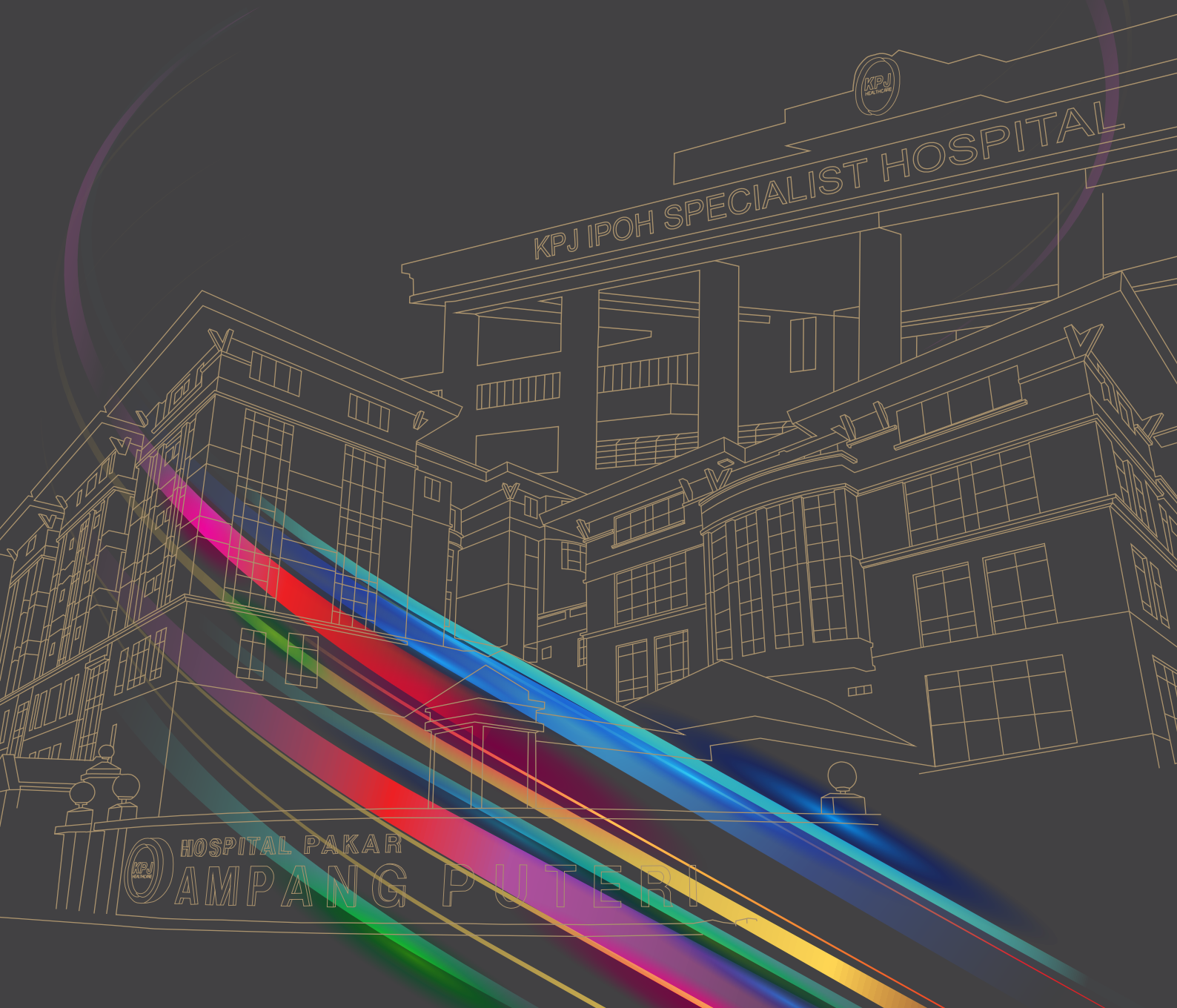




# CHARTING THE FUTURE

ANNUAL REPORT 2020



# AL-'AQAR HEALTHCARE REIT

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KPJ Klang Specialist Hospital



KPJ Tawakkal Specialist Hospital

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### SCAN ME



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#### Run it

Run the QR Code Reader app and point your camera at the QR Code

#### Access it

Get access to Al-'Aqar Healthcare REIT's website

## COVER RATIONALE



In an increasingly challenging business landscape, we are synergising our capabilities to be ready to meet challenging situations. Performing at our utmost capabilities with dedication in our progressive stance to pursue the achieving of long-term growth. In contrast, we strive to promote time and cost efficiency for our clients with a well-rounded systematic workflow process and good quality control in implementing its strategic priorities. It is this spirit that embodies the expertise and stabilisation of Al-Aqar Healthcare REIT and demonstrates the benchmark for us to be the optimal level in the future.



*KPJ Selangor Specialist Hospital*



*Taiping Medical Centre*

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# Corporate Overview

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## 2020 Highlights



PROPERTY VALUE

RM1.53  
billion



DISTRIBUTION YIELD

5.20%



TOTAL RETURN

4.44%



OCCUPANCY RATE

100%



NUMBER OF ASSETS

23



MARKET CAPITALISATION

RM964.1 million



DISTRIBUTION PER UNIT (DPU)

6.81 sen



GROSS REVENUE

RM115.7 million



NET REALISED INCOME

RM57.0 million

HOSPITAL PAKAR KPJ TAWAKKAL

## Objective, Policy and 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 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 member of Johor Corporation Group of Companies and supported by KPJ Healthcare Berhad (KPJ).

As at 31 December 2020, Al-'Aqar's property values stood at RM1.53 billion with a market capitalisation of RM964.1 million.

# Corporate Information

## MANAGER

### DAMANSARA REIT MANAGERS SDN BERHAD (200501035558) (717704-V)

#### 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

## LISTING

### Main Market of Bursa Malaysia Securities Berhad

Stock Name: ALAQAR  
Stock Code: 5116

## WEBSITE

[www.alaqar.com.my](http://www.alaqar.com.my)

## TRUSTEE

### AMANAHRAYA TRUSTEES BERHAD (200701008892) (766894-T)

Tingkat 14, Wisma AmanahRaya,  
No 2, Jalan Ampang,  
50508 Kuala Lumpur.  
Tel : (+603) 2036 5129  
Fax : (+603) 2072 0320  
Email : [art@arb.com.my](mailto:art@arb.com.my)  
Website : [www.artrustees.com.my](http://www.artrustees.com.my)

## SHARIAH ADVISORY COMMITTEE

1. Dato' Dr. Haji Nooh bin Gadot
2. Profesor Madya Dr. Abdul Halim bin Muhammad
3. IBFIM (200701005076) (763075-W)  
3rd Floor, Menara Takafu Malaysia,  
Jalan Sultan Sulaiman,  
50000 Kuala Lumpur.  
Tel : (+603) 2031 1010  
Fax : (+603) 2078 5250  
Email : [info@ibfim.com](mailto:info@ibfim.com)  
Website : [www.ibfimonline.com](http://www.ibfimonline.com)

## REGISTRAR

### JOHOR CORPORATION

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

## AUDITOR

### ERNST & YOUNG PLT

(LLP0022760-LCA) (AF 0039)  
Level 23A, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
50490 Kuala Lumpur.  
Tel : (+603) 7495 8000  
Fax : (+603) 2095 5332  
Website : [www.ey.com](http://www.ey.com)

## 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](mailto:arsakl@arsa.com.my)  
Website : [www.arsa.com.my](http://www.arsa.com.my)

### KADIR ANDRI & PARTNERS

Suite A-38-8, Level 38, Menara UOA,  
Bangsar, 5, Jalan Bangsar Utama 1,  
59000 Kuala Lumpur.  
Tel : (+603) 2780 2888  
Fax : (+603) 2780 2833  
Email : [partner@kaaplalaw.com](mailto:partner@kaaplalaw.com)  
Website : [www.kaaplalaw.com](http://www.kaaplalaw.com)

### ALBAR & PARTNERS

Suite 14-3, Level 14,  
Wisma UOA Damansara II,  
No. 6 Changkat Semantan,  
Damansara Heights,  
50490 Kuala Lumpur.  
Tel : (+603) 7890 3288  
Fax : (+603) 7890 3266  
Email : [albar@albar.com.my](mailto:albar@albar.com.my)  
Website : [www.albar.com.my](http://www.albar.com.my)





## MAINTENANCE MANAGER

### HEALTHCARE TECHNICAL SERVICES SDN BHD

(199501012909) (342111-A)  
Level 17, Menara KPJ,  
No. 238, Jalan Tun Razak,  
50400 Kuala Lumpur.  
Tel : (+603) 2681 6222  
Fax : (+603) 2681 6888

### HEALTH FACILITY SERVICES PTY LTD

(AUSTRALIAN Co. No. 115728384)  
25, Clarendon Avenue,  
Bethania, Qld 4205 Australia.  
Tel : (+617) 3200 7188/  
3299 9256  
Fax : (+617) 3200 7100

## PROPERTY MANAGER

### IM GLOBAL PROPERTY CONSULTANTS SDN BHD

(200501019108) (701223-X)  
Board Registration No: (VEPM (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

## INDEPENDENT PROPERTY VALUER

### KNIGHT FRANK MALAYSIA SDN BHD

(200201017816) (585479-A)  
Board Registration No: (VE(1)0141)  
Suite 10.01, Level 10,  
Centrepont South,  
Mid Valley City,  
Lingkar Syed Putra,  
59200 Kuala Lumpur.  
Tel : (+603) 2289 9688  
Fax : (+603) 2289 9788  
Website : www.knightfrank.com.my

### HENRY BUTCHER MALAYSIA SDN BHD

(198701001968) (160636-P)  
Board Registration No: (VPM (1) 0008)  
25, Jalan Yap Ah Shak,  
50300 Kuala Lumpur.  
Tel : (+603) 2694 2212  
Fax : (+603) 2694 3484  
Email : hbmalsia@henrybutcher.com.my  
Website : www.henrybutcher.com.my

### CHESTON INTERNATIONAL (KL) SDN BHD

(200401008741) (647245-W)  
Board Registration No: (VEPM(1)0199)  
Suite 2A, 2nd Floor, Plaza Flamingo,  
No. 2, Tasik Ampang, Jalan Hulu Kelang,  
68000 Ampang, Selangor.  
Tel : (+603) 4251 2599  
Fax : (+603) 4251 6599  
Email : cikl@chestonint.com  
Website : www.chestonint.com

## CBRE | WTW

### C H Williams Talhar & Wong Sdn Bhd

(197401001098) (18149-U)

### WTW Real Estate Sdn Bhd

(199201000893) (232397-D)

### WTW Property Services Sdn Bhd

(197301003477) (16955-A)  
30-01, 30th Floor Menara Multi-Purpose @CapSquare 8,  
Jalan Munshi Abdullah,  
P.O. Box 12157,  
50100 Kuala Lumpur.

Tel : (+603) 2616 8888

Fax : (+603) 2616 8899

Email : kuala Lumpur@cbre-wtw.com.my

Website : www.CBRE-WTW.com.my

## Letter to Stakeholders

### Dear Valued Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present Al-`Aqar Healthcare REIT (“Al-`Aqar”, the “Fund” or the “Group”) Annual Report for the financial year ended 31 December 2020 (“FY2020”). It was a privilege for me to be appointed as the Chairman of the Manager on 14 February 2020. This role has proved to be a challenging one, as a month later, the country went into total lockdown with the implementation of the Movement Control Order (“MCO”). The MCO has adversely impacted all businesses and the healthcare industry was not spared too. Nevertheless, I am pleased to report that the Fund has managed to weather the storm and recorded commendable financial performance for FY2020.



**DATO' HAJI MOHD REDZA SHAH  
BIN ABDUL WAHID**  
*Chairman*

## Letter to Stakeholders

### Overview of the Macro Operating Environment

The spread of the COVID-19 virus which started in early 2020 has impacted the world and the on-going pandemic has significantly weakened the global growth. After an estimated 3.5% contraction in 2020, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The estimate for 2020 is 0.9 percentage point higher than projected in the October World Economic Outlook (“WEO”) forecast. This reflects the stronger-than-expected recovery on average across regions in the second half of the year.

The 2021 growth forecast is revised up by 0.3 percentage point, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. The upgrade is particularly large for the advanced economy group, reflecting additional fiscal support, mostly in the United States and Japan, together with expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group.

Against this challenging global economic outlook, Malaysia also experienced its sharpest recession in twenty years as a result of the global and domestic MCO, including travel restrictions taken, to contain the outbreak of the pandemic which started in early quarter of the year 2020. Thus, the Malaysian government is proactively making efforts to mitigate the impact of the economic crisis by implementing a series of economic response packages. The strength and timing of Malaysia's economic recovery will depend on the timely availability of an effective mass vaccination program, which has begun on 24 February 2021.

On the Malaysian healthcare industry, with the impact of COVID-19 and its resultant lockdowns, healthcare spending in Malaysia is projected to decrease by 2% to 3% in 2020. The revenue of the private hospitals has reduced significantly during the MCO 1.0. However, post MCO 1.0,

the financial performance of the private hospitals have bounced back albeit at a lower level compared to pre MCO 1.0. With the implementation of MCO 2.0, it is expected that the healthcare industry will not suffer the same drop in financial performance as in MCO 1.0.

### Financial Highlights

The Group has recorded a gross revenue of RM115.7 million (FY2019: RM106.1 million). Profit for the year was RM12.6 million (FY2019: RM76.1 million) comprising realised profit of RM57.0 million (FY2019: RM63.4 million) and unrealised loss of RM44.4 million (FY2019: unrealised gain of RM12.7 million). The unrealised loss mainly relates to the fair value adjustment of Jeta Gardens.

The Group achieved a distribution per unit of 6.81 sen per unit for the year, as compared to 7.75 sen per unit for FY2019. This translates to a commendable distribution yield of 5.2% per unit and total payout of RM50.1 million. The unfavourable financial performance was mainly attributed by the rental support and loss on Jeta Gardens' fair value adjustment.

#### DISTRIBUTION PER UNIT

**6.81 sen**  
2019: 7.75 sen

#### GROSS REVENUE

**RM115.7 million**  
2019: RM106.1 million

#### TOTAL PAYOUT

**RM50.1 million**  
(95% of total  
Al-`Aqar Distributable Income)

However, Al-`Aqar does not expect both events to be common in the long term, as the Fund earnings is underpinned by the long-term lease arrangements with KPJ Group.



Jeta Gardens



## Letter to Stakeholders

### Business Highlights

The impact of the COVID-19 outbreak has affected the Malaysian healthcare system in a contrasting way, with public hospitals overstretched from increasing patients. Meanwhile, private hospitals were underwhelmingly quiet as a result of the MCO, which has affected most of Al-Aqar's properties and tenants. During the lockdowns, the KPJ Group, the main sponsor of the Fund has reported a decline in their business activities, and this was evidenced by the lower patient episodes and the lower daily Bed Occupancy Rate ("BOR") until May 2020.

After the relaxation of the control under the MCO, through the implementation of the Recovery Movement Control Order ("RMCO") on 10 June 2020, this has encouraged patient to seek treatment in the private hospitals. Thus, the KPJ Group's business activities have gradually improved.

For the business segment in Australia, the announcement by Prime Minister Scott Morrison on 16 September 2019 regarding the establishment of Australia Royal Commission into the residential aged care sector has created an increase level of uncertainty in the aged care industry. The Interim report in September 2020 by the Royal Commission on the preference for home care over residential care has also led to the possibility of shifting from aged care institutional to community and

home care services. Negative publicity during Royal Commission into aged care quality and safety towards home support services and packages complemented by a quality health care system has adversely impacted the financial performance of Jeta Gardens. This was evidenced by the drop in occupancy level.

In addition, the sudden outbreak of COVID-19 pandemic which started in early 2020 has also worsened the situation resulting thousands of beds in residential aged care have been left empty across Australia, as families felt safer to care their loved ones themselves. Thus, the occupancy for the aged group dropped to its lowest rates in more than a decade, in response to the pandemic. The final report of Royal Commission has been presented to the Governor-General on 26 February 2021 and will be available to public once the report is tabled in the Parliament.

### Proactive Business Response

As part of the long-term business sustainable plan, Al-Aqar has committed to a rental support programme to its affected tenants in the form of rental rebate. The rebate has been determined based on the actual performance of each property and tenants with a certain capping. However, Al-Aqar is optimistic that these events will not have a long-term adverse effect on the fund as these events are one-off in nature.

### Looking Forward

The recovery in global economy is predicated on a gradual improvement in confidence of consumption and trade, with the rollout of an effective vaccine starting early 2021.

Malaysia's economy is projected to grow by 6.7% in 2021, assuming there will be a continued improvement in exports together with a gradual build-up of momentum in private consumption and investment. Malaysia is expected to receive its vaccine supply in stages with the first batch of vaccines has arrived on 21 February 2021. This vaccine rollout will increase the confidence level of the consumers and business. Hence, the private activity and business momentum will gradually pick up in 2021.

For the long term, Al-Aqar believes that the rising of healthcare awareness arising from the outbreak should be positive for the healthcare sector. Al-Aqar is optimistic of the response and sustainable actions plans taken to mitigate the risks resulting from the pandemic. Al-Aqar believes that the business would continue with minimal disruption in the coming years and Al-Aqar would be well positioned for the economic recovery.



KPJ Batu Pahat Specialist Hospital

## Letter to Stakeholders

### Appreciation and Acknowledgment

In conclusion, I wish to express my sincere gratitude to our unitholders, investors, clients, trustee, financiers, business partners, government, and regulatory bodies for their support and trust in Al-Aqar.

I would also like to take this opportunity to express my heartfelt recognition and appreciation to the previous Directors, Dato' Amiruddin bin Abdul Satar, Dato' Sr Dr. Rahah binti Ismail, Dr. Mohd Hafetz bin Ahmad and Yusaini bin Haji Sidek for their invaluable guidance and contribution to the Board of the Manager.

Also, I wish to welcome the new Directors, namely Dato' Wan Kamaruzaman bin Wan Ahmad as an Independent Non-Executive Director who has been appointed on 24 August 2020, Shamsul Anuar bin Abdul Majid as Non-Independent Non-Executive Director who has been appointed on 24 August 2020 and Datuk Sr Akmal bin Ahmad as Non-Independent Non-Executive Director who has been appointed on 21 January 2021 to the Board of the Manager.

Gratitude is also extended to the Shariah Committee for their guidance and advice towards ensuring that Al-Aqar's assets remained shariah compliant throughout FY2020. The Board also wish to recognise the outgoing member of the Shariah Advisory Committee, Profesor Md Som bin Sujimon and welcoming IBFIM as a new Shariah Advisory Committee member.

I would also like to recognize our management and loyal employees who continue to put in their effort, hard work, and commitment throughout these years. Looking forward, we will continue to strengthen our business and presence throughout Malaysia and overseas.

Thank you.

