

Al-'Aqar KPJ REIT – The World's First Listed Islamic Healthcare REIT

DEVELOPMENT OF MALAYSIA'S ISLAMIC REIT MARKET

Real Estate Investment Trusts (REITs) began in the US some 40 years ago, and today, building on their success in the US, more than 20 countries have passed laws to allow REITs. Investors, asset owners and regulators have warmed to them, seeing the REIT as a vehicle that benefits all participants. REITs are not new in Malaysia; they were previously known as property trusts. The new "Guidelines on REIT," which came into effect in January 2005, revamp the old "Property Trust Guidelines."

In line with Malaysia's Capital Market Masterplan to promote the country as an international Islamic financial center, guidelines for Islamic REITs were released by the Shariah Advisory Council (SAC) of the Securities Commission of Malaysia (SC) in November 2005 to facilitate the further development of new Islamic capital market products. With the release of the "Islamic REITs Guidelines," Malaysia has become the first jurisdiction in the global Islamic financial sector to issue such guidelines, setting a global benchmark for the development of Islamic REITs guidelines and of Islamic derivatives in Malaysia. This latest achievement further enhances Malaysia's lead role in the development of the Islamic capital market in the international financial community, and will further promote and accelerate the growth of a competitive Islamic capital market in Malaysia. Additionally, this development enhances the Islamic financial market as a complement to conventional forms of investments.

REITs are essentially investment vehicles that own stable, income generating, investment grade real estate assets, through a trust that distributes most or all of their net income to unitholders as dividends. An Islamic REIT invests primarily in income producing Shariah compliant real estate and/or real estate-related assets. A portion of the REITs fund can also be invested in other Shariah compliant asset classes such as cash, deposits and investment products. The management of an Islamic REIT is guided by the Shariah compliance criteria provided in the "Islamic REITs Guidelines." Principally, the Islamic REIT manager shall be advised by the Shariah committee/advisor relating to Shariah compliant investment and assessment.

The introduction of the "Islamic REITs Guidelines" provides an opportunity for those who wish to invest in real estate through Shariah compliant capital market instruments and widen the investor base to those who would not normally subscribe to non-Shariah compliant investments. The guidelines facilitate the creation of a new asset class for investors, allow further diversification by fund managers of their investment sources and portfolios, and also provide for hedging against fluctuations in the equities and

commodities markets. They also offer foreign investors seeking Shariah compliant instruments, in particular Middle East investors, an opportunity to invest in Malaysian real property without the hassle and responsibilities associated with direct ownership of such assets.

Similar to conventional REITs, Islamic REITs are managed by professional managers who have specialized knowledge of real estate and real estate-related assets. Islamic REITs are liquid assets, which can be listed and traded on Bursa Securities. This makes REITs attractive to investors, who are able to invest and diversify their real estate investments without large capital, while meeting their needs for Shariah compliant investment.

Properties under an Islamic REIT must generate rental income from permissible activities. A benchmark of up to 20% of rentals can be derived from non-permissible activities, under the "Islamic REITs Guidelines." The guidelines also lay out specific rental activities that are classified as non-permissible, such as interest-based financial services, conventional insurance, and so forth.

THE ESTABLISHMENT OF AL-AQAR KPJ REIT

The Al-Aqar REIT set many milestones: the world's first listed Islamic REIT, Asia's first healthcare REIT, the first listed Islamic REIT under the new SC "Guidelines for Islamic REITs," and a benchmark for the development of Islamic REITs in Malaysia, as well as in the region.

In May 2006, AmInvestment Bank, as the advisor, managing underwriter and placement agent of the REIT, received approval from the SC for the establishment and listing of Al-Aqar KPJ REIT on the Main Board of Bursa Malaysia Securities (Bursa Securities). On the 10th August 2006, Al-Aqar KPJ REIT was listed on the Main Board of Bursa Securities.

The sponsor of the REIT is KPJ Healthcare (KPJ), the healthcare arm of Johor Corporation, the first home-grown healthcare group in Malaysia, which was listed on the Main Board of Bursa Securities in November 1994. The KPJ Group has more than 25 years of experience in the healthcare industry and is principally involved in the business of hospital management, healthcare technical services, hospital development and commissioning, nursing and healthcare professionals' continuous education. With more than RM1 billion (US\$285.58 million) in assets, and shareholders' funds in excess of RM420 million (US\$119.94 million), KPJ Healthcare is one of the largest groups of private healthcare providers in Malaysia.

