4.1 Total Issued Units

	No. of Units
Promoter's Units as at the date of this Prospectus	1,000
To be issued pursuant to the Acquisitions	159,999,000
To be issued pursuant to the Public Issue	180,000,000
Total issued Units upon Listing	340,000,000

There is only one class of Units in Al-'Aqar KPJ REIT. The IPO Units, provided that application monies are paid in full, will rank pari passu in all respect with the existing issued Units of Al-'Aqar KPJ REIT and the IPO Units will be entitled to all distributions that may be declared subsequent to the date of this Prospectus.

Each Unitholder shall be entitled to vote in person or by proxy at any meeting of Unitholders. On a show of hands, every person present who is a Unitholder or proxy of a Unitholder, shall have one vote, whereas on a poll, every person present who is a Unitholder or proxy of a Unitholder shall have one vote for each Unit held.

A Unitholder shall be entitled to attend and vote at any meeting of Unitholders, and shall be entitled to appoint another person *(whether a Unitholder or not)* as its proxy to attend and vote.

The Promoter Units were issued on 28 June 2006 to the Manager for the purpose of constituting Al-'Aqar KPJ REIT and will be disposed of by the Manager on the Market Day immediately following the date on which Al-'Aqar KPJ REIT is listed.

4.2 Details of the IPO

The issue of 180,000,000 IPO Units, representing approximately 52.94% of the total size of Al-'Aqar KPJ REIT, to the following:-

(a) 15,000,000 IPO Units, representing approximately 4.41% of the total size of Al-'Aqar KPJ REIT, to the Malaysian Public via balloting *(of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions)*, for subscription at the Retail Price under the Retail Offering; and

(b) 165,000,000 IPO Units, representing approximately 48.53% of the total size of Al-'Aqar KPJ REIT, to selected investors for subscription at the Institutional Price under the Institutional Offering.

There is no minimum subscription to be raised from the IPO. Completion of the Retail Offering and Institutional Offering are inter-conditional.

If the Retail Offering and Institutional Offering are not completed, monies paid in respect of any application for the IPO Units will be returned to the applicants without interest. Thereafter, Al-'Aqar KPJ REIT shall be terminated in accordance with the Deed.

Clause 8.03(1) of the Guidelines on REIT requires *inter-alia* that underwriting arrangements must be in place before the offering of units is made *(for offerings to the general public and restricted issues/offers)*.

In this respect, the IPO Units under the Retail Offering have been fully underwritten.

The IPO Units under the Institutional Offering are not underwritten. The Placement Agent has received irrevocable undertakings from the selected investors to take up the IPO Units available for application under the Institutional Offering.

4.2.1 Further details on the Retail Offering and Institutional Offering

A total of 165,000,000 Units will be available to selected investors under the Institutional Offering and 15,000,000 Units will be offered to the Malaysian Public under the Retail Offering *(subject, in each case, to reallocation on the basis described under Section 4.3 of this Prospectus)*.

The Retail Offering is open to the Malaysian Public. The Institutional Offering will involve the selective marketing of Units to selected investors anticipated to have a sizeable demand for such Units. Selected investors generally include brokers, dealers, companies *(including fund managers)* whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities.

Allocation of the IPO Units pursuant to the Institutional Offering will be determined by the Placement Agent and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, its IPO Units after the listing of the Units on Bursa Securities. Such allocation is intended to result in a distribution of the Institutional Offering on a basis which would lead to the establishment of a solid unitholder base to the benefit of Al-'Aqar KPJ REIT and the Unitholders as a whole.

Allocation of IPO Units to applicants under the Retail Offering will be based solely on the level of valid applications received under the Retail Offering. The basis of allocation may vary, depending on the number of IPO Units validly applied for, but, subject to that, will be made on a pro-rata basis, although the allocation of IPO Units could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the IPO Units, and those applicants who are not successful in the ballot may not receive any IPO Units.

Please refer to Section 23 of this Prospectus on the procedures for application and acceptance for the IPO Units under the Retail Offering.

Selected investors who express interest for the IPO Units under the Institutional Offering should comply with the procedures set out in accordance with the separate instructions specified by the Placement Agent.

4.3 Clawback and Reallocation

The allocation of IPO Units between and within the Retail Offering and Institutional Offering is subject to adjustment. For instance, in the event the Retail Offering is over-subscribed and the Institutional Offering is under-subscribed, the IPO Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering and vice versa. The clawback and reallocation shall not apply in the event of an over-subscription in both the Institutional Offering and Retail Offering. Any such reallocation is subject to the agreement of the Managing Underwriter, Placement Agent and us.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.4 Indicative Timetable

(i) Initial Offer Period

The indicative timing of events leading up to the listing of and quotation for Al-'Aqar KPJ REIT on the Main Board of Bursa Securities is set out below:-

Event	Date
Opening of the Retail Offering and Institutional Offering	24 July 2006
Closing of the Retail Offering and Institutional Offering	31 July 2006
Balloting of applications for the Units issued pursuant to the Retail Offering	2 August 2006
Allotment of Units to successful applicants	9 August 2006
Listing of Al-'Aqar KPJ REIT on Bursa Securities	10 August 2006

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures.

The application for the Retail Offering and Institutional Offering will open at 10.00 a.m. on 24 July 2006 and will remain open until 5.00 p.m. on 31 July 2006 or for such further period or periods as our Directors, the Sponsor together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

Should the closing date of the application for the Retail Offering and Institutional Offering be extended, the dates for the balloting, allotment and listing of Al-'Aqar KPJ REIT on the Main Board of Bursa Securities might be extended accordingly. Any changes to the application period will be notified to the public via an advertisement in a widely circulated Bahasa Malaysia and English daily newspapers.

(ii) How to Purchase the Units

You may apply for the Units offered in accordance with the terms of this Prospectus. Alternatively, you may purchase from the secondary market through Bursa Securities when the Units are admitted to the Official List and quoted on Bursa Securities.

(iii) Where to Purchase the Units

Please refer to Secton 23 for the application procedure for the IPO. In addition, you may purchase the Units from the secondary market through Bursa Securities when the Units are admitted to the Official List and quoted on Bursa Securities.

(iv) Transfer of Units

You may transfer all or some of your investments in the Units to another person through Bursa Depository, subject to the rules of Bursa Depository and the fees imposed by them.

4.5 Basis of Arriving at the Institutional Price and the Retail Price

Upon application, the applicants under the Retail Offering will pay the Retail Price of RM0.95 per Unit. The Retail Price of RM0.95 per Unit is at a 5% discount from the Institutional Price.

Our Adviser, the Underwriter and our Company have determined and agreed upon the issue price after taking into consideration the following factors:-

(i) the financial history and conditions of the REIT Properties;

(ii) the future prospect of Al-'Aqar KPJ REIT;

(iii) the estimate, forecast and projected distribution yields of Al-'Aqar KPJ REIT;

(iv) the prevailing capital and property market conditions and sentiments; and

(v) the proforma NAV per Unit upon Listing of RM0.98.

You should note that the price of the Units upon the Listing is subject to the vagaries of the market forces and other uncertainties which may affect the price of the Units when they are traded.

4.6 The Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire Al-'Aqar KPJ REIT Unit on the Main Board of Bursa Securities, we undertook/will undertake the Listing Scheme, as follows:-

(i) Acquisition of Ampang Puteri Specialist Hospital Building

On 30 June 2006, the Trustee entered into two separate Sale and Purchase Agreements with JCorp and PSHSB respectively for the Acquisition of Ampang Puteri Specialist Hospital Building from JCorp and PSHSB for a total consideration of RM120,000,000 to be satisfied by:-

(i) Issuance of 36,999,000 new Units at an issue price of RM1.00 per Unit; and

(ii) Cash consideration of RM83,001,000 to be raised from Islamic financing facilities and Public Issue.

Out of the total consideration of RM120.0 million, PSHSB will receive RM96.2 million being the registered lessee of 2.36 acres of Lot No. PT 25119 and the beneficial owner of the hospital building erected thereon in the following proportion:-

(i) 36,999,000 new Units at an issue price of RM1.00 per Unit to PSHSB; and

(ii) Cash consideration of RM59,201,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM120,000,000 for Ampang Puteri Specialist Hospital Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 6.83% of the market value of Ampang Puteri Specialist Hospital Building of RM128,800,000 based on the valuation performed by the Independent Property Valuer on 21 September 2005.

The audited net book value of Ampang Puteri Specialist Hospital Building (2.36 acres of land and building sub leased from JCorp to PSHSB) as at 31 December 2005 was RM96,200,000. The net book value of Ampang Puteri Specialist Hospital Building (2.99 acres of car park land on Lot No. PT 25119 owned by JCorp) as at 31 December 2005 was RM6,258,518.

(ii) Acquisition of Damansara Specialist Hospital Building

On 30 June 2006, the Trustee entered into the Sale and Purchase Agreement with DSHSB for the Acquisition of Damansara Specialist Hospital Building from DSHSB for a total consideration of RM105,000,000 to be satisfied by:-

(i) Issuance of 33,000,000 new Units at an issue price of RM1.00 per Unit to DSHSB; and

(ii) Cash consideration of RM72,000,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM105,000,000 for Damansara Specialist Hospital Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 2.33% of the of the market value of Damansara Specialist Hospital Building of RM107,500,000 based on the valuation performed by the Independent Property Valuer on 4 October 2005.

The audited net book value of Damansara Specialist Hospital Building was RM105,000,000 as at 31 December 2005.

(iii) Acquisition of Johor Specialist Hospital Building

On 30 June 2006, the Trustee entered into the Sale and Purchase Agreement with JSHSB for the Acquisition of Johor Specialist Hospital Building from JSHSB for a total consideration of RM75,250,000 to be satisfied by:-

(i) Issuance of 23,000,000 new Units at an issue price of RM1.00 per Unit to JSHSB; and

(ii) Cash consideration of RM52,250,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM75,250,000 for Johor Specialist Hospital Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 0.07% of the market value of Johor Specialist Hospital Building of RM75,300,000 based on the valuation performed by the Independent Property Valuer on 28 September 2005.

The audited net book value of Johor Specialist Hospital Building was RM75,250,000 as at 31 December 2005.

(iv) Acquisition of Ipoh Specialist Hospital Building

On 30 June 2006, the Trustee entered into the Sale and Purchase Agreement with MASB for the Acquisition of Ipoh Specialist Hospital Building for a total consideration of RM66,000,000 to be satisfied by the following: -

(i) Issuance of 38,000,000 new Units at an issue price of RM1.00 per Unit to MASB; and

(ii) Cash consideration of RM28,000,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM66,000,000 for Ipoh Specialist Hospital Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 4.35% of the market value of Ipoh Specialist Hospital Building of RM69,000,000 based on the valuation performed by the Independent Property Valuer on 15 May 2006.

Based on the purchase consideration of RM66,000,000 for Ipoh Specialist Hospital Building and the Cost Method valuation of the said hospital building on "As Is" basis of RM41,200,000, the difference in value of RM24,800,000 represents the value of the extended facilities of Ipoh Specialist Hospital Building which is currently under construction ("Extension').

In view thereof, KPJ had on 14 June 2006 provided the following undertaking and guarantee to the SC:-

(a) to pay rental in full for both exising building and the Extension based on the market value of the Ipoh Specialist Hospital Building of RM69,000,000 notwithstanding the ongoing construction of the Extension; and

(b) to complete the Extension by March 2007.

Additionally, the Trustee will hold 24,800,000 Units to be issued to KPJ under a trust account on behalf of KPJ until completion of the said Extension and Certificate of Fitness for Occupation ("CF") is obtained, which is not more than one (1) year from the listing date of Al-'Aqar KPJ REIT. In the event of failure of KPJ to complete the said Extension and obtain the CF, the Trustee has the right to dispose the moratorium Units and the money received will be used to complete the Extension on Ipoh Specialist Hospital Building. After completion of the Extension, any excess of money received from the disposal of moratorium Units will be returned to KPJ.

The audited net book value of Ipoh Specialist Hospital Building was RM44,261,373 as at 31 December 2005.

