

AL-`AQAR HEALTHCARE REIT ANNUAL REPORT 2019



TABLE OF CONTENTS

02 2019 Highlights

01 Corporate Overview
04 Corporate Profile
05 Objective, Policy & Strategies
06 Corporate Information
08 Letter to Stakeholders
10 Salient Features
11 5 Years' Financial Performance
13 Trading Performance
16 Analysis of Unitholdings

02 Driving Force
20 Trust Structure
21 Organisation Structure
22 The Board of Directors' Profile
31 The Shariah Committee's Profile
34 The Management

03 Strategic Performance
38 Management Discussion & Analysis
50 Investor & Public Relations
52 Market Report Summary
56 Portfolio Summary & Details

04 Sustainability Report
70 About This Report
70 Sustainable REIT
72 Governance and Accountability
72 Engaging Stakeholders
73 Materiality Assessment
74 Sustainability Pillars
74 Governance
75 People
76 Partner

05 Essence of Corporate Governance
78 Board Charter
85 Corporate Governance Statement
90 Audit Committee Report
92 Statement on Risk Management & Internal Control

06 Financial Reports
98 Manager's Report
104 Independent Auditors' Report
108 Statements of Comprehensive Income
110 Statements of Financial Position
112 Statements of Changes in Net Asset Value
114 Statements of Cash Flows
116 Notes to the Financial Statements
163 Statement by the Directors of the Manager
164 Declaration by the Director of the Manager
165 Shariah Committee Report
166 Trustee's Report

2019 Highlights

RM 1.57 billion
PROPERTY VALUE

5.87%
DISTRIBUTION YIELD

6.63%
TOTAL RETURN

100%
OCCUPANCY RATE

23
NO. OF ASSETS

RM 971.5 million
MARKET CAPITALISATION

7.75 sen
DISTRIBUTION PER UNIT (DPU)

RM 106.1 million
GROSS REVENUE

RM63.4 million
NET REALISED INCOME





01 Corporate Overview

04 Corporate Profile
05 Objective, Policy & Strategies
06 Corporate Information
08 Letter to Stakeholders
10 Salient Features
11 5 Years' Financial Performance
13 Trading Performance
16 Analysis of Unitholdings



Corporate Profile

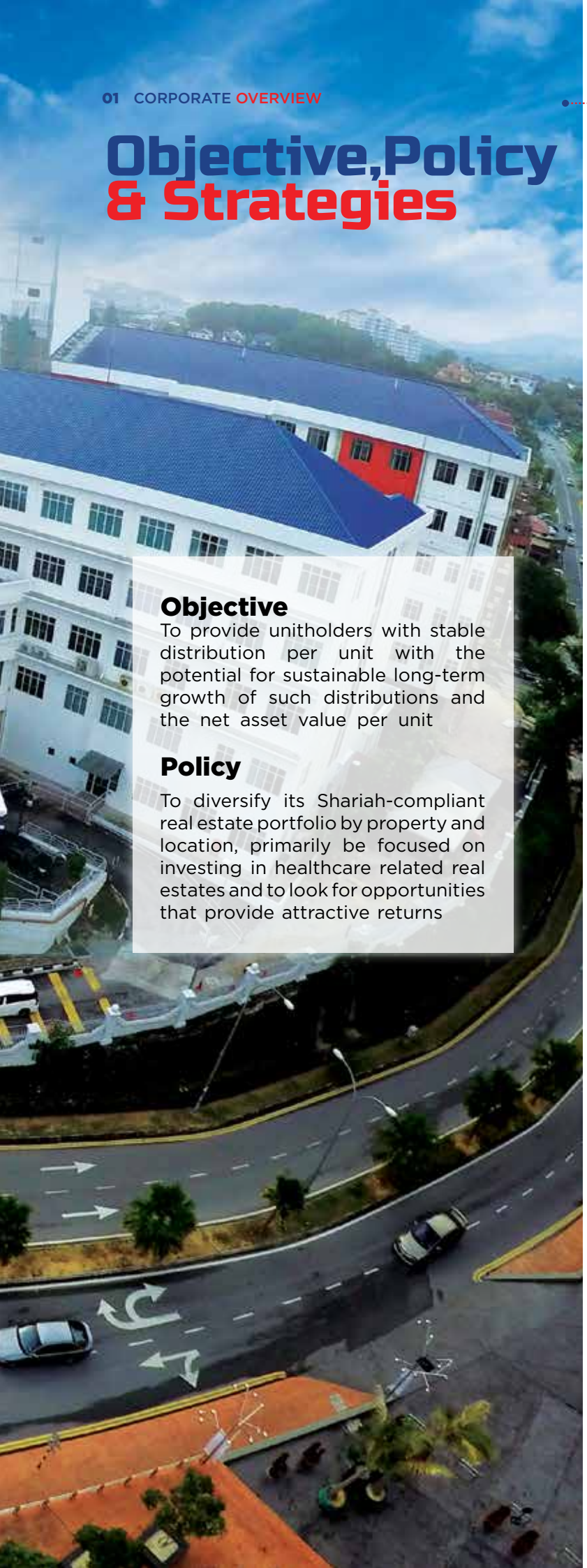


Al-`Aqar Healthcare REIT (Al-`Aqar or the Fund) was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 10 August 2006. Established with an initial portfolio of 6 properties, Al-`Aqar has grown its portfolio to currently 23 properties comprising 17 hospitals, 3 wellness/health centres, 2 colleges and 1 aged care & retirement village.

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 2019, Al-`Aqar's property values stood at RM1.57 billion with a market capitalisation of RM971.5 million.

Objective, Policy & Strategies



Objective

To provide unitholders with stable distribution 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

Acquisition Strategy

To increase cash flow and enhance unit value through selective acquisitions

Operating Strategy

To continue enhancing the performance of the properties by increasing yields and returns from the properties. This being achieved through combination of:

(i) meeting needs of the tenants;
(ii) maintaining the quality and physical conditions of the properties; and
(iii) 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 the Guidelines on Listed Real Estate Investment Trusts 2019 (Listed REIT Guidelines) and intend to use a combination of debt and REIT units to fund future acquisitions and improvement works of the properties

Corporate Information

MANAGER

DAMANSARA REIT MANAGERS SDN BERHAD
(200501035558)

Registered Office:
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor
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
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

SHARIAH COMMITTEE MEMBERS

Dato' (Dr) Haji Nooh bin Gadot
Professor Madya Dr. Ab. Halim bin Muhammad
Professor Dr. Mohamad @ Md Som bin Sujimon

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD (766894-T)
Level 14, Wisma AmanahRaya
No 2, Jalan Ampang
50508 Kuala Lumpur
Tel : (+603) 2036 5000 / 2036 5129
Fax : (+603) 2072 0717
Email : art@arb.com.my
Website : www.artrustees.com.my

REGISTRAR

JOHOR CORPORATION
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor
Tel : (+607) 219 5064
Fax : (+607) 223 3175

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
Tel : (+603) 7859 9229
Fax : (+603) 7734 5777
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

KADIR ANDRI & PARTNERS
Level 10, Menara BRDB, 285
Jalan Maarof
59000 Kuala Lumpur
Tel : (+603) 2780 2888
Fax : (+603) 2780 2832
Email : partner@kaaplaw.com
Website : www.kaaplaw.com

MAINTENANCE MANAGER

HEALTHCARE TECHNICAL SERVICES SDN BHD (342111-A)
Level 17, Menara KPJ, 238 Jalan Tun Razak
50400 Kuala Lumpur
Tel : (+603) 2681 6222
Fax : (+603) 2681 0144

IM GLOBAL PROPERTY CONSULTANTS SDN BHD (701223-X)
Board Registration No: (VE(1)0253)
No. 47-2, 2nd 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

INDEPENDENT PROPERTY VALUER

KNIGHT FRANK MALAYSIA SDN BHD (585479-A)
Suite 10.01, Level 10 Centrepoint South
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (+603) 2289 9688
Fax : (+603) 2289 9788

HENRY BUTCHER MALAYSIA SDN BHD (160636-P)
25, Jalan Yap Ah Shak
50300 Kuala Lumpur
Tel : (+603) 2694 2212
Fax : (+603) 2694 5543
Email : admin@henrybutcher.com.my
Website : www.henrybutcher.com.my

VPC ALLIANCE (KAJANG) SDN BHD (1101177-H)
27-1, Jalan Reko Sentral 2
Reko Sentral Off Jalan Reko
43000 Kajang, Selangor
Tel : (+603) 8735 0171
Fax : (+603) 8741 6180
Email : vpckajang@vpc.com.my
Website : www.vpc.com.my



Letter to Stakeholders



Dear valued stakeholders,

I am pleased to report that for FY2019, Al-`Aqar Healthcare REIT had recorded growth in its financials. This outstanding result was achieved against the increasing headwinds of global economic uncertainty and geopolitical risk. The Group achieved RM106.1 million gross revenue in FY2019, an increase of 3.4% from RM102.6 million in FY2018. Net realised income after tax grew 3.9% to RM63.4 million in FY2019 as compared to RM61.0 million in FY2018.

DATO' HJ. MOHD REDZA SHAH ABDUL WAHID
Chairman

7.75sen
DPU

5.87%
Distribution yield

RM57.0 million
(95% of total Al-`Aqar Distributable Income)
Total payout

Taking into consideration the current circumstances, we are pleased to announce that Al-`Aqar has achieved a distribution increment to 7.75 sen per unit for FY2019, compared to 7.70 sen in FY2018. This translates to a commendable distribution yield of 5.87% per unit and total payout of RM57.0 million which represent 95% of the Fund distributable income for FY2019.

With regards to the healthcare industry trend, it is expected the industry to remain resilient on the back of rising demand from healthcare tourism and the effects of new government policies encouraging health protection. While growth prospects for the sector globally are positive in the long term, underpinned by an ageing population, rising affluence and increasing life expectancy, the local private healthcare sector has added catalysts. These include competitive charges and hospitalisation costs in medical tourism, a generally English-speaking population, and various incentives from the government. The positive outlook of the industry is expected to benefit KPJ, as the main sponsor of the Fund to experience consistent growth in the outcoming years.

The completion of the acquisition of KPJ Batu Pahat Specialist hospital in December 2019 is seen as the beginning of expansion phase of the Fund. The number of KPJ's new assets that are set to be injected into the Fund for the next 5 years will augur well for the growth of Al-`Aqar. We are committed in expanding the fund via diversification in classes of asset through additions of other non-hospital assets such as primary care centres and aged care centres. The acquisition plan is in line with the investment objective of the Fund to acquire and invest in properties with a view to increase income stability and allow the Fund to enhance the size of its current property portfolio.

I would like to take this opportunity to express my heartfelt gratitude to Dato' Kamaruzzaman Bin Abu Kassim as former Chairman and Tuan Haji Lukman bin Abu Bakar as former board member of Al-`Aqar for their invaluable guidance and contribution to the Board.

Our achievement will not be attainable without the support of our stakeholders. I would like to extend our heartfelt gratitude to the stakeholder – unitholder, trustee, financiers, business partners, relevant authorities, management team and staff for their hard work and diligence in 2019.



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

Distribution Policy
At least 95% of distributable income

Fund Size
735,985,088 units

Occupancy Rate
100%

Rental Review
Every 3 years

Listing Date
10 August 2006

Listing
Main Market of Bursa Malaysia Securities Berhad

Stock Name & Code
ALAQAR (5116)

5 Years' Financial Performance

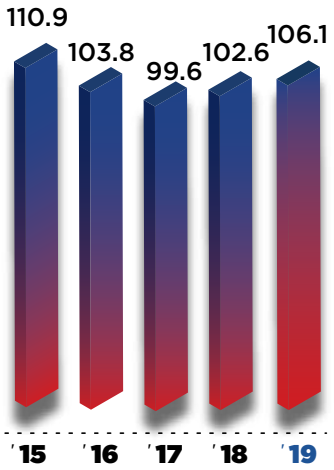
GROUP

	2015	2016	2017	2018	2019
Gross revenue (RM'000)	110,945	103,839	99,648	102,648	106,110
Net property income (RM'000)	104,565	97,595	93,207	96,609	100,326
Income before tax (RM'000)	67,912	63,986	86,154	92,292	76,148
Net income after tax					
- realised (RM'000)	55,824	61,540	59,852	61,032	63,423
- unrealised (RM'000)	15,125	1,527	22,350	30,342	12,739
Earnings per unit (sen)	9.69	8.79	11.83	12.66	10.35
Investment properties (RM'000)	1,521,523	1,424,360	1,459,703	1,485,727	1,569,814
Total asset value (RM'000)	1,594,382	1,611,213	1,556,425	1,580,468	1,674,352
Net asset value (RM'000)	879,826	896,068	923,290	947,798	958,513
NAV per unit					
– before distribution (RM)	1.2082	1.2305	1.2679	1.2878	1.3024
– after distribution (RM)	1.1829	1.1925	1.2284	1.2671	1.2822

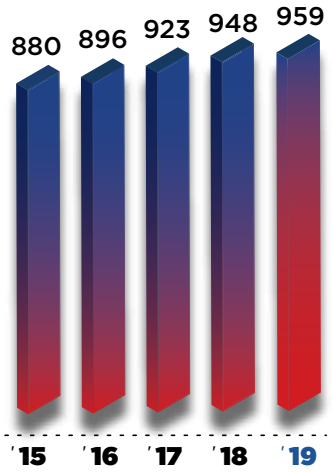
FUND

	2015	2016	2017	2018	2019
Gross revenue (RM'000)	91,679	92,054	88,550	91,097	94,588
Net property income (RM'000)	85,608	85,931	82,588	85,162	88,942
Income before tax (RM'000)	72,658	61,434	84,511	83,112	73,771
Net income after tax					
- realised (RM'000)	61,097	59,533	59,367	59,770	61,267
- unrealised (RM'000)	11,562	1,899	24,535	23,342	12,504
Earnings per unit (sen)	10.37	8.44	11.61	11.29	10.02
Investment properties (RM'000)	1,378,963	1,281,800	1,320,100	1,353,300	1,449,400
Total asset value (RM'000)	1,564,079	1,579,459	1,525,031	1,551,718	1,650,199
Net asset value (RM'000)	877,512	892,120	921,041	943,239	959,604
NAV per unit					
– before distribution (RM)	1.205	1.225	1.2648	1.2816	1.3038
– after distribution (RM)	1.1797	1.1870	1.2255	1.2609	1.2836
Market Capitalisation (RM'000)	1,019,517	1,143,316	1,041,364	964,140	971,500
Distribution Per Unit (sen)	7.70	7.70	7.70	7.70	7.75
Annualised Distribution Yield (%)	5.50	4.90	5.38	5.88	5.87

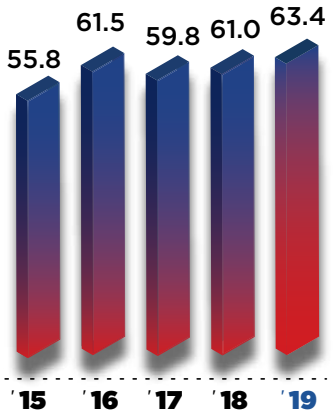
GROSS REVENUE
(RM' mil)



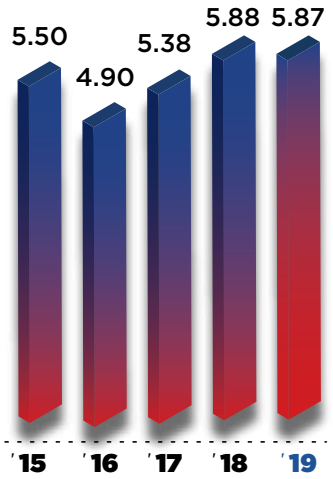
NET ASSET VALUE
(RM' mil)



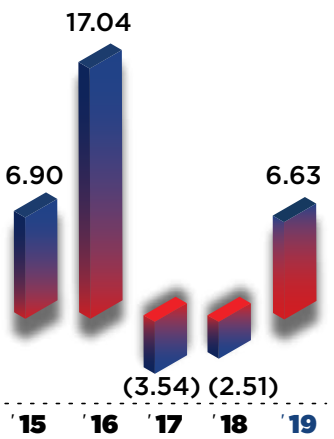
NET INCOME AFTER TAXATION (REALISED)
(RM' mil)



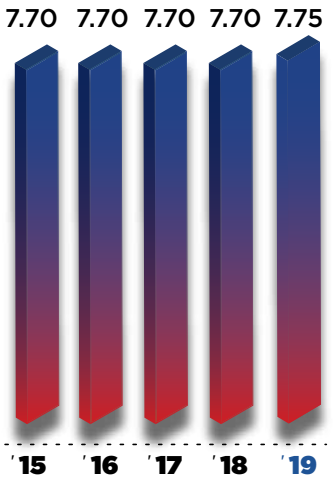
DISTRIBUTION YIELD
(%)



ANNUAL TOTAL RETURN
(%)



DISTRIBUTION PER UNIT
(sen)



Trading Performance

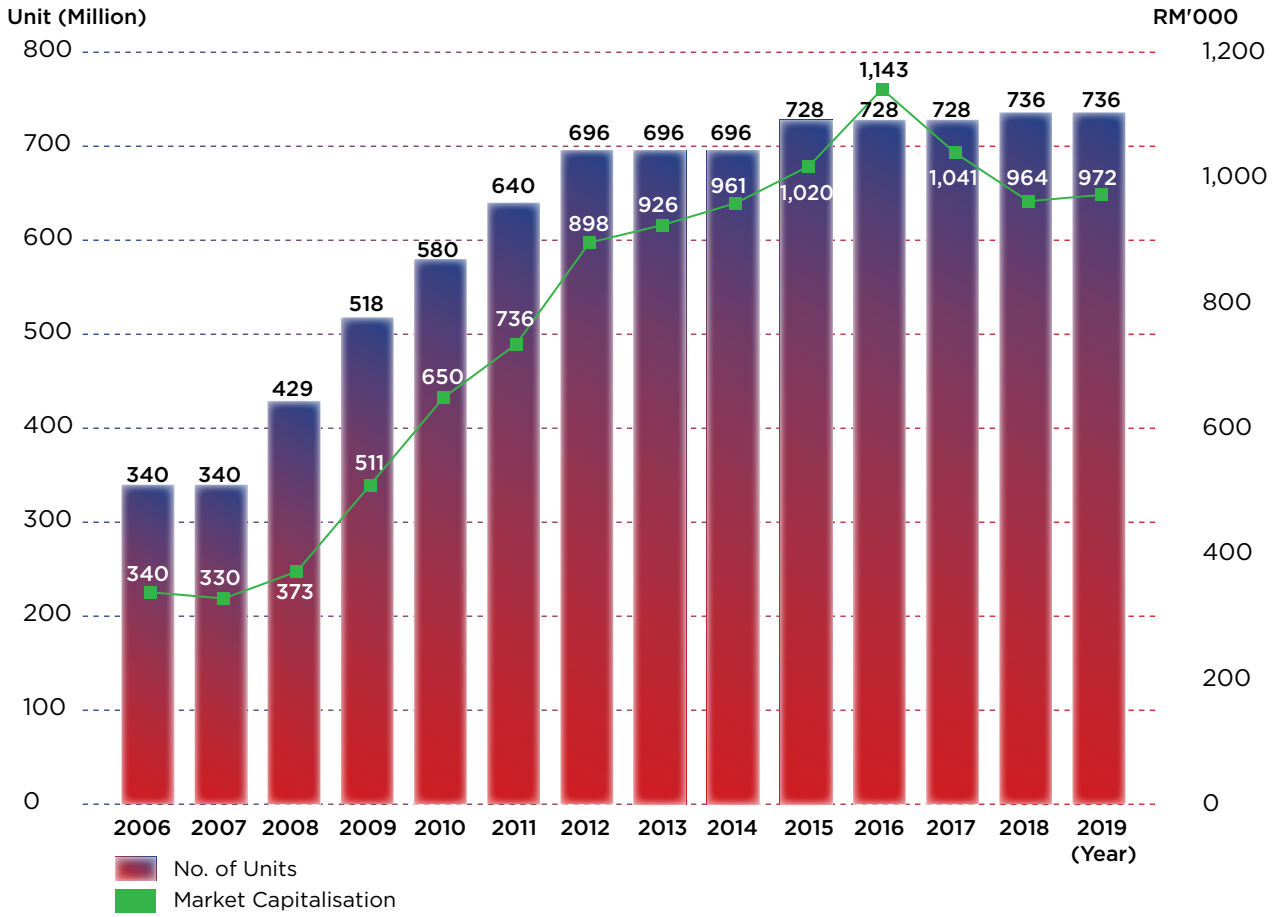
TRADING INFORMATION 2019

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)
January	1.27	1.38	1.38	41,858	1,015,659
February	1.33	1.40	1.35	269,381	993,580
March	1.34	1.39	1.37	332,410	1,008,300
April	1.37	1.45	1.42	202,695	1,045,099
May	1.38	1.44	1.42	15,720	1,045,099
June	1.45	1.51	1.50	174,165	1,103,978
July	1.50	1.52	1.50	63,800	1,103,978
August	1.50	1.52	1.51	32,025	1,111,337
September	1.47	1.55	1.48	30,567	1,089,258
October	1.46	1.50	1.48	8,577	1,089,258
November	1.43	1.54	1.46	45,319	1,074,538
December	1.47	1.55	1.32	30,567	971,500

NAV & TRADED PRICE

Year	Highest NAV (RM)	Lowest NAV (RM)	Highest Traded Price (RM)	Lowest Traded Price (RM)
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
2018	1.26	1.23	1.41	1.08
2019	1.30	1.27	1.55	1.27

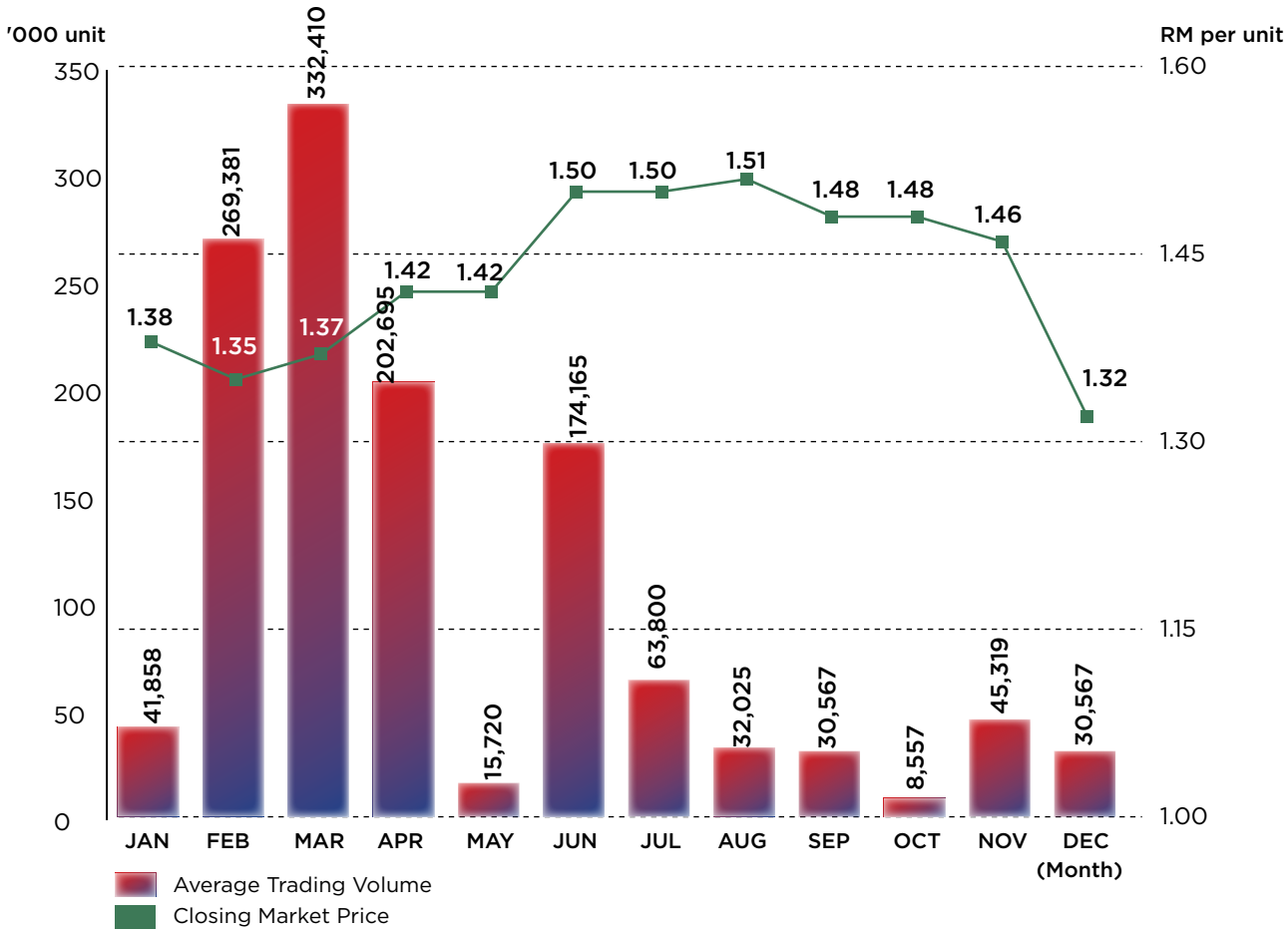
MARKET CAPITALISATION AND UNIT IN CIRCULATION SINCE INCEPTION



TRADING SUMMARY

TRADING SUMMARY	2015	2016	2017	2018	2019
Closing Unit Price (RM)	1.40	1.57	1.43	1.31	1.32
52-Week Highest Traded Price (RM)	1.45	1.70	1.67	1.41	1.55
52-Week Lowest Traded Price (RM)	1.27	1.32	1.35	1.08	1.27
Price Movement(%)	1.4	12.1	(8.9)	(8.4)	0.8
Total Return (%)	6.90	17.04	(3.54)	(2.51)	6.63
Number of Units in Circulation (Unit '000)	728,226	728,226	728,226	735,985	735,985
Market Capitalisation (RM '000)	1,019,517	1,143,316	1,041,364	964,140	971,500

