THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

A JCORP Company

KPJ HEALTHCARE BERHAD

(Registration No. 199201015575 (247079-M))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under Companies Act, 2016)

CIRCULAR TO SHAREHOLDERS 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

Affin Hwang Investment Bank Berhad

(Registration No. 197301000792 (14389-U))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

BDO Capital Consultants Sdn Bhd

(Registration No. 199601032957 (405309-T))

The Extraordinary General Meeting ("**EGM**") of KPJ Healthcare Berhad ("**KPJ**" or "**Company**") will be conducted virtually using the remote participation and voting ("**RPV**") facilities provided by the poll administrator via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: DIA282781) and will be held on Tuesday, 22 August 2023 at 3.00 p.m. or any adjournment thereof. The Notice of the EGM together with the Proxy Form are enclosed in this Circular and are available for download from our Company's website at https://kpj.listedcompany.com/egm.html

As a shareholder, you are encouraged to go online, participate, and vote at the EGM using the RPV facilities. If you wish to appoint a proxy to participate and vote on your behalf, you may deposit your Proxy Form at the office of the poll administrator at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, Bangsar South, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, you may lodge your Proxy Form by electronic means via TIIH Online website at https://tiih.online, not less than 48 hours before the time set for holding the EGM as indicated below or any adjournment thereof.

Last date and time for lodging the Form of Proxy	:	Sunday, 20 August 2023 at 3.00 p.m.
Date and time of the EGM	:	Tuesday, 22 August 2023 at 3.00 p.m.

This Circular is dated 31 July 2023

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Affin Hwang IB or **Principal Adviser**	:	Affin Hwang Investment Berhad (Company Registration No. 197301000792 (14389-U))
Al-`Aqar	:	Al-`Aqar Healthcare REIT, a real estate investment trust established in Malaysia under the Deed
ART or **Trustee** or **Lessor**	:	AmanahRaya Trustees Berhad (Company Registration No. 200701008892 (766894-T)), being the trustee of Al-`Aqar
BDOCC or **Independent Adviser**	:	BDO Capital Consultants Sdn Bhd (Company Registration No. 199601032957 (405309-T)), being the independent adviser for the Proposed Lease Renewal
Board	:	Board of Directors of KPJ
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Cheston or **Independent Valuer**	:	Cheston International (KL) Sdn Bhd (Company Registration No. 200401008741 (647245-W)), being the independent valuer for the Proposed Lease Renewal
Circular	:	This circular to the shareholders of KPJ dated 31 July 2023 which sets out the details of the Proposed Lease Renewal
Contractual Term	:	The term of the Lease Agreements respectively, commencing from 1st October 2023 being the date of commencement of the lease
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 which is amended by the supplementary deed dated 29 December 2022, 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 KPJ
DRMSB or **Manager**	:	Damansara REIT Managers Sdn Berhad (Company Registration No. 200501035558 (717704-V)), being the manager of Al-`Aqar
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
FYE(s)	:	Financial year(s) ended / ending, as the case may be
IAL		Independent advice letter dated 31 July 2023 issued by the Independent Adviser in relation to the Proposed Lease Renewal as set out in Part B of this Circular
Initial Contractual Term	:	The initial 15-year contractual lease period under the Principal Lease Agreements that has expired on 28 February 2023
Interested Directors	:	The directors of KPJ who are deemed interested in the Proposed Lease Renewal as disclosed in Section 8, Part A of this Circular

Interested Major Shareholder	:	The major shareholder of KPJ who is deemed interested in the Proposed Lease Renewal as disclosed in Section 8, Part A of this Circular
Interested Parties	:	Collectively refers to the Interested Directors and Interested Major Shareholder
JCorp	:	Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995)
KJG	:	KPJ Kajang Specialist Hospital
KPJ or **Company**	:	KPJ Healthcare Berhad (Company Registration No. 199201015575 (247079-M))
KPJ Group or **Group**	:	KPJ and its subsidiary companies
KPJ Share(**s**) or **Share**(**s**)	:	Ordinary share(s) in KPJ
KTN	:	Kuantan Care & Wellness Centre
Lease Agreements	:	Lease agreements executed in escrow between the Trustee (for and on behalf of Al-`Aqar 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 as disclosed in Section 2, Part A of this Circular
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	24 July 2023, being the latest practicable date prior to the printing of this Circular
Major Shareholders	:	(i) Any person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is: (a) 10% or more of the total number of voting shares in the Company; or (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company, For the purpose of this definition, "**interest**" shall have the meaning of "**interest in shares**" given in Section 8 of the Act; and (ii) A major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Lease Renewal were agreed upon, a major shareholder of KPJ, its subsidiary or holding company
Memorandums of Extension	:	Memorandums of extension entered into between the Subsidiaries, Trustee and Manager in relation to the lease of the Properties dated 24 February 2023 to extend each of the lease periods from 1 March 2023 until 30 April 2023 with a right to extend for further 2 months up to 30 June 2023 at the Subsidiaries' request
MFRS	:	Malaysian Financial Reporting Standards
NA	:	Net assets attributable to the owners of the Company

Open Market Value	:	The reasonable and fair market value of the respective Properties as determined by the independent valuer or as may be varied, subject to mutual agreement by the Subsidiaries, Trustee and Manager
PDN	:	KPJ Perdana Specialist Hospital
PMC	:	Private medical centre
Properties	:	The properties as described in Section 2.1, Part A of this Circular in relation to KJG, PDN, SeKL and KTN and shall also include their respective 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, Trustee and Manager in relation to the Lease Agreements
Principal Lease Agreements	:	The initial lease agreements for the Properties dated 16 June 2008 entered into between the Subsidiaries, the Manager and Amanah Raya Berhad as the then trustee of Al-`Aqar KPJ REIT (now known as Al-`Aqar Healthcare REIT), and all the agreements/letters executed as supplemental thereto
Rental Rates	:	Collectively refers to the rental rates of the respective Properties as set out in Section 2.3 of this Circular
Rental Term	:	Each separate 3-year period within the Initial Contractual Term and/or Contractual Term
RM and sen	:	Ringgit Malaysia and sen respectively
SeKL	:	KPJ Sentosa KL Specialist Hospital
Subsidiaries or **Lessee(s)**		Collectively, refers to the following subsidiaries of KPJ: (i) Kajang Specialist Hospital Sdn Bhd (Company Registration No. 199101001486 (211797-T)); (ii) Perdana Specialist Hospital Sdn Bhd (Company Registration No. 199601034496 (406848-X)); (iii) Sentosa Medical Centre Sdn Bhd (Company Registration No. 197901006248 (50531-T); and (iv) Kuantan Wellness Center Sdn Bhd (Company Registration No. 198101010938 (77065-T)). "**Lessee**" shall refer to any one of them
Supplemental Memorandums of Extension	:	Supplemental Memorandums of Extension entered into between the Subsidiaries, Trustee and Manager in relation to the lease of the Properties on 26 June 2023 to amend and vary the terms of the Memorandums of Extension pending the execution of the Lease Agreements and further extend the lease period from 1 May 2023 until 30 June 2023 with an option to extend for a further period of 3 months up to 30 September 2023 at the Subsidiaries' request, and to execute the Lease Agreements in escrow
Valuation Certificate	:	Valuation certificate of the Properties prepared by the Independent Valuer attached as Appendix III of this Circular

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.

References to "we", "us", "our" and "ourselves" are to our Company, and where the context otherwise requires, our subsidiary companies. All references to "**you**" in this Circular are to the shareholders of KPJ.

TABLE OF CONTENTS

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED LEASE RENEWAL. THE INFORMATION IS DERIVED FROM AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS CIRCULAR. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR (INCLUDING THE APPENDICES AND THE IAL SET OUT IN PART B OF THIS CIRCULAR) WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED LEASE RENEWAL AT OUR FORTHCOMING EGM.

Key Information	Summary	Reference to Circular
Details of the Proposed Lease Renewal	The Trustee (representing Al-`Aqar), had executed the Lease Agreements in escrow with the respective Subsidiaries and the Manager, wherein Al-`Aqar agrees to renew the lease of the Properties to our Subsidiaries for a period of the Contractual Term from 1 October 2023, subject to the terms and conditions of the Lease Agreements.	Section 2
Rationale and Benefits for the Proposed Lease Renewal	The Proposed Lease Renewal will ensure that there are no disruptions to the ongoing operations of KPJ Group, and our Subsidiaries are able to continue operating at their existing locations.	Section 3
Risks in relation to the Proposed Lease Renewal	The Proposed Lease Renewal is subject to the approval of our shareholders and the unitholders of Al-`Aqar. The non-renewal of the lease of the Properties will result in our Subsidiaries not being able to continue its ongoing operations at the Properties and may have an impact on the long-term sustainability of our business.	Section 4
Effects of the Proposed Lease Renewal	(a) Issued share capital and substantial shareholders' shareholdings No effect on our issued share capital and substantial shareholders' shareholdings as no new KPJ Shares will be issued pursuant to the Proposed Lease Renewal. (b) Earnings and EPS There will continue to be depreciation and finance charges to our Group pursuant to MFRS 16 as a result of the Proposed Lease Renewal. The impact to the earnings and EPS of KPJ Group is not expected to be material for the FYE 31 December 2023. (c) NA, NA per Share and gearing There will be no material impact on our Company's consolidated NA, NA per Share and gearing.	Section 5
Approvals required and conditionality	The Proposed Lease Renewal is subject to the following approvals of: (i) our shareholders at the forthcoming EGM; and (ii) the unitholders of Al-`Aqar at its 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 of KPJ. In addition, the 4 separate Lease Agreements are not inter-conditional upon each other.	Section 7

Key Information	Summary	Reference to Circular
Interests of Directors, major shareholders and persons connected with them	The Proposed Lease Renewal is deemed to be related party transactions pursuant to the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholder in the Proposed Lease Renewal.	Section 8
Audit Committee's statement	Our Audit Committee (save for Dato' Mohd Redza Shah Bin Abdul Wahid and Rozaini Bin Mohd Sani), after taking into consideration all aspects of the Proposed Lease Renewal and the views of the Independent Adviser, is of the opinion that the Proposed Lease Renewal is: (i) fair, reasonable and on normal commercial terms; (ii) in the best interest of our Company; and (iii) not detrimental to the interest of the non-interested shareholders of our Company.	Section 10
Directors' statement and recommendation	Our Board, save for the Interested Directors, after having considered all aspects of the Proposed Lease Renewal, including the rationale and effects of the Proposed Lease Renewal, the basis and justifications for the Rental Rates and formula, the terms of the Lease Agreements, valuation of the Properties as ascribed by the Independent Valuer as well as the independent advice by the Independent Adviser, is of the opinion that the Proposed Lease Renewal is in the best interest of our Company. Accordingly, our 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 our Company's forthcoming EGM.	Section 11
Independent Adviser	The IAL from BDOCC is set out in Part B of this Circular. You should read the contents of this Circular (including the IAL) carefully before voting on the resolution pertaining to the Proposed Lease Renewal to be tabled at our Company's forthcoming EGM.	Section 12
Estimated timeframe for completion	Barring any unforeseen circumstances and subject to the required approvals being obtained, the Lease Agreements are expected to commence and be effective in the 4th quarter of 2023.	Section 14

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED LEASE RENEWAL

KPJ HEALTHCARE BERHAD
(Registration No. 199201015575 (247079-M))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under Companies Act, 2016)

Registered Office:

Level 13
Menara KPJ
238, Jalan Tun Razak
50400 Kuala Lumpur

31 July 2023

Board of Directors:

Datuk Md Arif Bin Mahmood	*(Non-Independent Non-Executive Chairman)*
Dato' Mohd Redza Shah Bin Abdul Wahid	*(Senior Independent Non-Executive Director)*
Mohamed Ridza Bin Mohamed Abdulla	*(Independent Non-Executive Director)*
Khairuddin Bin Jaflus	*(Independent Non-Executive Director)*
Hisham Bin Zainal Mokhtar	*(Independent Non-Executive Director)*
Lee Lai Fan	*(Independent Non-Executive Director)*
Shamsul Anuar Bin Abdul Majid	*(Non-Independent Non-Executive Director)*
Rozaini Bin Mohd Sani	*(Non-Independent Non-Executive Director)*
Prof Dato' Dr Azizi Bin Haji Omar	*(Non-Independent Non-Executive Director)*
Annie Binti Rosle	*(Non-Independent Non-Executive Director)*

To: The shareholders of KPJ

Dear Sir/Madam,

PROPOSED LEASE RENEWAL

1. INTRODUCTION

On 27 June 2023, Affin Hwang IB had, on behalf of the Board, announced that our Subsidiaries propose to enter into 4 separate lease agreements with ART, being the trustee for and on behalf of Al-`Aqar and DRMSB, being the manager of Al-`Aqar to renew the lease of the Properties.

The Proposed Lease Renewal is a related party transaction pursuant to the Listing Requirements by virtue of the interests of the Interested Directors and Interested Major Shareholder as detailed in Section 8 of this Circular.

Accordingly, the Board had, on 19 April 2023, appointed BDOCC as the Independent Adviser for the Proposed Lease Renewal to advise our non-interested shareholders.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED LEASE RENEWAL, TO SET OUT OUR BOARD'S (SAVE FOR THE INTERESTED DIRECTORS) RECOMMENDATION ON THE PROPOSED LEASE RENEWAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED LEASE RENEWAL TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (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 OUR COMPANY'S FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED LEASE RENEWAL

Our Subsidiaries had originally entered into the Principal Lease Agreements with the Trustee to lease the Properties held by Al-`Aqar on 16 June 2008.

The initial 15-year contractual lease period under the Principal Lease Agreements has expired on 28 February 2023. Subsequently our Subsidiaries, Trustee and Manager had entered into the Memorandums of Extension on 24 February 2023 to extend each of the lease periods from 1 March 2023 until 30 April 2023 with a right to extend for a further period of 2 months up to 30 June 2023 at our Subsidiaries' request. The monthly rent payable under the Memorandums of Extension is equivalent to the respective rent amount of the final month under the Initial Contractual Term.

The Lessor, had on 20 April 2023, received a letter from KPJ requesting for an extension of the extended contractual term for a further period of 2 months until 30 June 2023 and at the expiry, to extend for a further period of 3 months until 30 September 2023. On 26 June 2023, our Subsidiaries, Trustee and Manager entered into the Supplemental Memorandums of Extension to amend and vary the terms of the Memorandums of Extension pending the execution of the Lease Agreements, to extend the lease period for a further period of 2 months until 30 June 2023 with an option to extend for an additional period of 3 months until 30 September 2023 at the Subsidiaries' request, and to execute the Lease Agreements in escrow. The monthly rent payable under the Supplemental Memorandums of Extension is equivalent to the respective rent amount of the final month under the Initial Contractual Term.

It is noted that the Memorandums of Extension and Supplemental Memorandums of Extension were entered into between the Subsidiaries, Trustee and Manager prior to the Lease Agreements being finalised. Such interim extensions were entered into to extend the Initial Contractual Term under the Principal Lease Agreements as the parties did not manage to conclude discussions and finalise the terms of the Lease Agreements prior to the expiry of the Principal Lease Agreements and Memorandums of Extension, respectively.

No formula was used to compute the monthly rent payable for each Property under the Memorandums of Extension and Supplemental Memorandums of Extension as the parties had agreed that the monthly rent payable for the extended contractual term covered under Memorandums of Extension and Supplemental Memorandums of Extension shall be equivalent to the rental amount of the final month during the last Rental Term of the Principal Lease Agreement. The total monthly rent payable during the extended contractual term covered under the Memorandums of Extension and Supplemental Memorandums of Extension are as follows:

Property	**Monthly rent payable under the extended contractual term (1)** **RM**	**Total rent payable for the extended contractual term (1)** **RM**
KJG	301,800.49	2,112,603.43
PDN	272,081.94	1,904,573.58
SeKL	180,305.36	1,262,137.52
KTN	126,191.85	883,342.95
Total	**880,379.64**	**6,162,657.48**

Note:

(1) *Being 1 March 2023 up to 30 September 2023.*

Our Subsidiaries as listed below entered into the Lease Agreements in escrow with Trustee and Manager to renew the lease of the following Properties after the expiry of the lease periods as stipulated under the Supplemental Memorandums of Extension. The likelihood or possibility that any further changes will be made to the agreed terms of the Lease Agreements is low, unless you do not approve of the Proposed Lease Renewal at our forthcoming EGM and/or the unitholders of Al-`Aqar do not approve of the Proposed Lease Renewal at its EGM to be convened for the Proposed Lease Renewal. Nevertheless, our Company will comply with the Listing Requirements in the event of any subsequent changes made to the terms of the Lease Agreements.

The Lease Agreements will be dated upon fulfilment of the conditions precedent as stipulated in the Lease Agreements and the date of commencement of the following leases will be 1 October 2023:

Subsidiaries	**Properties**	**Contractual Term**
<u>Hospitals</u>		
(i) Kajang Specialist Hospital Sdn Bhd	KPJ Kajang Specialist Hospital	15 years with an option to extend for another 15 years
(ii) Perdana Specialist Hospital Sdn Bhd	KPJ Perdana Specialist Hospital	15 years with an option to extend for another 15 years
(iii) Sentosa Medical Centre Sdn Bhd	KPJ Sentosa KL Specialist Hospital	(1) 3 years with an option to extend for another 15 years
<u>Wellness Centre</u>		
(iv) Kuantan Wellness Center Sdn Bhd	Kuantan Care & Wellness Centre	(1) 3 years with an option to extend for another 15 years

Note:

(1) *Our management is currently deliberating on the future business directions for both SeKL and KTN, where the deliberation is expected to take approximately a year. In view of this, our management has decided to seek a shorter renewal lease period of 3 years for SeKL and KTN.*

2.1 Information on the Properties

The details of the Properties are as follows:

<table>
<tr><th></th><th>KJG</th><th>PDN</th><th>SeKL</th><th>KTN</th></tr>
<tr><td>Description</td><td>A 7-storey purpose-built private specialist medical centre together with a lower ground floor which partly accommodates dialysis/ haemodialysis area and partly car park area</td><td>A 5-storey purpose-built private specialist medical centre with a sub-basement</td><td>An 8-storey purpose-built private specialist medical centre together with a lower ground floor accommodating mechanical and equipment area and car park area</td><td>A three and a half storey private specialist medical centre (Block A) (Old Wing), a 5-storey private specialist medical centre (Block B) (New Wing), and ancillary buildings. KTN is currently operating as a dialysis, assisted living care, confinement and rehabilitation centres</td></tr>
<tr><td>Address</td><td>Lot No. 53903, Batu 14 3/4,
Jalan Cheras,
43000 Kajang,
Selangor Darul Ehsan</td><td>Lot PT 37 & 600 and Lot 684
(Level 1, 2 & 3),
Seksyen 14,
Jalan Bayam,
15200 Kota Bharu,
Kelantan Darul Naim</td><td>36, Jalan Chemur,
Kompleks Damai,
50400 Kuala Lumpur</td><td>No. 51,
Jalan Alor Akar,
Taman Kuantan,
25250 Kuantan,
Pahang Darul Makmur</td></tr>
<tr><td>Tenure</td><td>Freehold</td><td><table><tr><th>Lot</th><th>Tenure</th></tr><tr><td>Lot 657 (formerly PT 37)</td><td>66-year leasehold interest expiring on 25 May 2064</td></tr><tr><td>PT No. 705 (formerly PT 600)</td><td>66-year leasehold interest expiring on 8 May 2082</td></tr></table></td><td>Freehold</td><td>Freehold</td></tr>
<tr><td>Gross floor area (sq. ft.)</td><td>191,142</td><td>147,541</td><td>97,876</td><td>72,974</td></tr>
<tr><td>Age of buildings</td><td>17 years</td><td>21 years</td><td>25 years</td><td><table><tr><th>Building</th><th>Age</th></tr><tr><td>Block A (Old Wing)</td><td>37</td></tr><tr><td>Block B (New Wing)</td><td>22</td></tr></table></td></tr>
</table>

	KJG	PDN	SeKL	KTN
Net book value [(1)] **(RM'000)**	52,000	42,000	31,000	16,500
Market Value [(2)] **(RM'000)**	64,000	46,000	30,100	17,000

(Source: Management of KPJ and valuation reports by the Independent Valuer dated 5 April 2023)

Notes:

(1) Based on the fair values of the Properties as reported in Al-`Aqar's Annual Report for the financial year ended 31 December 2022.

(2) Based on the valuations conducted on each of the Properties by the Independent Valuer as at the respective dates of valuation as disclosed in Section 2.3 of this Circular.

Please refer to the valuation certificate of the Properties attached as Appendix III of this Circular for further details on the Properties.

2.2 Salient terms of the Lease Agreements

The salient terms of the Lease Agreements are as follows:

(I) <u>Conditions Precedent</u>

The Lease Agreements are conditional upon the fulfilment of the following conditions:

(a) the approval of the shareholders of KPJ, as the Lessee's ultimate holding company being obtained in respect of the Proposed Lease Renewal;

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

(c) any other regulatory and/or governmental authorities' approval, if required, to be obtained by the Lessee and/or KPJ and the Trustee, on behalf of Al-`Aqar.

(II) <u>Rental Term</u>

- **KJG and PDN**

  The term of the Lease Agreement shall be 15 years.

- **SeKL and KTN**

  The term of the Lease Agreement shall be 3 years.

(III) <u>Rent</u>

(i) The rent shall be denominated in RM and the formula for determination of the rent for the Properties is as follows:

- **KJG and PDN**

  (a) Rent formula

First Rental Term	Rent Formula
1st year	6.25% per annum x Open Market Value of the Property ("**Base Rent**")
2nd & 3rd year	2.00% incremental increase x rent for the preceding year.

(b) 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)	6.25% per annum x Open Market Value of the Property at the point of review, subject to: (i) a minimum rent of the Base Rent of the 1st year of the previous Rental Term; and (ii) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year.
2nd & 3rd year of every succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)	2.00% incremental increase x rent for the preceding year.

- **SeKL and KTN**

Rent formula

First Rental Term	Rent Formula
1st year	6.00% per annum x Open Market Value of the Property
2nd & 3rd year	2.00% incremental increase x rent for the preceding year.

(ii) The security deposit to be paid to the Lessor is equivalent to 2 times of the prevailing monthly rent and shall be retained in trust by the Trustee throughout the Contractual Term.

Please refer to Appendix I of this Circular for the other salient terms of the Lease Agreements.

For your information, under the Principal Lease Agreements, there was no rent formula used to determine the rent amount payable for the Properties for the 1st Rental Term of the Initial Contractual Term, being from 1 March 2008 to 28 February 2011. The collective rent amount payable per annum for the 1st Rental Term of the Initial Contractual Term is as shown below:

Year	Rent amount payable for the Properties RM
2008 (10 months)	8,270,230
2009	10,073,724
2010	10,212,690
2011 (2 months)	1,726,150
Total	**30,282,794**

The parties agreed to incorporate the following formula for subsequent rental review to determine the rent payable to the Lessor for the subsequent Rental Terms.

Second Rental Term	**Rent Review Formula**
1^{st} year of Second Rental Term	(10-year Malaysian Government Securities ("**MGS**") + 238 basis points ("**bps**")) x market value of the Properties at the point of review and subject to a minimum rental per annum as set out in the respective Principal Lease Agreement of each of the Properties and a maximum 2.00% incremental over the preceding year's rental amount.
2^{nd} & 3^{rd} year of Second Rental Term	2.00% incremental over the preceding year's rental amount.

Succeeding Rental Terms		**Rent Review Formula**
1^{st} year of every succeeding Rental Term as follows:	Year 7	(10-year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum of the prevailing market value of the Properties and a maximum 2.00% incremental over the preceding year's rental amount.
	Years 10 and 13	(10-year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum at the prevailing market value or purchase consideration of the Properties (whichever is higher) and any lease rental adjustment shall not be more than 2.00% incremental over preceding year's lease rental.
2^{nd} & 3^{rd} year of every succeeding Rental Term (Years 8, 9, 11, 12, 14, 15)		2.00% incremental over the preceding year's rental amount.

The rent amount and rent formula for the Principal Lease Agreements were negotiated and agreed between the parties then, after taking into account the appropriate yield rates and prevailing yield rates in the market, amongst others. For the Lease Agreements, the parties adopted fixed rental rates of 6.00% and 6.25% after taking into consideration, amongst others, the prevailing market yield rates and valuations conducted by their respective independent valuers. There were no changes to the yearly incremental rental rate of 2.00% for the 2^{nd} and 3^{rd} year of each Rental Term.

A comparison between the salient terms of the Principal Lease Agreements and Lease Agreements is set out in Appendix II of this Circular.

2.3 Basis and justification for the Rental Rates

We had appointed Cheston as the Independent Valuer for the Proposed Lease Renewal. In arriving at the market value of the Properties:

(i) for KJG, PDN and SeKL, Cheston had adopted the income approach by profits method (discounted cash flow) as the primary approach, and the cost method comprising the comparison method for land and depreciated replacement cost method for building as the secondary approach for cross-checking; and

(ii) for KTN, Cheston had adopted the cost approach comprising the comparison method for land and depreciation replacement cost method for building as the sole approach. No secondary approach was used as KTN's current operations as a dialysis, assisted living care, confinement and rehabilitation centre do not reflect the investment characteristics of a purpose-built PMC. Further, revenue generated from its current operations is inadequate for a purpose-built PMC and therefore it is inappropriate to adopt the income approach by profits method (discounted cash flow) as a suitable valuation methodology and may result in a distorted market value.

The Open Market Value of each Property to be adopted in the Lease Agreements for the calculation of rent payable for the Properties (based on the rent formula as set out in Section 2.2 of this Circular) was arrived at subsequent to negotiations between KPJ, ART and DRMSB. Further, the Open Market Values of the Properties are within the market values ascribed by Cheston and the independent valuer of Al-`Aqar. There is no pre-agreed range of adjustment or variation permissible from the market value of each Property as appraised by the Independent Valuer.

The Open Market Value of the Properties to be adopted for the succeeding Rental Terms will be appraised by the independent valuers to be appointed by KPJ and Al-`Aqar then. The parties to the Lease Agreements shall have the right to vary such reasonable and fair market value and adopt a varied Open Market Value provided that such variation is mutually agreed by the parties. If the parties to the Lease Agreements are unable to mutually agree on the Open Market Values, then the parties shall be guided by the relevant dispute resolution clause in the Lease Agreements.

The market values as ascribed by the Independent Valuer and the Open Market Values of the Properties which are subject to the Proposed Lease Renewal is as follows:

Property	**Date of valuation by Cheston**	**Market value as ascribed by Cheston**	**Open Market Value**
		RM'mil	**RM'mil**
KJG	16 February 2023	64.00	64.00
PDN	20 February 2023	46.00	46.00
SeKL	17 February 2023	30.10	30.00
KTN	21 February 2023	17.00	17.00
Total		**157.10**	**157.00**

Rent Formula for Year 1 of the Contractual Term

The Rental Rates for Year 1 of the Contractual Term and the total rent payable for Year 1 are as follows:

Property	Rental Rate	Rental for Year 1 RM'mil
KJG	6.25%	4.00
PDN	6.25%	2.88
SeKL	6.00%	1.80
KTN	6.00%	1.02
Total		**9.70**

The Rental Rates were negotiated between the parties. For shareholders' information, based on the Rental Rates against the respective Open Market Values of the Properties, our Company, via our Subsidiaries, is expected to pay total gross rent of approximately RM9.70 million for the first year of the Contractual Term. This represents a reduction of RM0.86 million or 8.14% compared to the existing rent of RM10.56 million (for the 2022/2023 Rental Term).

The Rental Rates for KJG and PDN are higher at 6.25% compared to the Rental Rates for SeKL and KTN at 6.00%. The lower rental rate for SeKL is due to, among others, higher competition among medical centres and hospitals in Kuala Lumpur, the physical building condition of SeKL being a 25-year old building, the lack of facilities thereof and its location along a secondary major road with heavy traffic congestion which affects its accessibility. The lower rental rate has been accorded to the lease of KTN due to its nature of business as a wellness centre offering dialysis, assisted living care, confinement and rehabilitation services, which are comparatively lesser when compared to healthcare services offered at hospitals and medical centres.

After taking into consideration direct expenses of the Properties to be borne by the Lessor such as assessment, takaful, maintenance and quit rent, the net rental yield per annum of the Properties based on the Rental Rates for Year 1 will be as follows:

Property	Net rental yield per annum
KJG	5.93%
PDN	5.64%
SeKL	5.10%
KTN	5.26%

The Independent Valuer, in their Valuation Certificate attached as Appendix III of this Circular, had observed that based on their analysis of rental yields of the investment properties transacted in 2019 and 2020 comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco, the net rental yields ranged between 4.96% to 6.28% whilst the net rental yields of IGB Commercial REIT which was launched in April 2021 ranged between 3.16% to 5.47%. The analysed net rental yield of the proposed buyback of Sunway Medical Centre by Sunway Medical Centre Sdn Bhd from Sunway Real Estate Investment Trust (which was announced on 29 December 2022) is 6.15%.

Further, the rental rates of the newly renewed 6 medical centres in the mid-2021, between Al-`Aqar and KPJ comprising KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist, KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Ipoh Specialist Hospital, had a net rental yield of about 5.30%. The rental rate of KPJ Pasir Gudang Specialist Hospital via a sale and leaseback arrangement in 2022 had a net rental yield of 5.30%.

Taking into consideration the above and the current state of the Malaysian economy, property market and healthcare industry which have been impacted by the Covid-19 pandemic, fears of a looming global recession, geopolitical risk, current cost of financing as well as interest rates of short and long-term securities, and after making comparisons with a broad spectrum of residential, commercial, industrial and agricultural properties in Malaysia, the Independent Valuer is of the view that the range of fair net rental yields of the Properties are between 5.50% to 6.00%. The net Rental Rates of KJG and PDN for the first rental year are within this range. The net Rental Rates of SeKL and KTN for the first rental year are below the range which is favourable to KPJ.

In addition, the Rental Rates for the first year of the Contractual Term were also arrived at after taking into consideration the following:

(a) The gross property yield of commercial properties acquired / to be acquired by all Malaysian real estate investment trusts listed on Bursa Securities ("**Listed REITs**") from year 2022 up to the LPD, which ranges from 5.28% to 9.98% *(Source: Listed REITs' circulars on www.bursamalaysia.com).* The details of the abovementioned acquisitions and their respective gross property yield are as follows:

Listed REIT	**Date of Circular**	**Commercial Properties Acquired / To be Acquired**	**Gross Property Yield**
Al-`Aqar Healthcare REIT	21 November 2022	(i) TMC Health Centre (ii) KPJ Seremban Specialist Hospital (iii) KPJ Pasir Gudang Specialist Hospital	5.75% (1)
Capitaland Malaysia Trust	8 February 2023	Queensbay Mall	7.30% (2)
Pavilion Real Estate Investment Trust	7 March 2023	Pavilion Bukit Jalil	6.60% (3)
Sunway Real Estate Investment Trust	31 May 2023	(i) 2 and a half-storey hypermarket / retail complex located at Mukim and District of Petaling	8.22% (4)
		(ii) 2-storey hypermarket / retail complex with a 1-storey mezzanine floor located at Pekan Subang Jaya, Mukim Damansara, District of Petaling	8.76% (4)
		(iii) 3 and a half-storey hypermarket / retail complex located at Mukim Damansara, District of Petaling	9.98% (4)
		(iv) 1-storey hypermarket / retail complex with a mezzanine floor located at Pekan Pandamaran, District of Klang	5.28% (4)
		(v) 3-storey hypermarket with a 2-storey retail complex located at Bandar Ulu Kelang, District of Gombak	8.98% (4)
		(vi) 1-storey hypermarket with a mezzanine floor and 3-storey retail complex located at Mukim Plentong, District of Johor Bahru	7.47% (4)

Notes:

(1) The gross property yield is assumed to be the rental rate for the hospitals / medical centre for the first year of 5.75%.

(2) *This is based on the indicative acquisition yield of 7.30% provided in their circular which is computed based on the forecasted net property income for FYE 31 December 2023 over the total purchase consideration.*

(3) *The gross property yield of 6.60% provided in their circular is computed based on the forecasted annual net property income over the purchase consideration.*

(4) *The gross property yield is assumed to be the rental yield (derived from the presumed average annual rental income based on a reversionary rate which reflects the current market rental rate for similar properties) of each of the respective hypermarkets provided in their circular.*

(b) The acquisition by Sunway Berhad of Tower A & B of Sunway Medical Centre from Sunway Real Estate Investment Trust where the property yield based on the prevailing annual lease rate of RM26,438,585 prior to the acquisition over the total purchase consideration of RM430 million is 6.15%;

(c) The performances of the Listed REITs where the property yields (excluding foreign properties) range from 1.16% to 7.24% in 2021 and 2.20% to 8.37% in 2022, are derived by dividing the net property income over the total fair value of the properties for the respective financial years *(Source: Annual Reports of the Listed REITs).*

The details of the property yields of the Listed REITs are as follows:

Listed REIT	**Property yield for FYE 2021**	**Property yield for FYE 2022**
Al-`Aqar Healthcare REIT	6.78%	6.03%
Al-Salam Real Estate Investment Trust	4.67%	4.20%
Amanahraya Real Estate Investment Trust	4.94%	4.53%
AmFIRST Real Estate Investment Trust	3.99%	3.68%
Atrium Real Estate Investment Trust	7.24%	6.71%
Axis Real Estate Investment Trust	5.89%	5.86%
CapitaLand Malaysia Trust	2.70%	3.92%
Hektar Real Estate Investment Trust	4.04%	4.87%
IGB Commercial Real Estate Investment Trust	1.16%	3.59%
IGB Real Estate Investment Trust	5.55%	8.37%
KIP Real Estate Investment Trust	7.01%	6.66%
KLCC Real Estate Investment Trust	5.70%	5.78%
Pavilion Real Estate Investment Trust	4.02%	6.02%
Sentral REIT	5.94%	5.60%
Sunway Real Estate Investment Trust	5.41%	5.80%
Tower Real Estate Investment Trust	2.14%	2.20%
UOA Real Estate Investment Trust	5.22%	5.14%
YTL Hospitality REIT	6.19%	6.14%

Rent Formula for Years 2 and 3 of each Rental Term

The basis for the 2.00% incremental increase per annum over the rent amount for the preceding year for Years 2 and 3 of each Rental Term was arrived at after taking into consideration the average monthly movement of the consumer price index for the past 10 years up to June 2023 of approximately 2.39% (excluding the monthly consumer price index recorded for the year 2020, being the Covid-19 pandemic year). *(Source: Bloomberg).*

Rent Review Formula for Years 4, 7, 10 and 13 of the Contractual Term

The rent review formula for the first year of every succeeding Rental Term (i.e. Years 4, 7, 10 and 13) was arrived at to cater for potential revision to the market value of the Properties arising from a revaluation of the Properties by an independent valuer to be appointed jointly or severally and/or mutually agreed to by the parties to the Lease Agreements. The Open Market Value will then be determined by the parties accordingly. In such cases, there may be a potential increase in rent payable by KPJ, but such increase would be capped at 2.00% of the preceding year's rental amount.

We further wish to highlight that if there is any increase to the gross floor area of the Properties as a result of any expansion or new development as defined in the Lease Agreements, a new lease agreement or supplemental lease agreement will be executed for the lease of such expansion and/or new development. The total rent amount payable will then be revised accordingly to include the rent payable by the Lessee for the expansion and/or new development, subject to the terms and conditions of the new lease agreement or supplemental lease agreement.

For clarification, the rent review formula of 6.25% of the Open Market Value for KJG and PDN and 6.00% of the Open Market Value for SeKL and KTN at the point of review is the basis for determining the rent amount. At each subsequent Rental Term, the lowest rent amount that can be charged is the rent payable for the first year of the preceding Rental Term, assuming that the Open Market Value remains unchanged, and the maximum rent amount is a 2.00% incremental increase over the RM value of the rent for the preceding year.

For illustration, we have shown the rent payable for KJG and PDN for the second Rental Term (Years 4 to 6) below:

- The total rent payable for KJG and PDN in Year 1 is RM6.88 million based on the collective Open Market Value of RM110.00 million.

- The rent will then increase by 2.00% over the rent of the preceding year in the first Rental Term. Based on the total rent payable for Year 1 above, the rent for KJG and PDN for Years 2 and 3 will be as follows:

	Rent Payable
Year 2	RM7.02 million
Year 3	RM7.16 million

- At the start of each succeeding Rental Term i.e. Years 4, 7, 10 and 13, the rent will be reviewed based on the formula set out in Section 2.2 of this Circular. If there is no change to the Open Market Value of the Properties at the start of the second Rental Term, then the total rent payable will remain at RM6.88 million in Year 4.

Assuming there is a change in the Open Market Value of the Properties at the start of the second Rental Term and the rent payable for KJG and PDN in Year 3 is RM7.16 million, then the rent payable for Year 4 shall be calculated as follows:

	Assuming 20% downward revision to the Open Market Value	**Assuming 20% upward revision to the Open Market Value**
Open Market Value for KJG and PDN in Year 4	RM88.00 million	RM132.00 million
Rent for KJG and PDN in Year 4 computed using Rent Review Formula	6.25% x Open Market Value = 6.25% x RM88.00 million = RM5.50 million	6.25% x Open Market Value = 6.25% x RM132.00 million = RM8.25 million
Minimum rent A minimum rent of the Base Rent of the 1st year of the previous Rental Term i.e. Year 1	RM6.88 million	
Maximum rent Any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year	Rent for Year 3 x 1.02 = RM7.16 million x 1.02 =RM7.30 million	
Illustrative rent payable for KJG and PDN in Year 4	**Since the rent computed is less than the minimum rent, then the minimum rent shall apply and rent payable for Year 4 shall be RM6.88 million**	**Since the rent computed is more than the maximum rent, then the maximum rent shall apply and rent payable for Year 4 shall be RM7.30 million**

- The rent will then increase by 2.00% over the rent of the preceding year in the 2nd and 3rd year of every succeeding Rental Term. Based on the illustrative rent payable for Year 4 above, the rent for KJG and PDN for Years 5 and 6 will be as follows:

	Assuming 20% downward revision to the Open Market Value	**Assuming 20% upward revision to the Open Market Value**
Year 5	RM7.02 million	RM7.45 million
Year 6	RM7.16 million	RM7.60 million

- For clarity, the rent review formula does not apply to SeKL and KTN as their respective Contractual Terms are 3 years. Upon the expiry of their respective Contractual Terms, we have the option to extend the lease for another 15 years. We will, accordingly, renegotiate the terms for the lease renewal for SeKL and KTN with the Lessor.

Premised on the above, the Rental Rates are justified.

2.4 Parties to the Lease Agreements

2.4.1 Information on Al-`Aqar, DRMSB and ART

Al-`Aqar is a real estate investment trust with an existing fund size of 839,597,757 Units. The investment objective of Al-`Aqar is to own and invest in Shariah-compliant healthcare-related real estate and real estate-related assets whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

Al-`Aqar was established in Malaysia on 27 June 2006 under the Deed. Al-`Aqar was listed on the Main Market of Bursa Securities on 10 August 2006.

The trustee for Al-`Aqar when the Principal Lease Agreements were first entered into was Amanah Raya Berhad and was subsequently replaced by ART, a subsidiary of Amanah Raya Berhad which is wholly-owned by the Government of Malaysia. ART entered into the subsequent agreements relating to the Principal Lease Agreements.

As at LPD, the management company of Al-`Aqar is DRMSB. The Manager was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) under the name of Ultimate Benchmark Sdn Bhd on 8 December 2005 and assumed its present name on 15 March 2006. The issued and fully paid-up share capital of the Manager as at LPD is RM1.0 million. DRMSB is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp.

Directors of DRMSB

Name	Position
Dato' Mohd Redza Shah Bin Abdul Wahid	Chairman, Independent Non-Executive Director
Dato' Wan Kamaruzaman Bin Wan Ahmad	Independent Non-Executive Director
Abdullah Bin Abu Samah	Independent Non-Executive Director
Datuk Hashim Bin Wahir	Independent Non-Executive Director
Lailatul Azma Binti Abdullah	Independent Non-Executive Director
Datuk Sr Akmal Bin Ahmad	Non-Independent Non-Executive Director
Dato' Salehuddin Bin Hassan	Non-Independent Non-Executive Director
Shamsul Anuar Bin Abdul Majid	Non-Independent Non-Executive Director
Ng Yan Chuan	Non-Independent Non-Executive Director

As at the LPD, the substantial unitholders of Al-`Aqar are as follows:

Name	**Unitholdings**			
	Direct No. of Units		**Indirect No. of Units**	
	'000	**%(1)**	**'000**	**%(1)**
JCorp	-	-	(2) 323,001	38.47
KPJ	20,501	2.44	(3) 284,075	33.83
Lembaga Tabung Haji	123,572	14.72	-	-
Employees Provident Fund Board	113,164	13.48	-	-
Kumpulan Wang Persaraan (Diperbadankan)	65,391	7.79	-	-
Pusat Pakar Tawakal Sdn Bhd	54,649	6.51	-	-
Amanah Saham Bumiputera	46,000	5.48	-	-

Notes:

(1) Based on the total number of issued units of Al-`Aqar.