(v) Acquisition of Puteri Specialist Hospital Building

On 30 June 2006, the Trustee entered into the Sale and Purchase Agreement with MCJSB for the Acquisition of Puteri Specialist Hospital Building for a total consideration of RM37,000,000 to be satisfied by the following: -

(i) Issuance of 21,000,000 new Units at an issue price of RM1.00 per Unit to MCJSB; and

(ii) Cash consideration of RM16,000,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM37,000,000 for Puteri Specialist Hospital Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 5.13% of the market value of Puteri Specialist Hospital Building of RM39,000,000 based on the valuation performed by the Independent Property Valuer on 15 May 2006.

The audited net book value of Puteri Specialist Hospital Building was RM35,020,608 as at 31 December 2005.

(vi) Acquisition of Selangor Medical Centre Building

On 30 June 2006, the Trustee entered into the Sale and Purchase Agreement with SMCSB for the Acquisition of Selangor Medical Centre Building for a total consideration of RM58,000,000 to be satisfied by the following: -

(i) Issuance of 8,000,000 new Units at an issue price of RM1.00 per Unit to SMCSB; and

(ii) Cash consideration of RM50,000,000 to be raised from Islamic financing facilities and Public Issue.

The purchase consideration of RM58,000,000 for Selangor Medical Centre Building was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 5.54% of the market value of Selangor Medical Centre Building of RM61,400,000 based on the valuation performed by the Independent Property Valuer on 15 May 2006.

The audited net book value of Selangor Medical Centre Building was RM46,331,106 as at 31 December 2005.

The completion of Acquisitions is expected to occur upon fulfillment of all conditions precedent as set out in the Sale and Purchase Agreement.

(vii) Public Issue

Please refer to Section 4.2 of this Prospectus for details of the Public Issue.

(viii) Proposed Listing and Quotation on the Main Board of Bursa Securities

We will make an application to Bursa Securities for the admission into the Official List, and the listing of and quotation for the entire 340,000,000 issued Units in Al-'Aqar KPJ REIT on the Main Board of Bursa Securities. The board lot sizes for the total issued Units of Al-'Aqar KPJ REIT upon its listing will be standardised at 100 Units per board lot.

4.6.1 Islamic Financing Facility Taken to Part-Finance the Acquisitions

Al-'Aqar KPJ REIT will disburse RM134.0 million BBA Facility from the consortium of financiers arranged by AmMerchant Bank to part-finance the Acquisitions. The prescribed profit rate for the BBA Facility is expected to be within a range of 5.5% to 5.65% per annum. The Properties will be charged for the Islamic financing facility granted. The other major conditions for the disbursement of the BBA Facility include the receipt of approval from the SC for the Proposed Listing, approval from the relevant State Authority in respect of the Ampang Puteri Specialist Hospital Building, Selangor Medical Centre Building and Johor Specialist Hospital Building for the transfer of land ownership to Al-'Aqar KPJ REIT and registration of charges of the Properties in favour of AmMerchant Bank as the security agent for the financiers at the relevant land registry. The BBA Facility currently has been disbursed into an escrow account opened by Al-'Aqar KPJ REIT but controlled by AmMerchant Bank as the security agent for the financiers and can only be disbursed to the Vendors after all conditions stated in the legal documentation for the BBA Facility are fully satisfied.

4.7 Purposes of the IPO

The IPO will enable the following objectives to be fulfilled:-

(i) to facilitate the listing of and quotation for the entire issued Units of Al-'Aqar KPJ REIT on the Main Board of Bursa Securities;

(ii) to enable Al-'Aqar KPJ REIT to gain access to the capital market to raise funds for future Syariah-compliant real estate acquisitions which in turn will allow the continual growth of Al-'Aqar KPJ REIT;

(iii) to provide you with an opportunity to invest in a Syariah-compliant real estate investment trust that will provide sustained returns and capital appreciation in the long term and to participate in future growth prospects of Al-'Aqar KPJ REIT;

(iv) to enhance the development of the real estate market in Malaysia through the listed REIT which is relatively more liquid as compared to the underlying physical properties of the Islamic REIT; and

(v) to promote the Islamic capital market by adding to the array of Islamic investment instruments available to investors.

4.8 Minimum Subscription

As stated in Section 4.2 of this Prospectus, there is no minimum subscription to be raised from the IPO.

However, for your information, where a new fund specifies a minimum size of the fund, in the event that the stipulated minimum subscription is not received within the period stipulated for the issue of the Prospectus, the subscription monies will be returned to the investors.

4.9 Estimated Proceeds from the IPO

The Public Issue is expected to raise gross proceeds of RM179.25 million which shall accrue to Al-'Aqar KPJ REIT as follows:-

	No. of Units ('000)	Price (RM)	Amount (RM'000)
Retail Offering	15,000	0.95	14,250
Institutional Offering	165,000	1.00	165,000
Total	**180,000**		**179,250**

We intend to utilise the proceeds in the following manner: -

	Application of proceeds (RM)	Timeframe for utilisation
Part funding for the Acquisitions	167,250,000	Immediate
Syariah-compliant working capital	1,155,000	Within 12 months
Financing of renovation and expansion of Properties (1)	5,145,000	Immediate
Estimated expenses for the BBA Facility taken to part finance the Acquisitions (2)	772,000	Immediate
Estimated listing expenses (3)	4,928,000	Immediate
Total	**179,250,000**	

Notes: -

(1) Capital expenditure includes expenses related to contracted renovation and expansion work relating to the Properties.

(2) Primarily comprising the facility fee (i.e. participation fee and arranger fee) and stamp duty, but excludes the instalment payments related to the BBA Facility.

(3) The estimated listing expenses are as follows: -

Estimated listing expenses	***Amount (RM)***
Fees to authorities	*134*
Professional fees #	*3,800*
Underwriting and brokerage fees	*450*
Printing, advertising and other miscellaneous expenses @	*544*
Total	***4,928***

Notes:-

 # Include fees for the Adviser, Reporting Accountants, Placement Agent, Solicitors and other professional advisors.

@ Any unutilised amount shall be used for Syariah-compliant working capital purposes of the Al-'Aqar KPJ REIT.

4.10 Brokerage and Commission

(i) Brokerage

Al-'Aqar KPJ REIT will bear the brokerage in respect of the Public Issue made available for application by the Malaysian Public. The rate of brokerage is 1.0% of the Retail Price in respect of successful applications which bear the stamp of AmMerchant Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

(ii) Commissions

The Managing Underwriter and Underwriter(s) have agreed to underwrite 15,000,000 Units to be issued pursuant to the Retail Offering at an underwriting commission rate of 1.5% of the Retail Price of RM0.95 for each Units being underwritten, payable by the fund.

Al-'Aqar KPJ REIT will also bear the management and selling commission and fees payable to the Placement Agent at the rate of 1.7% of the Institutional Price for each Units pursuant to Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 4.3 of this Prospectus.

4.11 Salient Terms of the Underwriting Agreement

The Underwriting Agreement was entered into between the Underwriters, Trustee and us on 29 June 2006 to severally and jointly underwrite up to 15,000,000 Units under the Retail Offering ("**Underwritten Units**") subject to the clawback and reallocation, for the underwriting commission calculated at the rate of 1.5% of the Retail Price multiplied by the Underwritten Units.

Subject to certain conditions precedent, each of the Underwriters have agreed to underwrite the subscription of a certain number of Underwritten Units of the Retail Offering.

The salient terms of the Underwriting Agreement are set out below:-

2.1 Conditions Precedent

The obligations of each Underwriter, the Manager and Trustee under the Underwriting Agreement are conditional upon the following being met on or before the last date and time for the receipt of applications and payment for the Retail Offering in accordance with the Prospectus and Application Form or such later date and time as may be determined and announced by the Manager and the Managing Underwriter ("**Closing Date**"):-

(a) the Underwriting Agreement having been duly executed by all the parties and duly stamped;

(b) the issue of the Public Issue Units having been approved by the SC and or any other relevant authority;

(c) the listing of and quotation for the Public Issue Units on Bursa Securities having been unconditionally approved-in-principle by Bursa Securities or subject only to conditions which are acceptable to the Managing Underwriter and such approval is not withdrawn and the Managing Underwriter being reasonably satisfied that such listing and quotation shall be granted within two (2) clear Market Days after an application for quotation is made to Bursa Securities;

(d) the application being made to Bursa Securities within three (3) Market Days from the date of issue of the Prospectus for admission to the Official List of Bursa Securities (where applicable);

(e) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

(f) the Prospectus being in the form and substance satisfactory to the Managing Underwriter;

(g) the Prospectus having been registered and lodged with the SC and issued within one (1) month from the date of the Underwriting Agreement (or such other extended period as the parties may mutually agree);

(h) there not having been, on or prior to the Closing Date, in the opinion of the Managing Underwriter (whose opinion is final and binding) any adverse or material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of Al-'Aqar KPJ REIT or the Manager or Trustee from that set forth in the Prospectus which in the opinion of the Managing Underwriter (whose opinion is final and binding) is material and adverse in the context of the Listing, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in the Underwriting Agreement as though they had been given or made on such date and the Underwriters are reasonably satisfied that none of the termination events set out in Clause 6.1 has occurred on or prior to the Closing Date;

(i) there shall not have occurred, on or prior to the Closing Date, any event rendering untrue, inaccurate or incorrect any of the representations or warranties contained in Clause 4.1 or 4.2 hereof;

(j) there shall not have occurred, on or prior to the Closing Date, any breach of and or failure to perform any of the undertakings contained in Clause 4.3 and 4.4 hereof;

(k) the Managing Underwriter having been satisfied that arrangements have been made by the Manager to ensure payment of the expenses referred to in Clause 8 hereof.

(l) the delivery to the Managing Underwriter:-

(i) prior to the date of issuance of the Prospectus, of a certified true copy by an authorised officer of the Manager of all the resolutions of the directors and the shareholders of the Manager in general meeting approving the Underwriting Agreement, the Prospectus, the Listing and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus;

(ii) on the Closing Date by the Manager and Trustee individually, of a certificate in the form or substantially in the form contained in Schedule 2(a) and 2(b) dated the Closing Date signed by their respective duly authorised officer stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence of any event which makes any of the representations and warranties as is referred to in Clause 4 being untrue or incorrect as at the Closing Date;

(m) the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Manager as the Managing Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of the Underwriting Agreement that would or may have an adverse effect on the performance or financial position of the Manager and the Al-'Aqar KPJ REIT;

(n) the Managing Underwriter having been satisfied that the Manager has complied and that the Listing is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements thereto; and

(o) all necessary approvals and consents required in relation to the Public Issue and Listing including but not limited to governmental approvals having been obtained and are in full force and effect until the Closing Date.

