Oncology Daycare and Clinics whilst 5 operational beds were converted for labour room and nursery. In year 2018, the 10 operational beds in Surgical Ward were reverted as operational beds, thus, making total operational beds as 208 beds.

The new 7 storey annexed building (New Tower Block) with additional 31 beds have yet to be sold to Al-Aqar REIT due to valid corporate reasons. In light of the above, we have excluded the 7 storey annexed building (New Tower Block). We have based our projections based on the operational beds of 208 beds.

The configuration of hospital beds, number of rooms and rates are as follows: -

Bed	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
Inpatient & Premier Blocks			
Premier VIP	850 / 600	9	9
Premier Single	250 - 390	40	40
Single Bedded	205	12	12
Two Bedded	120	54	108
Four Bedded	100	9	36
Isolation Room	165	3	3
Total Beds			**208**
New Tower Block			
Single Bedded	205	1	1
Two Bedded	120	15	30
Total (Operational Beds)			**239**
ICU/CCU	220 - 250		8
HDU	190 / 205		8
CICU	260		3
Endoscopy Daycare	120		5
Converted to Labour Room and Nursery			5
Total			**29**
Grand Total (Licenced Beds)		**148**	**268**

Source: Johor Specialist Hospital Sdn Bhd ("JSHSB")

Facilities and Services:

Other medical facilities provided in JSH comprise as follows: -

Other medical facilities	No. of Room / Chair
Operation Theatre (OT) Room	8
Labour Room	3
Chemotherapy Unit (Reclining Chair)	12

Source: JSHSB

JSH also provides the following services: -

Clinical Disciplines	Facilities and Services
• Anaesthesiology & Critical Care	• 3D & 4D Fetal Ultrasound
• Cardiology	• Ambulance Services
• Physician	• A&E Services
• Nephrologist	• Ear, Nose & Throat Services
• Ear, Nose & Threat	• General Blood / Health Screening Packages
• Orthopaedic & Trauma	• Laparoscopic Surgery
• Paediatrics	• Neonatal and Paediatric Services
• Radiology & Imaging	• Obstetric & Gynaecological Services
• Orthopeadics, Plastic & Reconstructive	• Orthopaedic and Traumatology Services
• Radiotherapy & Oncology	• Physiotherapy Services
• Clinical Oncology	• Plastic & Reconstructive Surgery
• Gastroenterology	• Treadmill Stress Test
• Obstetrician & Gynaecology	• Diagnostic Imaging - MRI, CT Scan, Mammography, X-Ray, Ultra-Sound, Fluoroscopy, Pet-Scan
• Ophthalmology	• Diagnostic Centre - Gastroscopy, Colonoscopy
• Neuro Surgery	• Cardiothoracic Centre
• Urology	• IVF Centre
• Cardiothoracic Surgery	• Audiology Services
• Endocrinology	• Dietetic Services
• Nuclear Medicine	

Source: JSHSB

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Consultants / Clinics:	As at the date of valuation, as provided to us by the client, JSH is supported by 77 consultants / doctors.
Planning Details:	JSH is located within an area designated for commercial use. All the buildings and extension and renovation works are issued with CF and CCC as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Johor Specialist Hospital Sdn Bhd (JSHSB or Lessee) and DRMSB (Manager), we note that JSH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of JSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach By Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	2022	2023	2024	2025
62.00%	65.10%	68.36%	71.77%	75.36%

b)	No. of Inpatient Admitted Days	2.65
c)	Ratio of No. of Outpatient / Inpatient	7.76

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM1,010
b)	Consultant Outpatient Revenue Per Person	RM 128
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,479
d)	Hospital Outpatient Revenue Per Person	RM 442

Expenses

a)	Cost Of Sale		
	i) Material	26.9%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	12.7%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	
b)	Undistributed Operating Expenses		
	i) Administrative & General	13.0%	of Total Operating Revenue
	ii) Sales & Marketing	0.4%	
	iii) POMEC	4.5%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM265,120.90
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum		RM479,721.72
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM11,700,000
f)	Terminal Capitalisation Rate	10.25%	JSH has an unexpired leasehold interest of about 58.13 years
g)	Discount Rate	12.25%	

2. Cost Approach

In arriving at the Market Value of the land component, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Town / Mukim / District / State:	PTB 24422 / Town and District of Johor Bahru / Johor Darul Takzim	Lot 27577 / Mukim of Pulai / District of Johor Bahru / Johor Darul Takzim	PTD 175869 and 175870 / All within Mukim of Tebrau / District of Johor Bahru / Johor Darul Takzim	Lot 4205 / Town and District of Johor Bahru / Johor Darul Takzim
Title No.:	HS(D) 565071	Geran 38925	HS(D) 529771 and 529772, respectively	Geran 32033
Property Type:	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	Two (2) adjoining parcels of commercial land (Corner)	A parcel of commercial land (Intermediate)
Location:	Off Jalan Tampoi, Taman Damansara Aliff, Johor Bahru	Off Persisiran Perling, Taman Perling (next to Perling Mall), Johor Bahru	Jalan Tampoi, Bandar Baru Uda, Johor Bahru	Jalan Ah Siang, Taman Stualang Laut, Johor Bahru

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Category Of Land Use:	Building	Building	Building	Nil
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	Interest in perpetuity	Interest in perpetuity	99-year leasehold interests expiring on 2 May 2105 (unexpired term of about 84.32 years)	Interest in perpetuity
Land Area (sq. ft.):	486,988.00	223,900.00	255,320.00	22,216.00
Consideration:	RM65,000,000.00	RM30,000,000.00	RM38,295,774.00	RM5,554,028.00
Date of Transaction:	28 November 2018	16 October 2018	26 April 2018	14 February 2018
Vendor:	Naga Berkat Sdn Bhd	Permodalan Nasional Berhad	Perbadanan Johor	Wong Khoong Chin
Purchaser:	Tanahmas Kapital Sdn Bhd	PNB Commercial Sdn Berhad	Johor Land Berhad	Looi Teik Hin + 2
Analysis (psf):	RM133.47	RM133.99	RM149.99	RM250.00
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM153.35	RM147.36	RM162.79	RM154.42
Market Value Of Land:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 3 which has the least dissimilarities against the subject property. We have adopted the adjusted value of **RM162.79 psf** from the adjustments of Comparable 3 as fair representation which translates into a market value of the commercial land of **RM35,455,941**.			

Source: Valuation and Property Services Department, Ministry of Finance

The GCRCN of the buildings is RM116,542,366. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM85,233,916. Thus, the Market Value derived from the Cost Approach is RM120,689,857 and we have rounded up to RM121,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM147,000,000	**RM147,000,000**	We have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of JSH supported by the Cost Approach.
Cost Approach	RM121,000,000		

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Property No. 4

a. Salient Details

Date of Inspection and Valuation:	25 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Puteri Specialist Hospital ("PSH") identified as PTB No. 24134, Town of Johor Bahru, District of Johor Bahru, Johor Darul Takzim, held under Title No. HSD 535599, bearing postal address No. 33, Jalan Tun Abdul Razak (Susur 5), 80350 Johor Bahru, Johor Darul Takzim.
Title Particulars:	see below

Tenure:	99-year leasehold interest expiring on 31 December 2053 (unexpired term of about 32.95 years)
Provisional Title Land Area:	9,672.097 sq. m. / 104,109.58 sq. ft.
Registered Proprietor:	AmanahRaya Trustees Berhad (as Trustee)
Category of Land Use:	Building
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad, registered on 1 August 2013.
Endorsement:	Nil