(2) Deemed interested by virtue of its interest in companies related to JCorp under Section 8 of the Companies Act 2016.

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

For more information on Al-`Aqar, please refer to http://www.alaqar.com.my.

Information on ART

ART, a subsidiary of Amanah Raya Berhad, was incorporated under the Companies Act 1965 (deemed registered under the Act) on 23 March 2007.

ART was registered as a trust company under the Trust Companies Act 1949 and eligible to act as trustee to collective investment scheme, corporate bonds and private retirement schemes by the Securities Commission Malaysia.

2.4.2 Information on the Lessees

(a) Kajang Specialist Hospital Sdn Bhd

Kajang Specialist Hospital Sdn Bhd, our indirect wholly-owned subsidiary, is a company incorporated in Malaysia under the Companies Act 1965 (deemed registered under the Act) on 26 January 1991 as a private company limited by shares. The principal activity of Kajang Specialist Hospital Sdn Bhd is operating a specialist medical centre, namely KJG. As at the LPD, the issued share capital of Kajang Specialist Hospital Sdn Bhd is RM12,000,000 comprising 12,000,000 ordinary shares.

As at the LPD, the directors of Kajang Specialist Hospital Sdn Bhd are Dato' Mohamad Farid Bin Salim, Aliza Binti Jamaluddin, Renuga a/p Muniandy and Maisarah Binti Omar.

(b) Perdana Specialist Hospital Sdn Bhd

Perdana Specialist Hospital Sdn Bhd, our indirect subsidiary, is a company incorporated in Malaysia under the Companies Act 1965 (deemed registered under the Act) on 21 October 1996 as a private company limited by shares. The principal activity of Perdana Specialist Hospital Sdn Bhd is operating as a specialist hospital, namely PDN. As at the LPD, the issued share capital of Perdana Specialist Hospital Sdn Bhd is RM21,292,250 comprising 21,292,250 ordinary shares.

As at the LPD, the directors of Perdana Specialist Hospital Sdn Bhd are Mohamad Bin Hamzah, Asmadi Bin Che Mat @ Abd. Rahman, Ab Aziz Bin Yunus, Dr. Munirah Binti Khudri, Norhaizam Binti Mohammad, Roslan Bin Ahmad and Dr. Mohd Nikman Bin Ahmad.

(c) Sentosa Medical Centre Sdn Bhd

Sentosa Medical Centre Sdn Bhd, our indirect wholly-owned subsidiary, is a company incorporated in Malaysia under the Companies Act 1965 (deemed registered under the Act) on 13 September 1979 as a private company limited by shares. The principal activity of Sentosa Medical Centre Sdn Bhd is operating a specialist medical centre, namely SeKL. As at the LPD, the issued share capital of Sentosa Medical Centre Sdn Bhd is RM10,350,652 comprising 8,692,076 ordinary shares and 100,000 preference shares.

As at the LPD, the directors of Sentosa Medical Centre Sdn Bhd are Dato' Mohamad Farid Bin Salim, Zaiton Binti Sulaiman, Dr. Aliza Binti Jamaluddin and Maisarah Binti Omar.

(d) Kuantan Wellness Center Sdn Bhd

Kuantan Wellness Center Sdn Bhd, our indirect wholly-owned subsidiary, is a company incorporated in Malaysia under the Companies Act 1965 (deemed registered under the Act) on 20 October 1981 as a private company limited by shares. The principal activity of Kuantan Wellness Center Sdn Bhd is operating as a dialysis and aged-care centre, namely KTN. As at the LPD, the issued share capital of Kuantan Wellness Center Sdn Bhd is RM3,791,762 comprising 3,791,762 ordinary shares.

As at the LPD, the directors of Kuantan Wellness Center Sdn Bhd are Dato' Dr. Khaled Bin Mat Hassan, Munirah Binti Khudri, Nik Fawaz Bin Nik Abdul Aziz and Muhammad Iqbal Bin Ibrahim.

3. RATIONALE AND BENEFITS FOR THE PROPOSED LEASE RENEWAL

The Proposed Lease Renewal will ensure that there are no disruptions to the ongoing operations of our Group, and our Subsidiaries are able to continue operating at their existing locations.

4. RISKS OF THE PROPOSED LEASE RENEWAL

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

The non-renewal of the lease of the Properties will result in the Lessees not being able to continue its ongoing operations at the Properties and may have an impact on the long-term sustainability of our business. In such event, our Group would use our best endeavours to identify other properties to carry out our operations. However, as the properties must be purpose-built hospitals, there can be no assurance that our Group would be able to identify suitable properties to continue our operations and that such relocation would not have a material adverse impact on the financial performance and position of our Group.

5. EFFECTS OF THE PROPOSED LEASE RENEWAL

5.1 Issued share capital and substantial shareholder's shareholdings

The Proposed Lease Renewal will not have any effect on our issued share capital as well as our substantial shareholders' shareholdings as there will be no issuance of new KPJ Shares pursuant to the Proposed Lease Renewal.

5.2 Earnings and EPS

Pursuant to the MFRS 16, there will continue to be depreciation and finance charges to our Group as a result of the Proposed Lease Renewal. The Lease Agreements are expected to commence and be effective in the 4th quarter of 2023. The impact to the earnings and EPS of our Group is not expected to be material for the FYE 31 December 2023.

The proforma effects of the Proposed Lease Renewal on the earnings and EPS of KPJ assuming that the Proposed Lease Renewal had been effected at the beginning of FYE 31 December 2022 are as follows:

	RM'000
Audited profit for the financial year attributable to owners of KPJ (1)	166,981
Less: Estimated expenses (2)	1,160
Proforma profit	**165,821**
Existing (1)	
Basic EPS (sen)	3.84
Diluted EPS (sen)	3.76
Proforma (1)	
Basic EPS (sen)	3.82
Diluted EPS (sen)	3.73

Notes:

(1) After taking into account the loss from discontinued operations.

(2) Estimated expenses include, among others, professional fees, fees payable to the relevant authorities, printing of this Circular, stamp duties applicable to the Lease Agreements and expenses relating to the convening of the EGM.

5.3 NA, NA per Share and gearing

Based on our latest audited consolidated statements of financial position as at 31 December 2022 and assuming that the Proposed Lease Renewal had been effected on that date, there will be no material impact on our consolidated NA, NA per Share and gearing.

6. PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Lease Renewal pursuant to Paragraph 10.02(g) of the Listing Requirements is 5.73%, calculated based on the total rent payable by KPJ throughout the Contractual Term (being 15 years for KJG and PDN, and 3 years for SeKL and KTN), compared with the net assets attributable to our shareholders.

7. APPROVALS REQUIRED AND CONDITIONALITY

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

(i) our shareholders at the forthcoming EGM; and

(ii) the unitholders of Al-`Aqar at its 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 KPJ. In addition, the 4 separate Lease Agreements are not inter-conditional upon each other.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the other Directors, Major Shareholders of our Company and/or persons connected with them have any interest, either direct or indirect, in the Proposed Lease Renewal.

8.1 Interested Major Shareholder's Interest

JCorp is deemed interested in the Proposed Lease Renewal by virtue of the following:

(i) JCorp being a Major Shareholder of KPJ. JCorp's shareholdings in KPJ as at the LPD are as follows:

	Direct		**Indirect**	
	No. of KPJ Shares ('000)	**%**	**No. of KPJ Shares ('000)**	**%**
JCorp	1,550,015	35.51	413,660	9.48 (1)

Note:

(1) Deemed interested by virtue of its interests in Kulim (Malaysia) Berhad, RHB Nominees (Tempatan) Sdn Bhd for JCorp Capital Solutions Sdn Bhd, Johor Land Berhad and Waqaf An-Nur Corporation Berhad pursuant to Section 8 of the Act.

(ii) DRMSB, being the manager of Al-`Aqar, is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp.

Accordingly, JCorp shall abstain from voting in respect of its direct and indirect shareholdings in KPJ on any resolution pertaining to the Proposed Lease Renewal to be tabled at our Company's forthcoming EGM. In addition, JCorp also undertakes to ensure that persons connected to JCorp, shall abstain from voting in respect of their direct and indirect shareholdings in KPJ on any resolution pertaining to the Proposed Lease Renewal which will be tabled at our Company's forthcoming EGM.

8.2 Interested Directors' Interest

(i) Datuk Md Arif Bin Mahmood, the Non-Independent Non-Executive Chairman of KPJ and also a Board representative of JCorp, a Major Shareholder of KPJ;

(ii) Dato' Mohd Redza Shah Bin Abdul Wahid, is a Senior Independent Non-Executive Director of KPJ and also an Independent Non-Executive Chairman of DRMSB, the manager of Al-`Aqar;

(iii) Rozaini Bin Mohd Sani is a Non-Independent Non-Executive Director of KPJ, a senior management of JCorp, and also a Director of Damansara Assets Sdn. Bhd., a subsidiary of JCorp and the holding company of DRMSB;

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

(v) Mohamed Ridza Bin Mohamed Abdulla is the Independent Non-Executive Director of KPJ and also the Managing Partner of Mohamed Ridza and Co., where the firm is acting as the legal counsel for Al-`Aqar in relation to the Proposed Lease Renewal.

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

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting on any resolution pertaining to the Proposed Lease Renewal at Board meetings. The Interested Directors will also abstain from voting in respect of their direct and indirect shareholdings in KPJ on any resolution pertaining to the Proposed Lease Renewal which will be tabled at our Company's forthcoming EGM. They also undertake to ensure that persons connected with them shall abstain from voting in respect of their direct and/or indirect shareholdings on any resolution pertaining to the Proposed Lease Renewal which will be tabled at our Company's forthcoming EGM.

As at the LPD, save for the following, none of the other Interested Directors have any shareholdings in KPJ:

	Direct		**Indirect**	
	No. of KPJ Shares	**%**	**No. of KPJ Shares**	**%**
Datuk Md Arif Bin Mahmood	60,000	*	-	-

* *Negligible*

9. TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the following, there were no other transactions (excluding transactions in the ordinary course of business) entered into between our Company with the same related party for the 12 months preceding the date of this Circular:

- The Memorandums of Extension and Supplemental Memorandums of Extension, details as set out in Section 2 of this Circular;

- Our Company had, on 2 September 2022, announced that 3 of its subsidiaries had on the same date, entered into separate sale and purchase agreements with ART, being the trustee for and behalf of Al-`Aqar for the sale of the following land and/or buildings for a total consideration of RM192.00 million ("**Sale**"):

Hospitals		**Subsidiaries**	**Properties disposed**	**Consideration RM'mil**
(i)	KPJ Pasir Gudang Specialist Hospital	Pasir Gudang Specialist Hospital Sdn Bhd	KPJ Pasir Gudang Specialist Hospital land and building	93.00
(ii)	TMC Health Centre	Penang Specialist Hospital Sdn Bhd	TMC Health Centre building	14.30
(iii)	KPJ Seremban Specialist Hospital	Maharani Specialist Hospital Sdn Bhd	A new building forming part of KPJ Seremban Specialist Hospital building	84.70
Total				**192.00**

As a condition to the Sale, each of the 3 subsidiaries entered into a lease agreement with ART (acting on behalf of Al-`Aqar) and DRMSB, for the lease of the properties back to the respective subsidiaries upon the terms and conditions agreed between the aforesaid parties ("**Leaseback**").

The Sale and Leaseback were approved by both KPJ's shareholders and Al-`Aqar's unitholders in their EGMs held on 12 December 2022 and 13 December 2022 respectively. The lease agreements in relation to the Leaseback commenced on 23 December 2022.

- Our Company had, on 13 September 2022, announced the disposal of 2 parcels of vacant freehold development land in Bethania Queensland Australia by Jeta Gardens (Qld) Pty Ltd (A.C.N. 102 975 182), a subsidiary of KPJ to JLand Australia Pty Ltd (A.C.N. 657 536 779) ("**JLand**") for a total cash consideration of Australian Dollars (AUD) 6.50 million ("**Disposal**").

The Disposal was approved by KPJ's shareholders in its EGM held on 12 April 2023. With the settlement of the balance consideration by JLand for the Disposal, the Disposal is deemed completed on 23 June 2023.

10. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company (save for Dato' Mohd Redza Shah Bin Abdul Wahid and Rozaini Bin Mohd Sani), after having considered all aspects of the Proposed Lease Renewal, including the rationale and effects of the Proposed Lease Renewal, the basis and justifications for the Rental Rates and formula, the terms of the Lease Agreements, 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:

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

(ii) in the best interest of our Company; and

(iii) not detrimental to the interest of our Company's non-interested shareholders.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, save for the Interested Directors, after having considered all aspects of the Proposed Lease Renewal, including the rationale and effects of the Proposed Lease Renewal, the basis and justifications for the Rental Rates and formula, the terms of the Lease Agreements, 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 in the best interest of our Company.

Accordingly, our 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 our Company's forthcoming EGM.

12. INDEPENDENT ADVISER

The Proposed Lease Renewal is a related party transaction pursuant to the Listing Requirements. In view of the interests of the Interested Parties in relation to the Proposed Lease Renewal as set out in Section 8, Part A of this Circular, and in compliance with Paragraph 10.08(2)(c) of the Listing Requirements, our Board had, on 19 April 2023, appointed BDOCC to act as the Independent Adviser to undertake the following:

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

    (a) fair and reasonable in so far as our non-interested shareholders are concerned; and

    (b) to the detriment of our non-interested shareholders,

    and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise our non-interested Directors and shareholders on whether they should vote in favour of the resolution pertaining to the Proposed Lease Renewal at our Company's forthcoming EGM; and

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

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

13. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save as disclosed below, the Board is not aware of any other outstanding corporate exercise which has been announced by our Company but pending completion prior to the printing of this Circular:

- Our Company had, on 1 March 2023, announced the proposed disposal of the Company's Indonesian hospital operations and facilities through its subsidiaries, being:

  a) Kumpulan Perubatan (Johor) Sdn Bhd (75% equity interest in PT Khidmat Perawatan Jasa Medika); and

  b) Crossborder Aim (M) Sdn Bhd and Crossborder Hall (M) Sdn Bhd, (100% equity interest of Al-`Aqar Bumi Serpong Damai),

  to PT Nusautama Medicalindo for a total cash consideration of RM13.66 million, and is currently pending completion.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the required approvals being obtained, the Lease Agreements are expected to commence and be effective in the 4th quarter of 2023.

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

Date	**Events**
22 August 2023	• EGM
End August 2023	• Confirmation that all conditions precedent of the Lease Agreements are met • Completion of the Proposed Lease Renewal
1 October 2023	• Commencement of the leases under the Lease Agreements

15. EGM

Our Company's EGM will be conducted virtually using the remote participation and voting ("**RPV**") facilities to be provided by the poll administrator via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) on Tuesday, 22 August 2023 at 3.00 p.m. for the purpose of considering, and if thought fit, passing the ordinary resolution to give effect to the Proposed Lease Renewal as set out in the Notice of EGM and the Proxy Form which is enclosed in this Circular and are also available to be downloaded from our Company's website at https://kpj.listedcompany.com/egm.html.

As a shareholder, you are encouraged to go online, participate and vote at the EGM using the RPV facilities. If you wish to appoint a proxy to participate and vote on your behalf, you may deposit your Proxy Form at the office of the poll administrator or alternatively, you may lodge your Proxy Form by electronic means via TIIH Online website at https://tiih.online. The completed Proxy Form must be deposited/lodged not less than 48 hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from participating the EGM and voting in person at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

You are advised to refer to the attached Appendices for further information.

Yours faithfully,
For and on behalf of the Board of Directors
KPJ HEALTHCARE BERHAD

HISHAM BIN ZAINAL MOKHTAR
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER BY BDOCC TO THE NON-INTERESTED SHAREHOLDERS OF KPJ IN RELATION TO THE PROPOSED LEASE RENEWAL

EXECUTIVE SUMMARY

Definitions or defined terms used in this executive summary shall have the same meanings as defined in the "Definitions" section of the Circular except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this executive summary are ascribed to BDOCC, being the Independent Adviser for the Proposed Lease Renewal.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED LEASE RENEWAL. THE SHAREHOLDERS OF KPJ 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 THIS 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 ORDINARY RESOLUTION RELATING TO THE PROPOSED LEASE RENEWAL TO BE TABLED AT THE FORTHCOMING EGM.

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

1. INTRODUCTION

On 27 June 2023, Affin Hwang IB had, on behalf of the Board, announced that the Subsidiaries proposed to enter into 4 separate lease agreements with ART, being the trustee for and on behalf of Al-`Aqar and DRMSB, being the manager of Al-`Aqar to renew the lease of the Properties.

The Proposed Lease Renewal is a related party transaction pursuant to the Listing Requirements by virtue of the interests of the Interested Directors and Interested Major Shareholder as detailed in **Section 8 of Part A of the Circular**.

Accordingly, the Board (save for Interested Directors) had on 19 April 2023 appointed BDOCC as the Independent Adviser to advise the non-interested directors and non-interested shareholders of KPJ on the Proposed Lease Renewal.

The purpose of this IAL is to provide the non-interested shareholders of KPJ with an independent evaluation on the fairness and reasonableness of the Proposed Lease Renewal, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

2. EVALUATION OF THE PROPOSED LEASE RENEWAL

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

<table>
<tr><th>Section in this IAL</th><th>Area of evaluation</th><th>Our Evaluation</th></tr>
<tr><td>Section 7</td><td>Rationale of the Proposed Lease Renewal</td><td>We noted that the Proposed Lease Renewal will ensure that there are no disruptions to the on-going operations of KPJ Group, and that the Subsidiaries are able to continue operating at their existing locations.

We noted that the Lessees have been operating from the Properties since the commencement of its respective operations. Through the Lessees' operations, KPJ Group was able to build its brand image and assimilate itself as a healthcare service provider within the surrounding localities of the Properties.

Premised on the above, we are of the view that the rationale of the Proposed Lease Renewal is <u>reasonable</u> and <u>not detrimental</u> to the non-interested shareholders of KPJ. Nevertheless, non-interested shareholders of KPJ should note that the potential benefits arising from the Proposed Lease Renewal are subject to the risk factor as disclosed in Section 4 of Part A of the Circular.</td></tr>
<tr><td>Section 8</td><td>Basis and justifications for the Rental Rate</td><td>The Contractual Term under the Lease Agreements for KJG and PDN is 15 years comprising 5 Rental Terms of 3 years each, whereas the Contractual Term under the Lease Agreements for SeKL and KTN is 3 years comprising 1 Rental Term.

<u>The Rental Rate for KJG and PDN is formulated as follows:</u>
<table>
<tr><th>Rental Term</th><th>Period covered (Year)</th><th>Rent and rent review formula for KJG and PDN</th></tr>
<tr><td><u>First Rental Term</u></td><td></td><td></td></tr>
<tr><td>1st year of first Rental Term</td><td>1</td><td>6.25% per annum x Open Market Value ("Base Rent")</td></tr>
<tr><td>2nd and 3rd year of first Rental Term</td><td>2 and 3</td><td>2.00% increase from preceding year's rental</td></tr>
<tr><td><u>Succeeding Rental Term</u></td><td></td><td></td></tr>
<tr><td>1st year of every succeeding Rental Term</td><td>4, 7, 10 and 13</td><td>6.25% per annum x Open Market Value at point of review, subject to:
(i) a minimum rent of the Base Rent of the 1st year of the previous Rental Term; and
(ii) a maximum rent limit of 2.00% incremental increase over the rent for the preceding year.</td></tr>
<tr><td>2nd and 3rd year of every succeeding Rental Term</td><td>5, 6, 8, 9, 11, 12, 14 and 15</td><td>2.00% increase from preceding year's rental.</td></tr>
</table></td></tr>
</table>

Section in this IAL	Area of evaluation	Our Evaluation

The Rental Rate for SeKL and KTN is formulated as follows:

Rental Term	Period covered (Year)	Rent formula for SeKL and KTN
First Rental Term		
1st year of first Rental Term	1	6.00% per annum x Open Market Value
2nd and 3rd year of first Rental Term	2 and 3	2.00% increase from preceding year's rental

Evaluation of the Open Market Value of the Properties

We noted that the Open Market Value adopted for the Proposed Lease Renewal is determined based on the market value of the Properties as determined by Cheston (being the independent valuer for the Proposed Lease Renewal) or as may be varied, subject to mutual agreement by the Subsidiaries, Trustee and Manager. In arriving at the fairness evaluation of the Open Market Value, we evaluated the market value ascribed by Cheston to determine the fairness of the Open Market Value.

We have analysed the valuation methodology and parameters used by Cheston in **Sections 8.1.1 (KJG), 8.1.2 (PDN), 8.1.3 (SeKL) and 8.1.4 (KTN) of this IAL,** we are of the view that the valuation methodology adopted by Cheston is **reasonable** and the market values of the Properties ascribed by Cheston are **fair**.

The summary of the market values as ascribed by Cheston and the Open Market Value of the Properties adopted for the Proposed Lease Renewal are as follows:

Properties	Market value as ascribed by Cheston (RM' mil)	Open Market Value (RM' mil)
KJG	64.00	64.00
PDN	46.00	46.00
SeKL	30.10	30.00
KTN	17.00	17.00
Total	**157.10**	**157.00**

We noted that the Open Market Value of KJG, PDN and KTN are equivalent to the market values ascribed by Cheston. Whereas the Open Market Value of SeKL is RM30.00 million which is RM0.10 million or 0.33% lower than the market value of SeKL as ascribed by Cheston of RM30.10 million.

As such, we are of the view that the Open Market Value of the Properties are **fair**.

Evaluation of the Rental Rate for Year 1

Property	Rental Rate	Estimated net rental rate(1)
KJG	6.25%	5.93%
PDN	6.25%	5.64%
SeKL	6.00%	5.10%
KTN	6.00%	5.26%

Note:

(1) Derived from the Rental Rate after taking into consideration direct expenses of the Properties to be borne by the Lessor such as assessment, takaful, maintenance and quit rent.

Section in this IAL	Area of evaluation	Our Evaluation
		We noted that the Rental Rates for KJG and PDN are higher at 6.25% as compared with the Rental Rates for SeKL and KTN of 6.00%. The lower rental rate for SeKL is due to, among others, higher competition among medical centres and hospitals in Kuala Lumpur, the aging condition of the building, the lack of facilities and limited accessibility. In the case of KTN, the lower rental rate is due to its nature of business being a wellness centre instead of a hospital or medical centre as compared to KJG and PDN. We noted that the estimated net rental rate of KJG and PDN for Year 1 of 5.93% and 5.64%, respectively falls within the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%. We also noted that the estimated net rental rate of SeKL and KTN for Year 1 of 5.10% and 5.26%, respectively is lower than the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%. As such, we are of the view that the Rental Rates for Year 1 are **fair.** Evaluation of the annual increment to rent for Years 2 and 3 We noted that Malaysia's 10-year average inflation is 2.31%. We further noted that the 2.00% annual increment to rent is 0.31% lower than Malaysia's 10-year average inflation of 2.31%. As such, we are of the view that the 2.00% annual increment to rent for Years 2 and 3 is **fair**. Evaluation of the rent review formula for KJG and PDN We noted that the succeeding rents shall be based on the Open Market Value of the Properties at the point of review while also limiting the potential increment to 2% of the rent of the preceding year. Whilst the Open Market Value of the Properties may be varied subject to mutual agreement by KPJ, ART and DRMSB, we are of the view that using the Open Market Value in calculating the rent payable is reasonable and not detrimental to KPJ and its non-interested shareholders as the maximum increase in rent payable for the first year of every succeeding Rental Term is capped at 2% of the rent of the preceding year. We are also of the view that a 2% increment to rent payable is fair as per the analysis in **Section 8.3 of this IAL**. We also noted that the total rent amount payable will be revised accordingly to include the rent payable by the Lessee for the expansion and/or new development, subject to the terms and conditions of the new or supplemental lease agreement. Premised on the above, we are of the view that the rent review formula is **fair**.
Section 9	Evaluation of the salient terms of the Lease Agreements	Based on our evaluation, we are of the view that the salient terms of the respective Lease Agreements are **reasonable**.
Section 10	Effects of the Proposed Lease Renewal	We noted that the Proposed Lease Renewal will not have any effect on KPJ Group's issued share capital, KPJ's substantial shareholders' shareholdings and no material impact on KPJ Group's consolidated NA, NA per share and gearing.

Section in this IAL	Area of evaluation	Our Evaluation
		We further noted that the Proposed Lease Renewal is not expected to be material to the earnings and EPS of KPJ Group for the FYE 31 December 2023. Premised on the above, the overall effect of the Proposed Lease Renewal is **reasonable** and **not detrimental** to the interests of the non-interested shareholders of KPJ.
Section 11	Economic and market overview	We are of the view that the economic and market conditions appear to be favourable to the operations of KPJ Group.
Section 12	Risk factor associated with the Proposed Lease Renewal	We are of the view that the non-renewal risk of the Proposed Lease Renewal is a common aspect of similar proposals or arrangements. In the event that the non-interested KPJ shareholders do not approve the Proposed Lease Renewal, the Proposed Lease Renewal will not proceed. We wish to highlight that although measures will be taken by KPJ Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factor will not occur and give rise to material adverse impact on the financial performance and position of KPJ Group.

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Lease Renewal is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of KPJ.

Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM.

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31 July 2023

To: The non-interested shareholders of KPJ Healthcare Berhad

Dear Sir / Madam,

KPJ HEALTHCARE BERHAD ("KPJ" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF KPJ IN RELATION TO THE PROPOSED LEASE RENEWAL

1. INTRODUCTION

On 27 June 2023, Affin Hwang IB had, on behalf of the Board, announced that the Subsidiaries proposed to enter into 4 separate lease agreements with ART, being the trustee for and on behalf of Al-`Aqar and DRMSB, being the manager of Al-`Aqar to renew the lease of the Properties.

The Proposed Lease Renewal is a related party transaction pursuant to the Listing Requirements by virtue of the interests of the Interested Directors and Interested Major Shareholder as detailed in **Section 8 of Part A of the Circular**.

Accordingly, the Board (save for Interested Directors) had on 19 April 2023 appointed BDOCC as the Independent Adviser to advise the non-interested directors and non-interested shareholders of KPJ on the Proposed Lease Renewal.

The purpose of this IAL is to provide the non-interested shareholders of KPJ with an independent evaluation on the fairness and reasonableness of the Proposed Lease Renewal, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

NON-INTERESTED SHAREHOLDERS OF KPJ 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 ORDINARY 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, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

The Proposed Lease Renewal is deemed to be a related party transaction pursuant to the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholder as set out in **Section 8 of Part A of the Circular**.

BDO

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

BDOCC was not involved in the formulation of the Proposed Lease Renewal and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Lease Renewal. BDOCC's terms of reference as an Independent Adviser are limited to expressing an independent evaluation of the Proposed Lease Renewal based on the information provided to us or made available to us, including but not limited to the following:

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

(ii) The Lease Agreements executed in escrow between ART, the respective Subsidiaries and DRMSB to renew the lease of the Properties;

(iii) Valuation report dated 5 April 2023 by Cheston in relation to the valuation of KJG;

(iv) Valuation report dated 5 April 2023 by Cheston in relation to the valuation of PDN;

(v) Valuation report dated 5 April 2023 by Cheston in relation to the valuation of SeKL;

(vi) Valuation report dated 5 April 2023 by Cheston in relation to the valuation of KTN;

(vii) Discussions with and representations by the management and the Audit Committee of KPJ on 14th June 2023 and 21st June 2023, respectively;

(viii) Other relevant information, documents, confirmations and representations furnished to us by the Board and management of KPJ; and

(ix) Other publicly available information which we deemed to be relevant for our evaluation.

We have made such reasonable enquiries to the Board and management of KPJ. We have relied upon the information and/or documents as mentioned above and also that relevant facts, information and/or representations necessary for our evaluation of the Proposed Lease Renewal have been disclosed to us and that such information is accurate, valid and there is no omission of material facts which would make any information provided to us to be incomplete, misleading or inaccurate. We express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of KPJ Group and all relevant parties involved in the Proposed Lease Renewal. Based on the above, we are satisfied with the information and documents provided by KPJ Group and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

In rendering our advice, BDOCC had taken note of pertinent issues, which we believe are necessary and important to an assessment of the implications of the Proposed Lease Renewal and therefore of general concern to the non-interested shareholders of KPJ. As such:

(i) The scope of BDOCC's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposed Lease Renewal as well as other implications of the Proposed Lease Renewal only. Comments or points of consideration which may be commercially oriented such as the rationale of the Proposed Lease Renewal are included in our overall evaluation as we deem necessary for disclosure purposes to enable the non-interested shareholders of KPJ to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Lease Renewal;

(ii) BDOCC's views and advice as contained in this IAL only cater to the non-interested shareholders of KPJ at large and not to any shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual shareholder or any specific group of shareholders; and

(iii) We recommend that any individual shareholder or group of shareholders of KPJ who are in doubt as to the action to be taken or require advice in relation to the Proposed Lease Renewal in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the LPD.

The Board has seen and approved the contents of this IAL. They collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAL and confirm that, after making all enquiries as were reasonable in the circumstances 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 information in this IAL false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by BDOCC in relation to the Proposed Lease Renewal is to ensure that accurate information in relation to the KPJ Group was provided to BDOCC for its evaluation of the Proposed Lease Renewal and to ensure that all information in relation to the KPJ Group that is relevant to BDOCC's evaluation of the Proposed Lease Renewal has been completely disclosed to BDOCC and that there is no omission of material facts which would make any information provided to BDOCC false or misleading.

We shall notify the shareholders of KPJ if, after the despatch of this IAL, we become aware of the following:

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

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

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

If circumstances require, a supplementary IAL will be sent to the shareholders of KPJ.

4. DECLARATION OF CONFLICT OF INTEREST

BDOCC confirms that it is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of BDOCC's appointment as the Independent Adviser in respect of the Proposed Lease Renewal.

Save as disclosed below and BDOCC's current appointment as the Independent Adviser for the Proposed Lease Renewal, BDOCC did not have any other professional relationship with KPJ at any time during the past 2 years prior to the date of this IAL:

(i) Appointment as the independent adviser on 25 November 2021 in relation to the proposed sale and leaseback of 3 real property assets involving subsidiaries of KPJ, namely Pasir Gudang Specialist Hospital Sdn Bhd, Penang Specialist Hospital Sdn Bhd and Maharani Specialist Hospital Sdn Bhd with Al-`Aqar, in view of the interests of:

   a. the interested major shareholder of KPJ, namely JCorp, where DRMSB, being the manager of Al-`Aqar is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp; and

b. the interested directors of KPJ, namely Datuk Md Arif Bin Mahmood (being a person connected to JCorp by virtue of him being a Board representative of JCorp in KPJ), Dato' Mohd Redza Shah Bin Abdul Wahid (being an Independent Non-Executive Chairman of DRMSB), Rozaini Bin Mohd Sani (being a senior management of JCorp) and Shamsul Anuar Bin Abdul Majid (being a Non-Independent Non-Executive Director of DRMSB and also a senior management of JCorp).

Our independent advice letter was issued on 22 November 2022.

(ii) Appointment as the independent adviser on 20 October 2022 in relation to the proposed disposal of 2 parcels of freehold land in Bethania Queensland Australia involving an indirect subsidiary of KPJ, namely Jeta Gardens (QLD) Pty Ltd, with JLand Australia Pty Ltd in view of the interests of:

a. the interested major shareholder of KPJ, namely JCorp, where JLand Australia, being the Purchaser is a wholly-owned subsidiary of Johor Land Berhad, which in turn is a wholly-owned subsidiary of JCorp; and

b. the interested directors of KPJ, namely Datuk Md Arif Bin Mahmood (being a person connected to JCorp by virtue of him being a Board representative of JCorp in KPJ), Rozaini Bin Mohd Sani (being a senior management of JCorp) and Shamsul Anuar Bin Abdul Majid (being a senior management of JCorp).

Our independent advice letter was issued on 22 March 2023.

The services provided above are not related to the Proposed Lease Renewal.

5. CREDENTIALS, EXPERIENCE AND EXPERTISE OF BDOCC

BDOCC is a corporate advisory firm in Malaysia with a corporate finance advisory team which provides an extensive range of services to both the corporate and financial sectors as well as the investment community. The areas of expertise include valuation services, capital market transactions as well as mergers and acquisitions.

The credentials and experience of BDOCC as an independent adviser, where we have been appointed in the past two (2) years prior to the date of this IAL, include the following proposals:

(i) Appointment by OCR Group Berhad as independent adviser in relation to the proposed acquisition and settlement of various contingent sums. Our independent advice letter was issued on 2 November 2021;

(ii) Appointment by MPHB Capital Berhad as independent adviser in relation to the proposed disposal of 51% equity interest in MPI Generali Insurans Berhad to Generali Asia N.V. for a total cash consideration of RM485.00 million, subject to adjustments. Our independent advice letter was issued on 28 June 2022;

(iii) Appointment by Citaglobal Berhad as independent adviser in relation to the proposed acquisition of 100% equity interest in Citaglobal Engineering Services Sdn Bhd for a purchase consideration of RM140.00 million. Our independent advice letter was issued on 21 September 2022;

(iv) Appointment by Heng Huat Resources Group Berhad as independent adviser for the conditional mandatory take-over offer by GH Consortium Sdn Bhd to acquire all the offer securities for a cash consideration of RM0.3771 per offer share and RM0.2971 per offer warrant. The independent advice circular was issued on 30 October 2022;

(v) Appointment by Iskandar Waterfront City Berhad as independent adviser in relation to the proposed disposal of a piece of freehold vacant land for a cash consideration of RM53.24 million and settlement of debt owing by the company and its subsidiary amounting to RM50.76 million by way of set-off against the disposal consideration. Our independent advice letter was issued on 31 October 2022;

(vi) Appointment by KPJ as the independent adviser in relation to the proposed sale and leaseback of 3 real property assets involving the interest of related parties as disclosed in **Section 4 (i) of this IAL**. Our independent advice letter was issued on 22 November 2022;

(vii) Appointment by Comintel Corporation Bhd as the independent adviser for the unconditional mandatory take-over offer by JT Conglomerate Sdn Bhd to acquire the offer shares for a cash consideration of RM0.15 per offer share. The independent advice circular was issued on 27 December 2022;

(viii) Appointment by KPJ as the independent adviser in relation to the proposed disposal of 2 parcel of land involving the interest of related parties as disclosed in **Section 4 (ii) of this IAL**. Our independent advice letter was issued on 22 March 2023;

(ix) Appointment by Tropicana Corporation Berhad as the independent adviser in relation to the proposed capitalisation of the advances amounting to RM180.00 million via issuance of new ordinary shares. Our independent advice letter was issued on 8 June 2023; and

(x) Appointment by DPS Resources Berhad as the independent adviser in relation to the proposed exemptions to Tan Sri (Dr) Sow Chin Chuan and persons acting in concert with him, from the obligation to undertake a mandatory offer for the remaining shares and convertible securities in DPS Resources Berhad not already held by them. Our independent advice letter was issued on 14 June 2023.

Premised on the foregoing, BDOCC is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested shareholders of KPJ in relation to the Proposed Lease Renewal.

6. EVALUATION OF THE PROPOSED LEASE RENEWAL

In evaluating the Proposed Lease Renewal, we have taken into consideration the following factors in forming our opinion:-

		Section in this IAL
(i)	Rationale of the Proposed Lease Renewal	7
(ii)	Basis and justifications for the Rental Rate	8
(iii)	Evaluation of the salient terms of the Lease Agreements	9
(iv)	Effects of the Proposed Lease Renewal	10
(v)	Economic and market overview	11
(vi)	Risk factor associated with the Proposed Lease Renewal	12

7. RATIONALE OF THE PROPOSED LEASE RENEWAL

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

We noted that the Proposed Lease Renewal will ensure that there are no disruptions to the on-going operations of KPJ Group, and that the Subsidiaries are able to continue operating at their existing locations.

We noted that the Lessees have been operating from the Properties since the commencement of its respective operations. Through the Lessees' operations, KPJ Group was able to build its brand image and assimilate itself as a healthcare service provider within the surrounding localities of the Properties.

Premised on the above, we are of the view that the rationale of the Proposed Lease Renewal is reasonable and not detrimental to the non-interested shareholders of KPJ. Nevertheless, non-interested shareholders of KPJ should note that the potential benefits arising from the Proposed Lease Renewal are subject to the risk factor as disclosed in Section 4 of Part A of the Circular.

8. BASIS AND JUSTIFICATIONS FOR THE RENTAL RATE

As set out in **Section 2.2 of Part A of the Circular**, the Contractual Term under the Lease Agreements for KJG and PDN is 15 years comprising 5 Rental Terms of 3 years each, whereas the Contractual Term under the Lease Agreements for SeKL and KTN is 3 years comprising 1 Rental Term.

The Rental Rate is formulated as follows:-

Rental Term	Period covered (Year)	Rent and rent review formula for KJG and PDN	Rent formula for SeKL and KTN
(A) First Rental Term			
1st year of first Rental Term	1	6.25% per annum x Open Market Value (“**Base Rent**”)	6.00% per annum x Open Market Value
2nd and 3rd year of first Rental Term	2 and 3	2.00% increase from preceding year’s rental	2.00% increase from preceding year’s rental
(B) Succeeding Rental Term			
1st year of every succeeding Rental Term	4, 7, 10 and 13	6.25% per annum x Open Market Value at point of review, subject to: (i) a minimum rent of the Base Rent of the 1st year of the previous Rental Term; and (ii) a maximum rent limit of 2.00% incremental increase over the rent for the preceding year.	*Not applicable since the Contractual Term for SeKL and KTN is 3 years comprising 1 rental term.*
2nd and 3rd year of every succeeding Rental Term	5, 6, 8, 9, 11, 12, 14 and 15	2.00% increase from preceding year’s rental.	

For avoidance of doubt, “**Base Rent**” refers to the Rent payable for the first year of each Rental Term (Year 1, 4, 7, 10 and 13).

In evaluating the basis and justifications for the Rental Rate for the first Rental Term and the succeeding Rental Terms, we have taken into consideration the following factors in forming our opinion:-

(A) First Rental Term

		Section in this IAL
(i)	Evaluation of the Open Market Value of the Properties	8.1
(ii)	Evaluation of the Rental Rate for Year 1	8.2
(iii)	Evaluation of the annual increment to rent for Years 2 and 3	8.3

(B) Succeeding Rental Term

		Section in this IAL
(iv)	Evaluation of the rent review formula for KJG and PDN	8.4

(A) First Rental Term

8.1 Evaluation of the Open Market Value of the Properties

We noted that the Open Market Value adopted for the Proposed Lease Renewal is determined based on the market value of the Properties as determined by Cheston (being the independent valuer for the Proposed Lease Renewal) or as may be varied, subject to mutual agreement by the Subsidiaries, Trustee and Manager. As such, we have evaluated the market value ascribed by Cheston to determine the fairness of the Open Market Value.

The market values of the Properties as ascribed by Cheston and the Properties' respective valuation methods are as follows:-

Properties	Market value (RM'mil)	Valuation methods
KJG	64.00	Primary method: Income Approach by Profits Method (DCF) Secondary method: Cost Approach by Comparison Method and Depreciated Replacement Cost ("**DRC**") Method
PDN	46.00	Primary method: Income Approach by Profits Method (DCF) Secondary method: Cost Approach by Comparison Method and DRC Method
SeKL	30.10	Primary method: Income Approach by Profits Method (DCF) Secondary method: Cost Approach by Comparison Method and DRC Method
KTN(1)	17.00	Sole method: Cost Approach by Comparison Method and DRC Method
Total	**157.10**	

Note:

(1) *No secondary approach was used as KTN's current operations as a dialysis, assisted living care, confinement and rehabilitation centre do not reflect the investment characteristics of a purpose-built PMC. Further, revenue generated from its current operations is inadequate for a purpose-built PMC and therefore it is inappropriate to adopt the income approach by profits method (DCF) as a suitable valuation methodology and may result in a distorted market value.*

We have reviewed the contents of the valuation reports which were 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. Accordingly, we are satisfied with the bases and assumptions adopted by Cheston in arriving at the market values of the Properties.