6.1 Notwithstanding anything contained in the Underwriting Agreement, if:

(a) there is any breach by the Manager or Trustee of any of its representations, warranties, undertakings or obligations under the Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriters within such number of days as stipulated in the notice given by the Managing Underwriter to the Manager and Trustee and in the opinion of the Underwriters, such breach would have or can reasonably be expected to have a material adverse effect on the business or operations of the Al-'Aqar KPJ REIT; or

(b) matters have arisen or been discovered which would, if the Public Issue were made at that time, render any statement in the Prospectus untrue, incorrect, inaccurate or misleading or constitute an omission therefrom; or

(c) in the opinion of all the Underwriters:

(i) there shall have been any material adverse change, or development (whether or not permanent), involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Manager and/or Al-'Aqar KPJ REIT, whether or not arising in the ordinary course of business except as disclosed in the Prospectus; or

(ii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reasons of force majeure (as defined below) which would have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which, in the opinion of the Managing Underwriter (whose opinion is final and binding), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or operations of the Al-'Aqar KPJ REIT, the success of the Public Issue, or the distribution or sale of the Units relating to the Public Issue; or

(iii) there shall have occurred any change in national or international monetary, financial, political or economic or stock market conditions or exchange control or currency exchange rates as would in the opinion of the Underwriters have a material adverse effect on the success of the Public Issue and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or

(iv) there shall have been any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriters would have or can reasonably be expected to have, a material adverse effect on the success of the Public Issue; or

(v) there shall have been any change in law, regulation, directive, policy or ruling in any jurisdiction which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material and adverse effect on the success of the Public Issue or which has or is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms; or

(vi) there is a suspension of trading of all securities on the Bursa Securities for three (3) consecutive Market Days or more; or

(d) the Manager and/or Trustee has withheld any information from the Managing Underwriter, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material and adverse effect on the success of the Public Issue; or

(e) the Institutional Offering is stopped or delayed for any reason whatsoever; or

(f) the listing of and quotation for the Units does not take place within three (3) months from the date of the Prospectus; or

(g) in the event that the approval of Bursa Securities for the listing of and quotation for the Units pursuant to the Listing on the Main Board of Bursa Securities is not procured within two (2) months from the date of the Underwriting Agreement or is withdrawn or procured but subject to conditions not acceptable to the Managing Underwriter and/or the Underwriters,

then any Underwriter may by notice in writing to the Managing Underwriter require the Managing Underwriter to terminate the Underwriting Agreement and terminate, cancel and withdraw its commitment to underwrite the Underwritten Units by giving written notice to the Manager and Trustee not later than three (3) Market Days from the Closing Date, and thereupon the parties hereto shall (except for the Manager's obligation in respect of the payment of the underwriting commission and managing underwriting fee in accordance with Clause 7, cost and expenses referred to in Clause 8 and any rights of the Managing Underwriter and the Underwriters under Clause 4.5 incurred prior to or in connection with the termination) be released and discharged from their respective obligations under the Underwriting Agreement. Each party shall return all monies paid to the other under the Underwriting Agreement (in the case of each Underwriter, after deducting the underwriting commission together with the managing underwriting fee (in the case of the Managing Underwriter) and the payment of cost and expenses incurred due and owing to that Underwriter pursuant to Clauses 7 and 8 respectively, as mentioned above). Thereafter, the Underwriting Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except for any antecedent breaches.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Notwithstanding any other provisions in the Underwriting Agreement, the Managing Underwriter (in consultation with the other Underwriters), the Manager and the Trustee may confer with a view to deferring the Listing or amending its terms or the terms of the Underwriting Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriter, the Manager or the Trustee shall be under any obligation to make a fresh underwriting agreement.

In this Clause, "**Force Majeure**" means war, a national emergency declared by the Malaysian government, hostilities, strikes, lock-outs, riot, terrorism, uprising, civil commotion, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage and acts of God which are unpredictable and beyond the control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. *Introduction To Islamic REIT*

5.1 Introduction to Islamic REIT

An Islamic REIT is an investment vehicle that invests primarily in income-producing Syariah-compliant real estate and/or single purpose companies which are Syariah-compliant whose principal assets comprise Syariah-compliant real estates, and uses the income from the properties and/or companies to provide returns to its unitholders. A portion of the REIT funds can also be invested in other Syariah-compliant asset classes, such as cash or Syariah acceptable deposits. In purchasing a unit in an Islamic REIT, you share the benefits and risks of owning the Syariah-compliant real estate assets held by the Islamic REIT. Islamic REIT is an attractive asset class for investors seeking strong dividend yields as REIT tends to distribute most of its income to unit holders in dividends. The Islamic REIT also provides a new investment opportunity for those who wish to invest in real estate through Syariah-compliant capital market instruments.

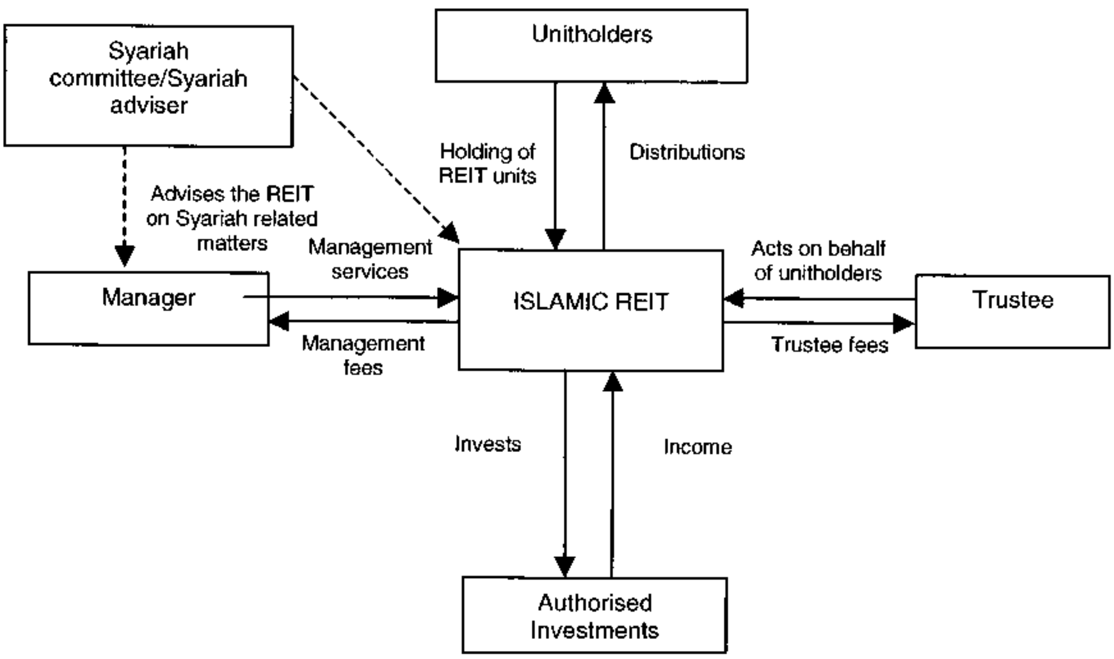
5.2 Objective of an Islamic REIT

The key objective of a REIT is to provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions.

The objective is sought to be achieved by optimising the performance and enhancing the overall quality of a large and geographically diversified portfolio of Syariah-compliant real estate assets through various permissible investment and business strategies.

5.3 Structure and Organisation of an Islamic REIT

An Islamic REIT may be illustrated as a relationship between the manager, the trustee, the Syariah committee/ Syariah adviser and the unitholders governed by a deed registered with the SC. The relationship between the manager, the trustee and the unitholders is illustrated below:



An Islamic REIT is constituted by a deed entered into between the manager and the trustee. The deed sets out the manner in which the scheme is to be administered, the valuation and pricing of units, the collection and distribution of income, the rights of unitholders, the duties and responsibilities of the manager and trustee with regard to the operations of the scheme, and the protection of unitholders' interests. The Syariah committee/Syariah adviser is to advise on all Syariah related matters and to ensure full compliance of the Islamic REIT in accordance with the Guidelines for Islamic REIT issued by the SC on 21 November 2005.

5.4 The Regulatory Regime

The SC Act, Guidelines on REIT and the Guidelines for Islamic REIT are the principal legislations governing the establishment, administration and operation of REITs in Malaysia. The legislations must be complied with at all times. This requires, amongst others, that the manager and the trustee execute a deed which is registered with the SC and which incorporates the covenants required under the SC Act, the Guidelines on REIT and the Guidelines for Islamic REIT.

The SC must approve the appointments of the manager, the trustee, the Syariah committee/ Syariah adviser, the manager's directors and Chief Executive Officer as well as the members of the investment committee, if any.

(i) The Manager

The manager is obliged under the deed, SC Act, Guidelines on REIT and the Guidelines for Islamic REIT to manage and administer the REIT in a proper, diligent and efficient manner, as well as to ensure high standards of integrity and fair dealing in managing the REIT to the best and exclusive interest of the unitholders. The manager administers the REIT in accordance with the objectives and investment policies of the REIT. The manager is independent of the trustee and is required to observe high standards of corporate governance.

(ii) The Trustee

The trustee is obliged under the deed, SC Act, Guidelines on REIT and the Guidelines for Islamic REIT to act as the custodian for all the assets owned by the REIT. The trustee is independent of the manager and appointed for the unitholders and must ensure that the manager administers the REIT in accordance with the objectives of the REIT and adheres strictly to the provisions of the deed, SC Act, Guidelines on REIT and the Guidelines for Islamic REIT, particularly with regard to the exercise of investment powers of the REIT, collection and distribution of income, proper record keeping of administrative, investment and unitholders' transactions and in upholding unitholders' interests.

(iii) The Syariah Committee/ Syariah Adviser

The Syariah committee/ Syariah adviser is a party to the REIT who is obliged under the Guidelines on REIT and the Guidelines for Islamic REIT to act as an adviser on all Syariah related matters. The Syariah committee/ Syariah adviser is responsible for ensuring that the Islamic REIT complies with the investment guidelines, providing references and consultations to the manager on permitted investments as provided in the guidelines. It also monitors and ensures that the fund has been managed and administered in accordance with Syariah principles, the applicable guidelines, ruling or decision issued by the SC pertaining to Syariah matters.

The Syariah committee/ Syariah adviser will provide their certification and shall also prepare an interim and annual report in respect of the Islamic REIT, the minimum requirement under the Guidelines on REIT.

5.5 General Benefits of Investing in Islamic REIT

(i) Mixed portfolio of assets

Islamic REITs enable investors to diversify their risk profile by participating in a range of Syariah-compliant real estate and Syariah-compliant real estate-related assets, which would otherwise not be achievable by the investment in a single physical property. In addition, as an Islamic REIT is structured into units, unitholders will be able to tailor the exact amount of funds of their portfolio which they wish to devote to real estate.

(ii) Professional management

Islamic REITs provide investors an opportunity to buy into Syariah-compliant real estate that is maintained and operated by experienced and professional manager(s) whose primary role is to maximise the operating income of the property assets in the Islamic REIT. As an added comfort to investors, such manager(s) are overseen by an independent trustee and are regulated on an ongoing basis by the SC.

(iii) Liquidity

Islamic REITs are often more tradable than physical properties especially if they are listed. This feature makes it easier for investors to quickly and efficiently adjust their portfolio's desired exposure to real property as compared to the buying and selling of real estate which can be a cumbersome and lengthy process.

(iv) High dividend distribution to unitholders

The tax incentives accorded by our regulatory guidelines encourage Islamic REITs to distribute most of their income to unitholders in dividends, which makes Islamic REITs an attractive asset class for investors who seek strong dividend yields. This is because income that is distributed to unitholders is not taxed at the Islamic REIT level in a way that it would be if such income was left undistributed.

(v) Stable returns

An Islamic REIT is typically able to generate stable, sustainable income, which can be used to continually pay high dividends. This is particularly true for Islamic REITs which qualify for stock exchange listings, as they normally own investment grade assets which generate recurring cash flows through profitable tenancy agreements for specific durations.

(vi) Affordability

Islamic REITs allow investors to participate in the real estate market which are Syariah-compliant with a smaller capital outlay as compared to the outright purchase of real estate.

(vii) Potential capital appreciation

Islamic REITs have a potential for capital appreciation via an increase in the values of the underlying properties held in its portfolio.

(viii) Ownership of high quality Syariah-compliant real estate

An Islamic REIT is also an effective means of gaining investment exposure to large, Syariah-compliant commercial properties. Depending on the quality of the Syariah-compliant real estate, holding Islamic REIT units is akin to holding stakes in high-grade Syariah-compliant real estate, which may otherwise have been difficult or impossible for a retail investor to hold. An Islamic REIT also provide international investors seeking Syariah-compliant instruments an opportunity to invest in Malaysian high-end real property without the need for direct ownership of such assets.

(ix) Inflation hedge

With rising inflation, the value of real estate increases in tandem. Thus, as real estate is the underlying asset in an Islamic REIT, they provide an effective hedge against inflation.

Apart from the benefits, you should also note that investing in Islamic REITs is subject to the risks as described in Section 6.1.4 of this Prospectus.

5.6 Profile of Islamic REIT Investors

Islamic REITs seek to satisfy the investment requirements of investors who have differing investment needs as follows:

- investors with funds who do not have the time or expertise to find, select, negotiate, purchase and profitably manage properties;
- investors with limited funds who wish to, but cannot, finance investment in property on their own account;
- investors who wish to seek capital growth on a spread of Syariah-compliant real estate investments;
- investors who do not want to see their fund eroded by inflation without some capital measure of capital appreciation whilst at the same time retaining reliable and ready access to their capital; and
- investors who seek Syariah-compliant investments in general.