The Al-Aqar REIT is 100% Shariah compliant. In line with the requirements of the guidelines, the assets injected into the Al-Aqar KPJ REIT are Shariah compliant assets comprising of

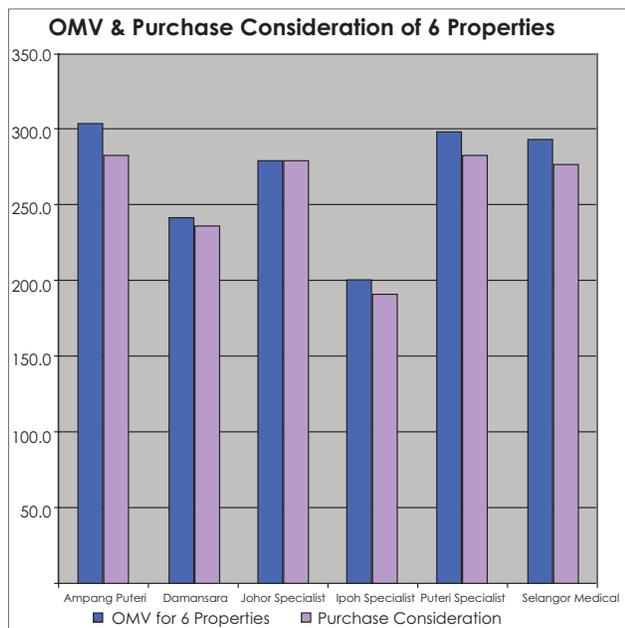
continued...

AI-'Aqar KPJ REIT (continued...)

hospital buildings owned by the KPJ Group. For the listing of the KPJ REIT, KPJ initially injected six hospital buildings owned by the group in prime locations nationwide into the REIT.

These six hospitals have a combined Open Market Value (OMV) of RM481 million (US\$137.36 million), based on the valuation reports of CH Williams Talhar & Wong dated September 2005 and May 2006. These properties were injected into the AI-Aqar KPJ REIT at an average 4.1% discount on the OMV. Based on the OMV of the six properties, the rental yield is 7.4%, while based on the value at which the properties are injected into the REIT (i.e. a 4.1% discount to OMV) the rental yield is higher at 7.7%.

The AI-Aqar KPJ REIT is expected to yield a competitive market rate of more than 7% for the financial years ending on the 31st December 2007 until the 31st December 2009. Investors are expected to enjoy a consistent income return due to several key factors, which include a stable rental income from the properties, a 100% occupancy rate, minimum risk and single exposure in the healthcare business. Investors will also gain from the anticipated capital appreciation on the units purchased.



All the six properties injected into the AI-Aqar KPJ REIT are occupied by six tenants (which are subsidiaries of the KPJ Group) and the lease agreements entered into with all these tenants are long term, i.e. for a lease period of 15 years. Upon listing, KPJ, as a sponsor of AI-Aqar KPJ REIT, as well as the holding company of the six hospital tenants, indirectly held 47.1% of the total units in the AI-Aqar KPJ REIT, with a listed fund of 340 million. The relatively high percentage held by the sponsor shows a commitment to nurturing and

further growing the REIT. The balance has been allocated to institutional and selected investors (48.53%), as well as to the Malaysian public (4.41%). A majority of the REIT units have been successfully placed out to Islamic institutions, as it is the first Islamic REIT in the country.

After the listing, the AI-Aqar KPJ REIT is expected to grow in asset size through the acquisition of hospitals or healthcare-related properties in Malaysia and region-wide. The KPJ Group has the largest hospital network in Malaysia, with 15 specialist hospitals and a private nursing college. In addition, the group owns and manages three specialist hospitals in Indonesia and one specialist hospital in Dhaka, Bangladesh.

The Islamic capital market is set to become an important segment within the global financial market. Malaysia's efforts in ensuring Shariah compliance will be complemented by efforts to ensure international acceptability and compatibility by benchmarking against international best practices and standards, through the involvement of global issuers, investors and intermediaries.

Going forward, Malaysia will continue to harness its position to become a premier international Islamic financial center, with the supporting infrastructure and regulatory framework already in place. After Shariah compliant equities, Islamic bonds and Islamic funds, and now with the establishment of "Guidelines for Islamic REITs" and the first listed Islamic healthcare REIT in the world, Malaysia is set for smooth sailing towards achieving its vision of bringing Malaysia to the forefront of Islamic finance.