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

As disclosed in **Section 2.1 of Part A of the Circular**, the details of the Properties are summarised as follows:-

<table>
<tr><th></th><th>KJG</th><th>PDN</th><th>SeKL</th><th>KTN</th></tr>
<tr><td>Description</td><td>A 7-storey purpose-built private specialist medical centre together with a lower ground floor which partly accommodates dialysis/ haemodialysis area and partly car park area</td><td>A 5-storey purpose-built private specialist medical centre with a sub-basement</td><td>An 8-storey purpose-built private specialist medical centre together with a lower ground floor accommodating mechanical and equipment area and car park area</td><td>A three and a half storey private specialist medical centre (Block A) (Old Wing), a 5-storey private specialist medical centre (Block B) (New Wing), and ancillary buildings. KTN is currently operating as a dialysis, assisted living care, confinement and rehabilitation centres</td></tr>
<tr><td>Address</td><td>Lot No. 53903, Batu 14 3/4,
Jalan Cheras,
43000 Kajang,
Selangor Darul Ehsan</td><td>Lot PT 37 & 600 and Lot 684 (Level 1, 2 & 3),
Seksyen 14,
Jalan Bayam,
15200 Kota Bharu,
Kelantan Darul Naim</td><td>36, Jalan Chemur,
Kompleks Damai,
50400 Kuala Lumpur</td><td>No. 51,
Jalan Alor Akar,
Taman Kuantan,
25250 Kuantan,
Pahang Darul Makmur</td></tr>
<tr><td>Tenure</td><td>Freehold</td><td><table><tr><th>Lot</th><th>Tenure</th></tr><tr><td>Lot 657 (formerly PT 37)</td><td>66-year leasehold interest expiring on 25 May 2064</td></tr><tr><td>PT No. 705 (formerly PT 600)</td><td>66-year leasehold interest expiring on 8 May 2082</td></tr></table></td><td>Freehold</td><td>Freehold</td></tr>
<tr><td>Age of buildings as at 5 April 2023</td><td>17 years</td><td>21 years</td><td>25 years</td><td><table><tr><th>Building</th><th>Age</th></tr><tr><td>Block A (Old Wing)</td><td>37 years</td></tr><tr><td>Block B (New Wing)</td><td>22 years</td></tr></table></td></tr>
<tr><td>Gross floor area (sq. ft.)</td><td>191,142</td><td>147,541</td><td>97,876</td><td>72,974</td></tr>
<tr><td>Net book value[(i)] (RM'000)</td><td>52,000</td><td>42,000</td><td>31,000</td><td>16,500</td></tr>
</table>

Note:

(i) Based on the fair values of the Properties as reported in Al-`Aqar's Annual Report for the financial year ended 31 December 2022.

We noted that Cheston had adopted the valuation methods in the valuation of the Properties which include income approach by profits method (DCF), the cost approach by Comparison Method and the DRC Method. A brief description of the respective valuation methods are as follows:-

(i) Income approach by profits method (DCF)

We noted that this method is adopted where revenues/earnings, expenses and profits are the essence to the value of the property (property-based business). This method capitalises future net profit of the PMCs as a basis for estimating the market value of a subject property as a going concern inclusive of goodwill, hospital operating equipment, furniture, fittings, plant, machinery and equipment.

(ii) Cost approach

We noted that this approach entails the summation of the market value of land which is derived using the comparison method with the depreciated replacement cost of the building using the DRC Method. Cost approach is the most common method as it can be applied to a wide range of assets. The cost approach estimate values 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).

8.1.1 KJG

We noted that to arrive at the valuation of KJG, Cheston has adopted the income approach by profits method (DCF) as the primary valuation methodology and the cost approach as a secondary cross-check.

8.1.1.1 Income approach by profits method (DCF)

In arriving at the market value of KJG, we noted that Cheston has used the income approach by profits method (DCF) based on the forecasted profits of KJG for a 5-year period and the terminal value of KJG based on the fifth year's net profit for the remaining term of the tenure.

In arriving at the forecasted profits of KJG, we noted that Cheston has conducted its analysis on KJG's past operating performance, projections prepared by Kajang Specialist Hospital Sdn Bhd as well as due diligence to arrive at the independent projections as per the practice in the industry. We also noted that in Cheston's analysis of KJG's past performance, Cheston did not take into consideration the past revenues and expenses for years 2020, 2021 and 2022 as the private specialist medical centre sector was affected by the global economic crisis caused by Covid-19 pandemic. We further noted that the forecasted profits of KJG prepared by Cheston has taken into consideration the subdued impact during the endemic phase in the initial years with a gradual increase to normalcy in later years. The market value of KJG based on the income approach by profits method (DCF) is RM64.00 million.

The key parameters adopted by Cheston in arriving at the market value of KJG using the income approach by profits method (DCF) and our comments are set out below:-

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>1.</td><td>
<u>Occupancy rate of beds</u>

The occupancy rates adopted by Cheston are as follows:-
<table>
<tr><th>Year</th><th>Occupancy rate</th></tr>
<tr><td>1</td><td>55.00%</td></tr>
<tr><td>2</td><td>59.50%</td></tr>
<tr><td>3</td><td>64.00%</td></tr>
<tr><td>4</td><td>68.50%</td></tr>
<tr><td>5</td><td>73.00%</td></tr>
<tr><td>Terminal</td><td>73.00%</td></tr>
</table>
</td><td>
The historical occupancy rate of beds of KJG is as follows:-
<table>
<tr><th>Year</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Occupancy rate</td><td>70.59%</td><td>70.97%</td><td>68.18%</td><td>73.02%</td><td>42.40%</td><td>37.16%</td><td>55.35%</td></tr>
<tr><td>Changes</td><td></td><td>+0.38%</td><td>-2.79%</td><td>+4.84%</td><td colspan="3">Excluded due to Covid-19</td></tr>
</table>

We are of the view that the projected occupancy rate of 55.00% for year 1 is reasonable as it is similar to the occupancy rate in year 2022.

We noted that Cheston has projected a 4.50% per annum gradual increase in the occupancy rate starting from 55.00% in year 1. We are of the view that the 4.50% gradual increase and the highest occupancy rate of 73.00% is reasonable after taking into consideration the historical occupancy rate prior to Covid-19 and the 3-year (2017 – 2019) historical average occupancy rate of similar KPJ PMCs, namely KPJ Pasir Gudang Specialist Hospital (75.06%), KPJ Johor Specialist Hospital (72.57%), KPJ Puteri Specialist Hospital (76.05%), KPJ Selangor Specialist Hospital (68.52%), KPJ Ampang Puteri Specialist Hospital (74.91%) and KPJ Ipoh Specialist Hospital (85.17%).
</td></tr>
<tr><td>2.</td><td>
<u>Number of inpatient admitted days</u>

Cheston has adopted <u>2.34 days</u> as the projected number of days every inpatient admitted.
</td><td>
The number of inpatient admitted days in a year is derived from the total occupied beds divided by the number of inpatients admitted.

The historical number of days every inpatient admitted is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Average inpatient admission days</td><td>2.32</td><td>2.33</td><td>2.37</td><td>2.14</td><td>1.98</td><td>2.22</td></tr>
<tr><td></td><td colspan="3">3-year average: 2.34</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected number of inpatient admitted days of 2.34 days is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.
</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>3.</td><td><u>Ratio of number outpatient / number of inpatient</u>

Cheston has adopted <u>7.74</u> as the ratio of number of outpatient / number of inpatient.</td><td>We noted that the projected ratio of 7.74 for the number of outpatient / number of inpatient is adopted by Cheston to derive the projected number of outpatients.

The historical ratio of number of outpatient / number of inpatient is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Ratio of outpatient to inpatient</td><td>7.74</td><td>7.77</td><td>7.71</td><td>10.80</td><td>12.34</td><td>10.00</td></tr>
<tr><td></td><td colspan="3">3-year average: 7.74</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the above projected ratio is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected ratio remains fixed throughout the projection period.</td></tr>
<tr><td>4.</td><td><u>Consultant inpatient revenue per occupied bed</u>

Cheston has adopted <u>RM850</u> as the consultant inpatient revenue per occupied bed.</td><td>We noted that the consultant inpatient revenue is derived by multiplying the total beds occupied for the year with the estimated consultant inpatient revenue per occupied bed.

The historical consultant inpatient revenue per occupied bed is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Consultant inpatient revenue per occupied bed (RM)</td><td>836</td><td>870</td><td>844</td><td>1,081</td><td>1,297</td><td>1,022</td></tr>
<tr><td></td><td colspan="3">3-year average: RM850</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM850 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr>
<td>5.</td>
<td><u>Consultant outpatient revenue per person</u>

Cheston has adopted <u>RM93</u> as the consultant outpatient revenue per person.</td>
<td>We noted that the consultant outpatient revenue is derived by multiplying the total projected outpatient visits to KJG for the year with the consultant outpatient revenue per person.

The historical consultant outpatient revenue per person is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Consultant outpatient revenue per person (RM)</td><td>95</td><td>95</td><td>89</td><td>83</td><td>82</td><td>89</td></tr>
<tr><td></td><td colspan="3">3-year average: RM93</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM93 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td>
</tr>
<tr>
<td>6.</td>
<td><u>Hospital inpatient revenue per occupied bed</u>

Cheston has adopted <u>RM1,969</u> as the hospital inpatient revenue per occupied bed.</td>
<td>We noted that the hospital inpatient revenue is derived by multiplying the total occupied beds for the year with the hospital inpatient revenue per occupied bed.

The historical hospital inpatient revenue per occupied bed is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Hospital inpatient revenue per occupied bed (RM)</td><td>1,849</td><td>1,984</td><td>2,074</td><td>2,665</td><td>3,275</td><td>2,764</td></tr>
<tr><td></td><td colspan="3">3-year average: RM1,969</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM1,969 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>7.</td><td><u>Hospital outpatient revenue per person</u>

Cheston has adopted <u>RM236</u> as the hospital outpatient revenue per person.</td><td>We noted that the hospital outpatient revenue is derived by multiplying the total projected outpatient visits to KJG for the year with the hospital outpatient revenue per person.

The historical hospital outpatient revenue per person is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Hospital outpatient revenue per person (RM)</td><td>246</td><td>231</td><td>232</td><td>252</td><td>254</td><td>255</td></tr>
<tr><td></td><td colspan="3">3-year average: RM236</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM236 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

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No.	Key parameter	Our comments
8.	**Cost of sales**	

Key parameter

The cost of sales parameters adopted by Cheston are as follows:-

Material cost	28.0% of revenue from hospital inpatient and outpatient
Direct staff cost	14.4% of gross operating revenue before hospital discount and appropriation to consultants
Operating overhead	10% increase per annum starting from RM9,390,080 in year 1

Our comments

The historical material costs in relation to hospital inpatient and outpatient revenues are as follows:-

Year	2017	2018	2019	2020	2021	2022
Material cost	28.1%	28.7%	27.1%	27.6%	27.4%	26.3%
	3-year average: 28.0%			*Excluded by Cheston due to Covid-19*		

We noted that material cost moved in tandem with the hospital inpatient and outpatient revenues. We are of the view that the percentage of material cost over the hospital inpatient and outpatient revenue of 28.0% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical direct staff costs in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Direct staff cost	15.3%	14.0%	13.8%	17.3%	16.2%	14.3%
	3-year average: 14.4%			*Excluded by Cheston due to Covid-19*		

We noted that the direct staff cost moved in tandem with the gross operating revenue before hospital discount and appropriation to consultants. We are of the view that the percentage of direct staff cost over the gross operating revenue before hospital discount and appropriation to consultants of 14.4% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical operating overhead in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Operating overhead (RM)	6,813,071	7,463,687	8,536,436	8,242,019	10,338,352	10,615,314
Growth rate	+5.2%	+9.5%	+14.4%	*Excluded by Cheston due to Covid-19*		
	3-year average: +9.7%					
	Adopted: RM8,536,436 x 1.1 = RM9,390,080					

We noted that the projected operating overhead of RM9,390,080 is based on a 10% increase from 2019 and is projected to increase 10% per annum. We are of the view that the projected 10.0% per annum increase adopted by Cheston is reasonable as it is approximate to the 3-year (2017 – 2019) average historical growth rate of 9.7%.

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No.	Key parameter	Our comments
9.	**Undistributed operating expenses**	

Undistributed operating expenses

The undistributed operating expenses parameters adopted by Cheston are as follows:-

Administration and general	13.2%	Of gross operating revenue after hospital discount and appropriation to consultants
Sales and marketing	0.1%	
Property operations maintenance and energy cost (“POMEC”)	5.9%	

The historical administration and general expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Administrative and general	13.7%	13.2%	12.7%	13.7%	12.9%	11.9%
	3-year average: 13.2%			*Excluded by Cheston due to Covid-19*		

The historical sales and marketing expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Sales and marketing	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
	3-year average: 0.1%			*Excluded by Cheston due to Covid-19*		

The historical POMEC expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
POMEC	5.4%	6.1%	6.1%	7.0%	7.3%	5.7%
	3-year average: 5.9%			*Excluded by Cheston due to Covid-19*		

From the analysis of the historical expenses of KJG performed by Cheston, it is noted that all categories of the undistributed operating expenses moved in tandem with the gross operating revenue after hospital discount and appropriation to consultants. The percentage of undistributed operating expenses over the gross operating revenue after hospital discount and appropriation to consultants is derived based on the historical average of years 2017, 2018 and 2019.

Based on the above, we are of the view that the administrative and general expense, the sales and marketing expense as well as the POMEC are reasonable as they are derived based on the historical average of years 2017, 2018 and 2019.

No.	Key parameter	Our comments
10.	**Other operating expenses** Other operating expense parameters adopted by Cheston are as follows:- **Hospital management fees**: 1.5% of gross operating revenue after hospital discount and before appropriation to consultants **Quit rent**: RM7,314 per annum based on actual amount in year 2022 **Assessment expense**: RM62,370 per annum based on actual amount in year 2022 **Insurance premium expense**: RM194,307 per annum based on actual insurance premium expense in year 2022 **Incentive management fee**: 40% of gross operating profit **Capital reserve fund for asset replacement**: RM3,870,000 for Year 1 and 5.12% of gross operating revenue after hospital discount and appropriation to consultants for the subsequent years	We noted that hospital management fees of 1.5% of gross operating revenue after hospital discount and before appropriation to consultants is in line with the management fees adopted for similar medical centres and profits-oriented properties. The fees comprise fees for advisory services charged by management to the hospital based on the gross operating revenue after hospital discount and before appropriation to consultants of the medical centre. We also noted that quit rent, assessment and insurance premium expenses are adopted based on current actual expenses in year 2022. We further noted that these expenses remain fixed throughout the projection period. We further noted that the incentive management fee of 40% over gross operating profit is to reflect the operator's risk, management advisory and skill to operate the various income-generating resources of the medical centre. We noted that the projected capital reserve fund for asset replacement expense of RM3,870,000 for year 1 adopted by Cheston is arrived after considering the historical expenditures incurred by KJG over the past 5 years. We also noted that the capital reserve for asset replacement rate for the subsequent years adopted by Cheston of 5.12% is derived from the ratio of RM3,870,000 against the projected gross operating revenue after hospital discount and appropriation to consultants of Year 1 of RM75,616,750. We further noted that this projected rate remains fixed throughout the projection period. Based on the above, the basis for the above assumptions are reasonable.

No.	Key parameter	Our comments
11.	**Terminal capitalisation rate** Cheston has adopted 8.0% as the terminal capitalisation rate in arriving at the terminal value of KJG.	We noted that in arriving at the terminal value of KJG, the resultant net revenue (profit) for the 5th year (final year) of the projection period is to be capitalised by an appropriate capitalisation rate. We also noted that the capitalisation rate adopted reflects investors' expected investment rate of return of KJG. We noted that Cheston has adopted a market corroborated capitalisation rate as the market-based rate is the most frequent adopted methodology by participants in the property industry in Malaysia as it reflects the inherent risk associated with the investment. We noted that the yields of the comparable sales of KPJ Batu Pahat Specialist Hospital (transacted on 10 September 2019) and Sunway Medical Centre (transacted on 31 December 2012) referred to by Cheston range between 9.79% and 7.19%. We further noted that the terminal capitalisation rate of KJG of 8.0% is adopted after taking into consideration the time, location, quality, characteristics and tenure of KJG in comparison with the abovementioned comparable sales as well as the current economic condition, the existing and future demand and supply of the private specialist medical centre segment. In addition, we also noted that the terminal capitalisation rate adopted for the lease renewal in year 2021 for 6 hospitals operated by KPJ Group, namely KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist, KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Ipoh Specialist Hospital ranges from 8.00% to 11.25%. We further noted that the terminal capitalisation rate adopted for the proposed sale and leaseback in year 2022 for KPJ Pasir Gudang Specialist Hospital was 8.50%. The terminal capitalisation rate of 8.00% adopted above is within the range of 8.00% to 11.25%. Taking into consideration the above as well as the projected occupancy rate of KJG, we are of the view that the basis for the above assumption is reasonable.
12.	**Discount rate** Cheston has adopted 10.0% as the discount rate.	We noted that Cheston has adopted the discount rate of 10.00% which is 2.00% higher than the terminal capitalisation rate to reflect higher risk on the future business and revenue of KJG, the prospect of the Malaysian healthcare industry and the Malaysian economy. We are of the view that the upward adjustment of 2.00% to the terminal capitalisation rate of 8.00% to derive the discount rate of 10.00% is reasonable as it reflects the additional risk on the projected future revenue such as prolonged economic downturn, introduction of new health requirements and guidelines as well as increased competition. Based on the above, the basis for the above assumption is reasonable.

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8.1.1.2 Cost approach

The cost approach entails the summation of the market value of the commercial land which is derived from the comparison method and the value of the building which is derived using the DRC Method.

(a) Land component valuation

In arriving at the market value of the commercial land, we noted that Cheston has adopted the market/comparison approach which is premised on the principle that comparison is made between the property under valuation with sales of other similar properties. As such, a survey was made by Cheston on the property sales that have occurred in recent past within similar areas as KJG.

The details of the comparable sale evidences of the commercial land are set out as follows:

	KJG	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Title no.:	Geran Mukim 2494	HS(D) 165685	Pajakan Negeri 16008, 16009 and 16010	HS(D) 141106	HS(D) 146978	HS(D) 150384
Property type:	A parcel of commercial land	A parcel of commercial land	Three contiguous parcels of commercial land	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land
Location	Jalan Cheras, Kajang	Pintasan Kajang-Semenyih By Pass (next to McD Kajang Perdana DT), Taman Kajang Perdana	Off Persiaran Bandar Seksyen 1, Bandar Baru Bangi	Persiaran Puncak Utama, Kajang	Kajang-Semenyih By Pass, Taman Sri Jelok	Persiaran Impian, Taman Impian Ehsan
Shape	L-shaped	Rectangular	Irregular	Irregular	Irregular	Rectangular
Category of land use	Building	Building	Building	Building	Building	Building
Town planning	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
Tenure	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring on 14 July 2093	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring on 05 October 2110
Land area (sq. ft.)	68,932.08	71,368.21	175,204.00	43,560.05	61,774.08	42,259.11
Consideration	-	RM14,630,497	RM31,500,000	RM9,300,000	RM11,500,000	RM7,500,000
Date of transaction	-	28 October 2022	18 August 2022	21 March 2021	19 September 2019	30 May 2019

Transacted price (psf)	-	**RM205.00**		**RM179.79**		**RM213.50**		**RM186.16**		**RM177.48**	
<u>Adjustments</u>:											
(i) Market condition (time)	-	Transacted on 28 October 2022	0.0%	Transacted on 18 August 2022	0.0%	Transacted on 21 March 2021	+10.0%[i]	Transacted on 19 September 2019	+15.0%[ii]	Transacted on 30 May 2019	+20.0%[ii]
(ii) Location and accessibility	Located within well-established commercial area	Comparable is located in less ideal location	+10.0%[iii]	Comparable located in area with lesser commercial activities.	+5.0%[iii]	Comparable is located in a less established commercial area	+10.0%[iii]	Comparable is located in a less established commercial area	+10.0%[iii]	Located within well-established commercial area	0.0%
(iii) Corner premium	Intermediate lot	Corner lot	-5.0%[iv]	Corner lot	-5.0%[iv]	Intermediate lot	0.0%	Corner lot	-5.0%[iv]	Corner lot	-5.0%[iv]
(iv) Category of land use / Express condition	Building	Building	0.0%	Building	0.0%	Building	0.0%	Building	0.0%	Building	0.0%
(v) Size/ Quantum allowance	68,932 sq. ft.	71,368	0.0%	174,204	+5.0%[v]	43,560	-5.0%[vi]	61,774	0.0%	42,259	-5.0%[vi]
(vi) Tenure	Interest in perpetuity	Interest in perpetuity	0.0%	71 years remaining	+29.0%[vii]	Interest in perpetuity	0.0%	Interest in perpetuity	0.0%	91 years remaining	+12.0%[viii]
(vii) Restriction in interest	No restriction in interest	No restriction in interest	0.0%	Subject to state consent	+2.5%[ix]	No restriction in interest	0.0%	No restriction in interest	0.0%	Subject to state consent	+2.5%[ix]
Total adjustment (RM psf)	**-**	**+10.25**	**+5.0%**	**+65.55**	**+36.5%**	**+32.02**	**+15.0%**	**+37.23**	**+20.0%**	**+43.57**	**+24.5%**
Adjusted value of land (psf)		**RM215.25**		**RM245.34**		**RM245.52**		**RM223.39**		**RM221.04**	

(Source: Valuation report dated 5 April 2023 by Cheston in relation to the valuation of KJG)

<u>Notes:</u>

(i) Cheston has made upward adjustments of +10% for comparable 3 to reflect better market condition as at the date of valuation.

(ii) Cheston has made upward adjustments of +15% and +20% for comparable 4 and comparable 5, respectively, to reflect the rise in the property market condition in years 2017 to 2019 and better market condition as at the date of valuation.

(iii) Cheston has made upward adjustments of +10%, +5%, +10% and +10% for comparable 1, comparable 2, comparable 3 and comparable 4, respectively, to reflect that each comparable is located in an inferior location compared to KJG.

(iv) *Cheston has made downward adjustments of -5%, -5%, -5% and -5% for comparable 1, comparable 2, comparable 4 and comparable 5, respectively, to reflect that the comparables have dual access as well as better exposure and access.*

(v) *Cheston has made upward adjustment of +5% for comparable 2 to reflect that KJG is easily disposable and has a larger market compared to the comparable.*

(vi) *Cheston has made downward adjustments of -5% and -5% for comparable 3 and comparable 5, respectively, to reflect that the comparables are easily disposable and has larger market compared to KJG.*

(vii) *Cheston has made upward adjustments of +29.00% for comparable 2 to reflect that it has 71 years of tenure remaining. The approximate premium payable to extend the lease of comparable 2 to 99-year is RM42.07 psf. We further noted that Cheston added a premium payable of RM10.00 psf to reflect the difference in tenure, arriving at the approximate total premium upward adjustment of +RM52.07 psf. The percentage adjustments are derived as follows:*

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 2	*RM179.79 psf*	*+RM52.07 psf*	*+29.0%*

(viii) *Cheston has made upward adjustments of +12.00% for comparable 5 to reflect that it has 91 years of tenure remaining. The approximate premium payable to extend the lease of comparable 5 to 99-year is RM11.38 psf. We further noted that Cheston added a premium payable of RM10.00 psf to reflect the difference in tenure, arriving at the approximate total premium upward adjustment of +RM21.38 psf. The percentage adjustments are derived as follows:*

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 5	*RM177.48 psf*	*+RM21.38 psf*	*+12.0%*

(ix) *Cheston has made upward adjustments of +2.5% and +2.5% for comparable 2 and comparable 5 to reflect that the comparables are subject to state consent to transfer, charge and lease.*

We are of the view that the market value for the valuation of the commercial land of RM14.84 million which was derived based on the adjusted land value of comparable 1, is fair due to the following:

(i) The bases and assumptions used by Cheston in deriving the respective adjusted land values of the comparables are reasonable; and

(ii) The selection of comparable 1 as the best comparable is reasonable as it has the least dissimilarities (i.e. +5.0%) against the commercial land component of KJG. The adjustments for comparable 2, comparable 3, comparable 4 and comparable 5 are +36.5%, +15.0%, +20.0% and +24.5%, respectively.

(b) **Building component valuation**

In the application of the DRC Method, the initial building value is derived from the Gross Current Reproduction/Replacement Cost New ("**GCRCN**") of the building and improvements and later deducting the accrued depreciation comprising physical, functional and economical obsolescence of the building from the GCRCN.

In arriving at the GCRCN of the building, Cheston has adopted RM380.78 psf as a fair development cost. The GCRCN of the building was adopted after taking into consideration the actual construction cost of KJG, construction cost of similar type of buildings, reference made to the records of other similar developments and various contracts awarded, enquiries made with the contractors and quantity surveyors and reference made to JUBM and Arcadis Construction Cost Handbook Malaysia 2022. The GCRCN of the building adopted by Cheston is RM72.78 million.

Additionally, Cheston has adopted a straight-line depreciation at a rate of 2.00% per annum and the estimated life span of the building of 50 years as per the practice in the industry for similar type of properties after consultation with contractors and quantity surveyors. The accrued depreciation of the building amounts to RM24.75 million.

Subsequently, the DRC of the building of RM48.04 million is arrived at by deducting the accrued depreciation of RM24.75 million from the GCRCN of RM72.78 million.

(c) **Summation of market value of land and building**

As highlighted in **Section 8.1.1.2 of this IAL**, the cost approach entails the summation of the market value of land which is derived from comparison method and depreciated replacement cost of the building by DRC Method as follows:-

KJG	**RM' mil**
GCRCN of building	72.78
Less: Accrued depreciation of building	(24.75)
DRC of building	**48.04**
Add: Market value of commercial land	14.84
Total	62.88
Market value based on cost approach (rounded up to nearest hundred thousand by Cheston)	**62.90**

Premised on the above, we noted that the market value of KJG based on the cost approach is RM62.90 million.

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8.1.1.3 Summary of KJG valuation

The primary and secondary market value of KJG are as follows:-

		(RM' mil)
Income approach by profits method (DCF)	(Primary)	64.00
Cost approach	(Secondary)	62.90
Market value of KJG as ascribed by Cheston		**64.00**

We noted that for the valuation of KJG, Cheston has adopted the income approach using the profits method (DCF) as the primary valuation methodology because KJG is a specialised property with various sources of revenue generated. As such, Cheston has given greater emphasis on the income approach as a more reliable and appropriate method of valuation due to it being able to capture the annual income and expenses over the investment horizon of KJG to reflect its highest and best use value.

We further noted that the cost approach which is derived from the market value of the land and DRC of the building does not reflect the investment characteristics of KJG. Nevertheless, we also noted that the cost approach can provide a guide on the market value of KJG given the availability of comparable lands and estimated cost of development.

Premised on the analysis conducted in **Sections 8.1.1.1 and 8.1.1.2 above**, we are of the view that the adoption of the income approach by profits method (DCF) as the primary method of valuation is **reasonable** and that the market value of KJG of RM64.00 million adopted by Cheston is **fair**.

8.1.2 PDN

We noted that to arrive at the valuation of PDN, Cheston has adopted the income approach by profits method (DCF) as the primary valuation methodology and the cost approach as a secondary cross-check.

8.1.2.1 Income approach by profits method (DCF)

In arriving at the market value of PDN, we noted that Cheston has used the income approach by profits method (DCF) based on the forecasted profits of PDN for a 5-year period and the terminal value of PDN based on the fifth year's net profit for the remaining term of the tenure.

In arriving at the forecasted profits of PDN, we noted that Cheston has conducted its analysis on PDN's past operating performance, projections prepared by Perdana Specialist Hospital Sdn Bhd as well as due diligence to arrive at the independent projections as per the practice in the industry. We also noted that in Cheston's analysis of PDN's past performance, Cheston did not take into consideration the past revenues and expenses for years 2020, 2021 and 2022 as the private specialist medical centre sector was affected by the global economic crisis caused by the Covid-19 pandemic. We further noted that the forecasted profits of PDN prepared by Cheston has taken into consideration the subdued impact during the endemic phase in the initial years with a gradual increase to normalcy phase in later years. The market value of PDN based on the income approach by profits method (DCF) is RM46.00 million.

The key parameters adopted by Cheston in arriving at the market value of PDN using the income approach by profits method (DCF) and our comments are set out below:-

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>1.</td><td>

<u>**Occupancy rate of beds**</u>

The occupancy rates adopted by Cheston are as follows:-

<table>
<tr><th>Year</th><th>Occupancy rate</th></tr>
<tr><td>1</td><td>71.00%</td></tr>
<tr><td>2</td><td>72.50%</td></tr>
<tr><td>3</td><td>74.00%</td></tr>
<tr><td>4</td><td>75.50%</td></tr>
<tr><td>5</td><td>77.00%</td></tr>
<tr><td>Terminal</td><td>77.00%</td></tr>
</table>

</td><td>

The historical occupancy rate of beds of PDN is as follows:-

<table>
<tr><th>Year</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Occupancy rate</td><td>66.82%</td><td>68.62%</td><td>69.12%</td><td>73.43%</td><td>56.72%</td><td>50.09%</td><td>71.03%</td></tr>
<tr><td>Changes</td><td></td><td>+1.80%</td><td>+0.50%</td><td>+4.31%</td><td colspan="3">Excluded due to Covid-19</td></tr>
</table>

We are of the view that the projected occupancy rate of 71.00% for year 1 is reasonable as it is similar to the occupancy rate in year 2022.

We noted that Cheston has projected a 1.50% per annum gradual increase in the occupancy rate starting from 71.00% in year 1 to reflect the highest and best possible occupancy rate achievable for PDN attributable to its location within the town of Kota Bharu. We are of the view that the projected 1.50% gradual increase in occupancy rate is reasonable as it falls within the range of the increase in occupancy rate per annum for years 2016 to 2019 (prior to Covid-19) of 0.50% to 4.31% and after taking into consideration the limited competition from other PMCs in Kota Bharu.

</td></tr>
<tr><td>2.</td><td>

<u>**Number of inpatient admitted days**</u>
Cheston has adopted <u>2.61 days</u> as the projected number of days every inpatient admitted.

</td><td>

The number of inpatient admitted days in a year is derived from the total occupied beds divided by the number of inpatients admitted.

The historical number of days every inpatient admitted is as follows:-

<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Average inpatient admission days</td><td>2.55</td><td>2.57</td><td>2.70</td><td>2.50</td><td>2.46</td><td>2.57</td></tr>
<tr><td></td><td colspan="3">3-year average: 2.61</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected number of inpatient admitted days of 2.61 days is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.

</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>3.</td><td><u>Ratio of number outpatient / number of inpatient</u>

Cheston has adopted <u>5.48</u> as the ratio of number of outpatient / number of inpatient</td><td>We noted that the projected ratio of 5.48 for the number of outpatient / number of inpatient is adopted by Cheston to derive the projected number of outpatients.

The historical ratio of number of outpatient / number of inpatient is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Ratio of outpatient to inpatient</td><td>5.46</td><td>5.47</td><td>5.52</td><td>6.26</td><td>8.31</td><td>6.32</td></tr>
<tr><td></td><td colspan="3">3-year average: 5.48</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the above projected ratio is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected ratio remains fixed throughout the projection period.</td></tr>
<tr><td>4.</td><td><u>Consultant inpatient revenue per occupied bed</u>

Cheston has adopted <u>RM677</u> as the consultant inpatient revenue per occupied bed.</td><td>We noted that the consultant inpatient revenue is derived by multiplying the total beds occupied for the year with the estimated consultant inpatient revenue per occupied bed.

The historical consultant inpatient revenue per occupied bed is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Consultant inpatient revenue per occupied bed (RM)</td><td>686</td><td>688</td><td>657</td><td>772</td><td>888</td><td>777</td></tr>
<tr><td></td><td colspan="3">3-year average: RM677</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM677 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>5.</td><td><u>Consultant outpatient revenue per person</u>

Cheston has adopted <u>RM79</u> as the consultant outpatient revenue per person.</td><td>We noted that the consultant outpatient revenue is derived by multiplying the total projected outpatient visits to PDN for the year with the consultant outpatient revenue per person.

The historical consultant outpatient revenue per person is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Consultant outpatient revenue per person (RM)</td><td>74</td><td>80</td><td>82</td><td>85</td><td>78</td><td>80</td></tr>
<tr><td></td><td colspan="3">3-year average: RM79</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM79 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
<tr><td>6.</td><td><u>Hospital inpatient revenue per occupied bed</u>

Cheston has adopted <u>RM1,913</u> as the hospital inpatient revenue per occupied bed.</td><td>We noted that the hospital inpatient revenue is derived by multiplying the total occupied beds for the year with the hospital inpatient revenue per occupied bed.

The historical hospital inpatient revenue per occupied bed is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Hospital inpatient revenue per occupied bed (RM)</td><td>1,876</td><td>1,885</td><td>1,979</td><td>2,279</td><td>2,517</td><td>2,174</td></tr>
<tr><td></td><td colspan="3">3-year average: RM1,913</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM1,913 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>7.</td><td><u>Hospital outpatient revenue per person</u>

Cheston has adopted <u>RM233</u> as the hospital outpatient revenue per person.</td><td>We noted that the hospital outpatient revenue is derived by multiplying the total projected outpatient visits to PDN for the year with the hospital outpatient revenue per person.

The historical hospital outpatient revenue per person is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Hospital outpatient revenue per person (RM)</td><td>219</td><td>234</td><td>247</td><td>278</td><td>271</td><td>266</td></tr>
<tr><td></td><td colspan="3">3-year average: RM233</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM233 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

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No.	Key parameter	Our comments

8. **Cost of sales**

The cost of sales parameters adopted by Cheston are as follows:-

Material cost	29.2% of revenue from hospital inpatient and outpatient
Direct staff cost	18.3% of gross operating revenue before hospital discount and appropriation to consultants
Operating overhead	RM5,864,365 fixed throughout the projection

The historical material costs in relation to hospital inpatient and outpatient revenues are as follows:-

Year	2017	2018	2019	2020	2021	2022
Material cost	28.9%	29.6%	29.1%	30.1%	30.1%	29.9%
	3-year average: 29.2%			*Excluded by Cheston due to Covid-19*		

We noted that material cost moved in tandem with the hospital inpatient and outpatient revenues. We are of the view that the percentage of material cost over the hospital inpatient and outpatient revenue of 29.2% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical direct staff costs in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Direct staff cost	18.4%	18.2%	18.2%	16.8%	19.5%	18.1%
	3-year average: 18.3%			*Excluded by Cheston due to Covid-19*		

We noted that the direct staff cost moved in tandem with the gross operating revenue before hospital discount and appropriation to consultants. We are of the view that the percentage of direct staff cost over the gross operating revenue before hospital discount and appropriation to consultants of 18.3% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical operating overhead in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Operating overhead (RM)	5,794,038	5,514,038	**5,864,365**	5,851,563	8,177,985	7,353,416
	3-year average: RM5,724,147			*Excluded due to Covid-19*		
Adopted: RM5,864,365						

We noted that the projected operating overhead of RM5,864,365 is adopted based on the historical operating overhead for year 2019 and is projected to be fixed throughout the projection period. We are of the view that the projected overhead of RM5,864,365 is reasonable as it is slightly above than the 3-year (2017 – 2019) average operating overhead of RM5,724,147 and is the highest among the 3-year (2017 – 2019) historical figures.

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr>
<td>9.</td>
<td>
<u>Undistributed operating expenses</u>

The undistributed operating expenses parameters adopted by Cheston are as follows:-
<table>
<tr><td>Administration and general</td><td>10.8%</td><td rowspan="3">Of gross operating revenue after hospital discount and appropriation to consultants</td></tr>
<tr><td>Sales and marketing</td><td>0.2%</td></tr>
<tr><td>Property operations maintenance and energy cost (“POMEC”)</td><td>8.1%</td></tr>
</table>
</td>
<td>
The historical administration and general expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Administrative and general</td><td>10.3%</td><td>10.8%</td><td>11.3%</td><td>11.6%</td><td>13.1%</td><td>12.7%</td></tr>
<tr><td></td><td colspan="3">3-year average: 10.8%</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

The historical sales and marketing expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Sales and marketing</td><td>0.4%</td><td>0.1%</td><td>0.1%</td><td>0.1%</td><td>0.1%</td><td>0.2%</td></tr>
<tr><td></td><td colspan="3">3-year average: 0.2%</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

The historical POMEC expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>POMEC</td><td>7.5%</td><td>7.4%</td><td>9.3%</td><td>8.5%</td><td>8.5%</td><td>8.0%</td></tr>
<tr><td></td><td colspan="3">3-year average: 8.1%</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

From the analysis of the historical expenses of PDN, it is noted that all categories of the undistributed operating expenses moved in tandem with the gross operating revenue after hospital discount and appropriation to consultants. The percentage of undistributed operating expenses over the gross operating revenue after hospital discount and appropriation to consultants is derived based on the historical average of years 2017, 2018 and 2019.

Based on the above, we are of the view that the administrative and general expense, the sales and marketing expense as well as the POMEC are reasonable as they are derived based on the historical averages of years 2017, 2018 and 2019.
</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr>
<td>10.</td>
<td><u>Other operating expenses</u>

Other operating expense parameters adopted by Cheston are as follows:-
<table>
<tr><td>Hospital management fees</td><td>1.5% of gross operating revenue after hospital discount and before appropriation to consultants</td></tr>
<tr><td>Quit rent</td><td>RM5,250 per annum based on actual amount in year 2022</td></tr>
<tr><td>Assessment expense</td><td>RM79,200 per annum based on actual amount in year 2022</td></tr>
<tr><td>Insurance premium expense</td><td>RM233,453 per annum based on actual insurance premium expense in year 2022</td></tr>
<tr><td>Incentive management fee</td><td>40% of gross operating profit</td></tr>
<tr><td>Capital reserve fund for asset replacement</td><td>RM2,700,000 for Year 1 and 3.93% of gross operating revenue after hospital discount and appropriation to consultants for the subsequent years.</td></tr>
</table>
</td>
<td>We noted that hospital management fees of 1.5% of gross operating revenue after hospital discount and before appropriation to consultants is in line with the management fees adopted for similar medical centres and profits-oriented properties. The fees comprise fees for advisory services charged by management to the hospital based on the gross operating revenue after hospital discount and before appropriation to consultants of the medical centre.

We also noted that quit rent, assessment and insurance premium expenses are adopted based on current actual expenses in year 2022. We further noted that these expenses remain fixed throughout the projection period.

We further noted that the incentive management fee of 40% over gross operating profit is to reflect the operator’s risk, management advisory and skill to operate the various income-generating resources of the medical centre.

We noted that the projected capital reserve fund for asset replacement expense of RM2,700,000 for year 1 adopted by Cheston is arrived after considering the historical expenditures incurred by PDN over the past 5 years. We also noted that the capital reserve for asset replacement rate for the subsequent years adopted by Cheston of 3.93% is derived from the ratio of RM2,700,000 against the projected gross operating revenue after hospital discount and appropriation to consultants of Year 1 of RM68,759,509. We further noted that this projected rate remains fixed throughout the projection period.