5.7 Comparison with Alternative Investment

An investment is measured by two aspects, namely, risk and return. The higher the risk of an investment, the higher the expected return from that investment, and vice versa. Investments in Islamic REITs can be compared with several other forms of investments such as cash, fixed deposit, shares, property and financial derivative products. In general, risk and return comparison of investments may be illustrated as follows:

No.	Types of Investment	Risk Level	Expected Return Level
1.	Cash	Low	Low
2.	Fixed Deposit	↓	↓
3.	Bonds		
4.	REIT		
5.	Preference Shares		
6.	Equities		
7.	Financial Derivative Products	High	High

An investment in an Islamic REIT provides you with the opportunity to pool your resources into a fund to acquire a selected portfolio which primarily invests in high quality properties which are Syariah-compliant managed by experts at low cost aiming to provide capital and/or income growth. The potential for capital appreciation, the ability totake-up financing, the willingness and ability to take a long-term position all add up to an attractive form of investment.

5.8 Fees and Charges

(i) Charges imposed on purchases and redemption of units in an Islamic REIT

Other than the charges you may incur arising from the trading of the units on Bursa Securities, e.g. brokerage, clearing fee and stamp duty, there are no other charges imposed on the sale and purchase of units.

Further information on the charges you may incur from the trading of the units on Bursa Securities may be found at Bursa Securities' website at www.bursamalaysia.com.

(ii) Fees and expenses that an Islamic REIT may incur

The following table describes the main fees that an Islamic REIT may incur:-

Fees	Details
Management fee	The manager receives management fee for managing an Islamic REIT.
Maintenance and management fees	The maintenance manager receives maintenance and management fee for maintaining the properties.
Trustee fee	The trustee receives trustee fee for acting as trustee and custodian of the assets held by an Islamic REIT and to safeguard the interests of investors.
Syariah committee fee	The Syariah committee receives a fee for references and consultations to the Manager on permitted investments as provided in the Guidelines for Islamic REIT, and monitoring and ensuring that the Islamic REIT has been managed and administered in accordance with Syariah principles.

There may be other expenses incurred on an Islamic REIT. The manager may also impose other fees and charges on the Islamic REIT.

5.9 Islamic REIT Performance Indicators

In reviewing the performance of Islamic REIT, you may consider the following definitions of fund returns or performance indicators:

(i) MER

The MER of an Islamic REIT is the total of all the fees incurred in a financial year and deducted directly from that Islamic REIT's income *(including the annual management fee, the annual trustee fee, the auditor's fees and other professional fees)* and all the expenses not recovered from and/or charged to the REIT *(including the costs of printing, stationery and postage)* expressed as a percentage of the average value of that fund.

The MER is a useful way to compare the costs of investment in an Islamic REIT with the costs of other investments of similar nature. The MER of a REIT is calculated as follows:

$$\text{MER} = \frac{\text{Fees + Non-Recoverable Expenses}}{\text{Average value of a REIT calculated on a daily basis}} \times 100$$

(ii) Total Returns

Total return is computed based on the actual gross income distribution and the net change in the weighted average market price for the year, over the weighted average market price of the Islamic REIT for the respective year.

(iii) Average Annual Return

Average annual return is computed based on total return per unit for the period averaged over number of years.

(iv) Distribution Yield

The ratio of distribution paid to unitholders from Islamic REIT's distributable income to the price paid by an investor for the units of an Islamic REIT.

(v) NAV

The net "market value" of a company's assets, including but not limited to its properties, after subtracting all its liabilities and obligations.

5.10 Syariah Compliance Considerations

The Guidelines for Islamic REIT has stipulated the general Syariah-compliance requirements in respect of all Islamic REITs schemes which include the following :

- In general, rental of real estate by Islamic REIT are derived from permissible business activities according to Syariah. In the case where a portion of the rental is from non-permissible activities, then these rentals as a percentage of total turnover of the Islamic REIT (latest financial year) shall not exceed the 20% benchmark as determined by the SC's Syariah Advisory Council ("SAC").
- Notwithstanding the 20% benchmark, an Islamic REIT is not permitted to own real estate where all the tenants operate non-permissible activities.
- In the case of new tenants, the Islamic REIT shall not accept new tenant(s) whose activities are fully non-permissible.
- For tenant(s) who operates mixed activities, then the 20% allowed would be calculated based on the ratio of area occupied for non-permissible activities to the total area occupied. However, for activities that do not involve the usage of space, the Syariah committee/ Syariah adviser will base their decision on *ijtihad* (the process of reasoning by Islamic jurists to obtain legal rulings from the sources of Syariah).
- All forms of investment, deposit and financing instruments comply with the Syariah principles.
- All insurange coverage must be based on *Takaful* schemes to insure the real estate. Conventional insurance schemes are permitted if the *Takaful* schemes are unable to provide the insurance coverage.

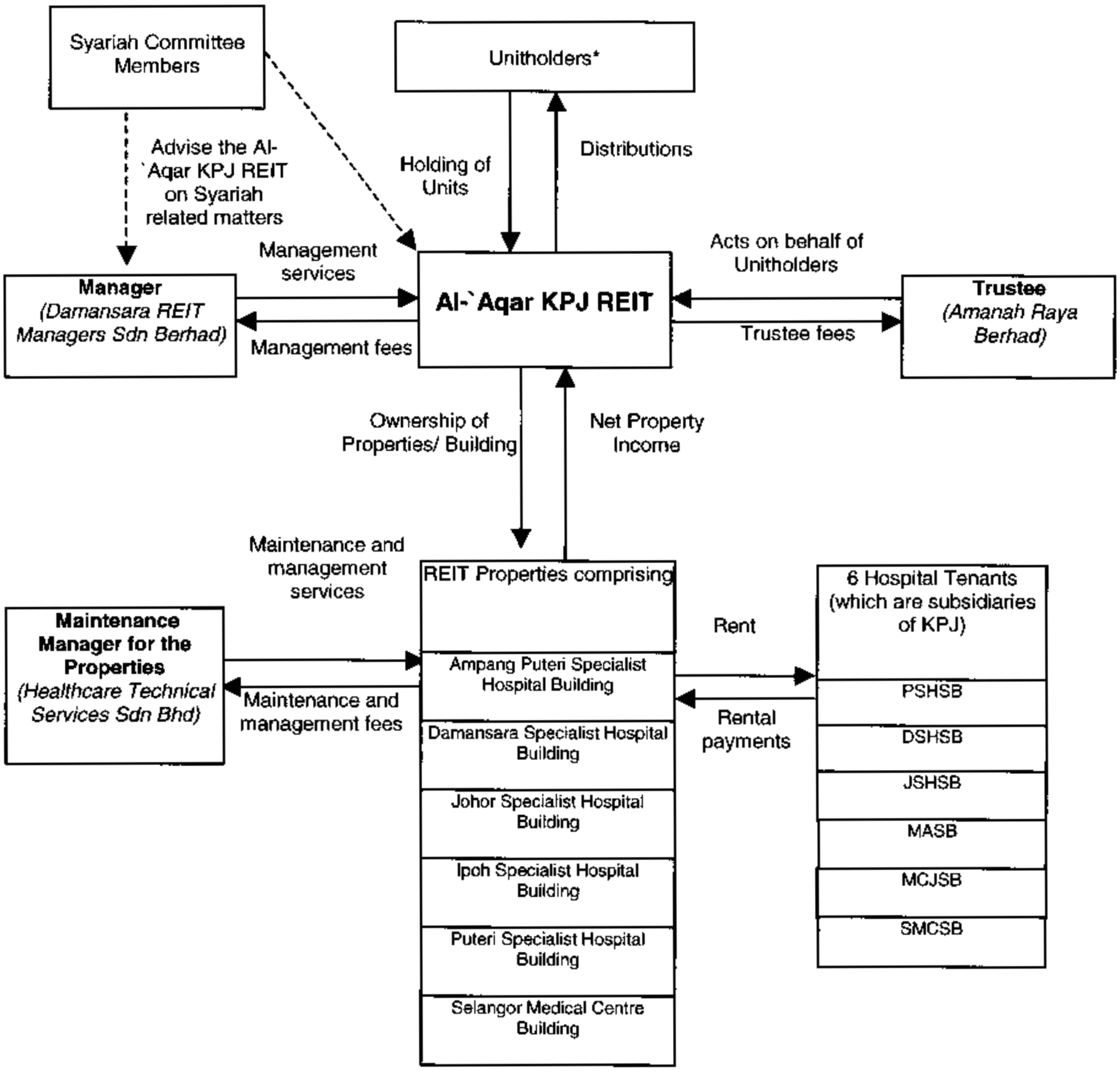
6. *The Al-'Aqar KPJ REIT*

6.1 General Information

6.1.1 Introduction

Al-'Aqar KPJ REIT is a Malaysian-based unit trust established on 28 June 2006 with the investment objective of owning and investing in Syariah-compliant real estate and Syariah compliant real estate-related assets used, or predominantly used, for commercial purposes, whether directly or indirectly through the ownership of single-purpose companies which are Syariah-compliant who wholly own real estate. Al-'Aqar KPJ REIT is initially being formed to own and invest in these Syariah acceptable Properties which comprise Ampang Puteri Specialist Hospital Building, Damansara Specialist Hospital Building, Johor Specialist Hospital Building, Ipoh Specialist Hospital Building, Puteri Specialist Hospital Building and Selangor Medical Centre Building.

The following illustrates the structure of Al-'Aqar KPJ REIT:



*Note * where KPJ will indirectly own 47.06% of the Units*

6.1.2 Syariah Compliance of Al-'Aqar KPJ REIT

- The Tenants of the Properties are operating as specialist hospitals in the healthcare sector, which are permissible activities according to Syariah;

- The rental income of the Al-'Aqar KPJ REIT are derived from Syariah permissible activities, i.e. currently from the operations of specialist hospitals and shall remain guided by the 20% benchmark as determined by the SC's SAC for the criteria on rental from non-permissible activities;

- The Al-'Aqar KPJ REIT will not own real estate in which all the tenants operate non-permissible activities. The current tenants are all operators of the respective specialist hospitals;

- The fund managers of Al-'Aqar KPJ REIT must not accept a new tenant(s) whose activity is fully non-permissible under Syariah. In the case of tenant(s) operating in mixed activities, method of calculating the portion of rental derived from non-permissible activities from the total rental must comply with the Guidelines for Islamic REIT;

- The Al-'Aqar KPJ REIT will ensure all forms of investment, deposit and financing instruments comply with Syariah principles. Al-'Aqar KPJ REIT will be raising an Islamic financing facility to finance the acquisitions of the Properties;

- The Manager will obtain and maintain *Takaful* schemes insurance coverage on the assets of Al-'Aqar KPJ REIT against fire and public liability, which are statutory insurance requirements as well as loss of rent insurance and other required insurances, if applicable. Only if the *Takaful* schemes are unable to provide the insurance coverage, then the Al-'Aqar KPJ REIT is permitted to use conventional insurance schemes;

- General compliance, where relevant ,on any other requirements as stipulated under the Guidelines for Islamic REIT; and

- The Syariah Committee Members of the Al-'Aqar KPJ REIT has endorsed and approved the Al-'Aqar KPJ REIT scheme to be in compliance with Syariah principles.

6.1.3 Investment Objectives, Overall Strategies and Investment Policies of Al-'Aqar KPJ REIT

Investment Objectives

As the Manager of Al-'Aqar KPJ REIT, our key objective is to provide Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit.

Material changes to the investment objectives of Al-'Aqar KPJ REIT requires Special Resolution of Unitholders at a meeting duly convened and held.

Investment Strategies

We will use operating, acquisition and capital management strategies to pursue Al-'Aqar KPJ REIT's key objectives.

(i) Operating Strategy

Our operating strategy is to continue to enhance the performance of the Properties by increasing yields and returns from the Properties through a combination of retaining existing tenants, adding and/or optimising hospital building space at the Properties and minimising interruptions in rental income and operational costs. We expect to apply the following key operating and management principles in order to continue to manage the Properties efficiently, to increase the yields of the Properties and to maximise growth:

- **Improve rental rates**: We will manage lease renewals through (a) maintaining minimum rental income; and (b) minimising payment delinquencies and defaults by tenants.