Location

PSH is situated along Jalan Tun Abdul Razak (Susur 5), a parallel road with Tun Abdul Razak Highway, next to the Larkin flyover. Johor Bahru city centre is located about 4.8 kilometres (3 miles) to the south-east of PSH. PSH is accessible from several directions from Johor Bahru city centre and the neighbourhood with the main accessibilty from Johor Bahru city centre via the Tun Abdul Razak Highway for about 5 kilometres (3.13 miles) until Larkin flyover and then a U turn towards Johor Bahru city for about 100 metres followed by a left turn onto an access filter road leading upto Jalan Tun Abdul Razak (Susur 5). JB Sentral, an integrated transport hub in Bukit Chagar is located about 6.6 kilometres (4.10 miles) to the south-east of PSH. Along the same road, a short distance are Perkeso Complex and Custom Johor Tower as well as several petrol filling and service stations namely Petron, BHP, Caltex and Petronas, all located fronting onto the same serviced road.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from PSH
Private Medical Centre			
KPJ Johor Specialist Hospital	268 beds	Jalan Abdul Samad, 80100 Johor Bahru	4.8 kilometres
Regency Specialist Hospital	188 beds	Jalan Suria, Bandar Seri Alam, 81750 Masai	21.3 kilometres
Gleneagles Medini	159 beds	Jalan Medini Utara 4, Medini Iskandar, 79250 Iskandar Puteri	17.7 kilometres
Columbia Asia Hospital – Iskandar Puteri	135 beds	Persiaran Afiat, Taman Kesihatan Afiat, 79250 Iskandar Puteri	14.5 kilometres
KPJ Pasir Gudang Specialist Hospital	110 beds	Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang	19.8 kilometres
Kempas Medical Centre	47 beds	Jalan Kempas Baru, 81200 Johor Bahru	5.7 kilometres
Kensington Green Specialist Centre Sdn Bhd	39 beds	Jalan Ceria 20, Taman Nusa Indah, 79100 Iskandar Puteri	16.3 kilometres
KPJ Bandar Dato' Onn Specialist Hospital	34 beds	Jalan Bukit Mutiara, Taman Bukit Mutiara, 81100 Johor Bahru	10.4 kilometres
Columbia Asia Hospital	33 beds	Persiaran Southkey 5, Kota Southkey, 80150 Johor Bahru	5.0 kilometres
Government Hospital			
Hospital Sultanah Aminah	-	Dataran Larkin 2, Larkin Jaya, 80350 Johor Bahru	500 metres
Hospital Permai Johor Bahru	-	Persiaran Kempas Baru, Kempas Banjaran, 81200 Johor Bahru	9.2 kilometres
Hospital Sultan Ismail	-	Jalan Mutiara Emas Utama, Taman Mount Austin, 81100 Johor Bahru	12.5 kilometres

Source: MOH

The Site

The PSH was previously sited on Lots 46034, 5219 and 5221, which have been amalgamated into a single lot and issued under new Lot No. PTB 24134. The subject site is an irregular shaped parcel of corner plot. It lies in the north-western to south-eastern direction. It has a frontage onto Jalan Tun Abdul Razak (Susur 5) along its western site boundary, a splay corner and a return frontage onto Jalan Sentosa (Lorong 1) along its southern site boundary.

The Buildings

Brief details of the development, extension and renovation of PSH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan	Date / Reference No. of CF / CCC
1983 / 1986	A 6-storey hospital building (Left Wing), a pump house and a TNB substation.	Approved by MPJB vide plan no. 759/83 1559/85 on 30 August 1983.	CF bearing certificate no. 1674/80 was issued by MPJB on 30 October 1986.
	The extension of an adjoining 6-storey hospital building (Right Wing) into 2 stages.		

1997 2004 / 2006	1st extension Construction of the 3-level of the hospital building (Ground to 2nd floors) and other ancillary buildings i.e. a new TNB substation, a M&E plant building, a trash centre and a sewarage treatment plant. The original TNB substation had been demolished. 2nd extension Construction of the additional 3-level of the hospital building (3rd to 5th floors.	Approved by MPJB vide plan no. 2031/96 on 29 December 1997. The same plans bearing reference no. 2031/96 (29 December 1997) were resubmitted to MBJB (formerly MPJB) for continuation of 2nd extension and was certified by planning department of MBJB on 13 November 2013. Approved by MBJB vide plan nos. (PL/PB) 2031/96(1) and PL/PB 2031/96(2) on 03 February 2004 and 08 March 2006, respectively.	Certification (Surat Pematuhan Dan Perakuan Siap Bina Ubahan Tambahan / Borang UT-5) bearing file no. MBJB/12/PB/187/96 was issued by MBJB on 8 May 2006.
2004	Internal renovation of the 6-storey hospital building of levels 4 to 6 (inclusive) (Left Wing).	Approved by Jabatan Bomba & Penyelamat Malaysia ("Bomba") vide plan no. JPBM:JH/005/3/9/10/JBU on 10 January 2004.	-
2008	Renovation of of the original 6-storey hospital building (Left Wing) comprises of A&E (Level 1), CSSD (Level 2), Nursery & NICU (Level 3), Blood Donor Room (Level 5).	Approved by MBJB vide plan no. MBJB/UT: 651/2007(10) (Plan No. 76/2008) on 30 January 2008. Approved by Bomba vide plan no. JBPM: JH/005/3/9/10-8 on 19 July 2008.	-
2011	Change of condition, amalgamation of land and add 6-storey hospital building on Lot PTB 21513, 5219 and 5221	Approved by MBJB vide plan no. MBJB/U/2011/12/PBN/KM/15 on 22 June 2011.	-
2014 / 2020	A new 9-storey hospital building at the eastern portion.	Originally approved by MBJB vide plan no. MBJB/U/2014/12/PBN/KM/40 on 2014. Final approval by MBJB vide plan no. MBJB/U/2019/12/PBN/KM/41 on 25 February 2020. (Pindaan ke atas pelan lulus bil daftar BP6/KM/07/06/2014 melalui fail MBJB/U/2014/12/PBN/KM/40 pelan 34A-34X)	Yet to issue with CCC as still under construction.

At the date of our inspection, we noted that a new 9-storey building was currently under construction by KPJ Puteri Specialist Hospital (wholly owned by Pasir Gudang Specialist Hospital Sdn Bhd), at the eastern portion of the site. This building has yet to be sold to ART (trustee for Al-Aqar REIT). Therefore, excluded in the valuation.

All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete framework, columns and beams plastered brickwalls rendered externally and plastered internally partly supporting reinforced concrete flat roof and partly metal roof trusses and purlins laid over with metal decking roffing sheets.
Ceilings:	Generally of suspended decorative plaster boards and gypsum boards incorporating built-in recessed lightings and built-in concealed air-conditioner ductings and cement plaster.
Internal Walls:	Generally of mixture of plastered brickwalls, gypsum boards and glass panels while the walls of the laboratory ("Lab")/maternity unit and VIP wards are further lined with decorative wallpapers finishing. The walls of the toilets, lift lobbies and several parts of the building are of ceramic wall tiles up to the ceiling height.
Doors:	Generally, the main entrances are fitted with an automatically operated sliding glass panelled doors whilst other doors are mixture of automatic sliding metal doors with smart-card access and press button controls, manual sliding metal/glass/gypsum/plywood doors (partly with electronic security pin-code system), solid timber, timber/plywood with glass panels, 1-hour fire-rated timber doors, stainless steel doors and metal roller shutters.
Windows:	Generally of sliding and top-hung aluminium casements incorporating tinted glass panels.
Floors:	Generally of ceramic tiles, marble slabs and heavy duty vinyl floors.

Generally, the buildings are equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical access between floors is by means of four units of passenger lifts (each with a capacity of 1,295 kilogrammes / 19 persons to 1,500 kilogrammes / 22 persons), a Bomba/cargo lift (with a capacity of 1,295 kilogrammes / 19 persons) and two units of reinforced concrete staircases. The medical centre buildings are equipped with medical gas supply system, nurse call button / intercom system and PABX system. Generally, all the buildings are installed with fire fighting systems.