Based on the above, the basis for the above assumptions are reasonable.</td>
</tr>
</table>

No.	Key parameter	Our comments
11.	**<u>Terminal capitalisation rate</u>** Cheston has adopted <u>9.50%</u> as the terminal capitalisation rate in arriving at the terminal value of PDN	We noted that in arriving at the terminal value of PDN, the resultant profit for the 5th year (final year) of the projection period is to be capitalised by an appropriate capitalisation rate. We also noted that the capitalisation rate adopted reflects investors' expected investment rate of return of PDN. We noted that Cheston has adopted a market corroborated capitalisation rate as the market-based rate is the most frequent adopted methodology by participants in the property industry in Malaysia as it reflects the inherent risk associated with the investment. We noted that the yields of the comparable sales of KPJ Batu Pahat Specialist Hospital (transacted on 10 September 2019) and Sunway Medical Centre (transacted on 31 December 2012) referred to by Cheston range between 9.79% and 7.19%. We further noted that the terminal capitalisation rate of PDN of 9.50% is adopted after taking into consideration the time, location, quality, characteristics and tenure of PDN in comparison with the abovementioned comparable sales as well as the current economic condition, the existing and future demand and supply of the private specialist medical centre segment. In addition, we also noted that the terminal capitalisation rate adopted for the lease renewal in year 2021 for 6 hospitals operated by KPJ Group, namely KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist, KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Ipoh Specialist Hospital ranges from 8.00% to 11.25%. We further noted that the terminal capitalisation rate adopted for the proposed sale and leaseback in year 2022 for KPJ Pasir Gudang Specialist Hospital was 8.50%. The terminal capitalisation rate of 9.50% adopted above is within the range of 8.00% to 11.25%. Taking into consideration the above as well as the projected occupancy rate of PDN, we are of the view that the basis for the above assumption is reasonable.
12.	**<u>Discount rate</u>** Cheston has adopted <u>11.50%</u> as the discount rate	We noted that Cheston has adopted the discount rate of 11.50% which is 2.00% higher than the terminal capitalisation rate to reflect higher risk on the future business and revenue of PDN, the prospect of the Malaysian healthcare industry and the Malaysian economy. We are of the view that the upward adjustment of 2.00% to the terminal capitalisation rate of 9.50% to derive the discount rate of 11.50% is reasonable as it reflects the additional risk on the projected future revenue such as prolonged economic downturn, introduction of new health requirements and guidelines as well as increased competition. Based on the above, the basis for the above assumption is reasonable.

8.1.2.2 Cost approach

The cost approach entails the summation of the market value of the commercial land which is derived from the comparison method and the value of the building which is derived using the DRC Method.

(a) Land component valuation

In arriving at the market value of the commercial land, we noted that Cheston has adopted the market/comparison approach which is premised on the principle that comparison is made between the property under valuation with sales of other similar properties. As such, a survey was made by Cheston on the property sales that have occurred in recent past within similar areas of PDN.

The details of the comparable sale evidences of the commercial land are set out as follows:

	PDN	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Title no.:	Pajakan Negeri 4133 and HS(D) 11253	Geran 58844	Geran Mukim 496	Pajakan Negeri 12272	Geran 56641
Property type:	A parcel of commercial land	A parcel of commercial land currently accommodating a double storey semi-permanent structure	A parcel of commercial land	A parcel of commercial land	A parcel of development land potential for commercial use
Location	Jalan Bayam, Kota Bharu, Kelantan Darul Naim	Off Jalan Merbau, Kota Bharu, Kelantan Darul Naim	Jalan Dato Lundang, Kota Bharu, Kelantan Darul Naim	Lembah Sireh, Kota Bharu, Kelantan Darul Naim	Jalan Telipot, Kota Bharu, Kelantan Darul Naim
Shape	T-shaped	Rectangular	Rectangular	Rectangular	Rectangular
Category of land use	Building	Nil	Building	Building	Nil
Town planning	Commercial	Commercial	Commercial	Commercial	Commercial
Tenure	**Lot** – **Tenure** Lot 657 (formerly PT 37) – 66-year leasehold interest expiring on 25 May 2064 PT No. 705 (formerly PT 600) – 66-year leasehold interest expiring on 8 May 2082	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring 20 August 2102	Interest in perpetuity
Land area (sq. ft.)	94,162.00	4,384.31	20,483.72	410,212.61	20,996.66
Consideration	-	RM385,000.00	RM1,100,000.00	RM28,704,410.00	RM1,000,000.00

Date of transaction	-	12 September 2022		27 December 2020		28 July 2020		5 June 2017	
Transacted price (psf)	**-**	**RM87.81**		**RM53.70**		**RM69.97**		**RM47.63**	
Adjustments:									
(i) Market condition (time)	-	Transacted on 12 September 2022	0.0%	Transacted on 27 December 2020	+10.0%(i)	Transacted on 28 July 2020	+10.0%(i)	Transacted on 5 June 2017	+30.0%(ii)
(ii) Location and accessibility	Mainly surrounded by residential schemes	Comparable is inferior and less commercial activity	+50.0%(iii)	Comparable is inferior and less developed	+60.0%(iii)	Comparable is less developed and is subject to flooding	+15.0%(iii)	Comparable is inferior and less developed	+50.0%(iii)
(iii) Corner premium	Corner lot	Intermediate lot	+5.0%(iv)	Intermediate lot	+5.0%(iv)	Corner lot	0.0%	Intermediate lot	+5.0%(iv)
(iv) Category of land use / Express condition	Building	Similar to PDN	0.0%	Similar to PDN	0.0%	Similar to PDN	0.0%	Yet to be converted	+10.0%(v)
(v) Size/Quantum allowance	94,163 sq ft	Comparable is 21.48 times smaller in size	-40.0%(vi)	Comparable is 4.60 times smaller in size	-15.0%(vi)	Comparable is 4.36 times larger in size	+15.0%(vii)	Comparable is 4.48 times smaller in size	-15.0%(vi)
(vi) Tenure	66-year leasehold interest expiring on 25 May 2064	Interest in perpetuity	-25.6%(viii)	Interest in perpetuity	-41.8%(viii)	82 years remaining	-18.7%(ix)	Interest in perpetuity	-47.2%(viii)
(vii) Restriction in interest	Subject to state consent	Subject to state consent	0.0%	Subject to state consent	0.0%	No restriction in interest	-5.0%(x)	Subject to state consent	0.0%
Total adjustment (RM psf)	**-**	**-9.30**	**-10.6%**	**+9.75**	**+18.2%**	**+11.44**	**+16.3%**	**+15.63**	**+32.8%**
Adjusted value of land (psf)	**-**	**RM78.51**		**RM63.45**		**RM81.41**		**RM63.26**	

(Source: Valuation report dated 5 April 2023 by Cheston in relation to the valuation of PDN)

Notes:

(i) *Cheston has made upward adjustments of +10% and +10% for comparable 2 and comparable 3, respectively, to reflect better market condition as at the date of valuation.*

(ii) *Cheston has made upward adjustments of +30% for comparable 4 to reflect the rise in the property market condition in years 2017 to 2019 and better market condition as at the date of valuation.*

(iii) *Cheston has made upward adjustments of +50%, +60%, +15% and +50% for comparable 1, comparable 2, comparable 3 and comparable 4, respectively, to reflect that each comparable is located in an inferior location compared to PDN.*

(iv) *Cheston has made upward adjustments of +5%, +5% and +5% for comparable 1, comparable 2 and comparable 4, respectively, to reflect that PDN has better visibility and could have multiple entry/exits.*

(v) *Cheston has made an upward adjustment of +10% for comparable 4 to reflect that comparable 4 is a development land for commercial use and is yet to be converted to "Building" for commercial use.*

(vi) *Cheston has made downward adjustments of -40%, -15% and -15% for comparable 1, comparable 2 and comparable 4, respectively, to reflect that comparable 1, comparable 2 and comparable 4 are easily disposable and has larger market compared to PDN.*

(vii) *Cheston has made upward adjustment of +15% for comparable 3 to reflect that PDN is easily disposable and has larger and affordable market compared to comparable 3.*

(viii) *Cheston has made downward adjustments of -25.6%, -41.8% and -47.2% for comparable 1, comparable 2 and comparable 4, respectively, to reflect that comparable 1, comparable 2 and comparable 4 have interest in perpetuity tenure as PDN has an unexpired leasehold tenure of 41 years. The methodology adopted by Cheston to arrive at the adjustment to the comparables is to arrive at the approximate premium that needs to be incurred for PDN to be an interest in perpetuity. The adjustment to the comparables is arrived as follows:*

1) *Cheston estimates the approximate premium payable to extend the lease of PDN to a 99-year leasehold to be RM18.47 psf.*
2) *Cheston estimates the approximate premium difference between an unexpired leasehold interest of 99 years to an interest in perpetuity to be RM4.00 psf.*
3) *The total premium adjustment of RM22.47 psf is then adopted by Cheston as the approximate cost to convert an unexpired leasehold tenure of 41 years into an interest in perpetuity, vice versa.*

The percentage adjustments are derived as follows:

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 1	*RM87.81 psf*	*-RM22.47 psf*	*-25.6%*
Comparable 2	*RM53.70 psf*	*-RM22.47 psf*	*-41.8%*
Comparable 4	*RM47.63 psf*	*-RM22.47 psf*	*-47.2%*

(ix) *Cheston has made a downward adjustment -18.7% for comparable 3 to reflect that comparable 3 has 82 years of tenure remaining. The approximate downward adjustment to comparable 3 is RM13.06 psf. Since comparable 3 and PDN are leasehold tenure, there is not additional adjustments. The percentage adjustments are derived as follows:*

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 3	*RM69.97 psf*	*-RM13.06 psf*	*-18.7%*

(x) *Cheston has made a downward adjustment of -5% for comparable 3 to reflect that comparable 3 is not subject to restriction in interest and can be transferred to a non-Malay company.*

We are of the view that the market value for the valuation of the commercial land of RM7.39 million which was derived based on the adjusted land value of comparable 1 is fair due to the following:

(i) The bases and assumptions used by Cheston in deriving the respective adjusted land values of the comparables are reasonable; and

(ii) The selection of comparable 1 as the best comparable is reasonable as it is the latest transaction and has the least dissimilarities (i.e. -10.6%) against the commercial land component of PDN. The adjustments for comparable 2, comparable 3 and comparable 4 are +18.2%, +16.3% and +32.8%, respectively.

(b) Building component valuation

In the application of the DRC Method, the initial building value is derived from the GCRCN of the building and improvements and later deducting the accrued depreciation comprising physical, functional and economical obsolescence of the building from the GCRCN.

In arriving at the GCRCN of the building, Cheston has adopted RM348.35 psf as a fair development cost. The GCRCN of the building was adopted after taking into consideration the actual construction cost of PDN, construction cost of similar type of buildings, reference made to the records of other similar developments and various contracts awarded, enquiries made with the contractors and quantity surveyors and reference made to JUBM and Arcadis Construction Cost Handbook Malaysia 2022. The GCRCN of the building adopted by Cheston is RM51.40 million.

Additionally, Cheston has adopted a straight-line depreciation at a rate of 2.00% per annum and the estimated life span of the building of 50 years as per the practice in the industry for similar type of properties after consultation with contractors and quantity surveyors. The accrued depreciation of the building amounts to RM21.59 million.

Subsequently, the DRC of the building of RM29.81 million is arrived at by deducting the accrued depreciation of RM21.59 million from the GCRCN of RM51.40 million.

(c) **Summation of market value of land and building**

As highlighted in **Section 8.1.2.2 of this IAL**, the cost approach entails the summation of the market value of land which is derived from comparison method and depreciated replacement cost of the building by DRC Method as follows:-

PDN	**RM' mil**
GCRCN of building	51.40
Less: Accrued depreciation of building	(21.59)
DRC of building	**29.81**
Add: Market value of commercial land	7.39
Total	37.20
Market value based on cost approach (rounded down to nearest hundred thousand by Cheston)	**37.20**

Premised on the above, we noted that the market value of PDN based on the cost approach is RM37.20 million.

8.1.2.3 Summary of PDN valuation

The primary and secondary market value of PDN are as follows:-

		(RM' mil)
Income approach by profits method (DCF)	(Primary)	46.00
Cost approach	(Secondary)	37.20
Market value of PDN as ascribed by Cheston		**46.00**

We noted that for the valuation of PDN, Cheston has adopted the income approach using the profits method (DCF) as the primary valuation methodology because PDN is a specialised property with various sources of revenue generated. As such, Cheston has given greater emphasis on the income approach as a more reliable and appropriate method of valuation due to it being able to capture the annual income and expenses over the investment horizon of PDN to reflect its highest and best use value.

We further noted that the cost approach which is derived from the market value of the land and DRC of the building does not reflect the investment characteristics of PDN. Nevertheless, we also noted that the cost approach can provide a guide on the market value of PDN given the availability of comparable lands and estimated cost of development.

Premised on the analysis conducted in **Sections 8.1.2.1 and 8.1.2.2** above, we are of the view that the adoption of the income approach by profits method (DCF) as the primary method of valuation is **reasonable** and that the market value of PDN of RM46.00 million adopted by Cheston is **fair**.

8.1.3 SeKL

We noted that to arrive at the valuation of SeKL, Cheston has adopted the income approach by profits method (DCF) as the primary valuation methodology and the cost approach as a secondary cross-check.

8.1.3.1 Income approach by profits method (DCF)

In arriving at the market value of SeKL, we noted that Cheston has used the income approach by profits method (DCF) based on the forecasted profits of SeKL for a 5-year period and the terminal value of SeKL based on the fifth year's net profit for the remaining term of the tenure.

In arriving at the forecasted profits of SeKL, we noted that Cheston has conducted its analysis on SeKL's past operating performance, projections prepared by Sentosa Medical Centre Sdn Bhd as well as due diligence to arrive at the independent projections as per the practice in the industry. We also noted that in Cheston's analysis of SeKL's past performance, Cheston did not take into consideration the past revenues and expenses for years 2020, 2021 and 2022 as the private specialist medical centre sector was affected by the global economic crisis caused by the Covid-19 pandemic. We further noted that the forecasted profits of SeKL prepared by Cheston has taken into consideration the subdued impact during the endemic phase in the initial years with a gradual increase to normalcy in later years. The market value of SeKL based on the income approach by profits method (DCF) is RM30.10 million.

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The key parameters adopted by Cheston in arriving at the market value of SeKL using the income approach by profits method (DCF) and our comments are set out below:-

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr>
<td>1.</td>
<td><u>Occupancy rate of beds</u>

The occupancy rates adopted by Cheston are as follows:-
<table>
<tr><th>Year</th><th>Occupancy rate</th></tr>
<tr><td>1</td><td>35.00%</td></tr>
<tr><td>2</td><td>41.25%</td></tr>
<tr><td>3</td><td>47.50%</td></tr>
<tr><td>4</td><td>53.75%</td></tr>
<tr><td>5</td><td>60.00%</td></tr>
<tr><td>Terminal</td><td>60.00%</td></tr>
</table>
</td>
<td>The historical occupancy rate of beds of SeKL is as follows:-
<table>
<tr><th>Year</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Occupancy rate</td><td>44.28%</td><td>42.39%</td><td>39.73%</td><td>44.06%</td><td>28.23%</td><td>25.19%</td><td>28.94%</td></tr>
<tr><td>Changes</td><td></td><td>-1.89%</td><td>-2.66%</td><td>+4.33%</td><td colspan="3">Excluded due to Covid-19</td></tr>
</table>

We noted that the projected 6.25% gradual increase in the occupancy rate is adopted by Cheston throughout the projected period to reflect the highest and best possible occupancy rate achievable for SeKL of 60.00% in Year 5 attributable to its location within the Kuala Lumpur city.

We are of the view that the projected 6.25% gradual increase in occupancy rate and the highest projected occupancy rate of 60.0% is reasonable after taking into consideration the subsequent recovery in the Malaysian economy post Covid-19 as well as the 3-year (2017 – 2019) historical average occupancy rate of similar KPJ PMCs, namely KPJ Ampang Puteri Specialist Hospital (74.91%), KPJ Selangor Specialist Hospital (68.52%) and KJG (70.72%) as shown in Appendix III of the Circular.</td>
</tr>
<tr>
<td>2.</td>
<td><u>Number of inpatient admitted days</u>
Cheston has adopted <u>1.86 days</u> as the projected number of days every inpatient admitted.</td>
<td>The number of inpatient admitted days in a year is derived from the total occupied beds divided by the number of inpatients admitted.

The historical number of days every inpatient admitted is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Average inpatient admission days</td><td>1.96</td><td>1.89</td><td>1.74</td><td>1.62</td><td>1.54</td><td>1.50</td></tr>
<tr><td></td><td colspan="3">3-year average: 1.86</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected number of inpatient admitted days of 1.86 days is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>3.</td><td><u>Ratio of number outpatient / number of inpatient</u>

Cheston has adopted <u>9.77</u> as the ratio of number of outpatient / number of inpatient</td><td>We noted that the projected ratio of 9.77 for the number of outpatient / number of inpatient is adopted by Cheston to derive the projected number of outpatients.

The historical ratio of number of outpatient / number of inpatient is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Ratio of outpatient to inpatient</td><td>9.78</td><td>10.05</td><td>9.47</td><td>11.45</td><td>11.18</td><td>10.12</td></tr>
<tr><td></td><td colspan="3">3-year average: 9.77</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>
We are of the view that the above projected ratio is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected ratio remains fixed throughout the projection period.</td></tr>
<tr><td>4.</td><td><u>Consultant inpatient revenue per occupied bed</u>

Cheston has adopted <u>RM1,147</u> as the consultant inpatient revenue per occupied bed.</td><td>We noted that the consultant inpatient revenue is derived by multiplying the total beds occupied for the year with the estimated consultant inpatient revenue per occupied bed.

The historical consultant inpatient revenue per occupied bed is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Consultant inpatient revenue per occupied bed (RM)</td><td>1,034</td><td>1,137</td><td>1,271</td><td>1,536</td><td>1,806</td><td>1,732</td></tr>
<tr><td></td><td colspan="3">3-year average: RM1,147</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>
We are of the view that the projected rate of RM1,147 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td></tr>
</table>

No.	Key parameter	Our comments
5.	**<u>Consultant outpatient revenue per person</u>** Cheston has adopted <u>RM81</u> as the consultant outpatient revenue per person.	We noted that the consultant outpatient revenue is derived by multiplying the total projected outpatient visits to SeKL for the year with the consultant outpatient revenue per person. The historical consultant outpatient revenue per person is as follows:-

Year	2017	2018	2019	2020	2021	2022
Consultant outpatient revenue per person (RM)	81	81	82	87	90	96
	3-year average: RM81			*Excluded by Cheston due to Covid-19*		

We are of the view that the projected rate of RM81 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.

No.	Key parameter	Our comments
6.	**<u>Hospital inpatient revenue per occupied bed</u>** Cheston has adopted <u>RM2,270</u> as the hospital inpatient revenue per occupied bed.	We noted that the hospital inpatient revenue is derived by multiplying the total occupied beds for the year with the hospital inpatient revenue per occupied bed. The historical hospital inpatient revenue per occupied bed is as follows:-

Year	2017	2018	2019	2020	2021	2022
Hospital inpatient revenue per occupied bed (RM)	1,934	2,264	2,611	3,086	3,780	3,705
	3-year average: RM2,270			*Excluded by Cheston due to Covid-19*		

We are of the view that the projected rate of RM2,270 per occupied bed is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr>
<td>7.</td>
<td><u>Hospital outpatient revenue per person</u>

Cheston has adopted <u>RM160</u> as the hospital outpatient revenue per person.</td>
<td>We noted that the hospital outpatient revenue is derived by multiplying the total projected outpatient visits to SeKL for the year with the hospital outpatient revenue per person.

The historical hospital outpatient revenue per person is as follows:-
<table>
<tr><th>Year</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Hospital outpatient revenue per person (RM)</td><td>162</td><td>157</td><td>162</td><td>206</td><td>230</td><td>214</td></tr>
<tr><td></td><td colspan="3">3-year average: RM160</td><td colspan="3">Excluded by Cheston due to Covid-19</td></tr>
</table>

We are of the view that the projected rate of RM160 per outpatient is reasonable as it is calculated based on the historical average of years 2017, 2018 and 2019. We also noted that this projected rate remains fixed throughout the projection period.</td>
</tr>
</table>

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No.	Key parameter	Our comments
8.	**Cost of sales**	

Cost of sales

The cost of sales parameters adopted by Cheston are as follows:-

Material cost	31.4% of revenue from hospital inpatient and outpatient
Direct staff cost	15.0% of gross operating revenue before hospital discount and appropriation to consultants
Operating overhead	3% increase per annum starting from RM3,109,965 in year 1.

The historical material costs in relation to hospital inpatient and outpatient revenues are as follows:-

Year	2017	2018	2019	2020	2021	2022
Material cost	29.7%	32.2%	32.2%	30.5%	31.9%	31.8%
	3-year average: 31.4%			*Excluded by Cheston due to Covid-19*		

We noted that material cost moved in tandem with the hospital inpatient and outpatient revenues. We are of the view that the percentage of material cost over the hospital inpatient and outpatient revenue of 31.4% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical direct staff costs in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Direct staff cost	15.5%	15.7%	13.8%	16.7%	16.6%	16.2%
	3-year average: 15.0%			*Excluded by Cheston due to Covid-19*		

We noted that the direct staff cost moved in tandem with the gross operating revenue before hospital discount and appropriation to consultants. We are of the view that the percentage of direct staff cost over the gross operating revenue before hospital discount and appropriation to consultants of 15.0% is reasonable as it is derived based on the historical average of years 2017, 2018 and 2019.

The historical operating overhead in relation to gross operating revenue before hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Operating overhead (RM)	2,837,029	2,565,107	3,019,384	3,378,729	4,310,355	3,959,802
Growth rate	+0.73%	-9.58%	+17.71%	*Excluded by Cheston due to Covid-19*		
	3-year average: +3.0%					
	Adopted: 3,019,384 x 1.03 = RM3,109,965					

We noted that the projected operating overhead of RM3,109,965 is based on a 3% increase from 2019 and is projected to increase 3% per annum. We are of the view that the projected 3.0% per annum is reasonable as the projection in year 1 is approximate to the 3-year (2017 – 2019) average historical growth rate of 3.0%.

No.	Key parameter	Our comments
9.	**<u>Undistributed operating expenses</u>** The undistributed operating expenses parameters adopted by Cheston are as follows:- **Administration and general**: 16.3% **Sales and marketing**: 0.3% **POMEC**: 9.0% Of gross operating revenue after hospital discount and appropriation to consultants	The historical administration and general expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:- (see table A) The historical sales and marketing expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:- (see table B) The historical POMEC expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:- (see table C) From the analysis of the historical expenses of SeKL performed by Cheston, it is noted that all categories of the undistributed operating expenses moved in tandem with the gross operating revenue after hospital discount and appropriation to consultants. The percentage of undistributed operating expenses over the gross operating revenue after hospital discount and appropriation to consultants is derived based on the historical average of years 2017, 2018 and 2019. Based on the above, we are of the view that the administrative and general expense, the sales and marketing expense as well as the POMEC are reasonable as they are derived based on the historical averages of years 2017, 2018 and 2019.

Administration and general	16.3%	Of gross operating revenue after hospital discount and appropriation to consultants
Sales and marketing	0.3%	
POMEC	9.0%	

The historical administration and general expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Administrative and general	15.7%	16.5%	16.7%	15.5%	15.8%	16.3%
	3-year average: 16.3%			*Excluded by Cheston due to Covid-19*		

The historical sales and marketing expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
Sales and marketing	0.5%	0.2%	0.3%	0.5%	0.3%	0.5%
	3-year average: 0.3%			*Excluded by Cheston due to Covid-19*		

The historical POMEC expenses in relation to gross operating revenue after hospital discount and appropriation to consultants are as follows:-

Year	2017	2018	2019	2020	2021	2022
POMEC	8.4%	8.2%	10.4%	10.1%	9.6%	9.0%
	3-year average: 9.0%			*Excluded by Cheston due to Covid-19*		

<table>
<tr><th>No.</th><th>Key parameter</th><th>Our comments</th></tr>
<tr><td>10.</td><td><u>Other operating expenses</u>

Other operating expense parameters adopted by Cheston are as follows:-
<table>
<tr><td>Hospital management fees</td><td>1.5% of gross operating revenue after hospital discount and before appropriation to consultants</td></tr>
<tr><td>Quit rent</td><td>RM10,111 per annum based on actual amount in year 2022</td></tr>
<tr><td>Assessment expense</td><td>RM69,888 per annum based on actual amount in year 2022</td></tr>
<tr><td>Insurance premium expense</td><td>RM156,736 per annum based on actual insurance premium expense in year 2022</td></tr>
<tr><td>Incentive management fee</td><td>40% of gross operating profit</td></tr>
<tr><td>Capital reserve fund for asset replacement</td><td>RM1,700,000 for Year 1 and 4.51% of gross operating revenue after hospital discount and appropriation to consultants for the subsequent years.</td></tr>
</table></td><td>We noted that hospital management fees of 1.5% of gross operating revenue after hospital discount and before appropriation to consultants is in line with the management fees adopted for similar medical centres and profits-oriented properties. The fees comprise fees for advisory services charged by management to the hospital based on the gross operating revenue after hospital discount and before appropriation to consultants of the medical centre.

We also noted that quit rent, assessment and insurance premium expenses are adopted based on current actual expenses in year 2022. We further noted that these expenses remain fixed throughout the projection period.

We further noted that the incentive management fee of 40% over gross operating profit is to reflect the operator’s risk, management advisory and skill to operate the various income-generating resources of the medical centre.

We noted that the projected capital reserve fund for asset replacement expense of RM1,700,000 for year 1 adopted by Cheston is arrived after considering the historical expenditures incurred by SeKL over the past 5 years. We also noted that the capital reserve for asset replacement rate for the subsequent years adopted by Cheston of 4.51% is derived from the ratio of RM1,700,000 against the projected gross operating revenue after hospital discount and appropriation to consultants of Year 1 of RM37,693,166. We further noted that this projected rate remains fixed throughout the projection period.

Based on the above, the bases for the above assumptions are reasonable.</td></tr>
</table>

No.	Key parameter	Our comments
11.	**Terminal capitalisation rate** Cheston has adopted 7.00% as the terminal capitalisation rate in arriving at the terminal value of SeKL.	We noted that in arriving at the terminal value of SeKL, the resultant profit for the 5th year (final year) of the projection period is to be capitalised by an appropriate capitalisation rate. We also noted that the capitalisation rate adopted reflects investors' expected investment rate of return of SeKL. We noted that Cheston has adopted a market corroborated capitalisation rate as the market-based rate is the most frequent adopted methodology by participants in the property industry in Malaysia as it reflects the inherent risk associated with the investment. We noted that the yields of the comparable sales of KPJ Batu Pahat Specialist Hospital (transacted on 10 September 2019) and Sunway Medical Centre (transacted on 31 December 2012) referred to by Cheston range between 9.79% and 7.19%. We further noted that the terminal capitalisation rate of SeKL of 7.00% is adopted after taking into consideration the time, location, quality, characteristics and tenure of SeKL in comparison with the abovementioned comparable sales as well as the current economic condition, the existing and future demand and supply of the private specialist medical centre segment. In addition, we also noted that the terminal capitalisation rate adopted for the lease renewal in year 2021 for 6 hospitals operated by KPJ Group, namely KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist, KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Ipoh Specialist Hospital ranges from 8.00% to 11.25%. We further noted that the terminal capitalisation rate adopted for the proposed sale and leaseback in year 2022 for KPJ Pasir Gudang Specialist Hospital was 8.50%. Based on the above and considering the lower projected occupancy relative to the other Properties, we are of the view that the terminal capitalisation rate of 7.00% is reasonable.
12.	**Discount rate** Cheston has adopted 9.00% as the discount rate.	We noted that Cheston has adopted the discount rate of 9.00% which is 2.00% higher than the terminal capitalisation rate to reflect higher risk on the future business and revenue of SeKL, the prospect of the Malaysian healthcare industry and the Malaysian economy. We are of the view that the upward adjustment of 2.00% to the terminal capitalisation rate of 7.00% to derive the discount rate of 9.00% is reasonable as it reflects the additional risk on the projected future revenue such as prolonged economic downturn, introduction of new health requirements and guidelines as well as increased competition. Based on the above, the basis for the above assumption is reasonable.

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8.1.3.2 Cost approach

The cost approach entails the summation of the market value of the commercial land which is derived from the comparison method and the value of the building which is derived using the DRC Method.

(a) Land component valuation

In arriving at the market value of the commercial land, we noted that Cheston has adopted the market/comparison approach which is premised on the principle that comparison is made between the property under valuation with sales of other similar properties. As such, a survey was made by Cheston on the property sales that have occurred in recent past within similar areas as SeKL.

	SeKL	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Title no.:	Geran 43923	Geran 33288 & Geran 26557	HS(D) 37724	Pajakan Negeri 5338	Geran 6309	Geran 12118
Property type:	A parcel of commercial land	Two contiguous parcels of development (residential) land with potential for commercial use	A parcel of development land with potential for commercial use	A parcel of commercial land	A parcel of development land located within Malay reservation area	A parcel of commercial land
Location	36, Jalan Chemur, Damai Complex, 50400 Kuala Lumpur	Nos. 1 & 3, Jalan Raja Uda, Kampung Baru, Kuala Lumpur	PT 183, Jalan 1/64 (Jalan Tengah), Off Jalan Ipoh, Kuala Lumpur	No. 386, Jalan Tun Razak, Kuala Lumpur	Lot 220, Jalan Raja Abdullah, Kampung Baru, Kuala Lumpur	Lot 18, Jalan Pahang/Jalan Titiwangsa, Titiwangsa, Kuala Lumpur
Shape	Intermediate (Triangle)	Intermediate (Rectangular)	Intermediate (Rectangular)	End (Rectangular)	Corner (Almost rectangular)	Corner (Irregular)
Category of land use	Building	Lot 1654 – Nil Lot 1655 – "Tidak dinyatakan"	Building	Building	Building	"Tidak dinyatakan"
Town planning	Commercial	Commercial	Commercial - Institutional	Commercial	Commercial	Commercial
Tenure	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring on 14 May 2080	99-year leasehold interest expiring on 3 October 2083	Interest in perpetuity	Interest in perpetuity
Land area (sq. ft.)	23,659.07	25,890.12	28,999.05	131,319.70	17,954.20	25,455.00
Consideration	-	RM40,000,000.00	RM24,500,000.00	RM112,000,000.00	RM15,260,900.00	RM27,000,000.00
Date of transaction	-	31 August 2021	15 June 2021	8 March 2018	12 January 2018	23 February 2017

Transacted price (psf)	**-**	**RM1,544.99**		**RM844.86**		**RM852.88**		**RM849.99**		**RM1,060.70**	
Adjustments:											
(i) Market condition (time)	-	Transacted on 30 August 2021	+5.0%[i]	Transacted on 15 June 2021	+5.0%[i]	Transacted on 8 March 2018	+25.0%[ii]	Transacted on 12 January 2018	+25.0%[ii]	Transacted on 23 February 2017	+30.0%[ii]
(ii) Location and accessibility	Inferior from main road with mixed of low to high rise commercial development and vacant development lands	Comparable 1 is superior with locality near MRT station	-40.0%[iii]	Similar accessibility, infrastructure, amenities and facilities	0.0%	Comparable 3 is superior with better location	-40.0%[iii]	Similar accessibility	0.0%	Comparable 5 is superior with more advantageous position	-5.0%[iii]
(iii) Corner premium	Intermediate lot	Intermediate lot	0.0%	Intermediate lot	0.0%	End lot	-2.5%[iv]	Corner lot	-5.0%[v]	Corner lot	-5.0%[v]
(iv) Category of land use / Express condition	Building	Existing residential quit rent	+10.0%[vi]	Development land for car park use	+5.0%[vii]	Similar to SeKL	0.0%	Existing residential quit rent	+10.0%[vi]	Similar to SeKL	0.0%
(v) Size/ Quantum allowance	23,659.07 sq. ft.	Similar size to SeKL	0.0%	Similar size to SeKL	0.0%	Comparable is 5.55 times larger in size	+15.0%[viii]	Similar size to SeKL	0.0%	Similar size to SeKL	0.0%
(vi) Tenure	Interest in perpetuity	Interest in perpetuity	0.0%	99-year leasehold interest expiring on 14 May 2080	+35.83%[ix]	99-year leasehold interest expiring on 3 October 2083	+38.45%[x]	Interest in perpetuity	0.0%	Interest in perpetuity	0.0%
(vii) Restriction in interest	No restriction in interest	No restriction in interest	0.0%	Subject to state consent	+2.5%[xi]	Subject to state consent	+2.5%[xi]	Subject to restriction in interest	+15.0%[xii]	No restriction in interest	0.0%
Total adjustment (RM psf)	**-**	**-386.25**	**-25.0%**	**+408.31**	**+48.3%**	**+327.91**	**+38.5%**	**+382.50**	**+45.0%**	**+212.15**	**+20.0%**
Adjusted value of land (psf)		**RM1,158.74**		**RM1,253.16**		**RM1,180.79**		**RM1,232.49**		**RM1,272.85**	

(Source: Valuation report dated 5 April 2023 by Cheston in relation to the valuation of SeKL)

Notes:

(i) *Cheston has made upward adjustments of +5% and +5% for comparable 1 and comparable 2, respectively, to reflect better market condition as at the date of valuation.*

(ii) *Cheston has made upward adjustments of +25%, +25% and +30% for comparable 3, comparable 4 and comparable 5, respectively, to reflect the rise in the property market condition in years 2017 to 2019 and better market condition as at the date of valuation.*

(iii) *Cheston has made downward adjustments of -40%, -40% and -5% for comparable 1, comparable 3 and comparable 5, respectively, to reflect that each comparable is located in a superior location as compared to SeKL.*

(iv) *Cheston has made downward adjustment of -2.5% for comparable 3 to reflect that comparable 3 has dual access.*

(v) *Cheston has made downward adjustments of -5% and -5% for comparable 4 and comparable 5, respectively, to reflect that both comparables have better visibility and could have multiple entry/exits.*

(vi) *Cheston has made upward adjustments of +10% and +10% for comparable 1 and comparable 4, respectively, to reflect that the existing quit rent for both comparables are for residential.*

(vii) *Cheston has made upward adjustment of +5% for comparable 2 to reflect that comparable 2 is a development land for car park use.*

(viii) *Cheston has made upward adjustment of +15% for comparable 3 to reflect that SeKL is easily disposable and has larger and affordable market compared to comparable 3.*

(ix) *Cheston has made upward adjustment of +35.83% for comparable 2 to reflect that it has 59 years of tenure remaining. The approximate premium payable to extend the lease of comparable 2 to 99-year is RM242.71 psf. We further noted that Cheston added a premium payable of RM60.00 psf to reflect the difference in tenure, arriving at the approximate total premium upward adjustment of +RM302.71 psf. The percentage adjustments are derived as follows:*

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 2	*RM844.86 psf*	*+RM302.71 psf*	*+35.83%*

(x) *Cheston has made upward adjustments of +38.45% for comparable 3 to reflect that it has 66 years of tenure remaining. The approximate premium payable to extend the lease of comparable 3 to 99-year is RM252.91 psf. We further noted that Cheston added a premium payable of RM60.00 psf to reflect the difference in tenure, arriving at the approximate total premium upward adjustment of +RM327.91 psf. The percentage adjustments are derived as follows:*

	Transacted price, RM psf	Adjustment, RM psf	Adjustment (%)
	A	B	C = B / A
Comparable 3	*RM852.88 psf*	*+RM327.91 psf*	*+38.45%*

(xi) *Cheston has made upward adjustments of +2.5% and +2.5% for comparable 2 and comparable 3, respectively, to reflect that the comparables are subject to state consent to transfer, charge and lease.*

(xii) *Cheston has made upward adjustment of +15% for comparable 4 to reflect that comparable 4 cannot be transferred or occupied by a non-Malay.*

We are of the view that the market value for the valuation of the commercial land of RM27.41 million which was derived based on the adjusted land value of comparable 1, is fair due to the following:

(i) The bases and assumptions used by Cheston in deriving the respective adjusted land values of the comparables are reasonable; and

(ii) The selection of comparable 1 as the best comparable is reasonable as it is the most recently transacted (i.e. 31 August 2021). The transaction dates for comparable 2, comparable 3, comparable 4 and comparable 5 are 15 June 2021, 8 March 2018, 12 January 2018 and 23 February 2017, respectively.

(b) Building component valuation

In the application of the DRC Method, the initial building value is derived from the GCRCN of the building and improvements and later deducting the accrued depreciation comprising physical, functional and economical obsolescence of the building from the GCRCN.

In arriving at the GCRCN of the building, Cheston has adopted RM312.82 psf as a fair development cost. The GCRCN of the building was adopted after taking into consideration the actual construction cost of SeKL, construction cost of similar type of buildings, reference made to the records of other similar developments and various contracts awarded, enquiries made with the contractors and quantity surveyors and reference made to JUBM and Arcadis Construction Cost Handbook Malaysia 2022. The GCRCN of the building adopted by Cheston is RM30.62 million.

Additionally, Cheston has adopted a straight-line depreciation at a rate of 2.00% per annum and the estimated life span of the building of 50 years as per the practice in the industry for similar type of properties after consultation with contractors and quantity surveyors. The accrued depreciation of the building amounts to RM15.31 million.

Subsequently, the DRC of the building of RM15.31 million is arrived at by deducting the accrued depreciation of RM15.31 million from the GCRCN of RM30.62 million.

(c) Summation of market value of land and building

As highlighted in **Section 8.1.3.2 of this IAL**, the cost approach entails the summation of the market value of land which is derived from comparison method and depreciated replacement cost of the building by DRC Method as follows:-

SeKL	**RM' mil**
GCRCN of building	30.62
Less: Accrued depreciation of building	(15.31)
DRC of building	**15.31**
Add: Market value of commercial land	27.41
Total	42.72
Market value based on cost approach (rounded down to nearest hundred thousand by Cheston)	**42.70**

Premised on the above, we noted that the market value of SeKL based on the cost approach is RM42.70 million.

8.1.3.3 Summary of SeKL valuation

The primary and secondary market value of SeKL are as follows:-

		(RM' mil)
Income approach by profits method (DCF)	(Primary)	30.10
Cost approach	(Secondary)	42.70
Market value of SeKL as ascribed by Cheston		**30.10**

We noted that for the valuation of SeKL, Cheston has adopted the income approach using the profits method (DCF) as the primary valuation methodology because SeKL is a specialised property with various sources of revenue generated. As such, Cheston has given greater emphasis on the income approach as a more reliable and appropriate method of valuation due to it being able to capture the annual income and expenses over the investment horizon of SeKL to reflect its investment characteristics.

We further noted that the cost approach which is derived from the market value of the land and DRC of the building does not reflect the investment characteristics of SeKL. Nevertheless, we also noted that the cost approach can provide a guide on the market value of SeKL given the availability of comparable lands and estimated cost of development.

Premised on the analysis conducted in **Sections 8.1.3.1 and 8.1.3.2 above**, we are of the view that the adoption of the income approach by profits method (DCF) as the primary method of valuation is **reasonable** and that the market value of SeKL of RM30.10 million is **fair**.

8.1.4 KTN

We noted that to arrive at the valuation of KTN, Cheston has adopted the cost approach as the sole valuation method as the existing use of KTN operating as an assisted living care and wellness centre is not the highest and best use of KTN, and this does not reflect the investment characteristics of KTN as a purpose-built PMC. This is because the revenue generated from KTN's operations as a dialysis, assisted living care and wellness centre is inadequate for what it was built for as a PMC. Thus, adopting the income approach by profits method (DCF) may result in a distorted market value which does not reflect the true market value of KTN.

In addition to the above, the cost approach is the best alternative valuation methodology to arrive at the market value of KTN given the availability of comparable lands and estimated cost of development.

8.1.4.1 Cost approach

The cost approach entails the summation of the market value of the commercial land which is derived from the comparison method and the value of the building which is derived using the DRC Method.

(a) Land component valuation

In arriving at the market value of the commercial land, we noted that Cheston has adopted the market/comparison approach which is premised on the principle that comparison is made between the property under valuation with sales of other similar properties. As such, a survey was made by Cheston on the property sales that have occurred in recent past within similar areas as KTN.

