



AL-AQAR HEALTHCARE REIT

A white ECG (heart rate) line graphic is positioned horizontally across the upper middle section of the cover, partially overlapping the sky and the top of the hospital building.

Annual Report 2017



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CORPORATE OUTLOOK

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1st ISLAMIC REIT IN THE WORLD

22 NO. OF PROPERTIES

100% OCCUPANCY RATE

RM1.46 BILLION PROPERTY VALUE

RM99.65 MILLION GROSS REVENUE

RM93.21 MILLION NET PROPERTY INCOME

RM1.04 BILLION MARKET CAPITALISATION

7.70 SEN DPU

5.38% DISTRIBUTION YIELD

OBJECTIVE, POLICY AND STRATEGIES

Objective

To provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions and the net asset value per unit

Policy

To diversify its Shariah-compliant real estate portfolio by property and location, primarily be focused on investing in healthcare related real estates and to look for opportunities that provide attractive returns

Operating Strategy

To continue enhancing the performance of the properties by increasing yields and returns from the properties through a combination of meeting needs of the tenants, maintaining the quality and physical conditions of the properties and minimising interruptions in rental income and operational costs

Capital Management Strategy

To optimise capital structure and cost of capital within the financing limits prescribed by Islamic REIT Guidelines and intend to use a combination of debt and Islamic REIT units to fund future acquisitions and improvement works of the properties

Acquisition Strategy

To increase cash flow and enhance unit value through selective acquisitions

Al-`Aqar Healthcare REIT (Al-`Aqar or the Fund) was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 10 August 2006. Established with an initial portfolio of 6 properties, Al-`Aqar has grown its portfolio to 22 properties comprising 19 hospitals and 3 healthcare related properties in Malaysia and Australia.

Al-`Aqar is managed by Damansara REIT Managers Sdn Berhad (DRMSB or the Manager), a wholly-owned subsidiary of Johor Corporation Group (JCorp Group) and supported by KPJ Healthcare Berhad (KPJ).

As at 31 December 2017, Al-`Aqar's property value stood at RM1.46 billion with a market capitalisation of RM1.04 billion.

CORPORATE INFORMATION

MANAGER

Damansara REIT Managers Sdn Berhad (717704-V)

REGISTERED OFFICE

Level 16, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor Darul Takzim.

Tel : (+607) 226 7692 / 226 7476

Fax : (+607) 222 3044

PRINCIPAL PLACE OF BUSINESS

Unit 1-19-02, Level 19, Block 1,
V SQUARE, Jalan Utara,
46200 Petaling Jaya,
Selangor Darul Ehsan.

Tel : (+603) 7932 1692 / 7932 3692

Fax : (+603) 7932 0692

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name: ALAQAR

Stock Code: 5116

WEBSITE

www.alaqar.com.my

TRUSTEE

AmanahRaya Trustees Berhad (766894-T)

Tingkat 2, Wisma AMANAHRAYA II

No. 21, Jalan Melaka

50100 Kuala Lumpur

Tel : (+603) 2036 5000 / 2036 5129

Fax : (+603) 2072 0320

Email : art@arb.com.my

Website: www.artrustees.com.my

SHARIAH COMMITTEE MEMBERS

Dato' (Dr) Haji Nooh bin Gadot

Professor Madya Dr. Ab. Halim bin Muhammad

Professor Dr. Mohamad @ Md Som bin Sujimon

REGISTRAR

Johor Corporation

Level 16, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor Darul Takzim.

Tel : (+607) 219 5064

Fax : (+607) 223 3175

MAINTENANCE MANAGERS

Healthcare Technical Services Sdn Bhd (342111-A)

No. 20-1, Jalan 65C
Pekeliling Business Centre
Off Jalan Pahang Barat
53000 Kuala Lumpur
Tel : (+603) 4021 2331
Fax : (+603) 4021 2337

IM Global Property Consultants Sdn Bhd (701223-X)

No. 47-2, Second Floor, Wisma IMG
Jalan 3/76D, Desa Pandan
55100 Kuala Lumpur
Tel : (+603) 9284 8884
Fax : (+603) 9281 1884
Email : info@img.com.my
Website: www.img.com.my

Health Facility Services Pty Ltd (Australian Co. No. 115 728 384)

25, Clarendon Avenue,
Bethania Qld 4205,
Australia
Tel : (+617) 3200 7188 / 3299 9256 (Direct)
Fax : (+617) 3200 7100

AUDITOR

Deloitte PLT (LLP0010145-LCA)

Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (+603) 7610 8888
Fax : (+603) 7726 8986
Website : www.deloitte.com/my

SOLICITOR

Abdul Raman Saad & Associates

C-2-1, Pacific Place Commercial Centre
Jalan PJU 1A/4, Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (+603) 7859 9229
Fax : (+603) 7734 5777
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

INDEPENDENT PROPERTY VALUER

Cheston International (KL) Sdn Bhd (647245-W)

Suite 2A, 2nd Floor, Plaza Flamingo,
No. 2, Tasik Ampang, Jalan Hulu Kelang,
68000 Ampang, Selangor
Tel : (+603) 4251 2599
Fax : (+603) 4251 6599
Email : cikl@chestonint.com
Website: www.chestonint.com

LETTER TO STAKEHOLDERS



DATO' KAMARUZZAMAN BIN ABU KASSIM
Chairman
Damansara REIT Managers Sdn Berhad

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager (the Board), I am honoured to present Al-`Aqar Healthcare REIT's Annual Report and Audited Financial Statements for the financial year ended 31 December 2017.



LETTER TO STAKEHOLDERS

The Malaysian healthcare industry is becoming a key driver of economic growth and driven by good potential of healthcare sub-sectors such as pharmaceuticals, health biotechnology and medical tourism. Deeming it essential to the Malaysian economy, the Government has prioritised healthcare spending by allocating substantial amount in the 2018 Annual Budget. The spillover effect from the Government support and funding in developing better healthcare facilities will indirectly provide opportunities to Al-'Aqar in expanding its assets size.

Since its inception, Al-'Aqar has built a solid asset-based foundation. Al-'Aqar's growth is driven by high-quality investments, resilient asset class and stable return to the investors.

With such consistency in performance, I am pleased to announce that Al-'Aqar has distributed 7.70 sen per unit for FY2017. This translates into a distribution yield of 5.38% based on the closing unit price of RM1.43 as at 31 December 2017. The total payout of RM56.1 million represents 95.97% of Al-'Aqar distributable income for 2017.

Following the adoption of the Sustainability Framework, a Sustainability Steering Committee was formed at the Manager level whilst the composition of our property managers and service providers forms the Sustainability Working Committee. Since our buildings are 100% leased by KPJ Group of Companies, the Manager is proactively playing a supervisory role to ensure KPJ's initiatives contribute towards sustainability practices. Material sustainability matters such as building safety, green building initiatives and energy consumption are being incorporated in our complete sustainable practices plan, in line with the requirements of the Global Reporting Initiative principles and reporting framework. With the implementation of the sustainability practices at various levels, we are committed to strike a balance between financial performance, social engagement and environmental stewardship.

On this note, I would like to express my sincere appreciation to the Board members for their valuable guidance in steering the management team to strive for excellence and to the Shariah Committee for their wisdom towards the success of Al-'Aqar. Our achievement will not be attainable without the support and commitments of employees of the Manager.



During the year, Dato' Mani a/l Usilappan had resigned from the Board. On a personal note as well as on behalf of the Board, I would like to extend my appreciation to Dato' Mani for his contribution to Al-'Aqar. The Board wishes Dato' Mani well in his future undertakings. I would also like to extend my heartiest welcome to Dato' Dr Rahah binti Ismail as a new Independent Non-Executive Director effective 5 October 2017.

A special acknowledgement to KPJ for being Al-'Aqar's ever supportive sponsor and my sincerest gratitude also goes to our valued stakeholders – unitholders, trustee, financiers, business partners and relevant authorities for the continuous support and trust in Al-'Aqar.



DATO' KAMARUZZAMAN BIN ABU KASSIM

Chairman

Damansara REIT Managers Sdn Berhad



SALIENT FEATURES

NAME OF FUND	Al-Aqar Healthcare REIT	CATEGORY OF FUND	Islamic healthcare real estate and healthcare related assets	TYPE OF FUND	Income and growth
DISTRIBUTABLE INCOME	At least 95%	FUND SIZE	728,226,468 units *	OCCUPANCY RATE	100%
DISTRIBUTION PER UNIT	Minimum 6.5 sen per annum	LISTING DATE	10 August 2006	LEASE TERM	15 years renewable for another 15 years
LISTING	Main Market of Bursa Malaysia Securities Berhad	RENTAL REVIEW	Every 3 Years	STOCK NAME & CODE	ALAQAR (5116)

*as at 31 December 2017

5 YEARS' FINANCIAL PERFORMANCE

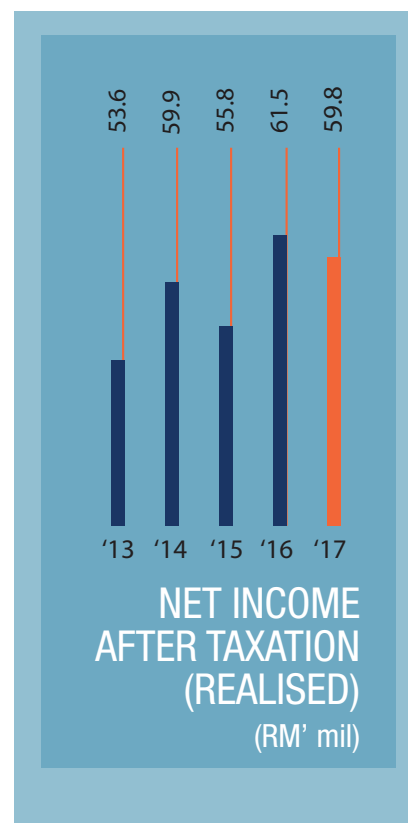
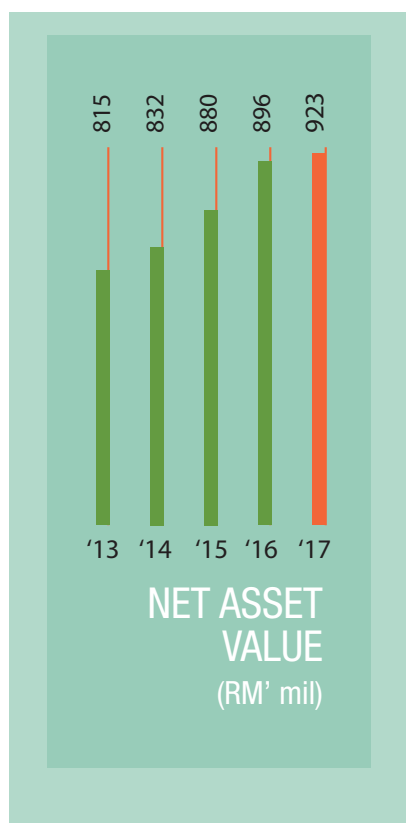
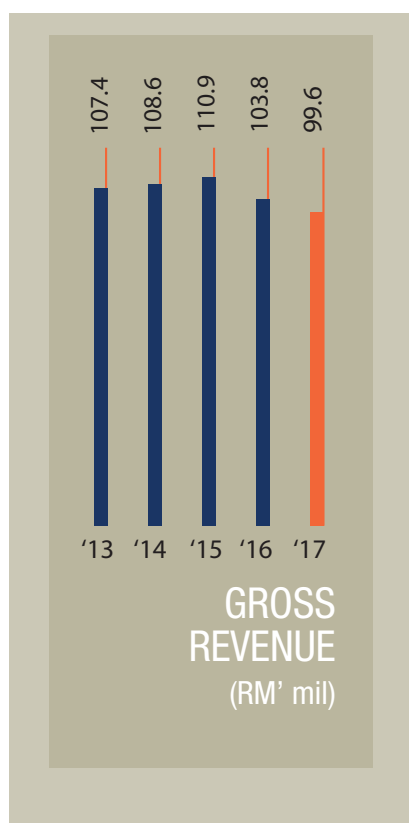
GROUP

		2017	2016	2015	2014	2013
Gross revenue	(RM'000)	99,648	103,839	110,945	108,644	107,419
Net property income	(RM'000)	93,207	97,595	104,565	102,399	101,285
Income before tax	(RM'000)	86,154	63,986	67,912	73,148	75,825
Net income after tax - realised	(RM'000)	59,852	61,540	55,824	59,858	53,636
Net income after tax - unrealised	(RM'000)	22,350	1,527	15,125	11,445	19,612
Earnings per unit	(sen)	11.83	8.79	9.69	10.51	10.89
Investment properties	(RM'000)	1,459,703	1,424,360	1,521,523	1,509,996	1,483,685
Total asset value	(RM'000)	1,556,425	1,611,213	1,594,382	1,592,422	1,568,909
Net asset value	(RM'000)	923,290	896,068	879,826	831,543	814,894
NAV per unit – before distribution	(RM)	1.2679	1.2305	1.2082	1.1944	1.1704
NAV per unit – after distribution	(RM)	1.2284	1.1925	1.1829	1.1565	1.1305

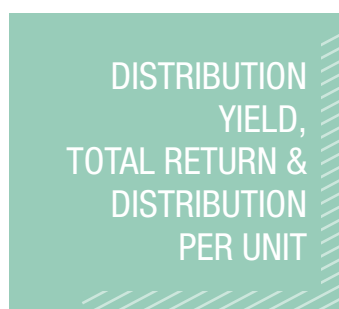
FUND

		2017	2016	2015	2014	2013
Gross revenue	(RM'000)	88,550	92,054	91,679	90,080	88,762
Net property income	(RM'000)	82,588	85,931	85,608	84,067	82,844
Income before tax	(RM'000)	84,511	61,434	72,658	63,561	73,726
Net income after tax - realised	(RM'000)	59,367	59,533	61,097	59,626	54,836
Net income after tax - unrealised	(RM'000)	24,535	1,899	11,562	3,935	18,890
Earnings per unit	(sen)	11.61	8.44	10.37	9.13	10.59
Investment properties	(RM'000)	1,320,100	1,281,800	1,378,963	1,287,496	1,268,600
Total asset value	(RM'000)	1,525,031	1,579,459	1,564,079	1,561,137	1,547,170
Net asset value	(RM'000)	921,041	892,120	877,512	827,519	818,612
NAV per unit – before distribution	(RM)	1.2648	1.2251	1.2050	1.1886	1.1758
NAV per unit – after distribution	(RM)	1.2255	1.1870	1.1797	1.1507	1.1359
Market capitalisation	(RM'000)	1,041,364	1,143,316	1,019,517	960,793	925,981
Distribution per unit	(sen)	7.70	7.70	7.70	7.65	7.85
Annualised distribution yield	(%)	5.38	4.90	5.50	5.54	5.90

5 YEARS' FINANCIAL PERFORMANCE



Year	Opening Unit Price As At 2 January (RM)	Closing Unit Price As At 31 December (RM)
2013	1.30	1.33
2014	1.31	1.38
2015	1.38	1.40
2016	1.40	1.57
2017	1.57	1.43



Year	Distribution Yield (%)	Annual Total Return (%)	Distribution Per Unit (sen)
2013	5.90	8.30	7.85
2014	5.54	9.30	7.65
2015	5.50	6.90	7.70
2016	4.90	17.04	7.70
2017	5.38	(3.54)	7.70

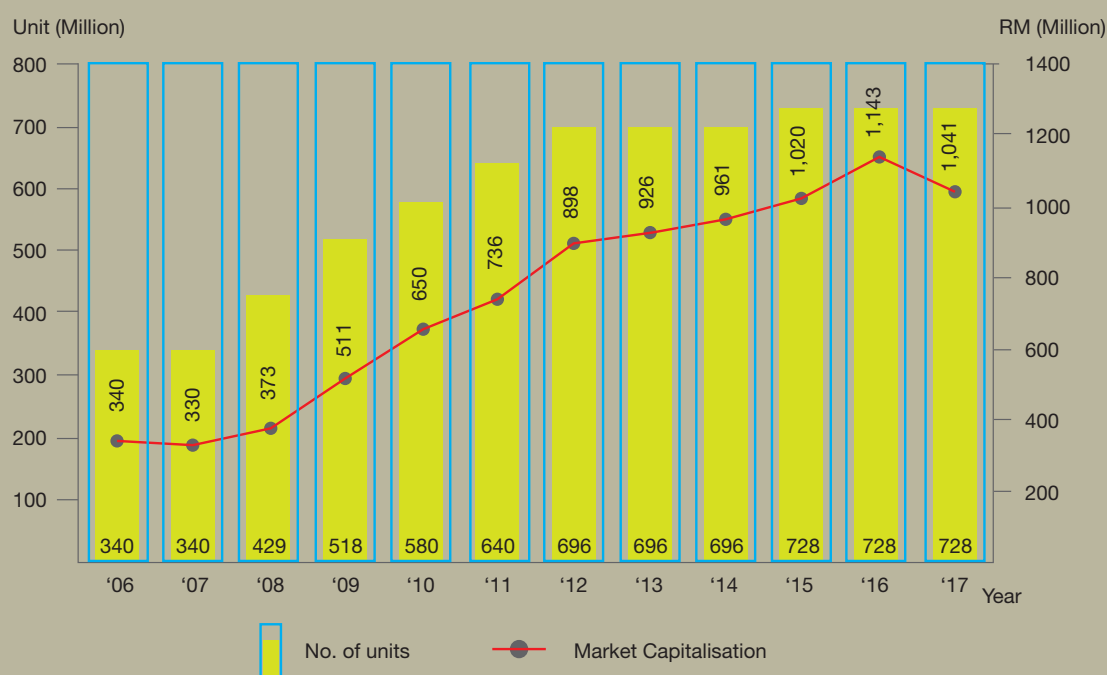


Year	Highest NAV (RM)	Lowest NAV (RM)	Highest Traded Price (RM)	Lowest Traded Price (RM)
2013	1.18	1.09	1.44	1.27
2014	1.21	1.13	1.55	1.28
2015	1.21	1.17	1.45	1.27
2016	1.23	1.19	1.70	1.32
2017	1.26	1.19	1.67	1.35

TRADING PERFORMANCE

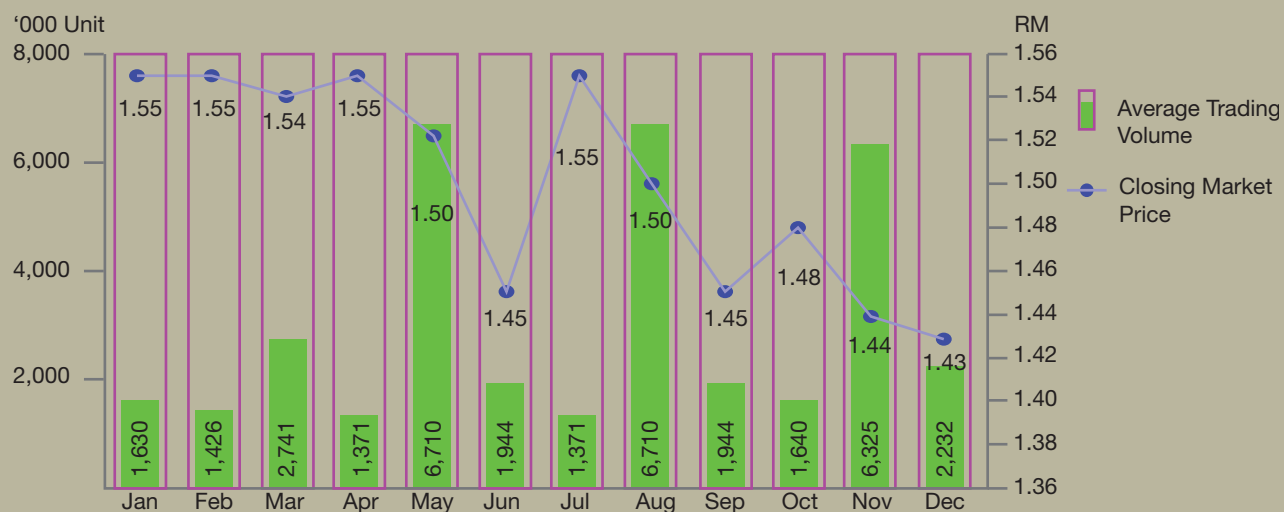
Month	Lowest Traded Price (RM per unit)	Highest Traded Price (RM per unit)	Closing Market Price (RM per unit)	Average Trading Volume (‘000 units)	Market Capitalisation (RM ‘000)
Jan	1.51	1.55	1.55	1,630	1,128,752
Feb	1.51	1.57	1.55	1,426	1,128,752
Mar	1.52	1.58	1.54	2,741	1,121,470
Apr	1.51	1.56	1.55	1,371	1,128,752
May	1.50	1.55	1.50	6,710	1,092,341
Jun	1.45	1.50	1.45	1,944	1,055,929
Jul	1.51	1.56	1.55	1,371	1,128,752
Aug	1.50	1.55	1.50	6,710	1,092,341
Sep	1.45	1.50	1.45	1,944	1,055,929
Oct	1.41	1.48	1.48	1,640	1,077,776
Nov	1.42	1.50	1.44	6,325	1,048,647
Dec	1.35	1.44	1.43	2,232	1,041,365

Market Capitalisation and Unit in Circulation Since Inception



TRADING PERFORMANCE

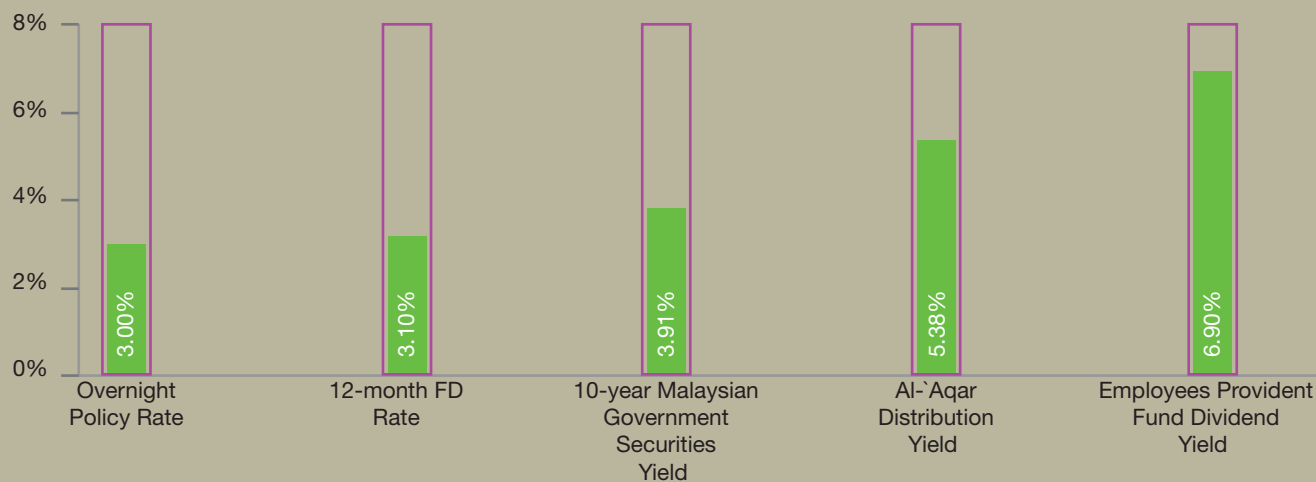
Monthly Trading Performance



Closing Unit Price and NAV per Unit

Year	Unit Price (RM)	NAV per Unit (RM)
2006	1.00	1.02
2007	0.97	1.03
2008	0.94	1.03
2009	0.99	1.04
2010	1.12	1.07
2011	1.15	1.12
2012	1.29	1.15
2013	1.33	1.18
2014	1.38	1.19
2015	1.40	1.21
2016	1.57	1.23
2017	1.43	1.26

Comparative Yield as at 31 December 2017



Sources : Bank Negara Malaysia, Maybank, Damansara REIT Manager and Employees Provident Fund

ANALYSIS OF UNIT HOLDINGS

UNIT HOLDINGS STATISTICS AS AT 29 DECEMBER 2017 (AS PER RECORD OF DEPOSITOR)

Breakdown of Unit holdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	354	12.67	15,012	-
100 – 1000	1,045	37.42	510,188	0.07
1,001 – 10,000	865	30.97	3,919,667	0.54
10,001 – 100,000	386	13.82	12,960,718	1.78
100,001 to less than 5% of Issued Capital	139	4.98	437,796,055	60.12
5% and above of Issued Capital	4	0.14	273,024,828	37.49
TOTAL	2,793	100.00	728,226,468	100.00

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

Name	No. of Units	%
1 Lembaga Tabung Haji	92,798,656	12.74
2 Kumpulan Wang Persaraan (Diperbadankan)	81,492,200	11.19
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	57,716,438	7.93
4 Pusat Pakar Tawakal Sdn Bhd	41,017,534	5.63
5 Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	4.96
6 AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	35,000,000	4.81
7 HSBC Noms (T) Sdn Bhd - A/C Selangor Medical Centres Sdn Bhd (355-300641-089)	35,970,000	4.94
8 Seremban Specialist Hospital Sdn Bhd	23,731,000	3.26
9 Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	2.89
10 Medical Associates Sdn Bhd	19,055,000	2.62
11 Waqaf An-Nur Corporation Berhad	18,199,870	2.50
12 Sentosa Medical Centre Sdn Bhd	15,653,000	2.15
13 Kedah Medical Centre Sdn Bhd	15,000,000	2.06
14 Permodalan Nasional Berhad	14,546,000	2.00
15 Pusat Pakar Tawakal Sdn Bhd	13,631,000	1.87
16 Valuecap Sdn Bhd	13,427,100	1.84
17 AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	12,248,500	1.68
18 Johor Specialist Hospital Sdn Bhd	12,203,000	1.68
19 Puteri Specialist Hospital (Johor) Sdn Bhd	12,000,000	1.65
20 Pusat Pakar Darul Naim Sdn Bhd	11,789,000	1.62
21 Jeta Gardens (QLD) Pty Ltd	9,497,544	1.30
22 AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.16
23 AmanahRaya Trustees Berhad - A/C Amanah Saham Didik	7,329,000	1.01
24 AmanahRaya Trustees Berhad - A/C AS 1Malaysia	6,405,630	0.88
25 AmanahRaya Trustees Berhad - A/C Public Strategic Smallcap Fund	6,075,500	0.83
26 Citigroup Noms (T) Sdn Bhd - A/C Exempt An for AIA Bhd	5,612,200	0.77
27 Citigroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (Life Par FD)	5,553,394	0.76
28 Kuantan Specialist Hospital Sdn Bhd	5,000,000	0.69
29 AmanahRaya Trustees Berhad - A/C PB Smallcap Growth Fund	4,545,700	0.62
30 Kajang Specialist Hospital Sdn Bhd	4,487,000	0.62

ANALYSIS OF UNIT HOLDINGS

Substantial Unitholders (5% and above)

Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
1. Johor Corporation	-	-	289,187,096 ⁽ⁱ⁾	39.71
2. KPJ Healthcare Berhad	-	-	270,814,007 ⁽ⁱⁱ⁾	37.19
3. Lembaga Tabung Haji	94,044,456	12.91	-	
4. Kumpulan Wang Persaraan (Diperbadankan)	84,199,200	11.56	-	
5. Employees Provident Fund	59,968,838	8.23	-	
6. Pusat Pakar Tawakal Sdn Bhd	54,648,534	7.50	-	

Note:

⁽ⁱ⁾ Deemed interested by virtue of its interest in KPJ Healthcare Berhad under Section 8 of the Companies Act 2016

⁽ⁱⁱ⁾ Deemed interested by virtue of its interest as several Unitholders of Al-Aqar are part of the KPJ Group of Companies.

Analysis Of Unitholders

	No. of Unitholders	%	No. of Units	%
Malaysian - Bumiputra	806	28.86	569,981,569	78.27
- Others	1,912	68.46	145,505,961	19.98
Foreigners	75	2.68	12,738,938	1.75
TOTAL	2,793	100.00	728,226,468	100.00

Unit Analysis as at 29 December 2017

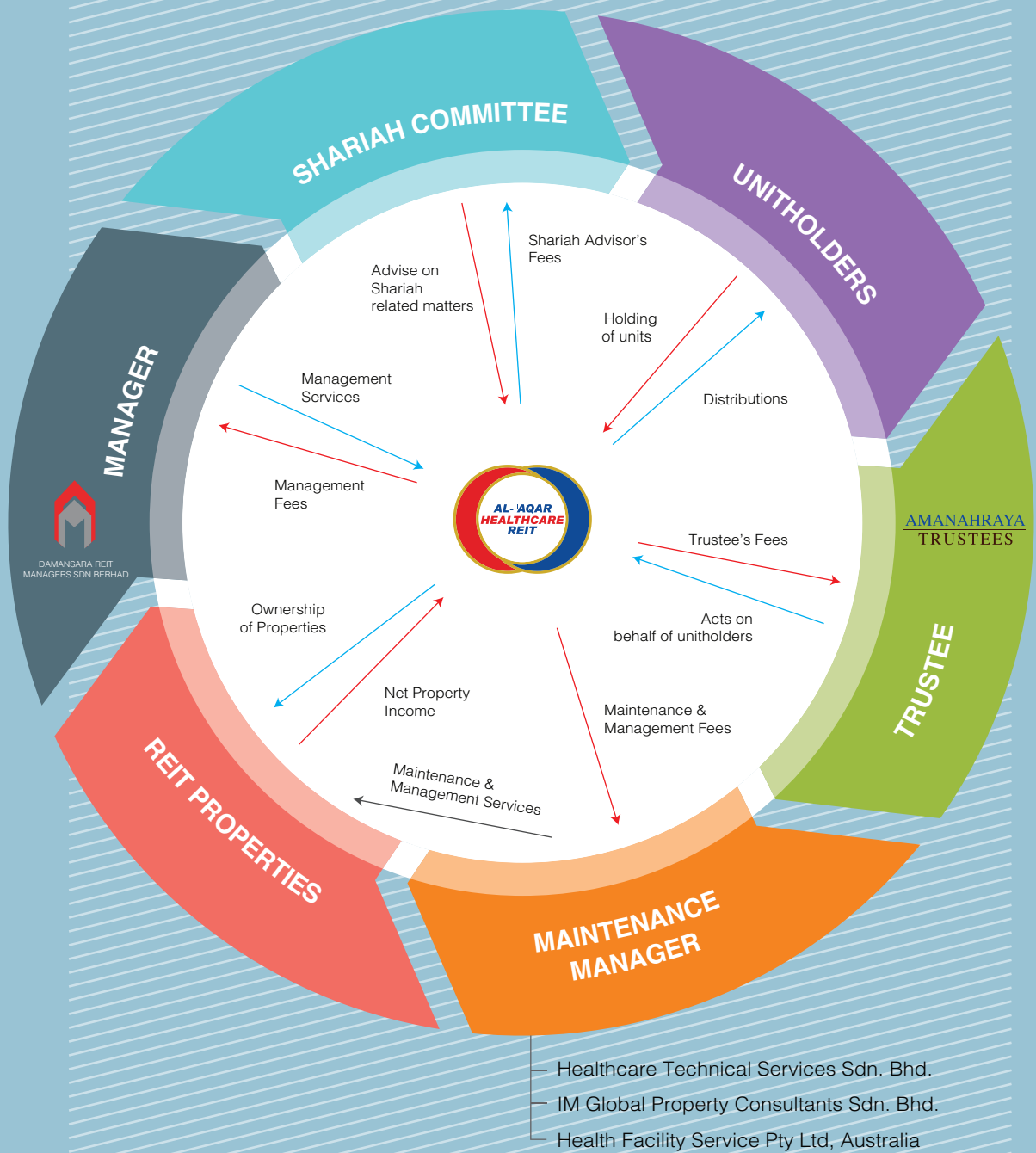
UNITHOLDERS	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit
Government Bodies	2	6,000	2	6,000	-	-	-	-
Finance	27	293,665,182	26	293,183,282	1	481,900	-	-
Investment Trust	7	192,599	6	22,599	1	170,000	-	-
Nominees	467	141,708,261	307	12,408,293	138	127,919,483	22	1,380,485
Companies	72	270,438,102	50	260,351,138	20	504,120	2	9,582,844
Clubs / Association	1	895,400	1	895,400	-	-	-	-
Co - Operatives	7	1,680,250	5	1,500,650	2	179,600	-	-
Individuals	2,210	19,640,674	409	1,614,207	1,750	16,250,858	51	1,775,609
Total	2,793	728,226,468	806	569,981,569	1,912	145,505,961	75	12,738,938
%	100.00	100.00	28.86	78.27	68.46	19.98	2.68	1.75

DRIVING FORCE

2

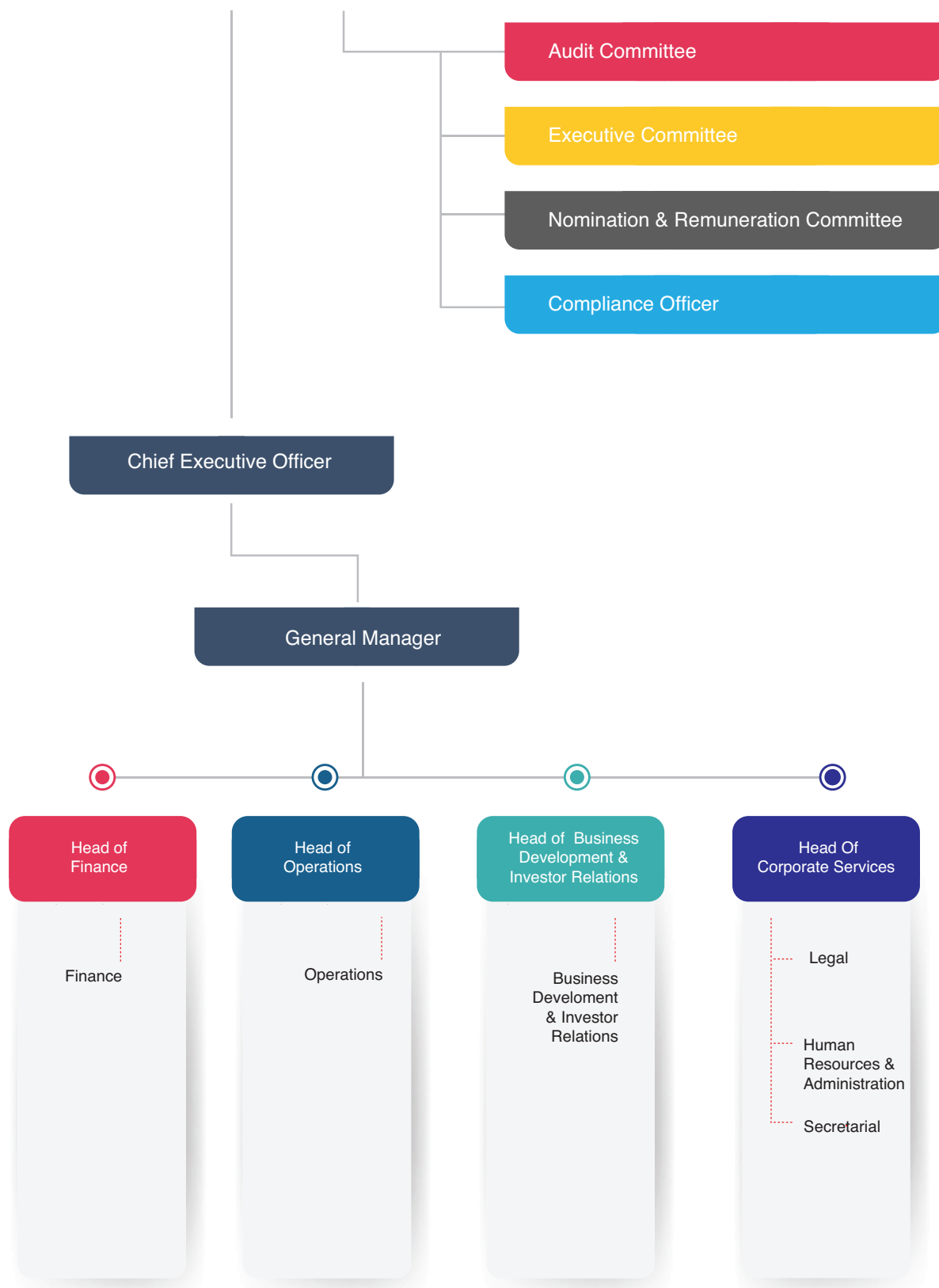
20	Trust Structure
21	Organisation Structure
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29	The Shariah Committee
32	The Management

TRUST STRUCTURE



ORGANISATION STRUCTURE

BOARD OF DIRECTORS



THE BOARD OF DIRECTORS



	Board of Directors	Audit Committee	Executive Committee	Nomination & Remuneration Committee
1. DATO' KAMARUZZAMAN BIN ABU KASSIM	●			●
2. WAN AZMAN BIN ISMAIL	●			
3. ZAINAH BINTI MUSTAFA	●	●	●	●
4. DR. MOHD HAFETZ BIN AHMAD	●	●	●	●
5. DATO' DR. RAHAH BINTI ISMAIL	●			
6. LUKMAN BIN HJ. ABU BAKAR	●	●	●	
7. YUSAINI BIN HJ. SIDEK	●			
8. DATO' AMIRUDDIN BIN ABDUL SATAR	●			
9. MOHD YUSOF BIN AHMAD	●			



COMPANY SECRETARIES



JAMALLUDIN BIN
KALAM
LS 0002710



HANA BINTI
AB. RAHIM@ALI
MAICSA 7064336

THE BOARD OF DIRECTORS PROFILE

DATO' KAMARUZZAMAN BIN ABU KASSIM

Malaysian, Male, Aged 54

Dato' Kamaruzzaman bin Abu Kassim is the Chairman and Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as Director on 12 January 2007 and as Chairman on 12 January 2011. He is currently the President & Chief Executive of JCorp with effect from 1 December 2010.

He graduated with a Bachelor of Commerce (Accountancy) from University of Wollongong, New South Wales, Australia in 1987.

He embarked his career as an Audit Assistant with Messrs K.E Chan & Associates in May 1988 and later joined Messrs Pricewaterhouse Coopers (formerly known as Messrs Coopers & Lybrand) in 1989. In December 1992, he joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999. He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and was later appointed as Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

He is also the Chairman of KPJ Healthcare Berhad and E.A. Technique (M) Berhad, companies under JCorp Group listed on the Main Market of Bursa Malaysia Securities Berhad. Further, he is also the Chairman and/or Director of several companies within the JCorp Group including Kulim (Malaysia) Berhad, Johor Land Berhad (JLand), QSR Brands (M) Holdings Bhd (QSR), Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's corporate social responsibility programmes and Yayasan Johor Corporation, a foundation that manages and administers funds for education and charitable purposes.

Other than as disclosed, he does not have any family relationship with any directors and/or major unitholders of Al-'Aqar. He has no personal interest in any business arrangements involving Al-'Aqar and has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2017.

WAN AZMAN BIN ISMAIL

Malaysian, Male, Aged 54

Wan Azman bin Ismail is the Executive Director cum Chief Executive Officer of the Manager. He was appointed to the Board as Non-Independent Non-Executive Director on 15 February 2017 and subsequently assumed his current role since 27 March 2017.

He graduated with a BA (Hons) in Accounting and Financial Analysis, University of Newcastle upon Tyne, United Kingdom in 1988. He started his career under the Corporate Finance Division of Perwira Affin Merchant Bank Berhad from September 1990 to March 1996. He later joined the Corporate Finance Division of BSN Merchant Bank Berhad on March 1999 to July 1999.

He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad (DBhd) in January 2001. He was appointed as the Managing Director of DBhd on 1 February 2011 and later redesignated as Director. Starting June 2014, he served JCorp as Vice President, Strategic Development Department prior to joining the Manager. He has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA.

Other than as disclosed, he does not have any family relationship with any director and/ or major unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 4 Board Meetings held during the period of his appointment date to 31 December 2017.

ZAINAH BINTI MUSTAFA

Malaysian, Female, Aged 63

Zainah binti Mustafa is the Independent Non-Executive Director of the Manager. She was appointed to the Board and as the Chairman of the Manager's Audit Committee on 16 February 2007.

She is currently a Fellow Member of the Association of Certified Chartered Accountants (ACCA). She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October 2002. She started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad in 1997 after graduating from Institut Teknologi MARA (presently Universiti Teknologi MARA).

She also holds directorship in several public-listed companies, namely, KPJ Healthcare Berhad and DBhd.

Other than as disclosed, she does not have any family relationship with any director and/or major unitholders of Al-Aqar. She has no personal interest in any business arrangement involving Al-Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

She attended all 5 Board Meetings held during the financial year ended 31 December 2017.

DR. MOHD HAFETZ BIN AHMAD

Malaysian, Male, Aged 68

Dr. Mohd Hafetz bin Ahmad is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006.

He obtained his Medical Degree from University Malaya in 1975. He did his housemanship in Hospital Sultanah Aminah, Johor Bahru, Johor and continued as Medical Officer in the same hospital. In 1978, he did his specialist training in Obstetrics and Gynaecology at the University Hospital, Kuala Lumpur. Thereafter, he served as a Trainee Lecturer and then as a Lecturer at the Department of Obstetrics and Gynaecology, University Malaya.

He joined Johor Specialist Hospital (JSH) in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994-2014).

He was the President of the Obstetrical and Gynaecological Society of Malaysia (OGSM) from 2004 to 2005 and he also served as a council member of the OGSM from 2003 to 2006. He is a member of the Malaysian Medical Association, Malaysian Menopause Society and Persatuan Perubatan Islam Malaysia. In 2011, he was awarded Johan Mangku Negara (JMN) by DYMM Yang Di Pertuan Agong.

He presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee. Previously, he was an Independent Non-Executive Director of Johor Land Berhad, Sindora Berhad, Waqaf AnNur Corporation and was a Director of KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ University College. Dr. Mohd Hafetz has no directorships in other public companies in Malaysia.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-Aqar. He has no personal interest in any business arrangement involving Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

THE BOARD OF DIRECTORS PROFILE

DATO' DR. RAHAH BINTI ISMAIL

Malaysian, Female, Aged 61

Dato' Dr. Rahah binti Ismail is an Independent Non-Executive Director of the Manager. She was appointed to the Board on 5 October 2017.

She is a valuer both by training and profession. She holds a doctoral degree in Housing Development and Finance, a masters degree in Urban Land Appraisal and a bachelor degree in Surveying (Property Management).

She had previously served the Department of Valuation and Property Services, Ministry of Finance Malaysia, holding several key positions including Deputy Director General of Valuation (Technical), Director of Valuation and Property Services in the states of Johor and Selangor, Director of Inspen and Head of Research at Inspen and retired from the service on August 2017 as the Director General of Valuation. Currently she is an independent property consultant.

She had also served as the President of the Board of Valuers, Appraisers and Estate Agents. Prior to her appointment as the President of the Board of Valuers, Appraisers and Estate Agents, she is the Chair for the Valuation Practice Committee and the Test of Professional Competency Committee of the Board.

She is also involved in professional bodies like the Royal Institution of Surveyors Malaysia, Royal institution of Chartered Surveyor where her contributions led to the recognition and award as the Fellow of the Royal Institution of Surveyors Malaysia and Fellow of the Royal Institute of Chartered Surveyors. She has also served ASEAN Valuers Association as the vice President and President of the AVA Malaysia. Currently she is in the AVA governing Council.

She is a keen researcher and her main area of interest is the area of property development, property market and housing and has presented locally as well as internationally.

Other than as disclosed, she does not have any family relationship with any director and/or major unitholders of Al-'Aqar. She has no personal interest in any business arrangement involving Al-'Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

She attended 1 Board Meeting held during the period of her appointment date to 31 December 2017.

LUKMAN BIN HJ. ABU BAKAR

Malaysian, Male, Aged 59

Lukman bin Haji Abu Bakar is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 12 January 2007 and as a member of the audit committee on 18 August 2010.

He graduated with a Bachelor of Urban and Regional Planning (Hons) from the University Teknologi Malaysia in 1982. He also holds a Post Graduate Diploma (Housing, Building and Planning) from Institute for Housing Studies, Rotterdam, Holland in 1985.

Upon graduation, he joined JCorp as a Town Planning Officer. He had held various positions in the JCorp Group before he was promoted as the Deputy Manager of JCorp in 1989. In 1992, he was appointed as the Manager cum Deputy Secretary of Pasir Gudang Local Authority (now known as Pasir Gudang Municipal Council). In 1993, he joined Sindora Berhad as the Deputy General Manager and was promoted as the General Manager in 1995. On 1 January 2006, he was appointed as the Senior General Manager of JCorp. On 1 July 2008, the Pasir Gudang Local Authority was upgraded as a full-fledged Municipal Council. Concurrently, he was appointed as its first President and served until 31 August 2009 when the Council was handed over to the administration of the State Government of Johor. Thereafter, he was promoted as a Senior Vice President in JCorp on 1 September 2009.

He presently is the Managing Director of JLand since 1 January 2010 and the Senior Vice President / Chief Executive of Property Division of JCorp since 1 January 2011. He is also Chairman and director of a few other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

YUSAINI BIN HJ. SIDEK

Malaysian, Male, Aged 50

Yusaini bin Hj. Sidek is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his role as Managing Director of the Manager on February 2013 until 19 April 2017.

Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of Damansara Assets Sdn Bhd (DASB) having been appointed on 1 December 2012 and the Vice President, Commercial Property, Property Division of JCorp since May 2015.

He graduated with a Master of Business Administration, with specialisation in International Business from University of Southern Queensland, Australia in 2010. He also holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

He has approximately 27 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly-owned subsidiary of Low Yatt Group of Companies. During his tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management. In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of JCorp as a Senior Manager until 2005 managing the properties under DASB in Kuala Lumpur prior to his appointment at DRMSB. Yusaini has obtained a Capital

Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA. In January 2015, he was appointed as the Vice Chairman for year 2015 to 2016 of the Malaysian REIT Managers Association (MRMA), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-Aqar. He has no personal interest in any business arrangement involving Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

THE BOARD OF DIRECTORS PROFILE

DATO' AMIRUDDIN BIN ABDUL SATAR

Malaysian, Male, Aged 54

Dato' Amiruddin bin Abdul Satar is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 21 January 2016.

He is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013.

An alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010. He is also the Malaysia Advisory Committee Member of the Association of Chartered Certified Accountants (ACCA).

He gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country.

He contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM) as the Vice President.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

MOHD YUSOF BIN AHMAD

Malaysian, Male, Aged 50

Mohd Yusof bin Ahmad is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 4 February 2014.

He graduated with a Bachelor in Surveying (Property Management) from Universiti Teknologi Malaysia in 1992.

Upon graduation, he gained experience as a Valuation Executive in Sailan & Co and KGV Lambert Smith Hampton. In 1993, he joined JLand as an Executive and later served as Valuation Executive at the Department in 1995.

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently the General Manager of Special Projects (JB Urban Redevelopment) of JLand since his appointment on 1 June 2015. He is also the General Manager, Special Projects (Property Division) of JCorp since 1 May 2015 and also special assistant to JCorp's President and Chief Executive Officer in Yayasan Sultan Ibrahim Johor.

He presently sits on the board of various companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

THE SHARIAH COMMITTEE



From left to right

DATO' (DR) HAJI NOOH BIN GADOT (Chairman)
PROFESSOR MADYA DR. AB. HALIM BIN MUHAMMAD
PROFESSOR DR. MOHAMAD @ MD. SOM BIN SUJIMON

THE SHARIAH COMMITTEE PROFILE

DATO' (DR) HAJI NOOH BIN GADOT

Malaysian, Male, Aged 72

Dato' (Dr) Haji Nooh bin Gadot, was appointed as the Chairman and Member of Shariah Committee of Al-'Aqar since 22 June 2006.

He graduated from the Al-Azhar University in Egypt with a Bachelor in Islamic Law and Shariah Islamiah. He obtained his tertiary Islamic education from Maahad Institution in Johor majoring in As-Syahadah Al-Thanawiyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyah Al- Arabiyyah – AsSyahadah Al-Ibtidaiyyah, Segamat and Islamic Primary School State of Johor Special Class. On 22 April 2012, he obtained the Ijazah Kehormat Sarjana Sastera (Master of Art) from Asia e University.

Currently, He is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor). He retired as Mufti of Johor in November 2002 and continued his service until 13 November 2008 and now remains as the Advisor to the Islamic Religious Council (Johor). His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He also presently sits on the board and member of various companies within the JCorp Group as well as other companies, council, institutions and organisation in Malaysia.

He is currently Director of Universiti Tun Hussein Onn (UTHM), Chairman of The Teaching and Advancement of Islam Studies, a member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment as well as Planning and Development units. He is also a member of various committees within the Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education.

PROFESSOR MADYA DR . AB. HALIM BIN MUHAMMAD

Malaysian, Male, Aged 73

Professor Madya Dr. Ab. Halim bin Muhammad, was appointed on 22 June 2006 as a Shariah Committee Member of Al-'Aqar.

He obtained his Bachelor in Shariah from Al-Azhar University in Egypt in 1972 and subsequently obtained his PhD in Shariah from St. Andrews, University of Scotland in 1977.

He began his career with Universiti Kebangsaan Malaysia as the Head of Department of Quran and Sunnah, Faculty of Islamic Studies and Lecturer at Faculty of Law Universiti Kebangsaan Malaysia.

He has served as Shariah Advisor and Shariah Committee member at several corporate organisation such as Tabung Haji, Bank Negara Malaysia, Dewan Bahasa dan Pustaka, Takaful Nasional and Terengganu Trust Fund as well as financial institutions namely, Bank Muamalat Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad, RHB Bank Berhad and Bank Pembangunan Malaysia Berhad.

At present, he is the Shariah Committee member of Bank Muamalat Malaysia Berhad, Angkatan Koperasi Kebangsaan Malaysia Berhad and Terengganu Trust Fund.

PROFESSOR DR. MOHAMAD @ MD. SOM BIN SUJIMON

Malaysian, Male, Aged 64

Professor Dr. Mohamad @ Md. Som bin Sujimon, was appointed on 20 May 2013 as a Shariah Committee Member of Al-Aqar.

He graduated from University of Al-Azhar, Egypt with a Bachelor of Honours from the Faculty of Islamic Jurisprudence and Law in 1979. He obtained his Master of Arts in Teaching from Mississippi State University, United States of America in 1982 and completed PhD in Islamic and Middle Eastern Studies at the Faculty of Arts in University of Edinburgh, Scotland, United Kingdom in 1997.

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983-1986 and later migrated to Brunei Darussalam whereby he was part of the team which founded 3 institutions, namely Universiti Brunei Darussalam (UBD), Universiti Islam Sultan Syarif Ali (UNISSA) and Kolej Universiti Perguruan Ugama Seri Begawan.

In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddien. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

He was a Senior Researcher at the International Shariah Research Academy and is currently the Chief Executive Officer of Kolej Pengajian Islam Johor and member of the Shariah committee for HSBC Amanah Takaful and also member of Shariah Committee for Hong Leong Islamic Bank Berhad. In December 2013, he was appointed as the Chairman for the Shariah Board of Brisbane Islamic Investment Fund, an Australian regulated Islamic investment fund and Islamic finance business custodians which deals with manufacturing and services, energy and resources, real estate, solar and clean energy and live stocks. Recently he was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej Universiti Islam Antarabangsa Selangor.

THE MANAGEMENT

WAN AZMAN BIN ISMAIL

Malaysian, Male, Aged 54

Wan Azman bin Ismail is currently the Executive Director cum Chief Executive Officer of the Manager. His profile is detailed in the Board of Directors' profile.

ROZIAH BINTI ABU BAKAR

Malaysian, Female, Aged 50

Roziah Abu Bakar is currently the Head of Compliance and Risk Management of the Manager. She completed her Masters in Business Administration, Henley Business School, University of Reading in 2008 and has a Degree in International Relations, Faculty of Political Science from The University of British Columbia, Canada. She started her career at JCorp in 1995 and has various experiences in the areas of corporate planning, business development and education. She obtained approval from the SC as the Compliance Officer of the Manager in June 2017.

Other than as disclosed, she does not hold directorships in other public companies in Malaysia. She does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does she have any conflict of interests with Al-`Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

SHAHRIK ZAIRIS BIN RAMLI

Malaysian, Male, Aged 48

Shahril Zairis bin Ramli is currently the General Manager of the Manager. He joined the Manager in July 2012. He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined DBhd and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. He is the holder of Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He has a Bachelor of Arts in Banking and Finance from Bangor University and a Diploma in Investment Analysis from Universiti Teknologi Mara.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

SUHAIMI BIN SAAD

Malaysian, Male, Aged 48

Suhaimi bin Saad is currently the Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experiences in property management and planning and has been working in the property management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-`Aqar's portfolio. He has obtained a Capital Markets Services Representatives' License for REIT from the SC as a Licensed Representative.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

HAMIM BIN MOHAMAD

Malaysian, Male, Aged 41

Hamim bin Mohamad is currently the Head of Corporate Services. He joined the Manager in July 2014. He graduated with a Bachelor's Degree in Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Maybank Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He was the Compliance Officer of the Manager from September 2014 until June 2017.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

Malaysian, Male, Aged 32

Muhammad Ikhwan bin Muhammad Hanapi is currently the Head of Finance of the Manager. He is primarily in charge of the accounting and financial matters of the Manager. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within three (3) years with the Firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He joined the Manager in October 2011 as an Accountant and was promoted to Senior Accountant on 1 January 2016. He is currently a member of the Malaysian Institute of Accountant (MIA) and a Fellow member of the Association of Chartered Certified Accountants (ACCA).

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

SAHRIN BIN MUNIR

Malaysian, Male, Aged 36

Sahrin bin Munir is currently the Head of Business Development and Investor Relations of the Manager. He joined the Manager in May 2013. He graduated with a Bachelor of Management (Technology) from Universiti Teknologi Malaysia in 2004. He started his career with DBhd in 2006. In 2008, he joined a venture capital management company, Pembangunan Ekuiti Sdn Bhd as Investment Analyst overseeing small and medium enterprises from various industries involved in, amongst others, oil and gas, manufacturing, services and trading. He then joined FELDA as Investment Officer in 2011. He is primarily in charge to develop investment strategies and grow the Fund's portfolio through strategic acquisitions. He is also responsible to implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

STRATEGIC PERFORMANCE

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MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

KEY FINANCIALS

	FY2017 RM'000	FY2016 RM'000	GROWTH %
The Group			
Gross revenue	99,648	103,839	(4.0)
Net Property Income	93,207	97,595	(4.5)
Profit for the year (realised)	59,852	61,540	(2.7)
EPU (realised) (sen)	8.22	8.45	(2.7)
The Fund			
Income available for distribution	58,427	58,597	(0.3)
DPU (sen)	7.70	7.70	-

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

PROFIT FOR THE YEAR

Profit for the year was RM82.2 million (FY2016: RM63.1 million) comprising realised profit of RM59.8 million (FY2016: RM61.5 million) and unrealised profit of RM22.3 million (FY2016: RM1.5 million).

Realised profit dropped 2.7% or RM1.7 million in FY2017 mainly due to loss on income of RM4.8 million from disposal of Selesa Tower but mitigated by lower financing cost of RM4.2 million due to redemption of sukuk, which was made by using the proceeds received from the said disposal. Accordingly, other trust disposal exercise expenses had also increased by RM1.1 million due to this exercise.

The unrealised profit of RM22.3 million mainly relates to fair value gains on investment properties, which was higher by RM20.8 million. The higher fair value gain for the year was mainly attributable to those properties in Klang Valley, namely KPJ Tawakkal Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Kajang Specialist Hospital, KPJ Selangor Specialist Hospital and Tawakkal Health Centre.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2017 of the Fund was RM58.4 million. This was derived from net realised income of RM59.4 million, plus the realisation of profit from disposal of Selesa Tower of RM12.8 million and less capital expenditures incurred during the year of RM13.8 million.

The Fund had distributed an interim income distribution of 3.75 sen per unit amounting to approximately RM27.3 million on 13 October 2017.

On 29 January 2018, the Manager declared a final income distribution of 3.95 sen per unit totalling RM28.8 million. The said distribution was paid on 28 February 2018.

Total income distribution for FY2017 is 7.70 sen per unit totalling RM56.1 million, which represents 96% of the income available for distribution.

CONTRIBUTION BY SEGMENT

The Group has a single operating segment. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has two reportable segments as follows:

- I. Malaysia
- II. Australia

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

REVENUE CONTRIBUTION

	FY2017 RM'000	FY2016 RM'000
Malaysia	88,550	92,054
Australia	11,098	11,785

NPI CONTRIBUTION

	FY2017 RM'000	FY2016 RM'000
Malaysia	82,588	85,932
Australia	10,619	11,663

Malaysian Segment

The Malaysia segment, as the key contributor, contributed 88.9% (FY2016: 88.7%) and 88.6% (FY2016: 88%) in terms of revenue and NPI respectively. The Malaysia segment's revenue dropped by 3.9% to RM88.5 million in FY2017 from RM92.1 million in FY2016. NPI dropped 3.9% from RM85.9 million to RM82.6 million. The decrease in revenue and NPI were mainly due to loss of income following the disposal of Selesa Tower but mitigated by annual increment on rental income.

Australian Segment

The Australia segment's contribution to Al-Aqar's revenue and NPI remained largely unchanged in FY2017 at 11.1% and 11.4% respectively. Revenue and NPI contribution decreased 5.8% (from RM11.8 million to RM11.1 million) and 8.9% (from RM11.7 million to RM10.6 million) respectively.

STATEMENT OF FINANCIAL POSITION

Al-Aqar's total asset value stood at RM1.56 billion as at 31 December 2017 compared to RM1.61 billion in the previous year. The decrease of RM54.8 million was mainly due to disposal of Selesa Tower, which has been disposed at RM100 million on 19 June 2017. However, the investment properties grew by 2.5% due to acquisition of car park block KPJ Selangor of RM13 million on 27 December 2017, fair value gain on investment properties of RM24.8 million and capex incurred during the year.

Total borrowings decreased to RM573.6 million from RM653.8 million due to redemption of Sukuk on 20 July 2017. The subsidiary company redeemed RM80 million in nominal value of IMTNs. The redemption was made by using the proceed received from disposal of Selesa Tower. The Sukuk Ijarah Programme will be due in May 2018. The Manager is in the midst of undertaking steps to refinance the said issuance. Total unitholders' fund was at RM923.3million, an increase of RM27.2 million as compared to FY2016.

STATEMENT OF CASH FLOW

Operating Activities

Net cash generated for operating activities was RM89.1 million in FY2017 which was higher than RM88.1 million in FY2016. The higher amount generated in FY2017 was mainly due to lower financing cost following the redemption of unrated Sukuk of RM80.0 million in July 2017 recorded during the year.

Investing Activities

The main investing activities in the current year relate to the acquisition of KPJ Selangor Car park block of RM13 million. The higher amount recorded was mainly due to proceeds of RM100 million received from disposal of Selesa Tower.

Financing Activities

Al-Aqar utilised RM165.1 million for financing activities during the financial year compared to RM78.5 million in the preceding year. The higher amount recorded in the current year was related to early redemption of unrated Class C sukuk RM80 million. The redemption was made by using the proceeds received from disposal of Selesa Tower.

As at 31 December 2017, cash and cash equivalent was RM68.9 million, an increase of RM12.5 million from RM56.4 million (FY2016).

PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK	FY2017	FY2016	COMMENTARY
i. Management expense ratio (%)	0.32	0.27	Management expenses ratio of 0.32% increased by 5% due to corporate exercise of disposal and acquisitions of investment properties in FY2017.
ii. Total return (%)	(3.54)	17.04	Total return for the financial year has turn to negative due to lower closing price of RM1.43 compared to RM1.57 in FY2016.
iii. Average annual total return (5 years) (%)	7.60	12.09	The 5-year average annual total return decreased due to lower closing price in FY2017.
iv. Average annual total return (3 years) (%)	6.80	11.09	The 3-year average annual total return decreased due to lower closing price in FY2017.
v. Distribution yield (%)	5.38	4.90	Distribution yield has increased from 4.9% in FY2016 to 5.38% due to lower closing price of RM1.43 compared to RM1.57 in FY2016.
vi. NAV per Unit	1.2284	1.1925	NAV per unit recorded an increase of 3.0% arising from the profit recorded for the year 2016 (RM85 million) and payment of final income distribution FY2016 (RM27.7 million) and interim income distribution FY2017 (RM27.3 million).

MANAGEMENT DISCUSSION & ANALYSIS

Notes:

- i. The ratio of expenses incurred in operating Al-Aqar of RM2.8 million (FY2016: RM2.4 million) to the weighted average of NAV of Al-Aqar of RM887.2 million (FY2016: RM808.8 million).
- ii. Total return represents the change in unit price during the year plus distribution yield for the year.
- iii. Average annual total return is the sum of the return rates of Al-Aqar over a given numbers of years divided by that number of years.
- iv. Average annual total return is the sum of the return rates of Al-Aqar over a given numbers of years divided by that number of years.
- v. Based on DPU of 7.70 sen (FY2016: DPU of 7.70 sen) divided by its closing price as at 31 December 2017 of RM1.43 (31 December 2016: RM1.57)
- vi. Net asset value of Al-Aqar is determined by deducting the value of all Al-Aqar's liabilities from the total asset value, divided by total issued units.

FAIR VALUE OF PORTFOLIO PROPERTIES

As at 31 December 2017, the value of Al-Aqar's properties was RM1.46 billion compared to RM1.52 billion as at 31 December 2016. The fair value gain recorded was RM24.8 million.

During the year, Al-Aqar Healthcare REIT had completed the disposal of Selesa Tower on 19 June 2017 and resulted in no gain or loss since the disposal consideration and market value of the investment property at the point of disposal was RM100 million. However, there was a realisation of unrealised profit of RM12.8 million recorded upon completion of disposal as the original cost of investment was approximately RM87.2 million.

On 27 December 2017, Al-Aqar Healthcare REIT completed an acquisition of a new car park block at KPJ Selangor amounting to RM13 million.

	2017 RM'000	2016 RM'000
Investment properties		
At 1 January	1,424,360	1,521,523
Addition	13,259	-
Enhancements	506	937
Reclassification as asset held-for-sale	-	(100,000)
Effect of foreign currency exchange differences	(3,214)	-
Gain on fair value of investment properties	24,792	1,900
At 31 December	1,459,703	1,424,360
Asset classified as held-for-sale	-	100,000
Total portfolio properties	1,459,703	1,524,360

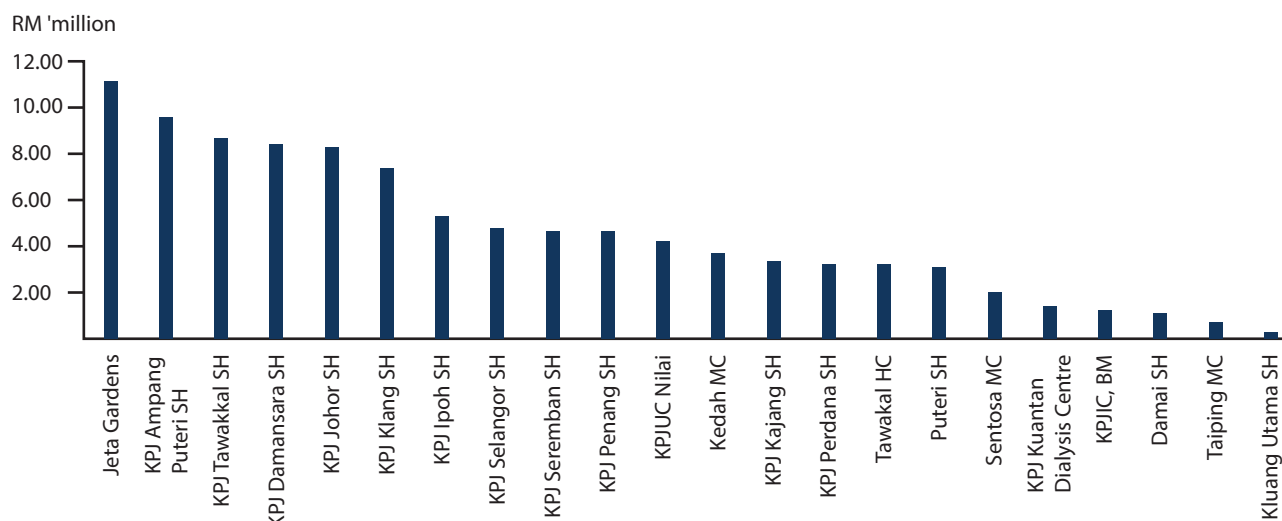
Property	2017 Fair Value (RM '000)	2016 Fair Value (RM '000)
Malaysia		
KPJ Ampang Puteri Specialist Hospital	135,000	132,000
KPJ Damansara Specialist Hospital	121,700	117,000
KPJ Johor Specialist Hospital	116,800	114,000
KPJ Selangor Specialist Hospital	80,800	65,500
KPJ Puteri Specialist Hospital	43,000	43,000
KPJ Ipoh Specialist Hospital	73,000	72,900
KPJ Perdana Specialist Hospital	45,000	45,000
KPJ Kuantan Dialysis Centre	21,700	21,700
KPJ Kajang Specialist Hospital	48,400	46,200
Kedah Medical Centre	51,700	51,700
Sentosa Medical Centre	30,000	28,700
KPJ Seremban Specialist Hospital	66,300	66,300
Taiping Medical Centre	10,000	10,000
KPJ Healthcare University College, Nilai	100,600	99,400
KPJ Tawakkal Specialist Hospital	127,900	123,000
Damai Specialist Hospital	15,200	15,200
Tawakkal Health Centre	47,000	44,700
KPJ International College, Bukit Mertajam	16,200	16,200
KPJ Penang Specialist Hospital	64,000	63,500
Selesa Tower*	-	100,000
Kluang Utama Specialist Hospital	4,300	4,300
KPJ Klang Specialist Hospital	101,500	101,500
	1,320,100	1,381,800
Australia		
Jeta Gardens Aged Care Facility and Retirement Village**	139,603	142,560
TOTAL PORTFOLIO	1,459,703	1,524,360

* Disposed during the year

** The property was valued at AUD44 million and translated using the exchange rate at the date of valuation.

ANNUAL LEASE CONTRIBUTION

Al-Aqar's properties comprise of 19 hospitals and 3 healthcare related properties in Malaysia and Australia. Properties with high market value are also the major contributors in terms of lease contributions as depicted in the following chart.



MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONS REVIEW

THE PORTFOLIO MAINTAINED 100% COMMITTED OCCUPANCY, WITH A POSITIVE RENTAL INCREMENT

The Manager is focused on active asset management and acquisition growth strategy in order to provide regular and stable distributions to unitholders and ensure capital growth and improved returns from its property portfolio.

Despite the challenging operating environment, the Manager's active asset management continued the strong operational performance into FY2017. The portfolio maintained 100% committed occupancy, with a positive rental increment.

The Manager constantly strives to maintain the existing properties as attractive operating assets for the business of its tenants and to sustain continuous strong business relationships with the tenants since 2006.

ASSET ENHANCEMENT INITIATIVES

Optimisation of stakeholder value is the core focus and prime objective of Al-'Aqar. This is achieved via asset enhancement strategy. We aim to improve our performance through constantly upgrading our properties and services. Since listing, the Manager has devoted substantial efforts to implement asset enhancement initiatives with the aim to develop our properties to their full potential. The Manager expects to implement asset enhancement initiatives worth up to RM10.7 million.

CATEGORY	AMOUNT (RM)
Completed	
• Civil and Structural	
• Mechanical and Electrical	
• Repainting	
Sub total	587,500
Ongoing	
• Repainting	
• Civil and Structural	
• Mechanical and Electrical	
• Expansion	
Sub total	10,074,770
TOTAL	10,662,270

RENTAL RENEWALS

Under the lease arrangement, the contractual lease term is 15 years with an option to renew for a further 15 years. The contractual lease term is divided into 5 rental term of 3 years which shall be renewed upon expiry of each rental term. Based on the Manager's records, the lessees have continuously committed to their rental obligations.

RENTAL REVIEW

Al-Aqar has a well-spread rental review as shown in the following table:

Year	No. of Properties	% of Total Properties
FY2018	8	36.36%
FY2019	4	18.18%
FY2020	6	27.27%
FY2021	3	13.64%
FY2024	1	4.55%

BUSINESS REVIEW

For the year under review, Al-Aqar had completed the disposal of Selesa Tower to Optimum Impress Sdn Bhd at a consideration of RM100 million. The disposal enabled Al-Aqar to realise the value of its investment in the property and the proceeds received was utilised to pare down the borrowings of RM80 million, purchase consideration of RM13 million for car park block in KPJ Selangor Specialist Hospital and for working capital purposes.

The acquisition of a 5-storey car park block in KPJ Selangor Specialist Hospital was completed on 27 December 2017. Al-Aqar has the right to acquire the new block upon expiry of the Investment Tax Allowance.

Prospects

The resilient of the healthcare industry is expected to bode well for Al-Aqar. The Manager expects Al-Aqar to register a moderate growth for FY2018, supported by secured 100% tenancies and modest rental revision. At the same time, the Manager is charting out the plan with KPJ in the planning and execution of assets injection into Al-Aqar in the immediate and long term as well as negotiation with third parties.

CAPITAL MANAGEMENT

GEARING RATIOS

Al-`Aqar's gearing ratios are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratios at the end of the reporting period are as follows:-

	2017	2016
Total borrowings (RM'mil)	573.58	653.80
Total assets value (RM'mil)	1,556.43	1,611.21
Total borrowings to total asset value ratio (%)	36.85	40.58

ISLAMIC FINANCING: SUKUK IJARAH

In 2013, the Manager via its special purpose vehicle, Al-`Aqar Capital Sdn Bhd has established a 15-year Islamic Medium Term Notes Sukuk Ijarah of up to RM1.0 billion in nominal value in FY2013. The RM655 million 5-year Sukuk under Issue 1 was issued via the First Tranche of RM374 million and the Second Tranche of RM281 million. The profit rates for the sukuk are all on fixed rate basis thus insulating Al-`Aqar from any adverse movement in the interest rate and volatility in the economy. The average profit rate of the Sukuk is about 4.7% per annum.

In April 2017, RAM Ratings has reaffirmed the respective AAA/Stable and AA2/Stable ratings of RM272 million Class A and RM55 million Class B Sukuk Ijarah. The rating was premised on the underlying properties' stable rental income given the longterm lease arrangements with KPJ Healthcare Berhad (KPJ Group or the Group). RAM also expects the business plans (i.e. new developments and land title exercises) relating to some of the properties under expansion to be managed prudently and in stages, to preserve the integrity of the transaction structure. The resultant loan-to-value and debt service coverage ratios continue to commensurate with the respective ratings.

RAM also highlighted that the above is exposed to significant single-counterparty risk as all the operators of the Properties are subsidiaries of KPJ. In this regard, the KPJ's vested interest in the REIT and the strategic importance of the properties to KPJ's operations provide an incentive to ensure the transaction's continued performance and the servicing of the lease.

The Issue 1 under the above sukuk programme will be due in second quarter of 2018 and the Manager is in the midst of undertaking steps to refinance the said issuance.

RISK MANAGEMENT

Effective risk management is a fundamental part of the Manager's business strategy in order to ensure there are no adverse disruptions to the income distribution and to mitigate any potential loss which may impact negatively upon all the Unitholders so as to preserve their investments. Risk management has been part of the Manager's day-to-day operations in managing Al-`Aqar and the Manager is responsible to ensure consistency of operational procedures and practices within the organisation. The commitment to achieve effective risk management is ultimately driven by the Board, which in turn is implemented by the management team and extended to all employees of the Manager. The Manager formulated and developed the Risk Management Framework, with the assistance of the outsourced Internal Auditors, which aims at identifying, analysing and evaluating risks with a view to ensure the effective management of potential opportunities while reducing or avoiding adverse effects.

The Fund's risk management framework include:-

- i) continuously identifying, assessing and monitoring the Fund's risks;
- ii) managing and monitoring risks assumed by the Fund's on behalf of its Unitholders; and
- iii) mitigation actions to address such risks.

Where functions are outsourced, the Fund's risk management framework must include:-

- i) performing due diligence on the nature, scope and complexity of the outsourcing to identify key risk areas and risk mitigation strategies;
- ii) conducting review of its outsourcing arrangement and identifying new risks which may arise; and
- iii) analyzing the impact of the outsourcing arrangement on the overall risk profile of the Fund, and whether there are adequate measures and resources in place to mitigate the risks identified.

MANAGEMENT DISCUSSION & ANALYSIS

RISK	RISK DESCRIPTION	MITIGATION PLAN
Acquisition & Investment Risk	Risk that assets are not yield accretive and distort existing portfolio which is healthcare focused or difficulty in acquiring quality assets.	All investment proposals will be assessed thoroughly based on the approved investment criteria. The proposals will be evaluated by the Executive Committee prior to recommendation to the Board and subsequently, due diligence will be undertaken by the appointed professionals.
Valuation Risk	Risk that assets are not yield accretive and distort existing portfolio in acquiring quality assets.	The Manager will appoint a professional property valuer to determine the fair and reasonableness of the value of the assets to be acquired.
Financing & Refinancing Risk	Risk that funding will not be available from banks or debt capital market to meet requirements when due.	<p>Given the stable income from the assets portfolio, the Manager does not foresee any risk associated with inability to procure financing. However, the Manager will take all the steps in ensuring the borrowing rates and any cost related to the financing are kept at optimal level so that the return to unitholders are maximised.</p> <p>The Manager will make early preparation for the refinancing exercise of current Al-Aqar Sukuk which will be due in second quarter of 2018.</p>
Liquidity Risk	Risk that funds are inadequate to meet obligations.	The Manager will continuously monitor the rental income, operational cost of the assets as well as borrowing cost and related costs are within the annual budgeted plan.
Profit Rate Risk	Risk that adverse movements in floating profit rates will affect financial performance.	Currently, Al-Aqar's borrowing is on fixed basis and as such, will not be subject to any adverse movement in profit rate.

RISK	RISK DESCRIPTION	MITIGATION PLAN
Business / Market Risk	Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration.	<p>Given the established healthcare business of the tenants which is defensive in nature as well as the strategic location of the properties, the Manager is of the view that Al-`Aqar is not highly susceptible to business and market risk.</p> <p>The Manager will appoint professional property managers with proven track record as their specialised expertise for the particular property type and their knowledge of the market can help maximise property performance while reducing risk of management pitfalls and operating costs.</p>
Tenant Concentration Risk	Risk that revenue of Al-`Aqar is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties.	The Manager has a designated long term lease Agreement (15 + 15 years & renewal of tenancy every 3 years) to ensure performance each property is guaranteed.
Currency Risk	Risk that Al-`Aqar is exposed to foreign currency exchange rate fluctuations.	The rental income for the property in Australia is fixed in Ringgit Malaysia. About 70% of the rental is remitted back to Malaysia and the remaining 30% is utilised to bear expenses in Australia. As such, Al-`Aqar is not subject to the risk of fluctuation of exchange rate.
Compliance Risk	Risk that Al-`Aqar fails to comply with applicable laws and regulations.	The Manager has a designated compliance officer who is responsible for ensuring that all relevant laws, guidelines, and regulations are duly complied with.
Human Capital Risk	Risk that the Manager fails to attract and retain competent staff force to manage its portfolio and to execute its strategies for sustainable growth.	The Manager to promote work-life balance with current working hour, to facilitate staff as reasonable as possible and also to provide satisfying benefits by considering the market standard of HR practice.

INVESTOR AND PUBLIC RELATIONS

At Al-`Aqar, investor relations activities are focused on increasing awareness in the investment community via an open dialogue with all stakeholders, namely unitholders, analysts, media, potential investors and the general public. Our aim is to enable market participants to form a realistic opinion of the company's profitability, strategic positioning and the associated opportunities and risks.

5th Annual General Meeting

The Manager convened the 5th Annual General Meeting (AGM) of Al-`Aqar Healthcare REIT on 25 April 2017 to seek the unitholders' approval amongst others, for the following resolutions:

- Proposed to allot and issue new units
- Proposed increase in the existing approved fund size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.



5th AGM of Al-`Aqar Healthcare REIT on 25 April 2017 at Puteri Pacific Hotel, Johor Bahru



5th AGM of Al-`Aqar Healthcare REIT on 25 April 2017 at Puteri Pacific Hotel, Johor Bahru

Accessibility of Information

The accessibility for retail investors to the management of the Manager may not be easily available in comparison to institutions investors. We recognise the growing sophistication of retail investors leading to higher expectation of higher accessibility of information from this group of stakeholder. The existing communication channels for retail investors include the following:

- 1) Corporate Website & Investor Relation Portal (www.alaqar.com.my)
- 2) Annual Report
- 3) IR enquiry

In this financial year, we have made enhancement to the communication channels mentioned above. Al-`Aqar's website was upgraded to incorporate new features and additional information in order to facilitate our stakeholders in making informed decisions. The Investor Relation Portal (IR Portal) is incorporated into Al-`Aqar's corporate website under the Investor Relations section. The IR Portal is powerful communication channel for the public in accessing latest announcements, annual reports, presentation decks and stocks information.

Analysts & Investors Briefing

The Manager has always engaged with analysts as well as investors and potential investors to keep them abreast of the latest development of Al-`Aqar. The briefings were organised periodically either thru one-on-one meetings, conference calls or roadshow. Properties tour was also organized based on request for better appreciation of the quality of our assets.

Media Relations

Media have an important role in providing information which is the key to an efficient market operation and thus plays a critical role in all aspects of business, commerce and industry. The Manager is aware of the important role played by the media in shaping the present and future image of the Fund and always opens its door to interact with media at all times.

Exhibition

The Manager is committed to increase awareness on Al-`Aqar among public and local investors. Participation in the various exhibitions aimed to expose the variety of investments and include awareness of the public about the legitimate investment products in Malaysia. This is a great channel to communicate with investors as the exhibitions were attended by government institutions and NGOs as well as from the mass public.

REITs Asia Pacific 2017
Exhibition

4 August 2017

Sheraton Towers, Singapore

Ekspo Johor
Berkemajuan

6 - 14 October 2017

Nusajaya, Johor

Hari Misi Inovasi Bisnes
JCorp 2017

13 - 14 December 2017

Persada Johor International
Convention Centre,
Johor Bahru



REITs Asia Pacific 2017 Exhibition

Malaysian REIT Managers Association (MRMA)

Al-`Aqar is an active member of the Malaysian REIT Managers Association since 2009. The Manager took the opportunity to attend the quarterly meetings and the annual general meeting to exchange views with other members and planning concerted efforts to promote M-REITs industry to both domestic and foreign investors.

MARKET REPORT SUMMARY

1. ECONOMIC OVERVIEW

The Malaysian economy performed exceptionally good last year driven by a resilient domestic demand due to the improvements in both investment and consumption and reinforced by a sturdy global demand. The first three quarters displayed a better-than-expected performance with the real GDP growing by 5.6% in the first quarter and accelerating to 5.8% and 6.2% in the second quarter and third quarter, respectively. For the year as a whole, Bank Negara Malaysia reported that the Malaysian economy recorded a growth of 5.9% (2016: 4.2%).

With an accommodating domestic development amid buoyant external demand, Malaysian economy is expected to grow at 5.4% this year, again driven by domestic demand, which in turn is projected to grow at 5.2%. The private sector, both consumers and producers, is anticipated to continually provide impetus for domestic demand. The external sector is expected to remain strong although the growth rates both for exports and imports are projected lower due to the base effect of a high growth realised last year. The growth momentum is expected to persist into next year, with the expected GDP growth rate in a range of 4.8-5.3%.

(Source: Official website of Bank Negara Malaysia and Malaysian Institute of Economic Research)



2. MALAYSIAN REIT

The 10-year MGS yield has ranged higher at 4.0-4.3% in Jan-Apr 2017, due to less favourable macroeconomic factors such as weakening of the MYR and suppressed crude oil prices. In May-12 Dec 2017, the 10-year MGS yield ranged lower at 3.8%-4.1%. 2017 YTD, the 10-year MGS yield has increased to an average of 4.00% (2016: 3.84%). Conversely, M-REITs' net DPU yield (1-year forward) inched down to 5.30% average for 2017 YTD (2016: 5.31%). This led to yield spreads of M-REITs over the 10-year MGS being lower at 130bps, vs. 147bps for 2016. M-REITs underperformed in 2017 YTD – the sector average is down -4% vs. KLCI's +5%. It is believed M-REITs' moderation in unit prices is partly attributed to their 2016 outperformance (+13%) for their resilient earnings and on cautious corporate earnings outlook across selected sectors. In 2017, broad property oversupply has impacted investors' sentiment on the REITs too.

It is expected the outlook to remain challenging for M-REITs as they could face occupancy risk due to oversupply. 2018 is likely to see BNM OPR hike; this offers opportunity to accumulate the quality REITs on weakness. Maybank Economics Team expects a +25bps OPR hike to 3.25% (May 2018 as the earliest possible timing) which is reflective of BNM's confidence in the strength of both global and domestic economic growth in 2017 sustaining into 2018. BNM has also signalled for higher OPR bias in its Monetary Policy Statement dated 9 Nov 2017. With higher interest rates being generally negative on the REITs (with unit prices expected to adjust down amid higher fixed income yields), we would position to accumulate the quality REITs on weaknesses in their unit prices.

Nevertheless, it is a forecasted a higher aggregate core EPU growth of +5.1% YoY in 2018 (2017E: +0.6% YoY) on sustained occupancy rates, rental step-ups, positive rental reversions, and asset injections. Maybank IB Research remain positive only on M-REITs with prime shopping malls and office assets with tenants on long-term or triple net leases which entail lower occupancy risks.

While there is no official effective date for the revised REIT Guidelines by the Securities Commission (SC), it is generally positive on several amendments which could enhance unitholders' value (as observed from the SC's public consultation paper in 2H16). Potential major positives from the revised guidelines are allowing redevelopment activities, a fixed gearing limit and extension of the non-Shariah compliant tenants' tenure.

(Extracted from Research report 2018: Outlook & lookouts by Maybank IB Research, 15 December 2017)





3. HEALTHCARE IN MALAYSIA

The growth prospects for the sector globally over the long term are positive underpinned by an aging population, rising affluence and increasing life expectancy. The local private healthcare sector has an added catalyst, i.e. medical tourism backed by its highly competitive medical charges and hospitalisation costs (vs. those in developed countries), a generally English-speaking population as well as various incentives provided by the government.

Over the short term, private healthcare operators in Malaysia will also benefit from the strengthening ringgit vs. USD, as costs of key inputs such as drugs, medical supplies and medical equipment are denominated in USD. On the other hand, as in the case of 2017, private healthcare operators in Malaysia will continue to face wage inflation in 2018, and some short-term pain for long-term gain, i.e. start-up losses from new hospitals.

Private healthcare operators in Malaysia are poised for a major step-up in revenues and profits if a government-backed national health insurance system becomes a reality in Malaysia. There are concerns that the current public healthcare system in Malaysia is untenable over the long term. The funding needs for the sector are on a constant upward trajectory simply due to the growing population, aging population, a longer life expectancy and cost inflation. Already, overcrowding has become a common sight in public hospitals, while patients seeking specialist treatments will have to bear with a long waiting period.

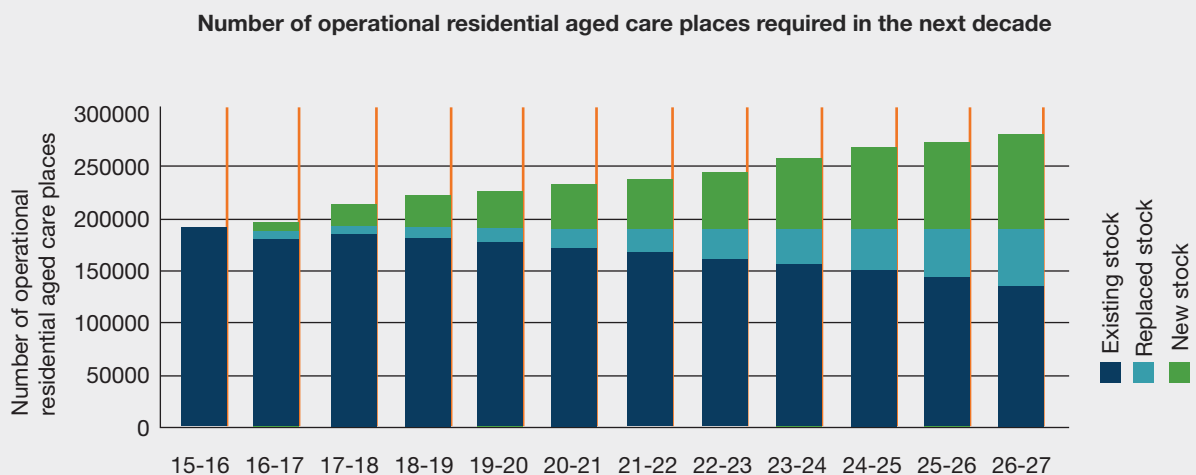
(Extracted from Sector Report: Private Healthcare by AmlInvestment Bank, 28 December 2017)

4. AUSTRALIA

The aged care sector in Australia provides services to 1.3 million Australians and generates annual revenues totalling around \$21.5 billion. The sector makes a significant contribution to the Australian economy, representing almost 1 per cent of Gross Domestic Product (GDP).

The sector remains heavily reliant on taxpayer funding, receiving \$16.2 billion in Commonwealth funding in 2015 -2016, an increase of 6.6 per cent from the previous year. More than two-thirds of total funding (\$11.4 billion) was for residential aged care. In 2016 - 2017, total Commonwealth funding is expected to be \$17.5 billion and for 2017 -2018, the Australian Government has budgeted \$18.6 billion in aged care expenditure.

The Department of Health estimates that the residential care sector will need to build an additional 83,500 places over the next decade in order to meet the provision target of 78 operational places per 1,000 people aged 70 and over. This compares with 33,667 new places that came online over the previous decade. At the same time, the sector will need to rebuild a substantial proportion of its current stock. Assuming that a quarter of the current stock of buildings is rebuilt at an even rate over the next decade, the Department estimates that the investment requirement of the sector over the next decade to be in the order of \$35 billion.



(Extracted from Australia Fifth report on the Funding and Financing of the Aged Care Sector July 2017)

PORTFOLIO DETAILS

21 PROPERTIES (MALAYSIA)

1. KPJ AMPANG PUTERI SPECIALIST HOSPITAL
2. KPJ DAMANSARA SPECIALIST HOSPITAL
3. KPJ JOHOR SPECIALIST HOSPITAL
4. KPJ PUTERI SPECIALIST HOSPITAL
5. KPJ SELANGOR SPECIALIST HOSPITAL
6. KPJ IPOH SPECIALIST HOSPITAL
7. KPJ PERDANA SPECIALIST HOSPITAL
8. KPJ KUANTAN DIALYSIS CENTRE
9. SENTOSA MEDICAL CENTRE
10. KPJ KAJANG SPECIALIST HOSPITAL
11. KEDAH MEDICAL CENTRE
12. DAMAI SPECIALIST HOSPITAL
13. KPJ PENANG SPECIALIST HOSPITAL
14. TAWAKKAL HEALTH CENTRE
15. KPJ TAWAKKAL SPECIALIST HOSPITAL
16. KPJ SEREMBAN SPECIALIST HOSPITAL
17. TAIPING MEDICAL CENTRE
18. KPJ HEALTHCARE UNIVERSITY COLLEGE
19. KPJ INTERNATIONAL COLLEGE, PENANG
20. KLUANG UTAMA SPECIALIST HOSPITAL
21. KPJ KLANG SPECIALIST HOSPITAL

1 PROPERTY (AUSTRALIA)

1. JETA GARDENS AGED CARE & RETIREMENT VILLAGE



KPJ AMPANG PUTERI SPECIALIST HOSPITAL

Location

No. 1, Jalan Mamanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan.

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn Bhd

Description

A purpose built private hospital comprising a seven (7) storey main building (NCB Block), an annexed five (5) storey specialist centre (PCB Block) both are with a common lower ground floor together with a part of the redevelopment land currently under construction with a 15 storey private hospital building and part of the redevelopment land being used as a car park area.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

233,254 sq.ft.

Gross Floor Area

384,729 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

P.T. No. 25119 held under Title No. H.S. (M) 26550, Mukim Empang, District of Hulu Langat, State of Selangor. Leasehold expiring in year 2089.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ DAMANSARA SPECIALIST HOSPITAL

Location

No 119, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor.

Lessee/Asset Operator

Damansara Specialist Hospital Sdn Bhd

Description

A six (6) storey purpose built hospital building with a basement level (inclusive of approximately one and a half (1½) levels of shell floors) together with open car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

179,860 sq.ft.

Gross Floor Area

445,114 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

P.T. No. 1856 held under Title No. H.S. (D) 146423, Mukim Sungai Buloh, District of Petaling, State of Selangor. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO DETAILS



KPJ JOHOR SPECIALIST HOSPITAL

Location

No. 39-B, Jalan Abdul Samad, 80100 Johor Bahru. Johor Darul Takzim.

Lessee/Asset Operator

Johor Specialist Hospital Sdn Bhd

Description

A six (6) level with mezzanine floor main hospital building, a four (4) level physician consulting building together with two (2) level basement car parks and open car parks.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

217,800 sq.ft.

Gross Floor Area

477,234 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

PTB No. 12319 (now Lot 19262) held under Title No. H.S. (D) 420217, Town and District of Johor Bahru, State of Johor. Leasehold expiring in year 2079.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ PUTERI SPECIALIST HOSPITAL

Location

No. 33, Jalan Tun Abdul Razak (Susur 5), 80350 Johor Bahru, Johor Darul Takzim.

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn Bhd.

Description

A six (6) storey purpose built private hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

104,109 sq.ft.

Gross Floor Area

118,019 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

Lot No. PTB 24134, held under Title No. HSD 535599, Town and District of Johor Bahru, State of Johor. Leasehold expiring in year 2053.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ SELANGOR SPECIALIST HOSPITAL



KPJ IPOH SPECIALIST HOSPITAL

Location

Lot 1, Jalan 20/1, Section 20, 40300 Shah Alam, Selangor Darul Ehsan.

Lessee/Asset Operator

Selangor Specialist Hospital Sdn Bhd.

Description

A six (6) storey main specialist centre building together with a basement and a six storey carpark block together with a basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

204,342 sq.ft.

Gross Floor Area

212,612 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

P.T. No. 2 Section 20 held under Title No. H.S. (D) 112884, Town of Shah Alam, District of Petaling, State of Selangor. Leasehold expiring in year 2096.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

Location

No.26, Jalan Raja Di Hilir, 30350 Ipoh, Perak Darul Ridzuan.

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn Bhd.

Description

A purpose built private specialist hospital comprising three (3) to four (4) storey building (Old Wing) annexed to a five (5) storey building with a basement (New Wing).

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

142,116 sq.ft.

Gross Floor Area

348,166. Sq.ft

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

Lot No. PT 254356 held under Title No. HS (D) 221754, Town of Ipoh (U), in District of Kinta, State of Perak. Interest in Perpetuity.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO DETAILS



KPJ PERDANA SPECIALIST HOSPITAL

Location

No. PT 37 and PT 600, Jalan Bayam, Section 14, 15200 Kota Bharu, Kelantan.

Lessee/Asset Operator

Perdana Specialist Hospital Sdn Bhd

Description

A five (5) storey purpose built private specialist hospital with a sub-basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

87,802 sq.ft.

Gross Floor Area

147,542 sq. ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 657 Seksyen 14 held under Title No. PN 4133, Bandar and Jajahan of Kota Bharu, State of Kelantan.
Leasehold expiring in year 2064.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ KUANTAN DIALYSIS CENTRE

Location

No. 51 Jalan Alor Akar, Taman Kuantan, 25250 Kuantan, Pahang.

Lessee/Asset Operator

Kuantan Specialist Hospital Sdn Bhd.

Description

The building comprise two adjoining three (3) and five (5) storey blocks identified as Blocks A and B, respectively.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

72,101 sq.ft.

Gross Floor Area

72,201 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Title Nos. GM 3441, GM 3442, GM 3466, GM 2827, GM 2823, GM 3443, GM 1575, GM 6875, Lot Nos. 5885, 5886, 5888, 5889, 5890, 5891, 10747 and 10748 respectively, Mukim of Kuala Kuantan, District of Kuantan in Pahang Darul Makmur.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



SENTOSA MEDICAL CENTRE

Location

No. 36, Jalan Chemur Damai Complex, 50400 Kuala Lumpur.

Lessee/Asset Operator

Sentosa Medical Centre Sdn Bhd.

Description

A seven (7) storey purpose private specialist hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

23,659 sq.ft.

Gross Floor Area

115,331 sq.ft.

Tenancy/Lease expiry & renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 671, Section 47 held under Title No. GRN 43923, Town of Kuala Lumpur, District of Kuala Lumpur.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ KAJANG SPECIALIST HOSPITAL

Location

Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan.

Lessee/Asset Operator

Kajang Specialist Hospital Sdn Bhd.

Description

A seven (7) storey purpose built private specialist hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

68,932 sq.ft.

Gross Floor Area

191,144 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 42997, Section 9 held under Title No. GM 2494, Mukim of Kajang, District of Hulu Langat, Selangor.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO DETAILS



KEDAH MEDICAL CENTRE

Location

Pumpong, 05250 Alor Setar, Kedah Darul Aman.

Lessee/Asset Operator

Kedah Medical Centre Sdn Bhd

Description

A ten (10) storey purpose built private specialist hospital (inclusive of one (1) shell floor) with a three (3) storey annexe block.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

83,195 sq.ft.

Gross Floor Area

215,881 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

P.T. No. 35 (New Lot 9527) held under Title No. H.S. (D) 21030, Bandar Alor Merah and P.T. No. 1280 (New Lot 9425) held under Title No. H.S. (M) 10923, Bandar Alor Setar, all in District of Kota Setar, State of Kedah.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



DAMAI SPECIALIST HOSPITAL

Location

Lorong Pokok Tepus 1, Off Jalan Damai, 88300 Kota Kinabalu, Sabah.

Lessee/Asset Operator

Kota Kinabalu Specialist Hospital Sdn Bhd.

Description

A five (5) storey purpose built private specialist hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

33,988 sq.ft.

Gross Floor Area

42,286 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 11 June 2018 and renewal on 12 June 2018.

Title

Town Lease 017548828 situated at District of Kota Kinabalu, State of Sabah.
Leasehold expiring in year 2073.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ PENANG SPECIALIST HOSPITAL

Location

No. 570, Jalan Perda Utama, Bandar Perda, 14000 Bukit Mertajam, Pulau Pinang.

Lessee/Asset Operator

Penang Specialist Hospital Sdn Bhd.

Description

A five (5) storey main hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

217,802 sq.ft.

Gross Floor Area

182,824.00 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2018 and renewal on 14 October 2018.

Title

P.T. No. 799 held under Title No. H.S. (M) 375, Mukim 07, District of Seberang Perai Tengah, State of Pulau Pinang. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



TAWAKKAL HEALTH CENTRE

Location

No. 202A, Jalan Pahang, 53000 Kuala Lumpur.

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn Bhd.

Description

Twenty One (21) contiguous parcels of terraced commercial plots erected with a block of newly refurbished four (4) storey private hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

30,445.32 sq.ft.

Gross Floor Area

119,925 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 14 May 2018 and renewal on 15 May 2018.

Title

Lot Nos. 78 to 91, 98 to 102 and 124 to 125 held under Title Nos. GRN 4412 to GRN 4425, GRN 4432 to GRN 4436 and PN 6271 to PN 6272 respectively, all in Section 85A, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. Interest In Perpetuity, in respect of all the title with the exception of Lots 124 and 125 conveying 99-years leasehold interest expiring on 25 July 2077 (unexpired term of about 63.6 years).

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO DETAILS



KPJ TAWAKKAL SPECIALIST HOSPITAL

Location

No-1, Jalan Pahang Barat/ Jalan Sarikei, 53000 Kuala Lumpur.

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn Bhd.

Description

A seven (7) storey purpose built specialist hospital with a single storey podium as the main lobby and a three (3) level elevated car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

89,168 sq.ft.

Gross Floor Area

333,514 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 July 2019 and renewal on 6 July 2019.

Title

Lot No. 522 Section 85A held under Title No. GRN 68175, Town and District of Kuala Lumpur, Wilayah Persekutuan KL. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ SEREMBAN SPECIALIST HOSPITAL

Location

Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan.

Lessee/Asset Operator

Seremban Specialist Hospital Sdn Bhd.

Description

A purpose-built private specialist hospital comprising of a five (5) storey hospital building with a basement level together with a parcel of commercial land currently under construction with a new hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

241,834 sq.ft.

Gross Floor Area

182,012 sq.ft

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2024 and renewal on 14 October 2024.

Title

Lot Nos. 17522, 17523 and 24007 & PT. No. 2466 held under Titles Nos. GRN 51612, 51630 and PN 25974 respectively, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan. Lot 17522 & Lot 17523 - Freehold. Lot 24007 - Leasehold expiring in year 2103.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



TAIPING MEDICAL CENTRE

Location

No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak.

Lessee/Asset Operator

Taiping Medical Centre Sdn Bhd

Description

Six (6) contiguous parcels of terraced commercial plots comprising 5 intermediate plots and a corner plot erected with a four storey private hospital together with a parcel of commercial land.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

38,255 sq.ft.

Gross Floor Area

40,858 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 30 April 2018 and renewal on 1 May 2018.

Title

Lot Nos. 3102 to 3107 and P.T. No. 1106 held under Title Nos. PN 235465 to PN 235468 PN, 235470, PN 235471 and H.S. (D) 2094/89 respectively all in Bandar Taiping, District of Larut & Matang, State of Perak.
Leasehold expiring in year 2088.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ HEALTHCARE UNIVERSITY COLLEGE

Location

PT 17010, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan.

Lessee/Asset Operator

Puteri Nursing College Sdn Bhd.

Description

An Institutional premises comprising two (2) contiguous parcel of commercial land erected with a three (3) storey administrative cum academic block, a two (2) storey lecture hall, an eight (8) storey academic block, a single storey cafeteria, a guard house, a refuse compartment, a animal house, a surau and a TNB sub-station and two (2) contiguous parcels of residential land erected with a five (5) storey apartment block (hostel), eleven and a half (11 ½) storey apartment block (students hostel), two (2) guard houses, two(2) refuse compartments, a water tank and pump house buildings and two (2) TNB sub-stations.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar.

Land Area

983,831 sq.ft.

Gross Floor Area

454,883 sq.ft.

Tenancy/Lease Expiry & Renewal

- i- KPJUC (Existing Building) - Expiry on 30 April 2018 and renewal on 1 May 2018.
- ii- KPJUC (New Building) - Expiry on 30 November 2018 and renewal 1 December 2018.

Title

Lot No. 33002, Lot No. 33003, P.T. No. 7 and P.T. No. 8 held under Title Nos. GRN 211809, GRN 211810, H.S. (D) 189780 and H.S. (D) 189781 respectively, Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO DETAILS



KPJ INTERNATIONAL COLLEGE, PENANG



KLUANG UTAMA SPECIALIST HOSPITAL

Location

No. 565, Jalan Sungai Rambai, 14000 Bukit Mertajam, Pulau Pinang.

Lessee/Asset Operator

Puteri Nursing College Sdn Bhd.

Description

A six (6) storey purpose built private specialist hospital building known as “Bukit Mertajam Specialist Hospital” and two (2) parcels of development land.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar.

Land Area

129,994 sq.ft.

Gross Floor Area

42,989 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2018 and renewal on 14 October 2018.

Title

Lot No.10038 and Lot 55, respectively, all in Seksyen 5, Bandar Bukit Mertajam, District of Seberang Perai Tengah, State of Pulau Pinang. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

Location

No. 1,3,5,7,9,11 Susur 1, Jalan Besar, 86000 Kluang, Johor Darul Takzim.

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn Bhd.

Description

6 units of 3-storey shop-offices renovated into a private hospital known as Kluang Utama Specialist Hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar.

Land Area

10,607 sq.ft.

Gross Floor Area

31,837 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 January 2018 and renewal on 6 January 2018.

Title

PTB No. 9468 – PTB No. 9473 held under Title Nos. H.S. (D) 44911 – H.S. (D) 44916, all in Town and District of Kluang, State of Johor.
Leasehold expiring in year 2100.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ KLANG SPECIALIST HOSPITAL

Location

No. 102, Persiaran Rajawati / KU 1, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan.

Lessee/Asset Operator

Bandar Baru Klang Specialist Hospital Sdn Bhd.

Description

A purpose built private hospital comprising a six (6) storey main building with two (2) levels of basement car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-Aqar.

Land Area

117,391 sq.ft.

Gross Floor Area

391,358 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 25 June 2018 and renewal on 26 June 2018.

Title

Lot No. 31870 held under Title No. PM 648, Mukim of Kapar, District of Klang, State of Selangor.
Leasehold expiring in year 2093.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



JETA GARDENS AGED CARE & RETIREMENT VILLAGE

Location

Jeta Gardens, Aged Care and Retirement Village, 27 Clarendon Avenue, Bethania and 86 Albelt Street, Waterford, Queensland, 4205 Australia.

Lessee/Asset Operator

Jeta Gardens (QLD) Pty Ltd.

Description

Three (3) contiguous parcels of residential land erected with two (2) storey aged care building comprising 106 rooms (108-bed) aged care facility, 23 units of independent villas and 32 independent living apartment units.

Registered Proprietor

Al-Aqar Australia Pty Ltd.

Land Area

1,287,143.09 sq.ft.

Gross Floor Area

80,029.67 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 1 November 2020 and renewal on 2 November 2020.

Title

Lots 2, 3 and 4 held under Title References 50855908, 50855909 and 50855910 respectively, all within Parish of Moffatt, Country of Ward, Local Government of Logan.

Encumbrances

NIL

SUSTAINABILITY STATEMENT

4

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About This Statement

Scope and Boundary

This inaugural sustainability statement presents AL-AQAR HEALTHCARE REIT's progress towards managing the Fund's economic, environmental and social risks. The statement has been prepared in accordance with the listing requirements of Bursa Malaysia using the recommended Global Reporting Initiatives (GRI) G4 Guidelines for the period 1 Jan 2017 to 31 December 2017.

The scope of this statement covers the Fund's healthcare-related property portfolio which includes 19 specialist and medical centres located within W.P Kuala Lumpur, Selangor, Negeri Sembilan, Johor, Perak, Penang, Pahang, Kelantan, Kedah and Sabah. All these properties have been fully leased to KPJ.

Our Journey Towards a Sustainable REIT

We recognise the importance of embedding sustainability values into our business operations to meet the long-term goals of sustainability development. Our sustainability approach has been formulated to strike a balance between financial results, social engagement and environmental stewardship.

Based on our corporate vision and mission statements, we have developed an overarching sustainability strategy for the management of our economic, environmental and social (EES) risks and opportunities.

Our sustainability strategy comprises the following tenets:

Vision Statement

To be a leading Shariah-compliant healthcare REIT in Malaysia with a substantial asset size.

Mission Statement

To ensure long term sustainable growth of Fund in terms of asset growth and stable returns on investment for unitholders. We also endeavour to address the EES risks and opportunities that are material to our value chain.

SUSTAINABILITY STRATEGY

Through acquisitions and asset enhancement initiatives, we aim to maximise earnings and meet the expectations of our unitholders, customers and employees as we work towards embedding sustainability throughout our business.

- Management of risk in maintaining an optimum equity or debt funding structure.
- Transparency and accountability in management of investor or stakeholder relations.
- Investment, directly and indirectly, in diversified Shariah-compliant portfolios from Authorised Investments to provide unitholders with stable unit distributions to achieve long-term sustainable distribution growth that is competitive to the market.
- Enhancement and optimisation of the Fund performance to achieve a portfolio of healthcare related assets that is Shariah-compliant.
- Safety, security, efficiency and compliance in managing business activities that involves environmental, economic and social issues.

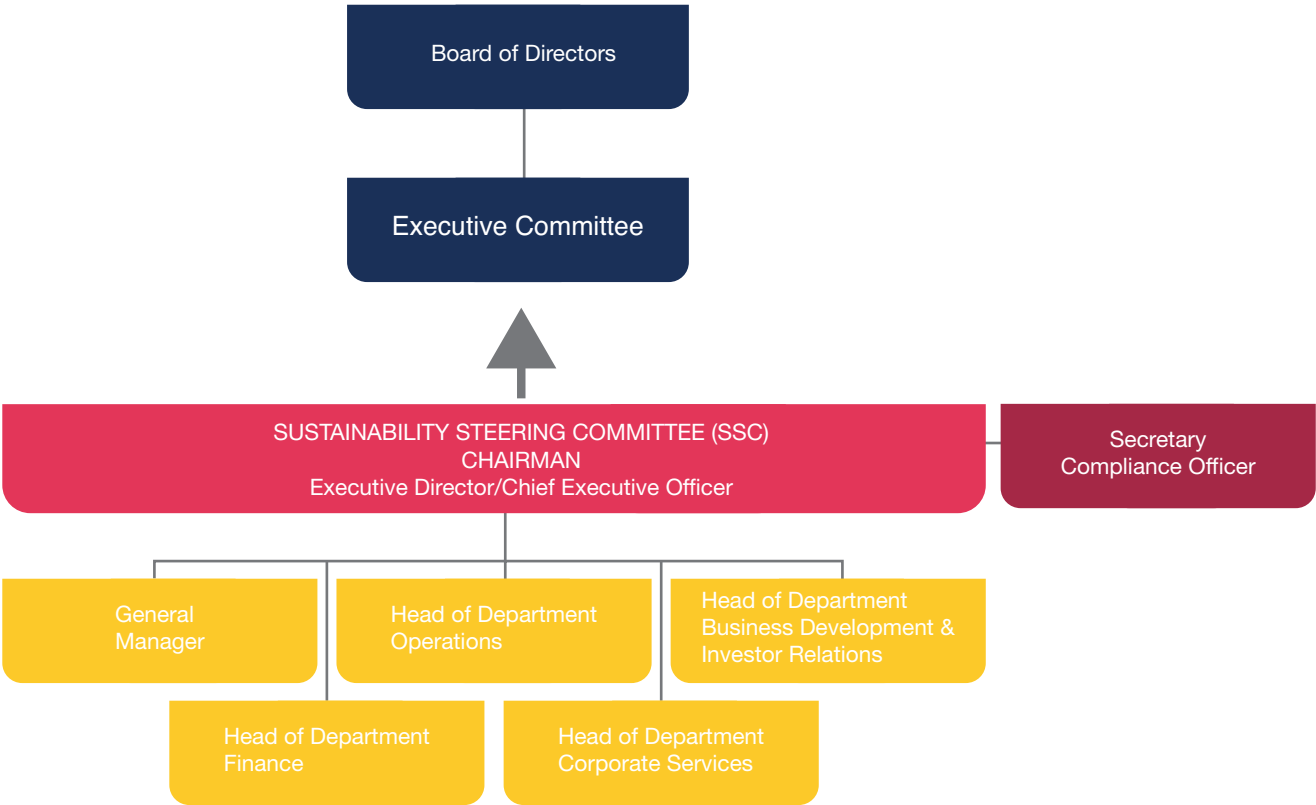
Governance and Accountability

As a highly reputable Fund, we have established a sound sustainability governance structure that is accountable for the management of EES risks material to our value chain.

Our governance structure involves the Sustainability Steering Committee (SSC) which reports to the Board of Directors.

The Board is tasked with overseeing the progress and final approval of all sustainability initiatives and material issues reviewed by the SSC whilst the SSC is tasked to develop the overarching sustainability strategy and providing relevant recommendations and improvements to the Board regarding sustainability-related issues.

Structure of Sustainability Steering Committee



SUSTAINABILITY STATEMENT

Engaging Our Stakeholders

Harnessing a Valuable Stakeholder Relationship

We believe that it is essential to actively engage with our stakeholders to ensure transparency and accountability. With a wide spectrum of stakeholders across our business operations, active communication with our stakeholders provides us with insights towards realising our sustainability vision.

We have identified our main internal and external stakeholders, and methods of engaging them through various channels of communication.

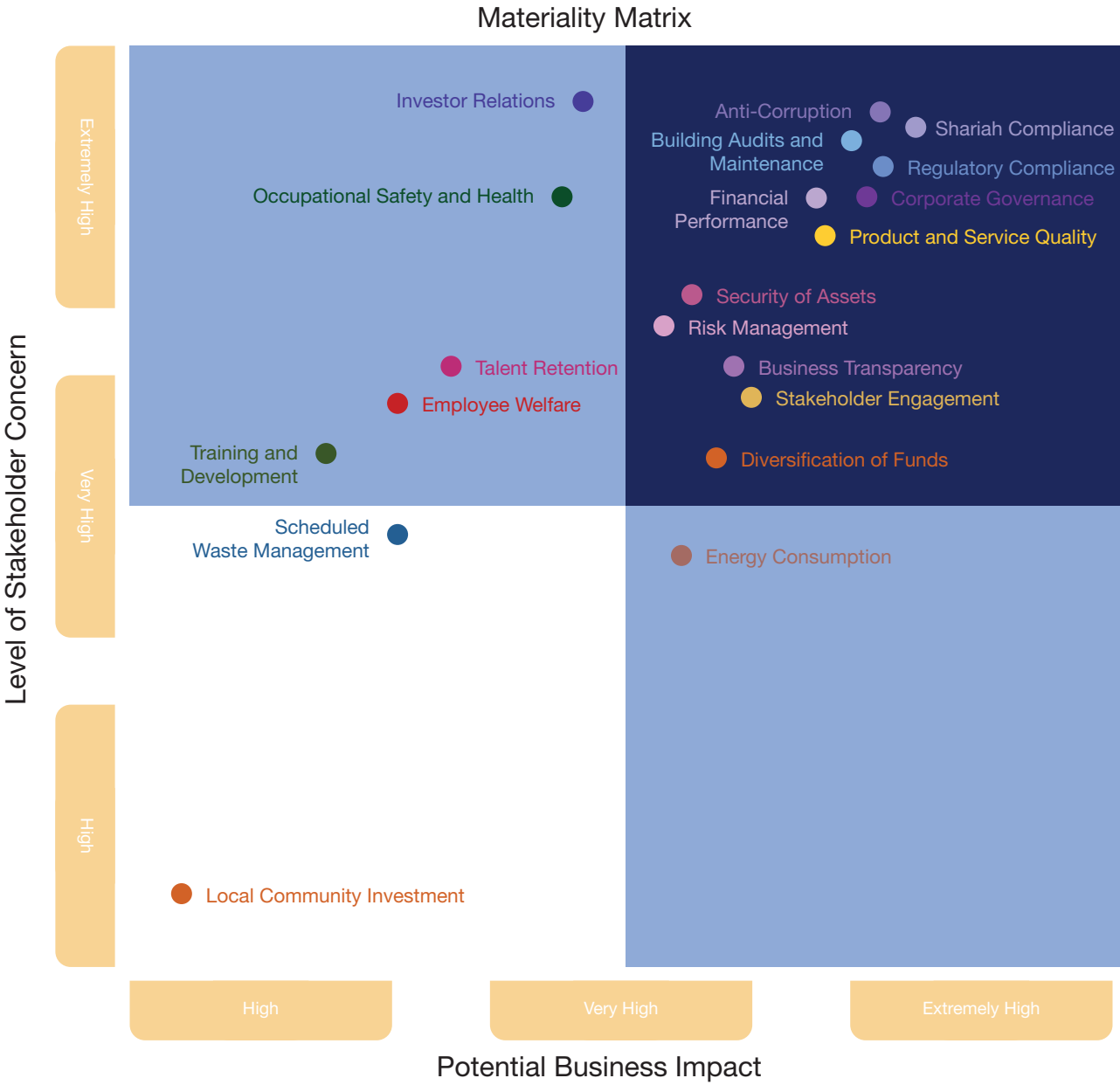
The SSC is responsible for ensuring that the EES risks are identified and addressed. The members of this committee also set targets and develop initiatives to improve the sustainability performance of the Fund.

STAKEHOLDERS	AREAS OF CONCERN	METHODS OF ENGAGEMENT
Employees	<ul style="list-style-type: none"> • Career Development • Staff Well-being • Employee Benefit 	<ul style="list-style-type: none"> • Performance Appraisal • Training Programme • Employee Satisfaction Survey • Medical and Group Takaful Coverage
Investors	<ul style="list-style-type: none"> • Corporate Financial Performance • Corporate Governance • Safety and Security • Investor Relationship Management 	<ul style="list-style-type: none"> • Annual General Meeting • Corporate Website • Investor Feedback Management
Tenants	<ul style="list-style-type: none"> • Safety and Security • Business Activity and Ethics 	<ul style="list-style-type: none"> • Contract Agreement • Tenant Survey • Joint Community Programme
Property/Maintenance Managers	<ul style="list-style-type: none"> • Marketing and Financial Performance • Tenants and Occupancy • Facility Management • Administration and Risk Management 	<ul style="list-style-type: none"> • Contract Agreement • Evaluation and Performance Review • Regular Building Audits by HTS
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> • Labour Practice • Environmental Management and Compliance 	<ul style="list-style-type: none"> • Regular Meeting • Regular Inspection
Suppliers	<ul style="list-style-type: none"> • Transparent Procurement Process 	<ul style="list-style-type: none"> • Evaluation and Performance Review

Assessing Materiality Matters

Materiality assessment is the process of identifying and prioritising the material sustainability matters that influence the way we operate. To identify our material sustainability matters, we applied a robust approach to identify material matters that are of greatest concern to our stakeholders and the business operations of the Fund. The methodology applied was in line with the requirements of the GRI principles and reporting framework.

To the extent possible, we have addressed our key materiality matters within this statement.



SUSTAINABILITY STATEMENT

Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Concerned
Shariah Compliance	Compliance	Investors
Corporate Governance	GRI General Standard Disclosure	Employees
Financial Performance	Economic Performance	Investors / Employees / Suppliers
Security of Assets	Customer Privacy	Investors
Investor Relations	GRI General Standard Disclosure	Investors
Risk Management	GRI General Standard Disclosure	Investors
Business Transparency	Economic Performance	Suppliers / Tenants
Stakeholder Engagement	GRI General Standard Disclosure	Investors / Tenants
Product and Service Quality	Product Responsibility	Investors
Diversification of Funds	Economic Performance	Investors
Energy Consumption	Energy and Emissions	Property Managers
Scheduled Waste Management	Effluent and Waste	Property Managers
Occupational, Safety and Health	Occupational Health and Safety	Employees / Tenants
Talent Retention	Employment	Employees
Employee Welfare	Employment	Employees
Training and Development	Training and Education	Employees
Local Community Investment	Economic Performance	Investors / Employees
Anti-Corruption	Anti-Corruption	Investors / Regulatory Bodies / Employees
Building Audits and Maintenance	Occupational Health and Safety	Employees / Tenants
Regulatory Compliance	Compliance	Regulatory Bodies

- Economic Indicator
- Environmental Indicator
- Social Indicator

Sustainable Business Practices

Managing a Successful Shariah Compliant REIT

Business transparency is an integral factor in gaining the trust of existing and potential investors while assuring our stakeholders that we are fully accountable as an investment trust.

As a reputable Shariah-compliant REIT, we observe a high standard of corporate conduct by complying to requirements of the SC guidelines on Islamic fund management. Our business activities are also governed by a team of Shariah Advisers who are certified by the SC.

In addition to the above, our corporate practices are also regulated by a sound risk management that builds a solid foundation for the Fund's business operations.

Managing Our EES Risks

Our commitment to corporate excellence is reflected in the list of policies and standards that the Fund adheres to, to maintain long-term economic sustainability and business integrity.

Policies and Standards

- Enterprise Risk Management (ERM)
- Malaysia Minimum Wages Order 2016
- Bursa Malaysia Reporting Guide
- Principle B of Malaysia's Code of Corporate Governance 2017
- REIT Guidelines by Securities Commissions
- Johor Corporation Code of Business Conduct and Ethics
- Johor Corporation's Risk Management Policy and Compliance Framework

We hold the fiduciary responsibility of managing and securing funds on behalf of our investors. A strong code of conduct and corporate governance is therefore essential for the Fund's business operations. As a responsible Fund, we strictly adhere to corporate policies and investment fund related regulations aimed at protecting the interest of our stakeholders. To this end, our employees are regularly updated on all policies and guidelines adopted by the Manager through various communication channels.

Ensuring Fair Remuneration

We adhere to the requirements of Malaysia's Minimum Wages Order 2016 and assure our stakeholders that our business practice will continue to comply to the Order throughout our operations.

Ensuring that our employees are fairly compensated is an important factor that contributes towards employee satisfaction and talent retention.

Working with the Local Talent Pool

We emphasise on hiring employees from the local community and by doing so, we strengthen the local economy. We are aware that the talent we hire must also come with skillsets that fit this niche industry. Our Senior Management comprises of 100% Malaysians with experience and knowledge about the REIT industry, investment decision-making and compliance to statutory and regulatory requirements.

Malaysia is rich with culture and values that spans across various ethnic and religious backgrounds and by employing individuals from the local community, we create a sustainable working environment for locals to learn and build professional skills while being mindful of Malaysia's cultural diversity. The Fund also benefits by maintaining a policy to hire locals that contributes towards strengthening Malaysia's economy.

Our Operations

Occupational Safety & Health

Our buildings are leased to KPJ; an organisation that strives to provide world-class healthcare services to the community. In ensuring that the necessary occupational safety and health measures are in place for running its healthcare business, KPJ has employed Safety and Health Officers registered with the Department of Occupational Safety and Health (DOSH), adopted the Hazard Identification, Risk Assessment and Risk Control (HIRARC) system, and implemented an Integrated Management System that includes the OHSAS 18001:2007 standard. As safety and wellbeing of our stakeholders remain a top priority, we ensure that KPJ complies with the mandatory legal requirements pertaining to occupational safety and health.

Building Safety & Maintenance Audits

The workplace environment is an integral part of our business operation and our long-term success depends upon the safety of our employees and tenants. We have taken measures to maintain a productive workplace by conducting technical and environmental service audits of our buildings.

We are still at an early stage of incorporating sustainable practices and are working towards building on strategic engineering and environmental solutions.

A comprehensive safety and building maintenance audit is conducted annually for our buildings. The objectives of these audits are to ascertain the general condition of the buildings, identify any defects or deterioration, assess the integrity of the safety feature, identify areas for improvements and, assess the mechanical and electrical (M&E) systems. Specifically, the M&E assessment includes checks on the air conditioning and ventilation system, medical gases unit maintenance, firefighting system, water supply system, sewerage system and electrical power system. We ensure compliance with the statutory requirements of the Fire and Rescue Department of Malaysia (BOMBA), Department of Occupational Safety and Health, Department of Environment (DOE), Energy Commission (Suruhanjaya Tenaga) and National Water Services Commission (SPAN).

The findings of the audits are submitted to KPJ to ensure the issues identified and recommendations provided are addressed. Examples of some of the non-compliances identified in past audits include failure of emergency batteries, absence of smoke detectors and lift malfunction.

We proactively carry out the Preventive Planned Maintenance (PPM) Master Programme, a planned maintenance schedule, aimed at preventing breakdowns and failures in our buildings. The PPM is designed to preserve and enhance equipment reliability.

Green Building Initiatives

Apart from focusing on building safety, we also keep track of the environmental performance at our buildings.

As our main tenant, KPJ has implemented its own environmental initiatives with regards to energy consumption. As building owners, we play a supervisory role to ensure KPJ's initiatives meet regulatory requirements.

Moving forward, we plan to introduce more initiatives on green management. We aim to improve the environmental performance at our buildings by incorporating requirements for green initiatives within our contractual lease agreements. This includes requirements to reduce the carbon and water footprints and, putting in place an integrated solid waste management.

Our People

Developing a Competent Workforce

We believe in investing in our people. To achieve this, we have created avenues for talent development that aim to improve our employees' performance and enhance their skillsets.

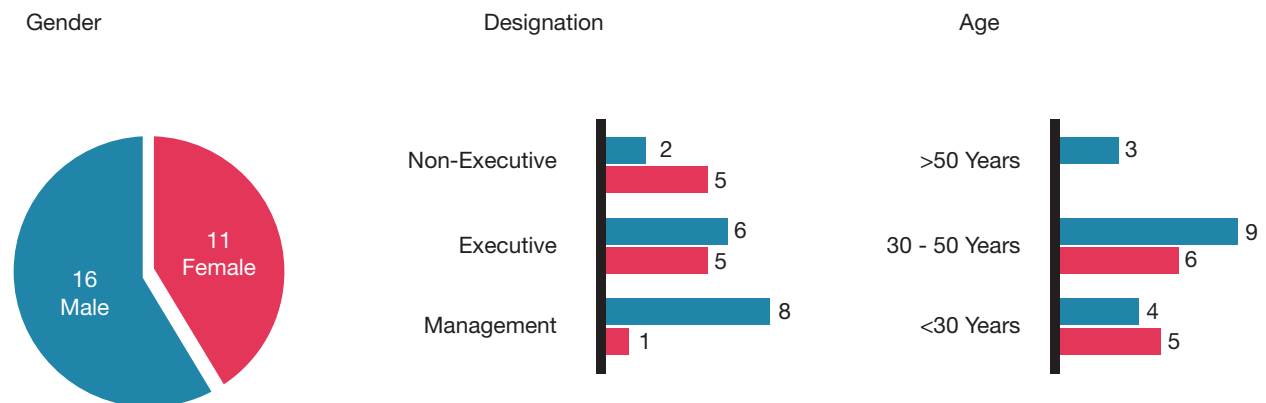
Our Employee Composition

Sustaining a good workforce team requires good age and gender distribution which would ensure that all parties receive equal opportunities and enjoy a conducive working environment.

At Al-'Aqar, diversity is important to provide a variety of views and opinions that can continuously push us towards improving our operations. We balance both gender equality and work experience to assure our stakeholders that we are a fair and open organisation that does not encourage any form of cultural, age or gender discrimination.

Avoiding any form of discrimination amongst our employees ensures that we reduce any work environment related conflicts that would affect the Fund's business operations.

Employee Breakdown (Number of individuals)



The gender distribution of our employees is approximately 59% males and 41% females. The Manager of the Fund ensures that all employees are given equal opportunity to hold professional-level positions regardless of gender or age.

Minimising Turnover Rate

Our employee turnover rate was recorded at 3.7% for male employees and 0% for female employees for FY 2017.

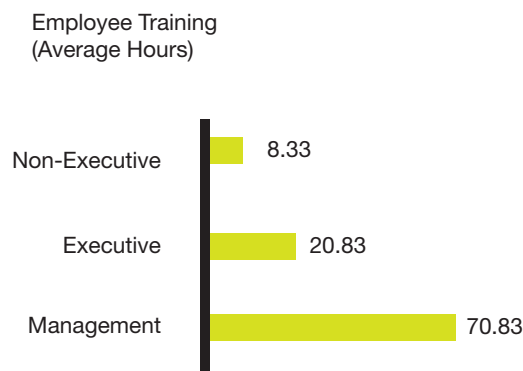
This achievement is a result of a good working culture, employee dedication and generous employer benefits including medical benefits, Takaful insurance coverage, leave entitlements and allowances.

SUSTAINABILITY STATEMENT

Cultivating Our Workforce Talent and Skills

In developing our growing talent pool, we provide learning opportunities to our employees. This includes training on anti-corruption, career development, and occupational safety and health. We employ a total of 27 individuals who are all qualified to inform our unitholders on matters related to REIT service. To achieve this, we incorporated training sessions to sharpen the skills of our workforce and increase their knowledge and awareness on REIT business practices.

We believe in investing in our employees. Improvements in their skills and capabilities further enhanced work quality and productivity.



With a total of 192 training hours dedicated towards enhancing business knowledge and building personal skills, we are confident that our workforce is highly capable at handling concerns, enquiries, advice and professional input on matters that will further propel the Fund towards excellent corporate services and operations.

Our Society

Caring for Our Local Communities

We are mindful of the community that we operate within and play a role in supporting the interests and identifying the concerns of the communities. For example, KPJ Selangor Specialist Hospital and KPJ Ampang Puteri Specialist Hospital have collaborated with Johor Corporation’s initiative to collect donation for Mercy Malaysia’s programme in the Middle East. These current practices form our stepping stones to further enrich the surrounding communities as a part of our contribution as a responsible Fund.

ESSENCE OF CORPORATE GOVERNANCE

5

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1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-'Aqar business and is committed to apply and ensure that the following principles of good governance is practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Al-'Aqar.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

2. OBJECTIVE

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Al-'Aqar.

3. THE BOARD

3.1 Role

The key roles of the Board are to:

- a) Guide the corporate strategies and directions of the Manager (including acquisition and divestment of Authorised Investment);
- b) Oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- c) Set the guidelines for internal controls;
- d) Ensure compliance with the Relevant Laws and Requirements;
- e) Determine and approve the distribution amounts to Unitholders and payment of the Management Fee; and
- f) Evaluate and approve the acquisition and divestment of Authorised Investment.

3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- 1) 1 Non-Independent Non-Executive Chairman
- 2) 4 Non-Independent Non-Executive Directors
- 3) 3 Independent Non-Executive Directors
- 4) 1 Non-Independent Executive Director

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 33% of independent directors and therefore yet to be in line with Practice 4.1. The Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

Practice 4.5 of the MCCG 2017 also states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the current market capitalisation position of RM1.04 billion, Al-'Aqar is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby on 5 October 2017 Dato' Dr. Rahah Ismail was appointed as an Independent Non-Executive Director. With the appointment of Dato' Dr. Rahah Ismail, female directors' composition in the Board stands at 22%.

3.3 Appointments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee.

New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Al-'Aqar.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

3.4 Directors' Training

In addition to the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia, Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors.

The Board is also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

3.5 Board Meetings and Supply of Information

The Board meets regularly at least once every quarter to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Al-Aqar against the approved budget. When necessary, the Board meets at a special meeting to review and approve acquisitions or disposals for recommendation to the trustee of Al-Aqar or any other issues requiring the immediate attention of the Board.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

4.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) Leading the Board in setting the values and standards of Al-Aqar;
- b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- c) Ensuring the provision of accurate, timely and clear information to Directors;
- d) Ensuring effective communication with unitholders and relevant stakeholders; and
- e) Ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

4.2 Chief Executive Officer (CEO)

- 4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-Aqar.
- 4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-Aqar.
- 4.2.3 All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

5. COMMITTEES

In carrying its functions, the Board is supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

5.1 Audit Committee

A. Membership

- (i) The members of the Committee shall be appointed by the Board and shall consist of not less than 3 members.
- (ii) All members must be Non-Executive Directors.
- (iii) All members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Main Market Listing Requirements.
- (iv) The Chairman of the Committee, elected from amongst the Audit Committee members shall be an Independent Director.
- (v) No alternate Director of the Board shall be appointed as a member of the Committee.

B. Purposes

- (i) To ensure transparency, integrity and accountability in the Fund's activities so as to safeguard the rights and interests of the Unitholders;
- (ii) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve the Fund's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Fund's reported financial results; and
- (iv) To maintain open lines of communication between the Board and the External Auditors.

C. Duties and Responsibilities

The objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, internal controls, financial and accounting records and policies as well as financial reporting practices of Al-Aqar. The Audit Committee's responsibilities include:

- (i) To review the quarterly and year-end financial statements of the Fund prior to the approval by the Board;
- (ii) To provide an independent assessment of the adequacy and effectiveness of risk management functions;
- (iii) To review the internal audit programme, the results of the internal audit process or investigation undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;

- (iv) To review with external auditors the audit plan, scope of audit and audit reports; and
- (v) To review any related party transactions and conflict of interest situation that may arise.

D. Meetings

A minimum of 4 meetings shall be planned during the financial year and the quorum for the meeting shall be 2 members. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present. Reports of the Committee meeting shall be tabled by the Audit Committee Chairman at the Board of Directors meeting.

5.2 Executive Committee

The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

This committee oversees the activities of the Manager and Al-'Aqar on behalf of the Board which includes:

- (a) Making recommendations to the Board on all acquisitions, investments and disposals;
- (b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- (c) Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-'Aqar units;
- (d) Making recommendations to the Board on financial budgets; and
- (e) Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to Board members, where applicable.

5.3 Nomination and Remuneration Committee

A. Membership

- (i) The committee shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors.
- (ii) The members and the Chairperson shall be appointed by the Board.
- (iii) The appointment of members terminates when the member ceases to be a director of the Company.
- (iv) The NRC shall have no executive powers.
- (v) In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their members to chair the meeting.

B. Purposes

• Nomination

- (i) Identify and recommend candidates for Board directorship.
- (ii) Recommend directors to fill the seats on Board Committee.
- (iii) Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director.
- (iv) Ensure an appropriate framework and plan for Board succession.
- (v) Assess the quality of performance and training needs are addressed.

• Remuneration

- (i) Provide assistance to the Board in determining the remuneration of Executive Directors, Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that executive directors and applicable senior management of the Company:
 - are fairly rewarded for their individual contribution to overall performance;
 - are compensated reasonably in light of the Company's objectives; and
 - are compensated similar to other companies.
- (ii) Establish the Executive Director's and/or Managing Director's goals and objectives.
- (iii) Review the Executive Director's and/or Managing Director's performance against the goals and objectives set.

6. REMUNERATION POLICIES

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

7. FINANCIAL REPORTING

7.1 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Al-'Aqar's Deed.

7.2 External Auditors

The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

8. RISK MANAGEMENT

8.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

8.2 Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions which it (including its Directors, executive officers and employees) may encounter in managing Al-'Aqar Healthcare REIT:-

- a) Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;
- b) The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- c) The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- d) In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-'Aqar is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

8.3 Related Party Transactions

In dealing with any related party transaction, all related party transactions carried out by or on behalf of Al-'Aqar should be conducted as follows:-

- a) Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- b) Carried out at arm's length basis;
- c) In the best interest of unitholders;
- d) Adequately disclosed to unitholders;
- e) Consented by the Trustee; and
- f) Consistent with the investment objectives and strategies of Al-'Aqar.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and recommendation process in relation to that transaction.

8.4 Internal Audit

The Internal Audit function is outsourced and undertaken by Crowe Horwath Governance Sdn Bhd effective from 12 January 2017. However, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

9. ANNUAL GENERAL MEETING (AGM)

The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

The Chairman encourages active participation by the unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

BOARD CHARTER

10. COMMUNICATION AND INVESTOR RELATIONS

The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting unitholders' interests.

The Manager communicates information on Al-`Aqar to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Al-`Aqar requiring disclosure under the Listing Requirements of Bursa Securities. Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/ overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Al-`Aqar.
- Al-`Aqar's website at www.alaqar.com.my

With the majority of units in Al-`Aqar held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Al-`Aqar's significant developments and its medium to long term strategies. Al-`Aqar also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

In addition to ensuring that the published Annual Report is available to all unitholders and quarterly results announced to Bursa Securities, Al-`Aqar has established a website at www.alaqar.com.my from which investors and unitholders can access for information.

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

11. COMPANY SECRETARY

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is accountable to the Board on all governance matters.

The Company Secretary must keep abreast of, and inform the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Manager (the Board) recognises the value of good corporate governance and priorities in ensuring that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing unitholders' value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager has been guided by the measures set out in the Guidelines on Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and guidance of the new Malaysian Code on Corporate Governance 2017.

THE MANAGER'S ROLE

In accordance with the Trust Deed, the Manager is appointed to manage the assets and administer the Fund. Its primary objective is to provide the unitholders with long term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-`Aqar's units.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013 as required under the new licensing regime for REIT Managers which took effect from 28 December 2012. Two of the Board members, namely Wan Azman bin Ismail and Yusaini bin Sidek as well as two of the employees, namely Shahril Zairis bin Ramli and Suhaimi bin Saad have been issued with a Capital Markets Services Representatives License (CMSRL).

Al-`Aqar is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Al-`Aqar.

The Manager is required to ensure that the business and operations of Al-`Aqar are carried and conducted in a proper, diligent and efficient manner, and in accordance with the acceptable business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Trust Deed, the Manager has full and complete control in managing the Fund (including all assets and liabilities of Al-`Aqar) for the benefits of the Unitholders.

The Manager's main functions, amongst others, are as follows:

- * **Investment Strategy**
Formulate and implement Al-`Aqar's investment strategy.
- * **Acquisition and Divestment**
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-`Aqar's existing investments.
- * **Asset Management**
Supervise and oversee the management of Al-`Aqar's properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrear control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximising the income of Al-`Aqar.
- * **Risk Management**
Determine the level of risk tolerance and actively identify, assess and monitor the principal risks of Al-`Aqar and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- * **Financing**
Formulate plans for equity and debt financing for Al-`Aqar's funding requirements with the objective of optimising the capital structure and cost of capital.

CORPORATE GOVERNANCE STATEMENT

* **Accounting Records**

Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-`Aqar.

* **Investor Relations**

Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.

* **Compliance Management**

Supervise all regulatory filings on behalf of Al-`Aqar, and ensure that Al-`Aqar is in compliance with the applicable provisions of the Securities Commission Act, REIT Guidelines, Listing Requirements, Trust Deed and all relevant contracts.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCCG 2017, the Board assumes, inter alia, the following responsibilities:

* **Reviewing and adopting a strategic plan for the Fund**

The strategic and business plan for the period 2018 – 2022 was tabled, discussed and approved by the Board at its meeting on 20 November 2017. Additionally, on an ongoing basis as need arises, the Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans. The Board will ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

* **Overseeing the conduct and overall management of the Manager and the business of Al-`Aqar**

The Board is responsible to oversee, supervise and review the Fund's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed and appropriate consultation will be sought if necessary. Where and when available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.

* **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board will set the risk appetite within which the Board expects the Manager to operate and ensure there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Risk Management Report will be tabled on a periodic basis in the Board meeting to review the Fund's risks.

* **Succession planning**

The Board will deliberate on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to the Board and senior management positions are of sufficient calibre.

* **Effective communication with stakeholders**

The Board will ensure that there is an effective communication with stakeholders. The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments. Details of investors' activities are disclosed on page 46 of this Annual Report.

*** Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund**

The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

Access to Information and Advice

Prior to each board meeting, the board papers will be circulated to all Directors so that each Director has ample time to peruse and review it for further deliberation at the Board meeting. The board papers includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Progress report on risk management
- Executive Committee and Audit Committee report

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary. All minutes will be confirmed prior to the meetings.

Company Secretary

The Manager's Joint Company Secretary attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Joint Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.2 Board Composition

Board composition influences the ability of the Board to fulfil its oversight responsibilities. An effective Board should include the right group of people with an appropriate mix of skills, knowledge, experience and independent elements that fit the objectives and strategic goals. The right Board composition will ensure sufficient diversity and independence to avert groupthink or blind spots in the decision-making processes. It also enables the Board to be better equipped to respond to challenges that may arise and deliver value.

The composition of the Board of Directors is as follows:

- a) 1 Non-Independent Non-Executive Chairman
- b) 4 Non-Independent Non-Executive Directors
- c) 3 Independent Non-Executive Directors
- d) 1 Non-Independent Executive Director

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 33% of independent directors and therefore yet to be in line with Practice 4.1. The Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

CORPORATE GOVERNANCE STATEMENT

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During the year ended 31 December 2017, the Board members convened 5 meetings and all Directors (save for the newly appointed director, Dato' Dr. Rahah Ismail) have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2017 are set out below:

	43rd BOD 14.02.2017	Special BOD 25.04.2017	44th BOD 22.05.2017	45th BOD 24.08.2017	46th BOD 20.11.2017
Dato' Kamaruzzaman bin Abu Kassim	/	/	X	/	/
Wan Azman bin Ismail ⁽ⁱ⁾	X	/	/	/	/
Dato' Mani a/l Usilappan ⁽ⁱⁱ⁾	/	/	/	/	X
Dato' Dr. Rahah binti Ismail ⁽ⁱⁱⁱ⁾	X	X	X	X	/
Zainah binti Mustafa	/	/	/	/	/
Dr. Hafetz bin Ahmad	/	/	/	/	/
Lukman bin Abu Bakar	/	/	/	/	/
Yusaini bin Hj. Sidek	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar	/	/	/	/	/
Mohd Yusof bin Ahmad	/	/	/	/	/

(i) Appointed w.e.f. 15 February 2017

(ii) Resigned w.e.f. 5 October 2017

(iii) Appointed w.e.f. 5 October 2017

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.

1.3 Remuneration

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

An effective Audit Committee will bring transparency, focus and independent judgment needed to oversee the financial reporting process. The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Lukman Hj. Abu Bakar and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out on page 87 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements, annual report and quarterly announcements to Unitholders, the Board aims to present a balanced and understandable assessment of Al-`Aqar's financial position, performance and prospects.

The Board has taken the necessary steps to ensure that Al-`Aqar had complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgement and estimates.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by Al-`Aqar.

Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-`Aqar's general meeting and are available to answer any questions from unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

2.2 Risk Management and Internal Control Framework

The Manager is led and oversaw by experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board.

There is a clear segregation of roles and responsibilities between the Chairman and the Executive Director to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberation on the business activities of Al-`Aqar.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 Communication with Stakeholders

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-`Aqar. Such information is communicated through the annual report, the Fund's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

As part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting Unitholders' interests.

Details of the investor and public relations programs undertaken by the Manager are set out on page 46 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

3.2 Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders. The Manager had on 25 April 2017 convened its 5th Annual General Meeting to seek the Unitholders' approval for amongst others:-

- * Proposed to allot and issue new units
- * Proposed increase in the existing approved fund size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.

DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-`Aqar at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgements and estimates have been made.

All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with. The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-`Aqar and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-`Aqar to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

Recognising that an audit committee plays an important role in corporate governance, the Board of the Manager had established an Audit Committee to ensure that the interests of the unitholders of Al-`Aqar are protected and prioritised. The Audit Committee holds an important function, which is to assist the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Al-`Aqar.

COMPOSITION

For the financial year ended 31 December 2017, the Audit Committee comprised of 3 Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

1. Zainah binti Mustafa
Chairman/Independent Non-Executive Director
2. Lukman bin Abu Bakar
Member/Non-Independent Non-Executive Director
3. Dr. Hafetz bin Ahmad
Member/Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member	No. of meetings attended
Zainah Mustafa Chairman/Independent Non-Executive Director	4 out of 4
Lukman Abu Bakar Member/Non-Independent Non-Executive Director	4 out of 4
Dr. Hafetz Ahmad Member/Independent Non-Executive Director	4 out of 4

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2017, the Audit Committee has met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows :-

1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (b) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, Internal Auditors as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- (c) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (d) The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Al-`Aqar.

AUDIT COMMITTEE REPORT

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Al-`Aqar.
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of Internal Audit Function as well as the performance of the Internal Auditors against the audit plan.

(ii) External Audit

- (a) On 13 November 2017, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT the Audit Planning Memorandum for 2017. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
 - * Carried out in compliance with the REIT Guidelines and the Deed;
 - * Carried out on an arms' length basis and under normal commercial terms;
 - * Carried out in the best interest of the unitholders;
 - * Abstention from voting at Board Meetings for interested parties;
 - * Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - * Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer at the quarterly meetings.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practises as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle B – Recognise and Manage Risks of the Malaysian Code on Corporate Governance 2017.

The Board continually reviews the adequacy and effectiveness of the Manager's risk management and internal control system which has been embedded in all aspects of the Manager's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Manager's risk appetite. It is to be noted that the Manager's risk management system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. As such, the systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Manager.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Board, Board Committees and management are the main platform by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management teams. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance, internal controls and compliance with regulatory requirements.

RISK MANAGEMENT FRAMEWORK

The Manager adopts an Enterprise Risk Management (ERM) practices that enables it to continuously identify, assess, treat and manage risks that affect Al-Aqar in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL

The following key elements embody the current internal control system adopted by the Manager:-

- The Board has put in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- The Board approves annual budgets and business plans prepared by each property.
- Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operations, financial and human resources matters.
- Regular management meetings involving the review of the operations and financial performance of each property.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit carried out by the outsourced internal auditor approved by the Audit Committee.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.

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MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), the Manager of **AL-'AQAR HEALTHCARE REIT** (the "Fund"), have pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2017.

THE FUND AND ITS INVESTMENT OBJECTIVE

The Fund is a Malaysian-based real estate and investment trust, established on 28 June 2006 pursuant to the execution of a Trust Deed dated 27 June 2006 between the Manager and AmanahRaya Trustees Bhd (the "Trustee"). It was listed on the Main Board of Bursa Malaysia Securities Berhad on 10 August 2006.

The key objective of the Fund is to provide unitholders with stable distributions per unit and the potential for sustainable long-term growth of such distributions and net asset value per unit.

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

THE MANAGER AND ITS PRINCIPAL ACTIVITY

The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a subsidiary of Johor Corporation. The principal activity of the Manager is management of real estate investment trusts. There has been no significant change in the nature of the activity during the financial year.

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

To achieve the Fund's primary objective, the Manager has real estate and real estate-related assets with income and growth type of fund.

(i) Portfolio Composition

The Fund's investments may be allocated in the following manner, as prescribed by the Guidelines on Real Estate Investment Trust ("Guidelines on REITs") and the Guidelines for Islamic Real Estate Investment Trust ("Guidelines on Islamic REITs"):

- (a) at least 75% of the Fund'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 the Fund'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 the Fund's total assets may be invested in other Syariah-compliant assets (such as Syariah-compliant real estate-related assets, Syariah-compliant non-real estate-related assets or Islamic asset-backed securities).

(ii) Diversification

The Fund will seek to diversify its Syariah-compliant real estate portfolio by property and location type. The Fund 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

The Fund 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.

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

DIRECTORS OF THE MANAGER

The Directors who served on the Board of the Manager during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Kamaruzzaman bin Abu Kassim
Yusaini bin Sidek
Zainah binti Mustafa
Dr Mohd Hafetz bin Ahmad
Lukman bin Abu Bakar
Mohd Yusof bin Ahmad
Dato' Amiruddin bin Abdul Satar
Wan Azman bin Ismail (appointed on 15 February 2017)
Dato' Rahah binti Ismail (appointed on 5 October 2017)
Dato' Mani a/l Usilappan (resigned on 5 October 2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager of the Fund is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager) by reason of a contract made by the Manager or the Fund or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' unitholding of the Fund, the interests of Directors of the Manager in office at the end of the financial year are as follows:

	Number of Units in the Fund		
	As of 01.01.2017	Acquired	Disposed
			As of 31.12.2017
The Manager's Directors and unitholders			
Dato' Kamaruzzaman bin Abu Kassim			
- Direct	10,000	-	-
Dr Mohd Hafetz bin Ahmad			
- Direct	2,400	-	-
- Indirect	230	-	-
Dato' Amiruddin bin Abdul Satar			
- Indirect	910	-	-

Save as disclosed above, none of the other Directors of the Manager in office at the end of the financial year had any interest in units in the Fund or shares in its related corporations during and at the end of the financial year.

MANAGER'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

MANAGER'S REMUNERATION

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive from the Fund:

- (a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;
- (b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and
- (c) A disposal fee of 0.5% of the disposal price of any investment property to be disposed directly or indirectly by the Fund which is payable upon completion of the disposal.

SOFT COMMISSION

During the year, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Fund.

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year ended 31 December 2017.

OTHER INFORMATION

- (a) Before the statements of profit or loss and other comprehensive income and the statements of financial position of the Group and of the Fund were made out, the Manager took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is necessary; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
 - (i) it necessary to write off of any bad debts or to make any allowance for doubtful debts in respect of the statements of financial position of the Group and of the Fund; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Fund which has arisen since the end of the financial year.
- (f) In the opinion of the Manager:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Fund to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

SIGNIFICANT EVENT

The details of a significant event during the year is disclosed in Note 28 to the Financial Statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board of the Manager as approved by the Board of the Manager, in accordance with a resolution of the Directors of the Manager,



DATO' KAMARUZZAMAN BIN ABU KASSIM



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
29 January 2018

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-'AQAR HEALTHCARE REIT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AL-'AQAR HEALTHCARE REIT** ("the Fund"), which comprise the statements of financial position of the Group and of the Fund as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 137.

In our opinion, the accompanying financial statements of the Group and of the Fund give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with the applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Fund in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the said By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit performed and responses thereon
Valuation of investment properties Investment properties of Group and of the Fund as at 31 December 2017 amounting to RM1,459.7 million and RM1,320.1 million respectively (2016: RM1,424.4 million and RM1,281.8 million respectively) are the most quantitatively material account balance in the financial statements. Further, the investment properties are measured at fair value which inherently is subject to significant valuation estimates. The fair values of the Group's and the Fund's investment properties, as determined by a firm of independent valuers, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check. The accounting policies for valuation of investment properties are set out in Note 3 to the Financial Statements and the type of the investment properties of the Group and of the Fund have been disclosed in Note 11 to the Financial Statements.	 We assessed the appropriateness of the independent valuers' scope of work and evaluated whether the independent valuers had sufficient expertise and resources to competently perform the said valuation of the Group's and the Fund's investment properties. We obtained the source information provided by the Manager of the Fund to the independent valuers to challenge the significant estimates included by the independent valuers in their valuation models, namely the capitalisation rate and estimated net market rent of the Group's and Fund's investment properties. We have also assessed the adequacy and appropriateness of the disclosures on valuation methodology and estimation made in the financial statements. Based on our procedures, we believe that the method used to determine the fair value of investment properties is appropriate and adequate disclosures have been made in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-'AQAR HEALTHCARE REIT (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the 2017 Annual Report of the Group and of the Fund but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts. The Manager of the Fund is also responsible for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable fair presentation of these financial statements.

In preparing the financial statements of the Group and of the Fund, the Manager of the Fund is responsible for assessing the Group's and Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager of the Fund either intends to liquidate the Group and the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Fund to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-'AQAR HEALTHCARE REIT (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Fund of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of the Fund, as a body, in accordance with Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

29 January 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		The Group		The Fund	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	99,648,169	103,839,133	88,549,848	92,054,526
Property expenses	6	(6,441,291)	(6,244,340)	(5,962,043)	(6,123,004)
Gross profit		93,206,878	97,594,793	82,587,805	85,931,522
Investments revenue	7	2,272,257	1,542,599	11,167,321	10,437,663
Other income		1,557	27,233	1,557	27,233
Gain on fair value adjustment of investment properties	11	24,791,923	1,899,958	24,534,840	1,899,958
Total income		120,272,615	101,064,583	118,291,523	98,296,376
Expenditure:					
Finance costs:					
Islamic financing		27,956,928	32,147,732	-	-
Amounts due to a subsidiary		-	-	27,956,928	32,131,733
Manager's fees		2,196,079	1,738,665	2,196,079	1,738,665
Professional fees		707,770	277,634	687,769	256,591
Valuation fees		624,928	452,075	512,830	452,075
Trustee's fees		266,224	264,310	266,224	264,310
Maintenance of property		746,391	599,810	746,391	599,810
Printing expenses		88,763	91,409	87,750	89,210
Secretarial fee		8,111	3,423	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		91,686	65,845	91,686	65,845
Audit fees		147,224	115,474	90,000	70,000
Tax agent's fee		23,910	9,200	23,000	9,200
Administration expenses		359,909	412,263	221,539	284,582
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		889,506	889,506	889,506	889,506
Syariah adviser's fee		6,000	6,000	6,000	6,000
Total expenditure		(34,118,529)	(37,078,446)	(33,780,802)	(36,862,627)
Profit before tax		86,154,086	63,986,137	84,510,721	61,433,749
Income tax expense	8	(1,509,552)	(545,831)	(608,822)	-
Profit for the year		84,644,534	63,440,306	83,901,899	61,433,749
Other comprehensive loss, net of tax					
Foreign currency translation		(2,442,000)	(372,586)	-	-
Total comprehensive income for the financial year		82,202,534	63,067,720	83,901,899	61,433,749
Profit for the year attributable to:					
Owners of the Fund		84,644,534	63,440,306	83,901,899	61,433,749
Total comprehensive income for the financial year attributable to:					
Owners of the Fund		82,202,534	63,067,720	83,901,899	61,433,749
Earnings per unit (sen):	9				
Gross		11.83	8.79	11.61	8.44
Net		11.62	8.71	11.52	8.44
Net income distributions	10	54,981,088	46,824,947	54,981,088	46,824,947
Income distribution per unit (sen):					
Gross		7.55	6.43	7.55	6.43
Net		7.55	6.43	7.55	6.43

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		The Group		The Fund	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Non-current assets					
Investment properties	11	1,459,703,200	1,424,360,000	1,320,100,000	1,281,800,000
Investment in subsidiaries	12	-	-	42,492,186	42,492,186
Amounts due from a subsidiary	21	-	-	99,147,701	99,147,701
Total non-current assets		1,459,703,200	1,424,360,000	1,461,739,887	1,423,439,887
Current assets					
Trade receivables	13	5,312,154	11,249,567	217,714	9,702,214
Other receivables and prepaid expenses	13	4,460,049	1,801,529	4,412,706	1,757,156
Amounts due from a subsidiary	21	-	-	3,774,955	-
Fixed deposits with licensed banks	14	51,032,271	47,350,853	33,079,977	30,011,507
Cash and bank balances	14	35,917,278	26,451,032	21,806,132	14,548,853
		96,721,752	86,852,981	63,291,484	56,019,730
Asset classified as held-for-sale	15	-	100,000,000	-	100,000,000
Total current assets		96,721,752	186,852,981	63,291,484	156,019,730
Total assets		1,556,424,952	1,611,212,981	1,525,031,371	1,579,459,617
Current liabilities					
Other payables and accrued expenses	16	48,878,667	50,118,810	41,544,189	40,705,636
Amount due to a subsidiary	21	-	-	555,538,535	1,534,213
Islamic financing	18	573,580,634	-	-	-
Tax liabilities		-	9,144	-	-
Total current liabilities		622,459,301	50,127,954	597,082,724	42,239,849
Non-current liabilities					
Deferred tax liabilities	17	3,768,348	3,750,228	-	-
Other payables	16	6,907,481	7,464,281	6,907,481	7,464,281
Amount due to a subsidiary	21	-	-	-	637,635,132
Islamic financing	18	-	653,802,142	-	-
Total non-current liabilities		10,675,829	665,016,651	6,907,481	645,099,413
Total liabilities		633,135,130	715,144,605	603,990,205	687,339,262
Net asset value		923,289,822	896,068,376	921,041,166	892,120,355
Unitholders' fund					
Unitholders' capital	19	722,398,126	722,398,126	722,398,126	722,398,126
Undistributed income		204,435,702	174,772,256	198,643,040	169,722,229
Foreign currency translation reserve		(3,544,006)	(1,102,006)	-	-
Total unitholders' fund		923,289,822	896,068,376	921,041,166	892,120,355
Number of units in circulation	19	728,226,468	728,226,468	728,226,468	728,226,468
Net asset value per unit (ex-distribution)		1.27	1.23	1.26	1.23

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Group	Unitholders' Capital RM	Undistributed Income RM	Foreign Currency Translation Reserve RM	Total RM
As of 1 January 2016	722,398,126	158,156,897	(729,420)	879,825,603
Total comprehensive income/(loss) for the year	-	63,440,306	(372,586)	63,067,720
Unitholders' transactions:				
Distributions to unitholders (Note 10)	-	(46,824,947)	-	(46,824,947)
As of 31 December 2016	722,398,126	174,772,256	(1,102,006)	896,068,376
As of 1 January 2017	722,398,126	174,772,256	(1,102,006)	896,068,376
Total comprehensive income/(loss) for the year	-	84,644,534	(2,442,000)	82,202,534
Unitholders' transactions:				
Distributions to unitholders (Note 10)	-	(54,981,088)	-	(54,981,088)
As of 31 December 2017	722,398,126	204,435,702	(3,544,006)	923,289,822

The Fund	Unitholders' Capital RM	Undistributed Income RM	Total RM
As of 1 January 2016	722,398,126	155,113,427	877,511,553
Total comprehensive income for the year	-	61,433,749	61,433,749
Unitholders' transactions:			
Distributions to unitholders (Note 10)	-	(46,824,947)	(46,824,947)
As of 31 December 2016	722,398,126	169,722,229	892,120,355
As of 1 January 2017	722,398,126	169,722,229	892,120,355
Total comprehensive income for the year	-	83,901,899	83,901,899
Unitholders' transactions:			
Distributions to unitholders (Note 10)	-	(54,981,088)	(54,981,088)
As of 31 December 2017	722,398,126	198,643,040	921,041,166

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	86,154,086	63,986,137	84,510,721	61,433,749
Adjustments for:				
Finance costs	27,956,928	32,147,732	27,956,928	32,131,733
Investment revenue	(2,272,257)	(1,542,599)	(11,167,321)	(10,437,663)
Gain on fair value adjustment of investment properties	(24,791,923)	(1,899,958)	(24,534,840)	(1,899,958)
Operating Income Before Working Capital Changes	87,046,834	92,691,312	76,765,488	81,227,861
Changes in working capital:				
Trade receivables	5,937,413	(3,534,268)	9,484,500	(4,350,141)
Other receivables and prepaid expenses	(257,721)	270,792	(254,751)	152,750
Other payables and accrued expenses	(571,285)	(1,284,581)	161,753	(848,595)
Net Changes In Working Capital	5,108,407	(4,548,057)	9,391,502	(5,045,986)
Cash Flows Generated From Operating Activities	92,155,241	88,143,255	86,156,990	76,181,875
Real Property Gain Tax paid	(3,000,000)	-	(3,000,000)	-
Net Cash From Operating Activities	89,155,241	88,143,255	83,156,990	76,181,875
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investment properties	100,000,000	-	100,000,000	-
Income received on investment	2,262,636	1,542,599	2,262,636	1,542,599
Profit sharing from advances to subsidiaries	-	-	3,585,896	8,915,094
Enhancement to investment properties	(506,160)	(937,002)	(506,160)	(937,002)
Additions to investment properties (Note)	(13,139,000)	-	(13,139,000)	-
Net Cash From Investing Activities	88,617,476	605,597	92,203,372	9,520,691
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs paid	(29,524,094)	(31,010,697)	(29,058,057)	(31,039,010)
Income distributions	(54,981,088)	(46,824,947)	(54,981,088)	(46,824,947)
(Decrease)/Increase in amount due to a subsidiary	-	-	(80,995,468)	518,154
Increase in restricted cash	(611,784)	(631,377)	-	-
Repayment of Islamic financing	(80,000,000)	-	-	-
Net Cash Used In Financing Activities	(165,116,966)	(78,467,021)	(165,034,613)	(77,345,803)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		The Group		The Fund	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,655,751	10,281,831	10,325,749	8,356,763
Effects of changes in exchange rates		(119,871)	(182,809)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		56,463,520	46,394,498	44,560,360	36,203,597
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	68,999,400	56,463,520	54,886,109	44,560,360

Note: Purchase of investment properties by the Group and the Fund during the financial year through the following:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Payment by cash	13,139,000	-	13,139,000	-
Other payable	120,000	-	120,000	-
	13,259,000	-	13,259,000	-

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Al-Aqar Healthcare REIT (the "Fund") is a Malaysian domiciled Islamic Real Estate Investment Trust constituted pursuant to a Trust Deed ("Principal Trust Deed") dated 27 June 2006 between Damansara REIT Managers Sdn Bhd ("the Manager") and Amanah Raya Bhd. Pursuant to the Principal Trust Deed, the Fund entered into a Supplemental Trust Deed dated 14 May 2010 with Amanah Raya Bhd and Amanahraya Trustees Bhd ("the Trustee") for the retirement of Amanah Raya Bhd from acting as a Trustee and for the appointment of Amanahraya Trustees Bhd as the new Trustee for the Fund. On 31 July 2013, the Manager and the Trustee entered into a Restated Trust Deed ("the Deed"). The Fund is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts ("the SC Guidelines") and Islamic Real Estate Investment Trusts, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Rules of the Depository, and taxation laws and rulings of Malaysia. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Deed.

The Fund was listed on the Main Board of Bursa Malaysia on 10 August 2006 and commenced its business operations on 17 August 2006. Consequent to the new board structure implemented by Bursa Malaysia on 3 August 2010, the Fund is now listed on the Main Market of Bursa Malaysia.

On 26 April 2013, at the Extraordinary General Meeting, the unitholders of The Fund approved the proposed amendments and consolidation of the Trust Deed and Supplemental Trust Deed into a Restated Trust Deed. The Restated Trust Deed was executed on 31 July 2013 and was lodged with the Securities Commission on 11 November 2013. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Restated Trust Deed.

The principal activity of the Group and the Fund is to invest in Syariah-compliant properties with the primary objective of providing unitholders with stable distribution and potential for sustainable long term growth of such distribution and capital appreciation.

The registered office of the Manager is located at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The principal place of business of the Manager is located at Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

The Fund has entered into several service agreements in relation to the management of the Fund and its property operations. The fees structure of these services is as follows:

(i) Maintenance and management fee

The maintenance manager, Healthcare Technical Services Sdn Bhd, is entitled to an annual maintenance and management fee of up to 0.08% of the gross value of the investment properties in respect of the management of the investment properties owned by the Fund in accordance with the Property Maintenance Agreement. The fee is calculated on a monthly accrual basis.

(ii) Manager's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive the following fees from the Fund:

- (a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;

The Management fee for the current financial year is RM1,696,079 (2016: RM1,738,665).

- (b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and

The acquisition fee to the Manager during the current financial year is RM130,000 (2016: RM Nil).

- (c) A disposal fee of 0.5% of the disposal price of any investment property to be disposed directly or indirectly by the Fund which is payable upon completion of the disposal.

The disposal fee to the Manager during the current financial year is RM500,000 (2016: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

1. CORPORATE INFORMATION (continued)

(iii) Trustee's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Trustee is entitled to receive a fee of up to 0.03% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears. The Trustee's fees for the financial year ended 31 December 2017 of RM266,224 (2016: RM264,310) is determined based on 0.03% (2016: 0.03%) of the monthly net asset value.

The financial statement of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 29 January 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Fund have been prepared in accordance with the applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the SC Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

2.1 Adoption of Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Fund adopted all the revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2017:

Amendments to MFRS 107	Disclosure Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and of the Fund except as discussed below:

Amendments to MFRS 107 Disclosure Initiatives

The Group and the Fund has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's and the Fund's liabilities arising from financing activities consist of borrowings and amount due to a subsidiary. A reconciliation between the opening and closing balances of these items is provided in Note 18. Consistent with the transition provisions of the amendments, the Group and the Fund has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 18, the application of these amendments has had no impact to the Group's and the Fund's financial statements.

2.2 Standards, Amendments to MFRSs and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new and revised Standards and Amendments and IC Interpretations relevant to the Group and the Fund which were in issue but not yet effective and not early adopted by the Group and the Fund are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) ¹
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
MFRS 16	Leases ²
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to MFRS 9	Prepayment Features with Negative Compensation ²
Amendments to MFRS 140	Transfers of Investment Property ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards, Amendments to MFRSs and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
- ⁴ Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted.

The Manager anticipates that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Fund when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Fund in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager has performed a preliminary impact assessment of adopting MFRS 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group and the Fund adopt MFRS 9 in 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards, Amendments to MFRSs and Issues Committee Interpretations (“IC Intrepretation”) in issue but not yet effective (continued)

Classification and measurement

Financial assets of the Group and of the Fund includes trade receivables, other receivables, amounts due from a subsidiary, cash and bank balances and fixed deposits placed with financial institutions. Financial liabilities of the Group and of the Fund includes other payables and accrued expenses, Islamic financing and amount due to a subsidiary.

All financial assets and financial liabilities of the Group and of the Fund which were previously classified as loans and receivables and other financial liabilities, will continue to be measured at amortised cost, the same bases that currently adopted under MFRS 139.

Impairment

MFRS 9 requires the Group and the Fund to record expected credit losses on all of its advances, amount due from a subsidiary, trade receivables and other receivables either on a 12-month or lifetime basis. The Group and the Fund expect to apply the simplified approach and record lifetime expected losses on all receivables. Upon application of the expected credit loss model, the Group and the Fund expect that due to the low credit risk of the receivables given their strong external credit rating, the loss allowance will have no material impact on the financial statements of the Group and of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Fund have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration in exchange for assets.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Fund controls an investee if and only if the Fund has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Fund has less than a majority of the voting rights of an investee, the Fund considers the following in assessing whether or not the Fund’s voting rights in an investee are sufficient to give it power over the investee:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Fund’s voting rights and potential voting rights.

Subsidiaries are consolidated when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to undistributed income. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business Combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.3 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Group's and the Fund's functional currency.

(ii) Foreign currency translations

Transactions in foreign currencies are measured in the respective functional currencies of the Fund and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currencies (continued)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

3.4 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group or the Fund holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

3.5 Non-current assets classified as held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3.6 Financial instruments - initial recognition and subsequent measurement

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, on initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Fund commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statements of profit or loss and other comprehensive income. The Group and the Fund have not designated any financial assets at fair value through profit or loss during the years ended 31 December 2017 and 2016.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit ("EPR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in profit or loss as profit income. The losses arising from impairment are recognised in profit or loss as finance costs for loans and as cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's and the Fund's statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group and the Fund have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Fund have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Fund have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Fund have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Fund's continuing involvement in the asset. In that case, the Group and the Fund also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Fund have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Fund could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

(b) Impairment of financial assets

The Group and the Fund assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Fund first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Fund determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EPR. If a loan has a variable profit rate, the discount rate for measuring any impairment loss is the current EPR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

(c) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Fund that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group and the Fund have not designated any financial liability as at fair value through profit or loss during the years ended 31 December 2017 and 2016.

Other financial liabilities

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EPR method.

Financing and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the EPR method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EPR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in profit or loss as finance costs.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.7 Cash and cash equivalents

The Group and the Fund adopt the indirect method in the preparation of the statement of cash flows.

Cash and cash equivalents comprise cash and bank balances and other short-term, highly liquid investments with from the date of acquisition and are readily convertible to cash and with insignificant risk of changes in value and excludes amounts which are restricted for general use.

3.8 Provisions

Provisions are recognised when the Group or the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leases

(i) As lessee

Finance leases, which transfer to the Group or the Fund substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group or the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group or the Fund retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Rental income

Revenue from rental of investment properties are recognised on an accrual basis.

(ii) Investments revenue

Investments revenue, which comprise income earned from Islamic fixed deposit placements and profit sharing on advances, are recognised on an accrual basis based on effective profit rate.

3.11 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Income taxes (continued)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

In accordance with Section 61A(1) of the Income Tax Act 1967, the total income of the Fund will be exempted from income tax provided that at least 90% of the total taxable income of the Fund is distributed to unit holders within two months from the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Fund who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.13 Unitholders' capital and unit issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Unitholders' capital are recorded at the proceeds received, net of direct attributable transactions costs and are classified as equity. Distributions on Unitholders' capital are recognised in equity in the period in which they are declared.

3.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of profit expense and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

3.15 Current versus non-current classification

The Group and the Fund present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is classified as current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting date; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when it is:

- (i) expected to be settled in the normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting date; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Fair value measurement

The Group and the Fund measure financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Fund.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Fund use calculation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group and the Fund have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's and of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Fund's accounting policies, the Manager is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements and consolidated financial statements.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of investment properties

The fair value of the Group's and of the Fund's investment properties has been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd, an independent valuer not related to the Group and the Fund, in accordance with Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair value was determined based on capitalisation of net income method ("investment method") as the primary valuation method with comparison and cost methodologies as a secondary check. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. The valuers have considered the results of the above methods in their valuation and applied professional judgement in the determination of the fair value of the Group's and of the Fund's investment properties. Further details are disclosed in Note 11.

5. REVENUE

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Rental income from:				
KPJ Ampang Puteri Specialist Hospital	9,559,440	9,372,000	9,559,440	9,372,000
KPJ Tawakkal Specialist Hospital	8,602,910	8,601,913	8,602,910	8,601,913
KPJ Damansara Specialist Hospital	8,400,720	8,236,000	8,400,720	8,236,000
KPJ Johor Specialist Hospital	8,255,880	8,094,000	8,255,880	8,094,000
KPJ Klang Specialist Hospital	7,316,432	7,172,973	7,316,432	7,172,973
KPJ Ipoh Specialist Hospital	5,250,450	5,147,500	5,250,450	5,147,500
KPJ Selangor Specialist Hospital	4,683,496	4,579,500	4,683,496	4,579,500
KPJ Penang Specialist Hospital	4,552,991	4,463,717	4,552,991	4,463,717
KPJ Seremban Specialist Hospital	4,672,998	4,581,370	4,672,998	4,581,370
KPJ Healthcare University College, Nilai	4,170,903	4,143,276	4,170,903	4,143,276
Kedah Medical Centre	3,666,164	3,631,574	3,666,164	3,631,574
KPJ Perdana Specialist Hospital	3,187,208	3,137,962	3,187,208	3,137,962
KPJ Kajang Specialist Hospital	3,272,358	3,222,581	3,272,358	3,222,581
Tawakal Health Centre	3,160,570	3,098,598	3,160,570	3,098,598
Puteri Specialist Hospital	3,114,060	3,053,000	3,114,060	3,053,000
Sentosa Medical Centre	1,959,697	1,953,293	1,959,697	1,953,293
KPJ Kuantan Dialysis Centre	1,426,569	1,501,991	1,426,569	1,501,991
KPJ College, Bukit Mertajam	1,178,250	1,155,147	1,178,250	1,155,147
Kota Kinabalu Specialist Hospital	1,112,954	1,091,131	1,112,954	1,091,131
Taiping Medical Centre	719,179	705,077	719,179	705,077

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5. REVENUE (continued)

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Kluang Utama Specialist Hospital	286,619	280,999	286,619	280,999
Jeta Gardens Aged Care Facility and Retirement Village	11,098,321	11,784,607	-	-
Selesa Tower	-	4,830,924	-	4,830,924
	99,648,169	103,839,133	88,549,848	92,054,526

6. PROPERTY EXPENSES

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Assessment	3,328,142	3,147,023	3,328,142	3,147,023
Takaful coverage	1,119,130	1,448,734	1,119,130	1,448,734
Maintenance fee	1,549,881	1,213,669	1,070,633	1,092,333
Quit rent	444,138	434,914	444,138	434,914
	6,441,291	6,244,340	5,962,043	6,123,004

7. INVESTMENTS REVENUE

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Income from Islamic fixed deposits placements	2,272,257	1,542,599	2,272,257	1,542,599
Profit sharing on advances from Australia	-	-	8,895,064	8,895,064
	2,272,257	1,542,599	11,167,321	10,437,663

8. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2017 and 2016 are:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Recognised in profit or loss:				
Current tax:				
Real Property Gain Tax ("RPGT")	608,822	-	608,822	-
Overprovision in previous years	(9,144)	-	-	-
Deferred tax (Note 17)	909,874	545,831	-	-
	1,509,552	545,831	608,822	-
Recognised in other comprehensive income:				
Deferred tax arising from translation of a foreign operation (Note 17)	(875,763)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

8. INCOME TAX EXPENSE (continued)

Reconciliation between tax expense and accounting profit

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Fund are as follows:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	86,154,086	63,986,137	84,510,721	61,433,749
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	20,676,981	15,356,673	20,282,573	14,744,100
Different tax rates in other countries	587,557	334,924	-	-
Adjustments:				
Non-deductible expenses	1,075,474	3,411,042	776,901	2,406,374
Income not subject to tax	(6,434,077)	(5,370,339)	(8,568,892)	(4,948,843)
Income exempted from tax	(14,996,061)	(13,186,469)	(12,490,582)	(12,201,631)
RPGT	608,822	-	608,822	-
Overprovision of current tax in previous years	(9,144)	-	-	-
Income tax expenses recognised in profit or loss	1,509,552	545,831	608,822	-

Pursuant to the Section 61A of the Income Tax Act 1967 (ITA), where 90% or more of the total income of the unit trust is distributed to the unit holder, the total income of the unit trust for that year of assessment shall be exempted from tax. The Manager also expects to distribute the net income within two months from the end of each financial year and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

9. EARNINGS PER UNIT

The gross and net earnings per unit, which are calculated based on the profit before tax and profit for the financial year of the Group and of the Fund, respectively, divided by the weighted average number of units in circulation as of 31 December 2017 and 2016, are as follows:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Earnings attributable to unitholders:				
Profit before tax	86,154,086	63,986,137	84,510,721	61,433,749
Profit for the financial year	84,644,534	63,440,306	83,901,899	61,433,749
Weighted average number of units	728,226,468	728,226,468	728,226,468	728,226,468
Gross earnings per unit (sen)	11.83	8.79	11.61	8.44
Net earnings per unit (sen)	11.62	8.71	11.52	8.44

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10. NET INCOME DISTRIBUTIONS

For the financial year ended 31 December 2017 and 2016, the Manager, with the approval of the Trustee, has declared the following distributions:

	The Group and the Fund	
	2017	2016
	RM	RM
Final distribution 2016 - 3.80 sen per unit (2015: 2.53 sen)	27,672,596	18,424,122
Interim distribution 2017 - 3.75 sen per unit (2016: 3.90 sen)	27,308,492	28,400,825
	54,981,088	46,824,947

The Manager is proposing a final income distribution of 3.95 sen per unit totaling RM28,764,945 for the financial year ended 31 December 2017. The final distribution is subject to the approval of the Trustee and has not been included as a liability in the financial statements.

The total distributions (including proposed final distribution) for the financial year ended 31 December 2017 amount to RM56,073,438 (2016: RM56,073,431). Total distribution is 7.70 sen per unit (2016: 7.70 sen per unit).

Distribution to unitholders is derived from the following sources:

	The Fund	
	2017	2016
	RM	RM
Net rental income	82,587,805	85,931,522
Investments revenue	11,167,321	10,437,663
Other income	1,557	27,233
	93,756,683	96,396,418
Less: Expenses	(33,780,802)	(36,862,627)
	59,975,881	59,533,791
Less: Undistributed income	(32,667,389)	(31,132,966)
	27,308,492	28,400,825

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. INVESTMENT PROPERTIES

	The Group		The Fund	
	2017	2016	2017	2016
	RM	RM	RM	RM
At 1 January	1,424,360,000	1,521,523,040	1,281,800,000	1,378,963,040
Addition	13,259,000	-	13,259,000	-
Enhancements	506,160	937,002	506,160	937,002
Gain on fair value of investment properties	24,791,923	1,899,958	24,534,840	1,899,958
Effect of foreign currency exchange differences	(3,213,883)	-	-	-
Reclassification as asset held-for-sale	-	(100,000,000)	-	(100,000,000)
At 31 December	1,459,703,200	1,424,360,000	1,320,100,000	1,281,800,000
Land and buildings at fair value	1,459,703,200	1,424,360,000	1,320,100,000	1,281,800,000

Fair value measurement of the Fund's investment properties

The fair values of the Group's and of the Fund's investment properties as at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd ("Cheston"), an independent valuer not related to the Group and the Fund. Messrs. Cheston are registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Group's and of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair values were determined based on the capitalisation of net income method ("investment method") and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The values estimated under this method are derived by ascertaining the market rent of the properties; deducting all reasonable annual operating expenses (as would be experienced under typical management) and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the income stream. In undertaking their assessment of the value using this approach, the market rental income and expected future rental income are taken into consideration. In arriving at the net income, the outgoings i.e. quit rent, assessment, takaful coverage, repairs and maintenance and management, are deducted from gross rental income together with allowance for void.

In estimating the fair values of the investment properties, the highest and best use of the investment properties is their current use.

The fair value of the investment properties are classified as Level 3 for fair value hierarchy disclosure purposes. The significant unobservable inputs applied by the independent valuer in applying the investment method above are the capitalisation rates of 6.00% to 8.50% (2016: 6.00% to 8.00%) based on reversionary yields on the Group's and the Fund's investment properties. The valuer had adopted market corroborated capitalisation rates, which is the most frequently adopted methodology by the property industry in Malaysia and in Australia, based on information pertaining to recent comparable sales which are publicly available, adjusted for the location, quality and characteristics of the investment properties.

A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. INVESTMENT PROPERTIES (continued)

A summary of the investment properties of the Group and the Fund, as required to be disclosed by the SC Guidelines, are as follows:

The Group and the Fund

Description of property	Tenure of land	Term of lease	Remaining term of lease
KPJ Ampang Puteri Specialist Hospital #	Leasehold	99	72
KPJ Damansara Specialist Hospital #	Freehold	-	-
KPJ Johor Specialist Hospital #	Leasehold	99	62
KPJ Ipoh Specialist Hospital #	Leasehold	999	877
Puteri Specialist Hospital #	Leasehold	99	38
KPJ Selangor Specialist Hospital #^	Leasehold	99	79
Kedah Medical Centre #	Freehold	-	-
KPJ Perdana Specialist Hospital #	Leasehold	66	47
KPJ Kuantan Dialysis Centre #	Freehold	-	-
Sentosa Medical Centre #	Freehold	-	-
KPJ Kajang Specialist Hospital #	Freehold	-	-
Taiping Medical Centre #	Leasehold	99	71
Damai Specialist Hospital #	Leasehold	99	56
KPJ College, Bukit Mertajam #	Freehold	-	-
Tawakal Health Centre #	Leasehold	99	60
KPJ Healthcare University College, Nilai #	Freehold	-	-
KPJ Healthcare University College, Nilai New Building	Freehold	-	-
KPJ Seremban Specialist Hospital #	Leasehold	99	86
KPJ Penang Specialist Hospital #	Freehold	-	-
KPJ Tawakkal Specialist Hospital #	Freehold	-	-
Kluang Utama Specialist Hospital #	Leasehold	99	83
KPJ Klang Specialist Hospital #	Leasehold	99	76
Total for the Fund			
Jeta Garden Aged Care Facility and Retirement Village	Freehold	-	-
Total for the Group			

The investment properties amounting to RM1,239,400,000 (2016: RM1,201,800,000) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by a subsidiary company as disclosed in Note 18.

^ Included in the investment property is an addition during the year amounting to RM13,259,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Location	Date of valuation	2016 Fair value RM	2017 Fair value RM	Fair value hierarchy
Ampang	3 October 2017	132,000,000	135,000,000	3
Damansara	5 October 2017	117,000,000	121,700,000	3
Johor Bahru	25 October 2017	114,000,000	116,800,000	3
Ipoh	4 October 2017	72,900,000	73,000,000	3
Johor Bahru	19 October 2017	43,000,000	43,000,000	3
Shah Alam	11 October 2017	65,500,000	80,800,000	3
Alor Setar	9 October 2017	51,700,000	51,700,000	3
Kota Bharu	8 October 2017	45,000,000	45,000,000	3
Kuantan	9 October 2017	21,700,000	21,700,000	3
Kuala Lumpur	11 October 2017	28,700,000	30,000,000	3
Kajang	10 October 2017	46,200,000	48,400,000	3
Taiping	2 October 2017	10,000,000	10,000,000	3
Kota Kinabalu	17 October 2017	15,200,000	15,200,000	3
Bukit Mertajam	5 October 2017	16,200,000	16,200,000	3
Kuala Lumpur	10 October 2017	44,700,000	47,000,000	3
Seremban	5 October 2017	19,400,000	19,900,000	3
Seremban	5 October 2017	80,000,000	80,700,000	3
Seremban	4 October 2017	66,300,000	66,300,000	3
Bukit Mertajam	3 October 2017	63,500,000	64,000,000	3
Kuala Lumpur	10 October 2017	123,000,000	127,900,000	3
Kluang	19 October 2017	4,300,000	4,300,000	3
Klang	10 October 2017	101,500,000	101,500,000	3
		1,281,800,000	1,320,100,000	
Queensland	16 November 2017	142,560,000	139,603,200	3
		1,424,360,000	1,459,703,200	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

12. INVESTMENT IN SUBSIDIARIES

	The Fund	
	2017 RM	2016 RM
Unquoted shares, at costs	42,492,186	42,492,186

The details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activity
		2017 %	2016 %	
Al-Aqar Capital Sdn Bhd ⁽ⁱ⁾	Malaysia	100	100	Special purpose company for the purpose of raising Islamic Financing for the Fund
Al-Aqar Australia Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100	Special purpose company for the purpose of acquisition of Australian property for the Fund

⁽ⁱ⁾ Audited by Deloitte PLT

⁽ⁱⁱ⁾ Audited by a firm other than Deloitte PLT

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	5,312,154	11,249,567	217,714	9,702,214

Trade receivables comprise rental receivable from lessees.

The credit period granted by the Group and the Fund on rental receivable from lessees ranges from 30 to 60 days (2016: 30 to 60 days).

The aging analysis of the Group's and of the Fund's trade receivables is as follows:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
0 - 30 days	1,075,314	965,108	13,150	470,425
31 - 60 days	1,057,126	1,523,095	-	470,425
61 - 90 days	1,002,780	-	-	-
More than 90 days	2,176,934	8,761,364	204,564	8,761,364
	5,312,154	11,249,567	217,714	9,702,214

The Group and the Fund have not recognised any allowance for doubtful debts as the Group and the Fund hold tenant deposits as disclosed in Note 16 as credit enhancement and the amounts are considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

Other receivables and prepaid expenses consist of:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	541,217	152,630	493,874	108,257
RPGT recoverable	2,391,178	-	2,391,178	-
Prepaid expenses	1,527,654	1,648,899	1,527,654	1,648,899
	4,460,049	1,801,529	4,412,706	1,757,156
Less: RPGT recoverable	(2,391,178)	-	(2,391,178)	-
Less: Prepaid expenses	(1,527,654)	(1,648,899)	(1,527,654)	(1,648,899)
Add: Trade receivables	5,312,154	11,249,567	217,714	9,702,214
Add: Amounts due from a subsidiary	-	-	102,922,656	99,147,701
Add: Cash and bank balances	86,949,549	73,801,885	54,886,109	44,560,360
Total loans and receivables	92,802,920	85,204,082	158,520,353	153,518,532

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	35,917,278	26,451,032	21,806,132	14,548,853
Fixed deposits with licensed banks	51,032,271	47,350,853	33,079,977	30,011,507
	86,949,549	73,801,885	54,886,109	44,560,360
Less: Restricted cash	(17,950,149)	(17,338,365)	-	-
	68,999,400	56,463,520	54,886,109	44,560,360

Fixed deposits with licensed banks earn profit at rates between 3.10% to 3.60% (2016: 2.95% to 3.90%) per annum and have maturity periods of between 30 to 90 days (2016: 30 to 90 days).

Included in cash and bank balances and fixed deposits with licensed banks of the Group are deposits amounting to RM17,950,149 (2016: RM17,338,365) which are placed as reserve for repayment of finance costs on long-term Islamic financing and hence, are not available for general use.

15. ASSET CLASSIFIED AS HELD-FOR-SALE

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Investment properties				
At beginning of year	100,000,000	-	100,000,000	-
Disposal	(100,000,000)	-	(100,000,000)	-
Reclassified from investment properties	-	100,000,000	-	100,000,000
At end of year	-	100,000,000	-	100,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

15. ASSET CLASSIFIED AS HELD-FOR-SALE (continued)

On 11 November 2016, Al-Aqar Healthcare REIT as represented by its trustee, AmanahRaya Trustees Berhad, entered into a sale and purchase agreement with Optimum Impress Sdn Bhd to dispose of a freehold land on which was erected an integrated commercial development comprising a twenty-seven (27) storey hotel ("Hotel Selesa") and a thirty-one (31) storey office block ("Metropolis Tower") with basement and elevated car parks (collectively, referred to as "Selesa Tower") ("SPA") for a consideration of RM100 million. The SPA was completed on 19 June 2017.

16. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current:				
Other payables - tenant deposits received	6,907,481	7,464,281	6,907,481	7,464,281
Current:				
Amount owing to the Trustee	23,029	22,319	23,029	22,319
Amount owing to the Manager	139,955	145,433	139,955	145,433
Amount owing to related companies	39,680,000	38,900,000	39,680,000	38,900,000
Other payables	582,566	1,177,154	423,035	987,255
Accrued expenses	8,453,117	9,873,904	1,278,170	650,629
	48,878,667	50,118,810	41,544,189	40,705,636
Add: Amount due to a subsidiary	-	-	555,538,535	639,169,345
Add: Islamic financing	573,580,634	653,802,142	-	-
Total financial liabilities carried at amortised cost	629,366,782	711,385,233	603,990,205	687,339,262

Amounts owing to related companies includes an outstanding balance in relation to an investment property purchased in prior years amounting to RM38,900,000 as well as an outstanding balance in relation to the Goods and Services Tax borne by the Group and the Fund in relation to the investment property purchased during the year amounting to RM780,000. The amounts are unsecured, interest free and repayable on demand.

17. DEFERRED TAX LIABILITIES

	The Group	
	2017 RM	2016 RM
At beginning of year	3,750,228	3,014,620
Transfer to profit or loss (Note 8)	909,874	545,831
Transfer from other comprehensive income (Note 8)	(875,763)	-
Effect of foreign currency exchange differences	(15,991)	189,777
At end of year	3,768,348	3,750,228

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

17. DEFERRED TAX LIABILITIES (continued)

	The Group 2017 RM	2016 RM
Deferred tax liabilities (before offsetting)		
Temporary differences arising from revaluation of investment property	7,313,785	6,359,287
Offsetting	(3,545,437)	(2,609,059)
	<hr/> 3,768,348	<hr/> 3,750,228
Deferred tax assets (before offsetting)		
Temporary differences arising from:		
Accrued expenses	15,251	13,234
Unrealised foreign exchange loss	875,763	-
Unused tax losses	2,654,423	2,595,825
	<hr/> 3,545,437	<hr/> 2,609,059
Offsetting	(3,545,437)	(2,609,059)
	<hr/> -	<hr/> -
Deferred tax assets (after offsetting)		

The availability of the unused tax losses for offsetting against future taxable profit of the Group is subjected to agreement with the tax authorities.

18. ISLAMIC FINANCING

	The Group 2017 RM	2016 RM
Sukuk Ijarah – Islamic Medium Term Notes (“IMTNs”)		
- Non-current	-	653,802,142
- Current	573,580,634	-
	<hr/> 573,580,634	<hr/> 653,802,142

Sukuk Ijarah

In 2013, Al-Aqar Capital Sdn Bhd established a Sukuk Ijarah Programme comprising IMTNs of up to RM1.0 billion in nominal value and issued RM655,000,000 in nominal value of IMTNs (“Issue 1”).

On 20 July 2017, Al-Aqar Capital Sdn Bhd made a partial early one-off redemption of RM80,000,000 in nominal value of unrated Class C IMTNs of Issue 1. The redemption was made by using the proceeds received from the disposal of Selesa Tower as disclosed in Note 15.

The outstanding RM575,000,000 in nominal value of IMTNs of Issue 1 will be due in May 2018. The Manager is in the midst of undertaking steps to refinance the said issuance as explained in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18. ISLAMIC FINANCING (continued)

As at the reporting date, the Sukuk Ijarah Programme, which is secured against the investment properties totaling RM1,239,400,000 (2016: RM1,201,800,000) as mentioned in Note 11, comprises the following tranches at nominal value:

Tranche	The Group		Profit rate (%)
	Nominal value		
	2017 RM	2016 RM	
<u>Issued on 6 May 2013</u>			
Class A IMTN	104,000,000	104,000,000	4.19
Class B IMTN	21,000,000	21,000,000	4.53
Class C IMTN	188,268,000	249,000,000	5.00 - 5.20
Total ⁽ⁱ⁾	313,268,000	374,000,000	
<u>Issued on 5 August 2013</u>			
Class A IMTN	168,000,000	168,000,000	4.35
Class B IMTN	34,000,000	34,000,000	4.70
Class C IMTN	59,732,000	79,000,000	5.00 - 5.20
Total ⁽ⁱⁱ⁾	261,732,000	281,000,000	
	575,000,000	655,000,000	

⁽ⁱ⁾ On 6 May 2013, the Fund issued through special purpose company namely Al-`Aqar Capital Sdn Bhd RM374,000,000 in nominal value of Islamic Medium Term Notes under a Sukuk Ijarah Programme. The facility is repayable in 9 equal semi-annual instalments of RM8,979,450 (cost of financing only) each commencing in November 2013 with a final instalment of RM382,979,450 (principal and last semi-annual cost of financing).

⁽ⁱⁱ⁾ On 5 August 2013, the Fund through its special purpose vehicle namely Al-`Aqar Capital Sdn Bhd issued RM281,000,000 in nominal value of Islamic Medium Term Notes under a Sukuk Ijarah Programme. The facility is repayable in 8 equal semi-annual instalments of RM6,459,000 (cost of financing only) each commencing in February 2014 with a final instalment of RM284,238,348 (principal and last semi-annual cost of financing).

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Group's and the Fund's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Fund's financial statements of cash flows as cash flows from financing activities.

	2017 RM
The Group	
Islamic Financing	
At beginning of year	653,802,142
Financing cash flows	(109,524,094)
	544,278,048
<u>Non-cash changes</u>	
Decrease in other payables and accrued expenses	1,345,658
Accruals of finance costs	27,956,928
At end of year	573,580,634

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18. ISLAMIC FINANCING (continued)

	2017 RM
The Fund	
Amount due to a subsidiary	
At beginning of year	637,635,132
Financing cash flows	(110,053,525)
	527,581,607
 <i>Non-cash changes</i>	
Accruals of finance costs	27,956,928
	555,538,535

19. UNITHOLDERS' CAPITAL

	2017		2016	
	No. of units	RM	No. of units	RM
The Group and the Fund				
At beginning/end of year	728,226,468	722,398,126	728,226,468	722,398,126

Details of units held by the Manager's Directors and unitholders, and related parties which comprise companies related to Johor Corporation and KPJ Healthcare Berhad, substantial unitholders of the Fund, and their market value as of 31 December 2017 based on the Record of Depositors are as follows:

	2017		2016	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	78,147,404	54,648,534	85,798,198
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	51,644,830	36,115,266	56,700,968
Selangor Medical Centre Sdn Bhd	35,000,000	50,050,000	35,000,000	54,950,000
Jeta Gardens (Qld) Pty Ltd	13,284,468	18,996,789	21,013,739	32,991,570
Seremban Specialist Hospital Sdn Bhd	23,731,000	33,935,330	23,731,000	37,257,670
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	30,049,647	19,784,468	31,061,615
Medical Associates Sdn Bhd	19,055,000	27,248,650	19,055,000	29,916,350
Sentosa Medical Centre Sdn Bhd	15,653,000	22,383,790	15,653,000	24,575,210
Kedah Medical Centre Sdn Bhd	15,000,000	21,450,000	15,000,000	23,550,000
Johor Specialist Hospital Sdn Bhd	12,203,000	17,450,290	12,203,000	19,158,710
Puteri Specialist Hospital Sdn Bhd	12,000,000	17,160,000	12,000,000	18,840,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	16,858,270	11,789,000	18,508,730
Kuantan Specialist Hospital Sdn Bhd	5,000,000	7,150,000	5,000,000	7,850,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	6,416,410	4,487,000	7,044,590
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	5,005,000	3,500,000	5,495,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,767,620	3,334,000	5,234,380
Johor Ventures Sdn Bhd	173,219	247,703	173,219	271,954

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

20. MANAGEMENT EXPENSE RATIO ("MER")

	2017 %	2016 %
MER	0.32	0.27

The calculation of MER is based on the total fees of the Fund incurred for the year, including the Manager's fees, Trustee's fees, audit fee, tax agent's fee and administration expenses, to the average net asset value of the Fund during the year calculated on a monthly basis. Since the average net asset value is calculated on a monthly basis, comparison of the MER of the Fund with other Real Estate Investment Trusts ("REITs") which use a different basis of calculation may not be an accurate comparison.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Fund if the Group and the Fund has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Fund derives all its rental income as disclosed in Note 5 from related parties.

Significant related party transactions other than those disclosed in Note 5 are as follows:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase of investment property	13,000,000	-	13,000,000	-
Manager's fee	2,196,079	1,738,665	2,196,079	1,738,665
Professional fees	400,000	-	400,000	-
Registrar fee	91,686	65,845	91,686	65,845
Secretarial fee	7,070	2,640	-	-

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

Amounts due from a subsidiary represents unsecured advances given to subsidiary from the proceeds raised from Islamic financing and issuance of new units in previous years for the purpose of purchase of an investment property in Australia.

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary. The finance costs and repayment terms of the unsecured advances mirror the finance costs and repayment terms of the Islamic financing of Sukuk Ijarah raised by the said subsidiary as disclosed in Note 18.

22. COMMITMENTS

Operating leases - as lessor

The Group and the Fund lease out their investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	The Group		The Fund	
	2017 RM	2016 RM	2017 RM	2016 RM
Less than one year	102,075,690	100,064,683	90,639,179	88,609,111
Between one and five years	415,235,842	451,002,709	369,489,800	392,190,455
	517,311,532	551,067,392	460,128,979	480,799,566

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Fund.

Except as detailed in the following table, the Manager considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values and categorised under level 2 of fair value hierarchy.

		2017		2016	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair value RM
The Group					
Financial Liability					
Islamic financing					
- current	18	573,580,634	573,580,634	-	-
- non-current	18	-	-	653,802,142	661,029,518
<hr/>					
The Fund					
Financial Liability					
Amount due to a subsidiary					
- current	18	555,538,535	555,538,535	-	-
- non-current	18	-	-	637,635,132	661,029,518
<hr/>					

The fair values of non-current Islamic financing are estimated using discounted cash flow analysis based on current equivalent profit rate of 4.71% (2016: 4.93%) per annum for similar type of instruments.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Fund are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and financing rate risk.

The Group and the Fund have taken measures to minimise their exposure to risks associated with their financing, investing and operating activities and operates within clearly defined guidelines as set out in the SC Guidelines.

The following sections provide details regarding the Group's and the Fund's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks:

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Fund's exposure to credit risk arises primarily from trade and other receivables and amount due from a subsidiary company. The receivables are monitored on an ongoing basis through the Group's and the Fund's management reporting procedures.

Exposure to credit risk

At the reporting date, the Group's and the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit Risk (continued)

Credit risk concentration profile

The Group and the Fund determine concentrations of credit risk by monitoring individual profile of its trade receivables on an ongoing basis. The Group and the Fund have significant concentration of credit risk from a single tenant (2016: single tenant), which constitute approximately 94% (2016: 90%).

Financial assets that are past due but not impaired

Information regarding receivables that are past due but not impaired is disclosed in Note 13.

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Fund will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Fund's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Fund's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group and the Fund manage their operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of their overall liquidity management, the Group and the Fund maintain sufficient levels of cash and bank balances to meet their working capital requirements.

As of 31 December 2017, the current liabilities had exceeded the current assets of the Group and of the Fund by RM525,737,549 and RM533,791,240 respectively. The net current liabilities position is mainly derived from the IMTNs of Issue 1 which will come due in May 2018 as disclosed in Note 18. The Manager believes that the Group and the Fund will meet their short term obligation as and when they fall due based on the assumption that the Group and the Fund will be able to refinance their IMTNs when it matures. The refinancing of Issue 1 will be done via the second issuance of RM575,000,000 in nominal value of IMTNs ("Issue 2") under the same Sukuk Ijarah Programme. The Group and the Fund are actively pursuing the issuance with the bankers.

Financial assets

The following table details the Group's and the Fund's expected contractual maturity for its non-derivative financial assets:

	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
2017					
The Group					
Non-profit bearing:					
Trade receivables	-	5,312,154	-	-	5,312,154
Other receivables	-	541,217	-	-	541,217
Cash and bank balances	-	35,917,278	-	-	35,917,278
Fixed profit rate instruments	3.35	51,032,271	-	-	51,032,271
Total undiscounted financial assets		92,802,920	-	-	92,802,920
The Fund					
Non-profit bearing:					
Amount due from a subsidiary	-	3,774,955	-	99,147,701	102,922,656
Trade receivables	-	217,714	-	-	217,714
Other receivables	-	493,874	-	-	493,874
Cash and bank balances	-	21,806,132	-	-	21,806,132
Fixed profit rate instruments	3.35	33,079,977	-	-	33,079,977
Total undiscounted financial assets		59,372,652	-	99,147,701	158,520,353

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity Risk (continued)

Financial assets

2016	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
The Group					
Non-profit bearing:					
Trade receivables	-	11,249,567	-	-	11,249,567
Other receivables	-	152,630	-	-	152,630
Cash and bank balances	-	26,451,032	-	-	26,451,032
Fixed profit rate instruments	3.43	47,350,853	-	-	47,350,853
Total undiscounted financial assets		85,204,082	-	-	85,204,082
The Fund					
Non-profit bearing:					
Amounts due from subsidiary	-	-	-	99,147,701	99,147,701
Trade receivables	-	9,702,214	-	-	9,702,214
Other receivables	-	108,257	-	-	108,257
Cash and bank balances	-	14,548,853	-	-	14,548,853
Fixed profit rate instruments	3.43	30,011,507	-	-	30,011,507
Total undiscounted financial assets		54,370,831	-	99,147,701	153,518,532

Financial liabilities

The following table details the Fund's expected contractual maturity for its non-derivative financial liabilities:

2017	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
The Group					
Non-profit bearing:					
Other payables and accrued expenses	-	48,878,667	-	6,907,481	55,786,148
Profit bearing:					
Islamic financing	4.71	586,481,257	-	-	586,481,257
Total undiscounted financial liabilities		635,359,924	-	6,907,481	642,267,405
The Fund					
Non-profit bearing:					
Other payables and accrued expenses	-	41,544,189	-	6,907,481	48,451,670
Profit bearing:					
Amount due to a subsidiary	4.71	568,439,158	-	-	568,439,158
Total undiscounted financial liabilities		609,983,347	-	6,907,481	616,890,828

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity Risk (continued)

Financial liabilities

2016	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
The Group					
Non-profit bearing:					
Other payables and accrued expenses	-	50,118,810	-	7,464,281	57,583,091
Profit bearing:					
Islamic financing	4.71	29,524,094	653,802,142	-	683,326,236
Total undiscounted financial liabilities		79,642,904	653,802,142	7,464,281	740,909,327
The Fund					
Non-profit bearing:					
Other payables and accrued expenses	-	40,705,636	-	7,464,281	48,169,917
Amount due to a subsidiary	-	1,534,213	-	-	1,534,213
Profit bearing:					
Amount due to a subsidiary	4.71	29,058,057	637,635,132	-	666,693,189
Total undiscounted financial liabilities		71,297,906	637,635,132	7,464,281	716,397,319

(c) Financing Rate Risk Management

Financing rate risk is the risk that the fair value or future cash flows of the Group's and of the Fund's financial instruments will fluctuate because of changes in the market financing rates.

The Group and the Fund manage their financing rate exposure by maintaining a fixed rate of borrowings. The Group and the Fund place cash deposits on short-term basis and therefore this allows the Group and the Fund to respond to significant changes of financing rate promptly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

25. SEGMENT REPORTING

The Group has a single operating segment. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has two reportable segments as follows:

- (i) Malaysia
- (ii) Australia

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

The Group's segmental information is as follows:

31 December 2017	Malaysia RM	Australia RM	Total RM
Rental	88,549,848	11,098,321	99,648,169
Property expenses	(5,962,043)	(479,248)	(6,441,291)
Net property income	82,587,805	10,619,073	93,206,878
Investment income	2,272,257	-	2,272,257
Other income	1,557	-	1,557
Gain on fair value	24,534,840	257,083	24,791,923
Total income	109,396,459	10,876,156	120,272,615
Expenditure	(5,899,283)	(262,318)	(6,161,601)
Operating profit	103,497,716	10,613,838	114,111,014
Financing costs	(27,956,928)	-	(27,956,928)
Profit before tax	75,540,248	10,613,838	86,154,086
Income tax expense	(599,678)	(909,874)	(1,509,552)
Profit after tax	74,940,570	9,703,964	84,644,534
Total assets	1,403,869,591	152,555,361	1,556,424,952
Total liabilities	629,083,328	4,051,802	633,135,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

25. SEGMENT REPORTING (continued)

31 December 2016	Malaysia RM	Australia RM	Total RM
Rental	92,054,526	11,784,607	103,839,133
Property expenses	(6,123,004)	(121,336)	(6,244,340)
Net property income	85,931,522	11,663,271	97,594,793
Investment income	1,542,599	-	1,542,599
Other income	27,233	-	27,233
Gain on fair value	1,899,958	-	1,899,958
Total income	89,401,312	11,663,271	101,064,583
Expenditure	(4,797,518)	(133,196)	(4,930,714)
Operating profit	84,603,794	11,530,075	96,133,869
Financing costs	(32,147,732)	-	(32,147,732)
Profit before tax	52,456,062	11,530,075	63,986,137
Income tax expense	-	(545,831)	(545,831)
Profit after tax	52,456,062	10,984,244	63,440,306
Total assets	1,462,327,845	148,885,136	1,611,212,981
Total liabilities	711,086,959	4,057,646	715,144,605

26. CAPITAL MANAGEMENT

The Group and the Fund manage their capital to ensure that entities in the Group and the Fund will be able to continue as going concerns while maximising the return to unitholders through the optimisation of the debt and equity balance. The Group's and the Fund's overall strategy remain unchanged from 2016.

The capital structure of the Group and of the Fund consists of net debt (borrowings as detailed in Note 18) offset by cash and cash equivalents and unitholders' fund of the Group and of the Fund (comprising unitholders' capital and undistributed income).

The Group and the Fund are subjected to externally imposed capital requirements. Therefore, the Group and the Fund are required to comply with the SC Guidelines on borrowings.

The SC Guidelines require that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50% of the total asset value of the Fund at the time the borrowings are incurred. Notwithstanding, the fund's total borrowings may exceed this limit with the sanction of the unit holders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

26. CAPITAL MANAGEMENT (continued)

Gearing ratios

The Group's and the Fund's gearing ratio are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratio at the end of the reporting date is as follow:

	2017 RM	The Group 2016 RM	2017 RM	The Fund 2016 RM
Total borrowings	573,580,634	653,802,142	555,538,535	637,635,132
Total assets value	1,556,424,952	1,611,212,981	1,525,031,371	1,579,459,617
Total borrowings to total assets value ratio	36.85%	40.6%	36.43%	40.4%

27. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	The Fund 2016
PTR (times)	0.06	-

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in the Fund for the year to the average net asset value during the year calculated on a monthly basis.

28. SIGNIFICANT EVENT

On 11 November 2016, Al-Aqar Healthcare REIT as represented by its trustee, AmanahRaya Trustees Berhad, entered into a sale and purchase agreement with Optimum Impress Sdn Bhd to dispose of a freehold land on which was erected an integrated commercial development comprising a twenty-seven (27) storey hotel ("Hotel Selesa") and a thirty-one (31) storey office block ("Metropolis Tower") with basement and elevated car parks (collectively, referred to as "Selesa Tower") ("SPA") for a consideration of RM100 million. The SPA was completed on 19 June 2017.

STATEMENT BY THE DIRECTORS OF THE MANAGER TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT

We, **DATO' KAMARUZZAMAN BIN ABU KASSIM** and **WAN AZMAN BIN ISMAIL**, being two of the Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), do hereby state that, in the opinion of the Manager, the financial statements of **AL-`AQAR HEALTHCARE REIT** (the "Fund") and of its subsidiaries (the "Group") are drawn up in accordance with applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards, Security Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and applicable securities laws in Malaysia so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2017 and of the results and the cash flows for the year then ended. The financial statements of the Group and of the Fund also comply with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of the Board in accordance
with a resolution of the Directors of the Manager,



DATO' KAMARUZZAMAN BIN ABU KASSIM



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
29 January 2018

DECLARATION BY THE DIRECTOR OF THE MANAGER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE FUND

I, **WAN AZMAN BIN ISMAIL**, the Executive Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") and primarily responsible for the financial management of **AL-AQAR HEALTHCARE REIT** (the "Group" and the "Fund"), do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



WAN AZMAN BIN ISMAIL

Subscribed and solemnly declared by the
abovenamed **WAN AZMAN BIN ISMAIL**
at **KUALA LUMPUR** on 29 January 2018.

Before me,

COMMISSIONER FOR OATHS

Kuala Lumpur,



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

SHARIAH COMMITTEE REPORT TO THE UNITHOLDERS OF AL-'AQAR HEALTHCARE REIT

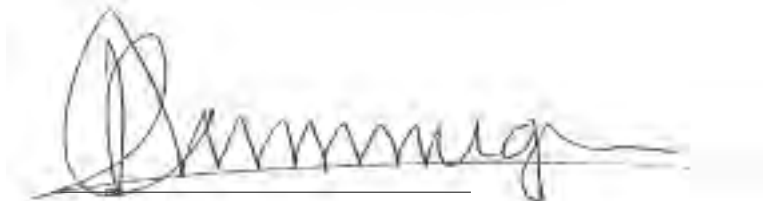
We have acted as the Shariah Adviser of **AL-'AQAR HEALTHCARE REIT** (the "Group" and the "Fund"). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager") and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2017.

In addition, we also confirm that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Rental income from investment properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and
- (b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For the Member of Shariah Committee



DATO' (DR.) HAJI NOOH BIN GADOT
CHAIRMAN, SHARIAH COMMITTEE

29 January 2018

TRUSTEE'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Unit Holders of **AL-`AQAR HEALTHCARE REIT**

We, **AMANAHRAYA TRUSTEES BERHAD**, have acted as Trustee of **AL-`AQAR HEALTHCARE REIT** for the financial year ended 31 December 2017. In our opinion, **DAMANSARA REIT MANAGERS SDN BERHAD**, the Manager, has managed **AL-`AQAR HEALTHCARE REIT** in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.

We are of the opinion that:

- (a) the procedures and processes employed by the Manager to value and/or price the units of **AL-`AQAR HEALTHCARE REIT** are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and
- (b) the distribution of returns made by **AL-`AQAR HEALTHCARE REIT** as declared by the Manager is in accordance with the investment objective of **AL-`AQAR HEALTHCARE REIT**.

Yours faithfully,
AMANAHRAYA TRUSTEES BERHAD



HABSAH BINTI BAKAR
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia
9 February 2018



Managed by:

DAMANSARA REIT MANAGERS
SDN BERHAD (717704-V)

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