Car Park Bays

There are 9 covered car park bays provided within PSH. There are also three (3) additional surface (covered and open space) car park areas provided by PSH for their visitors.The first car park area is located at the north-eastern side of the site boundary and the land belongs to PSHJSB and the other car park area is located at further north-eastern side of the site boundary and the land belongs to Kulim (Malaysia) Berhad. The third car park area is rented by PSH from respective land owners. All the car park areas are being managed by Metro Parking Sdn Bhd except for the drop off and emergency car parks.

GFA

The GFA of the buildings computed by M&R Architects Sdn Bhd (formerly Mokhtar Rahman Partners Consultant Architect) and provided to us by DRMSB are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, RISM. The GFA and age of each building are tabulated as follows: -

Building	GFA		Age
	sq. m.	sq. ft.	(Year)
A 6-storey medical centre building (Left Wing)	5,320.37	57,268	35
A 6-storey medical centre building (Right Wing)	5,643.95	60,751	17
A mechanical & electrical ("M&E") plant building	38.93	419	17
A pump house	15.05	162	17
A TNB substation	125.42	1,350	7
A generator room	46.55	501	7
A sewerage treatment plant	502.42	5,408	17
A general waste bin centre	83.15	895	17
Total	**11,775.83**	**126,754**	

Beds

Vide a licence to operate bearing licence no. 130102-00077-01/2020 (Borang 4 No. Siri: 005333) with 3 years validity from 24 November 2020 to 23 November 2022 as approved by MOH on 07 December 2020, we note that PSH has been permitted 147 beds (inclusive of VVIP suites, ICU, CCU and isolation room), 10 cots and 13 dialysis chairs.

From the propectus of Al-Aqar REIT dated 24 July 2006, we note that originally there were 137 operational beds. Out of this, 3 beds were allocated to VVIP suites. Thus, the operational beds were 134. In year 2016, the number of beds had been increased to 144 beds. In year 2018, the beds were reduced from 144 beds to 140 beds as 4 beds were converted to Doctors' clinics. In year 2019, about 10 beds were reduced to make way for the connecting walk way to the currently under construction 9-storey building. After completion of the construction, about 4 beds have been added back for the operation. Thus, at present, the beds in operation are 134. Nothwithstanding, in arriving at our opinion of the market value of PSH, we have adopted our projections based on the 134 beds.

The beds are classified into VVIP suite, VIP/executive suite, premier suite, single bedded, two bedded, three bedded, four bedded and five bedded.

The configuration of hospital beds, number of rooms and rates are as follows: -

Bed	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
VIP/Executive Suite	280 - 380	8	8
Premier Suite Single Bedded Two Bedded	 300 190	 6 2	 6 4
Single Bedded	195	16	16
Two Bedded	130	9	18
Three Bedded	115	16	48
Four Bedded	95	6	24
Five Bedded	90	2	10
Total (Operational Beds)		**65**	**134**
VVIP Suite		3	3
ICU	180	1	4
CCU	180	3	3
Premier Suite Three Bedded (not part of the operational beds)	 130	 1	 3
Total		**8**	**13**
Grand Total (Licenced Beds)		**73**	**147**

Source: Puteri Specialist Hospital (Johor) Sdn Bhd ("PSHJSB")

Facilities and Services:

Other medical facilities provided in PSH comprise as follows: -

Other medical facilities	No. of Room / Bed
Operation Theatre (OT) Room	4
Labour Room	5

Source: PSHJSB

PSH also provides the following services: -

Clinical Disciplines	Facilities and Services
• General surgeon	• 3D & 4D fetal ultrasound
• Obstetrics & gynaecology	• Ambulance services
• Physician	• A&E services
• Neurologist	• Ear, nose & throat services
• Paediatrician	• General blood screening/health screening packages
• Paediatric surgeon	• Covid test
• Peadiatric neurology	• General medical/cardiology services
• Hepatic pancreatic biliary surgery	• Laparoscopic surgery
• Anesthesiology	• General surgery
• Radiology	• Neonatal & paedistric services
• Urology & transplant surgeon	• Obstetric & gynecological services
• Cardiologist	

	<table><tr><td>• Orthopaedic surgeon • Spinal surgeon • Trauma surgeon • Opthalmology • Internal medicine & nephrology • Neonatologist • Gastroenterologist • Otorhinolaryngology surgeon • Thoracic surgeon • Neurologist • Plastic & reconstructive surgeon • Neuro surgeon • Psychiatrist • General vascular & endovascular surgeon • Laparoscopic surgeon • General internal medicine & respiratory physician • Specialist in rheumatology • Dermatologist</td><td>• Orthopaedic & traumatology services • Physiotheraphy services • Haemodialysis services • Diagnostic imaging services • Neuro sergery • Plastic & reconstructive surgery • Treadmill stress test • Pharmacy • Endoscopy services • Diagnostic gastointestinal (g.i) endoscopy - ercp, colonoscopy, ogds, broncho, protoscopy, sigmidoscopy • Therapeutic (g.i) endos related procedure • Diagnostic imaging services - MRI, CT scan, c-arm, mammography, x-ray, fluoroscopy & ultrasound</td></tr></table> *Source: PSHJSB*
Consultants:	As at the date of valuation, as provided to us by the client, PSH is supported by 60 consultants / doctors.
Planning Details:	PSH is located within an area designated for commercial use. All the buildings and extension and renovation works are issued with CF and CCC as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Puteri Specialist Hospital (Johor) Sdn Bhd (PSHJSB or Lessee) (now Pasir Gudang Specialist Hospital Sdn Bhd / formerly Medical Centre (Johore) Sdn Bhd) and DRMSB (Manager), we note that PSH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of PSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	2022	2023	2024	2025
59.00%	61.95%	65.05%	68.30%	71.72%

b)	No. of Inpatient Admitted Days	2.08
c)	Ratio of No. of Outpatient / Inpatient	7.75

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM1,072
b)	Consultant Outpatient Revenue Per Person	RM 133
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,457
d)	Hospital Outpatient Revenue Per Person	RM 259

Expenses

a)	Cost of Sale		
	i) Material	24.3%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	12.5%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	
b)	Undistributed Operating Expenses		
	i) Administrative & General	18.0%	of Total Operating Revenue
	ii) Sales & Marketing	0.2%	
	iii) POMEC	4.9%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM106,499.20
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM335,726.60
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM5,800,000
f)	Terminal Capitalisation Rate	11.25%	PSH has an unexpired leasehold interest of about 32.95 years
g)	Discount Rate	13.25%	

2. Cost Approach

In arriving at the Market Value of the land, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Town / Mukim / District / State:	PTB 24422 / Town of Johor Bahru / District of Johor Bahru / Johor Darul Takzim	Lot 27577 / Mukim of Pulai / District of Johor Bahru / Johor Darul Takzim	PTD 175869 and 175870 / All within Mukim of Tebrau / District of Johor Bahru / Johor Darul Takzim	Lot 4205 / Town of Johor Bahru / District of Johor Bahru / Johor Darul Takzim
Title No.:	HS(D) 565071	Geran 38925	HS(D) 529771 and 529772, respectively	Geran 32033
Property Type:	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	2 adjoining parcels of commercial land (Corner)	A parcel of commercial land (Intermediate)
Location:	Off Jalan Tampoi, Taman Damansara Aliff, Johor Bahru	Off Persisiran Perling, Taman Perling (next to Perling Mall), Johor Bahru	Jalan Tampoi, Bandar Baru Uda, Johor Bahru	Jalan Ah Siang, Taman Stualang Laut, Johor Bahru
Category Of Land Use:	Building	Building	Building	Nil
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	Interest in Perpetuity	Interest in Perpetuity	99-year leasehold interests expiring on 02 May 2105 (unexpired term of about 84.32 years)	Interest in Perpetuity
Land Area:	486,988.00	223,900.00	255,320.00	22,216.00
Consideration:	RM65,000,000.00	RM30,000,000.00	RM38,295,774.00	RM5,554,028.00
Date of Transaction:	28 November 2018	16 October 2018	26 April 2018	14 February 2018
Vendor:	Naga Berkat Sdn Bhd	Permodalan Nasional Berhad	Perbadanan Johor	Wong Khoong Chin
Purchaser:	Tanahmas Kapital Sdn Bhd	PNB Commercial Sdn Berhad	Johor Land Berhad	Looi Teik Hin + 2
Analysis (psf)	RM133.47	RM133.99	RM149.99	RM250.00
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM166.85	RM157.61	RM180.01	RM206.63
Market Value Of Land Component:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 4 which has the least dissimilarities against the subject property. We have adopted the adjusted value of **RM206.63 psf** from the adjustments of Comparable 4 as fair representation which translates into a market value of the commercial land of **RM21,512,294**.			