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The details of the comparable sale evidences of the commercial land are set out as follows:

	KTN	Comparable 1		Comparable 2		Comparable 3		Comparable 4	
Title no.:	Geran Mukim 3441, 3442, 3466, 2827, 2823, 3443, 1575 & 6875, respectively	HS(D) 66410		Geran Mukim 11059 to 11063 (inclusive)		Geran 407 to 412 (inclusive)		Geran Mukim 8319	
Property type:	Eight (8) contiguous parcels of commercial land	A parcel of commercial land		Five (5) contiguous parcels of commercial land		Six (6) contiguous parcels of commercial land		A parcel of commercial land	
Location	No. 51, Jalan Alor Akar, Taman Kuantan, Kuantan, Pahang Darul Makmur	Jalan Tanah Putih, Kuantan, Pahang Darul Makmur		Jalan Beserah, Kuantan, Pahang Darul Makmur		Jalan Tanah Putih, Kuantan, Pahang Darul Makmur		Jalan Teluk Sisek, Kuantan, Pahang Darul Makmur	
Category of land use	Building	Building		Building		Building		Building	
Town planning	Commercial	Commercial		Commercial		Commercial		Commercial	
Tenure	Interest in perpetuity in respect of all titles	Interest in perpetuity		Interest in perpetuity		Interest in perpetuity		Interest in perpetuity	
Land area (sq. ft.)	72,105.00	41,881.00		8,536.00		9,600.00		131,524.00	
Consideration	-	RM5,700,000.00		RM1,500,000.00		RM1,920,000.00		RM15,000,000.00	
Date of transaction	-	23 September 2022		9 August 2019		28 December 2018		5 September 2018	
Transacted price (psf)	**-**	**RM136.10**		**RM175.73**		**RM200.00**		**RM114.05**	
Adjustments:									
(i) Market condition (time)	-	Transacted on 23 September 2022	0.0%	Transacted on 9 August 2019	+15.0%[i]	Transacted on 28 December 2018	+20.0%[i]	Transacted on 5 September 2018	+20.0%[i]
(ii) Location and accessibility	Mainly surrounded by residential schemes	Comparable is superior and within area with well-established commercial development and thriving commercial activities	-20.0%[ii]	Comparable is superior and within thriving immediate neighbourhood that comprises active retail commercial area	-20.0%[ii]	Comparable is superior with location along the busiest business enclave of Kuantan	-25.0%[ii]	Comparable is superior with location within city centre	-25.0%[ii]

(iii) Corner premium	Corner lot	Intermediate lot	+5.0%[iii]	Corner lot	0.0%	End lot	+2.5%[iii]	Intermediate lot with dual frontages	+2.5%[iii]
(iv) Category of land use	Building	Building	0.0%	Building	0.0%	Building	0.0%	Building	0.0%
(v) Size/Quantum allowance	72,105 sq ft	Comparable is 1.72 times smaller in size	-5.0%[iv]	Comparable is 8.45 times smaller in size	-30.0%[iv]	Comparable is 7.51 times smaller in size	-30.0%[iv]	Comparable is 1.82 times larger in size	+5.0%[v]
(vi) Tenure	Interest in perpetuity in respect of all titles	Interest in perpetuity	0.0%	Interest in perpetuity in respect of all titles	0.0%	Interest in perpetuity in respect of all titles	0.0%	Interest in perpetuity	0.0%
Total adjustment (RM psf)	**-**	**-27.22**	**-20.0%**	**-61.51**	**-35.0%**	**-65.00**	**-33.0%**	**+2.85**	**+3.0%**
Adjusted value of land (psf)	**-**	**RM108.88**		**RM114.22**		**RM135.00**		**RM116.90**	

(Source: Valuation report dated 5 April 2023 by Cheston in relation to the valuation of KTN)

Notes:

(i) Cheston has made upward adjustments of +15%, +20% and +20% for comparable 2, comparable 3 and comparable 4, respectively, to reflect the appreciation in values in 2019 resulting from the scarcity of commercial land in Kuantan town.

(ii) Cheston has made downward adjustments of -20%, -20%, -25% and -25% for comparable 1, comparable 2, comparable 3 and comparable 4, respectively, to reflect that each comparable is located in a better location compared to KTN.

(iii) Cheston has made upward adjustments of +5%, +2.5% and +2.5% for comparable 1, comparable 3 and comparable 4, respectively, to reflect that KTN has better visibility and could have multiple entry/exits.

(iv) Cheston has made downward adjustments of -5%, -30% and -30% for comparable 1, comparable 2 and comparable 3, respectively, to reflect that comparable 1, comparable 2 and comparable 3 are easily disposable and has larger and affordable market compared to KTN.

(v) Cheston has made upward adjustment of +5% for comparable 4 to reflect that KTN is easily disposable and has larger and affordable market compared to comparable 4.

We are of the view that the market value for the valuation of the commercial land of RM8.43 million which as derived based on the adjusted land value of comparable 4, is fair due to the following:

(i) The bases and assumptions used by Cheston in deriving the respective adjusted land values of the comparables are reasonable; and

(ii) The selection of comparable 4 as the best comparable is reasonable as it has the least dissimilarities (i.e. +3.0%) against the commercial land component of KTN. The adjustments for comparable 1, comparable 2 and comparable 3 are -20.0%, -35.0% and -33.0%, respectively.

(b) Building component valuation

In the application of the DRC Method, the initial building value is derived from the GCRCN of the building and improvements and later deducting the accrued depreciation comprising of physical, functional and economical obsolescence of the building from the GCRCN.

In arriving at the GCRCN of the building, we noted that Cheston has adopted different development costs estimates for the different buildings of KTN. We noted that Cheston has adopted RM250.00 psf for the main building of Block A, RM325.00 psf for the main building of Block B, RM70.00 psf for the plant room building, the permanent scheduled waste storage and the refuse chamber as well as the addition of RM50 and RM5 for the temporary scheduled waste storage and the site improvements, respectively as the fair development cost for KTN.

In addition to the above, the GCRCN of the building was adopted after taking into consideration the actual construction cost of KTN, construction cost of similar type of buildings, reference made to the records of other similar developments and various contracts awarded, enquiries made with the contractors and quantity surveyors and reference made to JUBM and Arcadis Construction Cost Handbook Malaysia 2022. The GCRCN of the building adopted by Cheston is RM20.37 million.

Additionally, Cheston has adopted a straight-line depreciation at a rate of 2.00% per annum and the estimated life span of the building of 50 years as per the practice in the industry for similar type of properties after consultation with contractors and quantity surveyors. The accrued depreciation of the building amounts to RM11.78 million.

Subsequently, the DRC of the building of RM8.59 million is arrived at by deducting the accrued depreciation of RM11.78 million from the GCRCN of RM20.37 million.

(c) **Summation of market value of land and buildings**

As highlighted in **Section 8.1.4.1 of this IAL**, the cost approach entails the summation of the market value of land which is derived from comparison method and depreciated replacement cost of the building by DRC Method as follows:-

KTN	**RM' mil**
GCRCN of building	20.37
Less: Accrued depreciation of building	(11.78)
DRC of building	**8.59**
Add: Market value of commercial land	8.43
Total	17.02
Market value based on cost approach (rounded down to nearest hundred thousand by Cheston)	**17.00**

Premised on the analysis conducted in **Sections 8.1.3.1 and 8.1.3.2 above**, we are of the view that the adoption of the cost approach as the sole method of valuation is **reasonable** and that the market value of KTN of RM17.00 million adopted by Cheston is **fair**.

8.1.5 Open Market Value of the Properties

We noted that the Open Market Value of each Property to be adopted in the Lease Agreements for the calculation of rent payable for the Properties was arrived at subsequent to negotiations between KPJ, ART and DRMSB. Further, the Open Market Values of the Properties are within the market values ascribed by Cheston and the independent valuer of Al-`Aqar.

The summary of the market values as ascribed by Cheston and the Open Market Value of the Properties adopted for the Proposed Lease Renewal are as follows:

Properties	**Market value as ascribed by Cheston (RM' mil)**	**Open Market Value (RM' mil)**
KJG	64.00	64.00
PDN	46.00	46.00
SeKL	30.10	30.00
KTN	17.00	17.00
Total	**157.10**	**157.00**

We noted that the Open Market Value of KJG, PDN and KTN are equivalent to the market values ascribed by Cheston. Whereas the Open Market Value of SeKL is RM30.00 million which is RM0.10 million or 0.33% lower than the market value of SeKL as ascribed by Cheston of RM30.10 million.

As such, we are of the view that the Open Market Value of the Properties are **fair**.

8.2 Evaluation of the Rental Rate for Year 1

The basis and justification for arriving at the Rental Rate of the respective Properties are set out in **Section 2.3 of Part A of the Circular**.

We noted that the Rental Rates were negotiated between the parties. The Rental Rate for Year 1 of the Contractual Term and the total rent payable for Year 1 are as follows:-

Property	Rental Rate	Open Market Value (RM' mil)	Rental for Year 1 (RM' mil)
KJG	6.25%	64.00	4.00
PDN	6.25%	46.00	2.88
SeKL	6.00%	30.00	1.80
KTN	6.00%	17.00	1.02
Total		**157.00**	**9.70**

As set out in **Section 2.3 of Part A of the Circular**, the Rental Rates for the first year of the Contractual Term were arrived at after taking into consideration the following:

(i) The gross property yield of commercial properties acquired or to be acquired by Listed REITs from year 2022 up to the LPD, which ranges from 5.28% to 9.98%. The details of the abovementioned acquisitions and their respective gross property yields are set out in **Section 2.3 of Part A of the Circular**;

(ii) The acquisition by Sunway Berhad of Tower A & B of Sunway Medical Centre from Sunway Real Estate Investment Trust where the property yield based on the prevailing annual lease rate of RM26,438,585 prior to the acquisition over the total purchase consideration of RM430 million is 6.15%; and

(iii) The performance of the Listed REITs where the gross property yields (excluding foreign properties) range from 1.16% to 7.24% in 2021 and 2.20% to 8.37% in 2022, are derived by dividing the net property income over the total fair value of the properties for the respective financial years. The details of the property yields of the Listed REITs are set out in **Section 2.3 of Part A of the Circular**.

Based on the Rental Rates against the respective Open Market Values of the Properties, we noted that KPJ is expected to pay total gross rent of approximately RM9.70 million for the first year of the Contractual Term. This represents a reduction of RM0.86 million or 8.14% compared to the existing rent of RM10.56 million for the 2022/2023 rental term.

We also noted that the Rental Rates for KJG and PDN are higher at 6.25% as compared with the Rental Rates for SeKL and KTN of 6.00%.

The lower rental rate for SeKL is due to, among others, higher competition among medical centres and hospitals in Kuala Lumpur, the aging condition of the building, the lack of facilities and limited accessibility. In the case of KTN, the lower rental rate is due to its nature of business being a wellness centre instead of a hospital or medical centre as compared with KJG and PDN.

In evaluating the fairness of the Rental Rate for Year 1, we have compared the Rental Rate on a net rental basis against the fair net rental yields of the Properties as ascribed by Cheston.

The estimated net rental rate for Year 1 after taking into consideration direct expenses such as maintenance, takaful, quit rent and assessment to be incurred by the Lessor are as follows:-

Property	Rental Rate	Estimated net rental rate[(1)]
KJG	6.25%	5.93%
PDN	6.25%	5.64%
SeKL	6.00%	5.10%
KTN	6.00%	5.26%

Note:
(1) Derived from the Rental Rate after taking into consideration direct expenses of the Properties to be borne by the Lessor such as assessment, takaful, maintenance and quit rent.

We noted that the range of fair net rental yields of the Properties as ascribed by Cheston are between 5.50% to 6.00%, after taking into consideration the following:

(i) The analysis on the net rental yields of investment properties transacted in 2019 and 2020 of 4.96% - 6.28% (comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco) as well as the net rental yield of 3.16% - 5.47% of IGB Commercial REIT which was launched in April 2021;

(ii) The analysed net rental yield of 6.15% of the proposed buyback of Sunway Medical Centre by Sunway Medical Centre Sdn Bhd (Purchaser) from Sunway Real Estate Investment Trust which was announced on 29 December 2022;

(iii) The net rental yield of about 5.30% of the 6 newly renewed leases of medical centres in the mid-2021 as well as a sale and leaseback arrangement of KPJ Pasir Gudang Specialist Hospital in 2022, all of which were between Al-`Aqar and KPJ;

(iv) The current state of the Malaysian economy, property market and healthcare industry which have been impacted by the Covid-19 pandemic, fears of a looming global recession, geopolitical risk, current cost of financing as well as interest rates of short and long-term securities; and

(v) Comparisons with a broad spectrum of residential, commercial, industrial and agricultural properties in Malaysia.

We noted that the estimated net rental rate of KJG and PDN for Year 1 of 5.93% and 5.64%, respectively falls within the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%. We also noted that the estimated net rental rate of SeKL and KTN for Year 1 of 5.10% and 5.26%, respectively is lower than the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%.

Premised on the above, we are of the view that the Rental Rates of the Properties for Year 1 are fair.

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8.3 Evaluation of the annual increment to rent for Years 2 and 3

We noted that the basis and justification for arriving at the 2% annual increment to rent are set out in **Section 2.3 of Part A of the Circular**.

We noted that the basis for the 2% incremental increase per annum over the rent amount for the preceding year for Years 2 and 3 of each Rental Term was arrived at after taking into consideration the movement of the consumer price index. As such, the annual inflation rates of Malaysia for the past 10 years as recorded by the Department of Statistics Malaysia are as follows:-

Date	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Inflation rate, %(i)	2.10	3.10	2.10	2.10	3.80	1.00	0.70	(1.10)(ii)	2.50	3.40
									High	*3.80*
									Low	*0.70*
									Average	*2.31*

(Source: Department of Statistics Malaysia)

Notes:
(i) Inflation rate figures are represented by the year over year percentage changes of the Malaysia's Consumer Price Index (CPI) reported monthly by the Department of Statistic Malaysia.
(ii) Excluded due to being an outlier.

Based on the table above, we noted that the 2.00% annual increment to rent is 0.31% lower than Malaysia's 10-year average inflation of 2.31%.

Premised on the above, we are of the view that the 2.00% annual increment to rent for Years 2 and 3 is fair.

(B) Succeeding Rental Term

8.4 Evaluation of the rent review formula for KJG and PDN

As disclosed in **Section 2.3 of Part A of the Circular**, we noted that the rent review formula for the first year of every succeeding Rental Term (i.e. Years 4, 7, 10 and 13) was arrived at to cater for potential upward revision to the market value of the Properties arising from a revaluation of the Properties by an independent valuer to be appointed jointly or severally and/or mutually agreed to by the parties to the Lease Agreements. The Open Market Value will then be determined by the parties accordingly. In such cases, there may be a potential increase in rent payable by KPJ, but such increase would be capped at 2% of the preceding year's rental amount.

We further noted that if there is any increase to the gross floor area of the Properties as a result of any expansion or new development as defined in the Lease Agreements, a new lease agreement or supplemental lease agreement will be executed for the lease of such expansion and/or new development. The total rent amount payable will then be revised accordingly to include the rent payable by the Lessee for the expansion and/or new development, subject to the terms and conditions of the new lease agreement or supplemental lease agreement. Please refer to **Section 9 of this IAL** for our evaluation of the salient terms of the Lease Agreements.

For clarification, the rent review formula of 6.25% of the Open Market Value for KJG and PDN at the point of review is the basis for determining the rent amount. At each succeeding Rental Term, the lowest rent amount that can be charged is the rent payable for the first year of the preceding Rental Term, assuming that the Open Market Value remains unchanged, and the maximum rent amount is a 2% incremental increase over the RM value of the rent for the preceding year. Please refer to **Section 2.3 of Part A of the Circular** for an illustrated example.

We noted that the succeeding rents shall be based on the Open Market Value of the Properties at the point of review while also limiting the potential increment to 2% of the rent of the preceding year.

Whilst the Open Market Value of the Properties may be varied subject to mutual agreement by KPJ, ART and DRMSB, we are of the view that using the Open Market Value in calculating the rent payable is reasonable and not detrimental to KPJ and its non-interested shareholders as the maximum increase in rent payable for the first year of every succeeding Rental Term is capped at 2% of the rent of the preceding year. We are also of the view that a 2% increment to rent payable is fair as per the analysis in Section 8.3 of this IAL.

In addition, we also noted that the total rent amount payable will be revised accordingly to include the rent payable by the Lessee for the expansion and/or new development, subject to the terms and conditions of the new or supplemental lease agreement.

Premised on the above, we are of the view that the rent review formula is <u>fair</u>.

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9. EVALUATION OF THE SALIENT TERMS OF THE LEASE AGREEMENTS

In evaluating the salient terms of the Lease Agreements of the respective Property, we have considered the following salient terms:

(i) Rental Term and Use of Properties;
(ii) Lessor's and Lessees' Covenants;
(iii) Conditions Precedent;
(iv) Registration of Lease Instrument;
(v) Rent;
(vi) Expansion;
(vii) New Development; and
(viii) Events of default and Termination.

Based on our evaluation shown below, we are of the view that the salient terms of the respective Lease Agreements are <u>reasonable</u>.

Please refer to our comments below on the salient terms of the respective Lease Agreements:-

<table>
<tr><th></th><th>KJG</th><th>PDN</th><th>SeKL</th><th>KTN</th></tr>
<tr><td>1.</td><td colspan="2">Rental Term and Use of Properties

Kajang Specialist Hospital Sdn Bhd and Perdana Specialist Hospital Sdn Bhd respectively will enter into a Lease Agreement with the Lessor and the Manager for the lease of KJG and PDN, respectively together with its land for a period of 15 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandums of Extension on 30 September 2023, with an option to renew for another 15 years.

The Lessor and the Lessees agree that 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 colspan="2">

Sentosa Medical Centre Sdn Bhd and Kuantan Wellness Center Sdn Bhd respectively will enter into a Lease Agreement with the Lessor and the Manager for the lease of SeKL and KTN, respectively together with its land for a period of 3 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandums of Extension on 30 September 2023, with an option to renew for another 15 years.

The Lessor and the Lessees agree that 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></tr>
<tr><td colspan="5"><u>BDOCC's comments</u>:

We noted that the Contractual Term for KJG and PDN of 15 years with the option to renew for another 15 years from the expiry of the Contractual Term at the option of the Lessees is reasonable as it provides long term commitment by the Lessor to make available KJG and PDN for KPJ to operate its business. The Contractual Term with an option to renew for another 15 years will allow KPJ to plan ahead on the business continuity of KPJ Group.</td></tr>
</table>

We also noted that the Contractual Term for SeKL and KTN of 3 years with the option to renew for another 15 years from the expiry of the Contractual Term at the option of the Lessee is reasonable as KPJ is currently deliberating on the future business direction for both SeKL and KTN. In view of this, KPJ has decided to seek a shorter renewal lease period of 3 years for SeKL and KTN. As such, the Contractual Term of 3 years will give KPJ flexibility when deciding the future business direction for both SeKL and KTN.

Additionally, we noted that the Properties are operating as healthcare facilities at present. We further noted that there is no intention for the Properties to be utilised for any other purpose other than as aforementioned.

Premised on the above, we are of the view that the terms are reasonable.

2. Lessor's and Lessees' Covenants

<u>Lessor's covenants</u>

The Lessor shall during the Contractual Term, amongst others:

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

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

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

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

(v) be responsible to make good any major repair or total replacement of the Lessor's fixtures and fittings attached to the Properties.

<u>Lessees' covenants</u>

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

	BDOCC's comments: **We noted that the Lessor shall during the Contractual Term, among others, pay for all outgoing charges in relation to the Properties, pay for quit rent and assessment of the Properties, maintain takaful coverage, appoint and pay the maintenance manager and be responsible to make good on major repairs and replacements of fixtures and fittings. We are of the view that it is reasonable for the lessor to be responsible for the charges pertaining to the land and buildings of the Properties since the Lessor is the registered owner of the Properties.** **We also noted that the Lessees shall during the Contractual Term, among others, bear and pay for all costs of all services and maintenance charges of the respective Properties. The term is typical and a norm in transactions of similar nature. Hence, we are of the view that the terms above are reasonable.** **For avoidance of doubt, the general upkeep and maintenance of the Properties such as, among others, interior flooring, walls and ceiling surface, light fittings and general cleaning are the responsibilities of the Lessees at their own cost and expense.**
3.	**Conditions Precedent** The Lease Agreement is conditional upon the fulfilment of the following conditions: (i) the approval of the shareholders of KPJ, as the Lessees' ultimate holding company, being obtained in respect of the Proposed Lease Renewal; (ii) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Lease Renewal; and  (iii) any other regulatory and/or governmental authorities' approval, if required, to be obtained by the Lessees and/or KPJ and the Trustee, on behalf of Al-`Aqar.
	BDOCC's comments: **We are of the view that the conditions precedent of the Lease Agreements are reasonable as they require for both KPJ and Al-`Aqar to procure the relevant requisite approvals from each respective shareholder or unitholder as well as any relevant regulatory and/or governmental authorities' approval.**
4.	**Registration of Lease Instrument** Notwithstanding the Rent Commencement Date, if required, the Lessee shall, upon execution of the Lease Agreement, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee pursuant to the Lease Agreement. ("**Rent Commencement Date**" means 1 October 2023 being the date of commencement of the lease and rent of the relevant Property payable by the Lessee.) Subject to the prior consent of the Lessor's financier having been obtained by the Lessor (if required), on the Rent Commencement Date:

(i) the Lessor and the Lessee shall execute the Form 15A of the National Land Code ("**Lease Instrument**") for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and

(ii) the Lessor shall forward the original issue document of title to the land on which the relevant Property is located ("**Land**") to the Lessee.

In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee shall take on a tenancy of the relevant Property on the terms and conditions as stipulated whereupon the Contractual Term shall be for a fixed period of three (3) years with an automatic renewal for additional four (4) terms of (3) years each for a period. The Lessee shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).

In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee shall first obtain the written consent of the chargee by procuring chargee's signature on the Lease Instrument prior to attending to the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code.

The Lessee shall attend to the following:

(i) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office;

(ii) to pay the stamp duty of the Lease Instrument;

(iii) to present the duly stamped Lease Instrument together with other relevant documents to the relevant land registry for registration of the lease in its favour; and

(iv) upon completion of the registration of the Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor's or its financier's (if any) safekeeping and retention.

The Lessor and the Lessee agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee.

The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement will remain valid and enforceable under the law of contract.

BDOCC's comments:

We noted that this term requires the Lessees, if applicable, to register its lease with either the Registrar of Title or Land Administrator. We also noted that in the event of non-registration of the Lease Instrument, that this will not affect the contractual operation of the Lease. As such, we are of the view that the term is reasonable as it requires KPJ to comply with the National Land Code.

5.	**Rent**

The term of the Lease Agreement for KJG and PDN shall be 15 Years. The term of the Lease Agreement for SeKL and KTN shall be 3 years. The rent shall be denominated in RM and the formula for determination of the rent in the Lease Agreements is as follows:-

(i) Rent formula

Rental Term	Period covered (Year)	Rent formula for KJG and PDN	Rent formula for SeKL and KTN
First Rental Term			
1st year of first Rental Term	1	6.25% per annum x Open Market Value ("**Base Rent**")	6.00% per annum x Open Market Value
2nd and 3rd year of first Rental Term	2 and 3	2.00% increase from preceding year's rental	2.00% increase from preceding year's rental

(ii) Rent review formula

Rental Term	Period covered (Year)	Rent review formula for KJG and PDN
(B) Succeeding Rental Term		
1st year of every succeeding Rental Term	4, 7, 10 and 13	6.25% per annum x Open Market Value at point of review, subject to: (i) a minimum rent of the Base Rent of previous Rental Term; and (ii) a maximum rent limit of 2.00% incremental increase over the rent for the preceding year.
2nd and 3rd year of every succeeding Rental Term	5, 6, 8, 9, 11, 12, 14 and 15	2.00% increase from preceding year's rental

The security deposit to be paid to the Lessor is equivalent to 2 times of the prevailing monthly rent and shall be retained in trust by the Trustee throughout the Contractual Term.

BDOCC's comments:

We noted that the respective Properties' rent formula and rent review formula throughout the respective Contractual Term were mutually agreed between the parties.

	Premised on our view as set out in Section 8.2 of this IAL, we are of the view that the rent formula of 6.25% and 6.00% per annum of the Open Market Value of the respective Properties are fair. The use of the Open Market Value of the respective Properties in the rent formula is fair to reflect the respective Properties' current market value. **Premised on our view as set out in Section 8.3 of this IAL, the 2% incremental increase per annum is fair.** **Premised on our view as set out in Section 8.4 of this IAL, the rent review formula of 6.25% per annum of the Open Market Value for KJG and PDN at the point of review is fair. The use of the Open Market Value of KJG and PDN in the rent review formula is fair as it reflects the changes in market value of KJG and PDN.** **We also noted the use of the Open Market Values of the respective Properties in the rent review formula. We are of the view that the term is reasonable as it ensures that the succeeding rental rate reflects the market value of the Properties at the point of review.**
6.	**Expansion** (i) "**Expansion**" means the construction, renovations and/or refurbishment works within building of the Property and/or attached to building of the Property, undertaken by the Lessor or Lessees for the purposes of expansion of its business operations resulting: (a) in the increase of the gross floor area of the building of the Property; and (b) in the increase of rent pursuant to the Lease Agreement. (ii) Option 1 of the Expansion In the event the Lessees request for Expansion and the Lessor and the Manager agree to meet the Expansion request of the Lessees according to Lessees' specification, the Lessor may, subject to the terms and conditions in the Lease Agreement, make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the building of the Property or work which may affect the: (a) structure of the Property (including but not limited to the roof and the foundation); (b) mechanical or electrical installations of the Property; or (c) provisions of any services in or to the Property. The Lessor shall bear the development costs and expenses for, and related to the Expansion ("**Expansion Costs**") and shall be solely responsible to procure the financing for the Expansion.

	(iii) Option 2 of the Expansion Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreement, the Lessees shall have the option to undertake the Expansion and bear the Expansion Costs, and the parties further agree that the Expansion Costs shall be reimbursed by the Lessor to the Lessees ("**Expansion Reimbursement Costs**") in accordance with the terms and conditions in the Lease Agreement. (iv) If the expansion results in an increase in the gross floor area of the Property, the increase in the monthly rent shall be computed as follows: **Formula**: (the rental rate to be agreed between the parties to the Lease Agreement X Expansion Reimbursement Costs or Expansion Costs, as the case may be) / 12 calendar months. (v) In the event the increase in the rent is incurred during mid of the relevant year of the Contractual Term, such rent shall be prorated to full financial year before applying it in the rent formula for rent increment as set out in the Lease Agreement. (vi) For avoidance of doubt, in the event the rent has been increased pursuant to item (iv) above, 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 under the Lease Agreement for determination of the rent for the relevant succeeding Rental Terms.
	<u>BDOCC's comments</u>: **We noted that the terms above provide the Lessees with the option to renovate and/or refurbish the Properties.** **Based on option 1, we noted that the Expansion Costs will be solely incurred and financed by the Lessor.** **Based on option 2, we noted that the Expansion Costs incurred by the Lessees will be reimbursed by the Lessor.** **Subsequent to an Expansion, any resultant increase in gross floor area due to the Expansion will result in an increase in monthly rent payable to the Lessor, of which, shall be mutually agreed upon between the parties.** **The above terms are reasonable and benefit the Lessees as they cater for any potential future expansion plans by the Lessees to support the Lessees' operations at the Properties.**
7.	**New Development** (i) New Development means the planning, design, and construction of a new building(s), carpark and/or other structures on the land where the Property is situated or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto. (ii) Option 1 of the New Development

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

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

(iii) Option 2 of the New Development

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

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

BDOCC's comments:

We noted that the terms above provide the Lessees an avenue to plan, design and construct building(s) and structures on the land where the Properties are situated.

Based on option 1, we noted that the New Development Costs will be solely incurred and financed by the Lessor.

Based on option 2, we noted that the New Development undertaken by the Lessees shall be acquired by the Lessor and leased back to the Lessees under a new or supplemental lease agreement.

Subsequent to a New Development, the new rent for the New Development shall be governed by a new or supplemental lease agreement, of which, shall be mutually agreed upon between the parties.

The above terms are reasonable and benefit the Lessees as they cater for any potential future new development plans by the Lessees to support the Lessees' operations at the Properties.

8.	**Events of default and Termination** Please refer to **Appendix I of the Circular – Other Salient Terms of the Lease Agreements** on the events of default and termination for more details.

<u>BDOCC's comments</u>:

We noted that the terms lay out the events that would constitute default by the Lessees' failure in fulfilling its obligations under the terms of the Lease Agreements, of which the Lessor will have the right to exercise for remedies from the Lessees.

We further noted that in the event of default by the Lessees, the Lessees shall be liable to pay the Lessor a sum equivalent to the rent for the unexpired period of the Contractual Term as liquidated damages. Notwithstanding the above, the Lessees shall have an option to source for a replacement lessee or tenant approved by the Lessor for the unexpired period of the Contractual Term, and the Lessor shall take all reasonable efforts to lease or let the Property to any other lessees or tenants.

In the event that the Lessor or the Lessees is/are able to lease or let the Property to any other lessees and tenants acceptable to the Lessor, the Lessees shall only compensate the Lessor in lump sum for the deficiency between the originally schedules rent and the rent received or to be received from the other lessees. As such, we are of the view that the term is reasonable.

We also noted that neither party is allowed to terminate the Lease Agreements at its discretion and this works in the interest of both parties for the continuity of the lease terms as mutually negotiated and agreed upon. As such, we are of the view that the term is reasonable.

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10. EFFECTS OF THE PROPOSED LEASE RENEWAL

In evaluating the Proposed Lease Renewal, we have taken note of the effects of the Proposed Lease Renewal as set out in **Section 5 of Part A of the Circular**. Our comments for the effects of the Proposed Lease Renewal are as follows.

10.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Lease Renewal will not have any effect on KPJ's issued share capital as well as KPJ's substantial shareholders' shareholdings as there will be no issuance of new KPJ Shares pursuant to the Proposed Lease Renewal.

10.2 Earnings and EPS

Pursuant to the MFRS 16, there will continue to be depreciation and finance charges to KPJ Group as a result of the Proposed Lease Renewal. The Lease Agreements are expected to commence and be effective in the 4th quarter of 2023. The impact to the earnings and EPS of KPJ Group is not expected to be material for the FYE 31 December 2023.

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

	RM'000
Audited profit for the financial year attributable to owners of KPJ (1)	166,981
Less: Estimated expenses (2)	(1,160)
Proforma profit	**165,821**
Existing (1)	
Basic EPS (sen)	3.84
Diluted EPS (sen)	3.76
Proforma (1)	
Basic EPS (sen)	3.82
Diluted EPS (sen)	3.73

Notes:
(1) *After taking into account the loss from discontinued operations.*
(2) *Estimated expenses include, among others, professional fees, fees payable to the relevant authorities, printing of the Circular, stamp duties applicable to the Lease Agreements and expenses relating to the convening of the EGM.*

10.3 NA, NA per Share and gearing

Based on KPJ Group's latest audited consolidated statements of financial position as at 31 December 2022 and assuming that the Proposed Lease Renewal had been effected on that date, there will be no material impact on KPJ Group's consolidated NA, NA per Share and gearing.

BDOCC's Comments:

We noted that the Proposed Lease Renewal will not have any effect on KPJ Group's issued share capital, KPJ's substantial shareholders' shareholdings and no material impact on KPJ Group's consolidated NA, NA per share and gearing.

We further noted that the Lease Agreements are expected to commence and be effective in the 4th quarter of 2023 and the impact to the earnings and EPS of KPJ Group for the FYE 31 December 2023 is not expected to be material.

Assuming that the Proposed Lease Renewal had been effected at the beginning of FYE 31 December 2022, we noted that the existing basic and diluted EPS of KPJ Group of 3.84 sen and

3.76 sen will slightly decrease to 3.82 sen and 3.73 sen, respectively due to the estimated expenses in respect of the Proposed Lease Renewal amounting to RM1.16 million.

Premised on the above, the overall effect of the Proposed Lease Renewal is <u>reasonable</u> and <u>not detrimental</u> to the interests of the non-interested shareholders of KPJ.

11. ECONOMIC AND MARKET OVERVIEW

We are of the view that the long-term prospect of KPJ Group to be encouraging underpinned by the following key factors:

(i) Malaysia's Gross Domestic Product ("**GDP**") grew 5.6% year-on-year in the first quarter of 2023, 7.1% in the previous quarter. In terms of quarter-on-quarter seasonally adjusted, GDP rose to 0.9% this quarter (Q4 2022: -1.7%). In line with this, the monthly economic performance posted growth of 4.6% in January, 6.6% in February and 5.6% in March 2023.

(Source: Malaysian Economic Statistics Review Vol. 5 2023, Department of Statistics Malaysia)

(ii) The other services rebounded by 9.2% following improvement in private education and health segments in line with high enrolments in private colleges and universities along with a strong demand for private healthcare services;

(iii) The other services subsector is projected to expand backed by private health and education segments. The extensive efforts by the Malaysia Healthcare Travel Council ("**MHTC**") in international forums to promote quality, accessible and affordable healthcare services as well as the reopening of the borders will spur the private health segment; and

(iv) MHTC estimates healthcare tourism revenue to increase by 30% to more than RM1.5 billion in 2023.

(Source: Economic Outlook 2023, Ministry of Finance)

(v) Malaysia's GDP is projected to expand between 4% to 5% in 2023, underpinned by firm domestic demand amid a challenging global environment.

(Source: Economic Performance First Quarter 2023, Bank Negara Malaysia)

(vi) KPJ Group is optimistic on the outlook of the healthcare industry as it moves beyond the pandemic phase in 2023. The global economic recession and inflationary pressures may pose some downside risks to demand and costs. However, KPJ Group remains focused on improving its operational efficiency and expanding its existing capacities as it strives to deliver excellent patient care, contributing to a better customer experience. The turnaround in the health tourism sector presents an upside which KPJ Group is well-positioned to leverage on as Malaysia remains a top medical tourism destination in Asia.

(Source: Integrated Annual Report 2022, KPJ)

Premised on the above, we are of the view that the economic and market conditions appear to be favourable to the operations of KPJ Group.

12. RISK FACTOR ASSOCIATED WITH THE PROPOSED LEASE RENEWAL

In considering the Proposed Lease Renewal, the non-interested shareholders of KPJ are advised to give careful consideration to the risk factor as set out in **Section 4 of Part A of the Circular**.

We noted that the Proposed Lease Renewal is subject to the approval of the non-interested KPJ shareholders and Al-`Aqar's unitholders.

We also noted that the non-renewal of the lease of the Properties will result in the Lessees not being able to continue its ongoing operations at the Properties and may have an impact on the long-term sustainability of KPJ Group's business. In such event, KPJ Group would use its best endeavours to identify other properties to carry out its operations. However, as the properties must be purpose-built hospitals, there can be no assurance that KPJ Group would be able to identify suitable properties to continue its operations and that such relocation would not have a material adverse impact on the financial performance and position of KPJ Group.

We are of the view that the non-renewal risk of the Proposed Lease Renewal is a common aspect of similar proposals or arrangements. In the event that the non-interested KPJ shareholders do not approve the Proposed Lease Renewal, the Proposed Lease Renewal will not proceed.

We wish to highlight that although measures will be taken by KPJ Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factor will not occur and give rise to material adverse impact on the financial performance and position of KPJ Group.

13. CONCLUSION AND RECOMMENDATION

You should carefully consider the terms 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 any other publicly available information.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors which are summarised as follows:-

<table>
<tr><th>Section in this IAL</th><th>Area of evaluation</th><th>Our Evaluation</th></tr>
<tr><td>Section 7</td><td>Rationale of the Proposed Lease Renewal</td><td>We noted that the Proposed Lease Renewal will ensure that there are no disruptions to the on-going operations of KPJ Group, and that the Subsidiaries are able to continue operating at their existing locations.

We noted that the Lessees have been operating from the Properties since the commencement of its respective operations. Through the Lessees' operations, KPJ Group was able to build its brand image and assimilate itself as a healthcare service provider within the surrounding localities of the Properties.

Premised on the above, we are of the view that the rationale of the Proposed Lease Renewal is <u>reasonable</u> and <u>not detrimental</u> to the non-interested shareholders of KPJ. Nevertheless, non-interested shareholders of KPJ should note that the potential benefits arising from the Proposed Lease Renewal are subject to the risk factor as disclosed in Section 4 of Part A of the Circular.</td></tr>
<tr><td>Section 8</td><td>Basis and justifications for the Rental Rate</td><td>The Contractual Term under the Lease Agreements for KJG and PDN is 15 years comprising 5 Rental Terms of 3 years each, whereas the Contractual Term under the Lease Agreements for SeKL and KTN is 3 years comprising 1 Rental Term.

<u>The Rental Rate for KJG and PDN is formulated as follows:</u>
<table>
<tr><th>Rental Term</th><th>Period covered (Year)</th><th>Rent and rent review formula for KJG and PDN</th></tr>
<tr><td><u>First Rental Term</u>

1st year of first Rental Term</td><td>1</td><td>6.25% per annum x Open Market Value</td></tr>
</table>
</td></tr>
</table>

Section in this IAL	Area of evaluation	Our Evaluation

2nd and 3rd year of first Rental Term	2 and 3	2.00% increase from preceding year's rental
Succeeding Rental Term		
1st year of every succeeding Rental Term	4, 7, 10 and 13	6.25% per annum x Open Market Value at point of review, subject to: (i) a minimum rent of the Base Rent of the 1st year of the previous Rental Term; and (ii) a maximum rent limit of 2.00% incremental increase over the rent for the preceding year.
2nd and 3rd year of every succeeding Rental Term	5, 6, 8, 9, 11, 12, 14 and 15	2.00% increase from preceding year's rental.

The Rental Rate for SeKL and KTN is formulated as follows:

Rental Term	Period covered (Year)	Rent formula for SeKL and KTN
First Rental Term		
1st year of first Rental Term	1	6.00% per annum x Open Market Value
2nd and 3rd year of first Rental Term	2 and 3	2.00% increase from preceding year's rental

Evaluation of the Open Market Value of the Properties

We noted that the Open Market Value adopted for the Proposed Lease Renewal is determined based on the market value of the Properties as determined by Cheston (being the independent valuer for the Proposed Lease Renewal) or as may be varied, subject to mutual agreement by the Subsidiaries, Trustee and Manager. In arriving at the fairness evaluation of the Open Market Value, we evaluated the market value ascribed by Cheston to determine the fairness of the Open Market Value.

We have analysed the valuation methodology and parameters used by Cheston in **Sections 8.1.1 (KJG), 8.1.2 (PDN), 8.1.3 (SeKL) and 8.1.4 (KTN) of this IAL,** we are of the view that the valuation methodology adopted by Cheston is **reasonable** and the market values of the Properties as ascribed by Cheston are **fair**.

The summary of the market values as ascribed by Cheston and the Open Market Value of the Properties adopted for the Proposed Lease Renewal are as follows:

Properties	Market value as ascribed by Cheston (RM' mil)	Open Market Value (RM' mil)
KJG	64.00	64.00
PDN	46.00	46.00
SeKL	30.10	30.00
KTN	17.00	17.00
Total	**157.10**	**157.00**

Section in this IAL	Area of evaluation	Our Evaluation
		We noted that the Open Market Value of KJG, PDN and KTN are equivalent to the market values ascribed by Cheston. Whereas the Open Market Value of SeKL is RM30.00 million which is RM0.10 million or 0.33% lower than the market value of SeKL as ascribed by Cheston of RM30.10 million. As such, we are of the view that the Open Market Value of the Properties are **<u>fair</u>**. <u>Evaluation of the Rental Rate for Year 1</u> **Property** / **Rental Rate** / **Estimated net rental rate[1]** KJG / 6.25% / 5.93% PDN / 6.25% / 5.64% SeKL / 6.00% / 5.10% KTN / 6.00% / 5.26% *Note:* *(1) Derived from the Rental Rate after taking into consideration direct expenses of the Properties to be borne by the Lessor such as assessment, takaful, maintenance and quit rent.* We noted that the Rental Rates for KJG and PDN are higher at 6.25% as compared with the Rental Rates for SeKL and KTN of 6.00%. The lower rental rate for SeKL is due to, among others, higher competition among medical centres and hospitals in Kuala Lumpur, the aging condition of the building, the lack of facilities and limited accessibility. In the case of KTN, the lower rental rate is due to its nature of business being a wellness centre instead of a hospital or medical centre as compared to KJG and PDN. We noted that the estimated net rental rate of KJG and PDN for Year 1 of 5.93% and 5.64%, respectively falls within the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%. We also noted that the estimated net rental rate of SeKL and KTN for Year 1 of 5.10% and 5.26%, respectively is lower than the range of the fair net rental yields of the Properties as ascribed by Cheston of 5.50% - 6.00%. As such, we are of the view that the Rental Rates for Year 1 are **<u>fair</u>.** <u>Evaluation of the annual increment to rent for Years 2 and 3</u> We noted that Malaysia's 10-year average inflation is 2.31%. We further noted that the 2.00% annual increment to rent is 0.31% lower than Malaysia's 10-year average inflation of 2.31%. As such, we are of the view that the 2.00% annual increment to rent for Years 2 and 3 is **<u>fair</u>**. <u>Evaluation of the rent review formula for KJG and PDN</u> We noted that the succeeding rents shall be based on the Open Market Value of the Properties at the point of review while also limiting the potential increment to 2% of the rent of the preceding year. Whilst the Open Market Value of the Properties may be varied subject to mutual agreement by KPJ, ART and DRMSB, we are of the view that using the Open Market Value in calculating the rent payable is reasonable and not detrimental to KPJ and its non-interested shareholders as the maximum increase in rent payable for the first year of every succeeding Rental Term is capped at 2% of the rent of the preceding year. We are also of the view that a 2% increment to rent payable is fair as per the analysis in **Section 8.3 of this IAL**.