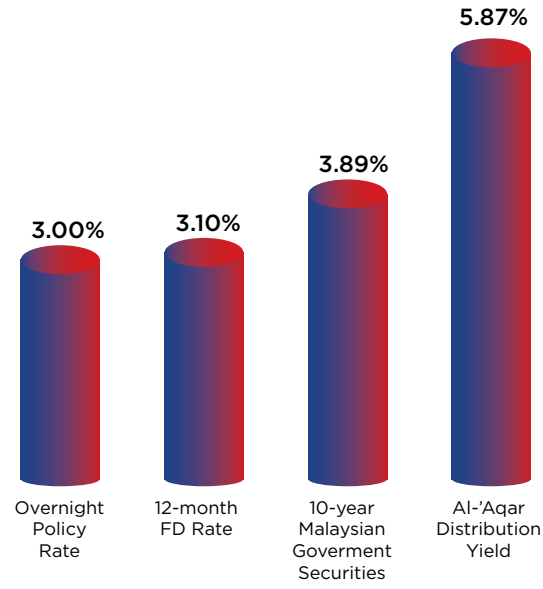
MONTHLY TRADING PERFORMANCE



CLOSING UNIT PRICE AND NAV PER UNIT

YEAR	UNIT PRICE	NAV PER UNIT
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
2018	1.31	1.24
2019	1.32	1.30

COMPARATIVE YIELD AS AT 31 DECEMBER 2019



Sources:Bank Negara Malaysia, Maybank, Damansara REIT Managers

Analysis of Unitholdings

Unitholdings Statistics as at 31 December 2019
(As per Record of Depositor)

BREAK DOWN OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	353	10.95	14,532	-
100 – 1000	1,217	37.75	602,890	0.08
1,001 – 10,000	1,048	32.51	4,606,509	0.63
10,001 – 100,000	460	14.27	15,041,198	2.05
100,001 to less than 5% of Issued Capital	141	4.37	397,456,331	54.00
5% and above of Issued Capital	5	0.15	318,263,628	43.24
TOTAL	**3,224**	**100.00**	**735,985,088**	**100.00**

TOP 30 SECURITIES ACCOUNT HOLDERS

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

No	Name	No. of Units	%
1	Lembaga Tabung Haji	102,098,656	13.87
2	CitiGroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	65,825,038	8.94
3	Kumpulan Wang Persaraan (Diperbadankan)	63,322,400	8.60
4	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	46,000,000	6.25
5	Pusat Pakar Tawakal Sdn. Bhd.	41,017,534	5.57
6	Bandar Baru Klang Specialist Hospital Sdn. Bhd.	36,115,266	4.91
7	HSBC Noms (T) Sdn Bhd - A/C For Selangor Specialist Hospital Sdn. Bhd. (355-300641-089)	35,000,000	4.76
8	Seremban Specialist Hospital Sdn. Bhd.	23,731,000	3.22
9	Ampang Puteri Specialist Hospital Sdn. Bhd.	21,013,739	2.86
10	AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia 3	20,951,630	2.85
11	Medical Associates Sdn. Bhd.	19,055,000	2.59
12	Waqaf An-Nur Corporation Berhad	18,199,870	2.47
13	Sentosa Medical Centre Sdn. Bhd.	15,653,000	2.13
14	Kedah Medical Centre Sdn. Bhd.	15,000,000	2.04
15	Pusat Pakar Tawakal Sdn. Bhd.	13,631,000	1.85
16	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	12,248,500	1.66
17	Johor Specialist Hospital Sdn. Bhd.	12,203,000	1.66
18	Puteri Specialist Hospital (Johor) Sdn. Bhd.	12,000,000	1.63
19	Perdana Specialist Hospital Sdn. Bhd.	11,789,000	1.60

No	Name	No. of Units	%
20	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.14
21	KPJ Healthcare University College Sdn. Bhd.	7,758,620	1.05
22	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	7,329,000	1.00
23	AmanahRaya Trustees Berhad - A/C Public Strategic Smallcap Fund	6,075,500	0.83
24	CitiGroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (Life Par Fd)	5,053,394	0.69
25	Kuantan Specialist Hospital Sdn. Bhd.	5,000,000	0.68
26	AmanahRaya Trustees Berhad - A/C PB Smallcap Growth Fund	4,545,700	0.62
27	Kajang Specialist Hospital Sdn. Bhd.	4,487,000	0.61
28	CitiGroup Noms (T) Sdn Bhd - A/C Valuecap Sdn. Bhd.	4,445,600	0.60
29	Permodalan Nasional Berhad	4,445,600	0.60
30	CitiGroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (AsianIslamic)	4,252,400	0.58

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

No	Name	Direct Interest		Deemed Interest	
		No. of Units	%	No. of Units	%
1	Johor Corporation	-	-	❶ 269,248,302	36.58
2	KPJ Healthcare Berhad	-	-	❷ 269,075,083	36.56
3	Lembaga Tabung Haji	105,091,856	14.28	-	-
4	Employees Provident Fund	70,077,438	9.52	-	-
5	Kumpulan Wang Persaraan (Diperbadankan)	65,203,400	8.86	-	-
6	Pusat Pakar Tawakal Sdn. Bhd.	54,648,534	7.43	-	-
7	Amanah Saham Bumiputera	46,000,000	6.25	-	-

Notes:-

❶ Deemed interested by virtue of its interest in KPJ Healthcare Berhad under Section 8 of the Companies Act 2016.

❷ 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	1,071	33.22	573,799,658	77.97
	- Others	2,075	64.36	157,672,696	21.42
Foreigners		78	2.42	4,512,734	0.61
TOTAL		**3,224**	**100.00**	**735,985,088**	**100.00**

UNIT ANALYSIS AS AT 31 DECEMBER 2019

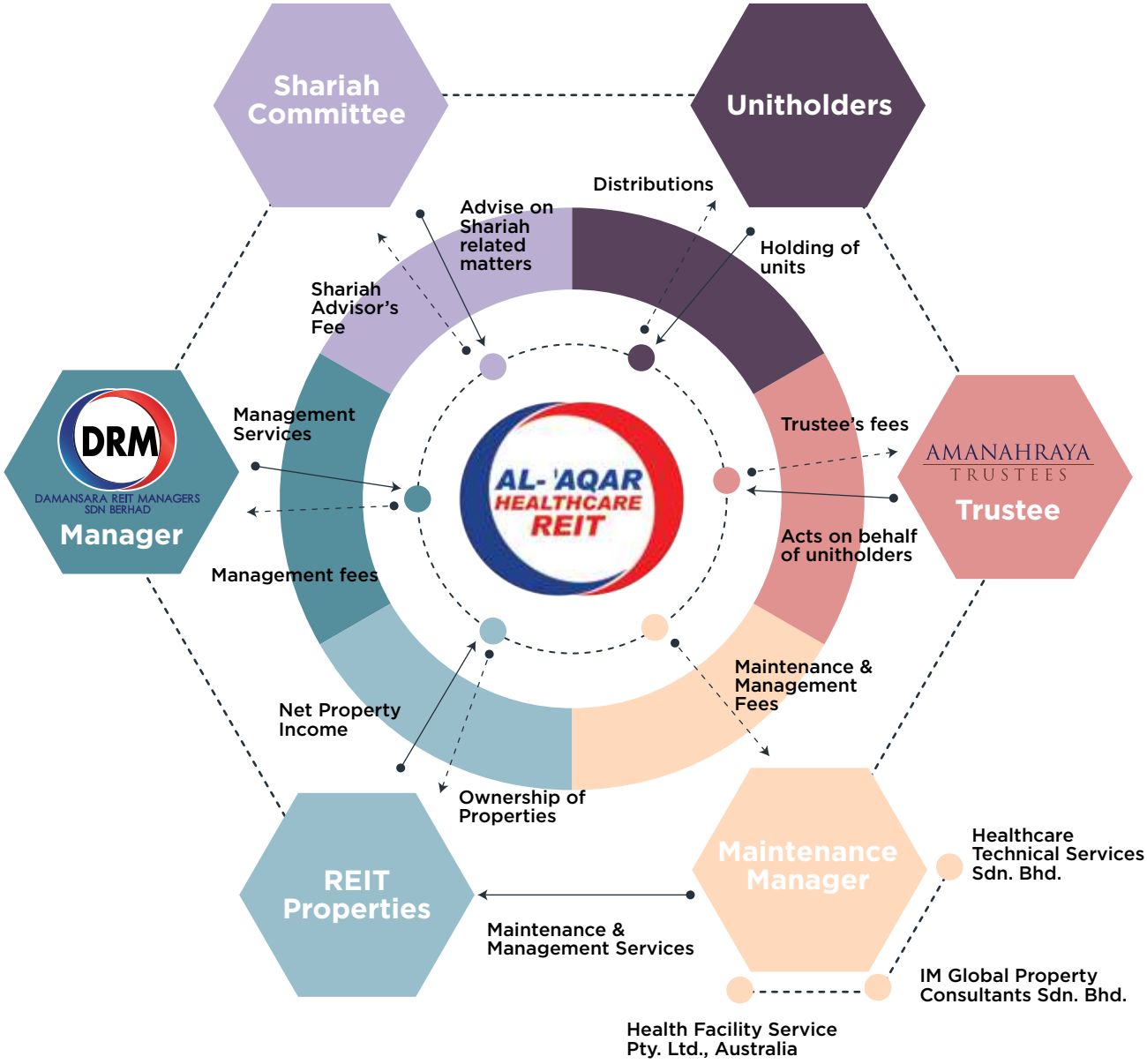
ROD	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit
Government Bodies	2	6,000	2	6,000	-	-	-	-
Finance	28	286,143,082	27	286,133,082	1	10,000	-	-
Investment Trust	5	186,400	4	16,500	1	169,900	-	-
Nominees	650	155,355,684	487	15,740,221	138	137,015,388	25	2,600,075
Companies	75	269,237,928	55	268,488,748	19	663,880	1	85,300
Clubs / Association	1	895,400	1	895,400	-	-	-	-
Co - Operatives	6	680,250	4	500,650	2	179,600	-	-
Individuals	2,457	23,480,344	491	2,019,057	1,914	19,633,928	52	1,827,359
Total	**3,224**	**735,985,088**	**1,071**	**573,799,658**	**2,075**	**157,672,696**	**78**	**4,512,734**
%	**100.00**	**100.00**	**33.22**	**77.97**	**64.36**	**21.42**	**2.42**	**0.61**

02 Driving Force

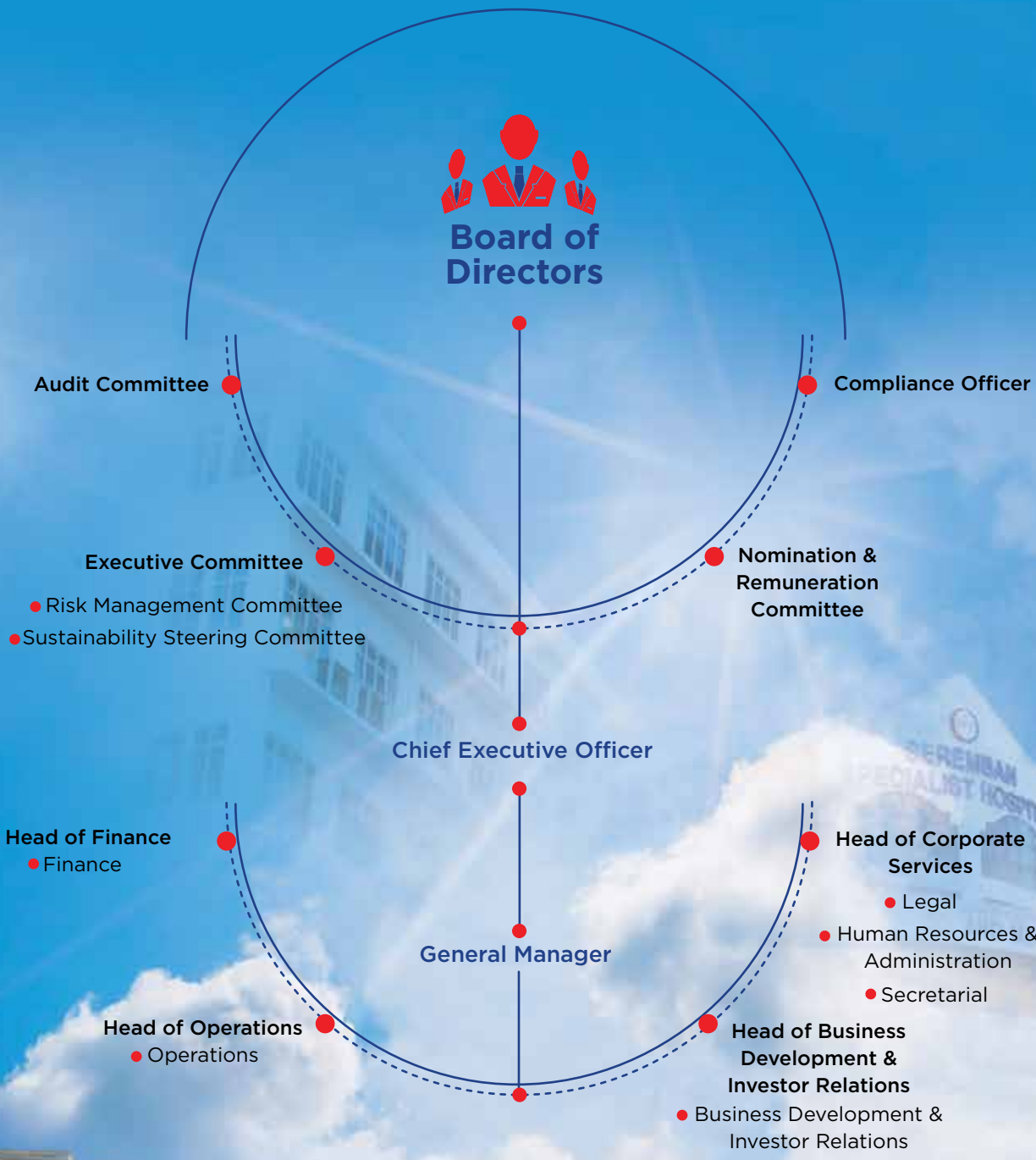
20 Trust Structure
21 Organisation Structure
22 The Board of Directors' Profile
31 The Shariah Committee's Profile
34 The Management



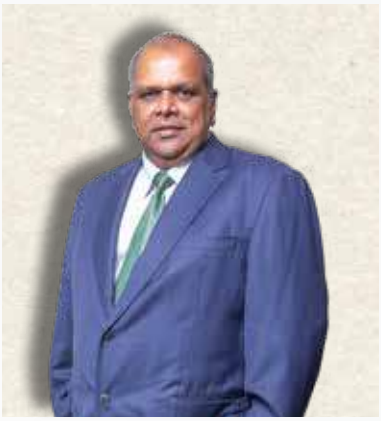
Trust Structure



Organisation Structure



The Board of Directors' Profile



DATO' HJ. MOHD REDZA SHAH BIN ABDUL WAHID

Chairman , Independent Non-Executive Director

57 | Male
Malaysian

Qualification(s)

- **Associate Chartered Accountant (ACA)**
  Member of Institute of Chartered Accountant in England and Wales (ICAEW)
- **Master of Science of Economics (International Banking and Finance)**
  University of Wales, Cardiff
- **Bachelor of Science in Economic (Industry and Trade)**
  London School of Economic, University of London
- **Chartered Bankers**
  Asian Institute of Chartered Bankers
- **Sustainability Leadership in Business Sustainability Management**
  University of Cambridge (online course)

Date of Appointment
14 February 2020

Number of Board of Directors meetings attended in the financial year
None

Membership on the Board Committee(s)
None

Directorship in Public Companies
EA Techniques Berhad

Working Experience
He started his career with Touche Ross & Co., London (now known as Deloitte & Touche) in 1988 as Trainee Accountant and qualified as Associate Chartered Accountant (ACA). In 1992 he joined Arab Malaysian Corporation Berhad, in Internal Audit and progressed to become the Corporate Finance Manager. He then joined Khazanah Nasional Berhad when it commenced operations in July 1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005. Prior to joining Bank Muamalat, he was the Executive Director and Group Chief Operating Officer of DRB-HICOM from 1 March 2006 till October 2008. He sat on the Board of Raeed Holdings Sdn Bhd and also Board of General Council for Islamic Banks and Financial Institutions (CIBAFI). He resigned as a Chief Executive Officer of Bank Muamalat in October 2019 after serving for the Bank for 11 years.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



WAN AZMAN BIN ISMAIL

Chief Executive Officer , Executive Director

56 | Male
Malaysian

Qualification(s)

- **Bachelor in Accounting and Financial Analysis (Hons)**
  University of Newcastle upon Tyne, United Kingdom

Date of Appointment
27 March 2017

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies
None

Working Experience
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.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar
- 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 5 years.



ZAINAH BINTI MUSTAFA

Independent Non-Executive Director

65 | Female
Malaysian

Qualification(s)
- Association of Chartered Certified Accountants (ACCA)

Date of Appointment
16 February 2007

Number of Board of Directors meetings attended in the financial year
4/5

Membership on the Board Committee(s)
- Chairman of Audit Committee
- Member of Executive Committee
- Member of Nomination and Remuneration Committee

Directorship in Public Companies
None

Working Experience
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.

Declaration
- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



DR. MOHD HAFETZ BIN AHMAD

Independent Non-Executive Director

70 | Male
Malaysian

Qualification(s)
- **Medical Degree**
  University Malaya

Date of Appointment
16 February 2007

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
- Member of Audit Committee
- Member of Executive Committee
- Member of Nomination and Remuneration Committee

Directorship in Public Companies
None

Working Experience
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 is now the Medical Director of KPJ Bandar Dato' Onn Specialist Hospital, since 1 January 2019.

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.

Declaration
- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



DATO' SR. DR. RAHAH BINTI ISMAIL

Independent Non-Executive Director

63 | Female
Malaysian

Qualification(s)

- **Doctor of Philosophy (PhD) (Property Studies)**
  University of the West of England, United Kingdom
- **Master of Science (M.Sc) (Urban Land Appraisal)**
  University of Reading, United Kingdom
- **Bachelor of Surveying (Property Management)**
  Universiti Teknologi Malaysia
- **Registered Valuer**
  with The Board of Valuer, Appraisers and Estate Agents Malaysia
- **Professional Diploma**
  Institution of Surveyors Malaysia

Date of Appointment
5 October 2017

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies
None

Working Experience
She is a valuer both by training and profession. 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 adviser to a property consultancy firm.

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 as well as 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. Currently, she is leading the RISM-JPPH joint research project.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



YUSAINI BIN HJ. SIDEK

Non-Independent Non-Executive Director

52 | Male
Malaysian

Qualification(s)

- **Master of Business Administration specialisation in International Business**
  University of Southern Queensland, Australia
- **Bachelor of Business Administration**
  Universiti Kebangsaan Malaysia
- **Registered Property Manager (PM1207)**
  with The Board of Valuers, Appraisers, Estate Agents and Property Managers
- **Diploma in Valuation**
  Universiti Teknologi Malaysia

Date of Appointment
19 April 2017

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies
None

Working Experience
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 has approximately 28 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 ompanies, 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,primarilyintheareasoftenancymanagement, 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. He 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.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



DATO' AMIRUDDIN BIN ABDUL SATAR

Non-Independent Non-Executive Director

56 | Male
Malaysian

Qualification(s)

- **Association of Certified Chartered Accountant (ACCA)**
  England

- **Masters in Business Administration (MBA)**
  Henley Business School, University of Reading, United Kingdom

Date of Appointment
21 January 2016

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies

- KPJ Healthcare Berhad
- Waqaf An-Nur Corporation Berhad

Working Experience
He is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013. He is also the Malaysia Advisory Committee Member of the Association of Chartered Certified Accountants (ACCA). He gained significant experience in finance and management 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.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.



MOHD YUSOF BIN AHMAD

Non-Independent Non-Executive Director

52 | Male
Malaysian

Qualification(s)
- **Bachelor in Surveying (Property Management)**
  Universiti Teknologi Malaysia

Date of Appointment
4 February 2014

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies
None

Working Experience
Upon graduation, he gained experience as a Valuation Executive in Sailan & Co and KGV Lambert Smith Hampton. In 1993, he joined Johor Land (JLand) as an Executive and later served as Valuation Executive at the Planning 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 Executive Director of JLand which was appointed on 1 September 2019. He presently sits on the board of various companies within the JCorp Group.

Declaration
- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-`Aqar.
- 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 5 years.

Company Secretaries



NURALIZA BINTI A. RAHMAN
(MAICSA 7067934)



ROHAYA BINTI JAAFAR
(LS 0008376)

The Shariah Committee's Profile



DATO' DR. HAJI NOOH BIN GADOT

Shariah Committee Chairman

74 | Male
Malaysian

Qualification(s)

- **Ijazah Kehormat Sarjana Sastera (Master of Art)**
  Asia e University

- **Bachelor in Islamic Law and Shariah Islamiah**
  Al-Azhar University, Egypt

Date of Appointment
22 June 2006

Working Experience
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).

He was appointed as Federal Supreme Committee of Islamic Affairs Strengthening Management on 9 August 2018. 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 such as Yayasan Dakwah Islamiah (YADIM), Permodalan Nasional Berhad (PNB) and Yayasan Wakaf Anak Yatim Malaysia (YAWATIM).

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. ABDUL HALIM BIN MUHAMMAD

Shariah Committee Member

75 | Male
Malaysian

Qualification(s)

- **Doctor of Philosophy (PhD) in Shariah from St. Andrews**
  University of Scotland

- **Bachelor in Shariah**
  Al-Azhar University, Egypt

Date of Appointment
22 June 2006

Working Experience
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 Terengganu Trust Fund, Amanah Saham Darul Iman and Kelantan Ulama Council.



PROFESSOR DR. MOHAMAD @ MD. SOM BIN SUJIMON

Shariah Committee Member

66 | Male
Malaysian

Qualification(s)

- **Doctor of Philosophy (PhD) in Islamic and Middle Eastern Studies**
  Faculty of Arts in University of Edinburgh, Scotland, United Kingdom

- **Master of Arts in Teaching**
  Mississippi State University, United States of America

- **Bachelor of Honours from the Faculty of Islamic Jurisprudence and Law**
  University of Al-Azhar, Egypt

Date of Appointment
20 May 2013

Working Experience
He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983 to 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.

He is then being appointed as Shariah Advisor for Taupo Islamic Centre Auckland, New Zealand since 2016 until present. He was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej UniversitiIslam Antarabangsa Selangor (KUIS). At present, he is the dean of Ulum Shariyyah Faculty of Islamic Sciences International University Madinah (MEDIU) located in Taman Sri Petaling, Kuala Lumpur.

The Management



WAN AZMAN BIN ISMAIL

Malaysian, Male, Aged 56

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.



SHAHRIL ZAIRIS BIN RAMLI

Malaysian, Male, Aged 50

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 Degree in Banking and Finance from Bangor University, Wales, United Kingdom and a Diploma in Investment Analysis from Universiti Teknologi Mara.

He does not hold directorships in any 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.



ROZIAH BINTI ABU BAKAR

Malaysian, Female, Aged 52

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. She is a certified Enterprise Risk Advisor from the Institute of Enterprise Risk Practitioners.

She does not hold directorships in any 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.



SUHAIMI BIN SAAD

Malaysian, Male, Aged 50

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. He is also a Registered Property Manager (PM1311) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA).

He does not hold directorships in any 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 43

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 Mayban 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.

He does not hold directorships in any 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 34

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 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).

He does not hold directorships in any 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 38

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.

He does not hold directorships in any 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 conlict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.



03 Strategic Performance

38 Management Discussion & Analysis
50 Investor & Public Relations
52 Market Report Summary
56 Portfolio Summary & Details

Management Discussion & Analysis

FINANCIAL REVIEW

KEY FINANCIALS	FY2018 RM'000	FY2019 RM'000	GROWTH %
The Group			
Gross revenue	102,649	106,110	3.4
Net Property Income (NPI)	96,609	100,326	3.8
Profit for the year (realised)	61,032	63,423	3.9
EPU (realised) (sen)	8.37	8.62	3.0
The Fund			
Income available for distribution	56,912	60,005	5.4
DPU (sen)	7.70	7.75	0.6

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 2 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. Segmental performance is evaluated based on operating profit.

REVENUE CONTRIBUTION

	FY2018 RM'000	FY2019 RM'000
Malaysia	91,097	94,588
Australia	11,552	11,522

NPI CONTRIBUTION

	FY2018 RM'000	FY2019 RM'000
Malaysia	85,162	88,942
Australia	11,447	11,383

Malaysian Segment

The Malaysian segment, as the key contributor, contributed 89.1% (FY2018: 88.7%) and 88.7% (FY2018: 88.1%) in terms of revenue and NPI respectively. The Malaysia segment's revenue increased by 3.8% to RM94.6 million in FY2019 from RM91.1 million in FY2018. NPI increased 4.4% from RM85.2 million to RM88.9 million. The increase in revenue and NPI were mainly due to full rental income received upon settlement of the KPJUC Balance Purchase Consideration in November 2018 as well as annual increment on rental income.

REALISED PROFIT INCREASED 3.9% OR RM2.4 MILLION IN FY2019 MAINLY DUE TO FULL RENTAL INCOME WAS RECEIVED UPON SETTLEMENT OF THE KPJUC BALANCE PURCHASE CONSIDERATION IN NOVEMBER 2018 AS WELL AS ANNUAL INCREMENT ON RENTAL INCOME

Australian Segment

The Australian segment's contribution to Al-`Aqar's revenue and NPI remained largely unchanged in FY2018 at 10.9% and 11.3% respectively. Revenue and NPI contribution decreased 0.3% (from RM11.6 million to RM11.5 million) and 0.6% (from RM11.4 million to RM11.4 million) respectively.