Source: Valuation and Property Services Department, Ministry of Finance, Malaysia

The GCRCN of the buildings is RM39,400,245. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM19,505,396. Thus, the Market Value derived from the Cost Approach is RM41,017,690 and we have rounded down to RM41,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM51,000,000	**RM51,000,000**	We have considered the market value derived from Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of PSH supported by the Cost Approach.
Cost Approach	RM41,000,000		

CHESTON INTERNATIONAL

Property No. 5

a. Salient Details

Date of Inspection and Valuation:	26 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Selangor Specialist Hospital ("SSH"), identified as PT No. 2, Section 20, Town of Shah Alam, District of Petaling, Selangor Darul Ehsan, held under Title No. HS(D) 112884, bearing postal address Lot 1, Jalan Singa 20/1, Section 20, 40300 Shah Alam, Selangor Darul Ehsan.

Title Particulars:

Tenure:	99-year leasehold interest expiring on 1 July 2096 (unexpired term of about 75.47 years)
Provisional Title Land Area:	18,984 sq. m. / 204,342 sq. ft.
Registered Proprietor:	AmanahRaya Trustees Berhad (as Trustee)
Category of Land Use:	Building
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustee Berhad, registered on 5 November 2018
Endorsements:	i) A private caveat has been entered by Maybank Trustees Berhad, registered on 26 April 2018. ii) Pajakan Seluruh Tanah to Selangor Specialist Hospital Sdn Bhd vide Surat Kuasa Wakil : 21/2018 & 70/2018, Surat Kebenaran: 4319/2018 & 4320/2018 commencing from 1 January 2016 and expiring on 30 June 2021, registered on 8 February 2018.

Location

SSH is located within Section 20, Shah Alam and is sited off the southern (left) side of Federal Highway, travelling from Petaling Jaya city towards Shah Alam / Klang. It is located about 25.0 kilometres (15.63 miles) to the north-east of Kuala Lumpur city centre. Shah Alam city is located about 5.0 kilometres (3.13 miles) to the north-west of SSH. SSH fronts onto Jalan Singa 20/1 and is accessible from various parts of the Kuala Lumpur city centre or Shah Alam / Klang and the commonly used access is from the Federal Highway leading to Persiaran Tengku Ampuan. Alternatively, it is also accessible from Shah Alam Expressway (KESAS) via Persiaran Kuala Selangor. The nearest under construction LRT Line 3 station at Persiaran Hisamuddin, Section 13, Shah Alam is located about 5.0 kilometres (3.13 miles) to the north-east of SSH. The Keretapi Tanah Melayu (KTM) Commuter of Shah Alam and Padang Jawa Stations are located about 8.0 kilometres (4.97 miles) and about 2.0 kilometres (1.24 miles) to the north-west and west of SSH, respectively. Prominent developments in the immediate vicinity of SSH include Pos Malaysia National Mel Centre, Panasonic AVC Networks Kuala Lumpur Malaysia Sdn Bhd, TASCO Berhad, Shah Alam National Sports Complex Panasonic and 'Petronas' petrol filling and service station, Section 20, Shah Alam.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from SSH
Private Medical Centre			
Salam Shah Alam Specialist Hospital	82 beds	Jalan Nelayan 19/B, Section 19, 40300 Shah Alam, Selangor Darul Ehsan	1.6 kilometres
MSU Medical Centre	30 beds	Persiaran Olahraga, 40100 Shah Alam, Selangor Darul Ehsan	4.9 kilometres
Avisena Specialist Hospital	111 beds	Jalan Ikhtisas, Section 14, 40000 Shah Alam, Selangor Darul Ehsan	5.5 kilometres
Hospital Umra	35 beds	Jalan Bola Tampar 13/14, Section 13, 40100 Shah Alam, Selangor Darul Ehsan	5.1 kilometres
Columbia Asia Extended Care Hospital	66 beds	Jalan Baung 17/22, Section 17, 40200 Shah Alam, Selangor Darul Ehsan	6.4 kilometres
Columbia Asia Hospital	77 beds	Persiaran Anggerik Eria, Bukit Rimau, Section 32, 40460 Shah Alam, Selangor Darul Ehsan	9.4 kilometres
Government Hospital			
Hospital Shah Alam	-	Persiaran Kayangan, Section 7, 40000 Shah Alam, Sleangor Darul Ehsan	9.1 kilometres

Source: MOH

The Site

The subject site is a parcel of corner plot and rectangular in shape. It has a frontage of about 161.236 metres (529 feet) and 117.354 metres (385 feet) onto Jalan Singa 20/1 and Persiaran Tengku Ampuan along its southern and eastern site boundaries, respectively.

The Buildings

Brief details of the development, extension and renovation of SSH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1995 / 1996	A 6-storey main building together with a basement	Approved by Bomba and Majlis Perbandaran Shah Alam ("MPSA") vide plan nos. JBM/PK 36517 and MPSA/B/PC/SEK.20/145-94 on 24 June 1995 and 30 August 1995, respective. CF bearing certificate no. 3661 was issued by MPSA on 30 October 1996.
2012	A 5-storey car park block together with a half basement level and an open roof level	Approved by Majlis Bandaraya Shah Alam ("MBSA") (formerly MPSA) vide plan no. MBSA/BGN/BB/600-2(PB)/SEK 20/00512012 on 28 May 2012. CCC bearing certificate no. LAM/S 7822 was issued by MBSA on 1 October 2012.
2016	A 9-storey consultant block	Approved by MBSA vide plan no. MBSA/BGN/BB/600-2(PB)/SEK 20/0267-2015 on 30 June 2016. CCC bearing certificate no. 16677 was issued by MBSA in year 2016.

At the date of our inspection, we noted that a new 9-storey consultant block which was constructed in 2016 at the eastern portion of the site. However, this block has yet to be sold to ART (trustee for Al-Aqar REIT) due to valid corporate reasons. Notwithstanding, in arriving at our opinion of the market value of SSH, we have excluded the 9-storey consultant block and other related reconfiguration and renovation related to it resulting in higher number of operational beds.

All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete frame with brick infills rendered externally and partly supporting steel roof trusses and purlins laid over with metal deck roofing sheets and partly of reinforced concrete flat roof.
Ceilings:	Generally of plaster boards with cornices incorporating downlights, mineral fibre boards incorporating fluorescent lights and cassette type air-conditioning system with the exception of the toilets which are of cement plaster.
Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The internal walls of the lift lobbies are generally lined with glazed wall tiles up to the ceiling height whilst the waiting area on the ground floor is partly lined with glazed wall tiles up to a height of about 0.915 metres (3 feet) and partly up to the ceiling height. The male and female toilets are lined with glazed wall tiles up to the ceiling height.
Doors:	Generally, the main entrance to the reception area on the ground floor is fitted with an automatically operated double leaf frameless glass panelled door. Other doors are generally of fire rated timber door, timber flush door, timber panelled door incorporating glass panels, automatically operated double leaf frameless glass panelled doors and PVC doors.
Windows:	Generally of aluminium casements incorporating glass panels and top hung units.
Floors:	Generally finished homogeneous tiles, ceramic tiles, marble slabs, heavy duty vinyl floor and cement screed.