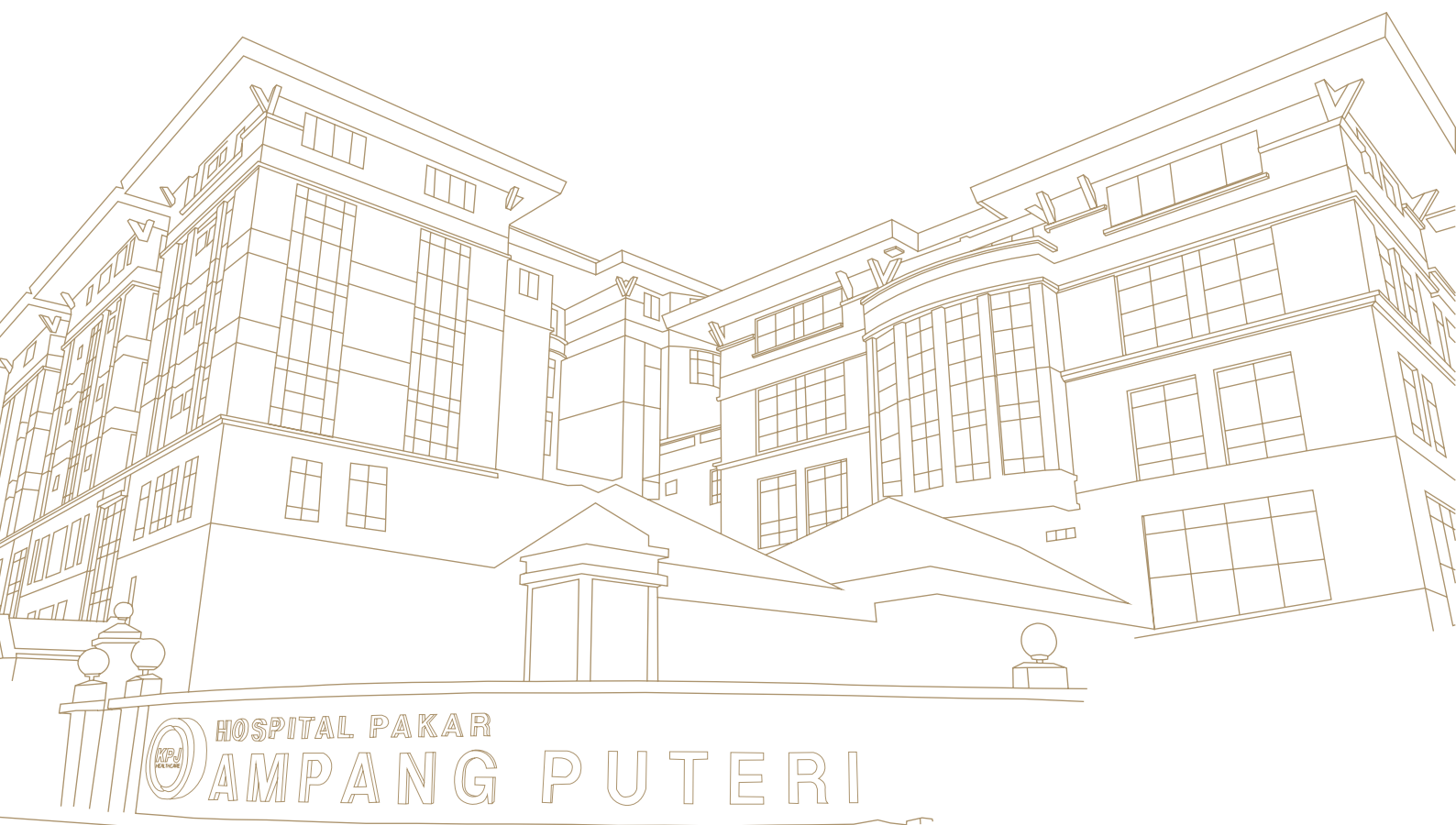
**DATO' HAJI MOHD REDZA SHAH  
BIN ABDUL WAHID**

*Chairman*



KPJ Sentosa KL Specialist Hospital

# Salient Features


**NAME OF FUND**

Al-`Aqar Healthcare REIT

**TYPE OF FUND**

Income and growth

**CATEGORY OF FUND**

Islamic Healthcare Real Estate  
and Healthcare Related Assets

**DISTRIBUTION POLICY**

At least 95% of distributable  
income

**FUND SIZE**

735,985,088 units

**OCCUPANCY RATE**

100%

**RENTAL REVIEW**

Every 3 years

**LISTING**

Main Market of Bursa Malaysia  
Securities Berhad

**LISTING DATE**

10 August 2006

**STOCK NAME & CODE**

ALAQAR (5116)

**FINANCIAL YEAR END**

31 December



## 5-Year Financial Performance

### FINANCIAL HIGHLIGHTS - GROUP

		2016	2017	2018	2019	2020
Gross revenue	(RM'000)	103,839	99,648	102,648	106,110	115,710
Net property income	(RM'000)	97,595	93,207	96,609	100,326	109,614
Income before tax	(RM'000)	63,986	86,154	92,292	76,148	13,624
Net income after tax						
- realised	(RM'000)	61,540	59,852	61,032	63,409	56,984
- unrealised	(RM'000)	1,527	22,350	30,342	12,753	(44,413)
Earnings per unit	(sen)	8.79	11.83	12.66	10.35	1.71
Investment properties	(RM'000)	1,424,360	1,459,703	1,485,727	1,569,814	1,534,501
Total asset value	(RM'000)	1,611,213	1,556,425	1,580,468	1,674,352	1,647,986
Net asset value	(RM'000)	896,068	923,290	947,798	958,513	943,490
NAV per unit						
- before distribution	(RM)	1.2305	1.2679	1.2878	1.3024	1.2819
- after distribution	(RM)	1.1925	1.2284	1.2671	1.2822	1.2474

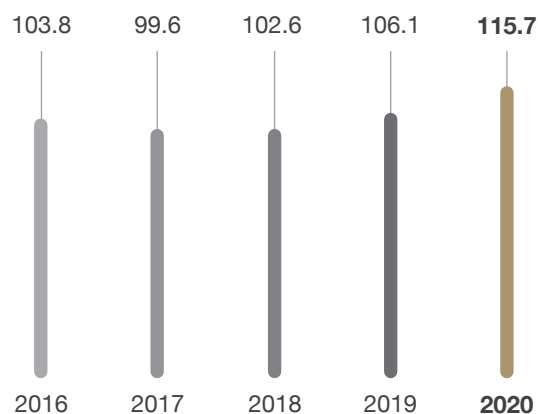
### FINANCIAL HIGHLIGHTS - FUND

		2016	2017	2018	2019	2020
Gross revenue	(RM'000)	92,054	88,550	91,097	94,588	103,918
Net property income	(RM'000)	85,931	82,588	85,162	88,942	97,974
Income before tax	(RM'000)	61,434	84,511	83,112	73,771	50,126
Net income after tax						
- realised	(RM'000)	59,533	59,367	59,770	61,267	55,137
- unrealised	(RM'000)	1,899	24,535	23,342	12,504	(7,545)
Earnings per unit	(sen)	8.44	11.61	11.29	10.02	6.47
Investment properties	(RM'000)	1,281,800	1,320,100	1,353,300	1,449,400	1,446,376
Total asset value	(RM'000)	1,579,459	1,525,031	1,551,718	1,650,199	1,647,844
Net asset value	(RM'000)	892,120	921,041	943,239	959,604	967,599
NAV per unit						
- before distribution	(RM)	1.2251	1.2648	1.2816	1.3038	1.3147
- after distribution	(RM)	1.1870	1.2255	1.2609	1.2836	1.2802
Market Capitalisation	(RM'000)	1,143,316	1,041,364	964,140	971,500	964,140
Distribution Per Unit	(sen)	7.70	7.70	7.70	7.75	6.81
Annualised Distribution Yield	(%)	4.90	5.38	5.88	5.87	5.20

## 5-Year Financial Performance

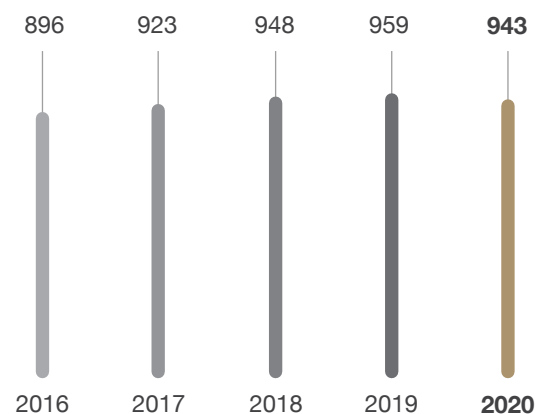
## GROSS REVENUE

(RM' mil)

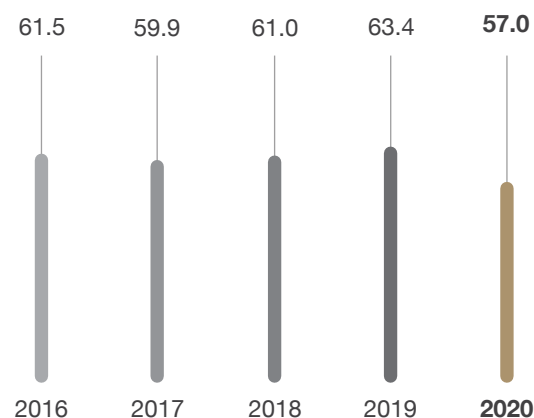


## NET ASSET VALUE

(RM' mil)

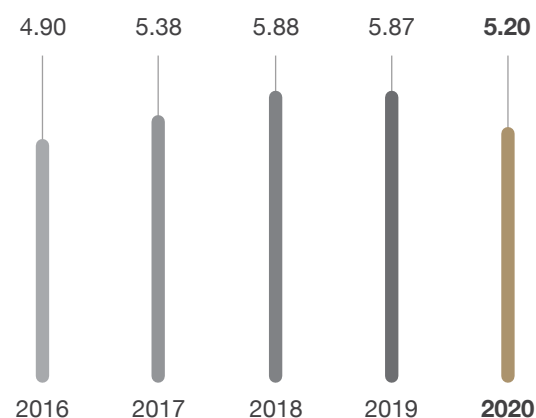
NET INCOME AFTER TAXATION  
(REALISED)

(RM' mil)



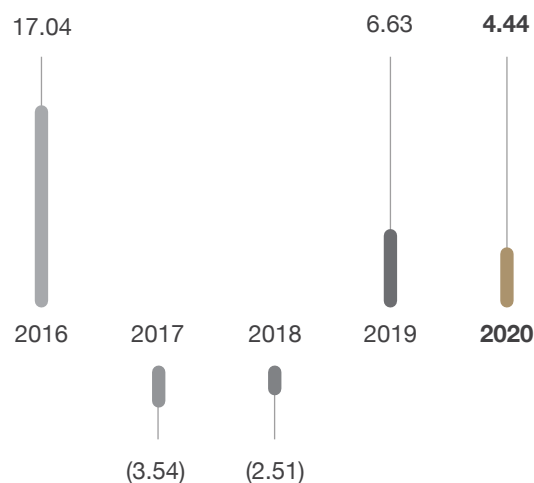
## DISTRIBUTION YIELD

(%)



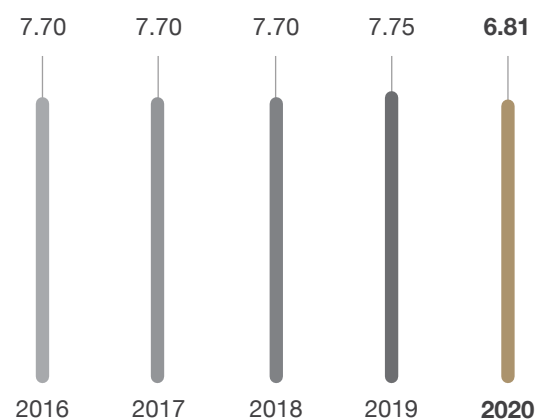
## ANNUAL TOTAL RETURN

(%)



## DISTRIBUTION PER UNIT

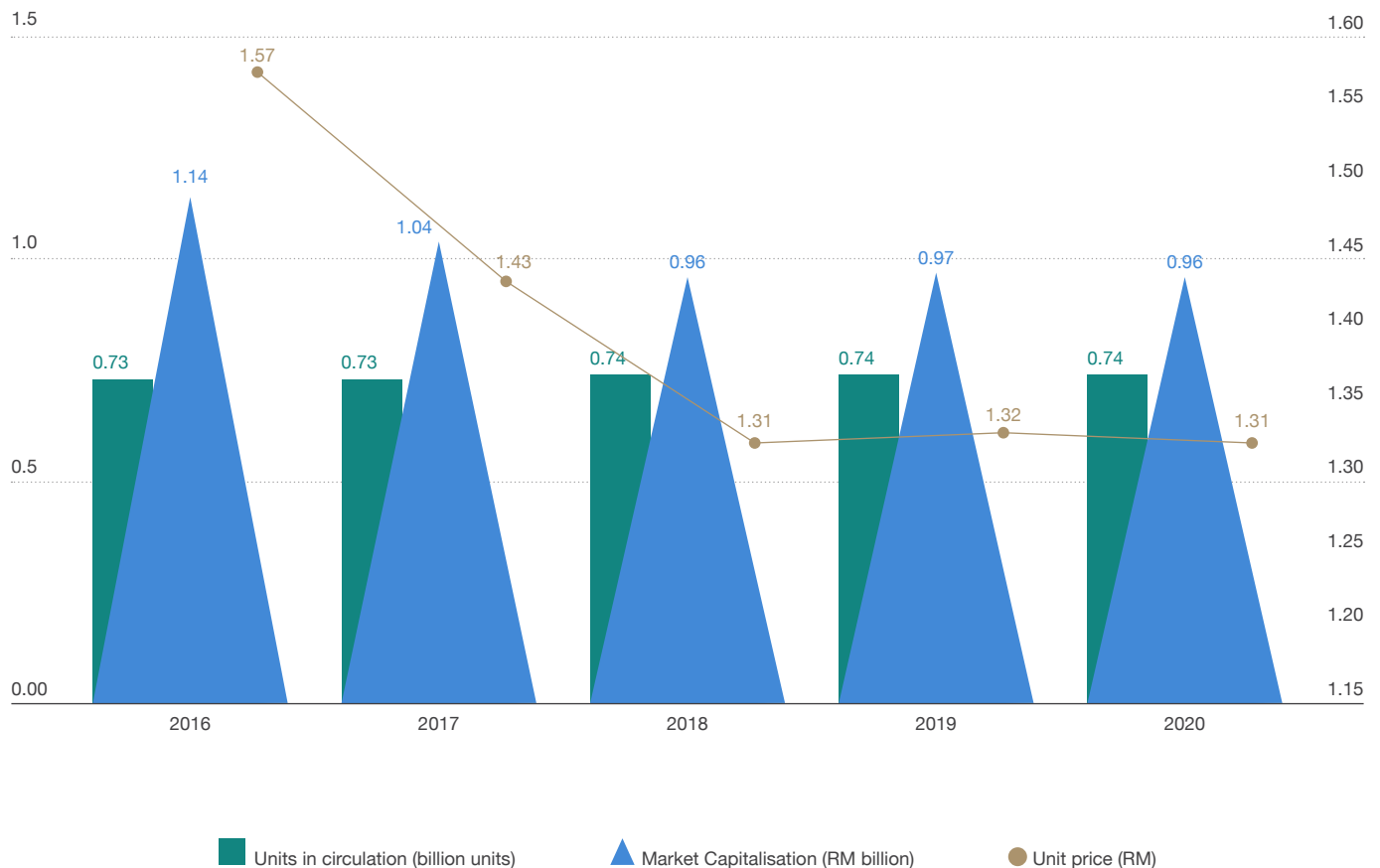
(sen)



# Trading Performance

Trading Summary	2016	2017	2018	2019	2020
Closing Unit Price (RM)	1.57	1.43	1.31	1.32	1.31
52-week Highest Traded Price (RM)	1.70	1.67	1.41	1.55	1.42
52-week Lowest Traded Price (RM)	1.32	1.35	1.08	1.27	1.19
Price Movement (%)	12.1	(8.9)	(8.4)	0.8	(0.8)
Annual Total Return (%)	17.04	(3.54)	(2.51)	6.63	4.44
Number of Units in Circulation (unit '000)	728,226	728,226	735,985	735,985	735,985
Market Capitalisation (RM'000)	1,143,316	1,041,364	964,140	971,500	964,140

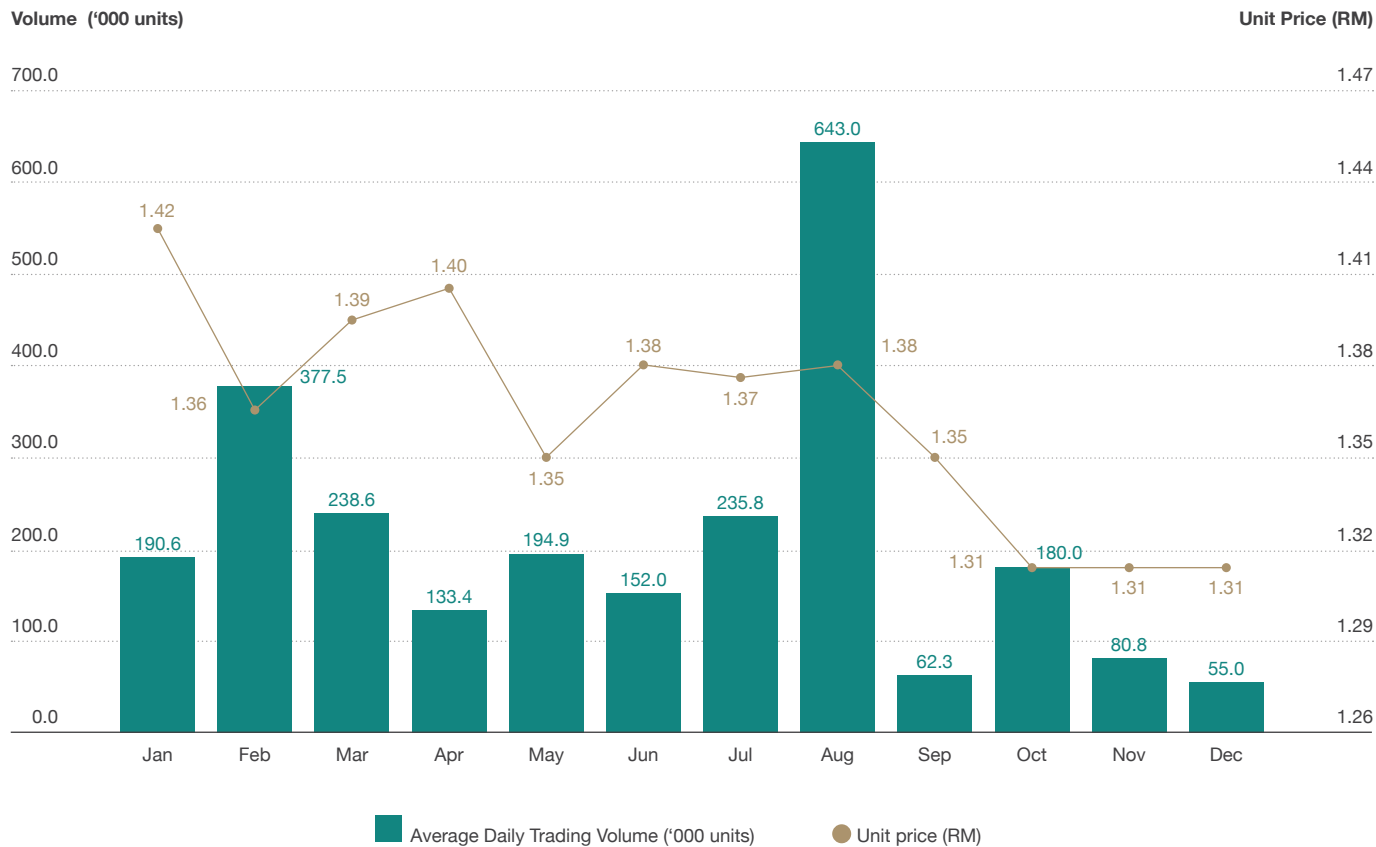
## Market Capitalisation, Unit Price and Units in Circulation