PROFIT FOR THE YEAR

Profit for the year was RM76.1 million (FY2018: RM91.3 million) comprising realised profit of RM63.4 million (FY2018: RM61.0 million) and unrealised profit of RM12.7 million (FY2018: RM30.3 million).

Realised profit increased 3.9% or RM2.4 million in FY2019 mainly due to full rental income was received upon settlement of the KPJUC Balance Purchase Consideration in November 2018 as well as annual increment on rental income.

The unrealised profit of RM12.7 million mainly relates to fair value gains on investment properties, which was lower by RM17.6 million.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2019 of the Fund was RM60.0 million. This was derived from net realised income of RM61.3 million, less capital expenditures incurred during the year of RM1.3 million.

The Fund had distributed interim income distributions of 5.73 sen per unit amounting to approximately RM42.2 million for the period from 1 January to 30 September 2019.

On 30 January 2019, the Fund declared a final income distribution of 2.02 sen per unit totalling RM14.9 million for the period from 1 October to 31 December 2019. The said distribution was paid on 28 February 2020.

Total distribution per unit ("DPU") for FY2019 is 7.75 sen per unit totalling RM57.0 million, which represents 95% of the income available for distribution.

STATEMENT OF FINANCIAL POSITION

Al-`Aqar's total asset value increased by RM0.094 billion to RM1.67 billion for current year. The increase was mainly due to acquisition of KPJ Batu Pahat Specialist Hospital as well as gain on fair value adjustment of investment properties of RM13.1 million. With the acquisition of KPJ Batu Pahat being financed by borrowing, Al-`Aqar's borrowing increased from RM603.70 million to RM683.40 million, resulting in a gearing ratio of 40.82% against previous year end of 38.19%.

STATEMENT OF CASH FLOW

Operating Activities

Net cash generated from operating activities was RM83.7 million in FY2019 which was higher than RM57.9 million in FY2018. Higher amount in FY2019 was mainly attributable to the higher net property income.

Investing Activities

Al-`Aqar used RM1.3 million for enhancement to investment properties during the financial year and offset by income received on investment of RM1.6 million.

Financing Activities

Al-`Aqar increased its net drawdown of borrowings to fund the acquisitions of KPJ Batu Pahat Specialist Hospital as mentioned earlier.

As at 31 December 2019, cash and cash equivalent was RM67.5 million, a decrease of RM5.2 million from RM72.7 million (FY2018).

PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK	FY2018	FY2019	COMMENTARY
i. Management expense ratio (%)	0.24	0.25	Management expenses ratio of 0.25% increased by 4% due to acquisition of KPJ Batu Pahat Specialist Hospital in FY2019.
ii. Total return (%)	(2.51)	6.63	Total return for the financial year was 6.63% due to higher closing price change of 0.8% (FY2019: RM1.32 and FY2018: RM1.31)
iii. Average annual total return (5 years) (%)	5.44	4.90	The 5-year average annual total return decreased due to negative return achieved in FY2017 and FY2018.
iv. Average annual total return (3 years) (%)	5.44	0.19	The 3-year average annual total return decreased due to negative return achieved in FY2017 and FY2018.
v. Distribution yield (%)	5.88	5.87	Distribution yield has decreased despite a 0.6% increase in DPU due to higher closing unit price of RM1.32 for FY2019 (FY2018: RM1.31)
vi. NAV per Unit	1.2878	1.3024	NAV per unit recorded an increase of 1.1% arising from the profit recorded for the year 2019 (RM68.1 million) and payment of final income distribution FY2018 (RM15.2 million) and interim income distributions FY2019 (RM42.2 million)

Notes:-

i. The ratio of expenses incurred in operating Al-`Aqar of RM2.4 million (FY2018: RM2.2 million) to the weighted average NAV of Al-`Aqar of RM944.6 million (FY2018: RM912.4 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 7.75 sen (FY2018: DPU of 7.70 sen) divided by its closing price as at 31 December 2019 of RM1.32 (31 December 2018: RM1.31).
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 2019, the value of Al-`Aqar's properties was RM1.57 billion compared to RM1.49 billion as at 31 December 2018. The fair value gain recorded was RM13.1 million.

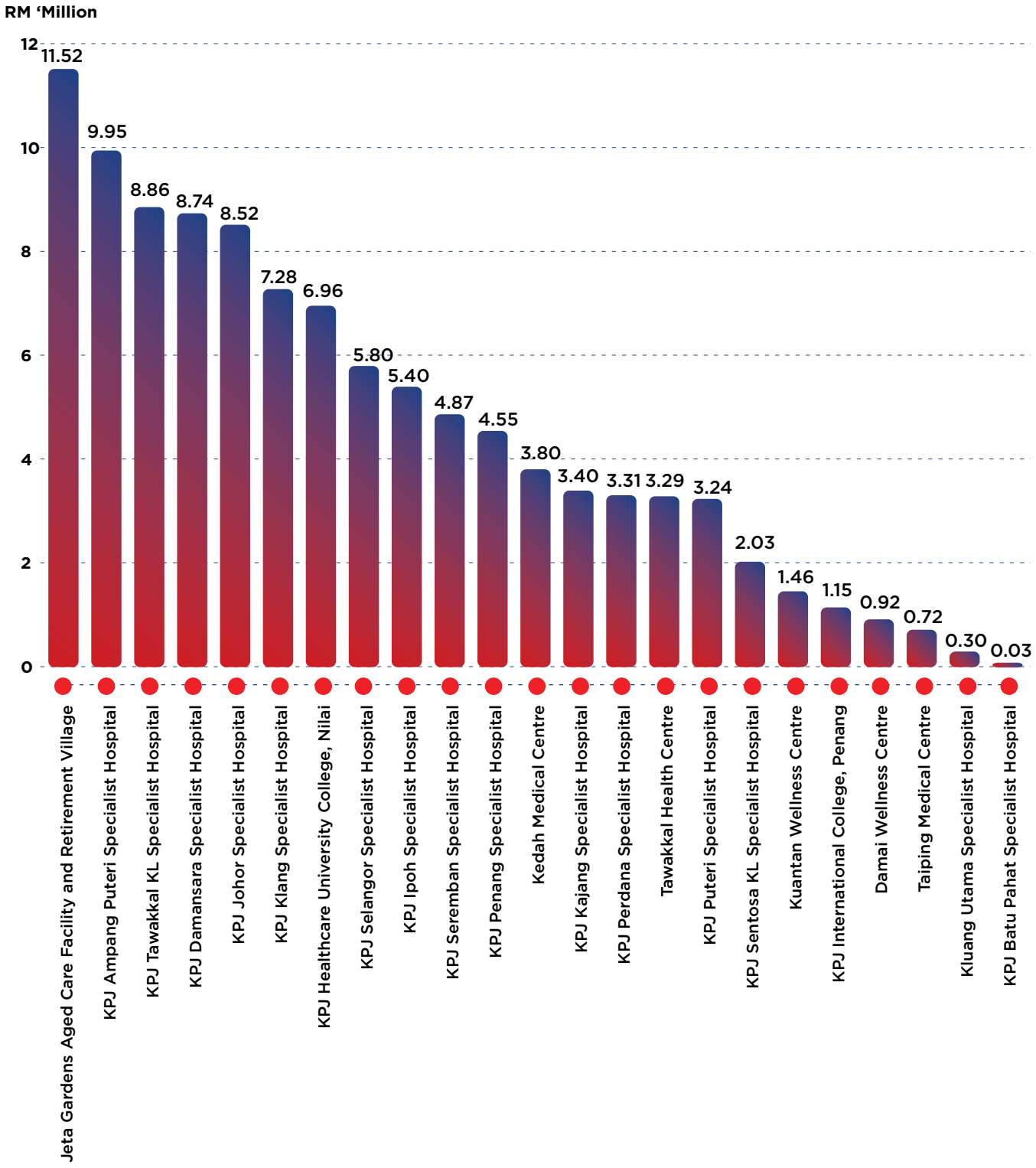
	2018 RM'000	2019 RM'000
Investment properties		
At 1 January	1,459,703	1,485,727
Addition	-	78,000
Enhancements	2,858	1,262
Effect of foreign currency exchange differences	(7,176)	(8,248)
Gain on fair value of investment properties	30,342	13,073
Total portfolio properties as at 31 December	**1,485,727**	**1,569,814**

Properties	2018 Fair Value RM '000	2019 Fair Value RM '000
Malaysia		
KPJ Ampang Puteri Specialist Hospital	135,000	137,000
KPJ Damansara Specialist Hospital	131,000	135,000
KPJ Johor Specialist Hospital	120,000	122,000
KPJ Selangor Specialist Hospital	80,000	83,000
KPJ Puteri Specialist Hospital	42,000	42,000
KPJ Ipoh Specialist Hospital	76,100	76,300
KPJ Perdana Specialist Hospital	45,000	45,500
Kuantan Wellness Centre	20,500	20,500
KPJ Kajang Specialist Hospital	50,600	50,600
Kedah Medical Centre	52,000	53,000
KPJ Sentosa KL Specialist Hospital	30,000	30,000
KPJ Seremban Specialist Hospital	69,500	69,600
Taiping Medical Centre	10,000	10,000
KPJ Healthcare University College, Nilai	105,400	105,900
KPJ Tawakkal KL Specialist Hospital	135,200	138,700
Damai Wellness Centre	15,100	15,000
Tawakkal Health Centre	48,400	48,400
KPJ International College, Penang	16,200	16,300
KPJ Penang Specialist Hospital	63,000	64,000
Kluang Utama Specialist Hospital	5,000	5,000
KPJ Klang Specialist Hospital	103,300	103,600
KPJ Batu Pahat Specialist Hospital	-	78,000
	1,353,300	**1,449,400**
Australia		
Jeta Gardens Aged Care and Retirement Village*	132,427	120,414
	132,427	**120,414**
TOTAL PORTFOLIO	**1,485,727**	**1,569,814**

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

ANNUAL LEASE CONTRIBUTION

Al-`Aqar's properties comprise 17 hospitals, 3 wellness/health centres, 2 colleges and 1 aged care & retirement village. Properties with high market value are also the major contributors in terms of lease contributions as depicted in the following chart.



OPERATIONS REVIEW

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

The Manager is focusing on the active asset management and acquisition growth strategy in order to:

- provide regular and stable distributions to unitholders
- ensure capital growth
- improved return from its property portfolio

Despite the challenging operating environment, the Manager's active asset management continued the strong operational performance into FY2019. The portfolio maintained 100% committed occupancy, with a positive rental increment.

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 has implemented asset enhancement initiatives worth up to RM6.2 million in 2019.

CATEGORY	AMOUNT (RM)
Completed	
- Civil and structural	232,500
- Mechanical & Electrical	740,380
- Repainting	1,140,900
Sub Total	2,113,780
Ongoing	
- Repainting	322,000
- Civil and structural	66,340
- Mechanical & Electrical	398,338
- Expansion	3,307,200
Sub Total	4,093,878
TOTAL	**6,207,658**

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's rental review is as follows:-

Year	No. of Properties	% of Total Properties
FY2020	6	26.09
FY2021	14	60.87
FY2022	2	8.69
FY2024	1	4.35

BUSINESS REVIEW

For the year under review, Al-`Aqar had registered a moderate increase in revenue growth of 3.4% to RM106.1 million from RM102.6 million in 2018. This was attributable to income derived from the full rental income received upon settlement of the KPJUC Balance Purchase Consideration in November 2018 as well as annual increment on rental income.

As at 31 December 2019, Al-`Aqar has 22 properties in Malaysia comprising 17 hospitals, 3 wellness/health centres and 2 colleges and 1 aged care & retirement village in Australia. It represents 91.6% of the total property value and contributes 89.1% and 88.7% to the revenue and net rental income of Al-`Aqar respectively.

Jeta Gardens Aged Care and Retirement Village in Australia is the sole foreign asset owned by Al-`Aqar. The property represents 8.4% of the total property value and contributes 10.9% and 11.3% to the revenue and net rental income of Al-`Aqar respectively.

Challenges

2019 has shown numerous factors are pushing towards the growth of the healthcare industry which provide challenges to the players of the industry. Going forward, the Manager is in the opinion that the followings are the 3 main challenges for the Fund:

Technology Trends In Healthcare

Significant consolidation in the healthcare industry over the past several years has resulted in more complex back end technology and systems as networks get larger. The main challenges in adopting technological innovations in the healthcare sector lies in cost and the ability of such innovations to meet users' needs. Emerging megatrends in healthcare offerings such as mobile health and personalized treatment may shift the way traditional healthcare providers operate within the near future.

Implementation of Drug Ceiling Price

The Malaysian Cabinet announcement on the implementation of price control measures for pharmaceutical drugs is expected to cascade across the pharmaceutical value chain, affecting clinics, hospitals and pharmacies. Operating profit margin for healthcare operator would be compressed further and indirectly it could affect certain tenant ability to serve their lease obligations to the Fund. However, the Fund's main tenant is expected to sustain its earning and would be unfazed by the government's imminent drug price control measures. The Ministry of Health (MoH) has also planned to shift some of its outpatients to the private hospitals at prices agreeable to both parties, given the congestion at public hospitals. Though margins for this business could be lower, it is believed that KPJ would still benefit as this will increase its outpatient volume (25% of the group's total revenue) and lead to higher utilisation of its equipment during off-peak hours.

Royal Commission Into Aged Care Quality & Safety

On 16 September 2018, Prime Minister Scott Morrison announced that the government had decided to establish a Royal Commission into the residential aged care sector. While the industry may have been publicly welcoming of the Royal Commission, its formation necessarily creates an increased level of uncertainty for operators. This uncertainty includes the possible impact of the Royal Commission's future recommendations on the profitability and value of aged care businesses. If the financial services royal commission is any guide, the aged care industry could be on the cusp of suffering a similar fate: **(i)** destroyed shareholder value, **(ii)** shredded reputations and **(iii)** moves towards a more onerous regulatory environment.

Prospects

Despite the above challenges, the Manager expects the Fund to be able to record stable and resilient earning as the healthcare real estate is alternative specialised asset class that is less reliant on the economy. In addition, the healthcare market is driven by an increase of demand from both local and oversea.

Malaysia, with a score of 95 out of 100, has been ranked first in the Best Healthcare in the World category of the 2019 International Living Annual Global Retirement Index. By 2040, roughly 14.5% of Malaysians will be aged 65 and older, as compared to only 5.0% in 2010. The perfect storm caused by an increase in the ageing population has created tremendous opportunities for healthcare and its related sub-sectors. The growth in healthcare tourism bodes well for KPJ's prospect and brand acknowledgement as the preferred operator through its excellent operational and service standards. Together with KPJ's strategy to strengthen its presence nationwide through the brownfield expansion plan and introduction of its Ambulatory Care Centres (ACC) facilities, the long-term prospect is positive which eventually will benefit the Fund that is currently looking into other segments of the healthcare industry.

After the absence of major acquisitions in prior years, the completion of KPJ Batu Pahat Specialist hospital's acquisition is seen as the beginning of expansion mode of the Fund. The number of KPJ's new hospitals and expansion projects that are set to be injected into the Fund for the next 5 years will augur well for the growth of Al-`Aqar.

On the Australia aged care market, the establishment Royal Commission was tasked to review the overall aged care industry's current practices and recommend improvements to the services. The final report is expected to be issued in November 2020. In the meantime, the Commission has issued an Interim Report on 31 October 2019 and found that a fundamental overhaul of the design, objectives, regulation and funding of aged care in Australia is required. Accordingly this may have an impact on the future viability of the aged care businesses. The Managers and Management of Jeta Gardens is currently monitoring the impact of the Royal Commission findings.

CAPITAL MANAGEMENT

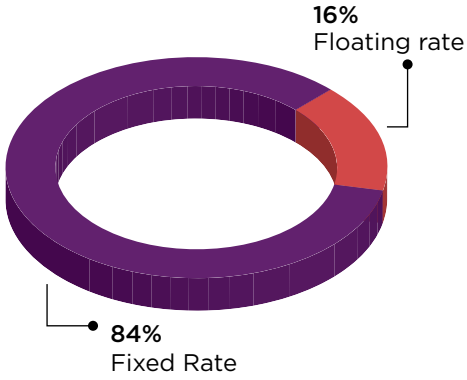
GEARING RATIOS

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:-

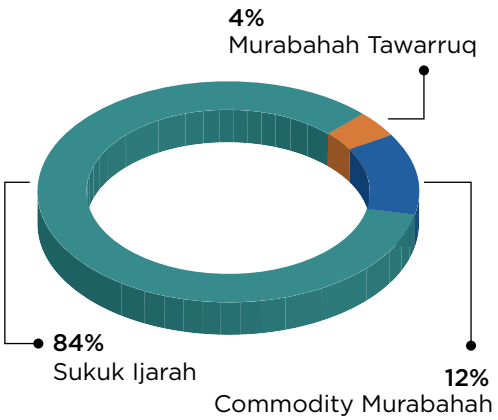
	2018 RM'000	2019 RM'000
Total borrowings (RM'mil)	603.70	683.40
Total assets value (RM'mil)	1,580,468	1,674,352
Total borrowings to total asset value ratio (%)	38.19	40.82

As at 31 December 2019, Al-`Aqar's outstanding borrowings was RM683.40 million an increase of 13.20% as a result of the floating rate borrowing obtain by Al-`Aqar from the new financial institution during the year. The additional borrowings were mainly utilised to fund the acquisition of KPJ Batu Pahat Specialist Hospital. The total gearing correspondingly increase to 40.82%, which was below the 50% of Total Asset Value limit permitted by the Listed REIT Guidelines.

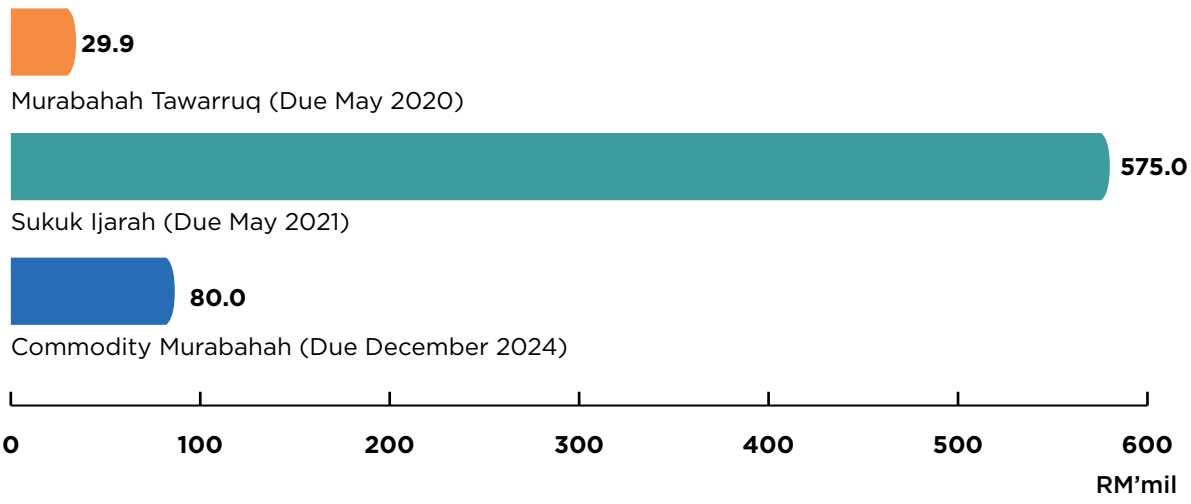
FIXED RATE VS FLOATING RATE RATIO



SOURCE OF DEBTS



DEBT MATURITY PROFILE (RM'mil)



Al-`Aqar's profit rate risk is relatively low as of its 84% borrowings are on fixed rate. The exposure of floating rate borrowings only represent 16% of the total borrowing. Due to the nature of the borrowings, there is an exposure to interest rate risk. Al-`Aqar has benefitted from the recent Overnight Policy Rate (OPR) cut by 0.25% in May 2019 through immediate interest rate adjustment for its floating rate borrowings.

ISLAMIC FINANCING: SUKUK IJARAH

In 2013, the Group via its special purpose vehicle, Al-`Aqar Capital Sdn Bhd ("Al-`Aqar Capital") 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.

In July 2017, Al-`Aqar Capital made a partial early one-off redemption of RM80 million in nominal value of unrated Class C IMTNs of Issue 1. The redemption was made by using the proceeds from the disposal of an investment property.

In May 2018, Al-`Aqar Capital redeemed the outstanding IMTNs of Issue 1 of RM575 million together with the outstanding profit due on maturity and refinanced the IMTNs via an issuance of RM575 million in nominal value of IMTNs ("Issue 2"). The maturity period for Sukuk Issue 2 has shortened to 3 year compared to 5 year under Issue 1.

In December 2018, Al-`Aqar re-rated RM112 million in nominal value of unrated Class C IMTNs of Issue 2. The re-rating exercise had led to an early redemption of the Class C IMTNs of Issue 2 and an additional issuance of RM75 million in nominal value of Class A IMTNs of Issue 2 and RM37 million in nominal value of Class B IMTNs of Issue 2.

The profit rates for the sukuk are all on fixed rate basis thus insulting Al-`Aqar Capital from any adverse movement in the interest rate and volatility in the economy. The average profit rate of the Sukuk Issue 2 is about 5.05% per annum.

The respective AAA/Stable and AA2/Stable ratings of RM295 million Class A and RM60 million Class B Sukuk Ijarah had been reaffirmed by RAM Rating Services Berhad ("RAM") in their annual review dated May 2019. The stable rating outlook reflect that the 19 secured properties will perform within expectations, supported by the long-term lease agreements with the KPJ Group. Additionally, RAM expects the expiring long-term lease to be renewed and any ongoing or new developments to be prudently managed. RAM also highlighted that the above is exposed to significant single-counterparty risk as all the hospital operators under Issue 2 are subsidiaries of KPJ Group. In this regard, the KPJ Group's vested interest in the REIT via its indirect stake further ensures continued performance and servicing of the lease term.

ISLAMIC FINANCING: MURABAHAH TAWARRUQ TERM FINANCING-I

In November 2018, Al-`Aqar obtained floating rate borrowing facility ("Murabahah Tawarruq") amounting to RM29.9 million to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38.9 million. The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month.

The Murabahah Tawarruq bears an effective profit rate of 1.50% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Murabahah Tawarruq during the year is 5.54%.

The Murabahah Tawarruq will come due in May 2020 and the Management team is already in talks to strategies the repayment of the borrowing.

ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-I

On 27 December 2019, Al-`Aqar obtained floating rate borrowing facility ("Commodity Murabahah") amounting to RM80.0 million to finance the acquisition of KPJ Batu Pahat with purchase consideration of RM78.0 million and to pay related cost and expenses during the acquisition. The Commodity Murabahah is payable over a period of 60 months from the date of first disbursement with bullet repayment of the principal sum on the 60th month.

The Commodity Murabahah bears an effective profit rate of 1.25% per annum above the bank's. The average effective profit rate for the Commodity Murabahah during the year is 4.70%.

RISK MANAGEMENT

Risk management is an integral part of the Manager's strategic decision making process and managing the operational risks by ensuring 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 cascaded to all employees of the Manager.

The Enterprise Risk Management Framework which takes full effect starting in 2018 is being implemented and improved from time to time to reflect the changes in the business competitive environments especially pertaining to financial risks.

The focuses of the ERM remain as follows:-

i. continuously identifying, assessing and monitoring the Fund's risks;
ii. managing and monitoring risks on behalf of its unitholders; and
iii. implementing 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. analysing 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.

KEY RISKS FACTORS

RISK	RISK DESCRIPTION	MITIGATION PLAN
Acquisition & Investment Risk	Risk of acquiring non yield-accretive assets that will adversely affect investment portfolio.	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. In working out a win-win lease arrangement with the lessee, the Manager is aware of the fact that, in a normal industry life-cycle of a hospital, the first 3 years is a Start-Up period. Profit will start to register during the Growth period where the business will start to turn around and be sustainable in the long run.

RISK	RISK DESCRIPTION	MITIGATION PLAN
Valuation Risk	Risk that assets with lower Valuation will lower the Net Asset Value of the Fund.	The Manager complies with the requirement of the Listed REIT Guidelines to ensure that property valuation is carried out every year by valuers approved by the Trustee and complies with the guidelines under the Listing Requirements. This is to determine the fair and reasonableness of the value of the assets to be acquired.
Financing & Refinancing Risk	Risk of not being able to meet funding requirements/ covenant.	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 comply with the requirement to keep gearing level at 50% and 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 also optimised.
Liquidity Risk	Risk that cash flows are inadequate to meet financial obligation.	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.	Impact of risk is minimal since currently, most of Al-`Aqar's borrowing is on fixed basis and as such, will not be materially affected by adverse movement in financing rate.
Business / Market Risk	Risk that the properties face decline in revenue due to declining market condition, competition and geographical concentration.	Given the established healthcare business of the tenants the Manager is of the view that Al-`Aqar is not highly susceptible to business and market risk. These risk elements are also diligently addressed at the acquisition stage of the properties and will be properly mitigated to ensure rental income will not be affected.

RISK	RISK DESCRIPTION	MITIGATION PLAN
Tenant Concentration Risk	Risk of being dependent on a single tenant. Termination or non-renewal of tenancy by the single tenant will negatively impact the performance of the properties.	The Manager has entered into a long-term lease Agreement (15 + 15 years & renewal of tenancy every 3 years) to ensure performance each property is guaranteed.
Uninsured Liabilities	Risk of uninsured liabilities range from the after-effects of a disaster such as terrorism to cyber-security risks which potentially could lead to losses.	A revision on takaful plan is carried out on an annual basis to ensure sufficient coverage. The triple net lease agreements with the tenants ensures that the risk of insufficient liabilities are transferred to the tenants.
Cyber Security Risks	Cyber security breaches, for example, can damage a company's reputation, which is difficult to insure against.	A Group-Wide Disaster Recovery and Business Continuity Framework is currently drafted and tested by stages to ensure threats of cyber security breaches are mitigated.
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 promotes work-life balance with current working hour as well as offering a competitive remuneration package to the employees.