- **Meeting the expansion needs of existing tenants**: We intend to meet the expansion requirement of the Tenants through the expansion, refurbishment and renovation of the Properties.

- **Establishing close relationships with tenants**: We will establish close relationships with Tenants. We believe that such enhanced relationship will increase the attractiveness of the Properties.

- **Continually maintaining the quality of the Properties**: We will work with the Maintenance Manager to maintain the quality and the physical condition of the Properties.

- **Maximising the performance of each Properties**: We will seek to maximise the overall financial performance of the Properties by focusing on each individual Property, using proper management systems to provide timely information to the Maintenance Manager to support effective pricing decisions, reduce and control operating costs. We will measure actual results from operations against prior years' results and planned budgets in an effort to create a focused, profit-oriented approach to the management of each Properties and the operation of the Properties. We intend to review the Properties that do not achieve their targets, and will develop action plans designed to improve the operating performance of any such Properties.

- **Improving operating efficiencies and economies of scale**: We will seek to maintain and pursue further operating efficiencies through strict cost controls to achieve internal cost savings. We will take advantage of centralised purchasing, construction and renovation management, information technology and accounting functions.

- **Raising the profile of the Properties:** We will through our marketing, advertising and promotional efforts, help to raise the profile of the Properties with a view to enhancing the value of the Properties.

- **Ensure Syariah Compliance**: We will seek guidance from the Syariah Committee Members to ensure that all operations encompassing the Al-'Aqar REIT are permissible and in accordance with Syariah principles as well as the Guidelines for Islamic REIT

- **Continually to be a Healthcare-related REIT**: We will seek to maintain as a healthcare-related REIT by continuously acquiring hospitals and other healthcare-related assets locally and globally.

(ii) Acquisition Strategy

We will also seek to increase cash flow and enhance Unit value through selective acquisitions. We intend to pursue an acquisition strategy for Al-'Aqar KPJ REIT to increase cash flows and the potential for net asset growth. In evaluating acquisition opportunities, the Manager will focus on the following investment criteria with respect to a property under consideration: -

- **Location**: We will assess potential properties for convenient access to major roads, public transportation network and proximity to major residential areas.
- **Occupancy and Tenant Mix**: We will seek to acquire Syariah-compliant properties with strong existing rental or with the potential for higher rental returns, relative to competing properties in the market.
- **Building and facilities specifications**: We will acquire buildings with good quality specifications which are in compliance with legal and zoning regulations, with due consideration being given to the size and age of the buildings.
- **Opportunities**: We may also seek to acquire properties where there is potential to increase occupancy rate and rental income through active property management *(for example through selective renovations and other enhancements).*
- **Yield thresholds**: We will seek to acquire properties with yields that are above Al-'Aqar KPJ REIT's cost of capital and which are expected to maintain or enhance returns to Unitholders.

KPJ being the Sponsor, has a pool of hospitals or hospital related properties (in Malaysia or overseas) held under its subsidiaries and associates, which can be injected into the Al-'Aqar KPJ REIT in the future. Al-'Aqar KPJ REIT has entered into an agreement with the Sponsor for the first right of refusal to purchase the hospital(s) from the Group.

We have access to a network and relationships with leading participants in the real estate industry which may assist Islamic Al-'Aqar KPJ REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cashflow; and (b) underperforming assets with the potential for revenue enhancement. We believe that these deal-sourcing capabilities will be an important competitive advantage of Al-'Aqar KPJ REIT.

We intend to hold the Properties on a long-term basis. Al-'Aqar KPJ REIT has entered into Lease Agreements with the KPJ Group for fifteen (15) years with an option to renew for another fifteen (15) years. In the future where we consider that any Property has reached a stage that offers only limited scope for growth, we may consider selling the Property and using the proceeds for alternative investments in properties that meet our investment criteria.

(iii) Capital Management Strategy

We aim to optimise Al-'Aqar KPJ REIT's capital structure and cost of capital within the financing limits prescribed by the Guidelines on REIT and the Guidelines for Islamic REIT and intend to use a combination of debt and Islamic REIT units to fund future acquisitions and improvement works at the Properties. Our capital management strategies involve:

(a) adopting and maintaining an optimal gearing level; and

(b) adopting an active financing cost management strategy to manage risks associated with financing and/or profit rate, while maintaining flexibility to Al-'Aqar KPJ REIT's capital structure to meet future investment and/or capital requirements.

Upon listing of Al-'Aqar KPJ REIT on Bursa Securities, Al-'Aqar KPJ REIT will have outstanding financing of RM134.0 million, or 27.86% of the total gross asset value of Al-'Aqar KPJ REIT.

Investment Policies

(i) Portfolio composition

Al-'Aqar KPJ REIT's investments may be allocated in the following manner, as prescribed by the Guidelines on REIT and the Guidelines for Islamic REIT:

(a) at least 75% of Al-'Aqar KPJ REIT's total assets shall be invested in Syariah compliant real estate, single-purpose companies which are Syariah-compliant, Syariah compliant real estate-related assets or liquid assets;

(b) at least 50% of Al-'Aqar KPJ REIT's total assets must be invested in Syariah compliant real estate or single-purpose companies which are Syariah compliant; and

(c) the remaining 25% of Al-'Aqar KPJ REIT's total assets may be invested in other Syariah compliant assets *(i.e. Syariah compliant real estate-related assets, Syariah compliant non-real estate-related assets or Islamic asset-backed securities).*

Currently, Al-'Aqar KPJ REIT's entire investments are in the Properties.

(ii) Diversification

Al-'Aqar KPJ REIT will seek to diversify its Syariah-compliant real estate portfolio by property and location type. Al-'Aqar KPJ REIT will primarily be focused on investing in real estates which are primarily used for healthcare purposes and will continue to look for opportunities that will provide attractive returns.

(iii) Leverage

Al-'Aqar KPJ REIT will be able to leverage on its financing to make the permitted investments. Leveraging on its financing will enable the returns to unitholders to increase.

6.1.4 Risk Factors

The key objective of Al-'Aqar KPJ REIT is to provide you with stable distributions per Unit with the potential growth of such distributions. Accordingly, you should not expect to obtain short-term capital gains. You should be aware that the price of units in a collective investment scheme, and the income from them, may rise or fall. You should note that you may not get back your original investments and that you may not receive any distributions.

In evaluating an investment in Al-'Aqar KPJ REIT and before deciding to invest in the Units, you should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations as well as seek professional advice from your relevant advisers about your particular circumstances.

(i) Risks relating to Al-'Aqar KPJ REIT's organisation and operations

Neither Al-'Aqar KPJ REIT nor us, as new entities, has an established operating history

Al-'Aqar KPJ REIT was established on 28 June 2006 and we were incorporated on 8 December 2005. As such, neither Al-'Aqar KPJ REIT nor us has an operating history as a REIT or a manager of an Islamic REIT *(as the case may be)* or a track record by which Al-'Aqar KPJ REIT's or our past performance may be judged. This may make it difficult for investors to assess their likely future performance. In addition, due to the change in the ownership and management of the Properties, the historical operations may not be indicative of future operations, and the historical costs may not be indicative future costs.

Notwithstanding the above, Al-'Aqar KPJ REIT is being managed by an experienced and professional management team that will aim to achieve our investment objectives. Please refer to Sections 11.1.2 and 11.1.3 of this Prospectus for the profiles of our Directors and management team.

Our operations are subject to regulation

We are required to be approved by the SC for the regulated activity of asset management. In the event the approval for us to act as manager is revoked by the SC, Al-'Aqar KPJ REIT may need to appoint another manager, which may materially and adversely affect the financial condition and results of operations of Al-'Aqar KPJ REIT. In the event no other manager is found, Al-'Aqar KPJ REIT may be terminated.

Notwithstanding the above, we will endeavour to comply with all regulations at all time and will ensure that Al-'Aqar KPJ REIT will be managed in a professional manner.

We may not be able to implement our strategies successfully

Our key objective for Al-'Aqar KPJ REIT is to provide Unitholders with stable distributions per Unit with the potential for sustainable long-term growth of such distributions. There can be no assurance that we will be able to implement successfully such plans or that we will be able to do so in a timely and cost-effective manner.

There are limitations on Al-'Aqar KPJ REIT's ability to leverage

Al-'Aqar KPJ REIT is expected to use leverage in connection with its investments. Islamic financing by Al-'Aqar KPJ REIT are limited by the Guidelines on REIT and the Guidelines for Islamic REIT to no more than 50% of a REIT's total asset value at the time the financing are incurred. From time to time, Al-'Aqar KPJ REIT may need to procure or arrange for Islamic financing facilities. Al-'Aqar KPJ REIT may face difficulties in securing timely and commercially favourable Islamic financing in asset-backed financing transactions secured by real estate.

Notwithstanding the above, we may source other means of funding such as issuance of new Units and internally generated funds *(through retention of certain distributable income in Al-'Aqar KPJ REIT)*.

There are risks associated with financing facilities

As at the LPD, Al-'Aqar KPJ REIT has been offered an Islamic financing facility of RM134.0 million based on the Syariah principle of BBA Facility to part-finance the Acquisitions. The BBA Facility represents 27.86% of the total gross asset value of Al-'Aqar KPJ REIT upon Listing and are secured against the Properties.

The financing facility subjects Al-'Aqar KPJ REIT to various risks, including:

(a) Al-'Aqar KPJ REIT may not be able to meet its payment obligation which may result in the properties secured above be foreclosed;
(b) Al-'Aqar KPJ REIT may not be able to refinance the financing facility or the terms of such refinancing may not be as favourable as the existing terms of the Islamic financing facility; and
(c) Al-'Aqar KPJ REIT may be subject to certain covenants in connection with any future financings.

We may change Al-'Aqar KPJ REIT's investment strategies

We will determine Al-'Aqar KPJ REIT's policies with respect to certain activities, including investments and acquisitions. Unitholders and potential investors should note that, subject to the requirements of applicable law, the Guidelines on REIT, the Guidelines for Islamic REIT and the Deed we have absolute discretion to determine the investment strategy of Al-'Aqar KPJ REIT. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

The performance of Al-'Aqar KPJ REIT is dependent on our key executives

Al-'Aqar KPJ REIT's success is dependent upon the efforts and abilities of our senior management team. While we believe we could find replacements for these key executives, the loss of any of these individuals could adversely affect Al-'Aqar KPJ REIT's financial performance and operations result.

Potential conflicts relating to the future acquisition of Syariah-compliant properties from the Sponsor

We may, on behalf of Al-'Aqar KPJ REIT, acquire assets from the Sponsor or parties related to the Sponsor in the future. We do not anticipate any conflict of interest in respect of future acquisition as Al-'Aqar KPJ REIT, via its Trustee, had entered into an option agreement with the Sponsor in respect of the rights for the first option to acquire any or all of the other properties owned by the Sponsor in the event the Sponsor or its subsidiaries decides to sell these properties.

However, should there be any potential conflict of interests arising from such future acquisition, we intend to obtain appraisals from independent parties and comply with all other requirements applicable to such transactions under the Guidelines on REIT, Guidelines for Islamic REIT and the Listing Requirements. In addition, please refer to Section 11.7 of this Prospectus for our policy in dealing with conflict of interest situations.

Potential conflicts and competition between Al-'Aqar KPJ REIT and KPJ Group

KPJ and its various subsidiary companies is a healthcare focused group, and its portfolio of businesses include hospital management, healthcare technical services, hospital development and commissioning, nursing and healthcare professional continuous education, pathology services, central procurement and retail pharmacy. As a result, the strategies and activities of Al-'Aqar KPJ REIT may be influenced by the overall interest of KPJ. There can be no assurance that conflict of interest will not arise between Al-'Aqar KPJ REIT and KPJ in the future, which may include competition for tenants and acquisition of properties.