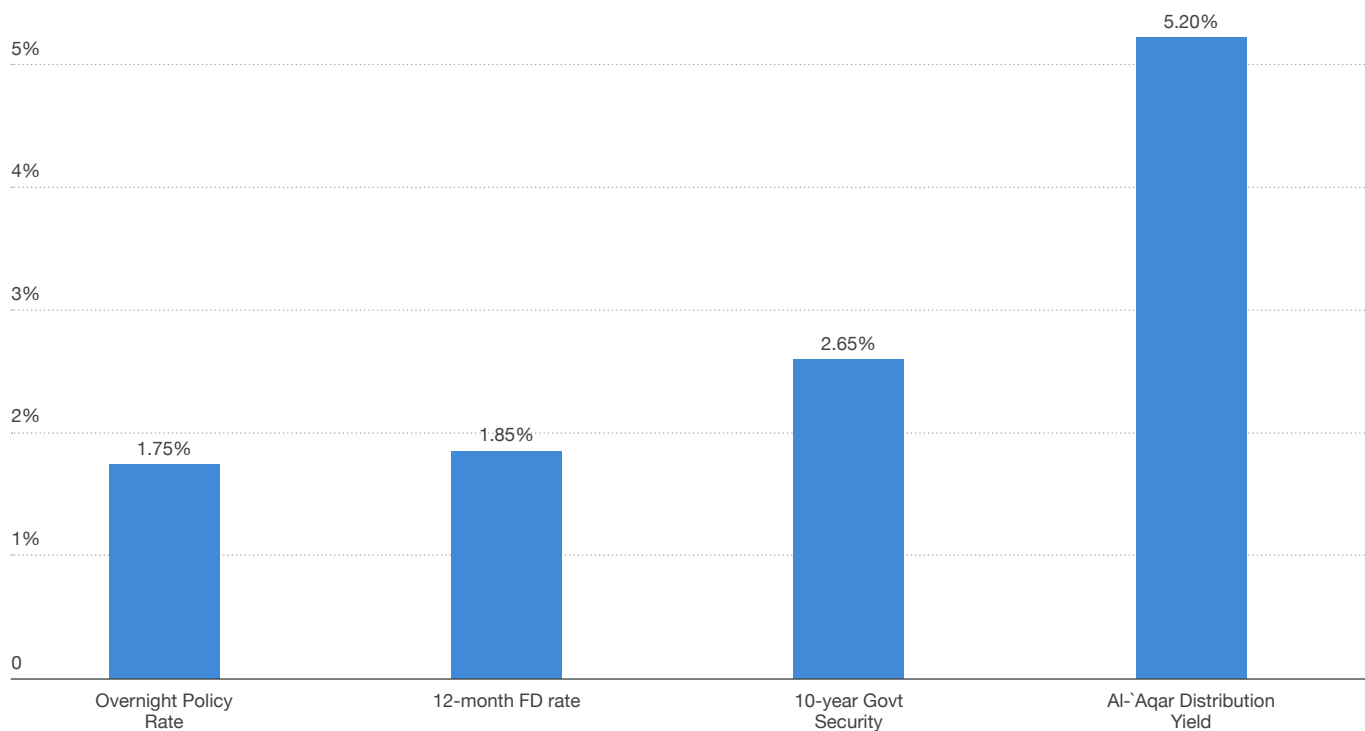


## Trading Performance

### FY2020 Monthly Trading Performance



### Comparative Yield



Source: Bank Negara Malaysia, Maybank, Damansara REIT Managers

# Analysis of Unitholdings

## Unitholdings Statistics as at 31 December 2020

As per Record of Depositor

### Break down of Unitholdings

Total Number of Issued : 735,985,088 units

Fully Paid Up Capital : RM731,398,126

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	365	9.98	14,766	-
100 – 1,000	1,383	37.81	700,551	0.10
1,001 – 10,000	1,265	34.58	5,513,874	0.75
10,001 – 100,000	503	13.75	16,093,338	2.19
100,001 to less than 5% of Issued Capital	137	3.74	388,928,931	52.84
5% and above of Issued Capital	5	0.14	324,733,628	44.12
<b>TOTAL</b>	<b>3,658</b>	<b>100.00</b>	<b>735,985,088</b>	<b>100.00</b>

### Top Thirty 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	72,295,038	9.82
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 Selangor Specialist Hospital Sdn Bhd	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	12,726,100	1.73
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
20	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	11,749,800	1.60
21	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.14
22	KPJ Healthcare University College Sdn Bhd	7,758,620	1.05
23	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (ASIANISLAMIC)	5,767,400	0.78
24	Kuantan Specialist Hospital Sdn Bhd	5,000,000	0.68
25	Citigroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (LIFE PAR FD)	4,513,894	0.61

## Analysis of Unitholdings

### Top Thirty Securities Account Holders (cont'd)

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

No.	Name	No. of Units	%
26	Kajang Specialist Hospital Sdn Bhd	4,487,000	0.61
27	AmanahRaya Trustees Berhad - A/C PB Smallcap Growth Fund	4,436,500	0.60
28	AmanahRaya Trustees Berhad - A/C Jeta Gardens (QLD) Pty Ltd	3,786,924	0.51
29	Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	0.48
30	CIMB Group Noms (T) Sdn Bhd - A/C Lembaga Tabung Haji	3,433,200	0.47

### Substantial Unitholders (5% and above)

No.	Name	Direct Interest		Deemed Interest	
		No. of Units	%	No. of Units	%
	Johor Corporation	-	-	269,248,302 <sup>1</sup>	36.58
	KPJ Healthcare Berhad	-	-	269,075,083 <sup>2</sup>	36.56
	Lembaga Tabung Haji	105,531,856	14.34	-	-
	Employees Provident Fund	78,062,438	10.61	-	-
	Kumpulan Wang Persaraan (Diperbadankan)	65,390,800	8.88	-	-
	Pusat Pakar Tawakal Sdn Bhd	54,648,534	7.43	-	-
	Amanah Saham Bumiputera	46,000,000	6.25	-	-

Notes:

<sup>1</sup> Deemed interested by virtue of its interest in KPJ Healthcare Berhad under Section 8 of the Companies Act 2016.

<sup>2</sup> Deemed interested by virtue of its interest as several unitholders of Al-Aqar are part of the KPJ Group of Companies.

### Unit Analysis as at 31 December 2020

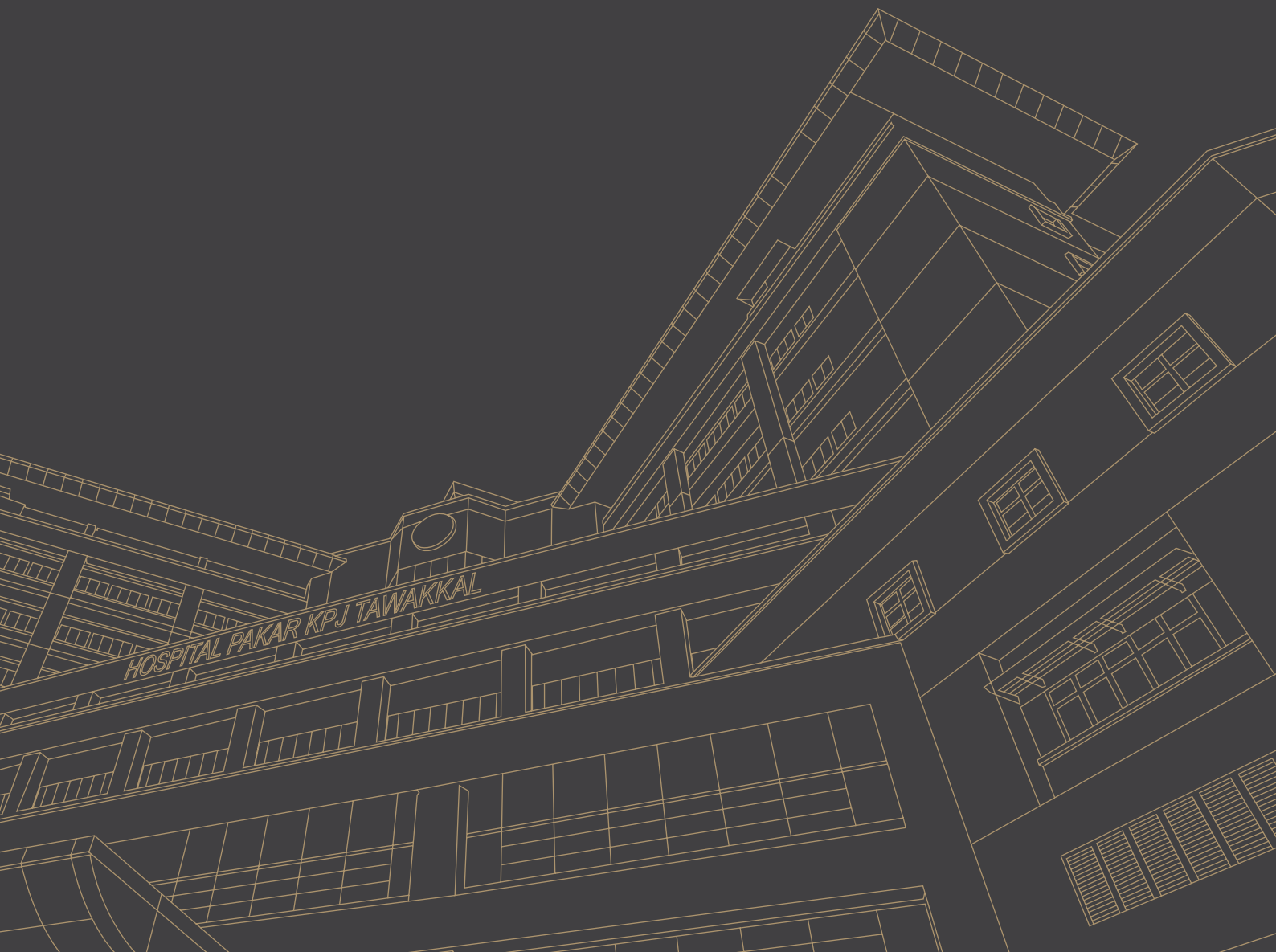
ROD	TOTAL		BUMIPUTRA		NON-BUMIPUTRA		FOREIGN	
	Holder	No. of Units	Holder	No. of Units	Holder	No. of Units	Holder	No. of Units
Government Bodies	3	2,627,800	3	2,627,800	-	-	-	-
Finance	23	280,171,382	23	280,171,382	-	-	-	-
Investment Trust	5	166,500	4	16,500	1	150,000	-	-
Nominees	850	156,035,911	664	12,720,538	155	140,608,238	31	2,707,135
Companies	77	269,604,728	54	268,902,148	23	702,580	-	-
Clubs/Association	1	895,400	1	895,400	-	-	-	-
Co-Operatives	6	580,250	4	500,650	2	79,600	-	-
Individuals	2,693	25,903,117	550	2,205,448	2,092	22,301,410	51	1,396,259
<b>Total</b>	<b>3,658</b>	<b>735,985,088</b>	<b>1,303</b>	<b>568,039,866</b>	<b>2,273</b>	<b>163,841,828</b>	<b>82</b>	<b>4,103,394</b>
<b>%</b>	<b>100.00</b>	<b>100.00</b>	<b>35.62</b>	<b>77.18</b>	<b>62.14</b>	<b>22.26</b>	<b>2.24</b>	<b>0.56</b>



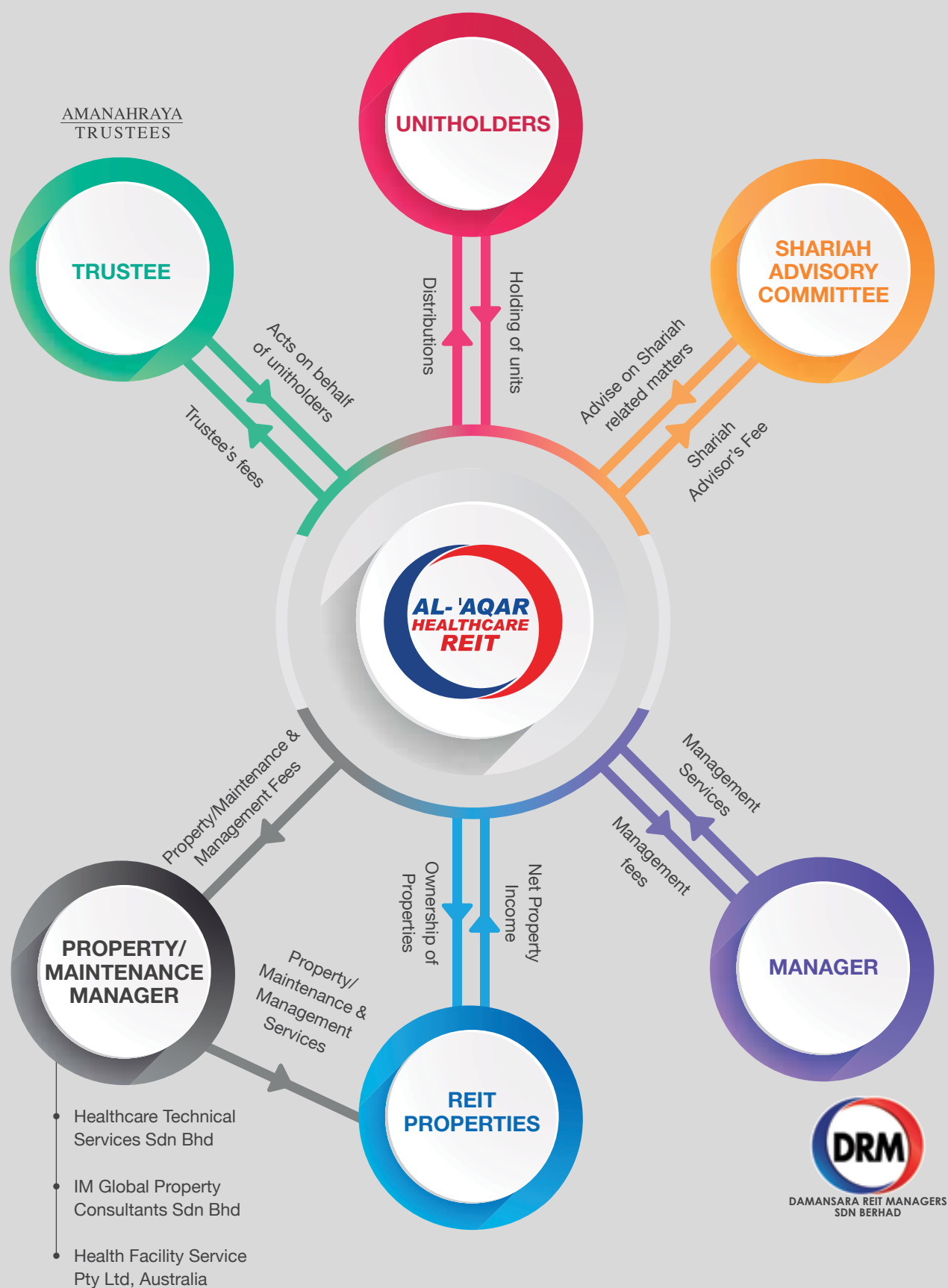
# The Driving Forces

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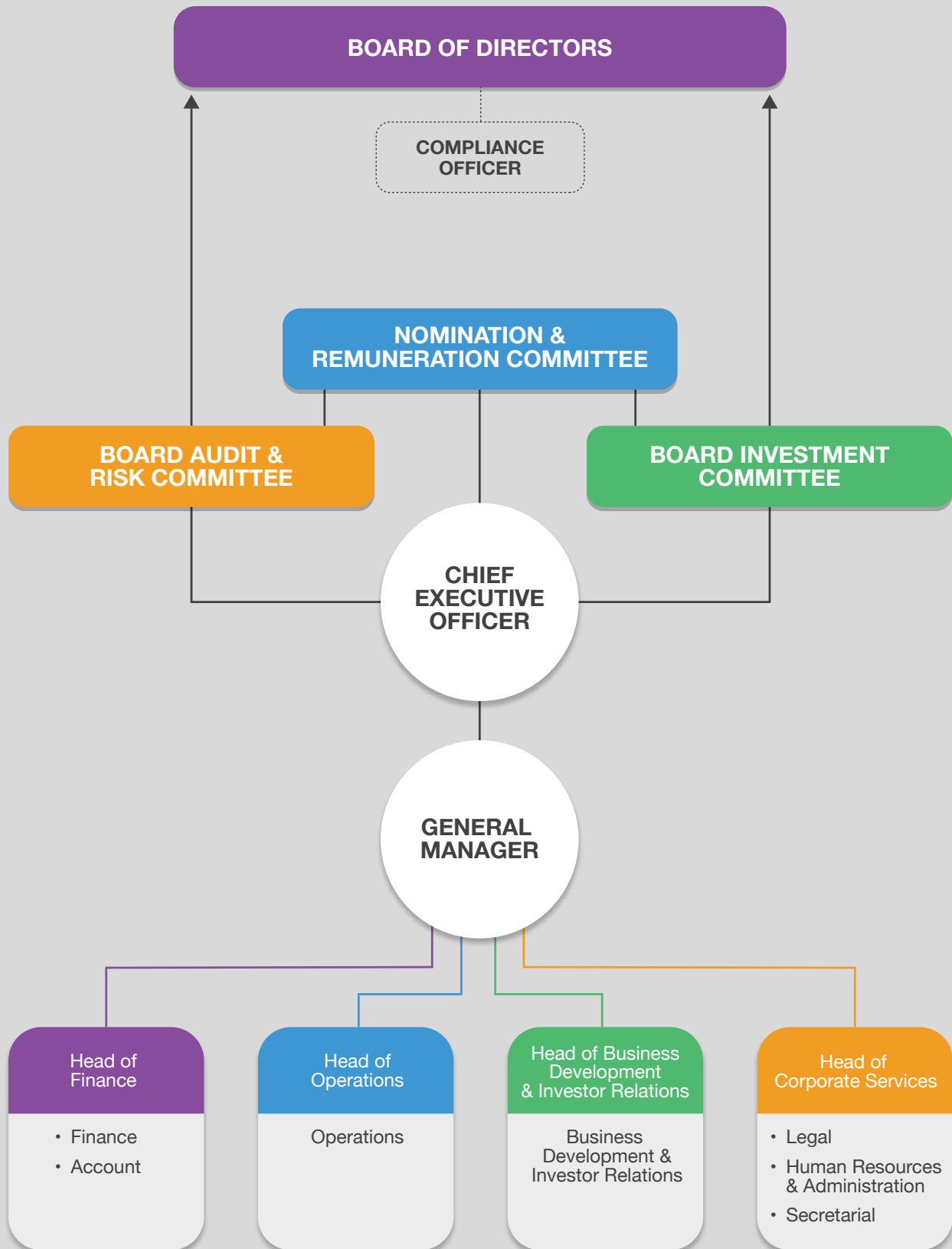
- 20 Trust Structure
- 21 Organisation Structure
- 22 The Board of Directors
- 29 The Shariah Advisory Committee
- 32 The Management Team



# Trust Structure



# Organisation Structure



# The Board of Directors



## DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

*Chairman, Independent Non-Executive Director*



Nationality:  
**Malaysian**



Age:  
**58**



Gender:  
**Male**

### Committee Member

Chairman, Nomination and Remuneration Committee

### Date of Appointment

14 February 2020

### Academic and Professional Qualifications

- **Bachelor of Science in Economic (Industry and Trade)**  
London School of Economic, University of London
- **Master of Science of Economics (International Banking and Finance)**  
University of Wales, Cardiff, United Kingdom
- **Member, Institute of Chartered Accountant**  
England and Wales (ICAEW)
- **Chartered Bankers**  
Asian Institute of Chartered Bankers

### Working Experience

#### Present Appointment

Nil

#### Past Experiences

1. Chief Financial Officer,  
Silterra Malaysia Berhad (2001)
2. Group Chief Executive Officer,  
Tradewinds Corporation Berhad (2005)

3. Group Chief Operating Officer,  
DRB-Hicom Berhad (2006)
4. Chief Executive Officer,  
Bank Muamalat Malaysia Berhad (2019)

### Other Directorship

#### 1. Listed Issuer

- Al-Salām Real Estate Investment Trust
- E.A. Technique (M) Berhad
- KPJ Healthcare Berhad

#### 2. Public Companies

Nil

#### 3. Others

Chairman,  
Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM)



## The Board of Directors



### WAN AZMAN BIN ISMAIL

Chief Executive Officer,  
Non-Independent Executive Director



Nationality:  
**Malaysian**



Age:  
**57**



Gender:  
**Male**

#### Committee Member

Nil

#### Date of Appointment

27 March 2017

#### Academic and Professional Qualifications

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

#### Working Experience

##### Present Appointment

Chief Executive Officer,  
Damansara REIT Managers Sdn Berhad

##### Past Experiences

1. Manager,  
Perwira Affin Merchant Bank Berhad (1996)
2. Senior Manager (Corporate Finance),  
BSN Merchant Bank Berhad (1999)

3. Senior Manager (Corporate Finance),  
Johor Corporation (2000)
4. General Manager,  
Damansara Realty Berhad (2011)
5. Executive Director,  
Damansara Realty Berhad (2013)
6. Managing Director,  
Damansara Realty Berhad (2014)
7. Vice President (Strategic Development Department),  
Johor Corporation (2017)