Section in this IAL	Area of evaluation	Our Evaluation
		We also noted that the total rent amount payable will be revised accordingly to include the rent payable by the Lessee for the expansion and/or new development, subject to the terms and conditions of the new or supplemental lease agreement. Premised on the above, we are of the view that the rent review formula is **fair**.
Section 9	Evaluation of the salient terms of the Lease Agreements	Based on our evaluation, we are of the view that the salient terms of the respective Lease Agreements are **reasonable**.
Section 10	Effects of the Proposed Lease Renewal	We noted that the Proposed Lease Renewal will not have any effect on KPJ Group's issued share capital, KPJ's substantial shareholders' shareholdings and no material impact on KPJ Group's consolidated NA, NA per share and gearing. We further noted that the Proposed Lease Renewal is not expected to be material to the earnings and EPS of KPJ Group for the FYE 31 December 2023. Premised on the above, the overall effect of the Proposed Lease Renewal is **reasonable** and **not detrimental** to the interests of the non-interested shareholders of KPJ.
Section 11	Economic and market overview	We are of the view that the economic and market conditions appear to be favourable to the operations of KPJ Group.
Section 12	Risk factor associated with the Proposed Lease Renewal	We are of the view that the non-renewal risk of the Proposed Lease Renewal is a common aspect of similar proposals or arrangements. In the event that the non-interested KPJ shareholders do not approve the Proposed Lease Renewal, the Proposed Lease Renewal will not proceed. We wish to highlight that although measures will be taken by KPJ Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factor will not occur and give rise to material adverse impact on the financial performance and position of KPJ Group.

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In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Lease Renewal is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of KPJ.

Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Lease Renewal to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
BDO CAPITAL CONSULTANTS SDN BHD

Eng Cha Lun
Executive Director - Advisory

Hasanuddin Bin Amiruddin
Director - Advisory

APPENDIX I – OTHER SALIENT TERMS OF THE LEASE AGREEMENTS

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

1. The Lessees will respectively enter into a Lease Agreement with the Lessor and the Manager as follows:

   (a) Kajang Specialist Hospital Sdn Bhd for the lease of KJG together with its land for a period of 15 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandum of Extension on 30 September 2023, with an option to renew for another 15 years;

   (b) Perdana Specialist Hospital Sdn Bhd for the lease of PDN together with its land for a period of 15 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandum of Extension on 30 September 2023, with an option to renew for another 15 years;

   (c) Sentosa Medical Centre Sdn Bhd for the lease of SeKL together with its land for a period of 3 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandum of Extension on 30 September 2023, with an option to renew for another 15 years; and

   (d) Kuantan Wellness Center Sdn Bhd for the lease of KTN together with its land for a period of 3 years commencing from 1 October 2023, after the expiry of the Supplemental Memorandum of Extension on 30 September 2023, with an option to renew for another 15 years.

2. The Lessor and the Lessees agree that 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.

3. The Lessor shall during the Contractual Term, amongst others:

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

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

   (c) 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;

   (d) appoint and pay to the maintenance manager for the maintenance and management services rendered by the maintenance manager in relation to the Properties; and

   (e) be responsible to make good any major repair or total replacement of the Lessor's fixtures and fittings attached to the Properties.

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

5. Registration of Lease Instrument

(i) Notwithstanding the Rent Commencement Date, if required, the Lessee shall, upon execution of the Lease Agreement, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee pursuant to the Lease Agreement.

"**Rent Commencement Date**" means 1 October 2023 being the date of commencement of the lease and rent of the Property payable by the Lessee.

(ii) Subject to the prior consent of the Lessor's financier having been obtained by the Lessor (if required), on the Rent Commencement Date:

(a) the Lessor and the Lessee shall execute the Form 15A of the National Land Code ("**Lease Instrument**") for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and

(b) the Lessor shall forward the original issue document of title to the land on which the Property is located ("**Land**") to the Lessee.

In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee shall take on a tenancy of the Property on the terms and conditions as stipulated whereupon the Contractual Term shall be for a fixed period of 3 years with an automatic renewal for additional 4 terms of 3 years each for a period. The Lessee shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).

(iii) In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee shall first obtain the written consent of the chargee by procuring chargee's signature on the Lease Instrument prior to attending to the registration of the Lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code.

(iv) The Lessee shall attend to the following:

(a) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office;

(b) to pay the stamp duty of the Lease Instrument;

(c) to present the duly stamped Lease Instrument together with other relevant documents to the relevant land registry for registration of the lease in its favour; and

(d) upon completion of the registration of the Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor's or its financier's (if any) safekeeping and retention.

(v) The Lessor and the Lessee agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee.

The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement will remain valid and enforceable under the law of contract.

6. Expansion

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

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

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

(ii) Option 1 of the Expansion

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

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

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

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

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

(iii) Option 2 of the Expansion

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

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

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

(v) In the event the increase in the rent is incurred during mid of the relevant year of the Contractual Term, such rent shall be prorated to full financial year before applying it in the rent formula for rent increment as set out in the Lease Agreement.

(vi) For avoidance of doubt, in the event the rent has been increased pursuant to item (iv) above, 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 under the Lease Agreement for determination of the rent for the relevant succeeding Rental Terms.

7. New Development

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

(ii) Option 1 of the New Development

The Lessor grants to the Lessee the right to undertake the New Development on the land where the Property is situated for the Lessee's business operations.

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

(iii) Option 2 of the New Development

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

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

8. Events of default and Termination

The following are the events of default by the Lessees and consequences thereof under the Lease Agreements:

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

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

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

(c) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the Lease Agreement 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 on the business and/or operations of the Lessee and which affects its ability to fulfil its obligations under the Lease Agreement; 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 Act and as such, the Lessee is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in Section 465 of the Act 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 Agreement 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 Act which inability may have a material adverse effect.

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

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

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

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

(iv) (a) 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 termination of the Lease Agreement due to an event of default;

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

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

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

APPENDIX II – COMPARISON OF SALIENT TERMS BETWEEN THE PRINCIPAL LEASE AGREEMENTS AND THE LEASE AGREEMENTS

A comparison between the salient terms of the Principal Lease Agreements and that of the current Lease Agreements is as follows:

<table>
<tr><th>No.</th><th>Subject matter</th><th>Salient Terms of Principal Lease Agreement</th><th>Salient Terms of Lease Agreement</th></tr>
<tr><td>1.</td><td>Rental amount</td><td>There was no rent formula used to determine the rent amount payable for the Properties for the first Rental Term of the Initial Contractual Term. The rent for the Principal Lease Agreements were negotiated and agreed between the parties as follows:
<table>
<tr><th>Year</th><th>Rent amount payable for the Properties
RM</th></tr>
<tr><td>2008 (10 months)</td><td>8,270,230</td></tr>
<tr><td>2009</td><td>10,073,724</td></tr>
<tr><td>2010</td><td>10,212,690</td></tr>
<tr><td>2011 (2 months)</td><td>1,726,150</td></tr>
<tr><td>Total</td><td>30,282,794</td></tr>
</table>
</td><td>(a) KJG and PDN
<table>
<tr><th>First Rental Term</th><th>Rent Formula</th></tr>
<tr><td>1^{st} year</td><td>6.25% per annum x Open Market Value of the Property (“Base Rent”)</td></tr>
<tr><td>2^{nd} & 3^{rd} year</td><td>2.00% incremental increase x rent for the preceding year.</td></tr>
</table>
(b) SeKL and KTN
<table>
<tr><th>First Rental Term</th><th>Rent Formula</th></tr>
<tr><td>1^{st} year</td><td>6.00% per annum x Open Market Value of the Property</td></tr>
<tr><td>2^{nd} & 3^{rd} year</td><td>2.00% incremental increase x rent for the preceding year.</td></tr>
</table>
</td></tr>
</table>

<table>
<tr>
<td>2.</td>
<td>Rent review formula</td>
<td>
Succeeding Rental Terms

The rental review of the yearly rental amount for the subsequent lease period shall be calculated based on the following formula: -

<table>
<tr><th>Second Rental Term</th><th>Rent Review Formula</th></tr>
<tr><td>1^{st} year of Second Rental Term</td><td>(10-year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum rental per annum as set out in the respective Principal Lease Agreement of each of the Properties and a maximum 2.00% incremental over the preceding year's rental income</td></tr>
<tr><td>2^{nd} & 3^{rd} year of Second Rental Term</td><td>2.00% incremental over the preceding year's rental amount</td></tr>
</table>

<table>
<tr><th colspan="2">Succeeding Rental Terms</th><th>Rent Review Formula</th></tr>
<tr><td rowspan="2">1^{st} year of every succeeding Rental Term as follows:</td><td>Year 7</td><td>(10-year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum of the prevailing market value of the Properties and a maximum 2.00% incremental over the preceding year's rental income</td></tr>
<tr><td>Years 10 and 13</td><td>(10-year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum gross lease rental of 7.10% per annum at the prevailing market value or purchase consideration of the Properties (whichever is higher) and any lease rental adjustment shall not be more than 2.00% incremental over preceding year's lease rental</td></tr>
<tr><td colspan="2">2^{nd} & 3^{rd} year of every succeeding Rental Term (Years, 8, 9, 11, 12, 14, 15)</td><td>2.00% incremental over the preceding year's rental amount</td></tr>
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</td>
<td>
Succeeding Rental Terms

For KJG and PDN only:

<table>
<tr><th>Succeeding Rental Terms</th><th>Rent Review Formula</th></tr>
<tr><td>1^{st} year of every succeeding Rental Term (Years 4, 7, 10 and 13)</td><td>6.25% per annum x Open Market Value of the Property at the point of review, subject to:
(i) a minimum rent of the Base Rent of the 1^{st} year of the previous Rental Term; and
(ii) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year.</td></tr>
<tr><td>2^{nd} & 3^{rd} year of every succeeding Rental Term (Years 5, 6, 8, 9, 11, 12, 14, 15)</td><td>2.00% incremental increase x rent for the preceding year.</td></tr>
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3.	Conditions Precedent	There was no condition precedent to the Principal Lease Agreement.	Please refer to Paragraph 2.2(i) of the Circular above.
4.	Permitted Use	The Lessor and the Lessees agree that the Properties shall be used private healthcare facility only.	The Lessor and the Lessees agree that 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.
5.	Repair, cleaning, decoration etc	The 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 assessments), insurance, capital expenditure and/or any other payments/ costs related to the Property during the lease term.	The 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, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the demised premises that the Lessee is responsible for during the Contractual Term.
6.	Registration of Lease Instrument	There was no clause on registration of lease instrument in the Principal Lease Agreement.	Please refer to Item 5 of Appendix I above.
7.	Expansion	For expansion requested by the Lessee(s), the Lessor and/or the Manager allows Lessee(s) to undertake expansion through expansion, refurbishment and renovation of the Properties. The Lessor shall then reimburse the Lessee(s) based on the recommendation of the Manager according to the work done and subject to verification by the Manager for all costs incurred by the Lessee(s).	Please refer to Item 6 of Appendix I above.
8.	New Development	There was no clause on new development in the Principal Lease Agreement.	Please refer to Item 7 of Appendix I above.

9.	Forfeiture and termination / Events of default and Termination	The forfeiture and termination of the Principal Lease Agreement shall take place if and whenever during the Initial Contractual Term: (i) the rent or any other sum due under the Principal Lease Agreement shall be in arrears and shall remain unpaid for thirty (30) working days after becoming payable (whether formally demanded or not); or (ii) there shall be any breach of non-performance or non-observance by the Lessee of any of the covenants and conditions contained in the Principal Lease Agreement of which is not capable of being remedied or if capable of being remedied such breach is not remedied within a reasonable time stipulates by the Lessor in its notices to the Lessee requesting action to remedy the same; (iii) or the Lessee is in breach of any agreement which is binding upon it or its assets; or (iv) any provision of the Principal Lease Agreement is, or becomes for any reason whatsoever, invalid or unenforceable; (v) or the Lessee ceases or threatens to cease to carry on its business; or (vi) the Lessee is unable to pay its debts as they become due or commits an act of bankruptcy or insolvency, as the case may be, or any act analogous thereto; or (vii) a trustee or administrator or receiver or manager or liquidator or bailiff or similar officer is appointed in respect of the Lessee or in respect of its assets; or (viii) the Lessee enters into or proposes to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspensions of payments generally; or (ix) any step is taken for the winding up or dissolution (whether compulsory or voluntary) or bankruptcy, as the case may be, of the Lessee or a petition for winding up or bankruptcy, as the case may be, is presented against the Lessee; or (x) a compromise or arrangement is proposed or is intended to be proposed between the Lessee and its creditors; or (xi) the Lessee enters into or proposes to enter into an arrangement or composition for the benefit of its creditors; or	The following are the events of default by the Lessees and consequences thereof under the Lease Agreements: (i) a failure or refusal on the part of the Lessee: (a) to pay the monthly rent for 2 consecutive calendar months under the terms of the Lease Agreement on the day such payment is required to be made under the terms of the Lease Agreement (whether the same shall have been formally demanded or not); or (b) to pay any sum (other than the rent) due under the terms of the Lease Agreement on the day such payment is required to be made under the terms of the Lease Agreement (whether the same shall have been formally demanded or not); or (c) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the Lease Agreement 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 on the business and/or operations of the Lessee and which affects its ability to fulfil its obligations under the Lease Agreement; 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 Act and as such, the Lessee is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in Section 465 of the Act 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 Agreement is materially and adversely affected; or

9.	Forfeiture and termination / Events of default and Termination *(Cont'd)*	(xii) the Lessee has or suffers any distress, execution, attachment or other legal process to be levied, enforced or sued out against its assets; or (xiii) 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 (xiv) in the event that the demised premises or any part thereof shall at any time during the Initial Contractual Term be damaged or destroyed by fire or by any event so as to become unfit for occupation or use then and provided always that such aforesaid fire or event shall not have been caused by the wilful and malicious acts of the Lessee 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 demised premises shall have been rendered fit for occupation and use provided always that in the event that the Lessor shall be unable to restore or render the demised premises fit for occupation within three (3) months from the date hereof, the Lessee shall have an option either to terminate the Principal Lease Agreement created or to continue suspending and ceasing payment of the rent reserved or a proportionate part thereof according to the extent of damage or destruction until the date the demised premises shall be rendered fit for occupation or use by the Lessor. In the event the Lessee decides to terminate the Principal Lease Agreement, the Lessor shall within fourteen (14) days thereof, refund the security deposit to the Lessee less all payment due and payable under the Principal Lease Agreement;	(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 Act which inability may have a material adverse effect.

10.	Remedies for default	(i) The contemplation preparation and service of a notice under Section 235 of the National Land Code or incurred by or in contemplation of proceedings under Sections 234 or 235 of the National Land Code notwithstanding that forfeiture is avoided otherwise than by relief granted by the court; (ii) The recovery or attempted recovery of arrears of Rent or other sums due from the Lessee under the Principal Lease Agreement; (iii) The security deposit and the utilities deposit will be retained by the Lessor and/or the Manager throughout the duration of the Initial Contractual Term and thereafter until returned to the Lessee within thirty (30) days after the expiration of the Initial Contractual Term less such sum or sums as made by the Lessor and/or the Manager (provided that any deduction made by the Lessor and/or the manager from the security deposit or the utilities deposit shall not prejudice any claims rights or remedies of the Lessor and/or the Manager under or in connection with this Principal Lease Agreement) subject to the security deposit or the utilities deposit being applied from time to time by the Lessor and/or the Manager (in its absolute discretion) in or towards making good any breach of any of the terms and conditions on the part of the Lessee to be observed and performed contained in the Principal Lease Agreement provided always that any such application by the Lessor and/or the Manager of the security deposit or the utilities deposit shall not prejudice any claims rights or remedies of the Lessor and/or the Manager under or in connection with the Principal Lease Agreement.	(i) To serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is hereby mutually agreed and deemed that the period stipulated in the forfeiture notice shall be 30 calendar days for the occurrence of the event set out in the paragraph above, and where the breach has not been remedied within the stipulated time of 30 calendar days, to re-enter upon the Property or any part thereof in the name of the whole, and thereupon the Lease Agreement shall absolutely terminate; (ii) To claim for the monthly rent and all other sums due and payable as stipulated in the Lease Agreement; (iii) The Lessor shall be entitled to utilise the security deposits pursuant to the Lease Agreement towards payment or reduction of all sums payable by the Lessee under the Lease Agreement without prejudice to the Lessee's liability for any shortfall; (iv) (a) 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 termination of the Lease Agreement due to an event of default; (b) Notwithstanding the paragraph (iv)(a) above, the Lessee shall have an option to source for a replacement lessee or tenant approved by the Lessor for the unexpired period of the Contractual Term (or any part thereof) at such rental and upon such terms and conditions acceptable to the Lessor, and the Lessor shall take all reasonable efforts to lease or let the Property to any other lessees or tenants.

10.	Remedies for default *(Cont'd)*	(iv) Save as otherwise provided in Item No. 9 above or any other provision of the Principal Lease Agreement, neither party shall be entitled to terminate the Principal Lease Agreement during the Initial Contractual Term without the written consent of the other party. However, in the event of termination of the lease by the Lessee prior to the expiry of the Initial Contractual Term, the lessee shall be liable to pay to the Lessor all rent due and payable for the remaining and unutilised/unexpired period of the Initial Contractual Term as liquidated damages without prejudice to the other rights to claim by the Lessor for any antecedent breach by the Lessee. (v) In addition to the Lessor's and/or the Manager's right of specific performance and right of termination under Item(s) No. 9 (i) – (xiv), the Lessee shall compensate the Lessor for any breach by the Lessee of any term of the Principal Lease Agreement and the Lessor shall at all times be entitled to sue for and recover all losses, damages, costs and expenses of whatever nature from the Lessee in respect of any and all such breaches.	In the event that the Lessor or the Lessee is able to lease or let the Property to any other lessees and tenants at such rental and upon such terms and conditions acceptable to the Lessor, the Lessee shall compensate the Lessor in lump sum for the deficiency between the originally scheduled rent under the Lease Agreement 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. Upon receipt of the first monthly rental of the Property from such replacement lessees and tenants, and save for any antecedent breach of the Lease Agreement, any balance of sum received pursuant to paragraph (iv)(a) above shall be returned by the Lessor to the Lessee within 60 calendar days or any other period as agreed between the parties in writing; or (v) to sue and take any other action that the Lessor deems fit (including remedy of specific performance against the 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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05 April 2023

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

Dear Sirs,

CERTIFICATE OF VALUATION OF

a. **KPJ KAJANG SPECIALIST HOSPITAL ("Property No. 1" / "KjSH")**
b. **KPJ PERDANA SPECIALIST HOSPITAL ("Property No. 2" / "PSH")**
c. **KPJ SENTOSA KL SPECIALIST HOSPITAL ("Property No. 3" / "SKLSH")**
d. **KUANTAN CARE & WELLNESS CENTRE ("Property No. 4" / "KCWC")**

("SUBJECT PROPERTIES")

We were instructed by KPJ Healthcare Berhad ("KPJHB") to conduct valuation of the Subject Properties for the purposes of submission to Bursa Malaysia Securities Berhad in relation to the proposed renewal of the existing leases between AmanahRaya Trustees Berhad ("ART") as trustee of Al-Aqar Healthcare REIT (the "Lessor") and Kajang Specialist Hospital Sdn Bhd ("KjSH"), Perdana Specialist Hospital Sdn Bhd ("PSHSB"), Sentosa Medical Centre Sdn Bhd ("SMCSB") and Kuantan Wellness Centre Sdn Bhd ("KWCSB") (formerly known as Kuantan Specialist Hospital Sdn Bhd) (the "Lessees") for a further term of 15 years, each and the details of the valuations are contained in our Valuation Reports bearing reference nos. V/KPJ5LR/SCB/6841622/A to V/KPJ5LR/SCB/6841622/D (inclusive), all dated 05 April 2023.

We have prepared this Certificate of Valuation for inclusion in the circular to the shareholders of 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 date of valuation 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 Subject Properties, we have adopted the Income Approach by Profits Method (Discounted Cash Flow / "DCF") as the primary valuation methodology and Cost Approach comprising the Comparison and Depreciated Replacement Cost ("DRC") Methods as check for Properties Nos. 1, 2 and 3, whilst, we have adopted the Cost Approach as the sole valuation methodology for Property No. 4.

1.1 Income Approach by Profits Method (DCF) – Properties Nos. 1, 2 and 3

This method is adopted where revenues/earnings, expenses and profits are the essence to the value of the property (property-based business) and capitalises future net revenue (profit) as a basis for estimating the market values of the Subject Properties on a going concern basis inclusive of goodwill, hospital operating equipment, furniture, fittings, plant, machinery and equipment.

We have used 5-year DCF and have forecasted the profits 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 Properties Nos. 1, 2 and 3 from years 2016 to 2022 (inclusive). We were also made available with the future projections of the medical centres by the entities/companies. We have forecasted the 5-year revenues and operating expenditures of the Subject Properties based on the analysis of their past operating performances. We have taken into consideration of the projections of the entities/companies, made necessary due diligence and have arrived at our independent projections as per the practice in the industry.

We note that the Subject Properties have been affected by the global economic crisis caused by the Covid-19 pandemic. The gross revenues and occupancy rates of Properties Nos. 1, 2 and 3 have been impacted due to the Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") announced by the Malaysian government to control the spread of the virus in years 2020, 2021 and to the lesser extent in year 2022.

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 indepth analysis of their historical performances from years 2016 to 2022 (inclusive).

In arriving at the past years performances of Properties Nos. 1, 2 and 3, we note that the revenues and expenses of years 2020, 2021 and 2022 have been impacted by the Covid-19 pandemic. The performances of Properties Nos. 1, 2 and 3 have been fully impacted in years 2020 and 2021 whilst have been partially affected in year 2022. Recovery MCO was still effective up to the 1st half ("1H") of 2022 and the international borders were only officially opened on 1st April 2022.

We also have analysed the occupancy rates of similar types of private medical centres ("PMC") as follows:-

Analysis of occupancy rates of Properties Nos. 1, 2 and 3 and other similar types of PMC.

No.	Name of Hospital	Age (Year)	Occupancy Rate							
			Year 2017	Year 2018	Year 2019	Average 3 Years (2017-2019)	Year 2020	Year 2021	Year 2022	Average 3 Years (2020-2022)
1	KPJ Pasir Gudang Specialist Hospital	11	71.34%	75.87%	77.96%	75.06%	60.68%	40.78%	65.30%	55.59%
2	KPJ Johor Specialist Hospital	42	75.14%	69.95%	72.62%	72.57%	48.73%	40.30%	54.20%	47.74%
3	KPJ Puteri Specialist Hospital	37	72.07%	73.88%	82.19%	76.05%	59.71%	45.80%	57.10%	54.20%
4	KPJ Selangor Specialist Hospital	27	66.19%	64.21%	75.16%	68.52%	46.27%	46.30%	66.70%	53.09%
5	KPJ Ampang Puteri Specialist Hospital	31	80.21%	73.24%	71.29%	74.91%	44.74%	45.80%	59.70%	50.08%
6	KPJ Ipoh Specialist Hospital	42	91.37%	84.84%	79.29%	85.17%	73.74%	52.30%	68.50%	64.85%

Source: KPJHB

No.	Name of Hospital	Age (Year)	Occupancy Rate							
			Year 2017	Year 2018	Year 2019	Average 3 Years (2017-2019)	Year 2020	Year 2021	Year 2022	Average 3 Years (2020-2022)
1	KPJ Kajang Specialist Hospital	17	70.97%	68.18%	73.02%	70.72%	42.40%	37.16%	55.35%	44.97%
2	KPJ Perdana Specialist Hospital	25	68.62%	69.12%	73.43%	70.39%	56.72%	50.09%	71.03%	59.28%
3	KPJ Sentosa KL Specialist Hospital	25	42.39%	39.73%	44.06%	42.06%	28.23%	25.19%	28.94%	27.45%

Source: KPJHB

We note that the average occupancy rates of Properties Nos. 1, 2 and 3 from years 2017 to 2019 which were unaffected by the Covid-19 pandemic ranged between 42.06% to 70.72% (27.45% to 59.28% from years 2020 to 2022 during the Covid-19 pandemic) whilst the similar medical centres ranged between 68.52% to 85.17% (47.74% to 64.85% from years 2020 to 2022 during the Covid-19 pandemic).

In our projections of the occupancy rates of Properties Nos. 1, 2 and 3, we have taken into consideration of the impact of the Covid-19 pandemic which has resulted in the decline in the Malaysian economic growth and the occupancy rates of Properties Nos. 1, 2 and 3. The occupancy rates had declined in year 2020 (GDP: -5.6%) and year 2021 (GDP: 3.1%), however, improved in year 2022 when the Malaysian economy rebounded to 8.7% with the gradual normalising of economic activity, reopening of the international borders and recovery in the labour market.

However, in year 2023, the Malaysian economy is expected to be impacted by weaker global growth amid recession fear, volatility in the security and foreign exchange markets and geo political conflicts.

In arriving at the average of the past three years' performances of Properties Nos. 1, 2 and 3, we did not take into consideration the revenues and expenses of years 2020, 2021 and 2022 as these years were impacted by the Covid-19 pandemic. However, we have analysed and noted that the performances of years 2020, 2021 and 2022 which have been substantially hampered by the Covid-19 pandemic has been adopted as base/floor level benchmark. In our projections of the revenues and expenses for the 5-year cash flow, we have taken into consideration of the Covid-19 pandemic impact on Properties Nos. 1, 2 and 3 with recovery from the pandemic phase for initial years and gradual increase to return to normalcy phase at later years.

We wish to highlight that the revenues and expenses of the medical centres differ depending on the location and demographical area, number of beds, different types of medical services and facilities provided, years in operation and age as well as competition from other medical centres/hospitals. As such, we have projected the revenues and expenses of Properties Nos. 1, 2 and 3 based on the analysis of their past performances from years 2017 to 2019 (inclusive) which reflects their inherent potential which are also in line with other similar types of medical centres.

From 1st April 2022 onwards, Malaysia entered into transition phase to coronavirus endemicity, a temporary phase before entering into endemic phase subject to the announcement by the World Health Organization ("WHO"). However, it was still treated as a public health emergency of international concern. The Prevention and Control of Infectious Diseases Act 1988 (Act 342) has still been enforced as at to date. During transition phase people adopted and lived with public health measures which were least disruptive to daily life. People shifted from reliance on government interventions through Standard Operation Procedures ("SOPs") and laws to individual responsibility to ensure that the virus did not spread.

As at the end of 2022, WHO declared Covid-19 virus continued to be a public health emergency of international concern. However, Malaysia moved from transition phase to endemic phase. During the endemic phase, it does not mean that the virus has disappeared, similar to dengue which is endemic in Malaysia (and has been since 1980's), Covid-19 is considered still present, people need to learn to coexist with Covid-19 virus and have to perform their own personal risk assessment.

In light of the above, we have analysed and taken into consideration the performances of years 2020, 2021 which have been substantially hampered and partially affected in year 2022 by the Covid-19 pandemic. We note that the performances in year 2022 were inconsistent among the medical centres and it is strenuous to establish reliable and reasonable performance measurement. Amongst the factors affected comprise all the KPJ specialist medical centres have been conducting Covid-19 tests which resulted in higher number of outpatients and higher revenue from laboratory services. Also noted was higher fees charged for nursing procedures during Covid-19 pandemic which requires stringent processes and procedures to avoid Covid-19 virus from spreading to patients. Therefore, the performances of years 2020, 2021 and 2022 have been excluded from the historical performances analysis as they do not reflect the actual / real performance of the Subject Properties under normal circumstances. Our projections of the revenues and expenses for the 5-year cash flow have taken into consideration of the Covid-19 pandemic impact on Properties Nos. 1, 2 and 3 with subdued impact during the endemic phase during the initial years and gradual increase to return to normalcy phase in the later years. Our analysis revealed that the performances of Properties Nos. 1, 2 and 3 had been consistent between years 2017 to 2019 (inclusive) prior to the Covid-19 pandemic, reasonable and reflective of the performances of Properties Nos. 1, 2 and 3. The parameters adopted are noted to be fair and reflective of the performances of Properties Nos. 1, 2 and 3.

We have adopted the following parameters in arriving at the market values of Properties Nos. 1, 2 and 3 using the Investment 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 2016 to 2022 (inclusive). The occupancy rates had declined in years 2020, 2021 and 2022 due to the impact of the Covid-19 pandemic on the world and Malaysian economy. Therefore, we have excluded the occupancy rates for years 2020, 2021 and 2022. We have reflected a lower occupancy rate for year 1 of our projections for year 2023/2024 and gradually increased the 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 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 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 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 from years 2017 to 2019 (inclusive) as fair representation.
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 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 Sales	We have analysed and adopted the past three years cost of sales 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 sales, 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 sales, thus, both the revenue and cost of sales have a direct relationship.
Undistributed Operating Expenses	We have analysed the past three 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 moved in tandem with the gross operating revenue after hospital discount and appropriation to consultant. 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 for the year 2022.
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"). We have adopted the insurance premium payable for the year 2022.
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 over the investment horizon. 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 9.79% and 7.19%, 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 weaker global growth, volatility in the capital markets and geo political concern, 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 the risk involved in the operation of the medical centre to obtain the net revenue (profit). We have reflected the above factors accordingly and have adopted fair capitalisation rates to capitalise the net revenue (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 and the broad spectrum of 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 and revenue of the Subject Properties, the prospect of the Malaysian healthcare industry and the 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 comprising the Comparison and DRC Methods – Properties Nos. 1, 2 and 3 (as Check Methodology) and 4 (as Sole Valuation Methodology)

In essence, this approach entails the summation of the market value of land and 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 Property 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 determining the value of the commercial land by this method, a survey was made of property sales that have occurred in the localities of the Subject Properties 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, category of land use/express condition, size/quantum allowance, tenure, restriction in interest in the the title and conversion premium from development land to commercial land to render the sold properties as similar as possible with the Subject Properties.

The building value 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 2022. 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 practice in the industry for similar type of properties after consultation with Contractors and Quantity Surveyors which is a fair representation.

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In arriving at the GCRCN of the Subject Properties, the following construction cost of government hospitals and private hospitals / medical centres, are noted, amongst others: -

No.	Description	Year of Construction	Construction Cost (RM Mil)	Analysis (RM psf over total GFA)
A	**Government Hospital**			
	Public Sector in Kuala Lumpur as at fourth quarter (4th Quarter) 2022	2022	-	320 to 337
B	**Private Hospital / Medical Centre**			
1	An 8 storey private consultant block, an annexed 6 storey private medical centre with a ground floor car park, a 2 storey M&E building, a single storey medical gas storage building and a single storey refuse chamber building	2016 - 2018	88.29	410.07
2	An ambulatory care centre known as TMC Health Centre	2016 - 2017 / 2019 - 2020 (Extension)	15.24	472.33
3	KPJ Bandar Dato' Onn Specialist Hospital, Johor	2016	204.00	374.51
4	KPJ BDC (Kuching) Specialist Hospital	2015	94.73	375.88
5	KPJ Batu Pahat Specialist Hospital *1	2016	64.94	374.00
6	KPJ Pasir Gudang Specialist Hospital	2013	68.20	319.76
7	KPJ Pahang Specialist Hospital	2013	90.00	278.47

Source: Bursa Malaysia Securities Berhad's website / JUMB and Arcadis Construction Cost Handbook Malaysia 2022 / KPJ's Annual Reports / Cheston's Research

Note:*1 As at the date of completion, the covering of the interior floor, ceiling and wall of level 7 were still unfinished whilst level 5 were partly finished.

1.3 Summary and Reconciliation of Values / Valuation Rationale

Properties Nos. 1, 2 and 3

Private specialist medical centre is a specialised property of providing quality, highly skilled healthcare services utilising technologically advanced medical equipment with various sources of revenues generated from operating the property as a business entity and where revenues/earnings, expenses and profits are 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 investment asset and reflects its investment characteristics, 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 a private specialist medical centre which is designed and developed according to the specific use of a particular business and operational requirements is the Cost Approach which comprises summation of the land value and depreciated replacement cost of the building. It is the commonly adopted methodology in the industry for valuation of specialised assets. 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 Properties Nos. 1, 2 and 3 which can be relied upon to arrive at the accurate market values 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.

Based on our research and investigation, we note that there are either infrequent or very limited sale or rental evidences of private specialist medical centres in Malaysia as the medical centres are often constructed for owner operation, seldom held as an investment asset and are rarely transacted or leased/tenanted.

Therefore, in the absence of sufficient sale and rental comparables, the Market/Comparison Approach and Income Approach by Investment Method may not be suitable approaches to determine the accurate market value of the private specialist medical centre. The capital and rental 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 heterogeneous where adjustments are numerous and more difficult to quantify, it will be difficult to make accurate adjustments using the Market/Comparison Approach. Thus, a fair and reasonable approach to determine accurate market rental values of the Subject Properties is to arrive at the open market capital value of the Subject Properties and applying current market based rental yield by benchmarking against similar types of income-generating PMC and commercial properties.

The market value of an income generating commercial property is a function of the future income stream derived from its operation and is best reflected in the Income Approach by Profits Method (DCF). The cash flows are subject to the specific nature of the particular business operation. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for such properties using Market/Comparison Approach.

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 Properties Nos. 1, 2 and 3. Nevertheless, the Cost Approach is derived from the market value of the land and DRC of the building which does not reflect the investment characteristics of Properties Nos. 1, 2 and 3. However, the Cost Approach can provide a good guide on the market value of Properties Nos. 1, 2 and 3 due to easily available comparables for the land component and availability of accurate cost of development of the specifically designed and constructed private 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 Properties Nos. 1, 2 and 3 supported by the Cost Approach comprising Comparison and Depreciated Replacement Cost Methods.

Property No. 4

KPJHB had been operating Kuantan Specialist Hospital (KSH) from years 1992 to 2016 (inclusive). In year 2017, KPJ had shifted its operation to the newly completed KPJ Pahang Specialist Hospital located in Jalan Tanjung Lumpur, Kuantan. Thus, KSH ceased operation as specialist hospital in year 2017 and converted to KCWC.

At present, only part of the original building (about 50%) of KCWC is being utilised as dialysis, assisted living care, confinement and rehabilitation centres. Based on our analysis of profit and loss statements from years 2018 to 2022 (inclusive), KCWC has not been operating at its optimum level with its highest potential to reflect its investment characteristics as a purpose-built PMC. The revenue generated by operating as dialysis, assisted living care and wellness centre is inadequate to what it was built for as a PMC and therefore Income Approach by Profits Method (DCF) is inappropriate to be adopted as suitable valuation methodology.

In light of the above, we have relied upon the Cost Approach as the best alternative method to arrive at the fair market value of KCWC.

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

The worst global public health crisis being the unprecedented Covid-19 pandemic which began in early 2020 has affected the Malaysian economy, the property market and the healthcare industry. The Malaysian economy contracted by 5.6% in year 2020, however, rebounded by 3.1% in year 2021. The healthcare industry which requires physical presence has also been impacted.

Since the Covid-19 outbreak in early 2020, the Government has implemented various fiscal and monetary measures, economic stimulus packages to mitigate the impact. The Malaysian economy registered growth of 8.7% in year 2022 supported by normalising economic activity as the country moved towards endemicity, reopened international borders, continued recovery in labour market conditions, policy support and tourism related sectors.

In year 2023, the threat from Covid-19 pandemic has subsided to a manageable level, nevertheless, the global economy is threatened with recession fears, rising inflation, tighter global financial conditions, volatility in the global security and foreign exchange markets, escalation of geopolitical conflicts and supply chain disruptions.

The International Monetory Fund (IMF) has projected the Malaysian economy to grow at 5.5% in year 2023 whilst the World Bank (WB) in January 2023 in its Malaysian Economic Monitor, estimated the Malaysian economic growth at 4%.

For the year 2023, Bank Negara Malaysia (BNM) has projected the Malaysian economy to moderate amid slower global economy supported by firm domestic demand as external demand is to moderate and higher private sector expenditure given improving labour market condition, ongoing policy support, continuation of investment projects in both private and public sectors. Tourism activities, progress of multi-year infrastructure projects will support investment activity. The implementation of recently re-tabled Budget 2023 would provide upside risks to the domestic growth.

In year 2020, the Malaysian property market was affected by the Covid-19 pandemic and declined with 295,968 transactions worth RM119.07 billion, indicating decrease of 9.9% in volume and 15.8% in value compared to year 2019, which recorded 328,647 transactions worth RM141.403 billion. In year 2021, the Malaysian property market performance recorded a slight improvement with a marginal increase. There were 300,497 transactions worth RM144.86 billion were recorded, showing an increase of 1.53% in volume and 21.66% in value compared to year 2020.

The Malaysian property market performance rebounded in year 2022 with 389,107 transactions worth RM179.07 billion exhibiting an increase of 29.5% in volume and 23.6% in value compared to year 2021. Notwithstanding, moving forward, for year 2023, the Malaysian property market is forecasted to be moderated due to the anticipated softening of global economy and other external factors.

The number of patients seeking treatment at private medical centres had declined in years 2020, 2021 and as at 1H 2022. The outbreak also had resulted in international border closure from early 2020 until April 2022 and affected medical tourism.

Malaysia, has immense potential as a preferred healthcare travel destination in the world due to quality and affordable medical treatment, convenient healthcare travelling by airline companies, travel agencies, hospitality industries and tourism incentives. The Malaysian healthcare sector has one of the highest multipliers in the Malaysian economy. Moving forward, post Covid-19 pandemic, the Malaysian healthcare sector is expected to regain its resilience 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.

There is a dearth of rental evidence of PMC in Malaysia as such assets are rarely leased/tenanted. In light of the above, we are of the view that there is insufficient sale and rental comparables that can be used to value the Subject Properties by using the Comparison Approach and Income Approach by Investment Method. In addition, we further affirm that specialised assets like the Subject Properties are physically, functionally and economically heterogeneous which are designed and constructed for the particular business nature. Thus, it will be arduous to make all the necessary adjustments accurately using Market/Comparison Approach to arrive at fair Market Value and Market Rental Value.

Nevertheless, as for general guide, we have compiled rental evidences of office space within the locality of the Subject Properties are located as tabulated below.

State	Town / Mukim	Rental for Office Building over Net Lettable Area
Kelantan	Bandar Kota Bharu / Kota	RM1.80psf to RM2.23psf
Terengganu	Bandar Kuala Terengganu / Cenering / Batu Buruk	RM1.93psf to RM2.95psf
Pahang	Bandar Kuantan / Kuala Kuantan	RM1.43psf to RM2.51psf
Kedah	Bandar Alor Setar	RM1.46psf to RM3.08psf
Kuala Lumpur	Kuala Lumpur north locality	RM2.00psf to RM3.42psf
Selangor	Kuala Lumpur south locality	RM1.94psf to RM3.25psf

Source: Jabatan Pemilaian dan Perkhidmatan Hartanah (JPPH) / Valuation and Property Services Department, Ministry of Finance

We wish to highlight that the abovementioned rental evidences are office space which has vast differences in terms of functional utility and investment characteristics compared to the Subject Properties. The rental evidences are tenanted to multiple tenants in smaller sizes compared to the Subject Properties which are tenanted to a single tenant on an en bloc basis. The office space is tenanted on net lettable area (NLA) basis whilst Subject Properties are tenanted on a gross floor area ("GFA") basis.

Based on our analysis of the rental yields of the investment properties transacted in years 2019 and 2020 comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco, the net rental yields ranged between 4.96% to 6.28% whilst the net rental yields of IGB Commercial REIT which was launched in April 2021 ranged between 3.16% to 5.47%. The analysed rental yield (net) of proposed buyback of Sunway Medical Centre by Sunway Medical Sdn Bhd (Purchaser) from Sunway Real Estate Investment Trust (Vendor) is 6.15%.

The rental rates of the newly renewed 6 medical centres in the mid of 2021, between Al-Aqar Healthcare REIT (Lessor) and KPJ (Lessee) comprising KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist, KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Ipoh Specialist Hospital, ranged between RM1.52psf to RM2.09psf based on gross floor area (RM2.17psf to RM2.98psf based on the estimated net lettable area) which translated to the net rental yield of about 5.30%. The rental rate of KPJ Pasir Gudang Specialist Hospital vide Sale and Leaseback arrangement in year 2022 was RM2.13psf over gross floor area (RM3.04psf over estimated net lettable area) with the net rental yield of about 5.30%.