Investor & Public Relations

Al-`Aqar value the importance of sharing accurate and transparent communication to our shareholders and investors in a timely manner. The Manager believe that this will enhance shareholders' understanding and appreciation of Al-`Aqar's business strategies, financial performance, current initiatives and prospects in making informed investment decisions and in exercising their rights as shareholders. Therefore, we are highly committed to ensure that relevant and material corporate information is shared with our shareholders and the investing community effectively.

ACCESSIBILITY OF INFORMATION

Al-`Aqar's investor relations website at www.alaqar.com.my is an essential online repository for disseminating up-to-date and historical investor-related information for the investment community, aiding them in making sound investment decisions. It is a key channel for both local and foreign stakeholders to secure latest corporate and financial information of Al-`Aqar.

7th ANNUAL GENERAL MEETING

Al-`Aqar Annual General Meetings (AGM) present an opportunity for shareholders to discuss and raise questions related to company performance, plans, corporate governance and other important matters with the management and the Board, as appropriate.

The Manager convened the 7th Annual General Meeting (AGM) of Al-`Aqar on 17 April 2019 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; and
- Proposed Recurrent Related Party Transaction Mandate.

Sufficient time was also set aside for unitholders to raise questions and provide feedback to the Board and Management.



The Chairman presented the progress and performance of Al-`Aqar during 7th AGM

EXTRAORDINARY GENERAL MEETING

The Manager convened the unitholders' meeting of Al-`Aqar on 13 December 2019 to seek the unitholders' approval amongst others, for the Proposed Acquisition of KPJ Batu Pahat Specialist Hospital for a purchase consideration of RM78 million to be satisfied entirely in cash.

The above resolution was duly approved by the unitholders.



Unitholders voted to approve the resolution at EGM held at The Puteri Pacific Hotel, Johor Bahru

ANALYSTS & INVESTORS BRIEFING

Every quarter the Manager engages in regular dialogues with its shareholders, both institutional and individual as well as local and foreign analysts, to enable them to exercise their rights in a fully informed manner.

The Manager is also committed to the promotion of investor confidence by ensuring transparency in financial reporting, timely access to information about Al-`Aqar's strategic goals, material developments, governance and risk profile.

The briefings were organised periodically either thr one-on-one meetings, conference calls or roadshow. Properties tour was also organised 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.

MALAYSIAN REIT MANAGERS ASSOCIATION (MRMA)

The Manager is an active member of the Malaysian REIT Managers Association since 2009. The Manager took the opportunity attending 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.



Malaysian REIT Forum 2019

RESEARCH COVERAGE

During the financial year, Al-`Aqar is covered by the following research house:-

	Date of Report	Recommendation	Target Price
MIDF RESEARCH	21 February 2019	Buy	RM1.49
	30 May 2019	Buy	RM1.49
	19 July 2019	Neutral	RM1.49
	24 August 2019	Neutral	RM1.49
	3 September 2019	Neutral	RM1.49
	22 November 2019	Neutral	RM1.49
KAF SEAGROATT & CAMPBELL SECURITIES SDN. BHD.	21 February 2019	Buy	RM 1.33
	5 April 2019	Buy	RM1.50
	29 May 2019	Buy	RM1.50
	17 Jun 2019	Hold	RM1.50
	27 August 2019	Hold	RM1.52
	3 September 2019	Hold	RM1.51
	21 November 2019	Hold	RM1.46

Market Report Summary

ECONOMIC OVERVIEW

Global Economy

Modest pickup in 2020

Global growth, estimated at 2.9% in 2019, is projected to increase to 3.3% in 2020 and inch up further to 3.4% in 2021. Compared to the October World Economic Outlook (WEO) forecast, the estimate for 2019 and the projection for 2020 represent 0.1 percentage point reductions for each year while that for 2021 is 0.2 percentage point lower. A more subdued growth forecast for India accounts for the lion's share of the downward revisions.

The global growth trajectory reflects a sharp decline followed by a return closer to historical norms for a group of underperforming and stressed emerging market and developing economies (including Brazil, India, Mexico, Russia and Turkey). The growth profile also relies on relatively healthy emerging market economies maintaining their robust performance even as advanced economies and China continue to slow gradually toward their potential growth rates. The effects of substantial monetary easing across advanced and emerging market economies in 2019 are expected to continue working their way through the global economy in 2020. The global growth estimate for 2019 and projection for 2020 would have been 0.5 percentage point lower in each year without this monetary stimulus. The global recovery is projected to be accompanied by a pickup in trade growth, reflecting a recovery in domestic demand and investment, as well as the fading of some temporary drags in the auto and technology sectors. These outcomes depend to an important extent on avoiding further escalation in the US-China trade tensions, averting a no-deal Brexit, and the economic ramifications of social unrest and geopolitical tensions remaining contained.

(Extracted from World Economic Outlook, International Monetary Fund, January 2020)

Malaysia Economy

Malaysia's GDP growth rate is forecast to reach 4.5% in 2020, with increase headwinds

In 2020, Malaysia's economy is projected to expand at a relatively moderate pace, amid continued uncertainty and external headwinds. The GDP growth rate is projected to reach 4.5% in 2020. Investment is expected to improve but remain subdued over the near term, with both the public and private sectors adopting a cautious stance towards capital spending. Similarly, the softness in export growth is likely to persist into next year, mirroring the continuing subdued global growth.

Federal debt has increased, and government revenue as a share of GDP is expected to decline further in 2020. In the context of a more uncertain economic environment, it is vital for Malaysia to preserve fiscal space to enable it to mitigate the impact of any negative shocks to the economy. Increased progressivity in the personal income tax framework and an expansion of current tax measures could enable the government to both increase revenues and improve redistribution.

With sluggish global demand and increased protectionist tendencies among the major economies, a sustained commitment to deepening regional integration and addressing trade barriers is vital to preserve a vibrant trading environment and build investors' confidence. It is also important to strengthen Malaysia's competitiveness in attracting quality investments and to maximize the gains from tax expenditures with better targeting of investments towards economic upgrading, high-value job creation and inclusive growth.

(Extracted from Malaysia Economic Monitor, World Bank Group, Global Knowledge & Research Hub In Malaysia, December 2019)



MALAYSIAN REIT

REIT sector's growth to be mainly underpinned by organic drivers

The sector has seen significant fluctuations of the MGS yields where the 10-year MGS yield fell to 3.19% in year 2019. However, in the light of sustained net DPU yields, the net yield spread has trended higher, ranging from 104 basis points to 195 basis points in 2019. In 2019, the sector was faced with 2 main situations, **(i)** 25 basis points OPR cut to 3% in May 2019; and **(ii)** potential exclusion of Malaysia bonds from FTSE Russell's World Government Bond Index which was first announced in April 2019. Elsewhere, as expected, asset acquisitions in 2019 were limited. The M-REITs' has growth largely organic in 2019, via positive rental reversions and sustained occupancy rates, while there are MREITs recorded a full-year rental income contribution from assets that were acquired in 2019.

For year 2020, it is expected the direct earnings lift to M-REITs to be minimal (via easing of financing costs from variable rate debts). Nevertheless, a lower interest rate environment could encourage more acquisitions by M-REITs, which are generally financed by borrowings. On top of it, 2020's acquisition pipeline to remain subdued for now, only involving smaller size assets as anticipated major pipeline and developments could only take place from 2021 onwards. The oversupply of retail and office space, particularly in the Klang Valley would remain as major earnings risk to M-REIT, whereas the prime malls with prominent locations and office and industrial assets with long-term tenants will continue to be favoured.

In conclusion, the sector's growth in year 2020 is expected to be mainly underpinned by organic drivers (i.e. positive rental reversions and sustained occupancy rates) as it is expected limited acquisition pipelines of sizeable assets and the net DPU yields is expected to slightly increase from 5.1% to 5.3% compare to 2019.

(Extracted from Malaysia 2020 Outlook & Lookout, Maybank IB)

MALAYSIA HEALTHCARE

Strong momentum should continue in 2020

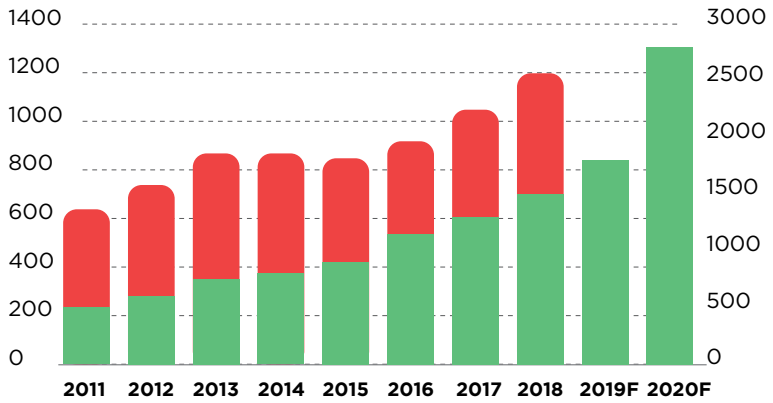
Budget 2020 increased medical tourism and favourable structural dynamics to remain supportive of the sector

Access to quality healthcare and social welfare protection is the main theme by the new Malaysian government. In ensuring welfare and quality of life, a sum of RM29 billion (US$7 billion) was allocated for the public healthcare sector for 2019, an increase of 7.8% from 2018. This is almost 10% of the total national budget. Out of that sum, RM10.8 billion (US$2.6 billion) is set aside for development, maintenance and upgrading work of existing public healthcare facilities, the procurement of medical equipment and medicine.

The strong healthcare industry momentum is expected to be continue in 2020, where the sustained strength of domestic economic activities is expected to improve healthcare affordability and help price-sensitive patients switch back from public to private healthcare. In budget 2020, the government will extend the coverage of MySalam social protection scheme to; **(i)** cover more illnesses for 36 to 45-year-olds, **(ii)** persons aged up to 65 years old, compared to 55 years old currently. The coverage of the Skim Peduli Kesihatan (PeKA) B40 has also increased from between 50 and 60 years old to 40 years old and above. This is expected to be able to strengthen the private healthcare sector and benefit the key players.

Driven by growing international recognition of Malaysia's healthcare services, coupled with the intensified marketing campaigns to promote the upcoming Malaysia Year of Healthcare Travel 2020 (MyHT 2020), the Malaysia Healthcare Travel Council (MHTC) has projected that the domestic medical tourism industry will rake RM2.8 billion in revenue by 2020, which represents 56% year over year growth during the period. The improved medical tourism contributions are expected to further boost the earnings prospects of the private healthcare players.

Volume and revenue from foreign patients: Expected strong growth in 2020



On top of that, the long-term structural dynamics such as; **(i)** an ageing population, **(ii)** growing affluence and, **(iii)** broader insurance coverage will remain supportive of the private healthcare sector.

(Extracted from Malaysia 2020 Outlook & Lookout, Maybank IB & Malaysia Market Focus – Market Strategy, AllianceDBS Research)

AUSTRALIA

The government is seeking feedback on where to allocate 10,000 new residential aged care beds in 2020

Minister for Aged Care and Senior Australians, Richard Colbeck announced in middle December 2019 that applications for the 2020 Aged Care Approvals Round (ACAR) will open in March 2020 and close in May 2020. ACAR 2020 will offer:

- 10,000 residential aged care places
- 750 short-term restorative care places
- up to $60 million in capital grants for residential aged care

The government launched a targeted stakeholder consultation and public survey for this ACAR on Wednesday, 15 January 2020 to help identify geographic areas and special needs groups for the new places. Mr Colbeck said national peak aged care organisations, Aged Care Assessment Teams, Primary Health Networks, local councils, consumer groups and approved providers are invited to take part in the targeted consultation.

The consultations will help identify unmet needs for residential aged care in terms of both geographic locations and the types of people whose needs should be targeted. Increasing the number of residential places in areas where they are in short supply will help to ensure people have a safe option, as close to home as possible. This also want to make sure that care is accessible for people who may be missing out, whether it's because they are homeless, they have dementia, or they come from different cultural backgrounds.

The 2018 to 2019 ACAR called for a focus on meeting the needs of seniors in non-metropolitan areas. Almost a third of the 13,500 residential places allocated last round went to residential providers in rural, regional and remote areas.

Quality regulator becomes aged care's one-stop shop

The Aged Care Quality and Safety Commission is now the single regulator of aged care services and the primary point of contact for aged care providers and consumers for quality and safety matters.

Recently passed aged care legislation amendments, which took effect on 1 January 2020, the following functions transitioned from the Department of Health to the quality and safety commission:

- approval of all residential and home care providers
- aged care compliance activity including prudential operations
- the administration of compulsory reporting of assaults by approved providers

These new roles build on the one-year-old commission's existing responsibilities for complaints and the accreditation, assessment and monitoring of aged care services. The quality and safety commission's additional functions and responsibilities enact recommendations from the Carnell Paterson review of regulatory processes to create a one-stop shop for regulation and strengthen regulatory oversight of the sector. Aged Care Quality and Safety Commissioner, Janet Anderson said the commission now had a broader range of tools to drive improvements in aged care consumer experience and care outcomes.

"The commission has an important role to play in holding aged care providers to account for the provision of such care, as required under the Aged Care Quality Standards. We complement this role through our work in promoting consumer engagement, providing information and education, and seeking to resolve complaints about aged care providers," Ms Anderson said.

(Extracted from Australia Ageing Agenda, December 2019 & January 2020)

Portfolio Summary & Details



22 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. KUANTAN WELLNESS CENTRE
9. KPJ SENTOSA KL SPECIALIST HOSPITAL
10. KPJ KAJANG SPECIALIST HOSPITAL
11. KEDAH MEDICAL CENTRE
12. DAMAI WELLNESS CENTRE
13. KPJ PENANG SPECIALIST HOSPITAL
14. TAWAKKAL HEALTH CENTRE
15. KPJ TAWAKKAL KL SPECIALIST HOSPITAL
16. KPJ SEREMBAN SPECIALIST HOSPITAL
17. TAIPING MEDICAL CENTRE
18. KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI
19. KPJ INTERNATIONAL COLLEGE, PENANG
20. KLUANG UTAMA SPECIALIST HOSPITAL
21. KPJ KLANG SPECIALIST HOSPITAL
22. KPJ BATU PAHAT SPECIALIST HOSPITAL



1 PROPERTY (AUSTRALIA)

JETA GARDENS AGED CARE AND RETIREMENT VILLAGE, BRISBANE



KPJ AMPANG PUTERI SPECIALIST HOSPITAL

Location

No. 1, Jalan Memanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn. Bhd.

Description

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

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

233,254 sq.ft.

Gross Floor Area

390,848 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 6-storey purpose-built hospital building with a basement level and an open car park

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

180,522 sq.ft.

Gross Floor Area

445,114 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021

Title

Lot 60950, Seksyen 39, held under Title No. Hakmilik 336358, Bandar Petaling Jaya, Daerah Petaling, State of Selangor

Freehold

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad



KPJ JOHOR SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Johor Specialist Hospital Sdn. Bhd.

Description

A purpose-built private hospital comprising a 7-storey main building (Inpatient & Premier Block), a 4-storey physician consulting building (Outpatient Block), built atop a 2-storey basement car park, a 5-storey Car Park Block together with a basement, and several other structure which is ancillary to the hospital operations

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

217,800 sq.ft.

Gross Floor Area

482,464 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021

Title

PTB No. 12319 (new 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

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn. Bhd.

Description

A 6-storey purpose-built private hospital building

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

104,110 sq.ft.

Gross Floor Area

134,100 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

Location

Lot 1, Jalan 20/1, Section 20, 40300 Shah Alam, Selangor

Lessee/Asset Operator

Selangor Specialist Hospital Sdn. Bhd.

Description

A 6-storey purpose-built hospital building with a basement and a 6-storey car park block with a basement

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

204,341 sq.ft.

Gross Floor Area

i) KPJ Selangor Existing Building - 207,722 sq.ft.
ii) Car Park Block - 108,070 sq.ft.

Tenancy/Lease Expiry & Renewal

Existing building & car park building - 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



KPJ IPOH SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn. Bhd.

Description

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

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

142,117 sq.ft.

Gross Floor Area

382,865. sq.ft

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021

Title

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

Freehold

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad



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 5-storey purpose-built private specialist hospital with a sub-basement

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

87,802 sq.ft.

Gross Floor Area

147,541 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



KUANTAN WELLNESS CENTER

Location

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

Lessee/Asset Operator

Kuantan Wellness Center Sdn. Bhd.

Description

The building comprises 2 adjoining 3 and 5-storey blocks and identified as Blocks A and Block B, respectively

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

72,104 sq.ft.

Gross Floor Area

70,350 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, Pahang

Freehold

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad



KPJ SENTOSA KL SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Sentosa Medical Centre Sdn. Bhd.

Description

A 9-storey purpose-built building with a basement car park that is currently operating as a private specialist hospital

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

23,659 sq.ft.

Gross Floor Area

81,213.70 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

Lessee/Asset Operator

Kajang Specialist Hospital Sdn. Bhd.

Description

A 7-storey purpose-built private specialist hospital with 1 level of basement car park

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

68,932 sq.ft.

Gross Floor Area

191,142 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



KEDAH MEDICAL CENTRE

Location

Nos . 175 & 175A, Jalan Pumpong, 05250 Alor Setar, Kedah

Lessee/Asset Operator

Kedah Medical Centre Sdn. Bhd.

Description

A purpose-built private hospital comprising a 10-storey building with an annexed 3-storey building

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

83,184 sq.ft.

Gross Floor Area

215,361.19 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 WELLNESS CENTRE (PREVIOUSLY KNOWN AS KPJ DAMAI SPECIALIST HOSPITAL)

Location

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

Lessee/Asset Operator

Kota Kinabalu Wellness Sdn. Bhd.

Description

A 5-storey purpose-built hospital which is in the midst of converting into a wellness and care centre

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

33,988 sq.ft.

Gross Floor Area

44,639 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 11 June 2021 and renewal on 12 June 2021

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 5-storey main hospital building

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

190,930 sq.ft.

Gross Floor Area

179,998 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2021 and renewal on 14 October 2021

Title

Lot 10150, held under Title No. Hakmilik 1453, 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

A 4-storey building renovated from previously adjoinin 21-terrace commercial shop offices to current state of being use a single building for the purpose of a health centre

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

30,438 sq.ft.

Gross Floor Area

122,957.53 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 14 May 2021 and renewal on 15 May 2021

Title

i) Freehold - Lot Nos. 78 to 91,98 to 102
ii) Leasehold - Lot 124 and 125 – expiring in year 2077

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad



KPJ TAWAKKAL KL SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn. Bhd.

Description

A 13-storey purpose–built hospital building

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

89,168 sq.ft.

Gross Floor Area

344,983.23 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 July 2022 and renewal on 6 July 2022

Title

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

Freehold

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad



KPJ SEREMBAN SPECIALIST HOSPITAL

Location

No. HSD 247203, Lot Nos PT3304, Pekan Bukit Kepayang, Seremban, Negeri Sembilan

Lessee/Asset Operator

Seremban Specialist Hospital Sdn. Bhd.

Description

A 5–storey purpose-built with a basement level that is currently operating as a private hospital

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

241,833 sq.ft.

Gross Floor Area

182,012 sq.ft.

Tenancy/Lease Expiry & Renewal

i) Existing building - Expiry on 13 October 2024 and renewal on 14 October 2024
ii) Land - Expiry on 13 October 2021 and renewal on 14 October 2021

Title

PT No. 3304, Held Under Title No.H.S.(D) 247203, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan

Freehold

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

Penang Specialist Hospital Sdn. Bhd.

Description

A 4-storey hospital building and a parcel of commercial land

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

47,845 sq.ft.

Gross Floor Area

40,256 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 30 April 2021 and renewal on 1 May 2021

Title

Lot Nos. 3102 to 3107 and Lot 3140 held under Title Nos. PN 235465 to PN 235468 PN, 235470, PN 235471 and PN 361304 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, NILAI

Location

PT 551 & PT 552, Bandar Baru Kota Sri Mas, 71800 Nilai, Negeri Sembilan

Lessee/Asset Operator

KPJ Healthcare University College Sdn. Bhd.

Description

A University College offering numerous health science subjects. It is divided into 2 parcels comprises of commercial and residential area. The academic & administration block, lecture hall and cafeteria are located within the commercial area whilst the apartment block is within residential area of a development knows as Kota Seriemas, Nilai

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

983,840 sq.ft.

Gross Floor Area

455,191 sq.ft.

Tenancy/Lease Expiry & Renewal

i) KPJUC (Existing building) - Expiry on 30 April 2021 and renewal on 1 May 2021
ii) KPJUC (New building) - Expiry on 30 November 2021 and renewal 1 December 2021

Title

PT. No. 551, Held under Title No. H.S.(D) 246826 and PT. No. 552, Held under Title No. H.S.(D) 246827, all in Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan

Freehold

Encumbrances

i) PT. No 551 - Charged by AmanahRaya Trustees Berhad to OCBC Al-Amin Bank Berhad
ii) PT. No 552 - Nil



KPJ INTERNATIONAL COLLEGE, PENANG

Location

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

Lessee/Asset Operator

Puteri Nursing College Sdn. Bhd.

Description

A purpose-built 6-storey building with a basement together with a parcel of vacant development land

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

126,216 sq.ft.

Gross Floor Area

42,989 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2021 and renewal on 14 October 2021

Title

Lot No.10038, Held Under Title No. Hakmilik 172203 and Lot 55, Held Under Title No. 41544, all in Seksyen 5, Bandar Bukit Mertajam, District of Seberang Perai Tengah, State of Pulau Pinang

Freehold

Encumbrances

Nil



KLUANG UTAMA SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn. Bhd.

Description

6 adjoining 3-storey terraced shop-offices (a corner and 5 intermediate units)

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

10,625 sq.ft.

Gross Floor Area

31,436 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 January 2021 and renewal on 6 January 2021

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

Lessee/Asset Operator

KPJ Klang Specialist Hospital Sdn. Bhd.

Description

A 6-storey private hospital building with 2 levels of basement car park

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

117,392 sq.ft.

Gross Floor Area

353,494 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 25 June 2021 and renewal on 26 June 2021

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



KPJ BATU PAHAT SPECIALIST HOSPITAL

Location

Lot PTD 63523, Mukim Simpang Kanan, Daerah Batu Pahat, Johor

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn. Bhd.

Description

A 7-storey purpose-built private medical hospital along with an electrical and mechanical substation building and other supporting structures and facilities including surface car parking bays

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar Healthcare REIT

Land Area

217,813 sq.ft.

Gross Floor Area

173,645.39 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 December 2022 and renewal on 30 December 2022

Title

Lot No. PTD 63523 held under Title No. HS (D) 69760, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim

Freehold

Encumbrances

Charged by AmanahRaya Trustees Berhad to OCBC Al-Amin Bank Berhad



JETA GARDENS AGED CARE AND 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

An integrated aged care and retirement village consists of 2-storey aged care building comprising 106 rooms (108 – beds) with aged care facilities, 23 units of independent living villas, 32 units of independent living apartments and additional developable land

Registered Proprietor

Al-`Aqar Australia Pty. Ltd.

Land Area

1,287,143.09 sq.ft.

Gross Floor Area

123,257 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

Free from any mortgage but subject to subleases and easements

04 Sustainabilty Report

70 About This Report
70 Sustainable REIT
72 Governance And Accountability
72 Engaging Stakeholders
73 Materiality Assessment
74 Sustainability Pillars
74 Governance
75 People
76 Partner



About This Report

Scope and Boundary

This report presents Al-`Aqar Healthcare REIT's sustainability report which has been prepared in accordance with the applicable Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") using the Second Edition of Bursa Malaysia Sustainability Reporting Guide 2018.

The report focuses on Al-`Aqar's core activity as a business space REIT for the period 1st January 2019 to 31st December 2019 and features selected sustainability initiatives at its property portfolio.

Sustainable REIT

The Manager ensures that sustainability values are created economically, environmentally and socially by emphasising their core principles throughout the REIT.

Vision

To integrate sustainable business practices in the core processes of the business activities.

Mission

To drive for growth and performance whilst ensuring continuous commitment to balance the concerns of the stakeholders by protecting the environment, health and safety of the employees, customers and the global communities.

Sustainability Strategy

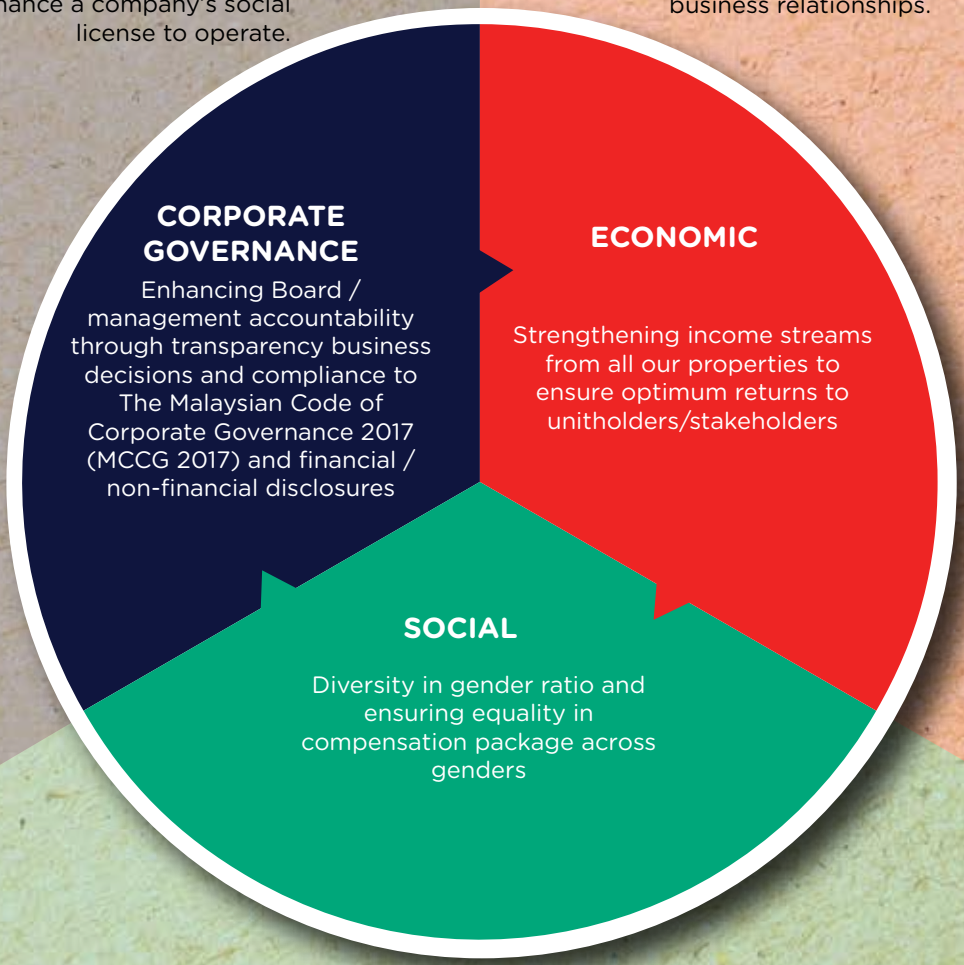
Ultimately, the journey to have a sustainable REIT is highlighted in a broader perspective to ensure the commitment and focus of the Manager towards a sustainable REIT is balanced with an overall sustainability strategy.

Management Accountability
The CEO, management team, executives of business unit and service providers will be explicitly accountable for achieving sustainability goals.

Disclosures
Disclosure of sustainability risks, opportunities, performance, goals and strategies helps build constructive relationships with key stakeholders, opens up new business opportunities, and enhance a company's social license to operate.

Supply Chain
Ensure that suppliers meet the social and economic standards set by the Company; whilst ensuring that at least 75% are local companies.

Business Model Innovation
The Fund will innovate its services to enhance tenants' satisfaction and in building collaborative business relationships.



Employees
The Fund Manager and core service providers will foster a diverse, inclusive and engaged work environment that holds sustainability considerations as a core part of recruitment, training and benefits.

Executive & Employment Compensation
Sustainability performance results will be a core component of compensation packages and incentives plans for all executives and employees across gender.

GOVERNANCE AND ACCOUNTABILITY

As part of the Manager's initiatives to have more sustainable operations for the properties of the REIT, the Manager ensures that the Board of Directors ("BOD") and the Sustainability Steering Committee ("SSC") take ownership of their responsibilities to incorporate sustainable roles and establish the required tone at the top.

Responsibilities of the BOD:-

- Endorses and oversees the implementation of the REIT's sustainable strategy to ensure key targets are met.
- Takes responsibility and accountability for the REIT's communication on sustainability issues to stakeholders.
- Establishes a culture of integrity by placing emphasis on communication about sustainability across the REIT.
- Endorses material sustainability matters and the governance structure.

Responsibilities of the SSC:-

- Develops the overarching sustainability strategy for the REIT based on material sustainability matters identified.
- Provide recommendations and improvements to the BOD on the material sustainability matters related to the REIT.
- Formulates targets and initiatives to achieve sustainability goals pledged by the REIT.
- Assesses the effectiveness of the sustainable initiatives put in place, and monitors and maintains records on these initiatives.

The BOD and SSC discuss highlights of the Fund's sustainability initiatives on a periodic basis to ensure that the goals are met through effective implementation and monitoring.

ENGAGING STAKEHOLDERS

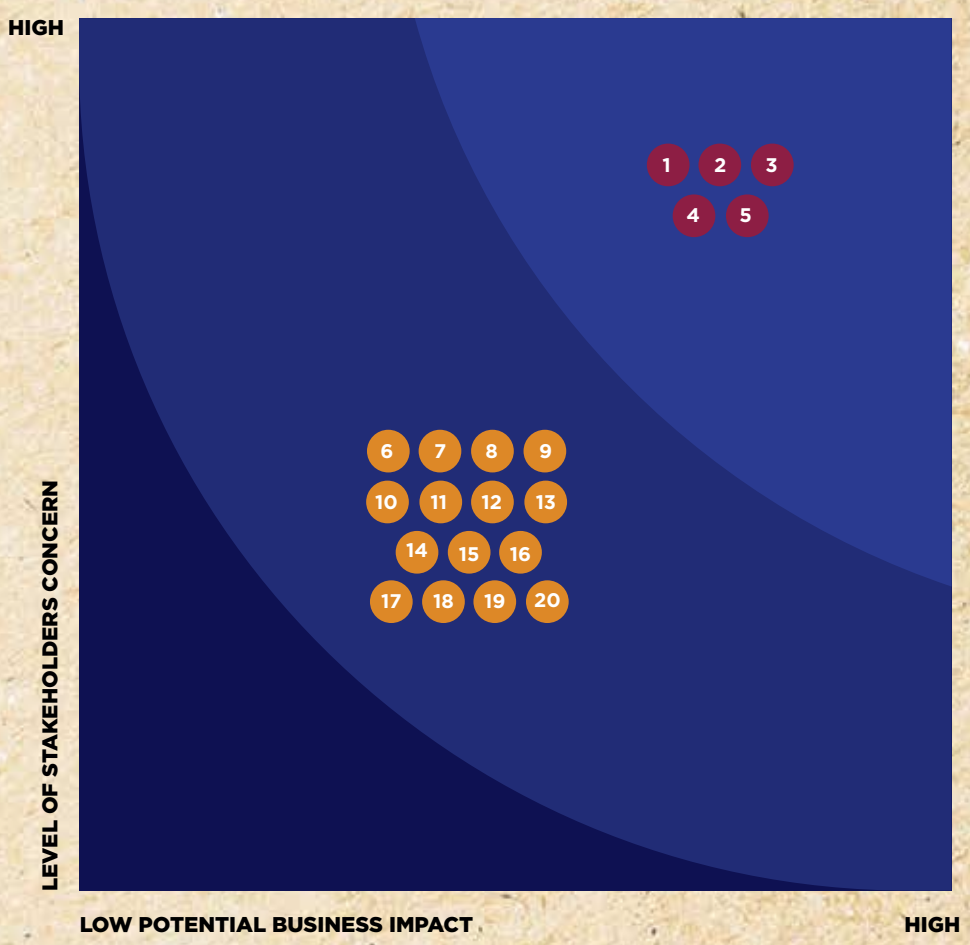
Engaging with the stakeholders is part of the Manager's key agendas for having a sustainability-focused REIT to understand the concerns of the primary stakeholders and be receptive towards the input received. The table below shows the key stakeholders and the methods of engagement by the Manager on behalf of the REIT.

STAKEHOLDERS	AREA OF CONCERN	METHODS OF ENGAGEMENT
01 Employees	- Career Development - Staff Safety & Well-being - Employee Benefits	- Performance Appraisal
02 Property Managers	- Marketing & Financial Performance - Tenants & Occupancy - Facility Management - Administration & Risk Management	- Contract Agreements - Evaluation & Performance Reviews
03 Regulatory Agencies & Statutory Bodies	- Labour Practices - Environmental Management & Compliance	- Regular inspections
04 Investors	- Corporate Financial Performance - Corporate Governance - Safety & Security - Investor Relationship Management	- Annual General Meeting - Corporate Website - Feedback Management
05 Tenants (Hospitals)	- Safety & Security - Business Activities & Ethics	- Contract Agreements - Tenant Surveys - Joint Community Programmes
06 Suppliers	- Transparent Procurement Process	- Evaluation & Performance Reviews
07 Non-Governmental Organisations ("NGOs")	- Social Contribution - Environmental Impact	- Community Events

MATERIALITY ASSESSMENT

A materiality assessment is vital in identifying and prioritising sustainability matters that may be influential in determining the direction of REIT operations by the Manager. The sustainability matters are identified from an Environment, Economic, Social and Governance ("EESG") perspective.

To ensure that the material sustainable matters remain substantial for this financial year, a similar survey consisting of the material issues identified in 2017 was assessed by the team comprising of the key personnel of the Manager and the guidance of an external consultant on behalf of the REIT. Overall, the team re-categorised the sustainability matters to ensure broader coverage and identified new matters to be prioritised. The results of the materiality review are reflected in the matrix below:-



Material EESG matters

1	Regulatory Compliance
2	Risk Management
3	Corporate Governance
4	Financial Performance
5	Anti-Corruption
6	Procurement Practices (Value Chain)
7	Water Management
8	Waste & Effluent Management
9	Energy Management
10	Labour Practices
11	Production & Services Responsibility
12	Supply Chain
13	Human Rights
14	Diversity
15	Occupational Health & Safety
16	Indirect Economic Impact
17	Emissions
18	Anti-Competitive Behaviour
19	Land Remediation, Contaminations or Degradation
20	Community Investment

SUSTAINABILITY PILLARS

To withhold the core principles of the REIT for sustainability, the Manager established 3 key sustainability pillars. Listed below are the key sustainability pillars that are vital in ensuring that the actions taken by the Manager on behalf of the REIT support the overall sustainability objectives.



GOVERNANCE

Standard Operating Procedures

The Manager has in place standard operating procedures to govern the day-to-day processes to implement the best management practices for the REIT.

Enterprise-wide Risk Management ("ERM")

On an annual basis, the Manager regularly reviews the risks that are significant to the operations and takes the necessary actions to mitigate the risks as part of the ERM exercise. In quarter 4 of 2019, the Manager conducted a validation exercise on the controls for high-impact risks identified that were relevant to the Financial, Operational and Strategic perspectives.

Whistleblowing Management

Any stakeholders to the Manager may raise their concerns for any inappropriate matters through the Manager's existing whistleblowing channel. To date, there were no whistleblowing incidents reported through the available channels to the Manager.

Anti-Bribery Management System

MS ISO 37001:2016 – Anti-Bribery Management System is an international standard that is widely used to prevent corruption and to build a culture of integrity. This standard aims to help implement, maintain and improve anti-corruption management systems. It has the potential to positively impact business operations, investment, finance and value added to the organisation as well as to help ensure organisational sustainability. A briefing session to the management and employees of the Manager about Anti-Bribery Management System was carried out on 18 October 2019.

Other Committees

Apart from the BOD and SSC, the Manager has put in place various committees to ensure continuous governance in the overall operations such as:-

Committee	Objectives
Audit Committee	Review issues on accounting policies and presentation of external financial reporting and ensure an objective and professional relationship is maintained with the appointed auditors.
Executive Committee	Oversees critical operational areas of the company and provide the necessary recommendations in relation to the REIT, review management reports and forward summary reports to all Board members.
Remuneration & Nomination Committee	Ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.
Risk Management Committee	Ensure that risk management is integrated in the Manager's day-to-day operations and ensure consistency of operational procedures and practices within the organisation to ensure effective risk management.

The relevant committees discuss matters of the REIT on a periodic basis in relation to the objectives of the establishment of these committees. Ultimately, updates relevant to the REIT will be reviewed by the Executive Committee and reported to the BOD on a timely basis.

PEOPLE

Employee Profile

The employees of the Manager that assist in managing the Fund consist of qualified individuals with the relevant expertise in the investment practices.

The Manager strives for a culture that respects and balances the diversity of our employees to create equal opportunities for all employees regardless of the demographic status.

To date, the breakdown of employees is as follows:-



The Manager of the REIT strives to ensure that the recruitment of employees is based on their skill sets without any preference on gender or age distribution.

Employee Training

In addition, the Manager emphasises on personal development to enhance the knowledge base of their employees. The table below shows the training hours achieved in 2018 and 2019:-

Entity	2018 (Hours)	2019 (Hours) (as at 31 December 2019)
DRMSB	703	725.5

Employee Turnover Rate

The Manager takes strenuous effort to maintain a reasonable turnover rate by keeping the employees contented at all times. The table below shows the turnover rates for the year 2019 :-

Entity	2018 Turnover rate (%)	2019 Turnover rate (%) (as at 31 December 2019)
DRMSB	7.27	13.79

Employee Welfare & Rights

The Manager strives to ensure that the employees maintain a satisfactory physical and mental well-being. The Manager firmly believes in ensuring the physical and mental well-being of the employees to strive for continuous growth. With that, the Manager provides allowances, retirement provisions, healthcare benefits, disability and insurance coverage and medical compensation. The Manager conducts annual employee appraisals and also encourages the employees to provide feedback during the review.

Occupational Health & Safety

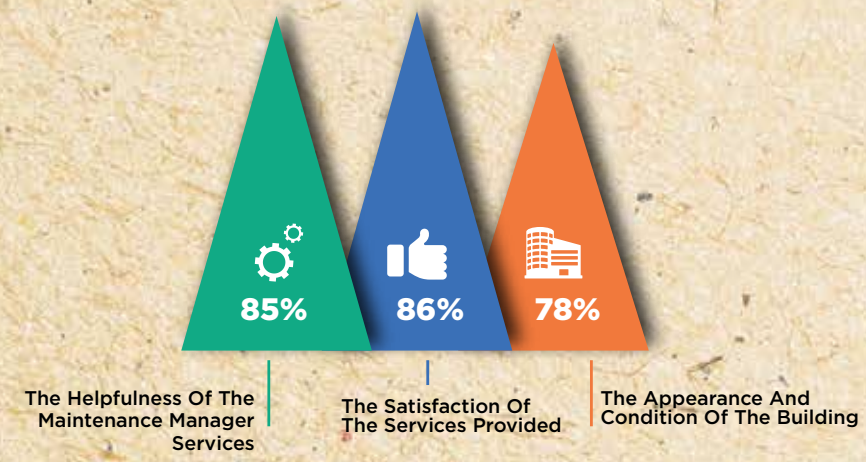
The Manager aims to provide a safe environment for the employees to work in and protect the health of the stakeholders of the properties. The Manager ensures that KPJ complies with the mandatory legal requirements pertaining to occupational health and safety.

PARTNER

Tenant Management

As the sole tenant of the REIT is KPJ, the Manager ensures that tenant satisfaction is maintained at a satisfactory level for the respective KPJ hospitals. On a periodic basis, the Manager ensures that the engaged Maintenance Manager conducts a satisfaction survey on behalf of the Manager and the REIT to address any concerns raised by the hospitals.

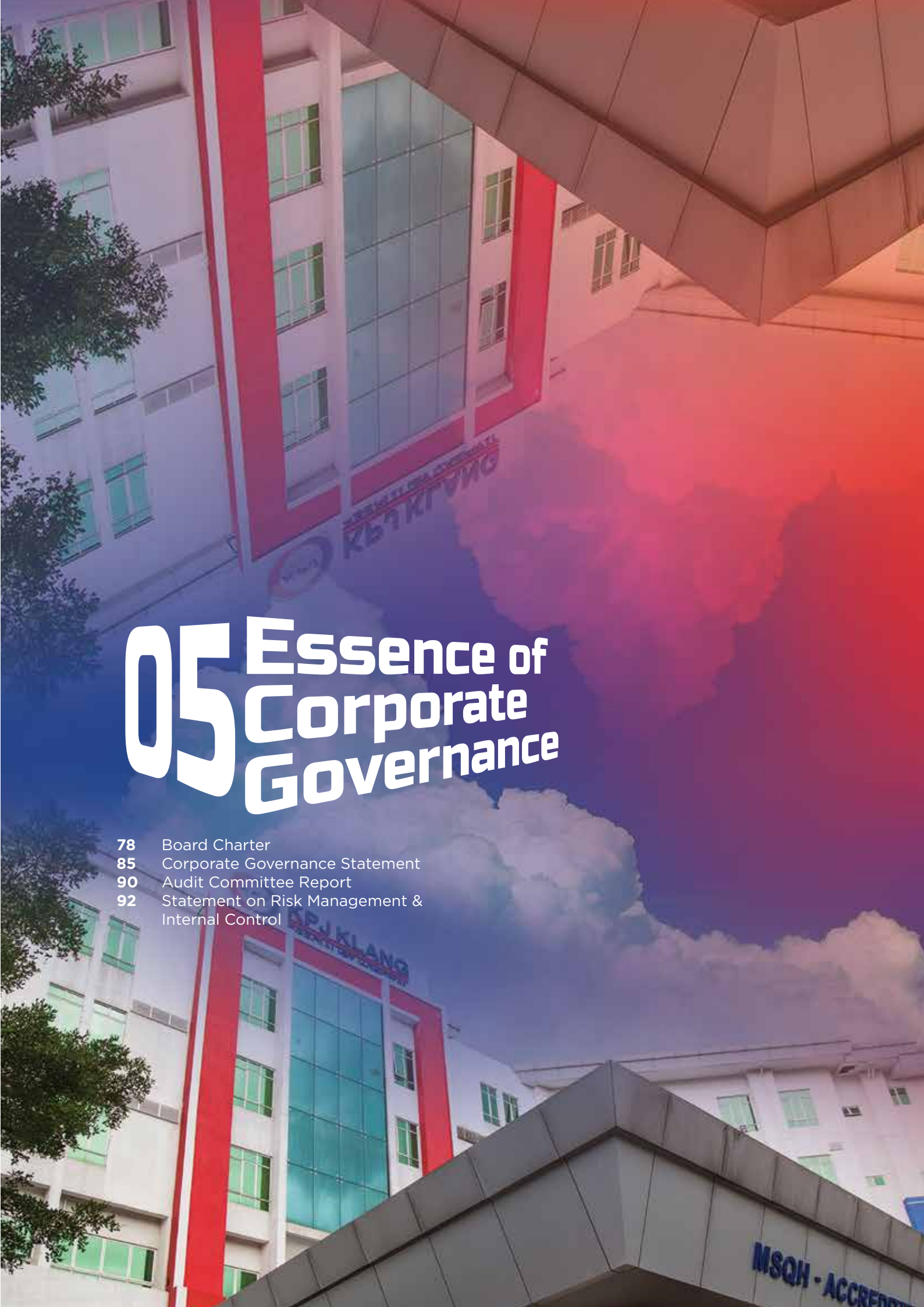
Tenant satisfaction survey was conducted on 25 November 2019 with regards to the helpfulness of the maintenance manager services (85%), the satisfaction of the services provided (86%) and the appearance and condition of the building (78%). The Manager is pleased to announce that an overall of 83% of the hospitals reported that they had a satisfying tenancy to date.



Building Audits & Maintenance

To ensure the assets of the REIT are maintained well at all times, the Manager ensures that the engaged Maintenance Manager conducts periodic audits and provides constructive recommendations to the hospitals where necessary.

On a periodic basis, the hospitals will also perform preventive maintenance to ensure the assets relevant to the properties of the Fund are well-maintained.



05 Essence of Corporate Governance

78 Board Charter
85 Corporate Governance Statement
90 Audit Committee Report
92 Statement on Risk Management & Internal Control

Board Charter

1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-`Aqar's 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 budget 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
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 Independent Non-Executive Chairman
2. 3 Non-Independent Non-Executive Directors
3. 3 Independent Non-Executive Directors
4. 1 Non-Independent Executive Director

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 RM971.5 million, 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 the current female directors' composition in the Board stands at 25%.

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 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, among others, 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 reports are normally given at least 1 week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board reports 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 (AC)

A. Membership

i. The members of the AC 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 1 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 AC elected from amongst the AC members shall be an Independent Director.
v. No alternate Director of the Board shall be appointed as a member of the AC.

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 account 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 Auditors.

C. Duties and Responsibilities

The objective of the AC 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 AC'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 undertaken and ensure that appropriate action is taken on any internal audit issues;
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 AC meeting shall be tabled by the AC's Chairman at the Board of Directors meeting.

5.2 Executive Committee (EC)

A. Membership

i. The EC 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. In the absence of the Chairperson of the EC, the members present shall elect 1 of their members to chair the meeting.

The EC meets on a scheduled basis at least 4 times a year. Reports of the EC meeting shall be tabled by the EC's Chairman at the Board of Directors meeting for notification and further action by the Board, where necessary.

B. Purposes

The EC oversees the activities of the Manager and Al-`Aqar on behalf of the Board which includes:-

i. Making recommendations to the Board on all acquisitions, investments and disposals;
ii. Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
iii. Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-`Aqar units; and
iv. Making recommendations to the Board on financial budgets.

5.3 Nomination and Remuneration Committee (NRC)

A. Membership

i. The NRC 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 absence of the Chairperson of the NRC, the members present shall elect 1 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/ Managing Director. In fulfilling these responsibilities, the NRC is to ensure that Executive/Managing director 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. Review the Executive/ 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 a sitting allowance for attending 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 Trust 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 (including its Directors, executive officers and employees) which it may encounter in managing Al-`Aqar:-

a. Any related party transaction must be duly disclosed 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 of 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 Listed REIT Guidelines, the Trust Deed and the Listing Requirements.

8.3 Related Party Transactions

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

a. Carried out in full compliance with the Listed 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 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 to and undertaken by Crowe Governance Sdn Bhd. 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.

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 as 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.

In addition to ensuring that the published Annual Report and quarterly results announced to Bursa Securities are available to all unitholders, 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 fulfills the functions for which he/she has been appointed.

The Company Secretary is accountable to the Board on all governance matters and 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 recognises the value of good corporate governance and ensure 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 is guided by the measures set out in the Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission (Listed REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and guidance of the Malaysian Code on Corporate Governance 2017.

THE MANAGER'S ROLE

In accordance with the 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. 2 of the Board members, namely:

1. Wan Azman bin Ismail (eCMSRL/B7253/2017)
2. Yusaini bin Sidek (CMSRL/B3780/2013)

as well as 2 of the employees, namely

1. Shahril Zairis bin Ramli (CMSRL/B3781/2013)
2. Suhaimi bin Saad (CMSRL/B3782/2013)

have respectively 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 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 arrears 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 risk management framework 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.

- **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, Listed REIT Guidelines, Bursa Securities 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 2020 – 2024 was tabled, discussed and approved by the Board at its meeting on 20 November 2019. 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 and financial 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 other REITs.

- **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 quarterly 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 50 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 Report will be circulated to all Directors so that each Director has ample time to peruse and review them for further deliberation at the Board meeting. The Board Report 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.

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 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 Independent Non-Executive Chairman
b. 3 Non-Independent Non-Executive Directors
c. 3 Independent Non-Executive Directors
d. 1 Non-Independent Executive Director

During the year ended 31 December 2019, the Board members convened 5 meetings and all Directors 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 2019 are set out below:-

	51st BOD	Special BOD	52nd BOD	53rd BOD	54th BOD	Special BOD
	20.02.2019	17.04.2019	29.05.2019	30.08.2019	20.11.2019	13.12.2019
Dato' Kamaruzzaman bin Abu Kassim **(resigned w.e.f 20 January 2020)**	/	/	/	/	/	X
Wan Azman bin Ismail	/	/	/	/	/	/
Zainah binti Mustafa	/	/	X	/	/	/
Dr. Hafetz bin Ahmad	/	/	/	/	/	/
Dato' Dr. Rahah Binti Ismail	/	/	/	/	/	/
Lukman bin Abu Bakar **(resigned w.e.f 14 February 2020)**	/	/	/	/	/	/
Yusaini bin Hj. Sidek	/	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar	/	/	/	/	/	/
Mohd Yusof bin Ahmad	/	/	/	/	/	/

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 are set out on page 81 of this Annual Report.

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 binti Mustafa and comprises of 2 other members, Lukman bin Hj. Abu Bakar and Dr. Hafetz bin 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 90 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for notification and further 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 assumptions.

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 overseen 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 50 of this Annual Report.

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 17 April 2019 convened its 7th 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; and
- Proposed Recurrent Related Party Transaction Mandate.

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 assumptions 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

The audit committee plays a major role in corporate governance regarding the organisation's direction, control, and accountability. As a representative of the board of directors and main part of the corporate governance mechanism, the audit committee is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management. The audit committee will be ensuring independence to the internal and external auditors which give results to true and fair financial reporting that will meet the expectation of and protect the interests of all the stakeholders and mainly shareholders.

COMPOSITION

For the financial year ended 31 December 2019, 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 Hj. Abu Bakar
   Member/Non-Independent Non-Executive Director
   (resigned w.e.f 14 February 2020)
3. Dr. Mohd 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 attended	No of meetings
Zainah binti Mustafa *Chairman/Independent Non-Executive Director*	4 out of 4
Lukman bin Hj. Abu Bakar *Member/Non-Independent Non-Executive Director* (resigned w.e.f 14 February 2020)	4 out of 4
Dr. Mohd Hafetz bin Ahmad *Member/Independent Non-Executive Director*	4 out of 4

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2019, 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, 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.

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 6 November 2019, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2019. 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 Listed 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.

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 the Principle B of Malaysia Code of Corporate Governance 2017 and Chapter 15.09 of the Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The ERM Framework, which takes effect starting 1 August 2018 outlines the following aspects of Risk Management:-

- ERM Policy Statement of Damansara REIT Managers Sdn Berhad;
- Organisational Structure and Assigned Roles and Responsibilities;
- The Executive Roles and Responsibilities of the Board, Risk Management Committee, Risk Owners of the Manager and Internal Audit; and
- Risk Management Approach: Risk Analysis Methods and Risk Appetite.

ERM POLICY STATEMENT OF DAMANSARA REIT MANAGERS SDN BERHAD

The Manager / DRMSB recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, operational and compliance level. The Risk Management Committee is set up to ensure that the ERM is being implemented effectively at the operations level.

The Risk Registers are reviewed, revised and presented at the quarterly review by the Risk Owners at the Risk Management Committee and reported to the Executive Committee and the BOD.

The Board has a stewardship responsibility to understand these risks, provide guidance on dealing with these risks and to ensure risks are managed proactively, in a structured and consistent manner.

The objectives of the policy statement are to ensure:-

- a common and consistent approach for management of risks is adopted;
- the management of risk contributes to the quality of performance and continuous improvement of businesses, its operations and delivery of services and products; and
- all significant risks are identified, evaluated, managed and reported in a timely manner to the Risk Management Committee, Executive Committee and the BOD.

The policies of the Board for ERM are:-

- **To integrate risk management into the culture, business activities and decision making processes.**
  Risk management concept, thinking and initiatives must be embedded in the day-to-day business operations and decision-making process. Where risks cannot be so managed, they must be subject to individualised risk management techniques appropriate to a particular risk.

- **To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.**
  As far as reasonably possible, risks must be identified, analysed and dealt with by Management proactively based on their experience, industry knowledge and information available from the market place. DRMSB must not experience any crystalisation of major risk unexpected by the Board. However, this does not mean risk will not transpire, but there are comprehensive plans put in place to respond timely and address the risk impact.

- **To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation**.
  In dealing with risks, the Board understands that it is not always possible, cost effective or desirable to manage or eliminate risk all together. A cost-benefit approach is needed where the returns must commensurate with the risks taken and reduce cost of risk controls.

- **Risk assessment reporting**
  To require that all papers that are submitted to the Board by Management relating to strategy, key project approval, significant action or investment must include a detailed risk assessment report.

- **To implement a robust and sustainable ERM framework that is aligned with DRMSB's vision and mission, and in accordance with best practices.**
  The Board recognises that a structured and consistent ERM framework is instrumental for DRMSB to deploy its operational strategy effectively.

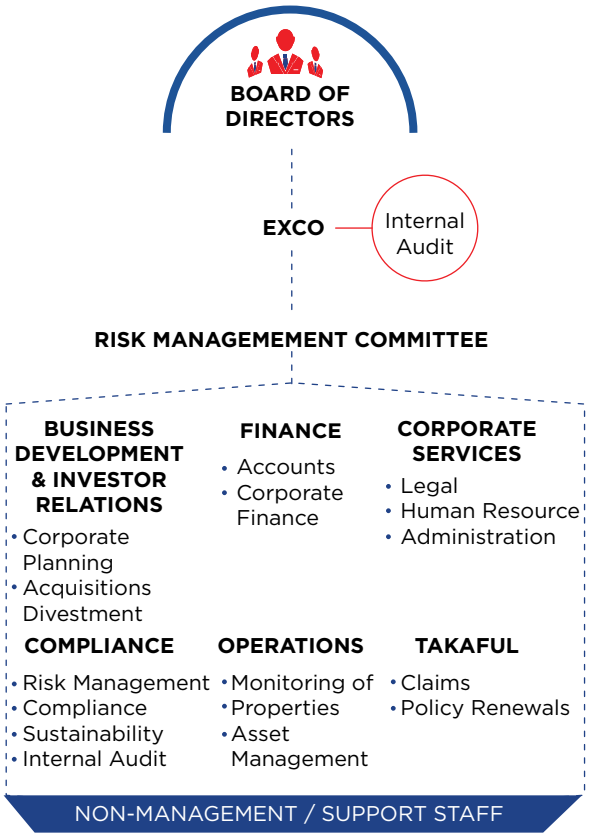
These policies will be achieved via:-

- Periodic reporting to the Board on risk management activities and keep the Board apprised and advised of all aspects of ERM and significant individual risks and risk trends;
- Provision of adequate and suitable resources, including tool(s) and manpower to ensure the ERM framework and system are operating effectively;
- Provision of adequate education and communication to ensure staff comprehend the requirements, benefits, and their role and responsibilities for risk management;
- Maintaining documented risk information (via risk registers and risk action plans) and procedures for the control of risks; and
- Organisational Structure and Assigned Roles and Responsibilities.

RISK MANAGEMENT STRUCTURE

The Risk Management Structure is designed to ensure effective communication, consultation and education in risk management are necessary to achieve a successful integration of the risk processes into the business and to provide reports, which may be conveyed in full, to the Audit Committee, as part of the half-yearly Risk Report.

The Manager's ERM Risk Reporting Structure:-



THE EXECUTIVE ROLES AND RESPONSIBILITIES

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 – Effective Audit and Risk Management of the Malaysian Code on Corporate Governance 2017.

Specific roles and responsibilities for risk management are summarised as follows:-

ROLES	PRINCIPAL RESPONSIBILITIES FOR ERM
BOARD OF DIRECTORS	1. Adopt the ERM Policy; 2. Articulate and provide direction on risk appetite, organisational control environment and risk culture; 3. Final decision on risk parameters, risk appetite, risk profiles, risk treatment options, and risk action plans; 4. Assess and keep abreast with key risk indicators; and 5. Monitor the overall ERM framework's performance and implementation effectiveness.
EXECUTIVE COMMITTEE (EXCO	1. Provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; 2. Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by risk owners; and 3. Provide an independent view on specific risk and control issues, the state of internal controls, trends and events.
RISK MANAGEMENT COMMITTEE	1. Assist the Board in establishing and maintaining effective policies and guidelines to ensure proper management of risks to which the company/Fund is exposed to and to take appropriate and timely action to manage such risks; 2. Review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators; 3. Communicate requirements of the ERM Policy to staff and ensure continuous enhancement of ERM. 4. Formulate and implement ERM mechanism to accomplish requirements of the ERM policy; 5. Discuss, rank and debate risk ratings, control effectiveness, risk treatment and action plans identified by risk owner; and 6. Ensure that the ERM reports prepared are submitted to Board of Directors in a timely manner, and special risk report/flash reports are submitted in the event of any risk(s) that required urgent attention.
RISK MANAGEMENT DEPARTMENT	1. Continuously communicate, evaluate and improve the ERM Policy and ERM mechanism; 2. Facilitate the risk assessment, implementation of risk action plan and key risk indicators process; 3. Prepare risk parameters, risk appetite, monitoring of risk action plans and provide independent review on key risk indicators; 4. Provide independent input on risk assessment (risk types and risk ratings), and action plans comprehensiveness; 5. Conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure the Group's risk management effectiveness; 6. Prepare and report to the RMC in a timely manner, and ensure special risk report/flash report is prepared in the event of any risk(s) that required urgent attention; and 7. Lead the ERM educational programmes, and continuous sharing insights into risk and market trends with risk owner.
RISK OWNERS	1. Identification and assessment of risks, implementation and monitoring of risk action plans and key risk indicators; 2. Prepare and report to the Risk Officer on a timely manner and timely preparation of flash reports in the event of any risk(s) that required urgent attention; and 3. Maintain highest alert on both internal and external activities or circumstances that may have adverse risk impacts and consequences.

ROLES	PRINCIPAL RESPONSIBILITIES FOR ERM
RISK CO- OWNERS	1. Provide support to Risk Officer on key risks identified and to assist in the implementation of risk action plans and key risk indicators thereof; and 2. Engage and discuss with Risk Officer on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
STAFF	1. Provide assistance to Risk Officer and/or Risk Co-owners on key risks identified and to support the implementation of risk action plans and key risk indicators; and 2. Engage and discuss with Risk Officer and/or Risk Co-owners on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
INTERNAL AUDIT	1. Assist the Risk Management Committee and the Audit Committee in reviewing the effectiveness of internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Risk Management Committee, Executive Committee and the Board are the main platforms 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.

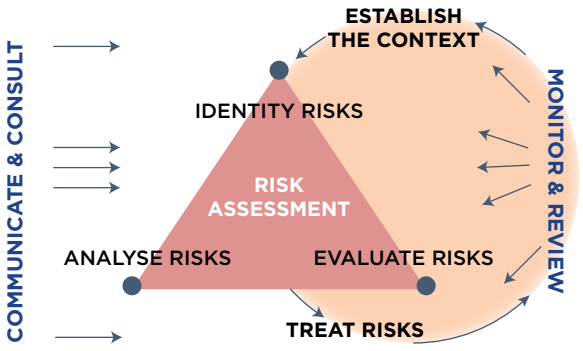
The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance,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

RISK MANAGEMENT FRAMEWORK APPROACH: RISK ANALYSIS METHODS AND RISK APPETITE

The Manager adopts ERM practices that enable 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.

The approach is summarised as below:-



The period of risk review will be determined by the risk rating, with higher rated risks and associated controls/risk mitigation strategies reviewed more often.

Risk monitoring and review will:-

- ensure risks appropriately reflect the reality of the DRMSB's operating environment;
- involve the review of risk ratings (likelihood & Impact);
- existing risk controls/treatment plans and recommend changes to treatment priorities & timeframes; and
- include consideration of the appropriate "responsible person(s)" for ongoing monitoring and review of risks.

Additionally, monitoring and measuring includes evaluation of the risk awareness culture and the risk management framework, and assessment of the extent to which risk management tasks are aligned, suitable, adequate, and effective way of achieving established objectives.

This will enable the internal audit function to periodically review the effectiveness of the risk management function and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

When the need arises, the Manager will review the risk management framework and risk management process which involves the review of risk management policy and plans as well as risks, risk categories, risk treatments, controls, residual risks, and risk assessment process.

Based on results of monitoring and reviews, decisions should be made on how the risk management program can be improved. These decisions should lead to improvements in the organisation's management of risk and its risk management culture.

INTERNAL CONTROL

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

a. 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.

b. The Board approved annual budgets and business plans prepared by each property.

c. 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.

d. Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operations, financial and human resources matter.

e. Regular management meetings involving the review of the operations and financial performance of each property with Property Managers and the Trustee.

f. The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.

g. The internal audit reviews carried out by the outsourced internal auditor based on the risk-based internal audit plan approved by the Audit Committee.

h. A systematic performance appraisal system for all levels of staff.

i. The Code of Ethics and Business Conduct has been 2019 to mitigate Integrity Risks.
   ** A briefing on Anti-Bribery Management System (ABMS) ISO 37001: 2016 has been carried out on 17 October 2019 to instil awareness among the employees on the new standard.
   ** CEO/ Senior management attended a Briefing on Corporate Liability Provision And Anti-Corruption, which aimed to create awareness and bring insights into the corporate liability provision, Guidelines on Adequate Procedures and anti-corruption measures. The session was carried out by the SC on 1 Nov 2019.

j. The Management has also reviewed its Standard Operating Procedure ("SOP") for the Manager and the funds, across all departments.

k. Relevant training provided to staff across all functions to maintain a high level of competency and capability.



06 Financial Reports

98 Manager's Report
104 Independent Auditors' Report
108 Statements of Comprehensive Income
110 Statements of Financial Position
112 Statements of Changes in Net Asset Value
114 Statements of Cash Flows
116 Notes to the Financial Statements
163 Statement by the Directors of the Manager
164 Declaration by the Director of the Manager
165 Shariah Committee Report
166 Trustee's Report

Manager's Report
For The Financial Year Ended 31 December 2019

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 2019.

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"). The Fund was listed on the Main Board of Bursa Malaysia Securities Berhad on 10 August 2006.

On 17 April 2019, at the Annual General Meeting, the unitholders of The Fund approved the proposed amendments of the Restated Trust Deed dated 31 July 2013. The Second Restated Trust Deed was executed and lodged with the Securities Commission on 25 November 2019. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Second Restated Trust Deed.

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 Shariah-compliant real estate assets through various permissible investment and business strategies.

THE MANAGER AND ITS PRINCIPAL ACTIVITY

The Manager is a company incorporated in Malaysia and is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a company incorporated in Malaysia. The Directors of the Manager consider Johor Corporation as the ultimate holding corporation of the Manager, a body corporate established under the Johor Corporation Enactment No 4, 1968 (as amended by the Enactment No. 5, 1995).

The principal activity of the Manager is that of managing 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 will seek to achieve the following strategies:

(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 seventy-five percent (75%) of the total assets value must be invested in Real Estate that generates recurrent rental income at all times ;

(b) Al-`Aqar may invest in Real Estate where it does not have a majority ownership and control provided that the total value of these Real Estate does not exceed twenty-five percent (25%) of the total assets value at the point of acquisition, as the case may be; and

(c) the aggregate investments in Property Development Activities (Property Development Costs) and Real Estate under construction must not exceed fifteen percent (15%) of the total assets value. For avoidance of doubt, such investments cannot be accounted towards meeting the requirement under Clause 6.3.1(a) of this Deed.

Manager's Report
For The Financial Year Ended 31 December 2019 (Continued)

MANAGER'S INVESTMENT STRATEGIES AND POLICIES (CONTINUED)

(ii) Diversification

The Fund will seek to diversify its Shariah-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.

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:

Wan Azman bin Ismail
Lukman bin Abu Bakar
Yusaini bin Sidek
Zainah binti Mustafa
Dr. Mohd Hafetz bin Ahmad
Mohd Yusof bin Ahmad
Dato' Amiruddin bin Abdul Satar
Dato' Dr. Rahah binti Ismail
Dato' Kamaruzzaman bin Abu Kassim (resigned on 20 January 2020)

DIRECTORS' BENEFITS

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 as disclosed in Note 20 to the Financial Statements) 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.

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.

Manager's Report
For The Financial Year Ended 31 December 2019 (Continued)

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 of Ordinary Shares in the Fund			
	As of 01.01.2019	Acquired	Disposed	As of 31.12.2019
The Manager's Directors and unitholders				
Dato' Kamaruzzaman bin Abu Kassim				
-Direct	10,000	-	-	10,000
-Indirect	40,000	-	-	40,000
Dr Mohd Hafetz bin Ahmad				
-Direct	2,400	-	-	2,400
-Indirect	230	-	-	230
Dato' Amiruddin bin Abdul Satar				
-Indirect	910	-	-	910

According to the Register of Directors' Shareholdings kept by the Manager under Section 59 of the Companies Act 2016, the interests of the Directors of the Manager in office at the end of the financial year in shares in its related corporations during the financial year were as follows:

	Number of ordinary shares			
	As of 01.01.2019	Acquired	Disposed	As of 31.12.2019
Related corporations				
- E.A. Technique (M) Berhad				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	254,500	50,000	-	304,500
Dr Mohd Hafetz bin Ahmad				
-Direct	60,000	-	-	60,000
-Indirect	18,000	-	-	18,000
Dato' Amiruddin bin Abdul Satar	25,064	-	-	25,064
Zainah binti Mustafa	1,000,000	-	-	1,000,000

	Number of warrants			
	As of 01.01.2019	Acquired	Disposed/ Expired	As of 31.12.2019
Related corporations				
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	446,100	-	(446,100)	-
Dato' Amiruddin bin Abdul Satar	2,128	-	(2,128)	-

Manager's Report
For The Financial Year Ended 31 December 2019 (Continued)

DIRECTORS' INTERESTS (CONTINUED)

	Number of options over ordinary shares			
	As of 01.01.2019	Acquired	Disposed	As of 31.12.2019
Related corporations				
- KPJ Healthcare Berhad				
Dato' Amiruddin bin Abdul Satar	2,000,000	-	-	2,000,000
Dr Mohd Hafetz bin Ahmad	330,000	-	-	330,000

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 REMUNERATION

Pursuant to the Second Restated Trust Deed dated 25 November 2019, 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 2019.

Manager's Report
For The Financial Year Ended 31 December 2019 (Continued)

OTHER INFORMATION

(a) Before the financial statements of the Group and of the Fund were prepared, 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 financial statements 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; and

(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 2019 (Continued)

SIGNIFICANT EVENT

The details of a significant event during the year is disclosed in Note 27 to the Financial Statements.

AUDITORS' REMUNERATION

The amount payable as remuneration of the auditors of the financial year ended 31 December 2019 is as disclosed in the Statements of Comprehensive Income for the financial year ended 31 December 2019.

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,



ZAINAH BINTI MUSTAFA



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
13 February 2020

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 2019, and the statements of 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 and other explanatory information, as set out on pages 108-162.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with the applicable provisions of the Second Restated Trust Deed dated 25 November 2019, 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 judgement, 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.

Independent Auditors' Report
To The Unitholders Of Al-`Aqar Healthcare REIT (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the key audit matter was addressed in our audit
Valuation of investment properties Investment properties of the Group and of the Fund as at 31 December 2019 amounting to RM1,569.8 million and RM1,449.4 million respectively (2018: RM1,485.7 million and RM1,353.3 million respectively) are the most quantitatively material account balance in the Financial Statements. Further, the investment properties are measured at fair value and the valuation of the Group's and the Fund's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property. The fair values of the Group's and the Fund's investment properties, as determined by the independent valuers appointed by the management of the Manager, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check. The accounting policy and key sources of estimation uncertainty for valuation of investment properties are set out in Note 3.4 and Note 4.2(a) to the Financial Statements respectively, and the details of the investment properties of the Fund have been disclosed in Note 11 to the Financial Statements.	Our audit procedures included the following: (a) Assessed and discussed with management their process for reviewing the work of the independent valuers. (b) Evaluated the competency, independence and integrity of the independent valuers. (c) Obtained the valuation reports and discussed with the independent valuers the results of their work. (d) Tested the accuracy of the data provided to the independent valuers to underlying lease agreements. (e) Benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates. (f) We have also assessed the adequacy and appropriateness of the disclosures on valuation methodology and estimation made in the financial statements.

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 Manager's Report, Shariah Committee Report and contents in the 2019 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.

Independent Auditors' Report
To The Unitholders Of Al-'Aqar Healthcare REIT (Continued)

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 the applicable provisions of the Second Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the SC Guidelines. 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 the 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 scepticism 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)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (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 the SC Guidelines and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

Deloitte PLT

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

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2021 J
Chartered Accountant

13 February 2020

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2019

		The Group		The Fund	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	5	106,110,287	102,648,975	94,587,596	91,097,366
Property expenses	6	(5,784,630)	(6,039,514)	(5,645,289)	(5,934,798)
Gross profit		100,325,657	96,609,461	88,942,307	85,162,568
Investment revenue	7	1,655,201	2,031,968	10,550,265	10,927,032
Other income		717,196	510,841	717,196	510,841
Gain on fair value adjustment of investment properties (net)	11	13,072,974	30,341,920	16,837,514	30,341,920
Total income		115,771,028	129,494,190	117,047,282	126,942,361
Expenditure:					
Finance costs:					
Islamic financing	17	31,933,936	30,129,128	1,607,653	145,182
Amounts due to a subsidiary	17	-	-	30,603,857	31,424,193
Transaction cost	17	390,454	1,449,654	112,880	9,407
Manager's fees		1,719,328	1,674,718	1,719,328	1,674,718
Professional fees		537,734	304,503	517,734	284,503
Valuation fees		492,248	512,358	492,248	512,358
Trustee's fees		284,114	273,226	284,114	273,226
Maintenance of property		2,113,889	1,160,893	2,113,889	1,160,893
Printing expenses		89,700	110,833	87,900	99,001
Secretarial fee		4,583	7,873	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		138,923	65,382	138,923	65,382
Audit fees		181,453	163,061	110,000	100,000
Tax agent's fee		18,000	13,400	17,200	12,600
Unrealised loss on foreign exchange		333,951	-	333,951	-
Administration expenses		487,096	436,893	239,017	168,507
Allowance for impairment loss in investment in subsidiaries	12	-	-	4,000,000	7,000,000
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		889,506	889,506	889,506	889,506
Shariah adviser's fee		3,000	6,000	3,000	6,000

Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2019 (Continued)

	Note	The Group 2019 RM	The Group 2018 RM	The Fund 2019 RM	The Fund 2018 RM
Total expenditure		(39,623,015)	(37,202,528)	(43,276,300)	(43,830,576)
Profit before tax		76,148,013	92,291,662	73,770,982	83,111,785
Tax	8	13,724	(917,208)	-	347
Profit for the year		76,161,737	91,374,454	73,770,982	83,112,132
Other comprehensive loss, net of tax					
Foreign currency translation		(8,039,546)	(5,952,492)	-	-
Total comprehensive income for the financial year		68,122,191	85,421,962	73,770,982	83,112,132
Profit for the year attributable to:					
Owners of the Fund		76,161,737	91,374,454	73,770,982	83,112,132
Total comprehensive income for the financial year attributable to:					
Owners of the Fund		68,122,191	85,421,962	73,770,982	83,112,132
Profit for the year comprise the following:					
Realised		63,422,714	61,032,534	61,267,419	59,770,212
Unrealised		12,739,023	30,341,920	12,503,563	23,341,920
		76,161,737	91,374,454	73,770,982	83,112,132
Earnings per unit (sen):	9				
Gross		10.35	12.66		
Net		10.35	12.54		
Net income distribution:	10				
Total		57,406,817	69,913,818	57,406,817	69,913,818
Per unit (sen)		7.80	9.58	7.80	9.58

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

Statements Of Financial Position
As At 31 December 2019

		The Group		The Fund	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Assets					
Non-current assets					
Investment properties	11	1,569,814,000	1,485,726,800	1,449,400,000	1,353,300,000
Investment in subsidiaries	12	-	-	31,492,186	35,492,186
Amounts due from a subsidiary	20	-	-	99,147,701	99,147,701
Total non-current assets		1,569,814,000	1,485,726,800	1,580,039,887	1,487,939,887
Current assets					
Trade receivables	13	13,267,472	2,246,142	4,838,597	1,216,283
Other receivables and prepaid expenses	13	3,516,647	1,146,478	3,473,591	1,092,670
Amounts due from a subsidiary	20	-	-	10,006,947	11,780,512
Fixed deposits with licensed banks		44,283,132	45,668,396	25,000,000	27,049,217
Cash and bank balances		43,470,684	45,680,598	26,839,607	22,639,466
Total current assets		104,537,935	94,741,614	70,158,742	63,778,148
Total assets		1,674,351,935	1,580,468,414	1,650,198,629	1,551,718,035

Statements Of Financial Position
As At 31 December 2019 (Continued)

	Note	The Group 2019 RM	The Group 2018 RM	The Fund 2019 RM	The Fund 2018 RM
Current liabilities					
Other payables and accrued expenses	15	24,042,522	20,094,569	18,973,260	15,885,378
Islamic financing	17	29,796,526	-	29,796,526	-
Total current liabilities		53,839,048	20,094,569	48,769,786	15,885,378
Non-current liabilities					
Deferred tax liabilities	16	1,453,008	1,963,268	-	-
Other payables	15	6,907,481	6,907,481	6,907,481	6,907,481
Amount due to a subsidiary	20	-	-	555,577,717	556,002,050
Islamic financing	17	653,639,058	603,705,130	79,340,000	29,683,646
Total non-current liabilities		661,999,547	612,575,879	641,825,198	592,593,177
Total liabilities		715,838,595	632,670,448	690,594,984	608,478,555
Net asset value		958,513,340	947,797,966	959,603,645	943,239,480
Unitholders' fund					
Unitholders' capital	18	731,398,126	731,398,126	731,398,126	731,398,126
Undistributed income		244,651,258	225,896,338	228,205,519	211,841,354
Foreign currency translation reserve		(17,536,044)	(9,496,498)	-	-
Total unitholders' fund		958,513,340	947,797,966	959,603,645	943,239,480
Number of units in circulation	18	735,985,088	735,985,088	735,985,088	735,985,088
Net asset value per unit (ex-distribution)		1.30	1.29	1.30	1.28

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 2019

The Group	Note	Unitholders' Capital	Undistributed Income			Foreign Currency Translation Reserve	Total Unitholders' Fund
			Realised	Unrealised	Total		
		RM	RM	RM	RM	RM	RM
At 1 January 2018		722,398,126	52,632,653	151,803,049	204,435,702	(3,544,006)	923,289,822
Issuance of new units during the year	18	9,000,000	-	-	-	-	9,000,000
Total comprehensive income/ (loss) for the year		-	61,032,534	30,341,920	91,374,454	(5,952,492)	85,421,962
Unitholders' transactions:							
Distributions to unitholders	10	-	(69,913,818)	-	(69,913,818)	-	(69,913,818)
At 31 December 2018		731,398,126	43,751,369	182,144,969	225,896,338	(9,496,498)	947,797,966
At 1 January 2019		731,398,126	43,751,369	182,144,969	225,896,338	(9,496,498)	947,797,966
Total comprehensive income/ (loss) for the year		-	63,422,714	12,739,023	76,161,737	(8,039,546)	68,122,191
Unitholders' transactions:							
Distributions to unitholders	10	-	(57,406,817)	-	(57,406,817)	-	(57,406,817)
At 31 December 2019		731,398,126	49,767,266	194,883,992	244,651,258	(17,536,044)	958,513,340

Statements Of Changes In Net Asset Value

For The Financial Year Ended 31 December 2019 (Continued)

The Fund	Note	Unitholders' Capital RM	Undistributed Income: Realised RM	Undistributed Income: Unrealised RM	Undistributed Income: Total RM	Total Unitholders' Fund RM
At 1 January 2018		722,398,126	56,584,132	142,058,908	198,643,040	921,041,166
Issuance of new units during the year	18	9,000,000	-	-	-	9,000,000
Total comprehensive income for the year		-	59,770,212	23,341,920	83,112,132	83,112,132
Unitholders' transactions:						
Distributions to unitholders	10	-	(69,913,818)	-	(69,913,818)	(69,913,818)
At 31 December 2018		731,398,126	46,440,526	165,400,828	211,841,354	943,239,480
At 1 January 2019		731,398,126	46,440,526	165,400,828	211,841,354	943,239,480
Total comprehensive income for the year		-	61,267,419	12,503,563	73,770,982	73,770,982
Unitholders' transactions:						
Distributions to unitholders	10	-	(57,406,817)	-	(57,406,817)	(57,406,817)
At 31 December 2019		731,398,126	50,301,128	177,904,391	228,205,519	959,603,645

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2019

		The Group		The Fund	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit before tax		76,148,013	92,291,662	73,770,982	83,111,785
Adjustments for:					
Finance costs		32,324,390	31,578,782	32,324,390	31,578,782
Investment revenue		(1,655,201)	(2,031,968)	(10,550,265)	(10,927,032)
Allowance for impairment loss in investment in subsidiaries		-	-	4,000,000	7,000,000
Gain on fair value adjustment of investment properties		(13,072,974)	(30,341,920)	(16,837,514)	(30,341,920)
Unrealised loss on foreign exchange		333,951	-	333,951	-
Operating income before working capital changes		94,078,179	91,496,556	83,041,544	80,421,615
Changes in working capital:					
Trade receivables		(11,021,330)	3,066,012	(3,622,314)	(998,569)
Other receivables and prepaid expenses		(2,345,246)	842,920	(2,355,998)	849,385
Other payables and accrued expenses		2,987,728	(39,843,444)	2,867,071	(39,863,323)
Net Changes In Working Capital		(10,378,848)	(35,934,512)	(3,111,241)	(40,012,507)
Cash Flows Generated From Operating Activities		83,699,331	55,562,044	79,930,303	40,409,108
Real Property Gain Tax refunded		-	2,391,525	-	2,391,525
Net Cash From Operating Activities		83,699,331	57,953,569	79,930,303	42,800,633
Cash Flows From Investing Activities					
Income received on investment		1,630,043	2,115,978	1,630,043	2,115,978
Profit sharing on advances from a subsidiary in Australia		-	-	10,668,629	889,507
Enhancement to investment properties		(1,262,486)	(2,858,080)	(1,262,486)	(2,858,080)
Net Cash From/(Used In) Investing Activities		367,557	(742,102)	11,036,186	147,405

Statements Of Cash Flows
For The Financial Year Ended 31 December 2019 (Continued)

	Note	The Group 2019 RM	The Group 2018 RM	The Fund 2019 RM	The Fund 2018 RM
Cash Flows From Financing Activities					
Finance costs paid on Islamic financing		(31,194,287)	(32,223,403)	(1,607,418)	(149,719)
Finance costs paid on amount due to a subsidiary		-	-	(28,961,350)	(28,064,501)
Transaction costs paid		(660,000)	(2,280,586)	(660,000)	(225,761)
Decrease in amount due to a subsidiary		-	-	(2,066,840)	(2,896,177)
Income distributions		(57,186,006)	(55,709,306)	(57,186,006)	(55,709,306)
Increase in restricted cash		(1,662,779)	(665,782)	(1,000,000)	-
Proceeds from issuance of units		-	9,000,000	-	9,000,000
Net proceeds from Islamic financing		2,000,000	29,900,000	2,000,000	29,900,000
Net Cash Used In Financing Activities		(88,703,072)	(51,979,077)	(89,481,614)	(48,145,464)
Net (Decrease)/ Increase In Cash And Cash Equivalents		(4,636,184)	5,232,390	1,484,875	(5,197,426)
Effects of changes in exchange rates		(287,822)	(1,498,727)	-	-
Effect of foreign currency translation on cash and cash equivalents		(333,951)	-	(333,951)	-
Cash And Cash Equivalents At Beginning Of Year		72,733,063	68,999,400	49,688,683	54,886,109
Cash And Cash Equivalents At End Of Year	14	67,475,106	72,733,063	50,839,607	49,688,683

Note: Addition to investment properties by the Group and the Fund during the financial year was financed through the proceeds from Islamic Financing as follows:

	Note	The Group 2019 RM	The Group 2018 RM	The Fund 2019 RM	The Fund 2018 RM
Proceeds from Islamic Financing	17	80,000,000	-	80,000,000	-
Addition to investment properties	11	(78,000,000)	-	(78,000,000)	-
		2,000,000	-	2,000,000	-

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019

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 Berhad ("the Manager") and Amanah Raya Berhad. Pursuant to the Principal Trust Deed, the Fund entered into a Supplemental Trust Deed dated 14 May 2010 with Amanah Raya Berhad and AmanahRaya Trustees Berhad ("the Trustee") for the retirement of Amanah Raya Berhad from acting as a Trustee and for the appointment of AmanahRaya Trustees Berhad as the new Trustee for the Fund. The Fund is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines"), 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.

On 17 April 2019, at the Annual General Meeting, the unitholders of The Fund approved the proposed amendments of the Restated Trust Deed dated 31 July 2013. The Second Restated Trust Deed was executed and lodged with the Securities Commission on 25 November 2019. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Second Restated Trust Deed.

The principal activity of the Group and the Fund is to invest in Shariah-compliant properties with the primary objective of providing unitholders with stable distributions per unit and potential for sustainable long-term growth of such distributions and net asset value per unit.

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

1. CORPORATE INFORMATION (CONTINUED)

(ii) Manager's fee

Pursuant to the Second Restated Trust Deed dated 25 November 2019, 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 RM1,719,328 (2018: RM1,674,718).

(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 RM780,000 (2018:RMNil).

(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.

There is no disposal fee to the Manager during the current and previous financial years.

(iii) Trustee's fee

Pursuant to the Second Restated Trust Deed dated 25 November 2019, the Trustee is entitled to receive a fee of up to 0.04% 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 2019 of RM284,114 (2018: RM273,226) is determined based on 0.03% (2018: 0.03%) of the monthly net asset value. Prior to the execution of the Second Restated Trust Deed, the Trustee is entitled to receive a fee of up to 0.03% per annum of the net asset value of the Fund.

The financial statements of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 13 February 2020.

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 Second Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the SC Guidelines.

At the beginning of the current financial year, the Group and the Fund adopted new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2019 as fully described in Note 2.1.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Adoption of New Malaysian Financial Reporting Standards, Amendments to MFRSs, and Issues Committee Interpretations ("IC Interpretations")

In the current financial year, the Group and the Fund adopted all the new MFRSs, amendments to MFRSs and IC Interpretations 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 2019:

MFRS 16	**Leases**
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Venture
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Interpretation 23	Uncertainty over Income Tax Payments

The adoptions of these new MFRSs, amendments to MFRSs, and IC Interpretations did not result in significant changes to the accounting policies of the Group and the Fund and had no significant effect on the financial performance or position of the Group and of the Fund.

2.2 Standards and Amendments to MFRSs in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new Standards and Amendments to MFRSs that are 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 17	**Insurance Contracts[2]**
Amendments to MFRS 3	Definition of a Business[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[1]
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date deferred to a date to be determined and announced by MASB

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

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 end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period 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.

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 2019 (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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ("RM"), 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 as at the end of the reporting period. 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 end of the reporting period 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.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling as at the end of the reporting period 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 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 end of the reporting period. 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 valuation 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investment properties (Continued)

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 Financial instruments

Financial assets - classification and measurement

(i) Classification

The Group and the Fund classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Fund have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group and the Fund reclassify debt investments when and only when the business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Fund commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Fund measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Financial assets - classification and measurement (Continued)

(iii) Measurement (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Fund classify their debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Profit income from these financial assets is included in investment revenue using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(b) Fair Value through Other Comprehensive Income ("FVTOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income/(losses). Profit income from these financial assets is included in investment revenue using the effective profit rate method. Foreign exchange gains and losses are presented in other income/(losses) and impairment expenses are presented as separate line item in profit or loss.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable.

(c) Fair Value through Profit or Loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group and the Fund may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(losses) in the period which it arises.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Equity instruments

The Group and the Fund subsequently measure all equity investments at fair value. Where the Group's and the Fund's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/ (losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group and the Fund assess on a forward-looking basis the expected credit loss ("ECL") associated with its financial instruments carried at amortised cost and at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Fund have three types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amount due from a subsidiary

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was insignificant.

ECL represent a probability-weighted estimate of the difference between the present value of contractual cash flows and the present value of cash flows the Group and the Fund expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for other receivables and amount due from a subsidiary

At the end of each reporting period, the Group and the Fund measures ECL through a loss allowance at an amount equal to the 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required, when there has been a significant increase in credit risk since initial recognition.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Impairment of financial assets (Continued)

Simplified approach for trade receivables

The Group and the Fund apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Write off

(a) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Fund, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within profit before taxes. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables and amount due from a subsidiary

The Group and the Fund write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.Any recoveries made are recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities comprise other payables and accrued expenses, Islamic financing, and amount due to a subsidiary.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for amount due to a subsidiary of the Fund, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective profit method except for the derivatives in a loss position which are measured at fair value through profit or loss at the end of each reporting period.

For financial liabilities other than the derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Financial liabilities (Continued)

Gains or losses arising from changes in fair value of the derivatives that does not qualify for hedge accounting are recognised in profit or loss within other income/ (losses), net. Net gains or losses on derivatives include exchange differences.

Islamic financing are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of Islamic financing facilities are recognised as transaction costs of the Islamic financing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

When Islamic financing measured at amortised cost is modified without this resulting in derecognition, any gains or losses, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective profit rate, shall be recognised immediately in profit or loss in finance cost.

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.

3.6 Cash and cash equivalents

The Group and the Fund adopt the indirect method in the preparation of the statements 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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 the end of each reporting period 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.

3.8 Leases

The Group and the Fund have adopted MFRS 16 Leases from 1 January 2019. MFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

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.

3.9 Revenue

The Group's and the Fund's revenue from contracts with customers are recognised by reference to each distinct performance obligation in the contract with customer in according to the MFRS 15 "Revenue from Contracts with Customers".

A contract with customer exists when the contract has commercial substance, the Group, the Fund and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Fund's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Fund will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Fund expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Fund estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Revenue (Continued)

each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Investment revenue

Investment revenue, which comprise income earned from Islamic fixed deposit placements and profit sharing on advances, are recognised using the effective profit method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.10 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 end of the reporting period.

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.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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.

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Income taxes (Continued)

(ii) Deferred tax (Continued)

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period 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 end of the reporting period.

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 and the Group and the Fund intend to settle their current tax assets and liabilities on a net basis.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Manager reviewed that the Group's and the Fund's investment property portfolios and concluded that all of the Group's and the Fund's investment properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Manager has determined that the "sale" presumption set out in the amendments to MFRS 112 Income Taxes is rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of the investment properties using the tax rates that would apply on the consumption of the economic benefits embodied in the investment properties over time.

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 unitholders within two months from the end of the reporting period.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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 24, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.12 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.

3.13 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.

3.14 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 the normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the end of the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Current versus non-current classification (Continued)

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 end of the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

3.15 Fair value measurement

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

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Fair value measurement (Continued)

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 period.

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.

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 end of the reporting period. 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 has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured at fair value, the Group has concluded that investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied based in the investment properties over time while others are held for eventual sale. As a result, the Group has measured deferred tax on changes in fair values of these investment properties using the income tax rate or the real property gain tax rate, as appropriate.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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:

(a) 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. VPC Alliance (Kajang) Sdn Bhd, Messrs. Knight Frank Malaysia Sdn Bhd and Messrs. Henry Butcher Malaysia Sdn Bhd, independent valuers 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

(a) Fair value of investment properties (Continued)

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.

(b) Impairment of investment in a subsidiary

The Fund reviews the carrying amount of investment in subsidiary at the end of each reporting period. The recoverable amount of the investment in subsidiary has been determined on the basis of its fair value less cost of disposal. The fair value of disposal is determined based on the realisable value of the assets of the subsidiary to the Fund determined using the foreign exchange rate at the end of the reporting period. The net carrying amount of investment in subsidiary as at 31 December 2019 is RM31,492,186 (2018: RM 35,492,186) and an impairment loss amounting to RM4,000,000 (2018: RM7,000,000) has been recognised in profit or loss during the current financial year. Further details are disclosed in Note 12.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

5. REVENUE

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Rental income from:				
KPJ Ampang Puteri Specialist Hospital	9,945,641	9,750,629	9,945,641	9,750,629
KPJ Tawakkal Specialist Hospital	8,864,208	8,774,968	8,864,208	8,774,968
KPJ Damansara Specialist Hospital	8,740,109	8,568,734	8,740,109	8,568,734
KPJ Johor Specialist Hospital	8,520,000	8,420,998	8,520,000	8,420,998
KPJ Klang Specialist Hospital	7,280,567	7,294,165	7,280,567	7,294,165
KPJ Ipoh Specialist Hospital	5,403,100	5,355,459	5,403,100	5,355,459
KPJ Selangor Specialist Hospital	5,801,262	5,687,512	5,801,262	5,687,512
KPJ Penang Specialist Hospital	4,546,305	4,624,162	4,546,305	4,624,162
KPJ Seremban Specialist Hospital	4,873,194	4,746,045	4,873,194	4,746,045
KPJ Healthcare University College, Nilai	6,955,539	4,406,749	6,955,539	4,406,749
Kedah Medical Centre	3,806,516	3,731,878	3,806,516	3,731,878
KPJ Perdana Specialist Hospital	3,313,215	3,248,250	3,313,215	3,248,250
KPJ Kajang Specialist Hospital	3,401,567	3,334,870	3,401,567	3,334,870
Tawakal Health Centre	3,288,257	3,223,782	3,288,257	3,223,782
Puteri Specialist Hospital	3,239,868	3,176,341	3,239,868	3,176,341
Sentosa Medical Centre	2,032,206	1,992,359	2,032,206	1,992,359
Kuantan Specialist Hospital	1,462,688	1,434,008	1,462,688	1,434,008
KPJ College, Bukit Mertajam	1,145,154	1,196,668	1,145,154	1,196,668
Kota Kinabalu Specialist Hospital	924,783	1,122,800	924,783	1,122,800
Taiping Medical Centre	719,467	714,637	719,467	714,637
Kluang Utama Specialist Hospital	298,199	292,352	298,199	292,352
KPJ Batu Pahat Specialist Hospital	25,751	-	25,751	-
Jeta Gardens Aged Care Facility and Retirement Village	11,522,691	11,551,609	-	-
	106,110,287	102,648,975	94,587,596	91,097,366

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

6. PROPERTY EXPENSES

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Assessment	3,256,288	3,134,453	3,256,288	3,134,453
Takaful coverage	874,100	1,306,568	874,100	1,306,568
Maintenance fee	1,223,966	1,166,556	1,084,625	1,061,840
Quit rent	430,276	431,937	430,276	431,937
	5,784,630	6,039,514	5,645,289	5,934,798

7. INVESTMENT REVENUE

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Income from Islamic fixed deposits placements	1,655,201	2,031,968	1,655,201	2,031,968
Profit sharing on advances from a subsidiary in Australia	-	-	8,895,064	8,895,064
	1,655,201	2,031,968	10,550,265	10,927,032

8. TAX

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Recognised in profit or loss:				
Current tax:				
Overprovision in previous years	-	(347)	-	(347)
Deferred tax (Note 16)	(13,724)	917,555	-	-
	(13,724)	917,208	-	(347)
Recognised in other comprehensive income:				
Deferred tax arising from translation of a foreign operation (Note 16)	469,198	2,491,980	-	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

8. TAX (CONTINUED)

Reconciliation between tax and accounting profit

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

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit before tax	76,148,013	92,291,662	73,770,982	83,111,785
Tax at Malaysian statutory tax rate of 24%	18,275,523	22,149,999	17,705,036	19,946,828
Different tax rates in other countries	(193,260)	(388,105)	-	-
Adjustments:				
Non-deductible expenses	1,211,963	1,025,004	1,663,018	2,297,445
Income not subject to tax	(6,734,515)	(10,062,467)	(6,700,780)	(10,021,606)
Income exempted from tax	(12,573,435)	(11,806,876)	(12,667,274)	(12,222,667)
Overprovision of current tax in previous years	-	(347)	-	(347)
Tax recognised in profit or loss	(13,724)	917,208	-	(347)

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 unitholders, 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 is required to be provided in the financial statements.

Taxation of the Unitholders

Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the Real Estate Investment Trust's ("REIT") total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

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, divided by the weighted average number of units in circulation as of 31 December 2019 and 2018, are as follows:

	The Group	
	2019	2018
	RM	RM
Earnings attributable to unitholders:		
Profit before tax	76,148,013	92,291,662
Profit for the year	76,161,737	91,374,454
Weighted average number of units	735,985,088	728,885,419
Gross earnings per unit (sen)	10.35	12.66
Net earnings per unit (sen)	10.35	12.54

10. NET INCOME DISTRIBUTIONS

For the financial years ended 31 December 2019 and 2018, the Manager, with the approval of the Trustee, has declared the following distributions:

	The Group and the Fund	
	2019	2018
	RM	RM
Final distribution 2018 - 2.07 sen per unit (2017: 3.95 sen)	15,234,884	28,764,942
First interim distribution 2019 - 1.91 sen per unit (2018: 1.75 sen)	14,057,310	12,743,963
Second interim distribution 2019 - 1.86 sen per unit (2018: 1.95 sen)	13,689,315	14,200,416
Third interim distribution 2019 - 1.96 sen per unit (2018: 1.93 sen)	14,425,308	14,204,497
	57,406,817	69,913,818

The Manager had declared a final income distribution of 2.02 sen per unit totaling RM14,866,899 for the financial year ended 31 December 2019 on 30 January 2020 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 2019 amount to RM57,038,832 (2018: RM56,383,760). Total distribution is 7.75 sen per unit (2018: 7.70 sen per unit).

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

10. NET INCOME DISTRIBUTIONS (CONTINUED)

Distribution to unitholders is derived from the following sources:

	The Fund	
	2019	2018
	RM	RM
Net rental income	88,942,307	85,162,568
Investment revenue	10,550,265	10,927,032
Other income	717,196	510,841
	100,209,768	96,600,441
Less: Expenses	(38,942,349)	(36,830,229)
Realised income for the year	61,267,419	59,770,212
Undistributed income brought forward	46,440,526	56,584,132
Less: Undistributed income	(50,301,128)	(46,440,526)
	57,406,817	69,913,818

11. INVESTMENT PROPERTIES

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
At beginning of year	1,485,726,800	1,459,703,200	1,353,300,000	1,320,100,000
Addition	78,000,000	-	78,000,000	-
Enhancements	1,262,486	2,858,080	1,262,486	2,858,080
Gain on fair value of investment properties (net)	13,072,974	30,341,920	16,837,514	30,341,920
Effect of foreign currency exchange differences	(8,248,260)	(7,176,400)	-	-
At end of year	1,569,814,000	1,485,726,800	1,449,400,000	1,353,300,000
Land and buildings at fair value	1,569,814,000	1,485,726,800	1,449,400,000	1,353,300,000

Fair value measurement of the Fund's investment properties

The fair values of the Group's and of the Fund's investment properties have been arrived at on the basis of a valuation carried out by Messrs. VPC Alliance (Kajang) Sdn Bhd ("VPC"), Messrs. Knight Frank Malaysia Sdn Bhd ("Knight Frank"), and Messrs. Henry Butcher Malaysia Sdn Bhd ("Henry Butcher"), independent valuers not related to the Group and the Fund. Messrs. VPC, Messrs. Knight Frank and Messrs. Henry Butcher 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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

11. INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the Fund's investment properties (Continued)

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 and repairs and maintenance, 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 valuers in applying the investment method above are as follows:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Term yield ranging from 6.00% - 6.60% (2018: 6.00% - 8.25%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.25% - 9.50% (2018: 6.25% - 8.50%)	- Higher reversionary yield rates, lower fair value
Allowance for void of 2.50% - 10.00% (2018: 2.50% - 7.50%)	- Higher allowance for void rate, lower fair value

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

11. INVESTMENT PROPERTIES (CONTINUED)

The Group and the Fund

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Date of valuation	2019 Fair value RM	2018 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital #**	Leasehold	99	70	Ampang	31 December 2019	137,000,000	135,000,000	3
KPJ Damansara Specialist Hospital #**	Freehold	-	-	Damansara	31 December 2019	135,000,000	131,000,000	3
KPJ Johor Specialist Hospital #**	Leasehold	99	60	Johor Bahru	31 December 2019	122,000,000	120,000,000	3
KPJ Ipoh Specialist Hospital #*	Freehold	-	-	Ipoh	31 December 2019	76,300,000	76,100,000	3
Puteri Specialist Hospital #**	Leasehold	99	34	Johor Bahru	31 December 2019	42,000,000	42,000,000	3
KPJ Selangor Specialist Hospital #**	Leasehold	99	77	Shah Alam	31 December 2019	83,000,000	80,000,000	3
Kedah Medical Centre #**	Freehold	-	-	Alor Setar	31 December 2019	53,000,000	52,000,000	3
KPJ Perdana Specialist Hospital #*	Leasehold	66	45	Kota Bharu	31 December 2019	45,500,000	45,000,000	3
Kuantan Specialist Hospital #*	Freehold	-	-	Kuantan	31 December 2019	20,500,000	20,500,000	3
Sentosa Medical Centre #*	Freehold	-	-	Kuala Lumpur	31 December 2019	30,000,000	30,000,000	3
KPJ Kajang Specialist Hospital #*	Freehold	-	-	Kajang	31 December 2019	50,600,000	50,600,000	3
Taiping Medical Centre #**	Leasehold	99	69	Taiping	31 December 2019	10,000,000	10,000,000	3
Damai Specialist Hospital #**	Leasehold	99	54	Kota Kinabalu	31 December 2019	15,000,000	15,100,000	3
KPJ College, Bukit Mertajam **	Freehold	-	-	Bukit Mertajam	31 December 2019	16,300,000	16,200,000	3

11. INVESTMENT PROPERTIES (CONTINUED)

The Group and the Fund (Continued)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Date of valuation	2019 Fair value RM	2018 Fair value RM	Fair value hierarchy
Tawakal Health Centre #*	Leasehold	99	58	Kuala Lumpur	31 December 2019	48,400,000	48,400,000	3
KPJ Healthcare University College, Nilai New Building ##	Freehold	-	-	Seremban	31 December 2019	105,900,000	105,400,000	3
KPJ Seremban Specialist Hospital #*	Leasehold	-	-	Seremban	31 December 2019	69,600,000	69,500,000	3
KPJ Penang Specialist Hospital #**	Freehold	-	-	Bukit Mertajam	31 December 2019	64,000,000	63,000,000	3
KPJ Tawakkal Specialist Hospital #*	Freehold	-	-	Kuala Lumpur	31 December 2019	138,700,000	135,200,000	3
Kluang Utama Specialist Hospital #**	Leasehold	99	81	Kluang	31 December 2019	5,000,000	5,000,000	3
KPJ Klang Specialist Hospital #*	Leasehold	99	74	Klang	31 December 2019	103,600,000	103,300,000	3
KPJ Batu Pahat Specialist Hospital ##**	Freehold	-	-	Batu Pahat	31 December 2019	78,000,000	-	3
Total for the Fund						1,449,400,000	1,353,300,000	
Jeta Gardens Aged Care Facility and Retirement Village ***	Freehold	-	-	Queensland	31 December 2019	120,414,000	132,426,800	3
Total for the Group						1,569,814,000	1,485,726,800	

\# The investment properties amounting to RM1,249,200,000 (2018: RM1,231,700,000) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by a subsidiary company as disclosed in Note 17.

The investment properties amounting to RM119,500,000 (2018: RMNIL) are used to secure against Commodity Murabahah Term Financing-i ("CMTF-i") issued by the Fund as disclosed in Note 17. The amount of RM119,500,000 represents the fair value of KPJ Batu Pahat Specialist Hospital and KPJ Healthcare University College, Nilai New Building (residential) amounting to RM78,000,000 and RM41,500,000 respectively.

* Based on valuation carried out by independent professional valuer, Messrs. Henry Butcher.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

** Based on valuation carried out by independent professional valuer, Messrs. Knight Frank.
*** Based on valuation carried out by independent professional valuer, Messrs. VPC.

12. INVESTMENT IN SUBSIDIARIES

	The Fund	
	2019	2018
	RM	RM
Unquoted shares, at costs	42,492,186	42,492,186
Less: Accumulated impairment losses	(11,000,000)	(7,000,000)
	31,492,186	35,492,186

The movement in the accumulated impairment losses is as follows:

	The Fund	
	2019	2018
	RM	RM
At beginning of year	7,000,000	-
Allowance for impairment losses	4,000,000	7,000,000
At end of year	11,000,000	7,000,000

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 2019 %	Proportion of ownership interest and voting power held by the Group 2018 %	Principal Activity
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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Trade receivables	13,267,472	2,246,142	4,838,597	1,216,283

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 (2018: 30 to 60 days).

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

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
0 - 30 days	3,230,724	1,798,072	2,178,899	768,213
31 - 60 days	1,948,878	448,070	884,450	448,070
61 - 90 days	1,812,923	-	761,356	-
More than 90 days	6,274,947	-	1,013,892	-
	13,267,472	2,246,142	4,838,597	1,216,283

The Group and the Fund estimate the loss allowance on trade receivables at the end of the reporting period at an amount equal to lifetime expected credit losses. Included in the Group's and the Fund's trade receivables are debtors with carrying amount of RM8,087,870 and RM1,775,248 respectively (2018: RMNIL and RMNIL respectively) which are past due at the end of the reporting period for which no impairment had been provided. The Manager considers that no trade receivables is impaired as there has not been a significant change in credit quality and taking into account the historical default experience and the future prospects of the industries in which the trade receivables operate, together with the value of rental deposits held over these trade receivables as disclosed in Note 15. The Manager combines 2 of the trade receivable aging buckets (i.e. "0 - 30 days" and "31 - 60 days") in determining the probability of default. This is because the Group's and Fund's collection trend is approximately 60 days after the invoice due date.

The currency exposure profile of the trade receivables of the Group and of the Fund are as follows:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	4,838,597	1,216,283	4,838,597	1,216,283
Australian Dollar	8,428,875	1,029,859	-	-
	13,267,472	2,246,142	4,838,597	1,216,283

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

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

Other receivables and prepaid expenses consist of:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	112,429	131,893	69,373	78,085
Prepaid expenses	3,399,916	1,010,048	3,399,916	1,010,048
Prepaid profit for Murabahah Tawarruq (Note 17)	4,302	4,537	4,302	4,537
	3,516,647	1,146,478	3,473,591	1,092,670

All other receivables of the Group and the Fund are denominated in Ringgit Malaysia.

None of the other receivables is past due, and taking into account the historical default experience and the future prospects of the industries in which the other receivables operate, the Manager concludes that no loss allowance is required for the other receivables.

14. CASH AND CASH EQUIVALENTS

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

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and bank balances	43,470,684	45,680,598	26,839,607	22,639,466
Fixed deposits with licensed banks	44,283,132	45,668,396	25,000,000	27,049,217
	87,753,816	91,348,994	51,839,607	49,688,683
Less: Restricted cash	(20,278,710)	(18,615,931)	(1,000,000)	-
	67,475,106	72,733,063	50,839,607	49,688,683

Fixed deposits with licensed banks earn profit at rates between 2.90% to 3.84% (2018: 3.35% to 3.84%) per annum and have maturity periods of between 20 to 31 days (2018: 30 to 90 days).

The currency exposure profile of cash and cash equivalents are as follows:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	44,136,829	51,936,277	41,206,460	49,688,683
Australian Dollar	23,338,277	20,796,786	9,633,147	-
	67,475,106	72,733,063	50,839,607	49,688,683

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

14. CASH AND CASH EQUIVALENTS (CONTINUED)

Included in cash and bank balances and fixed deposits with licensed banks of the Group and the Fund are deposits amounting to RM20,278,710 and RM1,000,000 respectively (2018: RM18,615,931 and RMNil respectively) which are placed as reserve for repayment of finance costs on long-term Islamic financing and hence, are not available for general use as mentioned in Note 17.

15. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Non-current:				
Other payables - tenant deposits received	6,907,481	6,907,481	6,907,481	6,907,481
Current:				
Amount owing to the Trustee	24,096	23,023	24,096	23,023
Amount owing to the Manager	153,613	141,271	153,613	141,271
Amounts owing to related companies	781,369	346,271	720,607	346,271
Other payables	343,872	371,845	23,462	102,231
Third interim income distribution payable (Note 10)	14,425,308	14,204,497	14,425,308	14,204,497
Accrued finance costs on Sukuk Ijarah Programme (Note 17)	4,611,254	3,871,840	-	-
Other accrued expenses	3,703,010	1,135,822	3,626,174	1,068,085
	24,042,522	20,094,569	18,973,260	15,885,378
	30,950,003	27,002,050	25,880,741	22,792,859

Amounts owing to related companies in the current year represents registrar's fee, secretarial fee and maintenance fee payable to related companies. The amounts are non-trade, unsecured, interest-free and repayable on demand.

The currency exposure profile of other payables and accrued expenses are as follows:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	30,530,844	26,703,548	25,880,741	22,792,859
Australian Dollar	419,159	298,502	-	-
	30,950,003	27,002,050	25,880,741	22,792,859

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

16. DEFERRED TAX LIABILITIES

	The Group	
	2019	2018
	RM	RM
At beginning of year	1,963,268	3,768,348
Transfer from profit or loss (Note 8)	(13,724)	917,555
Transfer from other comprehensive income (Note 8)	(469,198)	(2,491,980)
Effect of foreign currency exchange differences	(27,338)	(230,655)
At end of year	1,453,008	1,963,268
Deferred tax liabilities (before offsetting)		
Temporary differences arising from revaluation of investment property	7,066,843	7,543,837
Offsetting	(5,613,835)	(5,580,569)
Deferred tax liabilities (after offsetting)	1,453,008	1,963,268
Deferred tax assets (before offsetting)		
Temporary differences arising from:		
Accrued expenses	302	12,142
Unrealised loss on foreign exchange	3,612,381	3,197,773
Unused tax losses	2,001,152	2,370,654
	5,613,835	5,580,569
Offsetting	(5,613,835)	(5,580,569)
Deferred tax assets (after offsetting)	-	-

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

17. ISLAMIC FINANCING

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Non-current:				
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")	575,000,000	575,000,000	-	-
Commodity Murabahah Term Financing-i ("Commodity Murabahah")	80,000,000	-	80,000,000	-
Murabahah Tawarruq Term Financing-i ("Murabahah Tawarruq")	-	29,900,000	-	29,900,000

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

17. ISLAMIC FINANCING (CONTINUED)

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
	655,000,000	604,900,000	80,000,000	29,900,000
Less: Transaction costs	(1,360,942)	(1,194,870)	(660,000)	(216,354)
	653,639,058	603,705,130	79,340,000	29,683,646
Current:				
Murabahah Tawarruq Term Financing-i ("Murabahah Tawarruq")	29,900,000	-	29,900,000	-
	29,900,000	-	29,900,000	-
Less: Transaction costs	(103,474)	-	(103,474)	-
	29,796,526	-	29,796,526	-
	683,435,584	603,705,130	109,136,526	29,683,646

Sukuk Ijarah

On 4 May 2018, the Group redeemed the outstanding IMTNs of RM575,000,000 in nominal value of Issue 1 together with its outstanding profit due on maturity and refinanced the IMTNs via an issuance of IMTNs of RM575,000,000 in nominal value ("Issue 2 – Tranche 1") consisting of RM220,000,000 in nominal value of Class A, RM23,000,000 in nominal value of Class B, and RM332,000,000 in nominal value of Class C. The initial transaction costs incurred for the Issue 2 was RM660,520 with annual private debt security expenses amounting to RM1,394,305. The facility is repayable in 6 semi-annual instalments of RM15,174,308 (cost of financing only) each commencing in November 2018 with a final instalment of RM590,174,308 (principal and last semi-annual cost of financing).

On 20 December 2018, the Group re-rated IMTNs of RM112,000,000 in nominal value of unrated Class C IMTNs of Issue 2, redeemed and re-issued rated Class A IMTNs of RM75,000,000 in nominal value and rated Class B IMTNs of RM37,000,000 in nominal value (collectively "Issue II - Tranche 2"). The facility is repayable in 5 semi-annual instalments of RM2,654,303 (cost of financing only) each commencing in May 2019 with a final instalment of RM114,654,303 (principal and last semi-annual cost of financing).

As at the end of the reporting period, the Sukuk Ijarah Programme, which is secured against the investment properties totaling RM1,249,200,000 (2018: RM1,231,700,000) as mentioned in Note 11, comprises the following tranches at nominal value:

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

17. ISLAMIC FINANCING (CONTINUED)

Sukuk Ijarah (Continued)

	Nominal value 2019 RM	Nominal value 2018 RM	Rating	Profit rate (%)
Non-current				
Issue II - Tranche 1				
Issued on 4 May 2018				
Class A IMTNs	220,000,000	220,000,000	AAA	4.64
Class B IMTNs	23,000,000	23,000,000	AA2	4.95
Class C IMTNs	220,000,000	220,000,000	Unrated	5.60
Class C IMTNs (iv)	112,000,000	112,000,000	Unrated	5.60
Total (iii)	575,000,000	575,000,000		
Issue II - Tranche 2				
Issued on 20 December 2018				
Class A IMTNs	75,000,000	75,000,000	AAA	4.68
Class B IMTNs	37,000,000	37,000,000	AA2	4.98
Total (iv)	112,000,000	112,000,000		

The Sukuk Ijarah Programme has the following significant covenants:

- The Group has to maintain and build up the Finance Service Reserve Account ("FSRA") an amount equivalent to 6 months periodic payments payable under the relevant tranche of Sukuk Ijarah (12 months period payments upon the occurrence of a Trigger Event defined under the Sukuk Ijarah Trust Deed dated 29 April 2013). The Fund in the FSRA may be invested in permitted investments but are not available for general use.

- The Group shall at all times, maintain the following Finance Service Cover Ratio ("FSCR"):
  a) FSCR at Issue level of not less than 1.5 times; and
  b) FSCR at Al-`Aqar Healthcare REIT level of not less than 1.5 times; and
  c) such other financial covenant(s) as may be determined by RAM Rating Services Berhad ("RAM") and to be mutually agreed to by Al-`Aqar Capital Sdn Bhd.

The Sukuk Ijarah Programme was secured against the investment properties as disclosed in Note 11 amounting to RM1,249,200,000 (2018: RM1,231,700,000).

Murabahah Tawarruq Term Financing-i

On 30 November 2018 the Fund obtained an Islamic financing facility ("Murabahah Tawarruq") amounting to RM29,900,000 from Ambank Islamic Berhad to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38,900,000. The transaction costs incurred for the Murabahah Tawarruq was RM225,761.

The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month. The Murabahah

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

17. ISLAMIC FINANCING (CONTINUED)

Murabahah Tawarruq Term Financing-i (Continued)

Tawarruq bears an effective profit rate of 1.50% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Murabahah Tawarruq during the year is 5.54%. There is no specific financial covenant associated with the Murabahah Tawarruq.

The Murabahah Tawarruq will be due in May 2020. The Manager is in the midst of undertaking steps to refinance the said facility as explained in Note 23(b).

Commodity Murabahah Term Financing-i

On 27 December 2019, Al-`Aqar obtained floating rate borrowing facility ("Commodity Murabahah") amounting to RM80.0 million from OCBC Al-Amin Bank Berhad to finance the acquisition of new hospital with purchase consideration of RM78.0 million and to pay related cost and expenses during the acquisition. The Commodity Murabahah is payable over a period of 60 months from the date of first disbursement with bullet repayment of the principal sum on the 60th month.

The Commodity Murabahah bears an effective profit rate of 1.25% per annum above the bank's COF. The average effective profit rate for the Commodity Murabahah during the year is 4.70%. The transaction costs incurred for the Commodity Murabahah was RM660,000.

The Commodity Murabahah was secured against the investment properties as disclosed in Note 11 amounting to RM119,500,000 (2018: RMNIL).

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 statements of cash flows as cash flows from financing activities.

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Islamic Financing				
Islamic Financing	603,705,130	573,580,634	29,683,646	-
Accrued financing costs on Sukuk Ijarah Programme (Note 15)	3,871,840	7,017,006	-	-
Total Islamic Financing at beginning of year	607,576,970	580,597,640	29,683,646	-
Total financing cash inflows	80,000,000	29,900,000	80,000,000	29,900,000
Total financing cash outflows	(31,854,287)	(34,503,989)	(2,267,418)	(375,480)
	655,722,683	575,993,651	107,416,228	29,524,520
Non-cash changes				
Finance costs on Islamic Financing	31,933,936	30,129,128	1,607,653	145,182

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

17. ISLAMIC FINANCING (CONTINUED)

Reconciliation of liabilities arising from financing activities (Continued)

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Transaction cost	390,454	1,449,654	112,880	9,407
(Decrease)/Increase in prepaid profit for Murabahah Tawarruq (Note 13)	(235)	4,537	(235)	4,537
At end of year	688,046,838	607,576,970	109,136,526	29,683,646
Islamic Financing	683,435,584	603,705,130	109,136,526	29,683,646
Accrued finance costs on Sukuk Ijarah Programme (Note 15)	4,611,254	3,871,840	-	-
Total Islamic Financing at end of year	688,046,838	607,576,970	109,136,526	29,683,646

	The Fund	
	2019	2018
	RM	RM
Amount due to a subsidiary		
At beginning of year	556,002,050	555,538,535
Financing cash flows	(31,028,190)	(30,960,678)
	524,973,860	524,577,857
Non-cash changes		
Finance costs on amount due to a subsidiary	30,603,857	31,424,193
At end of year	555,577,717	556,002,050

18. UNITHOLDERS' CAPITAL

	2019		2018	
	No. of units	RM	No. of units	RM
The Group and the Fund				
At beginning of year	735,985,088	731,398,126	728,226,468	722,398,126
Issue of new units	-	-	7,758,620	9,000,000
At end of year	735,985,088	731,398,126	735,985,088	731,398,126

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

18. UNITHOLDERS' CAPITAL (CONTINUED)

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 2019 and 31 December 2018 respectively based on the Record of Depositors are as follows:

	2019		2018	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	72,136,065	54,648,534	71,589,579
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	47,672,151	36,115,266	47,310,998
Selangor Medical Centre Sdn Bhd	35,000,000	46,200,00	35,000,000	45,850,000
Seremban Specialist Hospital Sdn Bhd	23,731,000	31,324,920	23,731,000	31,087,610
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	27,738,135	21,013,739	27,527,998
Medical Associates Sdn Bhd	19,055,000	25,152,600	19,055,000	24,962,050
Sentosa Medical Centre Sdn Bhd	15,653,000	20,661,960	15,653,000	20,505,430
Kedah Medical Centre Sdn Bhd	15,000,000	19,800,000	15,000,000	19,650,000
Johor Specialist Hospital Sdn Bhd	12,203,000	16,107,960	12,203,000	15,985,930
Puteri Specialist Hospital Sdn Bhd	12,000,000	15,840,000	12,000,000	15,720,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	15,561,480	11,789,000	15,443,590
KPJ Healthcare University College Sdn Bhd	7,758,620	10,241,378	7,758,620	10,163,792
Kuantan Specialist Hospital Sdn Bhd	5,000,000	6,600,000	5,000,000	6,550,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,922,840	4,487,000	5,877,970
Jeta Gardens (Qld) Pty Ltd	3,786,924	4,998,740	10,834,468	14,193,153
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,620,000	3,500,000	4,585,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,400,880	3,334,000	4,367,540
Johor Ventures Sdn Bhd	173,219	228,649	173,219	226,917

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

19. MANAGEMENT EXPENSE RATIO ("MER")

	The Fund	
	2019	2018
	%	%
MER	0.25	0.24

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.

20. 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 have 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 derive all their rental income as disclosed in Note 5 from related parties.

Significant related party (credits)/charges other than those disclosed in Note 5 are as follows:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors' fees	5,000	-	-	-
Manager's fee	1,719,328	1,674,718	1,719,328	1,674,718
Maintenance fee	998,385	162,600	998,385	162,600
Registrar fee	138,923	65,382	138,923	65,382
Secretarial fee	2,640	7,100	-	-
Other income	(532,000)	(487,667)	(532,000)	(487,667)
Purchase of investment property	78,000,000	-	78,000,000	-

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 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.

Amounts due from a subsidiary represents unsecured advances given to a 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 and profit sharing on the advances receivable from the subsidiary.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic Financing by the subsidiary and expenses. 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 17. Also included in the amount due to a subsidiary are cash reserves retained by the subsidiary, the accrued profit from the cash reserves and expenses paid on behalf for the subsidiary totaling RM18,721,341 (2018: RM18,019,434) that are presented as net amount as 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.

21. COMMITMENTS

Operating lease arrangements

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

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Less than one year	114,927,099	108,123,854	103,490,595	96,687,350
Between one and five years	292,312,123	306,507,852	246,566,107	296,977,432
	407,239,222	414,631,706	350,056,702	393,664,782

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

The financial instruments of the Group and the Fund are categorised into the following classes:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Financial assets at amortised cost				
Trade receivables	13,267,472	2,246,142	4,838,597	1,216,283
Other receivables	68,214	131,893	25,158	78,085
Amounts due from a subsidiary	-	-	109,154,648	110,928,213
Fixed deposits with licensed banks	44,283,132	45,668,396	25,000,000	27,049,217
Cash and bank balances	43,470,684	45,680,598	26,839,607	22,639,466
	101,089,502	93,727,029	165,858,010	161,911,264

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

22. FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Financial liabilities at amortised cost				
Other payables and accrued expenses	30,950,003	27,002,050	25,880,741	22,792,859
Amount due to a subsidiary	-	-	555,577,717	556,002,050
Islamic financing	683,435,584	603,705,130	109,136,526	29,683,646
	714,385,587	630,707,180	690,594,984	608,478,555

Fair value 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.

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 3 of fair value hierarchy.

23. 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, financing rate risk and foreign currency risk.

The Group and the Fund have taken measures to minimise their exposure to risks associated with their financing, investing and operating activities and operate 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 contractual obligations. Credit risk arises from cash and cash equivalents, amount due from a subsidiary as well as credit exposures primarily from outstanding trade and other receivables.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

(a) Credit Risk (Continued)

The Group and the Fund adopt the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including tenancy deposits, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. For other financial assets (including cash and bank balances and fixed deposits with licensed banks), the Group and the Fund minimise credit risks by dealing exclusively with high credit rating counterparties.

The Group and the Fund seek to invest cash assets safely and profitably. The Group and the Fund have no significant concentration of credit risk and it is not the Group's and the Fund's policy to hedge their credit risks. The Group and the Fund have in place, for significant operating subsidiaries, policies to ensure that sales of products and services are made to customers with an appropriate credit history and sets limits on the amount of credit exposure to any one customer. For significant subsidiaries, there were no instances of credit limits being materially exceeded during the reporting periods and management does not expect any material losses from non-performance by counterparties.

Exposure to credit risk

At the end of the reporting period, 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 receivables is disclosed in Note 13.

Credit risk concentration profile

Other than the amounts due from the subsidiary to the Fund, the Group and the Fund are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Impairment of financial assets

The Group's and the Fund's financial assets that are subject to the expected credit loss ("ECL") model include trade receivables, other receivables and amount due from a subsidiary. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be insignificant.

Trade receivables using the simplified approach

The Group and the Fund apply the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

(a) Credit Risk (Continued)

Impairment of financial assets (Continued)

Amount due from a subsidiary

The Fund provides unsecured advances to the subsidiary. The Fund monitors the results of the subsidiary regularly. As at the end of the reporting period, the maximum exposure to credit risk was represented by their carrying amounts in the statements of financial position.

(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.

The Murabahah Tawarruq will be due in May 2020 as disclosed in Note 17. 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 the Murabahah Tawarruq when it matures. The Manager is currently planning to undertake a private placement in May 2020 to redeem the said facility.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Fund's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

2019	Weighted average effective profit rate	Carrying amount	Less than 1 year	1 - 5 years	More than 5 years	Total
	%	RM	RM	RM	RM	RM
The Group						
Non-profit bearing:						
Other payables and accrued expenses		30,950,003	24,042,522	-	6,907,481	30,950,003
Profit bearing:						
Sukuk Ijarah	5.11%	555,577,717	26,204,645	589,549,302	-	615,753,947
Murabahah Tawarruq	COF + 1.50%	29,796,526	30,566,873	-	-	30,566,873
Commodity Murabahah	COF + 1.25%	79,340,000	4,025,753	94,849,425	-	98,875,178
Total undiscounted financial liabilities		695,664,246	84,839,793	684,398,727	6,907,481	776,146,001
The Fund						
Non-profit bearing:						
Other payables and accrued expenses		25,880,741	18,973,260	-	6,907,481	25,880,741
Profit bearing:						
Amount due to a subsidiary	5.11%	555,577,717	29,114,505	586,639,442	-	615,753,947
Murabahah Tawarruq	COF + 1.50%	29,796,526	30,566,873	-	-	30,566,873
Commodity Murabahah	COF + 1.25%	79,340,000	4,025,753	94,849,425	-	98,875,178
Total undiscounted financial liabilities		690,594,984	82,680,391	681,488,867	6,907,481	771,076,739

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

Analysis of financial instruments by remaining contractual maturities (Continued)

2018	Weighted average effective profit rate %	Carrying amount RM	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		27,002,050	20,094,569	-	6,907,481	27,002,050
Profit bearing:						
Sukuk Ijarah	5.11	556,002,050	25,520,907	618,488,898	-	644,009,805
Murabahah Tawarruq	COF + 1.50%	29,683,646	1,655,982	31,419,874	-	33,075,856
Total undiscounted financial liabilities		612,687,746	47,271,458	649,908,772	6,907,481	704,087,711
The Fund						
Non-profit bearing:						
Other payables and accrued expenses		22,792,859	15,885,378	-	6,907,481	22,792,859
Profit bearing:						
Amount due to a subsidiary	5.11	556,002,050	28,414,867	615,594,938	-	644,009,805
Murabahah Tawarruq	COF + 1.50%	29,683,646	1,655,982	31,419,874	-	33,075,856
Total undiscounted financial liabilities		608,478,555	45,956,227	647,014,812	6,907,481	699,878,520

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

(c) Financing Rate Risk

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 prudent mix of fixed and floating 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.

Sensitivity analysis for profit rate risk

At the end of the reporting period, a change of 25 basis points ("bp") in financing rates would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Financing rate:				
- 25 bp increase	(272,841)	(74,209)	(272,841)	(74,209)
- 25 bp decrease	272,841	74,209	272,841	74,209

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. It is not the Group's policy to hedge foreign currency translation risk. The Group also maintains bank accounts denominated in foreign currencies, primarily in AUD, as a natural hedge against foreign currency risk.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Denominated in AUD				
Trade receivables	8,428,875	1,029,859	-	-
Cash and cash equivalents	23,338,277	20,796,786	9,633,147	-
Other payables and accrued expenses	(419,159)	(298,502)	-	-
Net exposure in the statements of financial position	31,347,993	21,528,143	9,633,147	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS (CONTINUED)

(d) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the AUD exchange rates against the functional currency of the Group, with all other variables held constant.

	Other comprehensive income			
	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
AUD				
Strengthened 5%	1,097,180	753,485	481,657	-
Weakened 5%	(1,097,180)	(753,485)	(481,657)	-

24. 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 2019	**Malaysia** RM	**Australia** RM	**Total** RM
Rental	94,587,596	11,522,691	106,110,287
Property expenses	(5,645,289)	(139,341)	(5,784,630)
Net property income	88,942,307	11,383,350	100,325,657
Investment income	1,655,201	-	1,655,201
Other income	717,196	-	717,196
Gain/(loss) on fair value	16,837,514	(3,764,540)	13,072,974
Total income	108,152,218	7,618,810	115,771,028
Expenditure	(7,053,425)	(240,196)	(7,293,621)
Operating profit	101,098,793	7,378,614	108,477,407
Financing costs	(32,329,394)	-	(32,329,394)

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

24. SEGMENT REPORTING (CONTINUED)

	Malaysia	Australia	Total
31 December 2019	RM	RM	RM
Profit before tax	68,769,399	7,378,614	76,148,013
Tax	-	13,724	13,724
Profit after tax	68,769,399	7,392,338	76,161,737
Total assets	1,531,803,930	142,548,005	1,674,351,935
Total liabilities	713,966,428	1,872,167	715,838,595
31 December 2018			
Rental	91,097,366	11,551,609	102,648,975
Property expenses	(5,934,798)	(104,716)	(6,039,514)
Net property income	85,162,568	11,446,893	96,609,461
Investment income	2,031,968	-	2,031,968
Other income	510,841	-	510,841
Gain on fair value	30,341,920	-	30,341,920
Total income	118,047,297	11,446,893	129,494,190
Expenditure	(5,424,523)	(199,223)	(5,623,746)
Operating profit	112,622,774	11,247,670	123,870,444
Financing costs	(31,578,782)	-	(31,578,782)
Profit before tax	81,043,992	11,247,670	92,291,662
Tax	347	(917,555)	(917,208)
Profit after tax	81,044,339	10,330,115	91,374,454
Total assets	1,426,214,969	154,253,445	1,580,468,414
Total liabilities	630,408,678	2,261,770	632,670,448

25. 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 2018.

The capital structure of the Group and of the Fund consists of net debt (borrowings as detailed in Note 17) 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 required to comply with the financial covenants as disclosed in Note 17 and the SC Guidelines on capital requirements.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Continued)

25. CAPITAL MANAGEMENT (CONTINUED)

As at 31 December 2019, the Group and the Fund had complied with all financial covenants as disclosed in Note 17.

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 unitholders 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.

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. The gearing ratio at the end of the reporting period is as follow:

	The Group		The Fund	
	2019	2018	2019	2018
	RM	RM	RM	RM
Total borrowings	683,435,584	603,705,130	664,714,243	585,685,696
Total assets value	1,674,351,935	1,580,468,414	1,650,198,629	1,551,718,035
Total borrowings to total assets value ratio	40.82%	38.20%	40.28%	37.74%

26. PORTFOLIO TURNOVER RATIO ("PTR")

	The Fund	
	2019	2018
PTR (times)	0.08	-

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.

27. SIGNIFICANT EVENT

On 26 August 2019, Al-'Aqar Healthcare REIT as represented by its trustee, AmanahRaya Trustees Berhad, entered into a conditional sales and purchase agreement with Johor Land Berhad, a wholly-owned subsidiary of Johor Corporation to acquire KPJ Batu Pahat Specialist Hospital, for a total cash consideration of RM78 million. The acquisition was on completed on 28 December 2019.

Statement By The Directors Of The Manager

To The Unitholders Of Al-`Aqar Healthcare REIT

We, **ZAINAH BINTI MUSTAFA** 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 Second Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Security Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019 and of the results and the cash flows for the year then ended.

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

ZAINAH BINTI MUSTAFA

WAN AZMAN BIN ISMAIL

Kuala Lumpur,
13 February 2020

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 13 February 2020

Before me,



COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

Kuala Lumpur,
13 February 2020

Shariah Committee Report

To The Unitholders Of Al-`Aqar Healthcare REIT

We have acted as the Shariah Adviser of **AL-`AQAR HEALTHCARE REIT** (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 operated and managed the Fund in accordance with applicable guidelines pertaining to Shariah matters, and principles, concepts and rulings endorsed by the Shariah Advisory Council of the Securities Commission ("SACSC") for the financial year ended 31 December 2019.

In addition, we also confirm that:

1. The investment portfolio of the Fund is Shariah-compliant, which comprises:

    a. Rental income from investment properties which complied with the Securities Commission Guidelines for Investments of Islamic Real Estate Investment Trust. The percentage ratio of Shariah non-compliant rental is nil for the financial year ended 31 December 2019; and

    b. Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

2. There was no acquisition of property that is Shariah non-compliant during the financial year.

For the Member of Shariah Committee,



DATO' (DR) HAJI NOOH BIN GADOT
Chairman, Shariah Committee

13 February 2020

Trustee's Report
For The Financial Year Ended 31 December 2019

To the unitholders 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 2019. 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 ended 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 requirement; 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

ZAINUDDIN BIN SUHAIMI
Deputy Chief Executive Officer

Kuala Lumpur, Malaysia
18 February 2020



DAMANSARA REIT MANAGERS
SDN BERHAD

www.**alaqar**.com.my