Generally, the buildings are equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical movement between floors is by means of four units of passenger lifts (each with a capacity of 1,635 kilogrammes / 24 persons to 1,640 kilogrammes), a Bomba lift (with a capacity of 1,635 kilogrammes / 24 persons), a service lift (with a capacity of 1,640 kilogrammes / 23 persons) and ten units of reinforced concrete staircases for each building. The medical centre buildings are equipped with medical gas supply system, nurse call button / intercom system and PABX system. Generally, all the buildings are installed with fire fighting systems.

Car Park Bays

There are 563 car park bays within SSH comprising 283 covered car park bays located within the car park block (north-western of the site) and 280 surface car park bays (inclusive of valet parking) provided at the north-eastern and south-eastern portions, respectively, of the site and along the circulation area of the site. All the car park areas are being managed by Infinite Parking Sdn Bhd except for the drop off and emergency car parks.

GFA

The GFA computed by Rekakonsult and provided to us by DRMSB are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, RISM. The GFA and age of each building are tabulated as follows: -

Building	GFA		Age
	sq. m.	sq. ft.	(Year)
A 6-storey main building together with a basement	19,290	207,636	25
A 5-storey car park block together with a half basement level and an open roof level	9,956	107,165	9
A guard house	4	43	25
Total	**29,250**	**314,844**	

Beds

Vide a licence to operate bearing licence no. 131005-00121-01/2019 (Borang 7 No. Siri: 002479) with 1 year 5 months validity from 26 June 2020 to 16 November 2021 as approved by MOH dated 3 August 2020, SSH is licenced to accommodate 184 beds (inclusive of ICU and isolation beds), 18 cots, 32 dialysis chairs, 4 dialysis beds and 1 dental chair.

From the prospectus of Al-Aqar REIT dated 24 July 2006 and prior to the construction of the 9-storey Consultant Block, we note that originally there were 165 operational beds. Originally, part of the ground floor of the 6-storey main building was occupied by the consultants' clinics. After the construction and completion of the 9-storey Consultant Block in December 2016, the consultants' clinics were moved to the Consultant Block. The original consultants' clinics in the 6-storey main building were converted to Haemodialysis and Rehabilitation units. We also note that the corporate office which was originally located within the 6-storey main building had been shifted to the 9-storey Consultant Block. The corporate office area had been converted into an additional 10 beds (Inpatient Unit). Thus, the existing total beds are 175 beds.

The 9-storey Consultant Block has yet to be sold to Al-Aqar REIT due to valid corporate reasons. Notwithstanding, in arriving at our opinion of the Market Value of the SSH, we have excluded the 9-storey Consultant Block and other related reconfiguration and renovation related to it resulting in higher number of operational beds and we have adopted our projections based on 165 beds.

The beds are classified into VIP suite, single bedded room, two bedded room, four bedded room, ICU room and isolation room.

The configuration of hospital beds, number of rooms and rates are as follows: -

Bed	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
VIP Suite	450 - 900	7	7
Single Bedded	195 - 380	62	62
Two Bedded	140 - 280	32	64
Four Bedded	95 - 180	8	32
Sub Total		**109**	**165**
10 additional beds resulting from the conversion of corporate office which have been excluded in the valuation	195 - 380	10	10
Total (Operational Beds)		**119**	**175**
ICU	350	7	7
Isolation Room	450 / 550	2	2
Total		**9**	**19**
Grand Total (Licenced Beds)		**128**	**184**

Source: Selangor Specialist Hospital Sdn Bhd ("SSHSB")

Facilities and Services:	Other medical facilities provided in SSH comprise as follows: -

Other medical facilities	No. of Bed / Room
Operate Theatre (OT) Room	5
Labour room	4
Nursery	1
CSSD	1
Cardiac Catheterization Lab	1

Source: SSHSB

SSH also provides the following services: -

Clinical Disciplines	Facilities and Services
• Anaesthesiology & Critical Care • Cardiology • Physician • General Medicine • General Surgery • Nephrologist • Ear, Nose & Threat • Orthopaedic • Paediatric • Gastroenterology • Radiology Services • Laboratory Services • Obstetrician & Gynaecology • Opthalmology • Neuro Surgery • Urology • Endocrinology • Haemodialysis Services • Special Diagnostic Services (SDU) • Dietetic Services • Diabetic Services • Physiotheraphy Services • Medical Record Services	• 24 hours A&E services • Delivery Suites • Diagnostic Imaging which includes 1.5 Tesla MRI, Mammography, X-Ray and Ultrasound • Ultrasound Endoscopy & OGDS, Colonoscopy and ERCP procedure • Catheterization Laboratory equipped with Angiogram for Angioplasty and other Interventional Cardiology such as Echocardiogram Test, Trans Oesophagus Echo, ECG, Stress ECG & etc. • Dietetic Counseling Service • 3D Ultrasound • Heart Centre • Home Nursing; Physiotherapy & Nursing Care • Intensive Care Unit / Cardiac Care Unit / High Dependency Care Unit • Immunization and Vaccination • In House 24 Hour Pharmacy • 24 hours Laboratory Services • Neonate ICU / Neonate HDU • Operation Theatres and Day Care Surgery • Premier Screening & Wellness Centre • Rehabilitation Medicine • Renal & Dialysis Centre • Special Care Nursery • Special Diagnostic Centre

Source: SSHSB

Consultants / Clinics:	As at the date of valuation, as provided to us by the client, SSH is supported by 78 consultants / doctors.
Planning Details:	SSH is located within an area designated for commercial use. All the buildings and renovation works are issued with CF and CCC as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Selangor Specialist Hospital Sdn Bhd (SSHSB or Lessee) and DRMSB (Manager). We note that SSH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of SSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate of Beds Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	**2022**	**2023**	**2024**	**2025**
61.75%	64.84%	68.08%	71.48%	75.05%

b)	No. of Inpatient Admitted Days	2.61
c)	Ratio of No. of Outpatient / Inpatient	9.52

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM 863
b)	Consultant Outpatient Revenue Per Person	RM 99
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,141
d)	Hospital Outpatient Revenue Per Person	RM 249

Expenses

a)	Cost Of Sale		
	i) Material	25.8%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	15.8%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	
b)	Undistributed Operating Expenses		
	i) Administrative & General	11.7%	of Total Operating Revenue
	ii) Sales & Marketing	0.5%	
	iii) POMEC	5.2%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM412,588.90
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM405,537.78
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM7,000,000
f)	Terminal Capitalisation Rate	9.25%	SSH has an unexpired leasehold interest of about 75.47 years
g)	Discount Rate	11.25%	

2. Cost Approach

In arriving at the Market Value of the land component, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Title No. / Town / District / State:	PT No. 32, Section 14 / HS(D) 142037 / Town of Shah Alam / District of Petaling / Selangor Darul Ehsan	Lot 91083, Section 13 / Pajakan Negeri 110614 / Town of Shah Alam, District of Petaling / Selangor Darul Ehsan	PT No. 38, Section 14 / HS(D) 142043 / Town of Shah Alam / District of Petaling / Selangor Darul Ehsan	PT No. 294, Section 3 / HS(D) 266275 / Town of Shah Alam / District of Petaling / Selangor Darul Ehsan
Property Type:	A parcel of commercial land with dual access (Intermediate)	A parcel of commercial land with dual access (Corner)	A parcel of commercial land with triple access (Corner)	A parcel of commercial land with single access (Intermediate)
Location:	Located along Persiaran Perbandaran	Located along Jalan Rugbi 13/30 @ Persiaran Sukan	Located along Jalan 14/3	Located along Jalan 3/9A
Category of Land Use:	Building	Building	Building	Building
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	99-year leasehold interest expiring on 17 December 2099 (unexpired term of about 78.94 years)	99-year leasehold interest expiring on 22 January 2102 (unexpired term of about 81.04 years)	99-year leasehold interest expiring on 17 December 2099 (unexpired term of about 78.94 years)	99-year leasehold interest expiring on 11 March 2085 (unexpired term of about 64.16 years)
Land Area (sq. ft.):	111,557	134,893	107,413	32,421
Consideration:	RM32,000,000	RM38,000,000	RM34,000,000	RM7,600,000
Date Of Transaction:	08 May 2020	28 May 2019	31 December 2018	28 February 2018
Vendor:	Majlis Bandaraya Shah Alam	Equipark Sdn Bhd	Avisena Holdings Sdn Bhd	Kualiti Megamas Sdn Bhd
Purchaser:	Puncak Niaga Holdings Berhad	Ara Ville Sdn Bhd	Lembaga Zakat Selangor (MAIS)	Lovely Century Sdn Bhd
Analysis (psf):	RM286.85	RM281.70	RM316.54	RM234.42
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM269.91	RM256.41	RM250.63	RM248.77
Market Value Of Land:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 1 which has the least dissimilarities against the subject property as fair representation of the market value of the land, as per practice in the industry. We have adopted the adjusted value of **RM269.91 psf** as fair representation which translates into a market value of the commercial land of **RM55,154,160**.			