In light of the above, taking into consideration of the current state of the Malaysian economy, property market and healthcare industry which have been impacted by the Covid-19 pandemic, looming global recession fears and the geopolitical risk, the current cost of financing rates, short to long term securities rates and after making comparisons with the broad spectrum of various types of residential, commercial, industrial and agricultural properties in Malaysia, we are of the view that the fair net rental yields of the Subject Properties are between 5.50% to 6.00%.

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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 fully operational private specialist medical centres in respect of Properties Nos. 1, 2 and 3, whilst on an as-is basis in respect of Property No. 4 and subject to the titles being free of all encumbrances, good, marketable and registrable are as follows: -

Property No.	Subject Property	Market Value (RM)
1	KPJ Kajang Specialist Hospital (KjSH)	64,000,000
2	KPJ Perdana Specialist Hospital (PSH)	46,000,000
3	KPJ Sentosa KL Specialist Hospital (SKLSH)	30,100,000
4	Kuantan Care & Wellness Centre (KCWC)	17,000,000
	TOTAL	**157,100,000**

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

G PAREMES SIVAM, FRISM, MRICS, MIACVS, MPEPS
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:	16 February 2023
Identification / Type of Property / Property Address:	A purpose-built private specialist medical centre known as KPJ Kajang Specialist Hospital (KjSH) identified as Lot 42997, Section 9, Town of Kajang, District of Hulu Langat, Selangor Darul Ehsan, held under Title No. Geran Mukim 2494, bearing postal address Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan.
Title Particulars:	Tenure: Interest in perpetuity Title Land Area: 6,404 sq. m. / 68,932.08 sq. ft. Registered Proprietor: AmanahRaya Trustees Berhad ("ART") (as Trustee) Category of Land Use: Building Encumbrance: Charged by Amanahraya Trustees Berhad to Maybank Investment Bank Berhad, registered on 20 June 2013.

Location

KjSH is located within Kajang town and along the eastern (left) side of Jalan Cheras, travelling from Kuala Lumpur city centre towards Kajang town. Kajang town centre is located about 800 metres to the south of KjSH whilst Kuala Lumpur city centre is located about 23 kilometres (14.38 miles) to the north-west.

The Subject Property is easily accessible from various parts of Cheras and Kajang localities with the main accessibility from Kuala Lumpur city centre via Cheras Kajang Expressway (CKE) and from LEKAS both via exiting at Exit 708 Saujana Impian, Bandar Kajang exit and thence via a turning onto Jalan Cheras leading to Kajang town.

The nearest MRT Line 1 Station is located at Sungai Jernih Station (KG33) which is about 200 metres to the north-west of KjSH.

Prominent developments in the immediate vicinity of KjSH comprise Petron petrol filling and service station, Menara Ostia, Lotus's Kajang, Majlis Perbandaran Kajang and Kajang Stadium.

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

Name	Capacity (bed)	Location	Distance from KjSH (kilometre)
Private Medical Centre			
Daehan Rehabilitation Hospital Putrajaya	109	IOI Square, Block B, Two, IOI Resort, 62502, Putrajaya	13.1
Hospital Pakar An-Nur Specialist Hospital	102	Jalan Gerbang Wawasan 1, Seksyen 15, 43650 Bandar Baru Bangi, Selangor	10.8
Columbia Asia Hospital (Cheras)	79	Lot 33107, Jalan Suakasih, Tun Hussein Onn, 43200 Cheras, Selangor	10.4
Sungai Long Specialist Hospital	46	Lot PT 21147, Persiaran Sungai Long 1, Bandar Sungai Long, 43000 Kajang, Selangor	9.1
Hospital Islam Az-Zahrah	43	No. 24, 26, 28, 30, 32 & 34, Medan Pusat Bandar 1, Seksyen 9, 43650 Bandar Baru Bangi, Selangor	8.9
Britannia Women & Children Specialist Centre	12	No. 65-67, Jalan TKS 1, Taman Kajang Sentral, 43000 Kajang, Selangor	4.1
Kajang Plaza Medical Centre	30	No. 35, 36, 33B, 34B, 35B, 36B & 36C, Jalan Dato' Seri P. Alagendra 2, Bandar Kajang, 43000 Kajang, Selangor	0.7
Government Hospital			
Kajang Hospital	306	Jalan Semenyih, 43000 Kajang, Selangor	1.5
Serdang Hospital	763	Jalan Puchong, 43000 Kajang, Selangor	10.1

Source: Ministry of Health ("MOH")

The Site

The subject site is a 'L' shaped parcel of intermediate plot, generally flat in terrain and lies at about the same level as the frontage metalled roads.

The Buildings

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

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / Date / Reference No. of CF / CCC
2003 / 2005	An original seven (7) storey private specialist medical centre with a lower ground floor car park.	Building plans bearing reference no. MPKj/P/20/2002 were approved by Majlis Perbandaran Kajang ("MPKj") on 08 December 2005. CF bearing certificate no. 1499 was issued on 26 January 2006.

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2017 / 2019	**Renovation / Extension** i. Lower Ground Floor Part of motorcycle and car park area to housekeeping, maintenance office and store room. Laundry to dialysis/hemodialysis area. ii. Ground Floor Part of medication and supplies room to main store/purchasing. iii. First Floor VIP room to speech therapy room. Consultant's Clinic • Speech room converted to VIP room. • Dietitian room and diabetic room which was adjoining to the corridor were renovated to corridor. • Breastfeeding room was converted to cashier. • Audiometric room was converted to Dietitian room. • Dietitian consultant's clinic was reconfigured to equipment wash and store. • Diabetic consultant's clinic was changed to extracorporeal shock wave lithotripsy (ESWL). iv. Second Floor Day care to cathlab. Central Sterile Supply Department (CSSD) sterile store, patient waiting area, office and issuing area to new day care area. Clean area to CSSD sterile store. v. Third Floor Utility room to photolight room. Incubator to special care nursery. vi. Sixth Floor Nerve conduction study (NCS) & electrocardiogram (ECG) to procedure room. Electroencephalogram ("EEG") to consultation room. Procedure to EEG. vii. Additional 1 unit of new passenger's lift and internal renovation from basement to level 6.	Building plans bearing reference no. MPKj.1/TPK/7/2016 were approved by MPKj on 20 September 2017. CCC bearing certificate no. LAM/S/No. 30138 was issued on 25 July 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 a reinforced concrete flat roof concealed behind parapet walls.
Ceilings:	Generally of plaster boards with cornices and air-conditioner ductings, plaster boards with air-conditioner ducting and mineral fibre boards incorporating fluorescent lights and cement plaster.
Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The internal walls of lift lobbies are generally lined with glazed wall tiles up to a height of about 2.13 metres (7 feet). The kitchen and the male and female toilets are lined with glazed wall tiles up to the ceiling height whilst the cafeteria are lined with glazed wall tiles up to a height of about 1.5 metres (5 feet).
Doors:	Generally, the main entrances 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, magnetic timber panelled, timber flush, timber panelled door incorporating glass panels and PVC.
Windows:	Generally of aluminium casements incorporating glass panels.
Floors:	Generally of finished with vinyl and ceramic tiles throughout with the exception of the ground floor which is generally finished with marble slabs and the management office located on the 6th floor which is laid over with wall to wall carpet.

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 three units of passenger lifts (each with a capacity of 1,155 kilogrammes / 17 persons to 1,635 kilogrammes / 24 persons), a Bomba lift (with a capacity of 1,155 kilogrammes / 17 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.

Based on Approved Building Plans, we note that KjSH should have four (4) units of lifts. However, during our inspection, we noted that one (1) unit of vertical lift was just newly completed by KjSHSB in year 2019. Vide the letter from AmanahRaya Trustees Berhad as Trustee of Al-Aqar Healthcare REIT (the Lessor), has approved to refund the construction cost of the 4th lift to the Lessee.

Car Park Bays

There are 76 covered (including 3 ambulance bays) car park bays at lower ground floor and 52 open car park bays (including 2 disabled parking bays (OKU) and 2 ambulance bays) provided within and along the circulation area of the site. There are 22 covered motorcycle bays provided at the lower ground floor. All the car parks are 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 to us by KjSHSB 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
	sq. m.	sq. ft.	(Year)
A seven (7) storey purpose-built private specialist medical centre together with part of the lower ground floor dialysis/hemodialysis area	15,928.47	171,452.64	17
Part of the car park area at the lower ground floor	1,829.22	19,689.54	
Total	**17,757.69**	**191,142.18**	

Beds

Vide a licence to operate bearing licence no. 131008-00146-01/2021 (Borang 4 No. Siri: 005790) with 2 years validity from 17 July 2021 to 16 July 2023 as approved by MOH on 29 July 2021, we note that KjSH has been permitted 145 beds (inclusive of 5 intensive care unit ("ICU") beds, 5 day care beds, 3 daycare recovery scope room beds), 4 operation threatres, 3 labour rooms, nursery with 8 cots special care nursery ("SCN"), 10 bassinets and 18 dialysis chairs.

From the prospectus of Al-'Aqar Healthcare REIT dated 22 October 2007, we note that originally there were 165 operational beds.

Conversion from original operational beds to current operational beds are as follows:-

Floor	Original Operational Beds			Current Operational Beds		
	Room	Bed	Total	Room	Bed	Total
Third (3rd)	3	1	3	3	1	3
	13	2	26	12	2	24
				1	1	1
	1	5	5	1	4	4
Total	**17**		**34**	**17**		**32**
Fourth (4th)	7	1	7	7	1	7
	12	2	24	10	2	20
				2	1	2
	7	5	35	6	1	6
				6	2	12
				1	4	4
Total	**26**		**66**	**32**		**51**
Fifth (5th)	6	1	6	6	1	6
	12	2	24	10	2	20
				1	1	1
				1 *	0	0
	7	5	35	6	1	6
				6	2	12
				1	4	4
Total	**25**		**65**	**30**		**49**
Grand Total	**68**		**165**	**79**		**132**

* Converted to Children's Playroom.

We note that in the third floor, a 2-bedded room has been converted into a 1-bedded room and the 5-bedded room has been converted into a 4-bedded room. In the fourth floor, there were 2 units of 2-bedded rooms have been converted into 2 units of 1-bedded rooms, the 7 units of 5-bedded rooms have been reconfigured to 6 units of 1-bedded rooms, 6 units of 2-bedded rooms and 1 unit of 4-bedded room. Additionally, in the fifth floor, 2 units of 2-bedded rooms have been converted into a 1-bedded room and children's playroom, 7 units of 5-bedded rooms have been reconfigured to 6 units of 1-bedded rooms, 6 units of 2-bedded rooms and 1 unit of 4-bedded room. Generally, the beds were converted to increase the number of 1-bedded and 2-bedded rooms due to higher demand for these categories of beds. Thus, overall there were reduction of 33 beds from 165 beds to 132 operational beds.

The beds are classified into VIP suites, 1-bedded rooms (standard, deluxe, superior and paeds) including isolation (standard and paeds), 2-bedded rooms (standard, deluxe and paeds) and 4-bedded rooms (standard).

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	600	2	2
Single Bedded	250 - 375	30	30
Two Bedded	170 - 200	44	88
Four Bedded	100	3	12
Total (Operational Beds)		**79**	**132**
ICU (including isolation room)	300 - 380	-	5
Day Care	90	-	5
Day Care Recovery Scope	70	3	3
Total		**3**	**13**
Grand Total (Licenced Beds)		**82**	**145**

Source: KjSHJSB

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

Other medical facilities	No. of Room / Bed / Bassinet / Cot
Operation Theatre (OT) Room	4
Labour Room	5
Dialysis	18
Nursery	10
Special Care Nursery (SCN)	8

Source: KjSHSB

KjSH also provides the following services: -

Clinical Disciplines	Facilities and Services
• Accident & Emergency (A&E) • Cardiology & Cardiothoracic • Respiratory Medicine • Interventional Radiology • Psychiatry • Ear, Nose & Throat (ENT) • Paediatrics • Gastroenterology • Neurology • Urology • Wound Care • Dermatology & Allergy • Orthopaedic Surgery • Ophthalmology • General Surgery • Pain Management • Kidney/Nephrology • Neurosurgery	• 24 Hours Accident & Emergency Services • 24 Hours Pharmacy • 24 Hours Ambulance Services • Outpatient Specialist Clinic • Operating Theatres (OT) • Intensive Care Unit (ICU) • Day Care Surgery & Wards • Labour & Delivery Suites • Nursery • Clinical Laboratory • 3D & 4D Ultrasound (O & G) • X-ray, OT X-ray • C.T Scanner • Medical Check-up • Executive • Physiotherapy / Rehabilitation • Echo Cardiogram (ECG) • Electromyogram (EMG) • Electroencephalogram (EEG) • Lung Function Test • Haemodialysis • Fluoroscopy • MRI • Dietary Services • Mammography • Breast Feeding & Nappy Changing Room • Wards • Children's Playroom

Source: KjSHSB

Consultants:	As at the date of valuation, as provided to us by the client, KjSH is supported by 42 consultants / doctors and 27 consultant's clinics.
Planning Details:	KjSH is located within an area designated for commercial use. All the buildings and extension and renovation works are issued with CF/CCC as per the details in the description of the buildings.
Occupancy Status / Lease Details:	Vide a Lease Agreement dated 16 June 2008 made between Al-Aqar Healthcare REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, KjSHSB (Lessee) and Damansara REIT Managers Sdn Berhad ("DRMSB"/ Manager), we note that KjSH 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 1 March 2008 and expired on 28 February 2023 ("Contractual Term"). Memorandum of Extension ("MOE") has been executed between parties to extend the Contractual Term by a further period of two (2) months expiring on 30 April 2023 and with a right to extend for a further period of two (2) months from 30 April 2023, exercisable at the Lessee's request. On 20 April 2023, the Lessor received a letter from KPJ requesting for an extension of the extended contractual term for a further period of 2 months until 30 June 2023 and at the expiry, to extend for a further period of 3 months until 30 September 2023. The Lessee, Trustee and Manager will be entering into a supplemental MOE to amend and vary the terms of the MOE pending the execution of the new lease agreement. This valuation is carried out pursuant to the proposed renewal of the lease of KjSH for a further term of fifteen (15) years.

b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate Adopted

The occupancy rate is derived based on the historical occupancy rates achieved by KjSH since years 2016 to 2022 (inclusive) as per the table below:

Historical Occupancy Rate of KjSH

Year	2016	2017	2018	2019	2020	2021	2022
Beds In Operation	132	132	132	132	132	132	132
Beds Available	48,312	48,180	48,180	48,180	48,312	48,180	48,180
No. of Inpatient Admitted	14,782	14,762	14,123	14,870	9,583	9,031	11,987
Total Occupied Beds	34,102	34,193	32,848	35,180	20,486	17,902	26,668
Occupancy Rate	70.59%	70.97%	68.18%	73.02%	42.40%	37.16%	55.35%

Source: KjSHSB

We note that the occupancy rates for years 2016 and 2017 were about 70.59% and 70.97%, respectively. In year 2018, the occupancy rate had declined to 68.18%, however rebounded to 73.02% in year 2019. The occupancy rates had declined to 42.40% in year 2020 and 37.16% in year 2021 and recorded 55.35% in year 2022 due to the impact of the Covid-19 pandemic on the world and Malaysian economy. We have excluded the occupancy rates for the years 2020, 2021 and 2022 due to the impact of Covid-19 pandemic.

Occupancy Rate Adopted

Year	1 2023	2 2024	3 2025	4 2026	5 2027
Occupancy Rate Adopted	55.00%	59.50%	64.00%	68.50%	73.00%

The occupancy rates forecasted are fair, reasonable and in line with the occupancy rates of other similar private medical centres.

The parameters adopted for KjSH are as follows:-

b)	No. of Inpatient Admitted Days	2.34
c)	Ratio of No. of Outpatient / Inpatient	7.74

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM 850
b)	Consultant Outpatient Revenue Per Person	RM 93
c)	Hospital Inpatient Revenue Per Occupied Bed	RM1,969
d)	Hospital Outpatient Revenue Per Person	RM 236

Expenses

a)	Cost of Sales		
	i) Material	28.0%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	14.4%	of Gross Operating Revenue Before Hospital Discount and Appropriation to Consultant
	iii) Operating Overhead	We have adopted the actual amount of year 2019 and applied an escalation of 10% per annum of gross operating revenue before hospital discount and appropriation to consultant for every year of projection based on the analysis of past years as fair and reasonable	
b)	Undistributed Operating Expenses		
	i) Administrative & General	13.2%	of Gross Operating Revenue After Hospital Discount and Appropriation to Consultant
	ii) Sales & Marketing	0.1%	
	iii) POMEC	5.9%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM 69,684.00
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM194,307.00
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM3,870,000
f)	Terminal Capitalisation Rate	8.00%	KjSH has an interest in perpetuity
g)	Discount Rate	10.00%	

2. Cost Approach comprising the Comparison and DRC Methods

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	Comparable 5
Lot No. / Town / Mukim / District / State:	PT 41696 / Bandar Baru 18 Semenyih / District of Ulu Langat / Selangor Darul Ehsan	Lots 40860, 40861 and 40862 / All within Bandar Baru Bangi / District of Ulu Langat / Selangor Darul Ehsan	PT 71420 (New Lot 46770) / Pekan Kajang / District of Ulu Langat / Selangor Darul Ehsan	PT 33059 (New Lot 39592) / Mukim of Semenyih / District of Ulu Langat / Selangor Darul Ehsan	PT 74375 (New Lot 58563) / Pekan Kajang / District of Ulu Langat / Selangor Darul Ehsan

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Title No.:	HS(D) 165685	Pajakan Negeri 16008, 16009 and 16010	HS(D) 141106	HS(D) 146978	HS(D) 150384
Property Type:	A parcel of commercial land (Corner)	Three contiguous parcels of commercial land (Corner)	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	A parcel of commercial land (Corner)
Location:	Pintasan Kajang-Semenyih By Pass (next to McD Kajang Perdana DT), Taman Kajang Perdana	Off Persiaran Bandar Seksyen 1, Bandar Baru Bangi	Persiaran Puncak Utama, Kajang	Kajang-Semenyih By Pass, Taman Sri Jelok	Persiaran Impian, Taman Impian Ehsan
Category Of Land Use:	Building	Building	Building	Building	Building
Town Planning:	Commercial	Commercial	Commercial	Commercial	Commercial
Tenure:	Interest in perpetuity	99-year leasehold interest expring on 14 July 2093 (Unexpired term of about 70.95 years)	Interest in perpetuity	Interest in perpetuity	99-year leasehold interest expiring on 05 October 2110 (unexpired term of about 91.41 years)
Land Area (sq. ft.):	71,368.21	175,204.00	43,560.05	61,774.08	42,259.11
Consideration:	RM14,630,497	RM31,500,000	RM9,300,000	RM11,500,000	RM7,500,000
Date of Transaction:	28 October 2022	18 August 2022	21 March 2021	19 September 2019	30 May 2019
Vendor:	D-Hill Sdn Bhd	Contemporarary Excellence Sdn Bhd, Bajhinia Development Sdn Bhd and Sri Lands Sdn Bhd	Jade Homes Sdn Bhd	Prestige Improvement Sdn Bhd	Uptownace (M) Sdn Bhd
Purchaser:	L.K.C Ventures Sdn Bhd	USJ One Avenue Sdn Bhd	Team Builder Ventures Sdn Bhd	L.K.C Ventures Sdn Bhd	My Car Motorsports Sdn Bhd
Analysis (psf):	**RM205.00**	**RM179.79**	**RM213.50**	**RM186.16**	**RM177.48**
Adjustment Factors Considered:	Market condition (time), location and accessibility, corner/end premium, shape, category of land use/express conditions, size/quantum allowance, tenure and restriction in interest.				
Adjusted Value Of Land (psf):	**RM215.25**	**RM245.34**	**RM245.52**	**RM223.39**	**RM221.04**
Market Value Of Land Component:	In arriving at the market value using the Market/Comparison Approach, we have emphasized upon Comparable 1 which has the least dissimilarities and the latest sale transaction. We have adopted the adjusted value of **RM215.25 psf** from the adjustments of Comparable 1 as fair representation which translates into a market value of the commercial land of **RM14,837,627.15**.				

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

We note from the JUBM and Arcadis Construction Cost Handbook Malaysia 2022, the construction cost of government hospitals range from RM320 psf to RM337 psf. Our analysis of the development cost of similar type of PMCs from years 2013 to 2020 revealed within the range of of RM278.47 psf to RM472.33 psf.

In arriving at GCRCN of the subject property, we have adopted RM380.78 psf as a fair development cost.

The GCRCN of the buildings is RM72,783,960.00. Depreciation is adopted at a rate of 2% per annum. The depreciation of the buildings is RM24,746,546.40. The DRC of the buildings is RM48,037,413.60. Thus, the market value of the subject property derived from the Cost Approach is RM62,875,040.75 and we have rounded up to RM62,900,000.00.

3. Reconciliation and Opinion of Value

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM64,000,000	**RM64,000,000**	We have considered the market value derived from Income Approach by Profits Method (DCF) as fair and accurate representation of the market value of KjSH supported by the Cost Approach comprising Comparison and DRC Methods.
Cost Approach	RM62,900,000		

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Property No. 2

a. Salient Details

Date of Inspection and Valuation:	20 February 2023
Identification / Type of Property / Property Address:	A purpose-built private specialist medical centre known as KPJ Perdana Specialist Hospital (PSH), identified as Lot 657 and PT No. 705 (Formerly PT 37 and PT 600), both within Section 14, Town and District of Kota Bharu, Kelantan Darul Naim / Pajakan Negeri 4133 and HS(D) 11253, respectively, bearing postal addresses PT 37 and PT 600, Section 14, Jalan Bayam, 15200 Kota Bharu, Kelantan Darul Naim.
Title Particulars:	see table below

Lot / PT No.:	Lot 657	PT No. 705
Tenure:	66-year leasehold interest expiring on 25 May 2064 (unexpired term of about 41.38 years)	66-year leasehold interest expiring on 8 May 2082 (unexpired term of about 59.35 years)
Title Land Area:	8,157 sq. m. / 87,801 sq. ft.	591 sq. m. / 6,361 sq. ft.
Registered Proprietor:	ART (as Trustee)	
Category of Land Use:	Building	
Encumbrance:	Charged by AmanahRaya Trustees Berhad to Maybank Trustee Berhad, registered on 22 November 2018	Nil
Endorsements:	Two private caveats have been entered by Maybank Trustees Berhad and Maybank Investment Bank Berhad, registered on 24 April 2018 and 26 April 2021	Nil
	Both are located within Malay Reservation Area	

Location

PSH is located within Kota Bharu town and is sited along the southern (left) side of Jalan Bayam. Kota Bharu town centre is located about 2 kilometres (1.24 miles) to the north-west of PSH. The Sultan Ismail Petra Airport is located about 9.0 kilometres (5.59 miles) to the north-east of Kota Bharu town. Located adjoining to the west is Kelantan Trade Centre ("KTC"), which comprises a convention centre, a serviced apartment tower and an office tower linked to PSH via a link bridge at level 2. Next to KTC is Perdana Hotel. Located opposite and on the other side of Jalan Bayam are Wisma Persekutuan and Police Contingent Headquarters of Kota Bharu, Stadium Sultan Muhammad IV and Perdana Sports Complex. PSH fronts onto Jalan Bayam and is easily accessible from various parts of the town. Prominent private medical centres and government hospitals located in the neighbourhood are as follows: -

Name	Capacity (bed)	Location	Distance from PSH (kilometre)
Private Medical Centre			
Kota Bharu Medical Centre ("KBMC")	40	PT 179-184, Jalan Sultan Yahya Petra, 15150 Ludang, Kelantan Darul Naim	3.7
Pusat Perubatan An-Nisa	10	Ground Floor, JKP 284, Jalan Sultan Ibrahim, 15050 Kota Bharu, Kelantan Darul Naim	0.5
Hospital University Sains Malaysia ("HUSM")	800	Jalan Raja Perempuan Zainab 2, 16150 Kota Bharu, Kelantan Darul Naim	6.5
Government Hospital			
Hospital Raja Perempuan Zainab II	920	Jalan Hospital, Bandar Kota Bharu, 15586 Kota Bharu, Kelantan Darul Naim	1.9

Source: MOH

The Sites

The subject sites comprise two contiguous parcels of land together form a T-shaped plot, generally flat in terrain and lie at about the same level as the frontage metalled roads.

The Building

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 / Certificate of Fitness for Occupation ("CF") / Certificate of Completion and Compliance ("CCC")
1998	A 5-storey purpose-built private specialist medical centre building together with renovation of Level 5	The original approved building plans together with renovation of Level 5 were approved by Majlis Perbandaran Kota Bharu ("MPKB") vide plan nos. MPKB(B) 1-5/14/1998 and MPKB(B) 2-5/14/1998, both on 27 September 1998. CFs bearing certificate nos. 3302 and 5097 were issued dated 26 March 2002 and 22 March 2007, respectively.

AT THE DATE OF OUR INSPECTION, WE NOTED THAT ALL THE ORIGINAL CONSULTANTS' CLINICS AT LEVEL 2 HAVE BEEN SHIFTED TO THE NEWLY PURCHASED LEVELS 1 TO 3 (INCLUSIVE) OF KTC AND THE ENTIRE FLOOR OF LEVEL 2 OF PSH HAS BEEN RENOVATED AND RECONFIGURED TO ACCOMMODATE 43 BEDS WITHIN 32 ROOMS, PHYSIOTHERAPY DEPARTMENT AND A LABORATORY. LEVEL 2 OF PSH IS CONNECTED TO KTC BUILDING VIA A LINK BRIDGE. THE RENOVATION HAS BEEN COMPLETED AND THE CERTIFICATE OF PRACTICAL COMPLETION ("CPC") HAS JUST BEEN ISSUED ON 10 FEBRUARY 2023 AND PENDING ISSUANCE OF CCC. HOWEVER, BOTH THE RENOVATION AND THE NEWLY PURCHASED AREAS WITHIN KTC HAVE YET TO BE SOLD TO AMANAHRAYA TRUSTEES BERHAD ("ART") (AS TRUSTEE FOR AL-AQAR HEALTHCARE REIT) DUE TO VALID CORPORATE REASONS. THEREFORE, WE HAVE EXCLUDED THE ABOVEMENTIONED RENOVATION AND RECONFIGURATION IN OUR VALUATION AND ASSUMED THAT LEVEL 2 IS STILL IN ITS ORIGINAL CONDITION AS CONSULTANTS' CLINICS.

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 and mineral fibre boards incorporating fluorescent lights, cassette type air-conditioning 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 are lined with glazed wall tiles up to a height of about 0.91 metres (3 feet). The male and female toilets are generally 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 sliding double leaf frameless glass panelled door. Other doors are generally of fire rated timber, solid timber, timber flush, timber panelled door incorporating glass panels and polyvinyl chloride ("PVC") door.
Windows:	Generally of aluminium casements incorporating tinted glass panels, aluminium framed powder coated fixed glass panels and top hung units.
Floors:	Generally of homogeneous tiles, ceramic tiles, vinyl tiles, timber strips and cement screed.

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 two units of passenger lifts (each with a capacity of 1,635 kilogrammes / 24 persons), a Bomba lift and a service lift (each with a capacity of 1,635 kilogrammes / 24 persons) and five units of reinforced concrete 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 66 surface car park bays along the circulation area of the sites. All the car park areas are being managed by Metro Parking Sdn Bhd except for the drop off and emergency car parks.

Gross Floor Area ("GFA")

The GFA computed by Gabungan Architect Sdn Bhd and provided to us by PSHSB 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.	
A 5-storey private specialist medical centre together with a sub-basement	13,627.68	146,687	21
A single storey refuse chamber	14.96	161	
A single storey medical gas building	52.49	565	
Two units of single storey guard houses	11.89	128	
Total	**13,707.02**	**147,541**	

Beds

Vide a licence to operate bearing licence no. 130302-00149-01/2022 (Borang 7 No. Siri: 003602) with 2 years validity from 20 October 2022 to 2 August 2024 as approved by MOH dated 9 November 2022, we note that PSH has been permitted to operate 126 beds (inclusive of intensive care unit ("ICU"), daycare, critical care unit ("CCU"), pediatric ICU ("PICU") and cardiovascular ICU ("CICU")), 3 operation threatres, 3 labour rooms, nursery with 6 bassinets and 10 dialysis chairs.

From the prospectus of Al-'Aqar REIT dated 22 October 2007, we note that originally there were 111 operational beds. In year 2016, a single bedded room in level 5 was converted into two bedded room. Thus, increased the operational beds to 112 beds.

In year 2018, the children's play room at level 4 and isolation room at level 5 were converted into 2 single rooms. Thus, the total operational beds increased to 114 beds. In year 2020, 2 rooms of 4 bedded, a room of 2 bedded at level 5 and a room of 2 bedded at level 4 were converted into 6 single rooms. Thus, about 6 beds were reduced resulting in total final operational beds of 108.

The beds are classified into very important person ("VIP") suite, executive suite including Azalea executive suite and Azalea single executive, deluxe room, single standard (Type A), single standard room, two bedded room, three bedded room, four bedded room, isolation room and day ward 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	580	3	3
Executive Suite	300, 380 and 400	3	3
Deluxe Room	350	25	25
Single Standard (Type A)	290 - 300	2	2
Single Standard Room	180 - 250	22	22
Two Bedded	120	18	36
Three Bedded	100	1	3
Four Bedded	90	3	12
Isolation	280	2	2
Total (Operational Beds)		**79**	**108**
ICU/CCU/PICU/CICU	250 – 350	3	10
Daycare	80	-	6
Daycare (endoscopy unit)	80	-	2
Total		**3**	**18**
Grand Total (Licenced Beds)		**82**	**126**

Source: PSHSB

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<table>
<tr><td>Facilities and Services:</td><td>
Other medical facilities provided in PSH comprise as follows: -
<table>
<tr><th>Other medical facilities</th><th>No. of Room / Bassinet / Chair</th></tr>
<tr><td>Operation Theatre (OT) Room</td><td>3</td></tr>
<tr><td>Labour Room</td><td>4</td></tr>
<tr><td>Nursery</td><td>6</td></tr>
<tr><td>Dialysis Centre</td><td>10</td></tr>
</table>
Source: PSHSB
PSH provides the following services: -
<table>
<tr><th>Clinical Disciplines</th><th>Facilities and Services</th></tr>
<tr><td>

General Surgery
Obstetrics & Gynaecology (O&G)
Paediatric
Cardiology
Orthopaedic
Otorhinolaryngology
Ophthalmology
Gastroenterology & Hepatology
Plastic surgery
Cardiothoracic Surgery
Neurosurgery
Oral & Maxillofacial Surgery
Paediatric Respiratory Medicine
Rheumatology
Infectious Diseases
Neurology
Colorectal Surgery
Endoscopy
Haemodialysis
Anaesthesia
Radiology & Imaging
Dietary
Nursing
Pharmaceutical

</td><td>

Ambulance Services
Catheterisation Laboratory (Cath Lab) for Angiogram & Angioplasties
Delivery Suite & Nursery
Diagnostic Imaging Services (CT Scan, Fluoroscopy, Mammogram, Plain X-Ray, Utrasound)
Haemodialysis
ICU/CCU/NICU/PICU
Laboratory
Labour Room
Operation Theatre
Pharmacy
Physiotherapy Centre
Special Diagnostics Services/Wellman Centre (Treadmill, Echocardiography, Endoscopic, Audimetry, Eye Screening Facilities)
Specialist Outpatient Clinic
Ward
24-Hours Outpatient Clinic
24-Hours Accident & Emergency

</td></tr>
</table>
Source: PSHSB
</td></tr>
<tr><td>Consultants / Clinics:</td><td>As at the date of valuation, as provided to us by the client, PSH is supported by 49 consultants / doctors and 28 consultant's clinics.</td></tr>
<tr><td>Planning Details:</td><td> PSH is located within an area designated for commercial use. All the buildings and renovation works are issued with CF/CCC as per the details in the description of the buildings. </td></tr>
<tr><td>Occupancy Status / Lease Details:</td><td> Vide a Lease Agreement dated 16 June 2008 made between Al-Aqar Healthcare REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, PSHSB (Lessee) 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 1 March 2008 and expired on 28 February 2023 ("Contractual Term"). MOE has been executed between parties to extend the Contractual Term by a further period of two (2) months expiring on 30 April 2023 and with a right to extend for a further period of two (2) months from 30 April 2023, exercisable at the Lessee's request. On 20 April 2023, the Lessor received a letter from KPJ requesting for an extension of the extended contractual term for a further period of 2 months until 30 June 2023 and at the expiry, to extend for a further period of 3 months until 30 September 2023. The Lessee, Trustee and Manager will be entering into a supplemental MOE to amend and vary the terms of the MOE pending the execution of the new lease agreement. This valuation is carried out pursuant to the proposed renewal of the lease of PSH for a further term of fifteen (15) years. </td></tr>
</table>

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b. Valuation

1. Income Approach by Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate of Beds Adopted

The occupancy rate is derived based on the historical occupancy rates achieved by PSH since years 2016 to 2022 (inclusive) as per the table below:

Historical Occupancy Rate of PSH

Year	2016	2017	2018	2019	2020	2021	2022
Beds In Operation	112	112	114	114	114	108	108
Beds Available	40,992	40,880	41,610	41,610	41,724	39,420	39,420
No. of Inpatient Admitted	10,730	11,001	11,203	11,326	9,451	8,036	10,910
Total Occupied Beds	27,389	28,052	28,762	30,555	23,666	19,746	28,000
Occupancy Rate	66.82%	68.62%	69.12%	73.43%	56.72%	50.09%	71.03%

Source: PSHSB

We note that the occupancy rates for years 2016, 2017 and 2018 were about 66.82%, 68.62% and 69.12%, respectively. In years 2019, the occupancy rate had increased to 73.43%. The occupancy rates had declined to 56.72% in year 2020 and 50.09% in year 2021 and recorded 71.03% in year 2022 due to the impact of the Covid-19 pandemic on the world and Malaysian economy. We have excluded the occupancy rates for the years 2020, 2021 and 2022 due to the impact of Covid-19 pandemic.

Occupancy Rate Adopted

Year	1	2	3	4	5
	2023	2024	2025	2026	2027
Occupancy Rate Adopted	71.00%	72.50%	74.00%	75.50%	77.00%

The occupancy rates forecasted are fair, reasonable and in line with the occupancy rates of other similar private medical centres.

The parameters adopted for PSH are as follows:-

b)	No. of Inpatient Admitted Days	2.61
c)	Ratio of No. of Outpatient / Inpatient	5.48

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM 677
b)	Consultant Outpatient Revenue Per Person	RM 79
c)	Hospital Inpatient Revenue Per Occupied Bed	RM1,913
d)	Hospital Outpatient Revenue Per Person	RM 233

Expenses

a)	Cost of Sales		
	i) Material	29.2%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	18.3%	of Gross Operating Revenue Before Hospital Discount and Appropriation to Consultant
	iii) Operating Overhead	We have adopted based on the amount of year 2019 throughout our projection as fair and reasonable	
b)	Undistributed Operating Expenses		
	i) Administrative & General	10.8%	of Gross Operating Revenue After Hospital Discount and Appropriation to Consultant
	ii) Sales & Marketing	0.2%	
	iii) POMEC	8.1%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM 84,450.00
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum (Actual)		RM233,453.00
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM2,700,000
f)	Terminal Capitalisation Rate	9.50%	PSH has an unexpired leasehold interest of about 41.29 years.
g)	Discount Rate	11.50%	

2. Cost Approach comprising the Comparison and DRC Methods

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 10, Section 5 / Town and District of Kota Bharu / Kelantan Darul Naim	Lot 1836 / Mukim of Lundang / District of Kota Bharu / Kelantan Darul Naim	Lot 10047, Section 17 / Town and District of Kota Bharu / Kelantan Darul Naim	Lot 126, Section 21 / Town and District of Kota Bharu / Kelantan Darul Naim
Title No.:	Geran 58844	Geran Mukim 496	Pajakan Negeri 12272	Geran 56641
Property Type:	A parcel of commercial land currently accommodating a double storey semi permanent structure (Intermediate)	A parcel of commercial land (Intermediate)	A parcel of commercial land (Corner)	A parcel of development land potential for commercial use (Intermediate)
Location:	Off Jalan Merbau, Kota Bharu, Kelantan Darul Naim	Jalan Dato Lundang, Kota Bharu, Kelantan Darul Naim	Lembah Sireh, Kota Bharu, Kelantan Darul Naim	Jalan Telipot, Kota Bharu, Kelantan Darul Naim
Category Of Land Use:	Nil	Building	Building	Nil
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	Interest in Perpetuity	Interest in Perpetuity	99 years leasehold interest expiring on 20 August 2102 (unexpired term of about 82.12 years)	Interest in Perpetuity
Land Area (sq. ft.):	4,384.31	20,483.72	410,212.61	20,996.66
Consideration:	RM385,000.00	RM1,100,000.00	RM28,704,410.00	RM1,000,000.00
Date of Transaction:	12 September 2022	27 December 2020	28 July 2020	5 June 2017
Vendor:	Mohd Suyuti @ Mohd Sayuti Bin Ibrahim	Shaliza Binti Hashim	Liziz Standaco Sdn Bhd	Tengku Zainal Rashid Bin Tengku Mahmood
Purchaser:	Muhammad Siddiq Bin Hashim	Mohd Zaki Bin Zakaria	Sunway Medical Centre Kota Bharu Sdn Bhd	Mohd Ridhuan Bin Mohamed Noor
Analysis (psf):	RM87.81	RM53.70	RM69.97	RM47.63
Adjustment Factors Considered:	Market condition (time), location and accessibility, corner/end premium, category of land use/express condition, size/quantum allowance, tenure and restriction in interest.			
Adjusted Value Of Land (psf):	RM78.51	RM63.45	RM81.41	RM63.26
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 is the latest sale transaction and 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 **RM78.51 psf** from the adjustments of Comparable 3 as fair representation which translates into a market value of the commercial land of **RM7,393,000.20**.			

Source: Valuation and Property Services Department, Ministry of Finance

We note from the JUBM and Arcadis Construction Cost Handbook Malaysia 2022, the construction cost of government hospitals range from RM320 psf to RM337 psf. Our analysis of the development cost of similar type of PMCs from years 2013 to 2020 revealed within the range of RM278.47 psf to RM472.33 psf.

In arriving at GCRCN of the subject property, we have adopted RM348.35 psf as a fair development cost.

The GCRCN of the buildings is RM51,395,948.42. Depreciation is adopted at a rate of 2% per annum. The depreciation of the buildings is RM21,586,298.34. The DRC of the buildings is RM29,809,650.09. Thus, the market value of the subject property derived from the Cost Approach is RM37,202,650.29 and we have rounded down to RM37,200,000.00.

3. Reconciliation and Opinion of Value

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM46,000,000	**RM46,000,000**	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 PSH supported by the Cost Approach comprising the Comparison and DRC Methods.
Cost Approach	RM37,200,000		

Property No. 3

a. Salient Details

Date of Inspection and Valuation:	17 February 2023
Identification / Type of Property / Property Address:	A purpose-built private specialist medical centre known as KPJ Sentosa KL Specialist Hospital (SKLSH), identified as Lot 671, Section 47, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur, held under Title No. Geran 43923, bearing postal address KPJ Sentosa KL Specialist Hospital, 36, Jalan Chemur, Kompleks Damai, 50400 Kuala Lumpur.
Title Particulars:	Tenure: Interest in perpetuity Title Land Area: 2,198 sq. m. / 23,659.07 sq. ft. Registered Proprietor: ART (as Trustee) Category of Land Use: Building Encumbrance: Nil Endorsements: i) Private caveat has been entered by Maybank Investment Bank Berhad, registered on 22 April 2021. ii) Lease of part of the land to Tenaga Nasional Berhad for 30 years, commencing on 15 September 1992 and expiring on 14 September 2022, registered on 20 April 1993.