AMINVESTMENT BANK AND REITS

AmInvestment Bank is not new to the REITs market, as the bank listed Malaysia's first property trust, namely AmFirst Property Trust Fund, some 17 years ago, which has now been rebranded as AmFirst REIT. As of the 22nd February 2007, the total market capitalization of the eight listed REITs in Malaysia amounted to RM3.3 billion (US\$941.87 million). AmInvestment Bank have listed five REITs, representing more than a 60% market share of the total number of listed REITs and 73% of the total market capitalization of the REITs.

Notably, AmInvestment Bank was the advisor, joint managing underwriter, underwriter and senior co-lead manager to the largest REIT – the Starhill REIT – in Malaysia to date, with a total asset value of RM1.15 billion (US\$ 338.23 million), underlining its dominant position in local investment banking history.



AmInvestment Bank

The authors are from
AmInvestment Bank.

TERMSHEET

Al-'Aqar KPJ REIT

INSTRUMENT	REIT																																		
ISSUER	Al-'Aqar KPJ REIT																																		
PRINCIPAL ACTIVITIES	Key objective is to provide the unitholders with stable distributions per Unit with the potential for sustainable long-term growth of such distributions and the net asset value (NAV) per Unit.																																		
CATEGORY OF FUND	Real estate and real estate-related assets																																		
TYPE OF FUND	Income and growth																																		
MANAGER	Damansara REIT Managers Sdn Bhd (formerly known as Ultimate Benchmark Sdn Bhd)																																		
BOARD OF DIRECTORS	Non-independent non-executive chairman – Muhammad Ali Hashim; non-independent non-executive directors – Sifi Sa'diah Sheikh Bakir, Jamaludin Md.Ali (resigned on 12 th January 2007), Mohd Zam Mustaman (resigned on 12 th January 2007), Kamaruzzaman Abu Kassim (appointed on 12 th January 2007), Lukman Abu Bakar (appointed on 12 th January 2007); independent non-executive directors – Abdul Majit Ahmad Khan (resigned on 21 st November 2006), Dr. Mohd Hafetz Ahmad, Zainah Mustafa (appointed on 16 th February 2007; chief executive officer – Yusaini Sidek																																		
DATE OF LISTING	August 2006																																		
MARKET CAP	RM323 million (US\$93.54 million) as at 22 nd February 2007																																		
AUTHORIZED PAID UP CAP	Approved fund size is 340 million units																																		
ISSUE SIZE	RM179.25 million (US\$51.91 million)																																		
DATE OF ISSUE	July 2006																																		
PAYMENT SCHEDULE	For each distribution period, Al-'Aqar REIT shall distribute all (or such lower percentage as it may determine in its absolute discretion) of the distributable business income and capital/exempt income within two (2) months after Al-'Aqar REIT's book closure date. It proposes to maintain minimum distribution of at least 95% of its distributable income.																																		
DIVIDEND PER UNIT	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Financial year 31 December</th> <th rowspan="2">*Annualised #Based on institutional price and retail price of RM1.00 and RM0.95 per unit respectively.</th> </tr> <tr> <th>2006 *</th> <th>2007</th> <th>2008</th> <th>2009</th> </tr> </thead> <tbody> <tr> <td>Dividend per unit (%)</td> <td>7.25</td> <td>7.32</td> <td>7.52</td> <td>7.70</td> <td></td> </tr> <tr> <td>Dividend yield per annum (%)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Institutional #</td> <td>7.25</td> <td>7.32</td> <td>7.52</td> <td>7.70</td> <td></td> </tr> <tr> <td>- Retail #</td> <td>7.63</td> <td>7.71</td> <td>7.92</td> <td>8.11</td> <td></td> </tr> </tbody> </table>		Financial year 31 December				*Annualised #Based on institutional price and retail price of RM1.00 and RM0.95 per unit respectively.	2006 *	2007	2008	2009	Dividend per unit (%)	7.25	7.32	7.52	7.70		Dividend yield per annum (%)						- Institutional #	7.25	7.32	7.52	7.70		- Retail #	7.63	7.71	7.92	8.11	