Source: Valuation and Property Services Department, Ministry of Finance

The GCRCN of the buildings is RM76,944,472. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM43,101,781. Thus, the Market Value derived from the Cost Approach is RM98,255,941 and we have rounded down to RM98,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM100,000,000	**RM100,000,000**	We have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of SSH supported by the Cost Approach.
Cost Approach	RM98,000,000		

CHESTON INTERNATIONAL

Property No. 6

a. **Salient Details**

Date of Inspection and Valuation:	29 January 2021
Identification / Type of Property / Property Address:	A purpose built private specialist medical centre known as KPJ Ipoh Specialist Hospital ("ISH"), identified as PT No. 254356, held under Title No. HS(D) 221754, (formerly Lot 9826N, Lot 10259, Lot 9306N and Lot 34494, held under Title No. Pajakan Negeri 257171, Pajakan Negeri 6451, Pajakan Negeri 346406 and Pajakan Negeri 154468, respectively), Town of Ipoh (U), District of Kinta, Perak Darul Ridzuan, bearing postal address No. 26, Jalan Raja Dihilir, 30350 Ipoh, Perak Darul Ridzuan.
Title Particulars:	

Tenure:	Interest in perpetuity
Provisional Title Land Area:	13,203 sq. m. / 142,116 sq. ft.
Registered Proprietor:	AmanahRaya Trustees Berhad (as Trustee)
Category of Land Use:	Building
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad, registered on 8 November 2018

Location

ISH is located along the northern (right) side of Jalan Raja Dihilir traveling from Tambun towards Ipoh Old Town. It is accessible from various parts of the Ipoh town with the common accessibility via Jalan Tambun and Jalan Raja Dihilir. Prominent landmarks in the vicinity include the Palace of Deputy Crown Prince (Raja Dihilir), the residence of Menteri Besar Perak and the Department of Culture and Arts, Perak. Ipoh Railway station is located about 3 kilometres (1.86 miles) to the west of ISH.

Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity	Location	Distance from ISH
Private Medical Centre			
Kinta Medical Centre	46 beds	No. 20A, Jalan Chung Thye Phin, 30250 Ipoh, Perak Darul Ridzuan	1.5 kilometres
Pantai Hospital Ipoh	224 beds	No. 126, Jalan Tambun, 31400 Ipoh, Perak Darul Ridzuan	3.0 kilometres
Hospital Fatimah	236 beds	No. 1, Jalan Chew Peng Loon, Off Jalan Dato Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan	4.0 kilometres
Perak Community Specialist Hospital	69 beds	No. 277, Jalan Raja Permaisuri Bainun, 30250 Ipoh, Perak Darul Ridzuan	5.0 kilometres
Government Hospital			
Hospital Raja Permaisuri Bainun	-	Jalan Raja Ashman Shah, 30450 Ipoh, Perak Darul Ridzuan	2.2 kilometres

Source: MOH

The Site

The site comprises a parcel of intermediate plot, near trapezoidal in shape and has a frontage onto Jalan Raja Dihilir along it's southern site boundary.

The Buildings

Brief details of the development, extension and renovation of ISH are as follows: -

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1980 / 1981	A 3-storey main building (Old Wing)	CF bearing certificate no. A3009 was issued by Majlis Perbandaran Ipoh ("MPI") on 19 June 1981.
1990 / 1992	Extension of the existing 3-storey building (Old Wing)	Approved by Majlis Bandaraya Ipoh ("MBI") (formerly MPI) vide plan nos. F2/11/6/1805/90 and F2/11/9/3338/91 on 29 November 1990. CF bearing certificate no. B2918 was issued by MBI on 20 November 1992.
1999	Extension and renovation of the existing 3-storey building (Old Wing)	Approved by MBI vide plan no. MBI F2/9/13/421/98 dated 17 November 1999.
2004 / 2007 / 2008	A 5-storey building with a basement (New Wing)	Approved by MBI vide plan nos. MBI F2/11/5/161/03, MBI F2/11/14/1184/06, MBI F2/L/B/7/68/915/07 and MBI OSC(026-B)L/B/7/4/28/08 on 13 January 2004, 05 March 2007, 23 October 2007 and 18 April 2008, respectively. CCC bearing certificate no. B8850 was issued by MBI on 05 June 2008.
2016	Renovations of kitchen area of the existing 3-storey building (Old Wing)	Approved by MBI vide plan no. OSC (118-B)L/B/7/43/123/16 on 14 September 2016.
2019	Renovations of HDU, Ward 3 and Ward 5 of the existing 3-storey private specialist medical centre building (Old Wing)	Approved by MBI vide plan no. OSC (351-B)L/B/7/92/399/18 on 14 March 2019.

All the above mentioned buildings are of similar construction and the details of the specification are as follows: -

Buildings:	Constructed of reinforced concrete frame with brick infills rendered externally and plastered internally supporting partly metal roof trusses and purlins laid over with metal deck roofing sheets and partly of concrete flat roof.
Ceilings:	Generally of plaster boards with cornices incorporating downlights, mineral fibre boards incorporating fluorescent lights and air-conditioning ducting with the exception of the toilets which are of flat ceiling sheets.

Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The male and female toilets are lined with glazed wall tiles up to the ceiling height.
Doors:	Generally, the main entrance to the reception area on the first floor is fitted with an automatically operated double leaf frameless glass panelled door. Other doors are generally of fire rated timber door, timber flush door, timber panelled door incorporating glass panels, an automatically operated double leaf frameless glass panelled door and PVC doors.
Windows:	Generally of aluminium casements incorporating glass panels and top hung units.
Floors:	Generally finished vinyl tiles, glazed marble slabs and ceramic tiles.

Generally, the medical centre buildings are equipped with centralised air-conditioning system, with some rooms fitted with additional split-unit air conditioners. Vertical movement between floors is by means of four units of passenger lifts (each with a capacity of 1,560 kilogrammes / 23 persons), a service lift (with a capacity of 1,000 kilogrammes / 15 persons) and twelve units of reinforced concrete staircases. The medical centre buildings are equipped with medical gas supply system, nurse call button / intercom system and PABX system. Generally, all the buildings are installed with fire fighting systems.

Car Park Bays

There are 197 car park bays within ISH comprising 167 covered car park bays and 30 surface car park bays provided at the southern portion of the site and along the circulation area of the site.