#### Other Directorship

##### 1. Listed Issuer

- Al-Salām Real Estate Investment Trust

##### 2. Public Companies

Nil

## The Board of Directors



### ZAINAH BINTI MUSTAFA

*Independent Non-Executive Director*



Nationality:  
**Malaysian**



Age:  
**66**



Gender:  
**Female**

#### Committee Member

1. Chairman, Board Audit & Risk Committee
2. Member, Board Investment Committee
3. Member, Nomination and Remuneration Committee

#### Date of Appointment

16 February 2007

#### Academic and Professional Qualifications

- **Fellow Member**  
Association of Chartered Certified Accountant

#### Working Experience

#### Present Appointment

Nil

#### Past Experiences

1. Assistant Senior Auditor,  
Perbadanan Nasional Berhad (1977)
2. Group Chief Financial Officer,  
Johor Corporation (2002)

#### Other Directorship

1. **Listed Issuer**
  - Al-Salām Real Estate Investment Trust
2. **Public Companies**  
Nil

## The Board of Directors



### DATO' WAN KAMARUZAMAN BIN WAN AHMAD

*Independent Non-Executive Director*



Nationality:  
**Malaysian**



Age:  
**61**



Gender:  
**Male**

#### Committee Member

1. Chairman, Board Investment Committee
2. Member, Board Audit & Risk Committee
3. Member, Nomination and Remuneration Committee

#### Date of Appointment

24 August 2020

#### Academic and Professional Qualifications

- **Bachelor of Economics (Analytical Economic) Hons**  
Universiti Malaya
- **Chartered Banker**  
Asian Institute of Chartered Banker

#### Working Experience

##### Present Appointment

Nil

##### Past Experiences

1. FX Trader/Chief Dealer/Treasury Manager, Treasury Dept.  
KL, London and Hamburg,  
Malayan Banking Berhad (1994)
2. Chief Executive Officer,  
Affin Moneybrokers Sdn Bhd (2003)

3. Chief Executive Officer,  
Affin Trust Management Bhd and  
Affin Fund Management Sdn Bhd (2005)
4. Finance Director,  
Izoma Sdn Bhd and  
Kemuncak Facilities Management Sdn Bhd (2007)
5. General Manager, Treasury Department,  
Employees Provident Fund (2013)
6. Chief Executive Officer,  
Kumpulan Wang Persaraan (Diperbadankan) (2018)

#### Other Directorship

##### 1. Listed Issuer

- Al-Salām Real Estate Investment Trust

##### 2. Public Companies

Nil

##### 3. Others

- EPF Investment Panel
- Minority Shareholder Watchdog Group (MSWG)
- Malaysia Convention & Exhibition Bureau (MyCEB)
- Bond Information Exchange

## The Board of Directors

**DATUK Sr AKMAL BIN AHMAD***Non-Independent Non-Executive Director*Nationality:  
**Malaysian**Age:  
**55**Gender:  
**Male****Committee Member**

Nil

**Date of Appointment**

21 January 2021

**Academic and Professional Qualifications**

- **Diploma in Quantity Surveying**  
Universiti Teknologi MARA
- **Bachelor of Science in Quantity Surveying**  
Universiti Teknologi MARA

**Working Experience****Present Appointment**

1. Director, Real Estate and Infrastructure Division, Johor Corporation
2. Group Managing Director, Johor Land Berhad

**Past Experiences**

1. Assistant Quantity Surveyor, Yong & Mohd Faiz Sdn Bhd (1989)
2. Technical Services Executive, Island & Peninsular Berhad (1993)
3. Contract Management Executive, KLCC Projek Sdn Bhd (1993)

4. Project Manager, (Petronas Twin Towers Fit-Out) KLCC Projek Sdn Bhd (1999)
5. Project Manager, (University Technology of Petronas Development) KLCC Projek Sdn Bhd (2003)
6. Project Manager 1, (Prince Court Medical Centre Project) KLCC Projek Sdn Bhd (2007)
7. General Manager, Nusajaya Development Sdn Bhd (UEM Land Berhad subsidiary) (2007)
8. Director of Operations, Iskandar Development Management Services Sdn Bhd (2013)
9. Chief Development Officer, Iskandar Investment Berhad (2016)
10. Chief Executive Officer, Iskandar Development Management Services Sdn Bhd (IIB subsidiary) (2018)
11. Chief Operating Officer, Iskandar Investment Berhad (2020)

**Other Directorship****1. Listed Issuer**

- Al-Salām Real Estate Investment Trust

**2. Public Companies**

Nil



## The Board of Directors



### SHAMSUL ANUAR BIN ABDUL MAJID

*Non-Independent Non-Executive Director*



Nationality:  
**Malaysian**



Age:  
**49**



Gender:  
**Male**

#### Committee Member

Member, Board Investment Committee

#### Date of Appointment

24 August 2020

#### Academic and Professional Qualifications

- **A-Levels, Chemistry, Biology, Physics**  
Epsom College, Surrey, England
- **Bachelor of Science (Honours), Chemistry**  
Imperial College London, England
- **Master of Business Administration (MBA)**  
**Islamic Finance**  
International Islamic University Malaysia
- **Member, Chartered Financial Analyst (CFA)**  
CFA Institute, Charlottesville, Virginia, USA

#### Working Experience

##### Present Appointment

Chief Investment Officer, Johor Corporation

##### Past Experiences

1. Planning Analyst,  
Downstream Economics Planning Department,  
Shell Malaysia (1999)
2. Energy Sector Specialist,  
The Boston Consulting Group (2001)

3. Vice President, Finance and Special Projects,  
Grenland Malaysia (2007)
4. Executive Vice President, Strategy & Feasibility,  
Iskandar Investment Berhad (2011)
5. Special Officer to the Managing Director,  
Iskandar Waterfront Holdings (2014)
6. Director and Principal Partner,  
Fikiran Sepakat Sdn Bhd (2017)
7. General Manager,  
Johor Corporation (2019)

#### Other Directorship

##### 1. Listed Issuer

- Al-Salām Real Estate Investment Trust
- KPJ Healthcare Berhad

##### 2. Public Companies

Nil

## The Board of Directors

**MOHD YUSOF BIN AHMAD***Non-Independent Non-Executive Director*Nationality:  
**Malaysian**Age:  
**52**Gender:  
**Male****Committee Member**

Member, Board Audit and Risk Committee

**Date of Appointment**

30 January 2014

**Academic and Professional Qualifications**

- **Bachelor of Science Surveying (Property Management)**  
Universiti Teknologi Malaysia

**Working Experience****Present Appointment**

Executive Director, Johor Land Berhad

**Past Experiences**

1. Executive,  
Johor Land Berhad (1995)
2. Valuation Executive,  
Johor Land Berhad (1996)

3. Senior Valuation Executive,  
Johor Land Berhad (2002)
4. Deputy Manager,  
Johor Land Berhad (2006)
5. Manager,  
Johor Land Berhad (2010)
6. Senior Manager,  
Johor Land Berhad (2012)
7. Deputy General Manager,  
Johor Land Berhad (2014)
8. General Manager of Special Projects  
(JB Urban Redevelopment), Johor Land (2015)
9. General Manager, Special Projects (Property Division),  
Johor Corporation (2015)

**Other Directorship****1. Listed Issuer**

- Al-Salām Real Estate Investment Trust

**2. Public Companies**

- Waqaf An-Nur Corporation Berhad

Notes - None of the Directors have:

- any family relationship with any Director of the Manager and/or major unitholder of Al-`Aqar;
- any conflict interest with Al-`Aqar;
- any conviction of interest within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2020.

# The Shariah Advisory Committee



## DATO' DR. HAJI NOOH BIN GADOT

*Chairman, Shariah Advisory Committee*



Nationality:  
**Malaysian**



Age:  
**75**



Gender:  
**Male**

### Appointment Date

22 June 2006

### Academic and Professional Qualifications

- **Bachelor Islamic Law and Syariah Islamiah**  
Al-Azhar University, Egypt
- **Master of Arts**  
Asia e University
- **Doctor of Philosophy (Human Development)**  
Universiti Tun Hussein Onn Malaysia

### Working Experience

Currently, he is an 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 were 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.

### Other Directorship

1. Chairman of Yayasan Infaq Angkasa
2. Shariah Adviser Member, Permodalan Nasional Berhad
3. Director, Universiti Tun Hussein Onn Malaysia
4. Director, Yayasan Wakaf Anak Yatim Malaysia
5. Committee Member, Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education
6. Committee Member of various companies within the JCorp Group
7. Committee Member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment, Planning and Development units

## The Shariah Advisory Committee



### PROFESOR MADYA DR. ABDUL HALIM BIN MUHAMMAD

*Member, Shariah Advisory Committee*



Nationality:  
**Malaysian**



Age:  
**76**



Gender:  
**Male**

#### Appointment Date

22 June 2006

#### Academic and Professional Qualifications

- **Bachelor in Shariah**  
Al-Azhar University, Egypt
- **Doctor of Philosophy (PhD) in Shariah**  
St. Andrews, University of Scotland

#### 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.

#### Other Directorship

1. Shariah Committee Member Terengganu Trust Fund
2. Trust Fund Amanah Saham Darul Iman
3. Kelantan Ulama Council



## The Shariah Advisory Committee



### About IBFIM

IBFIM is a lifelong learning institution for the Islamic financial services industry. IBFIM is also a registered Shariah adviser under the Capital Market Services Act 2007 and has been providing a wide range of Shariah advisory and consultancy services for Islamic financial services industry since 2001.

As Shariah Adviser to Al-`Aqar, IBFIM is providing necessary advice to ensure that Al-`Aqar business is Shariah compliant.

IBFIM was appointed as Shariah Adviser for Al-`Aqar effective 2 July 2020.

### Profile of Designated Person responsible for Shariah matters relating to Al-`Aqar

In relation to Shariah matters, the designated person responsible for the fund investment activities under Al-`Aqar is Muhammad Shahier Sa'min. He is currently the Head of Business Development, Business Advisory, IBFIM.

Muhammad Shahier started his career in IBFIM as Consultant (Shariah) in January 2015 and was a member of IBFIM Shariah Committee in 2015 – 2017. He later pursued his career as Senior Executive, Shariah Compliance at Malaysia Debt Ventures Berhad until June 2019. Afterwards, he was offered to join IBFIM again as the Head of Business Development until to date.

At IBFIM, he is responsible in providing input on the advisory, consultancy and research functions with regard to Islamic banking, takaful, Islamic capital market and Shariah-compliant unit trust funds. He is experienced in conversion of conventional product to Islamic as well as audit and review for financial institutions. He is also actively providing training for various inhouse training workshops organized by IBFIM.

Muhammad Shahier graduated with Bachelor of Shariah (Economics and Islamic Banking) (Hons) from Yarmouk University, Jordan. At present, he is pursuing Certified Professional Shariah Auditor (CPSA). He is registered with the Securities Commission Malaysia as IBFIM's designated person responsible for Shariah matters related to the Islamic funds management related activities.

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Notes - None of the Shariah Advisory Committee members have:

- any family relationship with any Director of the Manager and/or major unitholder of Al-`Aqar;
- any conflict interest with Al-`Aqar;
- any conviction of interest within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2020.

## Company Secretaries



**NURALIZA  
BINTI A. RAHMAN**  
(MA/CSA 7067934)



**ROHAYA  
BINTI JAAFAR**  
(LS0008376)

# The Management Team

## WAN AZMAN BIN ISMAIL

Chief Executive Officer, Non-Independent Executive Director

 Nationality: **Malaysian**
 Age: **57**
 Gender: **Male**
 Appointment Date: **27 March 2017**

For further information, please refer to the Board of Directors' profile.

## SHAHRLIL ZAIRIS BIN RAMLI

General Manager

 Nationality: **Malaysian**
 Age: **51**
 Gender: **Male**
 Appointment Date: **1 July 2012**

### Qualifications

- Diploma in Investment Analysis, Universiti Teknologi Mara
- Bachelor Banking and Finance, Bangor University, Wales, United Kingdom
- Capital Markets Services Representative Licence Holder

### Directorship

Nil

### Working Experience

- Officer, BSN Merchant Bank, 1999
- Manager, Damansara Realty Berhad, 2006
- Senior Manager, Johor Corporation, 2012

### Responsibilities

- Develop investment strategies and investment portfolio through strategic acquisitions
- Responsible to overall day to day management and operations of Al-Aqar

## ROZIAH BINTI ABU BAKAR

Head of Compliance and Risk Management

 Nationality: **Malaysian**
 Age: **53**
 Gender: **Female**
 Appointment Date: **1 March 2016**

### Qualifications

- Bachelor of Arts, International Relations, The University of British Columbia, Vancouver, Canada
- Masters in Business Administration, Henley Business School, University of Reading
- Enterprise Risk Advisor, Institute of Enterprise Risk Practitioners.

### Directorship

Nil

### Working Experience

- Executive, Corporate Office, Johor Corporation, 2004
- Senior Executive, Business Development Department, Johor Corporation, 2007
- Deputy Manager, Chief Operating Officer Office, Johor Corporation, 2010
- Manager, Akademi Johor Corporation, 2013
- Senior Manager, KFCH International College, 2016

### Responsibilities

- Ensure compliance with internal control policies and procedures, securities laws, regulations and relevant guidelines
- Detect and prevent breaches of securities laws, regulations and relevant guidelines and provide regular reports on the effectiveness of a business's compliance measure
- Review, monitors and oversees risk profiles (strategic & business, operational, finance, compliance and integrity risks) and their related mitigation programmes
- Plan, implements and oversees risk-related programmes
- Review internal audit reports and monitors the performance on internal auditors
- Ensure the development and implementation of the Business Continuity Management Plan
- Oversee the implementation of Sustainability programme

# The Management Team

## SUHAIMI BIN SAAD

Head of Operations


Nationality:  
**Malaysian**


Age:  
**51**


Gender:  
**Male**


Appointment Date:  
**1 July 2006**

### Qualifications

- Bachelor of Arts (Hons) in Urban Studies and Planning University of Malaya
- Capital Markets Services Representatives License Holder
- Registered Property Manager (The Board of Valuers, Appraisers, Estate Agents and Property Managers)

### Directorship

Nil

### Working Experience

- Project Admin Executive, Akitek Akiprima Sdn Bhd, 1997
- Admin Assistant, Dewina Food Industries Sdn Bhd, 2000
- Marketing Admin Coordinator, Dewina Trading Sdn Bhd, 2001
- Marketing Executive, Damansara-Harta Management Sdn Bhd, 2001
- Property Executive, Harta Consult Sdn Bhd, 2006

### Responsibilities

- Formulate strategies and business plans to ensure continuous asset enhancement initiatives are carried out to enhance property income and values in the long run
- Manage and supervise the services of relation to the Al-`Aqar's assets

## HAMIM BIN MOHAMAD

Head of Corporate Services


Nationality:  
**Malaysian**


Age:  
**44**


Gender:  
**Male**


Appointment Date:  
**16 July 2014**

### Qualifications

- Bachelor in Engineering, Universiti Kebangsaan Malaysia

### Directorship

Nil

### Working Experience

- Head of Legal, Damansara Realty Berhad, 2014

### Responsibilities

- Attend and manage all legal matters in relation to any issues and transactions involving Al-`Aqar and its assets
- Responsible for all matters in relation to human resources of the Manager
- Responsible for day-to-day administration, IT and support services of the Manager
- Attend and liaise with the company secretaries on any secretarial and company-related matters

## The Management Team

### MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

*Head of Finance*

 Nationality: **Malaysian**
 Age: **35**
 Gender: **Male**
 Appointment Date: **10 October 2011**

#### Qualifications

- Member, Malaysian Institute of Accountant
- Member, Association of Chartered Certified Accountants

#### Directorship

Nil

#### Working Experience

- Audit Assistant, KPMG Desa Megat & Co, 2008
- Assistant Manager, KPMG Desa Megat & Co, 2011

#### Responsibilities

- Responsible for the management of financial functions including monitoring of cash flow, monitoring and reporting financial performance as well as preparing relevant statutory report for the statutory requirement
- Overseeing implementation of Al-`Aqar short and medium business plans, cash and funding managements activities and financial condition
- Responsible in applying appropriate capital management strategy including tax and treasury matters, as well as finance and accounting matters

### SAHRIN BIN MUNIR

*Head of Business Development & Investor Relations*

 Nationality: **Malaysian**
 Age: **39**
 Gender: **Male**
 Appointment Date: **2 May 2013**

#### Qualifications

- Bachelor of Management (Technology), Universiti Teknologi Malaysia

#### Directorship

Nil

#### Working Experience

- Executive, Damansara Realty Berhad, 2008
- Investment Executive, Pembangunan Ekuiti Sdn Bhd, 2011
- Investment Officer, Felda, 2013

#### Responsibilities

- Develop investment strategies and the grow of the Fund's portfolio through strategic acquisitions
- Implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community

Notes - None of the Management and Key Personnel have:

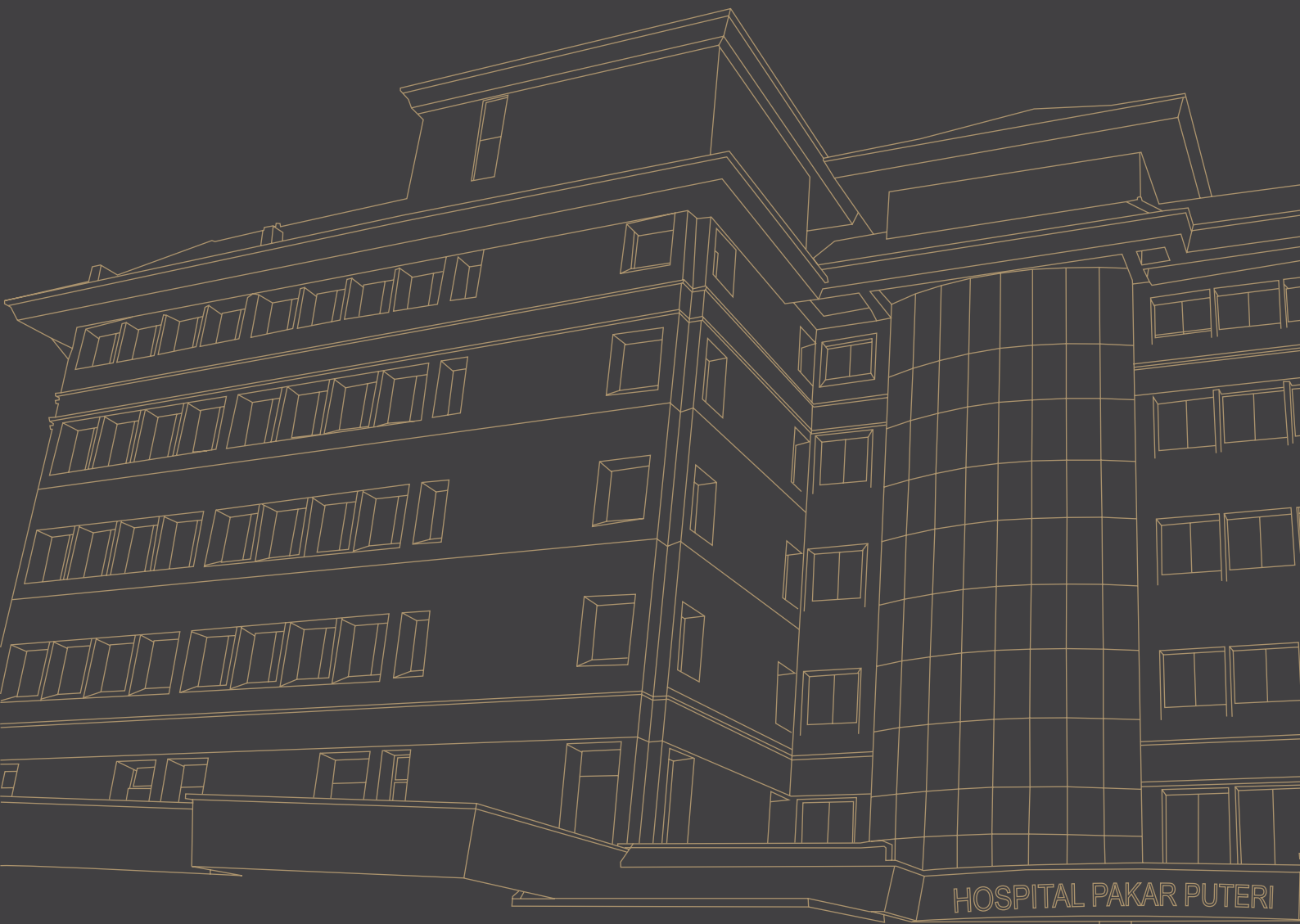
- any family relationship with any Director of the Manager and/or major unitholder of Al-`Aqar;
- any conflict of interest with Al-`Aqar;
- any convictions for offences within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2020.