However, the Trustee and us will avoid conflicts of interests from arising, or, if conflicts arise, will ensure that Al-'Aqar KPJ REIT is not disadvantaged by the transaction concerned. In addition, any event or transaction in which a conflict of interest arises or could arise will adequately be disclosed in future prospectuses *(if any)* and fund reports of Al-'Aqar KPJ REIT.

In addition, under the Deed, our related parties and us are prohibited from voting in respect of their Units at, or being part of a quorum for, any meeting of Unitholders convened, unless otherwise permitted by the SC.

Al-'Aqar KPJ REIT is wholly dependent on the performance and operations of the KPJ Group for its revenue

The total revenue contribution to Al-'Aqar KPJ REIT to be received from entities related to KPJ Group i.e. PSHSB, DSHSB, JSHSB, MASB, MCJSB and SMCSB for the forecast period 1 January 2006 to 31 December 2006 is substantial.

Notwithstanding to the above, PSHSB, DSHSB, JSHSB, MASB, MCJSB and SMCSB are the long-term tenants for the respective hospital building. Al-'Aqar KPJ REIT has entered into Lease Agreements with PSHSB, DSHSB, JSHSB, MASB, MCJSB and SMCSB for fifteen (15) years with an option to renew for another fifteen (15) years. Being the single tenant of the Properties and long term player in the healthcare industry, KPJ Group will provide stable rental income to the Al-'Aqar KPJ REIT.

Related party transactions between the Tenants, the Sponsor and the Manager

Despite the fact that the Tenants are subsidiaries of KPJ and both the Sponsor and the Manager are 71.09% owned and 100% owned subsidiary of JCorp, there are no related party relationship between them as the Acquisitions are undertaken by the Trustee who is an independent party and the Manager is independently managing Al-'Aqar KPJ REIT where it will receive management fee based on its performance.

However, the Tenants, the Sponsor and the Manager will avoid any related party transaction and will ensure that Al-'Aqar KPJ REIT is not disadvantaged by the transaction concerned.

(ii) Risks relating to investment in real estate

General risks attached to investments in real estate

Investments in Syariah-compliant real estate are subject to various risks, including:-

(a) adverse changes in national or economic conditions;
(b) adverse local market conditions;

(c) the financial conditions of tenants, buyers and sellers of properties;
(d) changes in availability of Islamic financing;
(e) changes in financial costs and other operating expenses;
(f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
(g) environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems, which are located on contaminated properties or as to which inadequate reserves had been established;
(h) changes in energy prices;
(i) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;
(j) competition among property owners for tenants;
(k) insufficiency of Takaful coverage;
(l) inability of the property manager to provide or procure the provision of adequate maintenance and other services;
(m) illiquidity of real estate investments;
(n) considerable dependence on cash flow for the maintenance of, and improvements to, the properties;
(o) risks and operating problems arising out of the presence of certain construction materials; and
(p) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rent schedules or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. Increased operating costs and other expenses incurred by the owner of real estate, such as maintenance and capital expenditure, Takaful premiums, property taxes and other statutory charges may also affect the value of the real estate. The valuation of the Properties will reflect such factors and as a result may fluctuate upwards or downwards.

Whilst we will continue to take effective measures such as financial management and efficient operating procedures, there is no assurance that any adverse development in the real estate industry will not materially affect Al-'Aqar KPJ REIT.

Properties held by Al-'Aqar KPJ REIT may be subject to increases in operating and other expenses

Al-'Aqar KPJ REIT's ability to make distributions to Unitholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs.

Factors which could increase operating and other costs include:-

(a) increases in energy costs;
(b) increases in sub-contracted service costs;
(c) increases in *Takaful premiums*;
(d) increases in property taxes and other statutory charges;
(e) increases in the rate of inflation;
(f) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies; and
(g) defects affecting the Properties which need to be rectified, leading to unforeseen capital expenditure.

We intend to minimise the operating and other expenses by, amongst others, adopting cost containment measures and integrating resources to achieve economics of scale.

Al-'Aqar KPJ REIT is wholly dependent on a single tenant, ie KPJ Group

The Tenants of Al-'Aqar KPJ REIT Properties are within the KPJ Group who has been in the healthcare industry for more than 25 years. The tenant i.e KPJ Group will assure stable rental income to the Al-'Aqar KPJ REIT. Al-'Aqar KPJ REIT's financial condition, results of operations and ability to make distributions may be adversely affected by the insolvency or downturn in the business of Tenants whose rental make up a material proportion of the operating income of the Properties. However, the risk is mitigated as Al-'Aqar KPJ REIT has entered into Lease Agreements with the Lessee for fifteen (15) years with an option to renew for another fifteen (15) years to ensure its occupancy rate.

There may be uninsured or under-insured losses

We will obtain and maintain *Takaful* schemes insurance coverage on the assets of Al-'Aqar KPJ REIT against fire and public liability, which are statutory insurance requirements as well as loss of rent insurance. However, there is no assurance that insurance against some or all of these risks will in the future continue to be available, or be available in amounts that are equal to the full market value or replacement cost of the insured assets. In addition, there can be no assurance that the particular risks which are currently insured will continue to be insurable on an economically feasible basis or at all.

In ensuring such risks are reduced, we will review and ensure adequate *Takaful* coverage for Al-'Aqar KPJ REIT's assets on a continuous basis.

Al-'Aqar KPJ REIT may be adversely affected by the illiquidity of real estate investments

Real estate investments are relatively illiquid. Such illiquidity may affect Al-'Aqar KPJ REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions.

(iii) Risks relating to Al-'Aqar KPJ REIT's Properties

The Properties or part thereof may be acquired compulsorily

The Malaysian Government has the power to acquire compulsorily any land in Malaysia pursuant to the Land Acquisition Act, 1960. If any of the Properties are acquired compulsorily by the Malaysian Government, the level of compensation paid to Al-'Aqar KPJ REIT for the Properties may be less than the price which Al-'Aqar KPJ REIT paid to acquire the Properties.

As at the LPD, none of the Vendors has received any notice of intended acquisition in relation to the Properties or any part thereof.

If the Properties or any part thereof shall, before the completion of the Sale and Purchase Agreement, be or become affected by any notice of acquisition or intended acquisition under the Land Acquisition Act 1960 or other legislation, the Vendors shall give written notice to the Trustee within seven (7) days of the receipt and in such an event, the Trustee has the option, within twenty-one (21) days of receipt of such written notice, forward to the Vendors a written notice either to terminate or proceed with the Sale and Purchase Agreement.

If the Trustee terminates the Sale and Purchase Agreement, and subject to the Trustee withdrawing any private caveat lodged, the Sale and Purchase Agreement shall be null and void and be of no effect and neither party shall have any further claims, action or proceeding against the other party save for any antecedent breach. If the Trustee elects to proceed with the purchase of the Properties and subject to the Trustee satisfying the purchase consideration for the Properties, the Vendors shall pay over to the Trustee any compensation received by the Vendors in respect of such acquisition.

The sale price for the Properties may be less than its current valuation or the purchase price paid by Al-'Aqar KPJ REIT

The valuation of the Properties by the Independent Property Valuer is not an indication of, and does not guarantee, a sale price either at the present time or at any time in the future. Accordingly, there can be no assurance that Al-'Aqar KPJ REIT would be able to sell the Properties, or that the price realisable on such sale would not be lower than the present valuation of, or the price paid by Al-'Aqar KPJ REIT to purchase, the Properties.

Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow

If the Properties have design, construction or other latent property or equipment defects, these may require contributions to the common funds for special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Al-'Aqar KPJ REIT's earnings and cash flows.

Al-'Aqar KPJ REIT's properties are located entirely in Malaysia, which exposes Al-'Aqar KPJ REIT to geographic and market concentration risk

Since all of the Properties are situated in Malaysia, the political environment in Malaysia or a general downturn in the Malaysian economy would have a greater impact on Al-'Aqar KPJ REIT than if Al-'Aqar KPJ REIT's properties were more geographically diversified. In addition, Al-'Aqar KPJ REIT invests primarily in healthcare real estate which may entail a higher level of risk than a portfolio which has a more diverse range of asset types.

Notwithstanding to the above, with the growing number of urban dwellers and the society becoming more affluent coupled with public awareness on the need for proper healthcare, the service of a specialist medical centre is expected to continue to be in high demand.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Al-'Aqar KPJ REIT's Properties are single purpose buildings

Al-'Aqar KPJ REIT's Properties comprise single purpose buildings, i.e. private hospital buildings, which can only be used for single specific purpose. Single purpose buildings are not similar to other properties such as shopping complexes or hotels, the usage of which is more flexible and not restricted to a single use. In mitigation, the construction of single purpose buildings has been regulated and planned by the Government and it is not easy to construct single purpose buildings in the same area as there are restrictions on the number of single purpose buildings that can be built on the area. Thus, it is not easy for tenants of a single purpose building, which mostly carry out single purpose business activities, to move around within the same area. In addition, it is difficult for the tenants to move out from their current single purpose buildings in view of the huge capital expenditure incurred on the buildings.

(iv) Syariah non-compliance risk

The risk of investments in the Al-'Aqar KPJ REIT arises where the properties concerned (existing and future) do not conform to principles of Syariah or breaches any of the requirements of the Guidelines for Islamic REIT. If this occurs, the Manager will take the necessary steps to dispose of such properties in accordance with the Syariah Committee Members' advice. This may adversely affect the unit price of the Al-'Aqar KPJ REIT.

(v) Risks relating to an investment in the Units

The price of the Units may decline after the IPO

The Units may trade at prices significantly below the Retail Price and/or Institutional Price after the IPO and the price of the Units may be volatile. The price of the Units will depend on many factors, including but not limited to:

(a) our ability to implement successfully our investment and growth strategies;
(b) the market value of Al-'Aqar KPJ REIT's assets;
(c) the perceived prospects of Al-'Aqar KPJ REIT's business and investments and the Malaysian real estate market;
(d) changes in general economic or market conditions, both domestically and internationally;
(e) broad market fluctuations, including weakness of the equity market and increases in financing cost; and
(f) the perceived attractiveness of the Units against those of other securities, including those not related to the real estate sector.

For these reasons, amongst others, Units may trade at prices higher or lower than the attributable NAV per Unit. If Al-'Aqar KPJ REIT is terminated or liquidated, it is possible that investors may lose all or part of their investment in the Units.

Unitholders will be effectively subordinated to all existing and future claims of creditors of Al-'Aqar KPJ REIT

The claims of creditors of Al-'Aqar KPJ REIT will have priority to the assets of Al-'Aqar KPJ REIT over the claims of the Unitholders of Al-'Aqar KPJ REIT. Al-'Aqar KPJ REIT may incur indebtedness in connection with the operation of the Properties and may in the future incur unsecured or secured obligations directly. Secured creditors of Al-'Aqar KPJ REIT would have prior rights of claim over the secured assets and all creditors of Al-'Aqar KPJ REIT would rank ahead of the claims of the Unitholders of Al-'Aqar KPJ REIT.

Distributions to Unitholders will be subject to cash flow availability of Al-'Aqar KPJ REIT

If the Properties and any other assets held by Al-'Aqar KPJ REIT from time to time do not generate sufficient net operating profit and Al-'Aqar KPJ REIT is unable to secure funds from the market in a timely and cost-effective manner, Al-'Aqar KPJ REIT's income, cash flow and ability to make distributions will be adversely affected. Hence, no assurance can be given as to Al-'Aqar KPJ REIT's ability to pay or maintain distributions.

Property yield on real estate to be held by Al-'Aqar KPJ REIT is not equivalent to yield on the Units

Generally speaking, property yield depends on the amount of net property income *(calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties compared against the current value of the properties).* Yield on the Units, however, depends on the distributions payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Retail Price and/or Institutional Price.

The NAV of the Units will be diluted if further issues are priced below the NAV

Where there is new issue of Units, the issue price may be above, at or below the current NAV per Unit of Al-'Aqar KPJ REIT. Where new Units are issued at less than the existing NAV per Unit, the NAV per Unit of existing Units will be diluted.

Unitholders have no right to require the redemption of their Units

Unitholders have no right to require the redemption of their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Retail Price and/or Institutional Price or any price, or at all. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units on the secondary market.