GFA

The GFA computed by SN Low & Associates Sdn Bhd and provided to us by DRMSB are in line with our measurement in accordance with the Uniform Method of Measurement of Buildings, RISM. The GFA and age of each building are tabulated as follows: -

Building	GFA		Age (Year)
	sq. m.	sq. ft.	
i) A 3-storey main building (Old Wing)	12,665.01	136,325	40
iia) A 5-storey building with a basement (New Wing)	14,384.56	154,834	13
iib) A basement and ground floor car parks (New Wing)	5,205.36	56,030	
Total	**32,254.94**	**347,189**	

Beds

Vide a licence to operate bearing licence no. 130803-00150-01/2020 (Borang 4 No. Siri: 005109) with 3 years validity from 25 May 2020 to 24 May 2022 as approved by MOH dated 18 June 2020, we note that ISH is permitted to operate 264 beds ((inclusive of ICU, CICU and HDU)), 24 cots, 37 basinets and 41 dialysis chairs. From the prospectus of Al-Aqar REIT dated 24 July 2006, we note that originally there were 138 operational beds and about 66 additional beds (total 204 operational beds) proposed to be included which had been considered in the acquisition. Since, the beds were gradually increased to 225 beds. However, in year 2020 the operational beds have been reduced from 225 beds to 219 beds as 38 beds in Ward 3 were reconfigured to 35 beds and 27 beds in Ward 5 were reconfigured to 24 beds. Thus, total reductions in the operational beds were 65 whilst the total additions were 59. We note from the average occupancy rate, number of inpatients of the ISH over the past 5 years that the occupancy rate has been on the declining trend. In light of the above, the reconfiguration and reduction of the 6 beds are regarded as business strategy to add revenue to ISH and we have adopted existing 219 beds in our projections. The beds are classified into executive suite, single deluxe, single room, double room, three bedded room, four bedded room, eight bedded room, ICU, CICU and HDU.

The configuration of hospital beds, number of rooms and rates are as follows: -

Hospital Bedded	Rate Per Bed Per Night (RM)	No. of Room	No. of Bed
Executive Suite	1,338	1	1
Single Deluxe	250 - 338	13	13
Single Room	150 - 250	27	27
Double Room	80 - 170	44	88
Three Bedded	70 - 90	6	18
Four Bedded	65 - 90	10	40
Eight Bedded	70	4	32
Total (Operational Beds)		**105**	**219**
ICU	220	14	14
CICU	200	1	3
HDU	100		6
Provision for future expansion			22
Total		**15**	**45**
Grand Total (Licenced Beds)		**120**	**264**

Source: Ipoh Specialist Hospital Sdn Bhd ("ISHSB")

Facilities and Services: Other medical facilities provided in ISH comprise as follows: -

Other medical facilities	No. of Bed / Room
Operation Theatre (OT) Room	7
Labour Room	3
Nursery	2
CSSD	1
Catheterization Lab	1
Lasik	1

Source: ISHSB

CHESTON INTERNATIONAL

	ISH also provides the following services: - **Clinical Disciplines** • Anaesthesiology & Critical Care • Cardiology • Physician • General Medicine • General Surgery • Nephrology • Ear, Nose & Threat • Orthopaedic • Paediatric • Gastroenterology • Radiology Services • Laboratory Services • Obstetrician & Gynaecology • Opthalmology • Neurology • Urology • Geriatric Services • Haemodialysis Services • Special Diagnostic Services (SDU) • Dietetic Services • Diabetic Services • Physiotheraphy Services • Medical Record Services • Haematology **Facilities and Services** • 24 hours A&E services • Diagnostic Imaging which Includes General Diagnostic Radiology, CT Scan, MRI, Bone Densitometry, Digital Mammography with Tomosynthesis (3D) & Fluoroscopy • Dietetic Counseling Service • 3D/4D Ultrasound • Heart Centre • Home Nursing; Physiotherapy & Nursing Care • Intensive Care Unit / Cardiac Care Unit / High Dependency Care Unit • Immunization and Vaccination • In House 24 Hour Pharmacy • 24 hours Laboratory Services • Neonate ICU / Neonate HDU • Operation Theatres and Day Care Surgery • Premier Screening & Wellness Centre • Rehabilitation Medicine • Renal & Dialysis Centre • Special Care Nursery • Special Diagnostic Centre *Source: ISHSB*
Consultants / Clinics:	As at the date of valuation, as provided to us by the client, ISH is supported by 114 consultants / doctors.
Planning Details:	ISH is located within an area designated for commercial use. All the buildings and renovation works are issued with CF and CCC as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 30 June 2006 made between Al-Aqar REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, Ipoh Specialist Hospital Sdn Bhd (ISHSB or Lessee) (formerly Medical Associates Sdn Bhd) and DRMSB (Manager), we note that ISH has been leased for a term of fifteen (15) years with an option to renew for a further term of fifteen (15) years, subject to the terms and conditions to be agreed by the parties. The Lease commenced on 30 June 2006 and expires on 29 June 2021. This valuation is carried out pursuant to the proposed renewal of the lease of ISH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate of Beds Adopted

Year 1	Year 2	Year 3	Year 4	Year 5
2021	**2022**	**2023**	**2024**	**2025**
67.00%	69.35%	71.78%	74.29%	76.89%

b)	No. of Inpatient Admitted Days	2.64
c)	Ratio of No. of Outpatient / Inpatient	9.90

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM 908
b)	Consultant Outpatient Revenue Per Person	RM 89
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,024
d)	Hospital Outpatient Revenue Per Person	RM 167

Expenses

a)	Cost of Sale		
	i) Material	33.9%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	12.6%	of Gross Operating Revenue
	iii) Operating Overhead	We have adopted 5% per annum escalation throughout our projection as fair and reasonable representation	

b)	Undistributed Operating Expenses		
	i) Administrative & General	10.8%	of Total Operating Revenue
	ii) Sales & Marketing	0.1%	
	iii) POMEC	4.3%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM132,686.50
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM379,648.92
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM8,600,000
f)	Terminal Capitalisation Rate	8.00%	ISH has an interest in perpetuity
g)	Discount Rate	10.00%	

2. Cost Approach

In arriving at the Market Value of the land component, we have adopted the Market/Comparison Approach. The following sale evidences, amongst others, are considered suitable comparables and adopted: -

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No. / Town / Mukim / District / State:	Lot 3506N / Town of Ipoh (N) / District of Kinta / Perak Darul Ridzuan	Lot 4380S / Town of Ipoh (S) / District of Kinta / Perak Darul Ridzuan	Lot 14741S / Town of Ipoh (S) / District of Kinta / Perak Darul Ridzuan	Lot 2598S / Town of Ipoh (S) / District of Kinta / Perak Darul Ridzuan
Title No.:	Geran 38323	Geran 60183	Pajakan Negeri 363294	Geran 55092
Location:	Located off Jalan Sultan Abdul Jalil	Located along Jalan Sultan Nazrin Shah	Located along Jalan Sultan Nazrin Shah	Located along Jalan Raja Dihilir
Property Type:	A parcel of development land potential for commercial use (Intermediate)	A parcel of development land potential for commercial use currently being used as car park (Corner)	A parcel of commercial land (Corner)	A parcel of development land potential for commercial use (Intermediate)
Location:	Located off Jalan Sultan Abdul Jalil	Located along Jalan Sultan Nazrin Shah	Located along Jalan Sultan Nazrin Shah	Located along Jalan Raja Dihilir
Category of Land Use:	Building	Building	Building	Building
Town Planning:	Residential	Commercial	Commercial	Residential
Tenure:	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring on 09 January 2106 (unexpired term of about 85 years)	Interest in perpetuity
Land Area (sq. ft.):	21,834	41,627	73,834	46,963
Consideration:	RM3,602,676	RM8,800,000	RM13,718,842	RM8,922,980
Date Of Transaction:	06 March 2019	08 August 2018	10 April 2018	10 July 2017
Vendor:	Liew Hoong Thoe	Aun Huat & Brothers Sdn Bhd	Perbadanan Pembangunan Negeri Perak	Lim Sai Tat, Lim Shyh Kuan and Wong Kam Poh
Purchaser:	One Roof Development Sdn Bhd	Capital Pi Sdn Bhd	Child's Partner (M) Sdn Bhd	Lee Seng Hee
Analysis (psf):	RM165.00	RM211.40	RM185.81	RM190.00
Adjustment Factors Considered:	Market condition due to the impact of the Covid-19 pandemic (time), location and accessibility, corner/end premium, shape, category of land use/express condition, planning approval/development order, restriction in interest, size/quantum allowance and tenure.			
Adjusted Value Of Land (psf):	RM202.12	RM195.55	RM196.91	RM194.75
Market Value of Land:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 4 which has the least dissimilarities against the subject property as fair representation of the market value of the land, as per practice in the industry. We have adopted the adjusted value of **RM194.75 psf** as fair representation which translates into a market value of the commercial land of **RM27,677,119.**			

Source: Valuation and Property Services Department, Ministry of Finance

The GCRCN of the buildings is RM97,417,113. Depreciation is adopted at a rate of 2% per annum. The DRC of the buildings is RM52,147,300. Thus, the Market Value derived from the Cost Approach is RM79,824,419 and we have rounded up to RM80,000,000.