# Strategic Performance

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# Management Discussion and Analysis

## FINANCIAL REVIEW

### Key Financials

	FY2019 (RM'000)	FY2020 (RM'000)	Growth (%)
<b>The Group:</b>			
-Gross revenue	106,110	115,710	9.0
-Net Property Income (NPI)	100,326	109,614	9.2
-Expenditure	39,623	51,379	29.7
-Profit for the year (realised)	63,409	56,984	(10.1)
-EPU (realised) (sen)	8.62	7.74	(10.2)
<b>The Fund:</b>			
-Income available for distribution	60,005	52,737	(12.1)
-DPU (sen)	7.75	6.81	(12.1)

### CONTRIBUTION BY SEGMENT

The Group's segmental reporting is based on its geographical location of customers and assets as follows:

- Malaysia
- Australia

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

### REVENUE CONTRIBUTION

	FY2019 RM'000	FY2020 RM'000
Malaysia	94,588	103,918
Australia	11,522	11,792

### NPI CONTRIBUTION

	FY2019 RM'000	FY2020 RM'000
Malaysia	88,942	97,974
Australia	11,383	11,640

### Malaysian Segment

The Malaysian segment, as the key contributor, contributed 89.8% (FY2019: 89.1%) in terms of revenue, an increase by 9.9% to RM103.9 million in FY2020 from RM94.6 million in FY2019. NPI contributed 89.4% (FY2019: 88.7%), increased 10.1% from RM88.9 million to RM98.0 million.

### Australian Segment

The Australian segment contributed 10.2% (FY2019: 10.9%) in terms of revenue, an increase by 2.3% to RM11.7 million in FY2020 from RM11.5 million in FY2019. NPI contribution increased 10.6% (FY2019: 11.3%), an increase of 2.2% from RM11.4 million to RM11.6 million.

### PROFIT FOR THE YEAR

Profit for the year was RM12.6 million (FY2019: RM76.2 million) comprising realised profit of RM57.0 million (FY2019: RM63.4 million) and unrealised loss of RM44.4 million (FY2019: unrealised gain of RM12.7 million).

Realised profit decreased 10.1% or RM6.4 million in FY2020 mainly due to COVID-19 rental support given to assist tenants during the year. The unrealised loss of RM44.4 million mainly related to fair value adjustment on the Australian property.

### INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2020 of the Fund was RM52.7 million. The Fund had distributed interim income distributions of 3.36 sen per unit amounting to approximately RM24.7 million for the period from 1 January to 30 June 2020.

On 26 January 2021, the Fund declared a final income distribution of 3.45 sen per unit totalling RM25.3 million for the period from 1 July 2020 to 31 December 2020. The said distribution was paid on 26 February 2021.

Total distribution per unit ("DPU") for FY2020 is 6.81 sen per unit totalling RM50.1 million, which represents 95% of the income available for distribution.

## Management Discussion and Analysis

### STATEMENT OF FINANCIAL POSITION

Al-`Aqar's total asset value decreased by RM26.4 million to RM1.65 billion for the current year. The decrease was mainly relating to fair value loss on investment properties. Al-`Aqar's borrowing increased minimally from RM683.4 million to RM683.6 million, resulting in a gearing ratio of 41.48% against the previous year-end of 40.82%.

### STATEMENT OF CASH FLOW FOR EACH ACTIVITY

#### Operating Activities

Net cash generated from operating activities was RM82.6 million in FY2020 which was lower than RM83.7 million in FY2019. The lower amount in FY2020 was mainly due to COVID-19 rental support.

#### Investing Activities

Al-`Aqar used RM2.4 million for enhancements of investment properties during the financial year and offset by income received on investment of RM1.0 million.

#### Financing Activities

Net cash used in financing activities was RM90.3 million, contributed by income distribution paid to unitholders of RM54.0 million, financing cost paid of RM35.1 million and increase in restricted cash of RM1.2 million partially offset by net proceeds from borrowing amounting of RM0.1 million.

Cash and bank balances stood at RM61.1 million as of 31 December 2020, lower by RM6.3 million from RM67.5 million (FY2019).

### PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK	FY2019	FY2020	COMMENTARY
Management expense ratio (%)	0.25	0.32	Management expenses ratio increase by 28% mainly due to increase in managers' fee and trustee fee.
Total return (%)	6.63	4.44	Total return for the financial year was 4.44% due to lower distribution yield.
Average annual total return (5 years) (%)	4.90	4.41	The 5-year average annual total return decreased due to negative return achieved in FY2017 and FY2018.
Average annual total return (3 years) (%)	0.19	2.80	The 3-year average annual total return increased due to positive return achieved in FY2019 and FY2020.
Distribution yield (%)	5.87	5.20	Distribution yield has decreased from 5.87% to 5.20% due to decrease in DPU.
NAV per unit	1.3024	1.2819	NAV per unit recorded a decrease of 1.5% due to the total comprehensive income recorded for the year 2020 (RM24.6 million) and payment of final income distribution FY2019 (RM14.9 million) and interim income distributions FY2020 (RM24.7 million).
Notes:			
i. The ratio of expenses incurred in operating Al-`Aqar of RM3.1 million (FY2019: RM2.4 million) to the weighted average NAV of Al-`Aqar of RM964.0 million (FY2019: RM944.6 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. Based on DPU of 6.81 sen (FY2019: DPU of 7.75 sen) divided by its closing price as at 31 December 2020 of RM1.31 (31 December 2019: RM1.32).			
v. 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.			

## Management Discussion and Analysis

### FAIR VALUE OF PORTFOLIO PROPERTIES

As at the reporting date, the fair value of Al-Aqar Group's portfolio properties are as follows:

	2019 RM'000	2020 RM'000
<b>Investment properties</b>		
At 1 January	1,485,727	1,569,814
Addition	78,000	-
Enhancements	1,262	2,400
Effect of foreign currency exchange differences	(8,248)	10,059
Gain/(Loss) on fair value of investment properties	13,073	(47,772)
At 31 December	1,569,814	1,534,501
	2019 Fair Value RM '000	2020 Fair Value RM '000
<b>Properties</b>		
<b>Malaysia</b>		
KPJ Ampang Puteri Specialist Hospital	137,000	137,000
KPJ Damansara Specialist Hospital	135,000	135,000
KPJ Johor Specialist Hospital	122,000	122,000
KPJ Selangor Specialist Hospital	83,000	82,000
KPJ Puteri Specialist Hospital	42,000	42,000
KPJ Ipoh Specialist Hospital	76,300	77,000
KPJ Perdana Specialist Hospital	45,500	42,120
Kuantan Care & Wellness Centre	20,500	20,400
KPJ Kajang Specialist Hospital	50,600	51,900
Kedah Medical Centre	53,000	52,000
KPJ Sentosa KL Specialist Hospital	30,000	30,500
KPJ Seremban Specialist Hospital	69,600	69,200
Taiping Medical Centre	10,000	10,000
KPJ Healthcare University College, Nilai	105,900	106,500
KPJ Tawakkal Specialist Hospital	138,700	139,800
Damai Care & Wellness Centre	15,000	14,100
Tawakkal Health Centre	48,400	48,800
KPJ International College, Penang	16,300	15,400
KPJ Penang Specialist Hospital	64,000	64,000
Kluang Utama Specialist Hospital	5,000	4,700
KPJ Klang Specialist Hospital	103,600	104,800
KPJ Batu Pahat Specialist Hospital	78,000	80,000
	1,449,400	1,449,220
<b>Australia</b>		
Jeta Gardens Aged Care and Retirement Village*	120,414	88,125
<b>TOTAL PORTFOLIO – based on valuation report</b>	<b>1,569,814</b>	<b>1,537,345</b>
Less: Unbilled rental income	-	(2,844)
Total portfolio properties as at 31 December	1,569,814	1,534,501

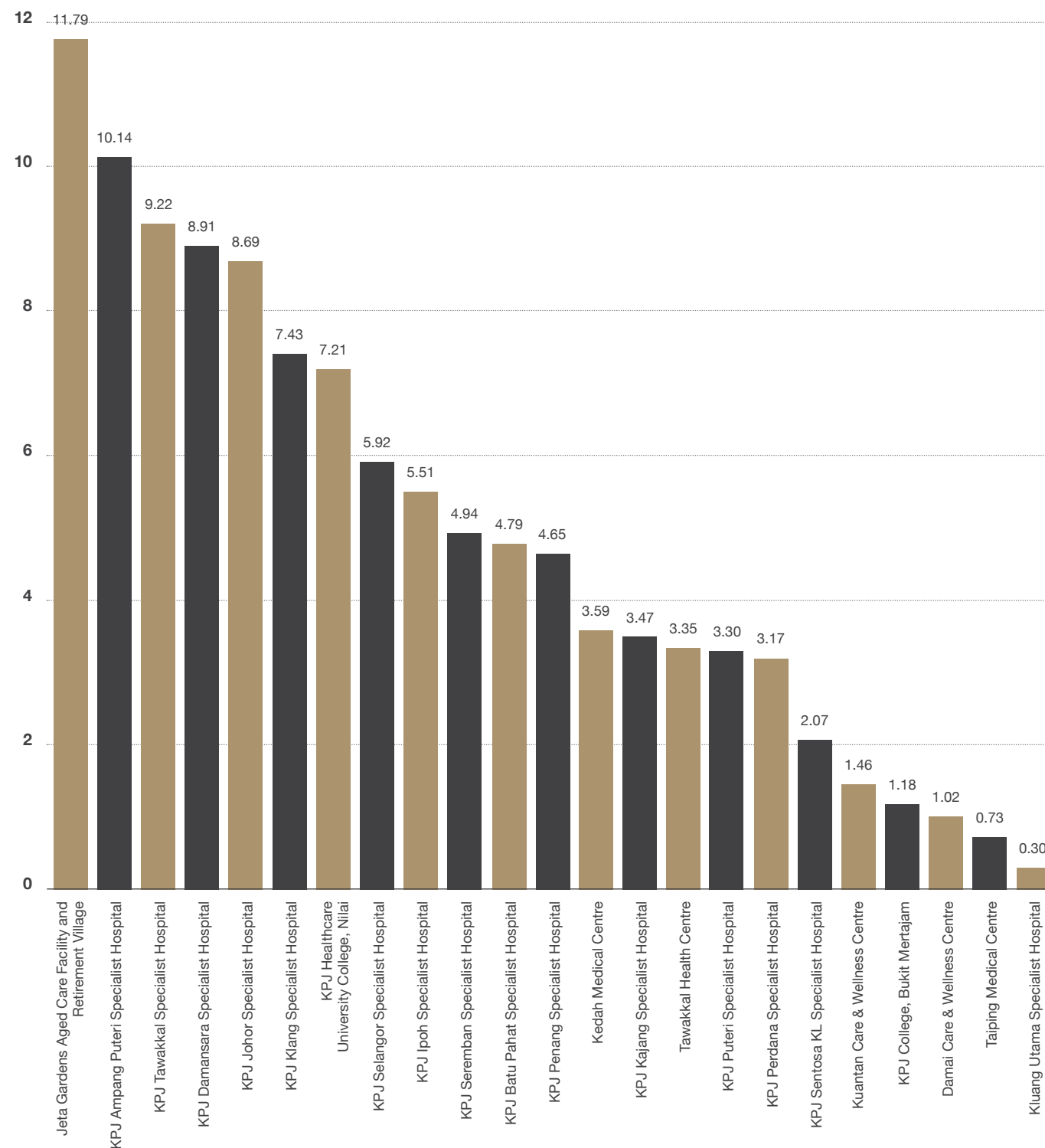
\* The property was valued and translated using the exchange rate at the date of valuation.

## Management Discussion and Analysis

### ANNUAL LEASE CONTRIBUTION

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

RM 'Million





## Management Discussion and Analysis

### OPERATIONAL REVIEW

The impact of the COVID-19 outbreak in March 2020 has impacted the business performance of KPJ Group. Thus, Al-Aqar has provided a rental rebate based on the actual performance of each property and tenants with a certain capping during the period. However, Al-Aqar is optimistic that these events will not have a long-term adverse effect on the fund as these events are one-off in nature and furthermore, the Fund's earnings are sturdily underpinned by the long-term lease arrangements with the KPJ Group. In addition, expiring long-term leases are anticipated to be renewed in the second quarter of 2021.

Currently, the economy is still in the early stages of adapting to the changes resulting from the coronavirus, and many developments will continue to evolve in the months and years ahead. Some recent developments are workarounds that may not be entirely satisfactory but can protect against the viruses while the risk of infection is high. These changes may eventually fade, as behaviour returns to pre-pandemic patterns after vaccines or other public health measures suppress the virus. Other changes in behaviour, however, may that persist and may continue to evolve. There is considerable uncertainty today, of course, about which developments will be transitory and permanent.

However, in the long run, the Manager believes the increased healthcare awareness arising from the outbreak should be positive for the healthcare sector.

#### ASSET ENHANCEMENT INITIATIVES

The Group strategy is to enhance its initiatives in optimising the value of the stakeholders. This is achieved via asset enhancement strategy. We always put efforts on upgrading our performance in properties and services to their full potential and this milestone has increase investors' confidence in our portfolio.

This is evidenced by the efforts of the Manager in implementing asset initiatives worth up to RM1.45 million in FY2020.

Category	Amount (RM)
Completed	
- Civil and structural	198,280
- Mechanical & Electrical	925,118
- Repainting	322,000
Sub Total	1,445,398
Ongoing	
- Repainting	160,195
- Civil and structural	NIL
- Mechanical & Electrical	1,026,340
- Expansion	3,307,200
Sub Total	4,493,735
<b>TOTAL</b>	<b>5,939,133</b>

#### 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 terms of 3 years which shall be renewed upon expiry of each rental term.

The first six KPJ properties' long-term leases, namely KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist

Hospital, KPJ Selangor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ Ipoh Specialist Hospital with total value of RM595 million will be expired on 29 June 2021. Despite the COVID-19 outbreak, the expiring long-term leases of the properties are anticipated to be renewed in the second quarter of 2021.

The lessees of the rest of the properties have continuously committed to their rental obligations.

#### RENTAL REVIEW

Al-Aqar's rental review is as follows:

Year	No. of Properties	% of Total Properties
FY2021	15	65.2
FY2022	1	4.3
FY2023	6	26.2
FY2025	1	4.3

#### BUSINESS REVIEW

For the year under review, Al-Aqar registered an increase of 9% in revenue from RM106.1 million in FY2019 to RM115.7 million in FY2020. The moderate growth has been contributed by an annual increment and additional rental from KPJ Batu Pahat Specialist Hospital.

## Management Discussion and Analysis

The 2020 original plan of business transformation together with the diversification of assets portfolio throughout healthcare chain or industry and diversification of tenants has been postponed to the year 2021. This includes the diversification of assets class for primary care, tertiary care, non-medical institute and non-medical supplier with both KPJ Group and other third parties.

In future, Al-Aqar will be focusing more on digital transformation especially in the administration and operation matter related to the business growth. New business model and package will be offered to both existing and future tenants. This includes the flexibility in rental arrangement in customising to the needs and requirement of the tenants. There will also be repositioning and divestment of existing potential underperformed and underutilized assets as part of the business goal.

### Challenges

The year 2020 is a challenging year for Al-Aqar as numerous pitfalls are inflicting the Group business growth caused by the outbreak of COVID-19. Al-Aqar is facing the common types of pitfalls as literally the world is experiencing during this pandemic. Those pitfalls are divided into three aspects which include political, economy and social aspects. The below paragraph highlighted those challenges for the Fund and the response by the Management to address those challenges.

#### *Declining in Private Healthcare Business Operation*

Private hospital may be requested by the Government to take up the shortage of beds as a result of the sudden surge of patients in Government hospital during this pandemic outbreak. Thus, there will be a potential collaboration and partnership between the public and private sectors to overcome the shortcomings. However, the private hospital may encounter potential insufficient healthcare facilities if not well equipped at all times, as substantial

cost will need to incur to adopt those facilities.

As a result of the lockdown implemented by the Government to contain the spread of the virus, the main sponsor of the Fund, KPJ Group has reported a decline in their business activities. This was evidenced by lower patient episodes and lower daily Bed Occupancy Rate ("BOR") started from March until May 2020. Therefore, as part of the long-term business sustainability plan, Al-Aqar has committed to a rental support programme to its affected tenants in the form of rental rebate. The rebate is determined based on actual performance of each properties or tenants with a certain capping and the post MCO impact has been seen starting 10 June 2020, through an implementation of RMCO.

#### *Interest Rate Movement - Overnight Policy Rate ("OPR") Cut*

Under the economy pitfalls, the current low interest rate regime will persist in view of the depressed economic growth in the next two years. OPR cut provide an opportunity to the tenant to consider other options in renewing existing properties and potential future injection of properties into Al-Aqar. Al-Aqar have adopted effective capital management approach, to counter the risk if the interest rate rises to pre-covid levels.

#### *Technology Trends in Healthcare*

The amalgamation of the healthcare industry over the past several years has resulted in more complex back end technology and systems as networks had become complicated and in great volumes. The main challenges in adopting technological innovations in the healthcare sector lie in cost and the ability of such innovations to meet users' needs. The hit of the recent pandemic has also changed the health care industry into virtual communication platform as patient preferred to obtain consultation virtually and delayed appointment to hospitals. Thus, the main sponsor of the Fund, KPJ Group may experience lower

patient episodes and lower daily BOR. In the long term, this may affect the rental arrangement between the Fund and tenant.

#### *Uncertainties in Australia's Aged Care Industry*

The announcement by Australian Prime Minister Scott Morrison on 16 September 2019 regarding the establishment of Australia Royal Commission into the residential aged care sector, has created an increased level of uncertainty in the aged care industry. An announcement released in September 2020 by Royal Commission has emphasized on the home care over residential care. In addition to the Federal Government has announced \$70 million in extra funding for people moving out from aged care home into family homes during the pandemic. This has increased uncertainty in the aged care industry. The current situation has impacted the financial performance of Jeta Gardens as there is a drop of occupancy level with the fear of higher pandemic risk in aged care facilities.

### Prospect

Despite adversity during the COVID-19 pandemic, Al-Aqar is optimistic with regards to its future. The healthcare industry will continue to face high demand market as the Malaysian population becomes larger, older and educated. The availability of COVID-19 vaccines starting in the first quarter of 2021 is an extra stimulus for tenant's business as business will continue with minimum disruption in the coming years.

Over the near term, the low OPR cutting provides lower refinancing risks and the Manager is taking an advantage of current accommodative interest environment to lengthen the debt tenures, refinance loan ahead of maturities and to establish new loan facilities for future drawdown.

Al-Aqar also expects its earnings to improve in 2021 as more patients will return, especially the foreign patients

## Management Discussion and Analysis

when the borders reopen. On top of the recovery, the tenant would also see incremental earnings from the hospitals that are at a gestation period.

The COVID-19 is an unprecedented pandemic all across the world. However, the upside of this pandemic outbreak had increased public healthcare awareness and further promotes the need for primary and elderly care. Strong primary health care holds the continuity of health care for these groups and others. This

is aligned with the direction of the fund which is looking into expanding into primary and elderly care properties.

Furthermore, Al-`Aqar's expansion plan will not only covers the local market, but also for an international market through direct engagement with the asset owner or third-party arrangement for the recovery of the business performance.

On the Australia aged care market, the Royal Commission has reviewed the

overall aged care industry practices and has recommended improvements to the services. The Royal Commission has delivered its final report on 26 February 2021 to the Governor-General and will be available to the public once the report is tabled in the Parliament. In the meantime, Al-`Aqar is in the midst of undertaking a comprehensive corporate restructuring including a divestment strategy to cater for the increased uncertainty faced by the Australian aged care industry.