Failure and/or delay in the Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

(a) the selected placees fail to subscribe for the portion of the Units;

(b) the Underwriter(s) exercising its(their) rights pursuant to the underwriting agreement to discharge itself(themselves) from its(their) obligations thereunder; or

(c) Al-'Aqar KPJ REIT is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up Units of Al-'Aqar KPJ REIT must be held by a minimum of 1,000 public Unitholders holding no less than 100 Units in Al-'Aqar KPJ REIT.

Although we will endeavour to ensure compliance of the listing requirements of Bursa Securities, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

The Units may be delisted from Bursa Securities

Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. Investors cannot be assured that Al-'Aqar KPJ REIT will continue to meet the requirements necessary to maintain the listing of Units on Bursa Securities or that Bursa Securities will not modify the Listing Requirements. Al-'Aqar KPJ REIT may be terminated if the Units are delisted from Bursa Securities.

Forward-looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by us, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, *inter-alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting Al-'Aqar KPJ REIT and the real estate industry, changes in financing cost and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by our advisers or us that the plans and objectives of Al-'Aqar KPJ REIT will be achieved.

Given the risks and uncertainties that may cause Al-'Aqar KPJ REIT's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. We are not warranting or representing to you that Al-'Aqar KPJ REIT's actual future results, performance or achievements will be as stated in those statements.

Changes to accounting standards may result in changes in the future as to how Al-'Aqar KPJ REIT's results and financial position are prepared and presented

The audited financial statements of Al-'Aqar KPJ REIT will be prepared in accordance with the applicable Malaysian Accounting Standards Board ("**MASB**") approved accounting standards in Malaysia.

The MASB, as part of its programme to fully converge with international financial reporting standards, has introduced new or revised accounting standards, which are effective for accounting periods beginning on or after 1 January 2006.

The changes as well as any other further changes to the applicable MASB approved accounting standards in Malaysia may result in significant changes in the preparation and presentation of Al-'Aqar KPJ REIT's results in the future. In Section 6.1.7 of this Prospectus, DBI and CEI has been defined to address the significant proposed changes released by MASB so far, which may potentially impact Al-'Aqar KPJ REIT's results.

However, there can be no assurance that future changes to accounting standards will not affect the ability of Al-'Aqar KPJ REIT to make distributions to Unitholders or that such distributions will be in line with those set out in the Section 8.10 of this Prospectus.

6.1.5 Our Policy on Gearing and Minimum Liquid Asset

The total financing facilities of Al-'Aqar KPJ REIT will not exceed 50% of the total asset value of Al-'Aqar KPJ REIT at the time the financing facilities are incurred, as stipulated under the Guidelines on REIT and the Guidelines for Islamic REIT.

Please refer to Section 4.6.1 of this Prospectus for further details on the BBA Facility of Al-'Aqar KPJ REIT. Please refer to Section 6.1.4(i) of this Prospectus for risks associated with financing facilities.

We will adhere to the Guidelines on REIT and the Guidelines for Islamic REIT on the permitted and restricted investments in relation to liquid assets. Liquid assets will be held in the form of cash, deposits which are Syariah compliant with licensed institutions and/or other institutions licensed or approved to accept deposits, or any other Syariah permitted instrument capable of being converted into cash within seven (7) days *(as may be approved by the Trustee).*

6.1.6 Investor Profile most suitable for Al-'Aqar KPJ REIT

Al-'Aqar KPJ REIT is best suited for you if you:-

(a) have funds but do not have the time or expertise to find, select, negotiate, purchase and profitably manage properties;
(b) have limited funds who wish to, but cannot, finance investment in property on your own account;
(c) wish to seek capital growth on a spread of Syariah-compliant real estate investments;
(d) do not want to see your fund eroded by inflation without some capital measure of capital appreciation whilst at the same time retaining reliable and ready access to your capital; and
(e) wish to seek Syariah-compliant investments in general.

6.1.7 Our Distribution Policy

We will endeavour to ensure that for each Financial Year there is at least one distribution. It is our intention that there be half-yearly distributions, except for the first Financial Year. However, we may in our discretion change the frequency of the distributions. The distributions will be paid within two (2) months after Al-'Aqar KPJ REIT's book closure.

The amount to be distributed to the Unitholders comprises two (2) main income components, namely DBI and CEI. For each distribution period, we shall distribute all *(or such lower percentage as we may determine in our absolute discretion)* of the DBI and CEI of Al-'Aqar KPJ REIT. In the event that Al-'Aqar KPJ REIT also derives other taxable income and dividend income, then the same, together with the DBI, will form part of Al-'Aqar KPJ REIT's total income that can be distributed.

DBI is an amount equivalent to Al-'Aqar KPJ REIT's adjusted profit before tax after taking into account certain Adjustments *(as defined below)* which have been recorded in the profit and loss account for the relevant financial year. Profit before tax is the profit arrived at after considering main items such as rental income, associated property costs, REIT related fees, other gains/losses, other income/expenses and provisions, amongst others.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Adjustments include the effect of: (a) unrealised revaluation gains/losses, including reversals of impairment provisions; (b) depreciation charges/amortisation of goodwill charged/negative goodwill (credited); (c) realised gains/losses on the disposal of properties/assets; (d) fair value gains/losses on financial instruments; (e) non-tax allowable expenses; (f) capital allowances; (g) other non-cash gains/losses and (h) any other adjustments that may be allowed/required by the Malaysian Income Tax Act 1967.We will distribute the CEI to the Unitholders at our discretion. CEI consists of income in capital nature, such as gains on disposal of properties, assets, financial instruments and other investments, and income derived from exempted sources such as exempt interest and dividend income ***(as exempted under the Malaysian Income Tax Act 1967 and subsidiary legislations)***. Gains in capital nature to be distributed will be the net amount after deduction of the required tax payments. **All capital gains are not subject to income tax in Malaysia. However, gains arising from the disposal of properties or shares in real property companies by Al-'Aqar KPJ REIT are subject to Real Property Gains Tax ("RPGT") under the RPGT Act 1976. The rate of RPGT payable on the gains ranges from 30% for disposals within two years to NIL for disposals in the sixth year after the date of acquisition and thereafter.**

In any case, the amount of distributions to Unitholders shall be subjected to the following:

(a) the availability of funds in providing for the amount of the distributions;
(b) compliance with the gearing level prescribed by the Guidelines on REIT and the Guidelines for Islamic REIT and any applicable borrowing covenants; and
(c) not exceeding the net income before tax for the period for which the distributions are declared *(however, this condition may not apply in the event we decide to distribute returns arising from the CEI component only)*.

Pursuant to Section 61A of the Malaysian Income Tax Act 1967, no tax will be payable by Al-'Aqar KPJ REIT if the distributions made by Al-'Aqar KPJ REIT to Unitholders are equivalent to the DBI. However, in the event that the distributions are lesser than DBI, Al-'Aqar KPJ REIT will be taxed on the difference at 28%.

Barring any unforeseen circumstances, it is our intention to distribute up to 99% of the distributable income of Al-'Aqar KPJ REIT for FYE 31 December 2006 to FYE 31 December 2009, as set out in Section 8.10 of this Prospectus.

Unitholders will receive cheques for the distributions.

Any moneys payable to a Unitholder under the Deed which remain unclaimed after a period of twelve (12) months shall be accumulated in a trust account managed by the Trustee pursuant to the Public Trust Corporation Act 1995 from which the Trustee may from time to time make payments to a Unitholder claiming any such moneys and subject to the manner of liquidation of Al-'Aqar KPJ REIT, the Trustee shall cause such sums which represent moneys remaining in the trust account for 5 years after the date for payment of such moneys into the trust account and interest, if any, earned thereon to be paid into the trust account after deducting from such sum all fees, costs and expenses incurred in relation to such payment into the trust account PROVIDED THAT if the said moneys are insufficient to meet all such fees, costs and expenses, the Trustee shall be entitled to have recourse to the assets of Al-'Aqar KPJ REIT.

6.2 Al-'Aqar KPJ REIT's Investments in Syariah-Compliant Real Estate

For Al-'Aqar KPJ REIT's investment strategies in relation to Syariah-compliant real estates as well as type and characteristic of the Syariah-compliant real estates that Al-'Aqar KPJ REIT would acquire, please refer to Section 6.1.2 of this Prospectus.

There is no immediate need for investments other than Syariah-compliant real estate acquisitions. If we see the opportunity or need in the future to invest in debts/equities instruments which are Syariah-compliant, a qualified investment manager will be employed or outsourced subject to the Trustee's approval and endorsement by the Syariah Committee Members and within any regulatory guidelines. We at present see greater potential and consistency in yields and cashflow in real estate.

The risks arising from this lack of diversification are risks relating to investment in real estates and risks relating to Al-'Aqar KPJ REIT's Properties, details of which are set out in Sections 6.1.4(ii) and 6.1.4(iii) of this Prospectus.

6.3 Overview of the Malaysian Property Market

6.3.1 Overview And Outlook Of The Property Market Industry

Given the supportive Government policies and measures as well as the favourable financial and monetary policies, the Malaysian property market moderated in 2005.

Trailing the national economic development in 2005, the property market activities registered a decrease in both volume and value of transactions after enjoying positive growth since year 2002. The total volume of transaction was 276,508 transactions, a decrease of 5.7% against that of 2004. Correspondingly, the turnover rate moderated at 3.1% along with the economic development in the country. The residential property sub-sector remained the property market driver contributing 65.7% of the total transaction volume. The agricultural, commercial, development land and industrial property sub-sectors followed in descending order by contributing 18.8%, 8.7%, 4.1% and 2.6% respectively.

Nevertheless, the performance of states varied. Most states recorded decreases in volume of transaction except Kedah (22.7%), Selangor (5.3%), Kuala Lumpur (4.4%), Perlis (2.6%) and Terengganu (0.3%).

Year 2005 witnessed an improved demand for office space in purpose-built office buildings with the overall occupancy increased from 82.2% in 2004 to 84.2% in 2005. Most states registered improvements in occupancy rates with W.P. Putrajaya and Perlis achieving full occupancy. The increase in occupancy was attributed to the increase in annual take up space, which grew 71.2% from 471,197 sq m to 806,558 sq m.

The performance of retail space in shopping complexes remained favourable albeit the decline in annual take up space. The annual take up space in shopping complexes moderated by 2.0% to record 1.39 million sq m (2004: 1.42 million sq m).

The leisure property sub-sector remained healthy with higher tourist arrivals but at a slower increase than 2004. The increase in tourist arrivals until November 2005 was 4.3% as opposed to 55.7% in the corresponding period in 2004. However, given more hotel rooms in the market, the average occupancy rate of three to five star hotels experienced slight decrease from 62.5% in 2004 to 60.3% in 2005. The average occupancy rate of the one to five star hotels, on the other hand decreased from 61.1% to 58.5%.

(Source: Property Market Report 2005, by Valuation and Property Services Department, Ministry of Finance Malaysia)

6.3.2 Overview And Outlook Of The Hospital Sector

The demand for private hospitals has been good over the last few years. More people are seeking better medical care and services especially among the urban dwellers. It has become part of the urban lifestyle and the prospect of growth in the healthcare business appears promising.

Klang Valley

There has been no recent survey made on the number and the viability of private hospitals in Kuala Lumpur and Selangor. However, available information shows that the following are operating:-

Name	Location	Number of Beds
Ampang Puteri Specialist	Jalan Mamanda 9	201
Assunta Hospital	Jalan Templer, Selangor	344
Damansara Specialist Hospital	Jalan SS20/10, Selangor	139
Gleneagles Intan Medical Centre	Jalan Ampang, KL	190
Pantai Cheras Medical Centre	Jalan 1/96A, KL	118
Pantai Medical Centre	Jalan Bukit Pantai, KL	231
Pantai Indah	Pandan Indah, KL	180
Selangor Medical Centre	Shah Alam, Selangor	252
Sentosa Medical Centre	Jalan Chemur, KL	203
Subang Jaya Medical Centre	Subang Jaya, Selangor	326
Sunway Medical Centre	Jalan Lagoon Selatan, Selangor	174
Taman Desa Medical Centre	Jalan Desa, KL	128
Tung Shin Hospital	Jalan Pudu, KL	282

Source: WTW Research, October 2005

Table shows the selective private hospitals which are currently operating in Kuala Lumpur and Selangor. These hospitals range from medium to big scale in terms of the number of beds, from 128 beds to 344 beds. These private hospitals offer a comprehensive range of medical facilities and multidisciplinary specialist services. Besides as a member of the Association of Private Hospitals Malaysia ("**APHM**"), most of these hospitals have achieved certification for internationally recognised quality standards, MS ISO 9002 or accreditation by the Malaysian Society for Quality of Health (Source: Association Of Private Hospitals of Malaysia website: www: hospitals-malaysia.org).