3. Reconciliation and Opinion of Values

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM122,000,000	**RM122,000,000**	We have considered the market value derived from the Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of ISH supported by the Cost Approach.
Cost Approach	RM80,000,000		

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and they collectively and individually accept full responsibility for the accuracy of the information contained herein 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. CONSENT

2.1 AmInvestment Bank

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

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

AmInvestment Bank, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of its holding company ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of the Al-`Aqar.

As at LPD, the AmBank Group has extended credit facilities of RM1.0 million to Al-`Aqar.

AmInvestment Bank is the Principal Adviser to both Al-`Aqar and KPJ in relation to the Proposed Lease Renewal. Al-`Aqar and KPJ have respectively appointed independent advisers, to advise the non-interested unitholders of Al-`Aqar, the non-interested shareholders of KPJ and non-interested directors of the Manager and KPJ respectively, in relation to the Proposed Lease Renewal.

Save for the above, AmInvestment Bank is of the view that its role as the Adviser for the Proposed Lease Renewal is not likely to result in a conflict of interest or potential conflict of interest situation for the following reasons:-

(i) AmInvestment Bank's role in the Proposed Lease Renewal is undertaken in the ordinary course of business; and

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

Premised on the above, AmInvestment Bank confirms that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser in respect of the Proposed Lease Renewal.

2.2 MainStreet Advisers Sdn Bhd

MainStreet Advisers Sdn Bhd, being the independent adviser for the Proposed Lease Renewal, has given and has not subsequently withdrawn their written consent for the inclusion in this Circular of their names, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

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

2.3 Cheston International (KL) Sdn Bhd

Cheston International (KL) Sdn Bhd, being the independent valuer for the Proposed Lease Renewal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the valuation certificates in respect of the Properties as set out in Appendix I of this Circular and all references thereto in the form and context in which they so appear in this Circular.

Cheston has given its written confirmation that it is not aware of any conflict of interest which exists in its capacity as the independent valuer for the Proposed Lease Renewal.

3. MATERIAL COMMITMENTS

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

4. CONTINGENT LIABILITIES

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

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of DRMSB following the date of this Circular from Sundays to Fridays (except public holidays) during business hours up to the date of the EGM:-

(i) the Second Restated Deed dated 25 November 2019;

(ii) the Principal Lease Agreements;

(iii) the Lease Agreements;

(iv) the Letters dated 6 April 2021;

(v) the Valuation Reports of the Properties;

(vi) the audited consolidated financial statements of the Al-`Aqar Group FY 2019 and FY 2020; and

(vii) the letters of consent referred to in Section 2 above.

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 and further amended and restated by the Second Restated Deed dated 25 November 2019, entered into between Damansara REIT Managers Sdn Berhad and AmanahRaya Trustees Berhad, both companies incorporated in Malaysia under the laws of Malaysia and the persons who are for the time being registered as holders of the units in Al-`Aqar Healthcare REIT)

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 on a fully virtual basis at the Broadcast Venue: Unit 1-19-02, Block 1, V Square, Jalan Utara, 46200 Petaling Jaya, Selangor, on Thursday, 10 June 2021, at 11:00 a.m. to transact the following businesses:

ORDINARY RESOLUTION 1

PROPOSED LEASE RENEWAL

"THAT approval be and is hereby given to AmanahRaya Trustees Berhad, being the trustee for and on behalf of Al-`Aqar Healthcare REIT ("**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 subsidiaries of KPJ Healthcare Berhad ("**Subsidiaries**") 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 24 May 2021) in relation to the following hospitals:-

	Subsidiaries	Hospital
(i)	Ampang Puteri Specialist Hospital Sdn Bhd	KPJ Ampang Puteri Specialist Hospital
(ii)	Rawang Specialist Hospital Sdn Bhd	KPJ Damansara Specialist Hospital
(iii)	Ipoh Specialist Hospital Sdn Bhd	KPJ Ipoh Specialist Hospital
(iv)	Johor Specialist Hospital Sdn Bhd	KPJ Johor Specialist Hospital
(v)	Pasir Gudang Specialist Hospital Sdn Bhd	KPJ Puteri Specialist Hospital
(vi)	Selangor Specialist Hospital Sdn Bhd	KPJ Selangor Specialist Hospital

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 Manager of Al-`Aqar Healthcare REIT)

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

Dated: 24 May 2021

Notes:-

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

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

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

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

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

6. Only Unitholders registered in the Record of Depositors as at 3 June 2021 shall be entitled to attend and speak at the EGM or appoint proxy(ies) to attend on his/her behalf.

7. Unitholders can register online to participate in the EGM via ***https://vps.megacorp.com.my/DyfVjb***.

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.

IMPORTANT NOTICE:-

In view of the outbreak of COVID-19 which is now a global pandemic, Al-`Aqar has in place rules and control for the EGM in order to safeguard the health of attendees at the EGM. You are requested to read and adhere to the Administrative Guide issued which is published in the Al-`Aqar's website at www.alaqar.com.my. Unitholders are also reminded to monitor the Al-`Aqar's website and announcements from time to time for any changes to the EGM arrangement.

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 and further amended and restated by the Second Restated Deed dated 25 November 2019, entered into between Damansara REIT Managers Sdn Berhad and AmanahRaya Trustees Berhad, both companies incorporated in Malaysia under the laws of Malaysia and the persons who are for the time being registered as holders of the units in Al-`Aqar Healthcare REIT)

Form of Proxy

I/We*____
(FULL NAME, NRIC NO./COMPANY NO. IN BLOCK LETTERS)

of____
(FULL ADDRESS)

with email address ______________________________ mobile phone no ____________________

being a Unitholder/Unitholders of Al-`Aqar Healthcare REIT, hereby appoint Chairman of the Extraordinary General Meeting (“**EGM**”), or

____
(FULL NAME AND NRIC NO.)

of____
(FULL ADDRESS)

with email address ______________________________ mobile phone no : ____________________

or, failing him/her____
(FULL NAME AND NRIC NO.)

of____
(FULL ADDRESS)

with email address ______________________________ mobile phone no : ____________________

as my/our* Proxy to vote for me/us* on my/our* behalf at the EGM of the Unitholders of Al-`Aqar Healthcare REIT to be held on a fully virtual basis at the Broadcast Venue: Unit 1-19-02, Block 1, V Square, Jalan Utara, 46200 Petaling Jaya, Selangor, on Thursday, 10 June 2021, at 11.00 a.m. and at any adjournment thereof.

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

	FOR	AGAINST
ORDINARY RESOLUTION 1 PROPOSED LEASE RENEWAL		

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

For appointment of two (2) proxies, number of unit and percentage of unit holding to be represented by each proxy		
	No of units	% of unit holding
Proxy 1		
Proxy 2		
Total		

____
Signature(s) / Common Seal of Company

Dated this …………...day of………………………. 2021...

NO. OF UNITS HELD	CDS ACCOUNT NO

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

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.*

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6. *Only Unitholders registered in the Record of Depositors as at 3 June 2021 shall be entitled to attend and speak at the EGM or appoint proxy(ies) to attend on his/her behalf.*

7. *Unitholders can register online to participate in the EGM via **https://vps.megacorp.com.my/DyfVjb**.*

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

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries

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

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