## CAPITAL REVIEW

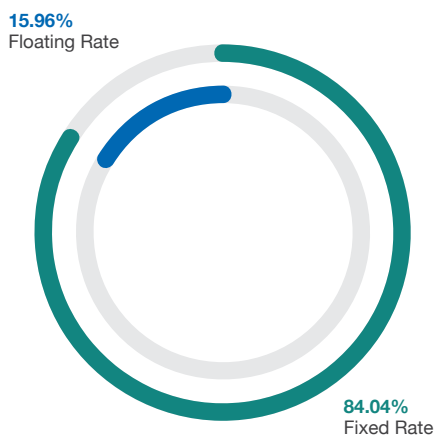
### GEARING RATIOS

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:

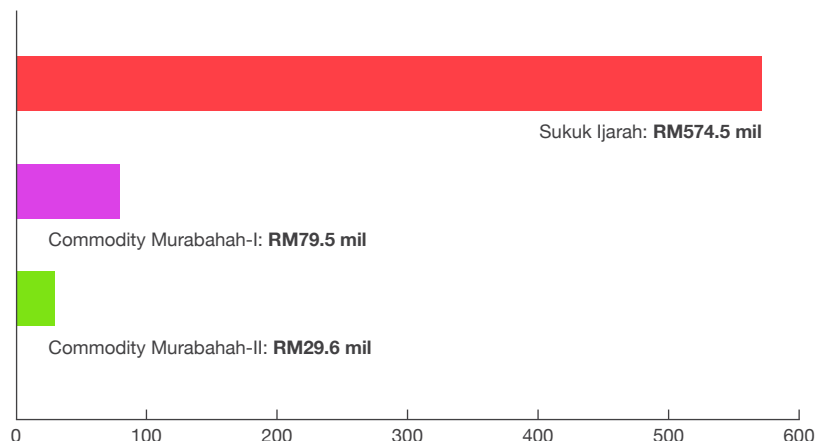
	2019	2020
Total borrowings (RM'mil)	683.4	683.6
Total assets value (RM'mil)	1,674.4	1,648.0
Total borrowings to total asset value ratio (%)	40.82	41.48

As at 31 December 2020, Al-`Aqar's outstanding borrowings was RM683.60 million, an increase of 0.03%.

### Fixed Rate VS Floating Rate Ratio



### Debt Maturity Profile (RM'mil)



## Management Discussion and Analysis

Al-Aqar's profit rate risk is relatively low, as 84.04% of its borrowings are on fixed rate. The fixed rate borrowing mirror to the fixed lease arrangement. The exposure of floating rate borrowings only represents 15.96% of the total borrowing. Due to the nature of the borrowings, there is an exposure to interest rate risk. The recent OPR cutting provide lower refinancing risks that benefitted Al-Aqar.

### ISLAMIC FINANCING: SUKUK IJARAH

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 up to RM1.0 billion in nominal value in FY2013.

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 years compared to 5 years 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 a fixed rate basis thus protecting 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 Issue 2 under the above sukuk programme will be due in the second quarter of 2021 and the Manager is in the midst of undertaking steps to refinance the said issuance.

### ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-I

On 27 December 2019, Al-Aqar obtained a floating rate borrowing facility ("Commodity Murabahah-I") amounting to RM80.0 million to finance the acquisition of KPJ Batu Pahat Specialist Hospital with purchase consideration of RM78.0 million and to pay related cost and expenses during the acquisition. The Commodity Murabahah-I 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-I bears an effective profit rate of 1.25% per annum, above the bank's Cost of Funds ("COF"). The average effective profit rate for the Commodity Murabahah during the year was 3.74%.

### ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-II

On 30 November 2020, Al-Aqar obtained floating rate borrowing facility ("Commodity Murabahah-II") amounting to RM29.9 million to refinance the Ambank's facility. The Commodity Murabahah-II 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-II bears an effective profit rate of 1.25% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Commodity Murabahah-II during the year was 3.35%.

## Management Discussion and Analysis

### RISK MANAGEMENT

The Management consistently identified anticipated or known risks that the group is exposed to which may have a material effect on the group's operations, performance, financial condition, and liquidity and a discussion of the plans or strategies to mitigate such risks.

The assessment and discussion of the risks involved outsourced functions which constitute an integral part of risk profiles of the Fund. This include:

- a) performing due diligence on the nature, scope and complexity of the outsourcing to identify key risk areas and risk mitigation strategies;
- b) conducting a review of its outsourcing arrangement and identifying new risks which may arise; and
- c) 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.

### ANTICIPATED AND KNOWN RISK PROFILES

Focus Areas	Disclosures
<b>Investment Risk</b>	
<p>Six hospitals/properties lease agreement will be expired in June 2021. The hospitals have an option of not to renew the lease agreements upon the expiry of the agreements.</p> <p>Termination or non-renewal of tenancy by the lessees will negatively impact the performance of the properties.</p>	<p>The target properties are:</p> <ol style="list-style-type: none"> <li>i. KPJ Damansara Specialist Hospital</li> <li>ii. KPJ Ampang Puteri Specialist Hospital</li> <li>iii. KPJ Selangor Specialist Hospital</li> <li>iv. KPJ Ipoh Specialist Hospital</li> <li>v. KPJ Johor Specialist Hospital</li> <li>vi. KPJ Puteri Specialist Hospital</li> </ol> <p>KPJ has issued a letter dated 28 September 2020 stating its intention to renew the lease agreements involving the six (6) hospitals mentioned above.</p> <p>Discussions and negotiations have been carried out with the lessees on the terms of the renewal lease agreement.</p>
<b>Business/Market Risk</b>	
<p>The risk that the properties face a decline in revenue due to poor market condition, competition, geographical concentration, change in government regulations following a disease outbreak.</p>	<p>Given the established healthcare business of the tenants, the Manager is of the view that Al-`Aqar is not highly susceptible to the business and market risks.</p> <p>However, the recent outbreak of COVID-19 has imposed a substantial impact on the market condition and business performance of the healthcare sector, of which certain business activities (medical operations) are put on hold to contain the spread of the disease.</p> <p>Following the approved rental rebate granted to lessees in March to August 2020, there was a slight reduction in rental income in 2020.</p> <p>The risk of reduced rental income has eased in the fourth quarter of 2020. Moving forward, the Manager will continue to monitor the performance of the lessees.</p>



# Management Discussion and Analysis

Focus Areas	Disclosures
<b>Tenant Concentration Risk</b>	
<p>The main revenue stream of Al-`Aqar is predominantly from a single tenant namely the KPJ Group.</p> <p>The upside of this lease arrangement is a stable rental income to the Fund, whilst maintaining minimum administrative cost.</p> <p>However, should the lessee/business operator fails to sustain financially, the Fund faces the risk of loss in rental income.</p>	<p>The Manager has proposed three mitigation plans should the single tenant decides to cease operation or discontinue its lease agreement.</p> <ul style="list-style-type: none"> <li>• Source in a replacement lessee or healthcare operator</li> <li>• Re-purpose the building</li> <li>• Divest/dispose the property to third party</li> </ul> <p>The decision for the above will depend on the risk assessments of each course of action.</p>
<b>Cyber Security Risks</b>	
<p>Cyber security breaches, for example, can damage a company's reputation, which is difficult to insure against.</p>	<p>Penetration test and IT risk assessment exercise has kicked-off in February 2021 and is expected to be completed in mid-March 2021. The exercise is aimed at ensuring that the cybersecurity and BCM Framework are robust and in place.</p> <p>Disaster Recovery Plan is carried out at least annually. The results are tabled to the Board.</p>
<b>Human Capital Risk</b>	
<p>Succession risk refers to the fact that a critical role will become vacant and cannot be filled satisfactorily, thus poses an unacceptable impact on the organisation.</p> <p>Strategic implementation of activities and processes designed to decrease the likelihood of lengthy vacancies in critical roles, and limiting the impact of vacancies in critical roles when they do occur is critical.</p>	<p>A comprehensive programme to develop Succession Framework will be developed. This will involve, among others:</p> <ol style="list-style-type: none"> <li>talent development programme             <ul style="list-style-type: none"> <li>- target participants</li> <li>- program design</li> <li>- roles and responsibilities</li> <li>- nomination process</li> <li>- assessment and selection process</li> <li>- evaluation of participants and program effectiveness</li> </ul> </li> <li>Role on-boarding</li> <li>Retention management</li> <li>Capturing and sharing tacit knowledge</li> <li>Performance Management</li> </ol>

# Market Report Summary

## 1. Global Economy

### GLOBAL GROWTH SET TO STRENGTHEN IN THE SECOND HALF OF 2021.

**Global Growth.** After an estimated 3.5% contraction in 2020, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The estimate for 2020 is 0.9 percentage point higher than projected in the October WEO forecast. This reflects the stronger-than-expected recovery on average across regions in the second half of the year. The 2021 growth forecast is revised up 0.3 percentage point, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. The upgrade is particularly large for the advanced economy group, reflecting additional fiscal support—mostly in the United States and Japan—together with expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group.

2020 is 0.9 percentage point higher than projected in the October WEO forecast

**Global Trade.** Consistent with recovery in global activity, global trade volumes are forecast to grow about 8% in 2021, before moderating to 6% in 2022. Services trade is expected to recover more slowly than merchandise volumes, however, which is consistent with subdued cross-border tourism and business travel until transmission declines everywhere.

Global trade volumes are forecast to grow about 8% in 2021

**Inflation.** Even with the anticipated recovery in 2021–22, output gaps are not expected to close until after 2022. Consistent with persistent negative output gaps, inflation is expected to remain subdued during 2021–22. In advanced economies it is projected to remain generally below central bank targets at 1.5%. Among emerging market and developing economies, inflation is projected just over 4%, which is lower than the historical average of the group.

**Risk to the outlook.** Exceptional uncertainty surrounds the baseline projection. Although new restrictions following the surge in infections (particularly in Europe) suggest growth could be weaker than projected in early 2021, other factors pull the distribution of risks in the opposite direction. Beyond the pandemic, the December agreement on the terms of the United Kingdom's exit from the European Union has eliminated a key downside risk (i.e., a “no-deal Brexit”). On the upside, further favourable news on vaccine manufacture (including on those under development in emerging market economies), distribution, and effectiveness of therapies could increase expectations of a faster end to the pandemic than assumed in the baseline, boosting confidence among firms and households. On the downside, growth could turn out weaker than in the baseline if the virus surge (including from new variants) proves difficult to contain, infections and deaths mount rapidly before vaccines are widely available, and voluntary distancing or lockdowns prove stronger than anticipated.



## Market Report Summary

### 2. Malaysian Economy

**INITIAL ECONOMIC RECOVERY IN MALAYSIA IS ENCOURAGING, BUT UNLIKELY TO RETURN TO PRE-PANDEMIC LEVELS UNTIL AT LEAST 2022. POTENTIAL GOVERNMENT SUPPORT COULD COME VIA A FISCAL EXPANSIONARY APPROACH TARGETING THE SECTORS MOST AFFECTED BY COVID-19.**

**Although domestic economic recovery is underway, it may be uneven across sectors.** Malaysia's GDP is expected to expand to 6.0% in 2021 after an expected contraction of 5.5% in 2020. It is also expected to benefit from the 12th Malaysia Plan (12MP) in January 2021, where the government will likely announce more investor-friendly measures. These could potentially attract more foreign direct investments to further boost the economy. Key downside risks for the country include it being tied to the global economic recovery pace, the containment of COVID-19 infections and domestic political uncertainties. Moreover, Malaysia has repositioned itself as a manufacturing hub in a bid to be a key player in the global supply chain; it wants to grab a share of the reshoring of manufacturing away from China. We expect inflation to rise from -1.0% in 2020 to 2.1% in 2021, as the domestic

economy recovers, and commodity prices stabilise. The MYR is expected to strengthen further to 3.95 against the USD by Q3 2021, whilst BNM is expected to keep its OPR unchanged at 1.75% until Q4 2021.

**Expect inflation to rise from -1.0% in 2020 to 2.1% in 2021**

**BANK NEGARA MALAYSIA (BNM) IS LIKELY TO KEEP ITS OVERNIGHT POLICY RATE (OPR) AT 1.75% UNTIL AT LEAST MID-2021.**

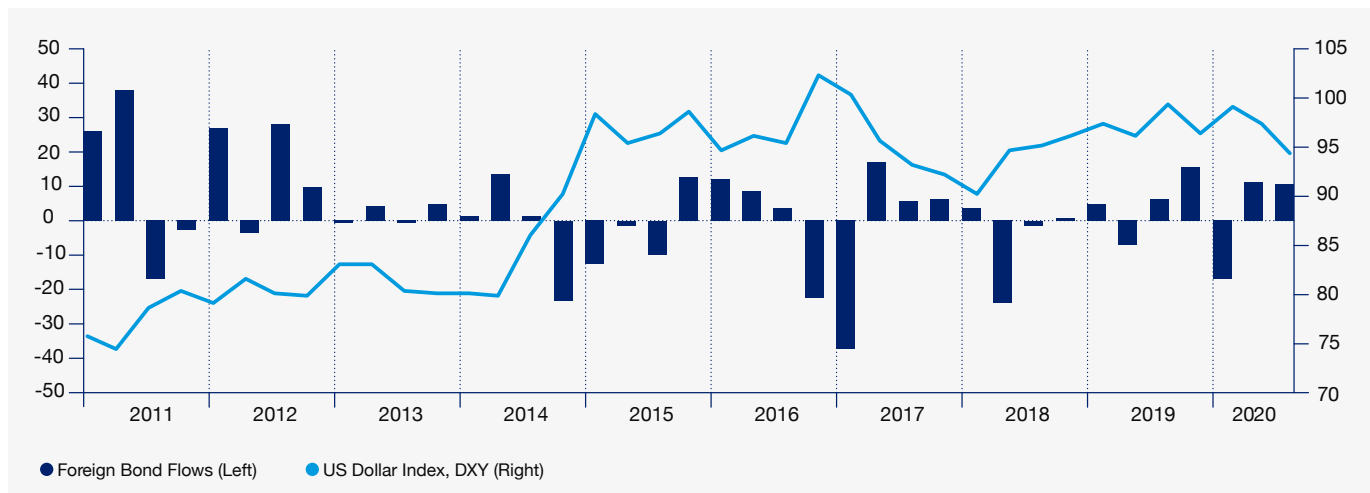
**Equities.** With the impact and recovery from COVID-19 likely to be uneven across different sectors, investors need to be selective towards Malaysian equities. Value stocks within the Financial and Healthcare sectors are favoured, as growth equities have massively outpaced value-counters for several years, especially in 2020. Travel-related stocks could continue to face headwinds as long as COVID-19 remains undefeated.

**Fixed Income.** Based on a weaker USD backdrop and the US Federal Reserve's (Fed's) easing policy stance, the Malaysian bond market could continue to benefit from its relatively more

attractive 10-year yield of 2.76% compared with the developed markets, Singapore's 0.87% and Thailand's 1.31%. However, Malaysia has been on the FTSE Russell watch list for possible exclusion from its World Government Bond Index since March 2019, posing a key risk.

**Currency.** Broad USD weakness following a shift in the Fed's policy approach, coupled with a firmer CNY and stable oil prices, should provide underlying support to the MYR. It is expected to strengthen to 4.03 against the USD by Q1 2021, and to 3.95 by Q3 2021.

Figure R2. A weaker USD will continue to attract more foreign inflows into Malaysian bonds.



## Market Report Summary

## 3. Malaysia Healthcare

## POISED FOR GROWTH

Over the last five years, Malaysia has consistently spent 4% to 4.2% of its GDP on healthcare which is lower than the 2019 OECD average of 8.8%. This stagnant spend on healthcare, however, might be challenging given the rise in healthcare costs in the country and across the ASEAN region as a whole. With the impact of COVID-19 and its resultant lockdowns, healthcare spending in Malaysia is projected to decrease by 2% to 3% in 2020. The recently released Malaysian budget 2021 recorded an increase of 4% in allocations for the Ministry of Health (MOH) to RM31.9 billion (US\$7.8 billion) as compared to the previous year. In light of these budget cuts, it is uncertain whether the country will be able to raise its health expenditure to WHO standards which recommend countries spend at least 7% of their GDP on health.

**RM31.9 billion**  
allocations for the Ministry of Health (MOH)

## 2021 BUDGET ALLOCATED RM71 MILLION TOWARDS FOSTERING PUBLIC-PRIVATE PARTNERSHIP IN HEALTHCARE SECTOR

**Malaysia's healthcare challenges.** Malaysia's dual-tier healthcare system consists of a government-based universal healthcare system and a private healthcare system. As the majority of the population is served by the public healthcare system, it puts burden in terms of infrastructure on the public hospitals and clinics. Long waiting times, delay in diagnosis lead to inefficiency in the healthcare system that defeats the aim of providing healthcare access to all, at affordable costs with best patient experience. The divide between the public and private sector with no collaborative provisioning of services is a challenge that can be resolved through public-private partnerships. There needs to be sharing of infrastructure, purchasing of services at a cost that will benefit the service providers and the patients. The 2021 budget allocated RM4.7 billion for the development of the healthcare sector in Malaysia with RM71 million towards fostering public-private partnerships in the industry.

**RM4.7 billion**  
allocated for the development of the  
healthcare sector

**RM71 million**  
towards fostering public-private  
partnerships in the industry

## DIGITAL TECHNOLOGY AS A BRIDGE BETWEEN PRIVATE AND PUBLIC HEALTHCARE SYSTEMS IN MALAYSIA

**Malaysia's healthcare opportunities.** About 8.1% of the adult population (1.7 million people) in Malaysia have all three risk factors of diabetes, hypertension and high cholesterol that led to chronic diseases. Half the Malaysian adult population were overweight or obese in 2019. This leads to the point of early diagnosis and prevention than treatment approach that can help reduce mortality and the burden on healthcare costs. Digital health solutions such as digital health tracking devices, health coaching and mental health apps can help the population be healthy.

**1.7 million**  
adult in Malaysia have all three risk  
factors of diabetes, hypertension and  
high cholesterol

## Market Report Summary

COVID-19 has accelerated the adoption of digital health globally and it has been the catalyst for change in Malaysia as well. In the Covid scenario, chronic disease patients have been avoiding going to primary clinics or hospitals that has had an impact on the consultations, e-prescriptions and delivery of medicines. This has an impact on patient health that may lead to complications requiring hospitalisation. Adoption of digital platforms such as telemedicine and digitally transforming the supply chain through e-prescription and e-pharmacy will make the supply chain efficient and also ensure that patients receive the drugs without physical visits to the healthcare service centres. Though digital health/digital technology cannot be a solution to all the issues it can definitely be a means to bridge the private and public healthcare system, can help build capacity for prevention, early diagnosis and treatment and to ensure care is decentralised providing healthcare access to all.

**Malaysia health tourism market.** Malaysia is ranked among the top international medical tourism destination in terms of volume of in-bound travellers for three consecutive years. Malaysia attracted around 1.3 million medical tourists in 2019. In line with the government's efforts to promote an economic rebound, RM35 million has been allocation towards the Malaysian Healthcare Travel Council as well as an extension of tax exemption on private healthcare services export. Malaysia's healthcare tourism is projected to contribute up to RM10 billion to the country's recovering economy and will be able to boost revenues of private healthcare providers.

**Malaysia senior living & aged care market.** According to the 2019 International Living Annual Global Retirement Index, Malaysia's healthcare services are ranked first with a score of 95 out of 100. Its success in the healthcare category is attributed to advanced infrastructure, affordable services and globally accredited institutions.

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Half the Malaysian  
adult population were  
overweight or obese

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E-prescription and  
e-pharmacy will make the  
supply chain efficient and  
also ensure that patients  
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Malaysia is ranked among  
the top international  
medical tourism  
destination

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RM1.3 million  
medical tourists in 2019

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## Market Report Summary

## 4. Australia Aged Care

## OPERATIONAL PRESSURES AND STRATEGIC UNCERTAINTY FOR THE AGED CARE INDUSTRY

The aged care industry faces special challenges as Australia looks to the uncertainty of future waves of COVID-19 and the need for sustained vigilance. The aged care industry must continue to navigate an uncertain journey through the pandemic, coupled with responding to the final recommendations stemming from the Royal Commission into Aged Care Quality & Safety (now pushed back to February 2021).

**Resident and family.** For aged care residents and their families, the health impacts of the disease itself have been complicated by the consequences of social distancing, alongside greater difficulties in accessing other health and wellbeing needs.