Location

SKLSH is located within Section 85A, Kuala Lumpur city and is sited off the western (left) side of Jalan Pahang, travelling from Jalan Sultan Azlan Shah (formerly Jalan Ipoh) / Jalan Raja Muda Abdul Aziz, Jalan Tuanku Abdul Rahman and Jalan Pahang junction towards Jalan Pahang roundabout with Jalan Tun Razak. It is located about 4.6 kilometres (2.86 miles) to the north-west of Kuala Lumpur city centre. It enjoys frontages onto Jalan Chemur and Jalan Taiping and is easily accessible from various parts of Kuala Lumpur city centre. The nearest station of LRT Ampang Line and LRT Sri Petaling Line at Titiwangsa Station is located about 1.0 kilometre (0.62 mile) to the north-west of SKLSH. The nearest newly completed Titiwangsa Station and Hospital Kuala Lumpur Station of MRT Putrajaya Line (MRT Line 2) are located about 1.0 kilometre (0.62 mile) and 1.1 kilometres (0.68 mile) to the north-west and north-east of SKLSH, respectively. Prominent developments in the immediate vicinity include AC Hotel by Marriott (formerly Vistana Hotel), Vistana Residences, Titiwangsa Sentral Condominiums, Menara Teo Chew (formerly Menara AmMetLife), Wisma PMB, Grand Seasons Hotel, Vue Residences, Fairfield Kuala Lumpur, TR Residence and the under construction TR 2 Residence. Also located in the immediate vicinity and on the other side of Jalan Pahang are Kuala Lumpur General Hospital, Tuanku Azizah Hospital (Kuala Lumpur Women & Children Hospital), Kompleks Pakar & Rawatan Harian, Faculty of Health Sciences, Faculty of Dentistry and Faculty of Pharmacy of Universiti Kebangsaan Malaysia (UKM), Biomedical Museum and Institute of Medical Research.

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

Name	Capacity (bed)	Location	Distance from SKLSH (kilometre)
Private Medical Centre			
Institut Jantung Negara	449	Jalan Tun Razak, 50400 Kuala Lumpur	2.0
Gleneagles Hospital Kuala Lumpur	376	Jalan Ampang, 50450 Kuala Lumpur	5.7
Pusat Perubatan Prince Court	277	Jalan Kia Peng, 50450 Kuala Lumpur	5.1
Hospital Pakar KPJ Tawakkal (KPJ Tawakkal Specialist Hospital)	225	Jalan Pahang Barat, 53000 Kuala Lumpur	1.3
Hospital Pusrawi	164	Jalan Tun Razak, 50400 Kuala Lumpur	2.0
Columbia Hospital (Jalan Danau Saujana)	83	Jalan Danau Saujana, Off Jalan Genting Klang, 53300 Kuala Lumpur	4.5
Damai Service Hospital HQ	54	Jalan Sultan Azlan Shah, 51200 Kuala Lumpur	0.75
Al-Islam Specialist Hospital	28	Jalan Raja Abdullah, Kampung Baru, 50300 Kuala Lumpur	1.7
Alty Hospital	20	Menara HSC, No. 187, Jalan Ampang, 50450 Kuala Lumpur	4.0
Government Hospital			
Kuala Lumpur General Hospital	2,300	Jalan Pahang, 50586 Kuala Lumpur	2.0
Tunku Azizah Hospital (Kuala Lumpur Women & Children Hospital)	600	Jalan Raja Muda Musa, Kampung Baru, 50300 Kuala Lumpur	2.0
Tuanku Mizan Military Hospital	347	Wangsa Maju, 53300 Kuala Lumpur	8.1

Source: MOH

The Site

The site is a parcel of intermediate plot, regular in shape, generally flat in terrain and lies slightly above the level of the frontage metalled roads.

The Buildings

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

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1993	The original seven (7) storey private specialist medical centre together with a lower ground floor accommodating mechanical and electrical area and car park area.	The building plans were approved by Dewan Bandaraya Kuala Lumpur ("DBKL") vide plan nos. BP 78/91/1 dated 15 December 1992. However, the said building plans were not made available to us. CF bearing reference No. 23840 was issued on 17 November 1998.

2006	The extension of entrance canopy at the ground floor of the private specialist medical centre building.	The building plans were approved by DBKL vide plan nos. 1944/1 dated 30 November 2006.
2014	The extension and renovation of the 7th floor (Level 9) of the private specialist medical centre building and being used as executive office board room and Anugerah Hall (training hall).	The building plans were approved by DBKL vide plan nos. BP T3 OSC 2012 2543 dated 19 January 2013. However, the said building plans were not made available to us. We were only made available with building plans approved by Jabatan Bomba dan Penyelamatan Wilayah Persekutuan Kuala Lumpur ("Bomba") bearing reference no JBPM: WP/C05/13595 dated 2 November 2012. CCC bearing reference LAM/WP/No. 6630 was issued on 15 January 2016. **AT THE DATE OF OUR INSPECTION, WE NOTED THAT THE EXTENSION OF THE 7TH FLOOR (LEVEL 9) WAS COMPLETED AND USED AS EXECUTIVE OFFICE, BOARD ROOM AND ANUGERAH HALL (TRAINING HALL). HOWEVER, THIS EXTENSION HAS YET TO BE SOLD TO ART (TRUSTEE FOR AL-AQAR HEALTHCARE REIT) FOR VALID REASONS. THEREFORE, WE HAVE EXCLUDED THE EXTENSION 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 incorporating downlights and air-conditioning ductings, plaster boards with cornices incorporating downlights and air-conditioning ductings, mineral fibre boards incorporating fluorescent lights and air-conditioning ductings and cement plaster.
Internal Walls:	Generally of gypsum boards and gypsum boards incorporating glass panels. The internal walls of lift lobbies are generally lined with glazed wall tiles up to ceiling heights 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). The male and female toilets are lined with glazed wall tiles up to the ceiling height.
Doors:	Generally, the main entrance of reception 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, glass door, aluminium framed door incorporating glass panels, automatically operated sliding door and PVC doors.
Windows:	Generally of aluminium casements incorporating tinted glass panels, aluminium framed powder coated fixed glass panels and top hung units.
Floors:	Generally finished with vinyl tiles, ceramic tiles, homogeneous 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 movement between floors is by means of three units of passenger lift/service lift (two units with a capacity of 1,295 kilogrammes / 19 persons and one unit with a capacity of 1,250 kilogrammes / 18 persons) and three 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 30 covered car park bays provided within the lower ground floor of SKLSH. All the car park areas are being managed by Times24 Malaysia 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 SMCSB 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.	
An eight (8) storey private specialist medical centre together with a lower ground floor partly accommodating mechanical and electrical area	7,861.00	84,615.10	25
Part of lower ground floor accommodating car park area	1,232.00	13,261.13	
Total	**9,093.00**	**97,876.23**	

WE NOTE THAT THE NEW EXTENSION OF THE 7TH FLOOR (LEVEL 9) HAS YET TO BE SOLD TO ART. THEREFORE, WE HAVE EXCLUDED THE EXTENSION FROM OUR VALUATION.

Beds

Vide a licence to operate bearing licence no. 131401-00019-01/2022 (Borang 4 No. Siri: 006629) with 2 years validity from 7 November 2022 to 6 November 2024 as approved by MOH dated 16 December 2022, we note that SKLSH is permitted to operate 80 beds (inclusive of 2 ICU beds and 8 daycare beds), 11 dialysis chairs and 4 bassinets.

From the prospectus of Al-'Aqar REIT dated 22 October 2007, we note that originally there were 131 operational beds (excluding 8 ICU beds and 3 labour rooms). Subsequently, the beds were reduced to 122 beds due to a bed from 10 beds at 2nd floor of multidiscipline ward ("MDW") was excluded from the operational beds whilst two 4-bedded rooms have been converted to office room and store at the 5th floor of MDW.

In year 2017, the operational beds were further reduced from 122 beds to 101 beds as a 3-bedded room converted to isolation room (1-bedded room) at Paediatrics Ward and 19 beds at the 3rd floor of O&G ward which are a 5-bedded room converted into store, two 4-bedded rooms converted into nurse admin office and training room and two 2-bedded rooms were converted into lactation room and training room, a 3-bedded room converted into a 2-bedded room and a 4-bedded room converted into a 3-bedded room. In year 2019, 4 units of 4-bedded rooms were converted to 4 single premier bedded rooms and 2 units of single bedded rooms were converted to 2 units of double-bedded rooms. Thus, overall 10 beds were reduced and the total operational beds were 91 beds. In year 2023, based on information from SKLSH, the operational beds had been further reduced from 91 beds to 70 beds due to 9 beds at 2nd floor of MDW were reduced to 4 beds whilst a 4-bedded room at Paediatrics ward, a 2-bedded room and a 3-bedded room at O&G ward and a 3-bedded room and a 4-bedded room at 4th floor MDW, overall 21 beds were temporarily excluded from operational beds. Thus, resulting in the total operational beds reduced to 70 beds.

We note from the occupancy rate of the SKLSH that over the past 8 years has been on the declining trend due to the existence of other hospitals in the neighbourhood which has heightened the competition. However, the highest and best number of beds that can be operational at SKLSH is 91 beds and we have adopted 91 beds in our projections instead of 70 beds. The beds are classified into Premier suite, single bedded room, two bedded room, four bedded 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
Premier Single Bedded	388 - 488	4	4
Single Bedded	200 - 288	11	11
Two Bedded	145	16	32
Three Bedded	145	2	6
Four Bedded	100	7	28
Isolation	275 - 320	1	1
Ward	200	1	9
Total (Operational Beds)		**42**	**91**
ICU	275 - 320		2
Daycare	80		8
Total		**0**	**10**
Grand Total (Licenced Beds)		**42**	**101**

Source: SMCSB

Facilities and Services:

Other medical facilities provided in SKLSH comprise as follows: -

Other medical facilities	No. of Room / Cot / Bassinet / Chair
Operation Theatre (OT) Room	3
Labour Room	2
Nursery	1
Bassinet	4
Dialysis Centre	11

Source: SMCSB

SKLSH also provides the following services: -

Clinical Disciplines	Facilities and Services
• Anaesthesiology • Clinical Oncology • Dermatology • Ear, Nose & Throat –Surgery • Gastroenterology • General Surgery • Internal Medicine • Neurology • Interventional Pain Physician • Nephrology • Neurosurgery • Orthopaedics • Obstetrician & Gynaecology • Ophthalmology • Otorhinolaryngology • Oral & Maxillofacial • Paediatrics • Pain Management • Radiology • Respiratory Medicine • Urology	• 24 Hours Accident & Emergency Unit • 24 Hours Ambulance Services • Operating Theatre Suite • Labour Room • Nursery • Radiology and Xray Imaging includes MRA, CT Scan & Ultrasound • Laboratory • Haemodialysis • Home Nursing Care • Pharmacy • Specialist Outpatient Clinics • Physiotherapy

Source: SMCSB

Consultants / Clinics: As at the date of valuation, as provided to us by the client, SKLSH is supported by 47 consultants / doctors and 49 consultant's clinics.

Planning Details: SKLSH is located within an area designated for commercial use.

All the buildings and extension and renovation works are issued with CF/CCC as per the details in the description of the buildings.

Occupancy Status / Lease Details: Vide a Lease Agreement dated 16 June 2008 made between Al-Aqar Healthcare REIT (formerly Al-'Aqar KPJ REIT) (being represented by its trustee, ART) as a Lessor, SMCSB (Lessee) and DRMSB (Manager), we note that SKLSH 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 1 March 2008 and expired on 28 February 2023 ("Contractual Term"). MOE has been executed between parties to extend the Contractual Term by a further period of two (2) months expiring on 30 April 2023 and with a right to extend for a further period of two (2) months from 30 April 2023, exercisable at the Lessee's request. On 20 April 2023, the Lessor received a letter from KPJ requesting for an extension of the extended contractual term for a further period of 2 months until 30 June 2023 and at the expiry, to extend for a further period of 3 months until 30 September 2023. The Lessee, Trustee and Manager will be entering into a supplemental MOE to amend and vary the terms of the MOE pending the execution of the new lease agreement.

This valuation is carried out pursuant to the proposed renewal of the lease of SKLSH for a further term of three (3) years.

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b. Valuation

1. Income Approach By Profits Method (DCF)

Parameters Adopted

a) Occupancy Rate Adopted

The occupancy rate is derived based on the historical occupancy rates achieved by SKLSH since years 2016 to 2022 (inclusive) as per the table below:

Historical Occupancy Rate of SKLSH

Year	2016	2017	2018	2019	2020	2021	2022
Beds In Operation	113	101	101	91	91	91	91
Beds Available	41,358	36,865	36,865	33,215	33,215	33,215	33,215
No. of Inpatient Admitted	8,770	7,985	7,765	8,412	5,803	5,422	6,412
Total Occupied Beds	18,313	15,627	14,648	14,633	9,378	8,368	9,611
Occupancy Rate	44.28%	42.39%	39.73%	44.06%	28.23%	25.19%	28.94%

Source: SMCSB

We note that the occupancy rates for years 2016 and 2017 were about 44.28% and 42.39%, respectively. In years 2018, the occupancy rate had declined to 39.73%, however rebounded to 44.06% in year 2019. The occupancy rates had declined to 28.23% in year 2020 and 25.19% in year 2021 and recorded 28.94% in year 2022 due to the impact of the Covid-19 pandemic on the world and Malaysian economy. We have excluded the occupancy rates for the years 2020, 2021 and 2022 due to the impact of Covid-19 pandemic.

Occupancy Rate Adopted

Year	1 2023	2 2024	3 2025	4 2026	5 2027
Occupancy Rate Adopted	35.00%	41.25%	47.50%	53.75%	60.00%

The occupancy rates forecasted are fair, reasonable and in line with the occupancy rates of other similar private medical centres.

The parameters adopted for SKLSH are as follows:-

b)	No. of Inpatient Admitted Days	1.86
c)	Ratio of No. of Outpatient / Inpatient	9.77

Revenue

a)	Consultant Inpatient Revenue Per Occupied Bed	RM1,147
b)	Consultant Outpatient Revenue Per Person	RM 81
c)	Hospital Inpatient Revenue Per Occupied Bed	RM2,270
d)	Hospital Outpatient Revenue Per Person	RM 160

Expenses

a)	Cost Of Sales		
	i) Material	31.4%	of Hospital Inpatient and Outpatient Revenues
	ii) Direct Staff Cost	15.0%	of Gross Operating Revenue Before Hospital Discount and Appropriation to Consultant
	iii) Operating Overhead	We have adopted the actual amount of year 2019 and applied an escalation of 3% per annum for every year of projection based on the analysis of past years as fair and reasonable	
b)	Undistributed Operating Expenses		
	i) Administrative & General	16.3%	of Gross Operating Revenue After Hospital Discount and Appropriation to Consultant
	ii) Sales & Marketing	0.3%	
	iii) POMEC	9.0%	
c)	Quit Rent & Assessment Per Annum (Actual)		RM 79,999.00
d)	Insurance Premium to cover F, B, PG, MB, PL, CL, AR and MM Per Annum		RM156,736.00
e)	Capital Reserve Fund For The Replacement Of FFE, HOE And CAPEX Adopted in Valuation Per Annum		RM1,700,000
f)	Terminal Capitalisation Rate	7.00%	SKLSH has an interest in perpetuity.
g)	Discount Rate	9.00%	

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2. Cost Approach comprising the Comparison and DRC Methods

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	Comparable 5
Lot No. / Town / Mukim / District / State:	Lots 1654 & 1655 / all within Section 41 / Town and District of Kuala Lumpur / Federal Territory Kuala Lumpur	PT No. 183 (Lot 213) / Section 48 / Town and District of Kuala Lumpur / Federal Territory Kuala Lumpur	Lot 386 / Section 87A / Town and District of Kuala Lumpur / Federal Territory Kuala Lumpur	Lot 220 / Section 41 / Town and District of Kuala Lumpur / Federal Territory Kuala Lumpur	Lot 18 / Section 86 / Town and District of Kuala Lumpur / Federal Territory Kuala Lumpur
Title No.:	Geran 33288 & Geran 26557	HS(D) 37724	Pajakan Negeri 5338	Geran 6309	Geran 12118
Property Type:	Two contiguous parcels of development (residential) land with potential for commercial use (Intermediate)	A parcel of development land with potential for commercial (institutional) use (Intermediate)	A parcel of commercial land (End)	A parcel of development land with potential for commercial use located within Malay Reservation Area (Corner)	A parcel of commercial land (Corner)
Location:	Nos. 1 & 3, Jalan Raja Uda, Kampung Baru, Kuala Lumpur.	PT 183, Jalan 1/64 (Jalan Tengah), Off Jalan Ipoh, Kuala Lumpur	No. 386, Jalan Tun Razak, Kuala Lumpur	Lot 220, Jalan Raja Abdullah, Kampung Baru, Kuala Lumpur	Lot 18, Jalan Pahang / Jalan Titiwangsa, Titiwangsa, Kuala Lumpur
Category Of Land Use:	Lot 1654 – Nil Lot 1655 – "Tidak dinyatakan"	Building	Building	Building	"Tidak dinyatakan"
Town Planning:	Commercial	Commercial - Institutional	Commercial	Commercial	Commercial
Tenure:	Interest in Perpetuity	99-year Leasehold Interest Expiring on 14 May 2080 (unexpired term of about 58.95 years)	99-year Leasehold Interest Expiring on 3 October 2083 (unexpired term of about 65.62 years)	Interest in Perpetuity	Interest in Perpetuity
Land Area (sq. ft.):	25,890.12	28,999.05	131,319.70	17,954.20	25,455.00
Consideration:	RM40,000,000.00	RM24,500,000.00	RM112,000,000.00	RM15,260,900.00	RM27,000,000.00
Date of Transaction:	31 August 2021	15 June 2021	8 March 2018	12 January 2018	23 February 2017
Vendor:	Mohd Faizal Bin Mat @ Matshah & Salinawati Binti Mat @ Matshah	Alam Pahlawan Sdn Bhd	HB Property Development Sdn Bhd	Pembangunan Masmelayu Berhad	KLC Wisma Sdn Bhd
Purchaser:	Armani Development Sdn Bhd	HKS Realty Sdn Bhd	Prisma Dimensi Sdn Bhd	Kampung Baru Equity Sdn Bhd	Perodua Sales Sdn Bhd
Analysis (psf):	RM1,544.99	RM844.86	RM852.88	RM849.99	RM1,060.70
Adjustment Factors Considered:	Market condition (Time), location and accessibility, corner/end premium, conversion premium, size/quantum allowance, shape, tenure and restriction in interest/Malay Reservation Area.				
Adjusted Value Of Land (psf):	RM1,158.74	RM1,253.16	RM1,180.79	RM1,232.49	RM1,272.85
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 is the latest sale transaction as fair representation of the market value of the land, as per practice in the industry. We have adopted the adjusted value of **RM1,158.74 psf** from the adjustments of Comparable 1 as fair representation which translates into a market value of the commercial land of **RM27,414,737.09.**				

Source: Valuation and Property Services Department, Ministry of Finance

We note from the JUBM and Arcadis Construction Cost Handbook Malaysia 2022, the construction cost of government hospitals range from RM320 psf to RM337 psf. Our analysis of the development cost of similar type of PMCs from years 2013 to 2020 revealed within the range of of RM278.47 psf to RM472.33 psf.

In arriving at GCRCN of the subject property, we have adopted RM312.82 psf as a fair development cost.

The GCRCN of the buildings is RM30,617,511.44. Depreciation is adopted at a rate of 2% per annum. The depreciation of the buildings is RM15,308,755.72. The DRC of the buildings is RM15,308,755.72. Thus, the market value of the subject property derived from the Cost Approach is RM42,723,492.81 and we have rounded down to RM42,700,000.00.

3. Reconciliation and Opinion of Value

Method of Valuation	Market Value Derived	Market Value Adopted	
Income Approach by Profits Method (DCF)	RM30,100,000	**RM30,100,000**	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 SKLSH supported by the Cost Approach comprising the Comparison and DRC Methods.
Cost Approach	RM42,700,000		

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Property No. 4

a. Salient Details

Date of Inspection and Valuation:	21 February 2023
Identification / Type of Property / Property Address:	A private medical centre currently being used as a dialysis, assisted living care, confinement and rehabilitation centres known as Kuantan Care & Wellness Centre (KCWC), identified as Lots 5885 & 5886 [New Lots 1455 & 1456], Lots 5888 to 5891 (inclusive) [New Lots 1458 to 1460 (inclusive)], Lot 10747 (New Lot 1454) and Lot 10748 (New Lot 1453), all within Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur, held under Title Nos. Geran Mukim 3441, 3442, 3466, 2827, 2823, 3443, 1575 & 6875, respectively, bearing postal address Premises No. 51, Jalan Alor Akar, Taman Kuantan, 25250 Kuantan, Pahang Darul Makmur.
Title Particulars:	

Title Land Area / Surveyed Land Area:

Lot No.	Title No.	Title Land Area		Surveyed Land Area	
		sq. m.	sq. ft.	sq. m.	sq. ft.
5885 (New Lot 1455) *1	Geran Mukim 3441	961	10,344	964	10,377
5886 (New Lot 1456) *2	Geran Mukim 3442	936	10,075	951	10,237
5888 (New Lot 1458) *2	Geran Mukim 3466	961	10,344	962	10,355
5889 (Part Of Amalgamated New Lot 1459) *2	Geran Mukim 2827	961.1269	10,345	1,923	20,700
5890 (Part Of Amalgamated New Lot 1459) *2	Geran Mukim 2823	961.1269	10,345		
5891 (New Lot 1453) *2	Geran Mukim 3443	961.1269	10,345	961	10,344
Lot 10747 (New Lot 1454) *2	Geran Mukim 1575	478.7137	5,153	479	5,156
Lot 10748 (New Lot 1453) *2	Geran Mukim 6875	478.7	5,153	479	5,156
Total		**6,698.7944**	**72,105**	**6,719**	**72,325**

Tenure:	Interest in perpetuity, in respect of all the titles
Registered Proprietor:	*1 ART (as Trustee) *2 ART
Category of Land Use:	Building, in respect of all the titles

Location

KCWC is located within Taman Kuantan, a residential scheme located about 3.6 kilometres (2.25 miles) to the north-east of Kuantan town centre and is sited off the southern side of Jalan Beserah, northern side of Jalan Teluk Sisek and along the eastern (right) side of Jalan Alor Akar, travelling from Jalan Teluk Sisek towards Jalan Beserah. KCWC fronts onto Jalan Alor Akar and is easily accessible from Jalan Beserah and Jalan Sisek. Located in the immediate neighbourhood and further to the south-east are Teruntum Palace, The Palace of Tengku Mahkota, Pahang Chief Minister's Official Residence, the residence of District Officer, Dewan Jubli Perak, Sultan Haji Ahmad Shah, Royal Pahang Golf Club, Puspanita Negeri Pahang and Rejimen 505 Askar Wataniah. Also located in the neighboorhood are The East Coast Mall, Kuantan City Mall, Berjaya Megamall, Putra Square Kuantan, The Zenith, Hotel Grand Darul Makmur, Hotel Grand Continental, AC Hotel by Marriott Kuantan, Hotel Sri Malaysia, Cathayana Hotel and Kuantan Tembeling Resort.

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

Name	Capacity (bed)	Location	Distance from KCWC (kilometre)
Private Medical Centre			
KPJ Pahang Specialist Hospital	134	Lot 105703, Tanjung Lumpur, 26060 Kuantan, Pahang Darul Makmur	4.0
Pahang Medical Centre	64	Lot 1, 3, 5 & 7, Wisma MUIP, Jalan Gambut, 25000 Kuantan, Pahang Darul Makmur	3.4
Darul Makmur Medical Centre Sdn Bhd	42	B2-B60, Jalan Kempadang Makmur, Taman Kempadang Makmur, 26060 Pahang Darul Makmur	10.9
IIUM Medical Specialist Centre (IMSC)	345	Kuliyyah of Medicine, International Islamic University Malaysia, Indera Mahkota, 25200 Kuantan, Pahang Darul Makmur	7.0
KMI Kuantan Medical Centre	176	Jalan Tun Razak, Bandar Indera Mahkota, 25200 Kuantan, Pahang Darul Makmur	8.4
Government Hospital			
Tengku Ampuan Afzan Hospital	851	Jalan Tanah Putih, 25100 Kuantan, Pahang Darul Makmur	5.0

Source: MOH

The Sites

The subject sites comprise eight contiguous parcels of land, together form a regular shaped parcel of corner plot, generally flat in terrain and lie at about the same level as the frontage metalled roads.

CHESTON INTERNATIONAL

The Buildings

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

Year of Construction / Approval	Development / Extension / Renovation	Date / Reference No. of the Approved Plan / CF / CCC
1986	A three and a half storey private specialist medical centre (Block A) (Old Wing)	The building plans were approved by Majlis Perbandaran Kuantan ("MPK") vide Reference No. MPK/J:PB/26/81-C. However, the approved building plans are presently missing. Hence, it was not made available to us. CF bearing Certificate No. 65/86 was issued by Majlis Perbandaran Kuantan on 3 October 1986.
2001	A five storey private specialist medical centre (Block B) (New Wing) A plant room building A scheduled waste storage (permanent) A scheduled waste storage (temporary) A refuse chamber	The building plans were approved by MPK vide Plan No. MPK/B:PT/141/96-C Jilid 2 on 11 June 2001. Letter of Approval was issued by Majlis Perbandaran Kuantan on 25 October 2001.
2019	Conversion of part of the ground floor, from consultation clinics to dialysis centre.	The building plans were approved by Jabatan Bomba dan Penyelamat vide Reference No. 005/23954 on 29 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 reinforced concrete flat roof concealed behind parapet walls.
Ceilings:	Generally of plaster boards with cornices and mineral fibre boards incorporating fluorescent lights, cassette type air-conditioning 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 lift lobbies are generally lined with glazed wall tiles up to the ceiling heights 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). 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 and PVC doors.
Windows:	Generally of aluminium casements incorporating glass panels.
Floors:	Generally of with vinyl tiles, homogeneous tiles, ceramic tiles and cement screed throughout with the exception of the ground floor which is generally finished with marble slabs.

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 a passenger lift (Old Wing) (with a capacity of 1,020 kilogrammes / 15 persons), a Bomba lift (with a capacity of 1,150 kilogrammes / 17 persons) and three units of reinforced concrete staircases for each building. Generally, the buildings are installed with fire fighting systems.

Car Park Bays

There are 81 car park bays within KCWC which consist of 25 covered car park bays, 53 open car park bays, 2 OKU and an ambulance car park bay.

GFA

The GFA computed by Noor Hazim Azman Architects and provided to us by KCWC 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 three and a half storey private specialist medical centre (Block A) (Old Wing)	3,379.16	36,373	37
A five storey private specialist medical centre (Block B) (New Wing)	3,069.33	33,038	22
A plant room building	259.29	2,791	
A scheduled waste storage (permanent)	25.27	272	
A scheduled waste storage (temporary)	31.59	340	
A refuse chamber	14.86	160	
Total	**6,779.51**	**72,974**	

CHESTON INTERNATIONAL

b. Valuation

1. Cost Approach comprising the Comparison and DRC Methods

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 / District / State:	PT No. 150920, Town of Kuantan, District of Kuantan, Pahang Darul Makmur	Lots 15238 to 15242 (inclusive), all within Town of Kuantan, District of Kuantan, Pahang Darul Makmur	Lots 5574 to 5579 (inclusive), all within Town of Kuantan, District of Kuantan, Pahang Darul Makmur	Lot 133, Section 22, Town of Kuantan, District of Kuantan, Pahang Darul Makmur
Title No.	HS(D) 66410	Geran Mukim 11059 to 11063 (inclusive)	Geran 407 to 412 (inclusive)	Geran Mukim 8319
Property Type:	A parcel of commercial land (Intermediate)	Five contiguous parcels of commercial land (Corner)	Six contiguous parcels of commercial land (End)	A parcel of commercial land (Intermediate) (Dual frontage)
Location:	Located off Jalan Tanah Putih, Kuantan, Pahang Darul Makmur	Located second layer from Jalan Beserah, Kuantan, Pahang Darul Makmur	Located along Jalan Tanah Putih, Kuantan, Pahang Darul Makmur	Located along Jalan Teluk Sisek, Kuantan, Pahang Darul Makmur
Category of Land Use:	Building	Building	Building	Building
Town Planning:	Commercial	Commercial	Commercial	Commercial
Tenure:	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Land Area (sq. ft.):	41,881	8,536	9,600	131,524
Consideration:	RM5,700,000	RM1,500,000	RM1,920,000	RM15,000,000
Date Of Transaction:	23 September 2022	09 August 2019	28 December 2018	05 September 2018
Vendor:	YCM Agriculture Sdn Bhd	Syarikat Kim Kee Trading Sdn Bhd	JG Pusat Otomobil Sdn Bhd	Merchant Hectares Sdn Bhd
Purchaser:	Pesat Auto CTM Sdn Bhd	Great Richmond Properties Sdn Bhd	Chew Heng Ghee, Chew Lee Fong, Chew Lee Hwa & Ching Su Goh	Kuda Aman Sdn Bhd
Analysis (psf):	RM136.10	RM175.73	RM200.00	RM114.05
Adjustment Factors Considered:	Market condition (time), location and accessibility, corner & end premium, category of land use/express condition, size and tenure.			
Adjusted Value Of Land (psf):	RM108.88	RM114.22	RM135.00	RM116.90
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 **RM116.90 psf** from the adjustments of Comparable 4 as fair representation which translates into a market value of the commercial land of **RM8,429,165.00**.			

Source: Valuation and Property Services Department, Ministry of Finance

We note from the JUBM and Arcadis Construction Cost Handbook Malaysia 2022, the construction cost of government hospitals range from RM320 psf to RM337 psf. Our analysis of the development cost of similar type of PMCs from years 2013 to 2020 revealed within the range of of RM278.47 psf to RM472.33 psf.

In arriving at GCRCN of the subject property, we have adopted RM279.16 psf as a fair development cost.

The GCRCN of the buildings is RM20,371,095.00. Depreciation is adopted at a rate of 2% per annum. The depreciation of the buildings is RM11,780,626.00. The DRC of the buildings is RM8,590,469.00. Thus, the market value of the subject property derived from the Cost Approach is RM17,019,633.00 and we have rounded down to RM17,000,000.00.

2. Reconciliation and Opinion of Value

Method of Valuation	Market Value Derived	Market Value Adopted	
Cost Approach	RM17,000,000	**RM17,000,000**	We have considered the market value derived from the Cost Approach comprising the Comparison and DRC Methods as sole valuation methodology. No secondary approach was used as KCWC's current operations as a dialysis, assisted living care, confinement and rehabilitation centre do not reflect the investment characteristics of a PMC. Further, revenue generated from its current operations is inadequate for a purpose-built PMC and therefore it is inappropriate to adopt the Income Approach by Profits Method (DCF) as a suitable valuation methodology and may result in a distorted market value.

1. RESPONSIBILITY STATEMENT

Our Board has seen and approved the contents of this Circular, and they individually and collectively accept full responsibility for the accuracy of the information contained in this Circular. They confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Circular misleading.

2. CONSENTS AND DECLARATIONS OF CONFLICT OF INTEREST

2.1 Affin Hwang IB

Affin Hwang IB, being the Principal Adviser to our Company for the Proposed Lease Renewal, has given and has not subsequently withdrawn their written consent for the inclusion of their name, and all references thereto in the form and context in which they appear in this Circular.

Affin Hwang IB has given their written confirmation that they are not aware of any conflict of interest that exists or is likely to exist in its capacity as the Principal Adviser to our Company in respect of the Proposed Lease Renewal.

2.2 BDOCC

BDOCC, being the Independent Adviser to our non-interested shareholders for the Proposed Lease Renewal, has given and has not subsequently withdrawn their written consent for the inclusion of their name, IAL and all references thereto in the form and context in which they appear in this Circular.

BDOCC has given their written confirmation that they are not aware of any conflict of interest that exists or is likely to exist in its capacity as the Independent Adviser to our Company in respect of the Proposed Lease Renewal.

2.3 Cheston

Cheston, being the Independent Valuer appointed by our Company for the valuation of the Properties for the Proposed Lease Renewal, has given and has not subsequently withdrawn their written consent to the inclusion of their name, Valuation Certificate as attached in Appendix III of this Circular, valuation reports on the Properties and all references thereto in the form and context in which they appear in this Circular.

Cheston has given their written confirmation that they are not aware of any conflict of interest that exists or is likely to exist in its capacity as the Independent Valuer to our Company for the Proposed Lease Renewal.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, as at 31 March 2023 (being the latest publicly available unaudited results), our Board is not aware of any other material commitments or contingent liabilities incurred or known to be incurred by our Group, which upon becoming due or enforceable, may have a material impact on our Group's financial position or business:

As at 31 March 2023	**Amount** **RM'000**
Capital Expenditure	
- Approved by the Directors and contracted	90,152
- Approved by the Directors but not contracted	249,382
Total	**339,534**
Analysed as follows:	
- Building	44,517
- Medical equipment	112,225
- Other property, plant and equiment	182,792
Total	**339,534**

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 13, Menara KPJ, 238, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia from Mondays to Fridays (except public holidays) during normal business hours from the date of this Circular up to the date of our forthcoming EGM:

(i) Constitution of KPJ;

(ii) Principal Lease Agreements;

(iii) Memorandums of Extension dated 24 February 2023 and Supplemental Memorandums of Extension dated 26 June 2023;

(iv) Lease Agreements (executed in escrow);

(v) Valuation Reports and Valuation Certificate of the Properties;

(vi) KPJ's audited consolidated financial statements for the FYE 2021 and FYE 2022 and unaudited consolidated financial statements for the 3-months financial period ended 31 March 2023; and

(vii) letters of consent and declarations of conflict of interest referred to in Section 2 above.

KPJ HEALTHCARE BERHAD
(Registration No. 199201015575 (247079-M))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of KPJ Healthcare Berhad ("**KPJ**" or the "**Company**") will be conducted virtually using the remote participation and voting ("**RPV**") facilities of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) on Tuesday, 22 August 2023 at 3.00 p.m. or any adjournment thereof for the purpose of considering and if thought fit, passing with or without modification, the following ordinary resolution:-

ORDINARY RESOLUTION 1

PROPOSED LEASE RENEWAL OF PROPERTIES BETWEEN THE SUBSIDIARIES OF KPJ, AMANAHRAYA TRUSTEES BERHAD (FOR AND ON BEHALF OF AI-`AQAR HEALTHCARE REIT AS THE LESSOR) AND DAMANSARA REIT MANAGERS SDN BERHAD ("PROPOSED LEASE RENEWAL")

"THAT approval be and is hereby given to the following subsidiaries of KPJ listed below to enter into the lease agreements with AmanahRaya Trustees Berhad, being the trustee for and on behalf of Al-`Aqar Healthcare REIT ("**Al-`Aqar**" or "**Lessor**") and Damansara REIT Managers Sdn Berhad, being the manager of Al-`Aqar, to renew the lease of the following hospitals/wellness centre held by the Lessor including the Lessor's fixtures and fittings (as described in the circular to shareholders dated 31 July 2023):-

Subsidiaries	Properties	Renewed lease period sought
Hospitals		
(i) Kajang Specialist Hospital Sdn Bhd	KPJ Kajang Specialist Hospital	15 years [(1)]
(ii) Perdana Specialist Hospital Sdn Bhd	KPJ Perdana Specialist Hospital	15 years [(1)]
(iii) Sentosa Medical Centre Sdn Bhd	KPJ Sentosa KL Specialist Hospital	3 years [(1)]
Wellness Centre		
(iv) Kuantan Wellness Center Sdn Bhd	Kuantan Care & Wellness Centre	3 years [(1)]

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

AND THAT the Directors of the Company 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 Company may deem fit, necessary and/or expedient in the interest of KPJ 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,
KPJ HEALTHCARE BERHAD

HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)
(SSM Practising Certificate 202008003378)
Company Secretary

Kuala Lumpur
Dated: 31 July 2023

<u>Notes</u>:-

Remote participation and voting

1. The EGM of the Company will be conducted virtually using the RPV facilities of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781). Please follow the procedures provided in the **Administrative Guide** in order to register, participate and vote remotely via the RPV facilities. No members/proxies/corporate representatives from the public will be allowed to be physically present at the premises of the Company, the poll administrator or the venue where the Chairman will be for the purpose of the EGM.

Record of Depositors

2. In respect of deposited securities, only a depositor whose name appears in the Record of Depositors as at 15 August 2023 shall be eligible to attend the EGM or appoint proxy(ies) to attend and/or vote in his/her stead. Any changes in the entries in the Record of Depositors after the said date shall be disregarded in determining the rights of any person to attend and vote at the EGM.

Appointment of Proxy

3. A member of the Company, who is entitled to attend, participate and vote at the EGM, is entitled to appoint a proxy or attorney or in the case of a corporation, a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company is entitled to appoint more than 1 proxy to attend, participate and vote at the EGM.

5. Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint more than 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than 1 proxy the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to attend, participate and vote at the EGM must request his/her proxy to register himself/ herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures for the RPV in the Administrative Guide for the EGM.

9. The appointment of proxy may be made in hard copy form or by electronic means in the following manner, and must be deposited with and received by the Company not less than 48 hours before the time appointed for holding the EGM:-

   (a) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Poll Administrator of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (b) By electronic form
   The Proxy Form can be electronically lodged with the poll administrator of the Company via TIIH Online website at https://tiih.online. Please refer to the Administrative Guide on the procedures for electronic lodgement of Proxy Form via TIIH Online.

10. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

11. Last date and time for lodging the proxy form is **Sunday, 20 August 2023 at 3.00 p.m.**

12. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the office of the poll administrator at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, by electronic means via TIIH Online website at https://tiih.online not less than 48 hours before the time appointed for holding the EGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

13. For a corporate member who has appointed a representative, please deposit the certificate of appointment at the office of the poll administrator at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, by electronic means via TIIH Online website at https://tiih.online. The certificate of appointment should be executed in the following manner:

    (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member; or

    (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

        (i) at least two (2) authorised officers, of whom one shall be a director; or

        (ii) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Proxy Form

KPJ HEALTHCARE BERHAD
199201015575 (247079-M)

I/We

Full Name (in Block and as per NRIC/Passport/Certificate of incorporation):	CDS account no.:	No. of shares held:
Address:	NRIC/Passport/Registration no.:	Contact no.:

being a member of KPJ Healthcare Berhad (Registration No. 199201015575 (247079-M)), do hereby appoint:

Full Name (in Block and as per NRIC/Passport):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			

and / or *(please delete as appropriate)*

Full Name (in Block and as per NRIC/Passport):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted virtually using the remote participation and voting ("**RPV**") facilities of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) on Tuesday, 22 August 2023 at 3.00 p.m. or any adjournment thereof.

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

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

Signed this __________day of __________2023

Signature and/or Seal

Notes:-

Remote participation and voting

1. The EGM of the Company will be conducted virtually using the RPV facilties of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781). Please follow the procedures provided in the **Administrative Guide** in order to register, participate and vote remotely via the RPV facililites. No members/proxies/corporate representatives from the public will be allowed to be physically present at the premises of the Company, the poll administrator or the venue where the Chairman will be for the purpose of the EGM.

Record of Depositors

2. In respect of deposited securites, only a depositor whose name appears in the Record of Depositors as at 15 August 2023 shall be eligible to attend the EGM or appoint proxy(ies) to attend and/or vote in his/her stead. Any changes in the entries in the Record of Depositors after the said date shall be disregarded in determining the rights of any person to attend and vote at the EGM.

Appointment of Proxy

3. A member of the Company, who is entitled to attend, participate and vote at the EGM, is entitled to appoint a proxy or attorney or in the case of a corporation, a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company is enttled to appoint more than 1 proxy to attend, participate and vote at the EGM.

5. Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint more than 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than 1 proxy the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to attend, participate and vote at the EGM must request his/her proxy to register himself/ herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures for the RPV in the Administrative Guide for the EGM.

9. The appointment of proxy may be made in hard copy form or by electronic means in the following manner, and must be deposited with and received by the Company not less than 48 hours before the time appointed for holding the EGM:-

   (a) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Poll Administrator of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

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10. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

11. Last date and time for lodging the proxy form is **Sunday, 20 August 2023 at 3.00 p.m.**

12. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the office of the poll administrator at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, by electronic means via TIIH Online website at https://tiih.online not less than 48 hours before the time appointed for holding the EGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

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    (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member; or

    (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

        (j) at least two (2) authorised officers, of whom one shall be a director; or

        (ii) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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AFFIX
STAMP

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
UNIT 32-01, LEVEL 32, TOWER A
VERTICAL BUSINESS SUITE, AVENUE 3
BANGSAR SOUTH
NO. 8, JALAN KERINCHI
59200 KUALA LUMPUR
MALAYSIA

2nd Fold Here

Fold This Flap For Sealing