	Financial year 31 December				*Annualised #Based on institutional price and retail price of RM1.00 and RM0.95 per unit respectively.																														
	2006 *	2007	2008	2009																															
Dividend per unit (%)	7.25	7.32	7.52	7.70																															
Dividend yield per annum (%)																																			
- Institutional #	7.25	7.32	7.52	7.70																															
- Retail #	7.63	7.71	7.92	8.11																															
TOTAL OMV OF PROPERTIES	RM481 million																																		
IDENTIFIED ASSETS	<table border="1"> <thead> <tr> <th>Hospitals</th> <th>Location</th> <th>Gross Floor Area</th> <th>Appraised Value * (RM)</th> </tr> </thead> <tbody> <tr> <td>Ampang Puteri Specialist Hospital</td> <td>Selangor</td> <td>423,675 sq ft</td> <td>128,800,000 (US\$37.30 million)</td> </tr> <tr> <td>Damansara Specialist Hospital</td> <td>Selangor</td> <td>445,131 sq ft</td> <td>107,500,000 (US\$31.13 million)</td> </tr> <tr> <td>Johor Specialist Hospital</td> <td>Johor</td> <td>269,571 sq ft</td> <td>75,300,000 (US\$21.80 million)</td> </tr> <tr> <td>Ipoh Specialist Hospital</td> <td>Perak</td> <td>215,762 sq ft</td> <td>69,000,000 (US\$19.98 million)</td> </tr> <tr> <td>Puteri Specialist Hospital</td> <td>Johor</td> <td>131,033 sq ft</td> <td>39,000,000 (US\$11.29 million)</td> </tr> <tr> <td>Selangor Medical Centre</td> <td>Selangor</td> <td>209,455 sq ft</td> <td>61,400,000 (US\$17.78 million)</td> </tr> </tbody> </table> <p>* Various valuation dates between September to December 2005.</p>	Hospitals	Location	Gross Floor Area	Appraised Value * (RM)	Ampang Puteri Specialist Hospital	Selangor	423,675 sq ft	128,800,000 (US\$37.30 million)	Damansara Specialist Hospital	Selangor	445,131 sq ft	107,500,000 (US\$31.13 million)	Johor Specialist Hospital	Johor	269,571 sq ft	75,300,000 (US\$21.80 million)	Ipoh Specialist Hospital	Perak	215,762 sq ft	69,000,000 (US\$19.98 million)	Puteri Specialist Hospital	Johor	131,033 sq ft	39,000,000 (US\$11.29 million)	Selangor Medical Centre	Selangor	209,455 sq ft	61,400,000 (US\$17.78 million)						
Hospitals	Location	Gross Floor Area	Appraised Value * (RM)																																
Ampang Puteri Specialist Hospital	Selangor	423,675 sq ft	128,800,000 (US\$37.30 million)																																
Damansara Specialist Hospital	Selangor	445,131 sq ft	107,500,000 (US\$31.13 million)																																
Johor Specialist Hospital	Johor	269,571 sq ft	75,300,000 (US\$21.80 million)																																
Ipoh Specialist Hospital	Perak	215,762 sq ft	69,000,000 (US\$19.98 million)																																
Puteri Specialist Hospital	Johor	131,033 sq ft	39,000,000 (US\$11.29 million)																																
Selangor Medical Centre	Selangor	209,455 sq ft	61,400,000 (US\$17.78 million)																																
LEAD ARRANGER/ FINANCIAL ADVISOR	AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad)																																		
LEGAL COUNSEL	Abdul Raman Saad & Associates																																		
UNDERWRITERS	AmInvestment Bank (including AmSecurities Sdn Bhd)																																		
TRUSTEE	Amanah Raya Berhad																																		
SHARIAH ADVISOR	Nooh Gadot, Mohd Hashim Yahya, Professor Madya Dr. Ab Halim Muhammad																																		



AL-AQAR KPJ REIT

A Unique Healthcare Deal

AL-AQAR KPJ REIT Properties

Johor Specialist Hospital



Ampang Puteri Specialist Hospital



Ipoh Specialist Hospital



Damansara Specialist Hospital



Puteri Specialist Hospital



Selangor Medical Centre



Awarded:

Islamic Finance *pews*
Awards
Deals of the Year
2006

The First
Islamic Healthcare
REIT in the World

Managed by:



DAMANSARA REIT MANAGERS
SDN BERHAD

For more information, please contact:

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

Lot G 12-14, Level 5, Block G (North), Pusat Bandar Damansara, 50490 Kuala Lumpur
Tel: 603-2095 3252 / 2626 Fax: 03-2092 5462 Website: www.alaqarkpjreit.com.my