**Aged care operator.** During COVID-19, thousands of beds in residential aged care have been left empty across Australia as families have decided it's safer to keep their loved ones at home. As residential aged care occupancy rates fall to 10-year lows, home care providers may struggle to care for more patients with high acuity needs. Lower occupancy will add to the financial pressure on aged care providers because it means they are receiving less revenue. While the big operators would be able to survive the downturn in people wanting to live in aged care, smaller providers could be affected due to a lack of new deposits coming in as occupancy drops and existing deposits are refunded.

## SHIFTING OF INSTITUTIONAL CARE TO COMMUNITY HOME CARE

**Looking to the future.** Protecting residents of aged care facilities and older people living in the community from COVID-19 is understandably the current focus of governments. However, over the longer term there is a need to address the flaws in the existing system, identified by the Royal Commission. Two key recommendations from the Interim report are: (i) to increase the numbers of care packages to enable older people to live at home for longer; and (ii) to cease the use of medications to restrain people indicate the depth of the problems in aged care in Australia.

## 4 trends set to shake up the sector in coming decades:

- (i) **Demand for aged care beds & staff will only grow.** With almost one third of Australia's baby boomers already past the official retirement age of 65 (when they can access the full aged pension) and approximately 8% of all Australians aged 65 and over living in residential aged care, demand for new aged care beds will rise by an estimated 76,000 places in the next 5 years alone. Looking at the longer term, the federal government's 2015 Intergenerational Report predicts the number of Aussies 65 years and over will double from 3.6 million today to 8.9 million by 2054-55. This not only makes the aged care sector an attractive prospect for job seekers looking for a stable, in-demand career, it also means paying for aged care will become a hot political issue.

Thousands of beds in residential aged care have been left empty across Australia as families have decided it's safer to keep their loved ones at home

8% of all Australians aged 65 and over living in residential aged care

Intergenerational Report predicts the number of Aussies 65 years and over will double from 3.6 million today to 8.9 million by 2054-55

## Market Report Summary

(ii) **Resident may have to pay more for residential accommodation.** Aged care in Australia is currently a hybrid system, with the federal government partly covering the costs of residential care accommodation for elderly and disabled citizens who pass a series of mean-based eligibility tests via what is known as the Aged Care Funding Instrument (ACFI). With the number of citizens in aged care expected to grow exponentially in coming decades, the federal government will find it increasingly difficult to fund the current level of care it provides, meaning more market-based approaches will be needed. In other words, wealthy Australians with significant assets such as highly valued houses will be expected to pay higher out-of-pocket fees for aged care accommodation, in order to subsidise those who have little or no assets and therefore little means to fund their own care. Given the budgetary pressures governments across the country face, it's not unrealistic that one day aged care will be an entirely fee-for-service sector for all but the poorest Australians.

(iii) **Residents will demand greater lifestyle amenities.** As baby boomers ease into their retirement years in large numbers and begin utilising residential aged care accommodation, many will demand greater lifestyle amenities not typically associated with this sector. With the baby boomer generation typically asset-rich, they'll both expect and be able to fund a standard of living not dissimilar to their younger, independent years.

(iv) **Technology will play a greater role in providing care.** From powerful comparison websites which allow the public to read reviews of individual facilities and compare their fees, to more ambitious possibilities including smartwatch-style monitoring devices and even robotic assistants who can follow nurses around facilities as they tend to residents; technology can enable administrative tasks to be completed more efficiently, freeing up quality time to tend to residents social and emotional needs.

Success will require providers to be agile and remain vigilant to COVID-19 - supporting aged care residents, families and staff - while simultaneously adjusting operating models and response strategies.

The budgetary pressures governments across the country face, it's not unrealistic that one day aged care will be an entirely fee-for-service sector for all but the poorest Australians

Technology can enable administrative tasks to be completed more efficiently, freeing up quality time to tend to residents social and emotional needs

## Portfolio Summary and Details



### 22 PROPERTIES (MALAYSIA)

#### Hospitals

- KPJ Ampang Puteri Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Johor Specialist Hospital
- KPJ Puteri Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Ipoh Specialist Hospital
- KPJ Perdana Specialist Hospital
- KPJ Sentosa KL Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Penang Specialist Hospital
- KPJ Tawakkal Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Batu Pahat Specialist Hospital
- Kluang Utama Specialist Hospital
- Kedah Medical Centre
- Taiping Medical Centre

#### Wellness/Health Centres

- Tawakkal Health Centre
- Kuantan Care & Wellness Centre
- Damai Care & Wellness Centre

#### Colleges

- KPJ Healthcare University College, Nilai
- KPJ International College, Penang

### 1 PROPERTY (AUSTRALIA)

#### Aged Care & Retirement Village

- Jeta Gardens Aged Care & Retirement Village, Brisbane



## Portfolio Summary and Details

### HOSPITALS



#### KPJ AMPANG PUTERI SPECIALIST HOSPITAL

##### Location

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

##### Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn Bhd

##### Description

A purpose-built private hospital comprising a 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.

##### Lease Expiry

Expiry of Contractual Rental Term: 29 June 2021.

Expiry of Current Rental Period: 29 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.

##### Lease Expiry

Expiry of Contractual Rental Term: 29 June 2021.

Expiry of Current Rental Period: 29 June 2021.

##### Title

Lot No. 60950 Seksyen 39 held under Title No. 336358, Town of Petaling Jaya, District of Petaling State of Selangor.

Freehold.

##### Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

## Portfolio Summary and Details

**KPJ JOHOR SPECIALIST HOSPITAL****Location**

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

**Lessee/Asset Operator**

Johor Specialist Hospital Sdn Bhd

**Description**

A 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.

**Lease Expiry**

Expiry of Contractual Rental Term: 29 June 2021.

Expiry of Current Rental Period: 29 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 Darul Takzim.

**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.

**Lease Expiry**

Expiry of Contractual Rental Term: 29 June 2021.

Expiry of Current Rental Period: 29 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.



## Portfolio Summary and Details



### KPJ SELANGOR SPECIALIST HOSPITAL

#### Location

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

#### 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

204,342 sq.ft.

#### Gross Floor Area

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

#### Lease Expiry

Expiry of Contractual Rental Term: 29 June 2021.  
Expiry of Current Rental Period: 29 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 Darul Ridzuan.

#### 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

#### Lease Expiry

Expiry of Contractual Rental Term: 29 June 2021.  
Expiry of Current Rental Period: 29 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.

## Portfolio Summary and Details



### KPJ PERDANA SPECIALIST HOSPITAL

#### Location

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

#### Lessee/Asset Operator

Perdana Specialist Hospital Sdn Bhd

#### Description

A 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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 28 February 2023.

Expiry of Current Rental Period: 28 February 2023.

#### Title

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

Leasehold expiring in year 2064.

#### Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



### KPJ 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 carpark 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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 28 February 2023.

Expiry of Current Rental Period: 28 February 2023.

#### 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.

## Portfolio Summary and Details



### KPJ KAJANG SPECIALIST HOSPITAL

#### Location

Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan.

#### Lessee/Asset Operator

Kajang Specialist Hospital Sdn Bhd

#### Description

A 7-storey purpose-built private specialist hospital with one (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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 28 February 2023.

Expiry of Current Rental Period: 28 February 2023.

#### 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.



### 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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 13 October 2024.

Expiry of Current Rental Period: 13 October 2021.

#### Title

Lot 10150 held under Title No. GM 1453, Mukim 07, District of Seberang Perai Tengah, State of Pulau Pinang.

Freehold.

#### Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

## Portfolio Summary and Details

**KPJ TAWAKKAL SPECIALIST HOSPITAL****Location**

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

**Lessee/Asset Operator**

Pusat Pakar Tawakal Sdn Bhd

**Description**

A 13-storey purpose-built hospital building that is currently operating as a private hospital.

**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.

**Lease Expiry:**

Expiry of Contractual Rental Term: 5 July 2025.

Expiry of Current Rental Period: 5 July 2022.

**Title**

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

Freehold.

**Encumbrances**

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

**KPJ SEREMBAN SPECIALIST HOSPITAL****Location**

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

**Lessee/Asset Operator**

Seremban Specialist Hospital Sdn Bhd

**Description**

A 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.

**Lease Expiry (Building):**

Expiry of Contractual Rental Term: 13 October 2024.

Expiry of Current Rental Period: 13 October 2021.

**Lease Expiry (Land):**

Expiry of Contractual Rental Term: 13 October 2030.

Expiry of Current Rental Period: 13 October 2021.

**Title**

P.T. No. 3304 held under Title No. H.S. (D) 247203 Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan.

**Encumbrances**

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



## Portfolio Summary and Details



### KPJ KLANG SPECIALIST HOSPITAL

#### Location

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

#### Lessee/Asset Operator

KPJ Klang Specialist Hospital Sdn Bhd

#### Description

A 6-storey private hospital building with two (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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 25 June 2027.

Expiry of Current Rental Period: 25 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

KPJ Klang Specialist Hospital Sdn Bhd 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.

#### Lease Expiry:

Expiry of Contractual Rental Term: 23 September 2049.

Expiry of Current Rental Period: 23 September 2025.

#### 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



## Portfolio Summary and Details

**KLUANG UTAMA SPECIALIST HOSPITAL****Location**

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

**Lessee/Asset Operator**

Pusat Pakar Kluang Utama Sdn Bhd

**Description**

Six (6) adjoining 3-storey terraced shop-offices (a corner and five 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.

**Lease Expiry:**

Expiry of Contractual Rental Term: 5 January 2027.

Expiry of Current Rental Period: 5 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.

**KEDAH MEDICAL CENTRE****Location**

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

**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**

83,194 sq.ft.

**Gross Floor Area**

215,361.19 sq.ft.

**Lease Expiry:**

Expiry of Contractual Rental Term: 28 February 2023.

Expiry of Current Rental Period: 28 February 2023.

**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.

## Portfolio Summary and Details

### WELLNESS/HEALTH CENTRES



#### TAIPING MEDICAL CENTRE

##### Location

Nos. 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.

##### Lease Expiry:

Expiry of Contractual Rental Term: 30 April 2024.

Expiry of Current Rental Period: 30 April 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.



#### TAWAKKAL HEALTH CENTRE

##### Location

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

##### Lessee/Asset Operator

Pusat Pakar Tawakal Sdn Bhd

##### Description

A 4-storey building renovated from previously adjoining twenty-one (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.

##### Lease Expiry:

Expiry of Contractual Rental Term: 14 May 2024.

Expiry of Current Rental Period: 14 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.

## Portfolio Summary and Details

**KUANTAN CARE & WELLNESS CENTRE****Location**

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

**Lessee/Asset Operator**

Kuantan Wellness Centre Sdn Bhd

**Description**

The building comprises two 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**

67,559 sq.ft.

**Lease Expiry:**

Expiry of Contractual Rental Term: 28 February 2023.

Expiry of Current Rental Period: 28 February 2023.

**Title**

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

Freehold.

**Encumbrances**

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

**DAMAI CARE & 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 has been 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.

**Lease Expiry:**

Expiry of Contractual Rental Term: 11 June 2024.

Expiry of Current Rental Period: 11 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.

## Portfolio Summary and Details

### COLLEGES



**KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI**

#### Location

PT 17010, Persiaran Seriemas, Kota Seriemas, 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 two (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 known 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.

#### Lease Expiry (Existing Building):

Expiry of Contractual Rental Term: 30 April 2024.  
Expiry of Current Rental Period: 30 April 2021.

#### Lease Expiry (New Building):

Expiry of Contractual Rental Term: 30 November 2030.  
Expiry of Current Rental Period: 30 November 2021.

#### Title

P.T. Nos. 551 and 552 held under Title Nos. H.S. (D) 246826 and H.S. (D) 246827 respectively, Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan.

Freehold.

#### Encumbrances

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

126,292 sq.ft.

#### Gross Floor Area

42,989 sq.ft.

#### Lease Expiry:

Expiry of Contractual Rental Term: 13 October 2024.  
Expiry of Current Rental Period: 13 October 2021.

#### Title

Lot No.10038, (Amalgamation of former Lots 1417, 54 and 1529) and Lot 55, respectively, all in Seksyen 5, Bandar Bukit Mertajam, District of Seberang Perai Tengah, State of Pulau Pinang.

Freehold.

#### Encumbrances

Nil

## Portfolio Summary and Details

### AGED CARE & RETIREMENT VILLAGE



#### JETA GARDENS AGED CARE & RETIREMENT VILLAGE

##### Location

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

##### Lessee/Asset Operator

Jeta Gardens (QLD) Pty Ltd.

##### Description

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

121,675.24 sq.ft.

##### Lease Expiry:

Expiry of Contractual Rental Term: 1 November 2110.

Expiry of Current Rental Period: 1 November 2023.

##### 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



# Sustainability Statement

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## Sustainability Statement

## 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 2020 to 31st December 2020 and features selected sustainability initiatives at its property portfolio.

## THE 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.

## Sustainability Statement

### 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

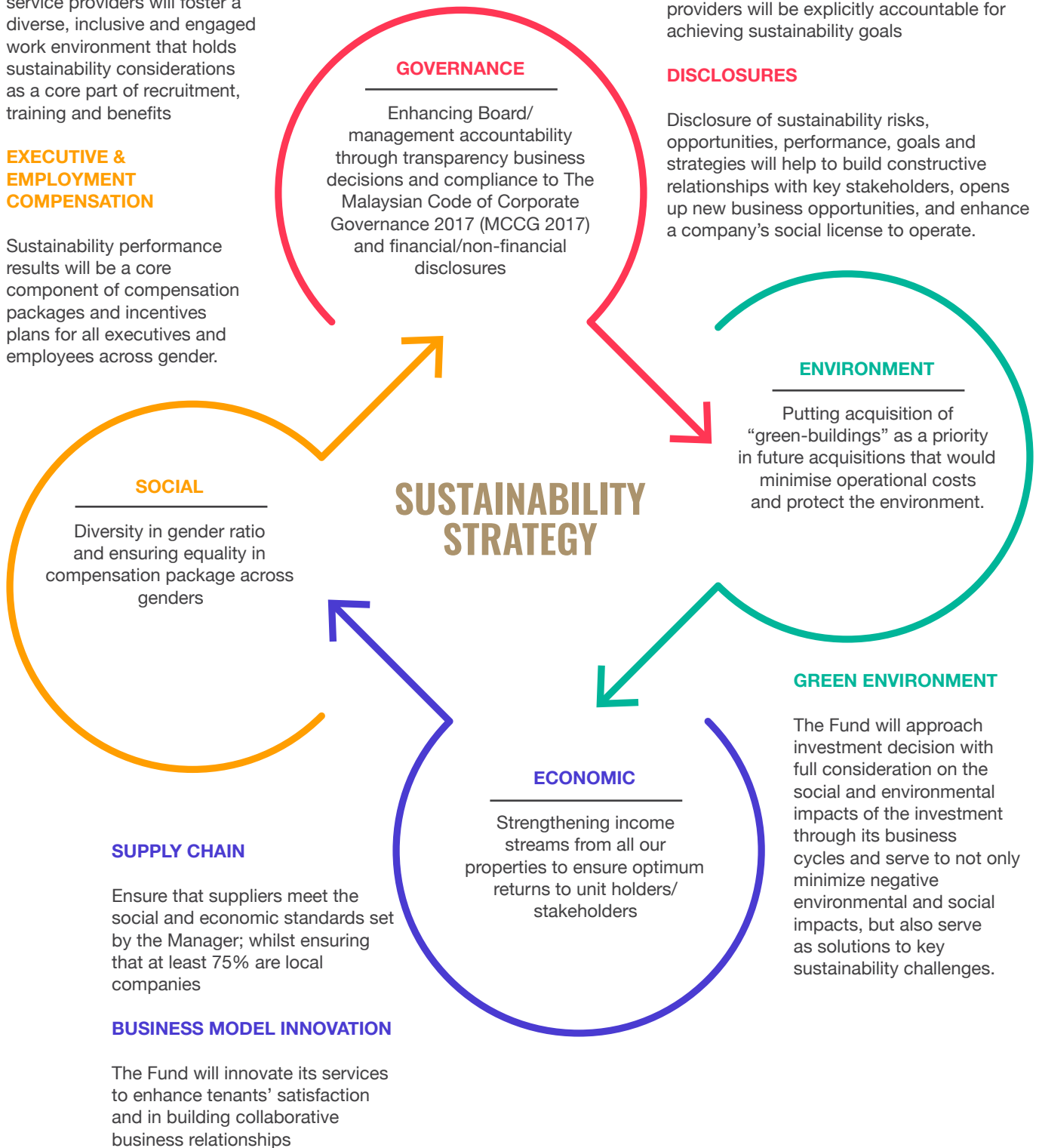
Sustainability performance results will be a core component of compensation packages and incentives plans for all executives and employees across gender.

### MANAGEMENT ACCOUNTABILITY

The Board, 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 will help to build constructive relationships with key stakeholders, opens up new business opportunities, and enhance a company's social license to operate.

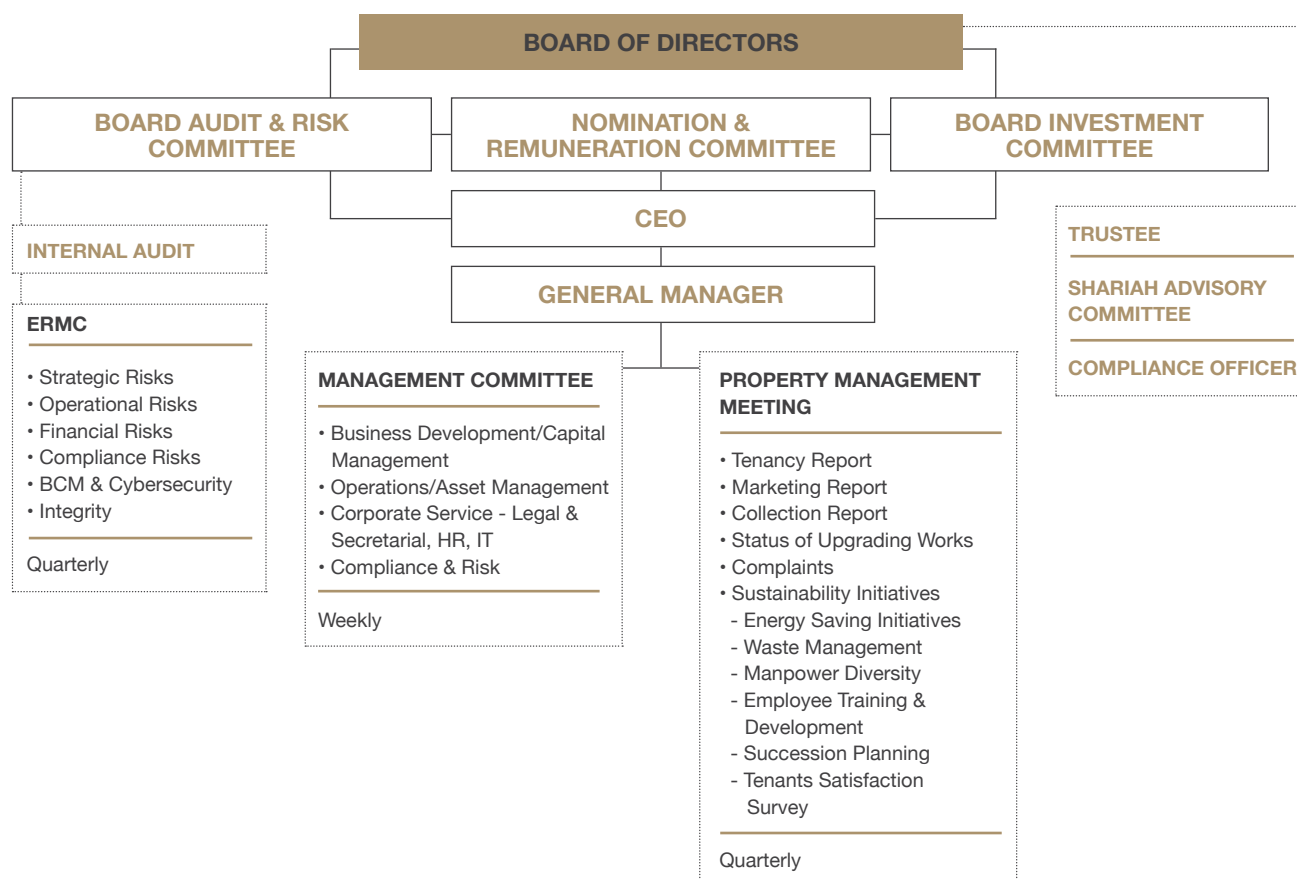


## Sustainability Statement

### GOVERNANCE & 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 ("Board") and the Management of the REIT Manager take ownership of their responsibilities to incorporate sustainable roles and establish a sustainable tone at the top.