Besides the private hospitals, the government hospitals in Kuala Lumpur include Hospital Besar Kuala Lumpur, the Universiti Malaya Medical Centre and the Hospital Universiti Kebangsaan Malaysia while the University Teaching Hospital is located in Petaling Jaya, Selangor.

Based on our survey, most private medical centres in Kuala Lumpur and Selangor offer comfortable and well-appointed accommodation, ranging from suites to private rooms for single occupancy or more. Room charges, inclusive of meals, vary between medical centres but remain at an attractive level. For example, room rates for the VIP category for Ampang Puteri Specialist Hospital is at RM630 per day whilst a single room is RM302 per day. Room rates for the VIP category for Damansara Specialist Hospital range from RM480 to RM650 per day whilst a single standard room rate is only RM230 per day.

Johor Bahru

There are no recent survey made on the number and the viability of private hospitals in Johor Bahru. However, available information revealed that there are presently, six (6) private specialist medical centres operating in Johor Bahru. Two (2) of these viz, the subject property and the Puteri Specialist Hospital and a newly open Kempas Medical Centre are purpose-built medical centres whilst the other three are located within office block/shopoffices which have been adapted for medical centre use.

Details of the existing private hospitals in Johor Bahru are as follows: -

Name	Location	Number of Beds
Johor Specialist Hospital	Jalan Abdul Samad	209
Puteri Specialist Hospital	Jalan Tun Abdul Razaf (Susur 5)	103
Medical Specialist Centre	Jalan Ngee Heng	75
Century Medical Centre	Jalan Harimau	26
Hospital Penawar	Pusat Bandar, Pasir Gudang	40
Kempas Medical Centre	Jalan Kempas Baru	150

Source: WTW Research, October 2005

In addition to the above, there is a private specialist hospital in Bandar Seri Alam which has been completed but has yet to open for business.

With the growing number of urban dwellers and the society becoming more affluent coupled with public awareness on the need for proper healthcare, the service of a specialist medical centre is expected to continue to be in high demand.

The growing affluence of the Malaysian dwellers for a better medical care and services and the Malaysian Government's national effort to promote health tourism together with the APHM, Malaysia External Trade Development Corporation ("**MATRADE**"), Ministry of International Trade and Industry ("**MITI**") and Tourism Malaysia has contributed to the growth in the number of private hospitals in Malaysia.

According to the APHM, Malaysia is a healthcare destination of choice because:-

(i) All medical staff is English speaking;

(ii) A harmonious, plural society practising a variety of religions (for example, muslim "halal" food can be easily found);

(iii) Favourable exchange rates (RM Vs United States Dollar ("**USD**"), Sterling Pound, Indonesian Rupiah, Saudi Riyal, Brunei dollar and Singapore dollar);

(iv) Affordable hospitalisation costs. An uncomplicated Coronary Arterial Bypass Graft ("**CABG**") would cost in the region of USD6,000-7,000;

(v) Highly-trained medical specialists, most with recognised post-graduate qualifications from the United Kingdom, Australia and the United States of America.

(vi) Multi-ethnic, multi-lingual support staff from various religious denominations, e.g. Islam, Christianity, Buddhism, Hinduism, etc;

(vii) Accessibility to major international airports. There are 224 hospitals in the private sector located nationwide; and

(viii) Comprehensive network of hospitals and clinics. 88.5% of the population is within 5km of a public health clinic or private practitioner.

<u>Ipoh/ Kinta Valley</u>

There are presently six (6) private specialist medical centers operating in Ipoh, Perak. All the hospitals are purpose-built medical centers except Maxwell Maternity & Surgical Centre, which resided in a converted shopoffice.

Brief details of the existing private hospitals in Ipoh, Perak are as follows: -

Name	Location	Number of Beds
Hospital Pantai Putri	Jalan Tambun	121
Hospital Fatimah	Jalan Dato' Lau Pak Khuan	168
Perak Community Specialist Hospital	Jalan Kampar	84
Kinta Medical Centre	Jalan Chung Thye Phin	105
Maxwell Maternity & Surgical Centre	Jalan Labrooy	13

Source: WTW Research, May 2006

The daily room rates of the existing private specialist hospitals are summarized as follows: -

Name	Deluxe	Single Bedded (RM)	Double Bedded (RM)	Three Bedded (RM)	Four Bedded (RM)	Five Bedded (RM)	Six Bedded (RM)
Hospital Pantai Putri	250.00	160.00	110.00	60.00	60.00	-	-
Hospital Fatimah	-	250.00	110.00 – 175.00	65.00	65.00	30.00 – 65.00	-
Perak Community Specialist Hospital	-	100.00 – 125.00	35.00 – 45.00	-	-	-	-
Kinta Medical Centre	-	130.00	70.00	55.00	-	-	40.00
Maxwell Maternity & Surgical Centre	-	150.00	-	-	-	-	50.00

The subject property is an established and one of the leading private specialist hospitals in Ipoh, Perak. It offers a comprehensive range of medical facilities and specialist services. The Medical team is reputable and possess good track record.

Its proximity to the high end residential area and town center of Ipoh is an added advantage to the hospital.

(Source: Valuation reports prepared by C H Williams Talhar & Wong Sdn Bhd)

6.4 Future Plans and Strategies of Al-'Aqar KPJ REIT

Our key objective for Al-'Aqar KPJ REIT is to provide the Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit. We intend to achieve these objectives through implementation of our operating, acquisition and capital management strategies as stipulated in Section 6.1.3 of this Prospectus.

We intend to capitalise on our relationship with KPJ which manages the largest private hospital network in Malaysia with 15 hospitals, 3 hospitals in Indonesia and 1 hospital in Dhaka, Bangladesh. At the point of listing of Al-'Aqar KPJ REIT on the Main Board of Bursa Securities, the Sponsor will effectively own *(via the Vendors)* 47.06% of the total issued Units. This relationship is expected to benefit and accord Al-'Aqar KPJ REIT with a competitive advantage towards achieving its long term objectives such as the following:-

(a) Future Assets Suitable for Al-'Aqar KPJ REIT

Amongst the existing hospital buildings of the KPJ Group, Al-'Aqar KPJ REIT has entered into separate Sale and Purchase Agreement to acquire six (6) hospitals, namely Ampang Puteri Specialist Hospital Building, Damansara Specialist Hospital Building, Johor Specialist Hospital Building, Ipoh Specialist Hospital Building, Puteri Specialist Hospital Building and Selangor Medical Centre Building from PSHSB, DSHSB, JSHSB, MASB, MCJSB and SMCSB respectively. Al-'Aqar KPJ REIT has entered into a long-term lease agreement with PSHSB, DSHSB, JSHSB, MASB, MCJSB and SMCSB for fifteen (15) years with an option to renew for another fifteen (15) years.

In addition, Al-'Aqar KPJ REIT, via its Trustee, has on 30 June 2006 entered into an option agreement with KPJ in respect of the rights for the first option to acquire any or all of the other properties owned by KPJ in the event the Sponsor or its subsidiaries decides to sell these properties.

The acquisitions of the other hospitals of KPJ Group by Al-'Aqar KPJ REIT is to enhance the revenue and yield of Al-'Aqar KPJ REIT. Some of the hospitals within the KPJ Group are strategically located in prime areas.

The prospects for future growth of Al-'Aqar KPJ REIT are expected to be good as the Sponsor plans to inject more hospital buildings into Al-'Aqar KPJ REIT. Following is the list of hospitals managed by KPJ where some of the hospitals may be injected into Al-'Aqar KPJ REIT:-

1) Hospitals in ***Malaysia***

- Tawakal Hospital, Kuala Lumpur
- Seremban Specialist Hospital, Seremban, Negeri Sembilan
- Hospital Penawar, Pasir Gudang, Johor
- Kedah Medical Centre, Alor Setar, Kedah
- Bukit Mertajam Specialist Hospital, Bukit Mertajam, Pulau Pinang
- Kuantan Specialist Hospital, Kuantan, Pahang
- Perdana Specialist Hospital, Kota Bharu, Kelantan
- Kuching Specialist Hospital, Kuching, Sarawak
- Damai Specialist Hospital, Kota Kinabalu, Sabah

2) Hospitals in ***Indonesia***

- Rumah Sakit Bumi Sepong Damai, Jakarta
- Rumah Sakit Permata Hijau, Jakarta
- Rumah Sakit Selasih Husada Pratama, Padang

3) Hospital in ***Bangladesh***

- United Hospital, Dhaka

(b) Capitalise on Sponsor's Network and Reputation

The Sponsor is the healthcare arm of JCorp. KPJ set a history by becoming the first healthcare group listed on the Main Board of Bursa Securities. KPJ and its various subsidiary companies is a healthcare focused group, and its portfolio of businesses include hospital management, healthcare technical services, hospital development and commissioning, nursing and healthcare professional continuous education, pathology services, central procurement and retail pharmacy.

KPJ has a pool of expert professionals and experienced managers giving it a firm foundation within the healthcare industry. KPJ has a sizeable pool of professionally qualified healthcare managers and their experience in private healthcare business including: -

(i) Building and commissioning of new hospitals; and

(ii) Turnaround of hospital operations after their takeover by the KPJ Group, such as Tawakal Hospital, Kuantan Specialist Hospital, Puteri Specialist Hospital and Bukit Mertajam Specialist Hospital.

Through KPJ's main strategic business unit, the Group owns and manages:-

(i) 15 private hospitals throughout Malaysia;

(ii) 1 private nursing college in Kota Seriemas, Labu, Negeri Sembilan;

(iii) 3 private hospitals in Indonesia (where 1 is owned by KPJ and the remaining 2 owned by JCorp); and

(iv) 1 private hospital in Dhaka, Bangladesh (expected to be opened in August 2006).

The Group also has four (4) additional service companies that provide year round services to support the hospitals operations. As KPJ has more than twenty five (25) years experience in the healthcare industry, it is positioned to become the major player of healthcare services both locally and internationally.

The KPJ Group's long established market leader, status and brand in healthcare industry, its experience in hospital management, strong financial performance and total bed capacity of 2,106 beds that outweighed the rest of the other private hospitals in Malaysia would augur well for the growth prospects of Al-'Aqar KPJ REIT.

(c) Proposed Revision of Rental Rate

The rental income of Al-'Aqar KPJ REIT's Properties for the financial years ending 31 December 2006, 31 December 2007, 31 December 2008 and 31 December 2009 are as follows:-

Financial period/years ending 31 December	Total rental amount per annum (RM' mil)
2006	35.48*
2007	35.70
2008	36.43
2009	36.96

*Note * Annualised*

The above rental income is calculated based on 7.38%, 7.42%, 7.57% and 7.68% of the gross value of the Properties of RM481.0 million for the respective financial period/ years over the duration of the Lease Agreement. The lease is for duration for fifteen (15) years with an option for renewal for another fifteen (15) years.

Al-'Aqar KPJ REIT proposes that the rental of the Properties shall be reviewed on first (1^{st}) January after every three (3) full financial years. The first review will take place on 1 January 2010.

Additionally, the review of the yearly rental amount for the next three (3) financial years shall be calculated based on the following formula:-

1^{st} year of every review	:	(10–year MGS + 238 bps) x market value of the Properties at the point of review and subject to a minimum rental of RM33.0 million per annum and a maximum 2% incremental over the preceding year's rental amount.
2^{nd} year and 3^{rd} year of every review	:	2% incremental over the preceding year's rental amount.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK