

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Fourth Quarter Ended 31 December 2023

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31-12-2023	31-12-2022		31-12-2023	31-12-2022	
	RM	RM	%	RM	RM	%
	30,634,382	28,257,035	8.4	121,022,481	110,238,667	9.8
	(1,696,190)	(1,496,311)	13.4	(6,552,386)	(6,039,653)	8.5
Net rental income	28,938,192	26,760,724	8.1	114,470,095	104,199,014	9.9
Investment income	387,255	316,728	22.3	1,450,856	922,748	57.2
Loss on fair value adjustment	(5,151,250)	(11,258,551)	(54.2)	(5,151,250)	(11,258,551)	(54.2)
Realised loss on foreign exchange	-	-	-	-	(56,000)	(100.0)
Unrealised gain/(loss) on foreign exchange	34,042	(13,018)	(>100)	55,712	(16,585)	(>100)
Other income	332,036	606,181	(45.2)	731,276	1,005,423	(27.3)
Total income	24,540,275	16,412,064	49.5	111,556,689	94,796,049	17.7
Managers' fees	(1,474,123)	(480,340)	>100	(4,430,769)	(1,851,471)	>100
Trustees' fees	(107,657)	(96,142)	12.0	(418,825)	(380,770)	10.0
Islamic financing costs	(9,639,366)	(8,130,873)	18.6	(39,147,086)	(27,598,039)	41.8
Maintenance of properties	(57,000)	(1,411,160)	(96.0)	(958,959)	(1,865,540)	(48.6)
Administrative expenses	(812,675)	(393,376)	>100	(2,302,907)	(1,610,694)	43.0
Professional fees	(1,958,972)	(666,917)	>100	(3,298,450)	(1,008,481)	>100
Withholding tax	(111,380)	(111,380)	-	(445,520)	(445,520)	-
Total trust expenditure	(14,161,173)	(11,290,188)	25.4	(51,002,516)	(34,760,515)	46.7
Net income before taxation	10,379,102	5,121,876	>100	60,554,173	60,035,534	0.9
Tax	140,000	103,325	35.5	140,000	103,325	35.5
Net income after taxation	10,519,102	5,225,201	>100	60,694,173	60,138,859	0.9
Other comprehensive income/ (expenses) for the year						
Foreign currency translation differences for foreign operation	5,251,533	(43,838)	(>100)	5,799,430	(1,529,996)	(>100)
Total comprehensive income for the year	15,770,635	5,181,363	>100	66,493,603	58,608,863	13.5
Net income after taxation is made up as follows:						
Realised	14,866,578	14,981,391	(0.8)	63,246,350	67,765,765	(6.7)
Unrealised	(4,347,476)	(9,756,190)	(55.4)	(2,552,177)	(7,626,906)	(66.5)
	10,519,102	5,225,201	>100	60,694,173	60,138,859	0.9
Earnings per unit (sen) - Net	1.29	0.71	81.7	7.45	8.17	(8.8)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements. 1

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Note	Unaudited As At End Of Current Quarter 31-12-2023 <u>RM</u>	Audited As At Preceding Year Ended 31-12-2022 <u>RM</u>
ASSETS			
Non-current assets			
Investment properties	A9	1,643,220,335	1,721,281,384
Current Assets			
Trade receivables	B11	51,368,069	49,503,412
Other receivables & prepayments		368,783	149,885
Cash and bank balances		53,264,350	40,774,756
Fixed deposits with licensed banks		31,062,276	55,356,398
		<u>136,063,478</u>	<u>145,784,451</u>
Assets classified as held for sale	A9	76,700,031	-
		<u>212,763,509</u>	<u>145,784,451</u>
TOTAL ASSETS		<u>1,855,983,844</u>	<u>1,867,065,835</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B12	677,881,184	855,616,967
Other payables		16,373,882	15,247,543
Deferred tax		1,522,541	1,662,541
		<u>695,777,607</u>	<u>872,527,051</u>
Current Liabilities			
Islamic financing	B12	79,868,000	-
Other payables and accruals		7,826,884	8,604,304
Provision for income distribution		213,896	14,719,701
		<u>87,908,780</u>	<u>23,324,005</u>
TOTAL LIABILITIES		<u>783,686,387</u>	<u>895,851,056</u>
NET ASSETS VALUE		<u>1,072,297,457</u>	<u>971,214,779</u>
REPRESENTED BY:			
Unitholders' capital		854,758,225	756,408,942
Undistributed income		221,291,977	224,358,012
Foreign exchange translation reserve		(3,752,745)	(9,552,175)
TOTAL UNITHOLDERS' FUND		<u>1,072,297,457</u>	<u>971,214,779</u>
NUMBER OF UNITS IN CIRCULATION		<u>839,597,757</u>	<u>756,485,757</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)			
- Before income distribution		1.2772	1.2839
- After income distribution*		1.2572	1.2629

*after reflecting the proposed final income distribution for financial year ended 31 December 2023 of 2.00 sen per unit (2022: final income distribution for financial year ended 31 December 2022 of 2.10 sen per unit).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS VALUE
For the Fourth Quarter Ended 31 December 2023

Note	Unitholders' Capital RM	Undistributed Income RM	Foreign Exchange RM	Total Unitholders' Fund RM
As at 1 January 2022	731,398,126	221,625,961	(8,022,179)	945,001,908
Operation for the year ended 31 December 2022				
Net income for the year	-	60,138,859	(1,529,996)	58,608,863
<i>Increase in net assets resulting from operation</i>	-	60,138,859	(1,529,996)	58,608,863
Unitholders' transactions				
Placement of units	25,010,816	-	-	25,010,816
Distribution to unitholders	-	(57,406,808)	-	(57,406,808)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	25,010,816	(57,406,808)	-	(32,395,992)
Net assets as at 31 December 2022	756,408,942	224,358,012	(9,552,175)	971,214,779
As at 1 January 2023	756,408,942	224,358,012	(9,552,175)	971,214,779
Operation for the year ended 31 December 2023				
Net income for the year	-	60,694,173	5,799,430	66,493,603
<i>Increase in net assets resulting from operation</i>	-	60,694,173	5,799,430	66,493,603
Unitholders' transactions				
Placement of units	99,734,400	-	-	99,734,400
Distribution to unitholders #	-	(63,760,208)	-	(63,760,208)
Issuing expenses	(1,385,117)	-	-	(1,385,117)
<i>Decrease in net assets resulting from unitholders' transactions</i>	98,349,283	(63,760,208)	-	34,589,075
Net assets as at 31 December 2023	854,758,225	221,291,977	(3,752,745)	1,072,297,457

Include:

- (i) Payment of the final income distribution for the financial year ended 31 December 2022 of 2.10 sen per unit (of which 1.05 sen per unit is taxable and 1.05 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 October to 31 December 2022 which was paid on 28 February 2023.
- (ii) Payment of the first interim income distribution for the financial year ended 31 December 2023 of 2.00 sen per unit (of which 0.90 sen per unit is taxable and 1.10 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 January to 31 March 2023 which was paid on 12 May 2023.
- (iii) Payment of the second interim income distribution for the financial year ended 31 December 2023 of 1.90 sen per unit (of which 0.56 sen per unit is taxable and 1.34 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 April to 30 June 2023 which was paid on 2 October 2023.
- (iv) Payment of the third interim income distribution for the financial year ended 31 December 2023 of 2.00 sen per unit (of which 0.84 sen per unit is taxable and 1.16 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2023 which was paid on 27 December 2023.

The Condensed Consolidated Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fourth Quarter Ended 31 December 2023

	To Date	
	31-12-2023	31-12-2022
	<u>RM</u>	<u>RM</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	60,554,173	60,035,534
Adjustment for:		
Islamic financing costs	39,147,086	27,598,039
Interest accretion of tenant deposits	424,563	359,332
Amortisation of deferred income	(463,085)	(406,923)
Fair value adjustment of investment properties	5,151,250	11,258,551
Unrealised (gain)/loss on foreign exchange	(55,712)	16,585
Unbilled rental income	(2,364,839)	(3,497,314)
Loss on disposal of investment property	-	93,800
Investment revenue	(1,450,856)	(922,748)
Operating profit before working capital changes	100,942,580	94,534,856
Changes in working capital:		
Decrease/(increase) in receivables and prepayments	237,136	(9,461,748)
Increase in other payables and accruals	77,685	3,797,903
Cash generated from operations	101,257,401	88,871,011
Taxes	-	-
Net cash generated from operating activities	<u>101,257,401</u>	<u>88,871,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income received on investment	1,494,280	908,882
Net proceed from disposal of investment property	-	200,700
Acquisition of investment properties	-	(166,989,184)
Enhancement to investment properties	-	(3,655,737)
Net cash generated from/(used in) investing activities	<u>1,494,280</u>	<u>(169,535,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(78,266,014)	(57,406,808)
Repayment of Islamic financing	(100,000,000)	-
Net proceeds from issuance of units	98,349,283	-
Net proceeds from Islamic financing	-	172,000,000
Islamic financing costs paid	(36,705,112)	(27,125,056)
Net cash (used in)/generated from financing activities	<u>(116,621,843)</u>	<u>87,468,136</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,870,162)	6,803,808
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,064,910	(514,881)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	96,092,012	89,803,085
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>84,286,760</u>	<u>96,092,012</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	53,264,350	40,774,756
Fixed deposits with licensed banks	31,062,276	55,356,398
	84,326,626	96,131,154
Less: Islamic fixed deposits with licensed banks with maturity period of more than 3 months	(39,866)	(39,142)
CASH AND CASH EQUIVALENTS	<u>84,286,760</u>	<u>96,092,012</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2023

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standard (MFRS) 134 and International Financial Reporting Standards.

The interim financial report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2022.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent Audited Financial Statements for the financial year ended 31 December 2022.

The Group has applied the following standards and amendments for the first time for the financial period beginning 1 January 2023:

- MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates
- Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

The standards and interpretations that are issued but not yet effective are disclosed below:

- Amendments to MFRS 101 : Classification of Liabilities as Current or Non Current (effective 1 January 2024)
- Amendments to MFRS 16 : Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to MFRS 101 : Non-current Liabilities with Covenants (effective 1 January 2024)
- Amendments to MFRS 107 and MFRS 7 : Supplier Finance Arrangements (effective 1 January 2024)
- Amendments to MFRS 121 : Lack of Exchangeability (effective 1 January 2025)
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

The Group did not early adopt these new standards.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements of Al-'Aqar Healthcare REIT for the financial year ended 31 December 2022 was not subject to any audit qualification.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

The business operations of Al-'Aqar Healthcare REIT are not affected by any material seasonal or cyclical factors.

A4. UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no unusual items affecting the financial statements of Al-'Aqar Healthcare REIT for the current quarter.

A5. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates arising from the adoption of the new and revised MFRSs, that have had a material effect in the current quarter.

A6. ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchase and repayment of debt and equity securities being made in the current quarter.

A7. INCOME DISTRIBUTION

The third interim income distribution for the financial year ended 31 December 2023 of 2.00 sen per unit (of which 0.84 sen per unit is taxable and 1.16 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2023, which was announced on 24 November 2023 has been paid on 27 December 2023.

A8. SEGMENTAL REPORTING

a. Primary reporting segment - Geographical segments

Al-'Aqar Healthcare REIT operates in two principal geographical areas as follows:

	Malaysia RM'000	Australia RM'000	Total RM'000
Year Ended 31 December 2023			
Gross rental income	115,250	5,772	121,022
Property expenses	(6,486)	(66)	(6,552)
Net rental income	108,764	5,706	114,470
Investment income	1,451	-	1,451
Gain/(loss) on fair value adjustment	8,735	(13,886)	(5,151)
Unrealised gain on foreign exchange	55	-	55
Other income	731	-	731
Total income	119,736	(8,180)	111,556
Trust expenditure	(48,333)	(2,669)	(51,002)
Net income before taxation	71,403	(10,849)	60,554
Tax	140	-	140
Net income after taxation	71,543	(10,849)	60,694
Total assets	1,731,435	124,549	1,855,984
Total liabilities	782,552	1,134	783,686
	Malaysia RM'000	Australia RM'000	Total RM'000
Year Ended 31 December 2022			
Gross rental income	104,588	5,651	110,239
Property expenses	(5,978)	(62)	(6,040)
Net rental income	98,610	5,589	104,199
Investment income	923	-	923
Loss on fair value adjustment	(11,259)	-	(11,259)
Realised loss on foreign exchange	(56)	-	(56)
Unrealised loss on foreign exchange	(16)	-	(16)
Other income	1,005	-	1,005
Total income	89,207	5,589	94,796
Trust expenditure	(34,258)	(502)	(34,760)
Net income before taxation	54,949	5,087	60,036
Tax	103	-	103
Net income after taxation	55,052	5,087	60,139
Total assets	1,738,000	129,066	1,867,066
Total liabilities	895,642	209	895,851

b. Secondary reporting segment - Business segments

Al-'Aqar Healthcare REIT operates within the healthcare industry and accordingly, the segmental reporting by business segment was not prepared.

A9. VALUATION OF INVESTMENT PROPERTIES

	Description of Property	Location	Date of Valuation	2023 Fair Value RM
1	KPJ Ampang Puteri Specialist Hospital	Ampang	31 December 2023	137,000,000
2	KPJ Damansara Specialist Hospital	Damansara	31 December 2023	140,000,000
3	KPJ Johor Specialist Hospital	Johor Bahru	31 December 2023	122,000,000
4	KPJ Ipoh Specialist Hospital	Ipoh	31 December 2023	90,000,000
5	KPJ Puteri Specialist Hospital	Johor Bahru	31 December 2023	40,000,000
6	KPJ Selangor Specialist Hospital	Shah Alam	31 December 2023	84,000,000
7	Kedah Medical Centre	Alor Setar	31 December 2023	60,000,000
8	KPJ Perdana Specialist Hospital	Kota Bharu	31 December 2023	40,000,000
9	Kuantan Wellness Centre	Kuantan	31 December 2023	16,000,000
10	KPJ Sentosa KL Medical Centre	Kuala Lumpur	31 December 2023	31,000,000
11	KPJ Kajang Specialist Hospital	Kajang	31 December 2023	57,000,000
12	Taiping Medical Centre	Taiping	31 December 2023	22,500,000
13	Damai Wellness Centre	Kota Kinabalu	31 December 2023	12,000,000
14	KPJ International College, Penang	Bukit Mertajam	31 December 2023	14,000,000
15	Tawakkal Health Centre	Kuala Lumpur	31 December 2023	46,000,000
16	KPJ Healthcare University College, Nilai	Nilai	31 December 2023	102,000,000
17	KPJ Seremban Specialist Hospital	Seremban	31 December 2023	160,000,000
18	KPJ Penang Specialist Hospital	Bukit Mertajam	31 December 2023	65,000,000
19	KPJ Tawakkal Specialist Hospital	Kuala Lumpur	31 December 2023	139,000,000
20	KPJ Klang Specialist Hospital	Klang	31 December 2023	104,000,000
21	KPJ Haemodialysis Kluang	Kluang	31 December 2023	4,800,000
22	KPJ Batu Pahat Specialist Hospital	Batu Pahat	31 December 2023	80,000,000
23	KPJ Pasir Gudang Specialist Hospital	Pasir Gudang	31 December 2023	90,000,000
24	Jeta Garden Aged Care and Retirement Village	Queensland	31 December 2023	79,385,160
	Based on valuation reports			<u>1,735,685,160</u>
	Less: Accrued unbilled rental income			(11,549,755)
	Less: Fair value adjustment relates to assets classified as held for sale			(4,215,039)
	Less: Assets classified as held for sale			<u>(76,700,031)</u>
				<u><u>1,643,220,335</u></u>

A10. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events to the current quarter under review up to the date of this Interim Financial Report.

A11. CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes in the composition of Al-Aqar Healthcare REIT for the current quarter.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed in the current quarter.

A13. SIGNIFICANT RELATED PARTY TRANSACTION

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 from related parties.

Significant related party transactions are as follows:

	The Group		The Fund	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	RM	RM	RM	RM
Manager's fee	4,430,769	1,851,471	4,430,769	1,851,471
Maintenance fee	1,202,160	1,098,480	1,202,160	1,098,480
Miscellaneous expenses	43,976	34,592	43,976	34,592
Other income	532,000	532,000	532,000	532,000
Purchase of investment properties	-	192,000,000	-	192,000,000

Other income relates to the compensation received from Selangor Medical Centre Sdn Bhd for loss of opportunity and annual loss of potential income due to the deferment for the transfer of a Physician Consultant Building to the Group and the Fund.

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

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2023

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Changes %	Current Year To Date 31.12.2023 RM'000	Preceding Year Corresponding Year To Date 31.12.2022 RM'000	Changes %
Net rental income						
Malaysia	27,466	25,426	8.0	108,764	98,610	10.3
Australia	1,472	1,334	10.3	5,706	5,589	2.1
Total	28,938	26,760	8.1	114,470	104,199	9.9
Net income before taxation						
Malaysia	24,709	3,956	>100	71,403	54,949	29.9
Australia	(14,330)	1,166	(>100)	(10,849)	5,087	(>100)
Total	10,379	5,122	>100	60,554	60,036	0.9

(a) Review of Individual Quarter Results

Malaysia segment

The Malaysia segment contributed RM27.5 million of net rental income for the current quarter ended 31 December 2023, represented an increase of RM2.0 million or 8.0% from RM25.4 million, recorded in the preceding year's corresponding quarter. The increase was mainly contributed by income from TMC Health (New Building), KPJ Seremban Specialist Hospital (New Building) and KPJ Pasir Gudang Specialist Hospital, which was acquired in December 2022.

The Malaysia segment recorded net income before taxation of RM24.7 million for the current quarter, which is higher of RM20.7 million than preceding year corresponding quarter of RM4.0 million. The increase was mainly due to gain on fair value adjustment of investment properties of RM8.7 million recorded in the current quarter as compared to loss on fair value of RM11.3 million recorded in the preceding year corresponding quarter.

Australia segment

The net rental income of the Australia segment for the current quarter ended 31 December 2023 represented a slightly increase of RM0.1 million or 10.3% from RM1.3 million, recorded in the preceding year's corresponding quarter.

However, the Australia segment recorded net loss before taxation of RM14.3 million for the current quarter, which is lower of RM15.5 million than preceding year corresponding quarter of RM1.2 million. The decrease was mainly due to loss on fair value adjustment of investment property of RM13.9 million recorded in the current quarter.

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM108.8 million of net rental income for the year ended 31 December 2023, represented an increase of RM10.1 million or 10.3% from RM98.6 million recorded in the preceding year. The increase was mainly contributed by income from 3 KPJ properties, which was acquired in December 2022 as mentioned earlier.

The Malaysia segment recorded net income before taxation of RM71.4 million for the year ended 31 December 2023, which is RM16.4 million or 29.9% higher than preceding year of RM54.9 million. The increase was mainly due to higher rental income of RM10.1 million as well as gain on fair value adjustment of investment properties of RM8.7 million as compared to loss on fair value adjustment of investment properties of RM11.3 million in the preceding year. However, higher income set-off against higher financing cost of RM11.5 million as well as revision in management fees of RM2.6 million. Higher financing cost related to an increase of 50bps in OPR from 2.50% to 3.00% (RM6.1 million) as well as drawdown of additional Islamic financing to part finance acquisition of 3 KPJ properties (RM5.4 million) was recorded during the year.

Australia segment

The net rental income of the Australia segment for the year ended 31 December 2023 represented a slightly increase of RM0.1 million or 2.1% from RM5.6 million, recorded in the preceding year.

However, the Australia segment recorded net loss before taxation of RM10.8 million for the year ended 31 December 2023, which is lower of RM15.9 million than preceding year of RM5.1 million. The decrease was mainly due to loss on fair value adjustment of investment property of RM13.9 million as well as higher professional fees of RM2.3 million incurred during the year.

B2. MATERIAL CHANGES IN NET INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 31.12.2023 RM'000	Immediate Preceding Quarter ended 30.09.2023 RM'000	Changes %
Net rental income	28,938	29,094	(0.54)
Net income before taxation	10,379	17,586	(40.98)

Al-'Aqar Healthcare REIT recorded a net income before taxation of RM10.4 million as compared to RM17.6 million in the preceding quarter. This was mainly due to fair value loss from the annual revaluation of investment properties of RM5.1 million recorded during the current quarter.

B3. CHANGES IN NET ASSET VALUE

	As at 31-12-2023 RM'000	As at 30-09-2023 RM'000
Net asset value ("NAV")	1,072,297	1,073,471
NAV per unit (RM)	1.2772	1.2786

The NAV as at 31 December 2023 was lower by RM1.2 million as compared to the immediate preceding quarter, as a result of total comprehensive income of RM15.8 million and income distribution of RM16.8 million recognised during the current quarter.

B4. PROSPECTS

The global economy continues to expand, driven by domestic demand amid strong labour market conditions. There are further signs of recovery in the electrical and electronics (E&E) sector, but global trade remains soft partly due to the continued shift in spending from goods to services, and ongoing trade restrictions. While China's economy continues to show signs of improvement, its recovery remains modest given the weakness in the property market. Global headline and core inflation edged downwards in recent months but continue to be above average. On the global front, while the monetary policy stance is likely to remain tight in the near term, the tightening cycle has peaked for most central banks. The growth outlook remains subject to downside risks, mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and heightened volatility in global financial markets.

For the Malaysian economy, the fourth quarter advance estimates for GDP affirmed that the overall growth for 2023 expanded within expectations. Moving forward, growth is expected to improve in 2024, supported by the recovery in exports and resilient domestic expenditure. Continued employment and wage growth remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and implementation of catalytic initiatives under the national master plans. The growth outlook remains subject to downside risks stemming from weaker-than-expected external demand and larger declines in commodity production. Meanwhile, upside risks to growth mainly emanate from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of existing and new projects.

KPJ Group, being the sponsor of Al-Aqar anticipates that the remaining quarter will also see strong results, albeit the expected year-end trend which generally shows a drop in patient visits. The financial year 2023 has seen an overall increase in the number of patient visits and medical procedures as compared to 2022 as the current period normalised. KPJ will continue to be a beneficiary of long-term structural trends including rising private healthcare expenditure in line with higher income and ageing population.

Hence, the Manager does not expect any disruption to the earning of Al-Aqar as the Fund earning is underpinned by the long-term lease arrangements with KPJ Group. In ensuring a positive growth of distribution to the unitholder, while maintaining ongoing long-term lease arrangements with KPJ Group, the Fund has and will continue engage in various corporate exercises. Following the acquisition of KPJ properties worth RM192 million in late 2022, the Fund has maintained a positive trend.

It has successfully renewed five KPJ properties, which have been revalued at 17 percent higher than their book value. These properties are generating rental yields ranging from 6 to 6.25 percent. As part of its capital recycling plan, the Fund inked disposal agreements for the sale of Damai Care & Wellness Centre and Jeta Gardens Aged Care Facilities in Quarter 4 2023, with completion scheduled in the first and second half of 2024, respectively. The proceeds from the sale will be used to either distribute to unitholders, acquire local healthcare properties that will increase the Fund's yield, or a combination of both. Furthermore, the renewal of the five existing KPJ properties is anticipated to be completed by the end of 2024.

Sources:

- 1 Bank Negara Monetary Policy Statement, 24 January 2024
- 2 KPJ Healthcare Berhad Quarter 3, 2023 Performance Review & Prospect, 28 November 2023

B5. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the current quarter.

B6. TAX

	The Group		The Fund	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	RM	RM	RM	RM
Tax expense				
- Income Tax	(140,000)	(103,325)	(140,000)	(103,325)
	<u>(140,000)</u>	<u>(103,325)</u>	<u>(140,000)</u>	<u>(103,325)</u>

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 95% of its distributable income. 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 is required to be provided in the financial statements.

Deferred tax liability has been provided for the investment properties at 10% which reflects the expected manner of recovery of the investment properties i.e. recovered through sale.

B7. INCOME DISTRIBUTION

Income distributions to unitholders is derived from the following sources:

	Current Year Quarter 31-12-2023 RM'000	Preceding Year Corresponding Quarter 31-12-2022 RM'000	Current Year To Date 31-12-2023 RM'000	Preceding Year Corresponding Year To Date 31-12-2022 RM'000
Net rental income	28,938	26,761	114,470	104,199
Investment income	387	317	1,451	923
Realised loss on foreign exchange	-	-	-	(56)
Other income	332	605	731	1,005
Add: Interest accretion on tenant deposits	425	359	425	359
Less: Amortisation of deferred income	(463)	(407)	(463)	(407)
Less: Unbilled rental income	(591)	(1,364)	(2,365)	(3,497)
	<u>29,028</u>	<u>26,271</u>	<u>114,249</u>	<u>102,526</u>
Less: Expenses	(14,162)	(11,290)	(51,003)	(34,761)
Realised/Distributable income for the year	14,866	14,981	63,246	67,765
Previous year's undistributed realised income	<u>57,787</u>	<u>58,185</u>	<u>57,281</u>	<u>49,562</u>
Total realised income available for distribution	<u>72,653</u>	<u>73,166</u>	<u>120,527</u>	<u>117,327</u>
Less: Income to be distributed for the quarter/year	<u>(16,792)</u>	<u>(15,886)</u>	<u>(64,666)</u>	<u>(60,046)</u>
Balance undistributed income realised income	<u><u>55,861</u></u>	<u><u>57,280</u></u>	<u><u>55,861</u></u>	<u><u>57,281</u></u>
Distribution per unit (sen)	2.00	2.10	7.90	8.10

B8. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during the current quarter.

B9. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the current quarter.

B10. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

- (1) On 15 November 2023, on behalf of the Manager, KAF Investment Bank Berhad announced that Al-'Aqar entered into a sale and purchase agreement with Sihat Damai Sdn Bhd for the disposal of Damai Care & Wellness Centre for a disposal consideration of RM13.0 million to be fully satisfied in cash ("Proposed Disposal").
- (2) On 13 December 2023, on behalf of the Manager, KAF Investment Bank Berhad announced that Al-'Aqar entered into a land sale contract with Principal Healthcare Finance Pty Ltd to dispose of the lands and buildings of Jeta Gardens Aged Care Facility with the disposal consideration amounted to AUD24.4 million cash (equivalent to approximately RM74.9 million). The Proposed Disposal is expected to be completed in the second half of 2024 ("Proposed Disposal").

B11. TRADE RECEIVABLES

	The Group	
	As at	As at
	31-12-2023	31-12-2022
	RM'000	RM'000
<u>Current</u>		
Trade receivables	39,818	40,318
Unbilled rental income	11,550	9,185
	<u>51,368</u>	<u>49,503</u>

Trade receivables comprise rental receivable from lessees and unbilled rental income.

Unbilled rental income consist of unbilled incremental lease rental receivable from Pasir Gudang Specialist Hospital ("KPJ Batu Pahat Specialist Hospital"). The lease rental receivables from KPJ Batu Pahat is incremental by 10% every 3 years from the commencement date up to the term of 30 years. This rental income is recognised on straight-line basis over the lease term of 30 years.

The credit period granted by the Group on rental receivable from lessees ranges from 1 to 7 days.

The ageing analysis of the Group's trade receivables is as follows:

	The Group	
	As at	As at
	31-12-2023	31-12-2022
	RM'000	RM'000
0-30 days	2,906	8,645
31-60 days	1,242	1,630
61-90 days	746	245
More than 90 days	34,924	29,798
	<u>39,818</u>	<u>40,318</u>

Out of the total trade receivables of RM39.8 million, RM33.4 million is related to an Australian property and both parties are in the process of finalising on the settlement of the outstanding rental.

The Group has not recognised any allowance for estimated credit loss as the Group holds tenant deposits as credit enhancement and the amounts are considered recoverable.

B12. ISLAMIC FINANCING

	The Group	
	As at	As at
	31-12-2023	31-12-2022
	RM'000	RM'000
<u>Non-current</u>		
<u>Secured</u>		
Commodity Murabahah Term Financing ("CMTF 1")	-	79,736
Commodity Murabahah Term Financing ("CMTF 2")	29,840	29,759
Commodity Murabahah Term Financing ("CMTF 3 Tranche 1")	278,617	278,038
Commodity Murabahah Term Financing ("CMTF 3 Tranche 2")	298,031	297,583
Commodity Murabahah Term Financing ("CMTF 4 - Revolving Credit-i")	-	99,262
Commodity Murabahah Term Financing ("CMTF 4 - Term Financing-i")	71,393	71,238
	<u>677,881</u>	<u>855,616</u>
<u>Current</u>		
<u>Secured</u>		
Commodity Murabahah Term Financing ("CMTF 1")	79,868	-

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

For the current quarter, the Group does not have any off balance sheet financial instruments.

B14. MATERIAL LITIGATION

There was no material litigation as at the date of the current quarter.

B15. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the current quarter.

B16. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31-12-2023	Immediate Preceding Quarter ended 30-09-2023
Number of units in issue - units	839,597,757	839,597,757
Earning per unit (EPU) - sen	1.29	2.18
Net income distribution to unitholders - RM'000	16,792	16,792
Distribution per unit (DPU) - sen	2.00	2.00
Net Asset Value (NAV) - RM'000	1,072,297	1,073,471
NAV per unit - RM	1.2772	1.2786
Market Value Per Unit - RM	1.2400	1.2500

B17. RESPONSIBILITY STATEMENT

This quarterly report was prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-Aqar Healthcare REIT as at 31 December 2023 and of its financial performance and cash flows for the year then ended.