### GOVERNANCE STRUCTURE



### Responsibilities of the Board

- 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 Manager

- Develops the overarching sustainability strategy for the REIT based on material sustainability matters identified.
- Provides 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 Board and the Manager discuss highlights of the Fund's sustainability initiatives on a periodic basis to ensure that the goals are met through effective implementation and monitoring.

## Sustainability Statement

### 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	Areas of Concern	Methods of Engagement
Employees	<ul style="list-style-type: none"> <li>- Career Development</li> <li>- Staff Safety &amp; Well-being</li> <li>- Employee Benefits</li> </ul>	<ul style="list-style-type: none"> <li>- Performance Appraisal</li> </ul>
Property Managers	<ul style="list-style-type: none"> <li>- Marketing &amp; Financial Performance</li> <li>- Tenants &amp; Occupancy</li> <li>- Facility Management</li> <li>- Administration &amp; Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>- Contract Agreements</li> <li>- Evaluation &amp; Performance Reviews</li> </ul>
Regulatory Agencies & Statutory Bodies	<ul style="list-style-type: none"> <li>- Labour Practices</li> <li>- Environmental Management &amp; Compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Regular Monitoring</li> </ul>
Investors	<ul style="list-style-type: none"> <li>- Corporate Financial Performance</li> <li>- Corporate Governance</li> <li>- Investor Relationship Management</li> </ul>	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Corporate Website</li> <li>- Feedback Management</li> </ul>
Tenants (Hospitals)	<ul style="list-style-type: none"> <li>- Safety &amp; Security</li> <li>- Business Activities &amp; Ethics</li> </ul>	<ul style="list-style-type: none"> <li>- Contract Agreements</li> <li>- Tenant Surveys</li> <li>- Joint Community Programmes</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Transparent Procurement Process</li> </ul>	<ul style="list-style-type: none"> <li>- Evaluation &amp; Performance Reviews</li> </ul>
Non-Governmental Organisations ("NGOs")	<ul style="list-style-type: none"> <li>- Social Contribution</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate Social Responsibility</li> </ul>

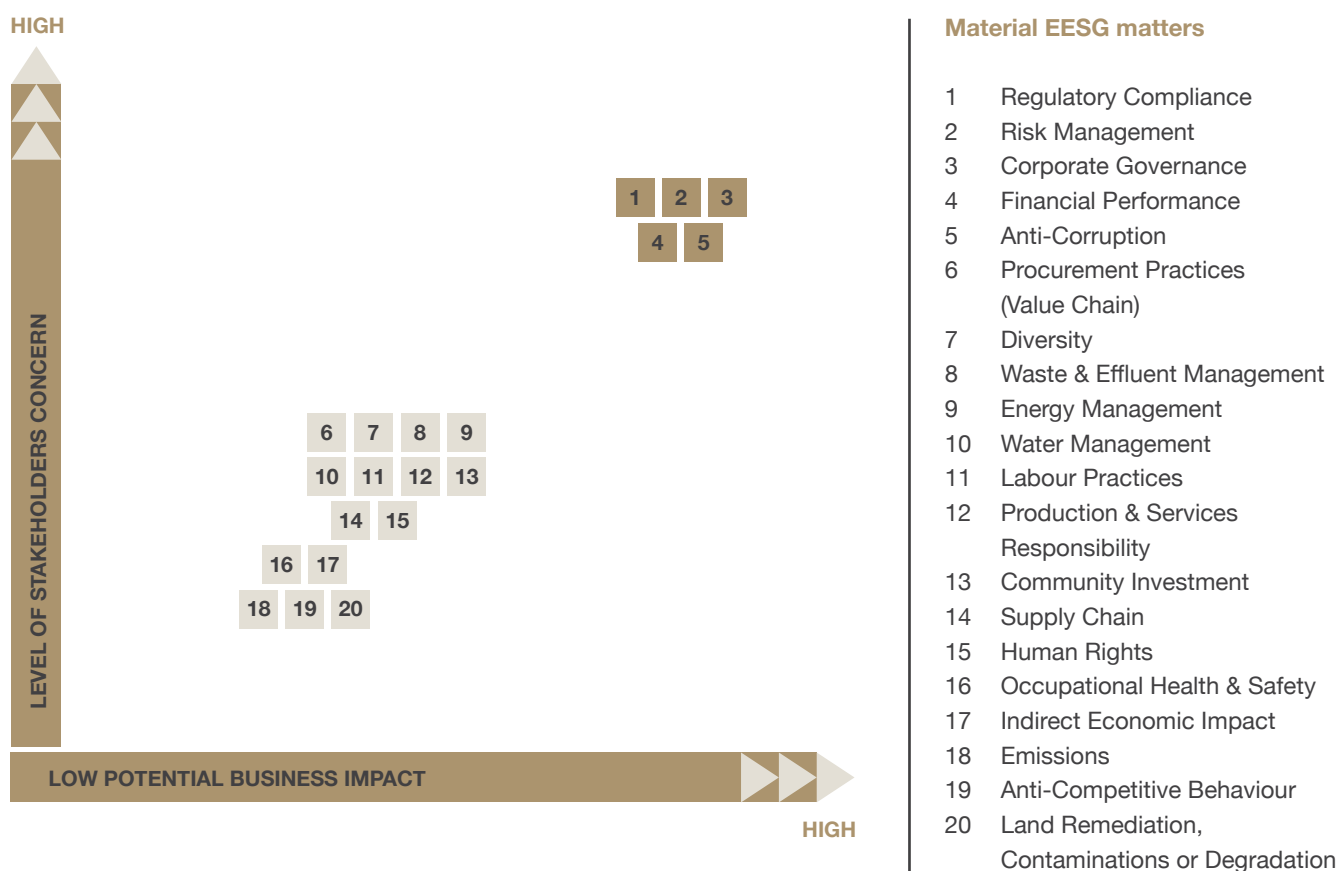


## Sustainability Statement

### 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 review of material issues was assessed by the head of departments of the Manager. 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:



### SUSTAINABILITY PILLARS

To uphold the core principles of the REIT for sustainability, the Manager established three 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.

### SUSTAINABLE FUND



## Sustainability Statement

### GOVERNANCE

#### Standard Operating Procedures

The Manager has in place Standard Operating Procedures (“SOPs”) to govern the day-to-day processes to implement the best management practices for the REIT. The SOPs shall be reviewed at least annually or when necessary.

#### 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 2020, the Manager has revised the ERM Policy & Framework to ensure risk management principle, framework and processes are in line with the ISO 31000:2018 Risk Management Guidelines and engaged with an external consultant to improve Risk Profile by reviewing risks identified, along with their categories, impact and mitigations.

#### Whistleblowing Management

The Manager established a Whistleblowing policy for any stakeholders to 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 and Corruption Management

The Manager is committed to prevent corruption and to build a culture of integrity. In 2020, the Manager adopted the Anti-Bribery and Corruption Policy and Manual that were approved by the Board of Directors. The policy and manual aim to help implementing, maintaining and improving anti-bribery and corruption management systems. It has the potential to positively impact business operations, investment, finance and value added to the organization as well as to help ensure organizational sustainability and support the vision and

mission of REIT Manager and The Fund as a whole.

With the policy and manual, the Manager reiterates its commitment to complying with the Malaysia Anti-Corruption Commission (“MACC”) Act 2009 and the MACC (Amendment) Act 2018. The policy complements the Manager’s Code of Conduct and Business Ethics, which must be adhered to by all employees and communicates our principles on corruption and money laundering among other issues related to bribery and corruption. It also details the Manager’s new guidelines on gifts, entertainment

and hospitality expenses. In addition, it reminds employees that there are severe consequences if they violate the policy, which include dismissal as well as civil and criminal liability. Therefore, a training on anti-bribery and corruption has been conducted to all employees on 18th and 19th June 2020.

In 2020, there were no reported incidents related to bribery and corruption.

#### Other Committees

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

Committee	Objectives
Board Audit and Risk Management Committee (“BARC”)	<ul style="list-style-type: none"> <li>- To review issues on accounting policies and presentation of external financial reporting and ensure an objective and professional relationship is maintained with the appointed auditors.</li> <li>- To 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.</li> </ul>
Nomination & Remuneration Committee (“NRC”)	<ul style="list-style-type: none"> <li>- To ensure that the board composition adopts the elements of MCCG 2017 and the remuneration arrangements support the strategic aims of a business</li> <li>- To ascertain that a succession planning framework is in to ensure that a retention talent pool among senior management positions in compliance with the requirements of the MCCG 2017</li> </ul>
Enterprise Risk Management Committee (“ERMC”)	<ul style="list-style-type: none"> <li>- To assist the BARC and the BOD in establishing and maintaining effective policies and guidelines to ensure effective risk management.</li> <li>- To review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators</li> <li>- To ensure that the most effective mitigation plans are in place, implemented and executed within a stipulated timeframe.</li> </ul>

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 BARC and reported to the BOD on a timely basis.

## Sustainability Statement

## 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 2019 and 2020:



## 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 and 2020:



## Sustainability Statement

### 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.

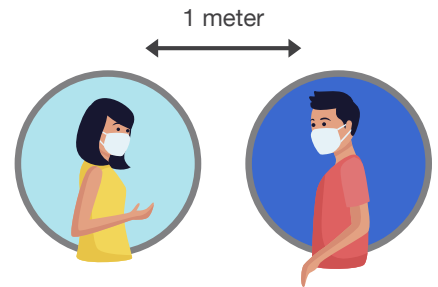
In addition, the Manager ensures strict adherence to SOPs on health and safety issued by MKN, MOH and various ministries during the various phases of MCOs to minimise the risk of COVID-19 at workplaces. Moreover, the Manager has in place adequate health and safety measures and steps in managing the return of its operations to full capacity and in adapting to the new normal to curb the spread of COVID-19.



Screening of body temperature at building entrances



Encourage the scanning of MySejahtera or recording of personal details for contact tracing



Social distancing



Encourage the usage of hand sanitizer



The wearing of face masks



Encourage employees to work from home



Increase awareness through circular, reminder and poster/banner (Avoid 3C/3S & Practise 3W)

## Sustainability Statement

### 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 carries out an engagement session with the tenants and Maintenance Manager on quarterly basis to address any concerns raised by the hospitals. The aim of the engagement session is to gauge the maintenance manager service's service satisfaction level in terms of quality and responsiveness, or any other issues that might also relate to tenant-property owner relationship.

In addition, the Manager ensures to conduct a performance evaluation on the appointed Property Manager/Maintenance Manager to address any concerns raised by the hospitals. For 2020, based on the evaluation survey conducted, the Manager is pleased to announce that 90% 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 provide 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.

#### Environmental Objectives & Initiatives

The Manager strongly encourages the lessees to put a stern emphasis on green technology, efficient waste management, energy saving, etc.



# Governance Structure

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# Corporate Governance Statement

## INTRODUCTION

The Board is pleased to present the Corporate Governance (“CG”) Statement of the Manager for the financial year ended 31 December 2020. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Board has been guided by the Malaysian Code on Corporate Governance 2017 (“MCCG”) in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations and other statutory requirements, best practices and guidelines as below:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- The Guidelines for Listed Real Estate Investment Trusts; and
- Bursa Malaysia Corporate Governance Guide – 3rd Edition.

The CG Overview Statement provides a summary of the Manager’s CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the company’s structure, processes, business environment and industry practices:

- Principle A: Board leadership and effectiveness;
- Principle B: Effective audit and risk management; and
- Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Board Audit and Risk Committee (“BARC”) Report. In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review, unless otherwise mentioned in this CG Overview Statement.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD RESPONSIBILITIES

The Manager is led by its Board of Directors that has full and effective control over the business undertakings from setting the overall strategic direction, allocating resources to the Management team to achieve the direction as well as oversee, scrutinise and monitor the Management to ensure that all actions and decisions made are consistent with the achievement of the Fund’s short-term and long-term plans.

The Board retains effective control over important policies and processes such as internal controls, risk management, governance and compliance. The Board also assumes the responsibilities of reviewing, approving, adopting and monitoring the implementation of the annual strategic and business plan for the Fund and the Group as a whole.

In discharging its responsibilities to meet the Fund’s objectives and plans, the Board:

- Together with the senior Management team foster a healthy corporate governance culture which is founded on the principles of transparency, integrity and objectivity;
- Ensure that the senior Management has the necessary skills and experience;
- Ensure that the Company has in place an effective communication channel with stakeholders; and
- Ensure that there is a sound framework on corporate reporting, including financial and non-financial reporting.

The Board also delegated certain of its responsibilities to the following Board Committees, which operate within clearly defined Terms of Reference of respective Committees:

- Board Audit and Risk Committee;
- Board Investment Committee; and
- Nomination and Remuneration Committee.

## Corporate Governance Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### BOARD RESPONSIBILITIES (CONT'D)

##### Chairman of the Board

The Manager is led by a Chairman, Dato' Haji Mohd Redza Shah bin Abdul Wahid. The Chairman provides leadership during Board meetings and acts as the conduit amongst the Board members that sparks discussions and debates which ultimately results in Board decisions. He also promotes a culture of openness and encourages active participation and allowing dissenting views to be freely expressed. Additionally, he ensures that all decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board.

The Chairman is also present at the Annual General Meetings of the Fund and acts as the spokesperson for the Board to provide effective communication with stakeholders. The Chairman also managing the interface between the Board and the Management team and takes the lead in matters of good Corporate Governance practices and keeps abreast with new developments through participations in relevant seminars and training on the subject.

##### Separation of Duties between Chairman and CEO

The Chairman of the Board is Dato' Haji Mohd Redza Shah bin Abdul Wahid whilst the Chief Executive Officer ("CEO") is Wan Azman bin Ismail. Their roles are separate and clearly defined as to foster a separation of responsibilities as leader of the Board and to ensure a balance of power and authority. The Chairman is responsible for leadership of the Board, ensuring that all its required functions and responsibilities are met whilst the CEO spearheads the business and day-to-day management of the Group and to implement the strategies directed by the Board.

##### Company Secretaries

Nuraliza binti A. Rahman and Rohaya binti Jaafar are the Company Secretaries of the Manager. The Company Secretaries work closely with the Board and Board Committees and play an important role in good governance by advising the Board and its Committees in compliance with the Listing Requirements, Companies Act 2016, Guidelines on Listed Real Estate Investment Trusts and other relevant laws and regulations.

The roles and responsibilities of the Company Secretaries include, but are not limited to the following:

- \* Attend and record minutes of all Board and Committee meetings and facilitate Board communications;
- \* Advise the Board on its roles and responsibilities as well as corporate disclosures;
- \* Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- \* Ensure the adherence to the Board's and Board Committee's policies and procedures;
- \* Advise the Board on its obligations to disclose material information to shareholders in a timely manner; and
- \* Manage processes pertaining to the General Meetings.

The Company Secretaries will ensure proper and timely dissemination of information to the Board members. Prior to Board meeting, the Board members receive all the necessary materials related to the meeting's agenda, at least five days in advance. This enables the Board members to engage in informed discussions during the meetings. The Company Secretaries prepares the Board's and Board Committee's meeting minutes, properly recording issues deliberated, including how decisions and conclusions are arrived at.

##### Board Charter

The Board has adopted a Board Charter which is available on the Fund's website at [www.alaqar.com.my](http://www.alaqar.com.my). The Board Charter defines the respective roles and responsibilities of the Board, the Board Committees, the Chairman and CEO as well as the matters reserved for the Board. The Board Charter is subject to periodic review to ensure it remains consistent with the change of law, regulatory requirement and the company's policy that affects the Board Charter.

##### Code of Conduct and Ethics

In promoting a good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness, the Board has adopted a Code of Conduct and Ethics ("the Code of Conduct") which is integrated into company-wide management practices. The Code of Conduct applies to all activities of the Directors and employees which helps to define how the Manager runs its business by setting the highest standards of conduct throughout the company. The Code of Conduct is reviewed periodically by the Board and revised as and when appropriate.

## Corporate Governance Statement

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****BOARD RESPONSIBILITIES (CONT'D)****Anti-Bribery & Anti-Corruption Policy and Whistle Blowing Policy**

The Board also established and adopted the following policies which is available on the Fund's website at [www.alaqar.com.my](http://www.alaqar.com.my):

- Anti-Bribery and Anti-Corruption Policy; and
- Whistle Blowing Policy.

The above policies are made available to all Directors and employees and compliance is mandatory. The Board encourages all stakeholders to raise concerns or complaints under the Whistle Blowing Policy regarding any violation of the business conduct. The policies are reviewed periodically by the Board and revised as and when appropriate.

**BOARD COMPOSITION**

As of 31 December 2020, the Board comprised the following:

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

The Board take cognisance of the MCGG's recommendation that at least half of the Board comprises Independent Directors. However, the Manager is governed by the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia and complied with Chapter 3.04 of the said guidelines which states that the Board must comprise at least two independent members, while maintaining a minimum ratio of at least one-third independent members at all times. Currently, the Board consists of three Independent Directors out of its seven members.

During the year ended 31 December 2020, the Board convened five meetings and all Directors have complied with the required minimum of 50% attendance as required by Paragraph 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2020 are set out below:

	55 <sup>th</sup> BOD 24 Feb 2020	Special BOD 8 Apr 2020	56 <sup>th</sup> BOD 28 May 2020	57 <sup>th</sup> BOD 27 Aug 2020	58 <sup>th</sup> BOD 24 Nov 2020
Dato’ Haji Mohd Redza Shah bin Abdul Wahid	/	/	/	/	/
Wan Azman bin Ismail	/	/	/	/	/
Zainah binti Mustafa	/	/	/	/	/
Dr. Mohd Hafetz bin Ahmad <sup>(1)</sup>	/	/	/		
Dato’ Sr Dr. Rahah binti Ismail <sup>(2)</sup>	/	/	/		
Dato’ Wan Kamaruzaman bin Wan Ahmad <sup>(3)</sup>				/	/
Yusaini bin Haji Sidek <sup>(4)</sup>	/	/	/	/	/
Dato’ Amiruddin bin Abdul Satar <sup>(5)</sup>	/	/	/		
Mohd Yusof bin Ahmad	/	/	/	/	/
Shamsul Anuar bin Abdul Majid <sup>(6)</sup>				/	/

**Notes:**

- (1) Resigned w.e.f. 24 August 2020  
 (2) Resigned w.e.f. 24 August 2020  
 (3) Appointed w.e.f. 24 August 2020  
 (4) Resigned w.e.f. 15 January 2021  
 (5) Resigned w.e.f. 1 July 2020  
 (6) Appointed w.e.f. 24 August 2020

## Corporate Governance Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### BOARD COMPOSITION (CONT'D)

##### Directors' Training

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments, and to enhance their skills and strengthen their participation in Board deliberations. The details of Directors' participation in talks and training programmes are as follows:

Director	Date	Event/Training
Wan Azman bin Ismail	16 January 2020	Capital Market 2.0 - How Blockchain, Cryptocurrency and Fin-TECH are Disrupting and Complementing the Financial Industry
	17-18 February 2020	Private Equity & Venture Capital
	15 October 2020	Industry 4.0 and its impact to Malaysian Capital Market
Zainah binti Mustafa	22-23 July 2020	Rising Defences: Section 17A MACC ACT
	17 November 2020	Malaysia's Budget 2021 Webinar: Paving the way towards a resilient future
Dato' Wan Kamaruzaman bin Wan Ahmad	4,14,15 & 17 September 2020	Induction Programme for new director of Bursa Malaysia
	29 September 2020	Economic Outlook & Lookout : The good, the bad, the uncertain
	29 September 2020	Bursa Malaysia (1818) : An analyst perspective
	29 September 2020	Smart contracts and distributed ledger technology for Malaysia's future post trade platform
	13 October 2020	Induction Programme for new member of market participants committee
	19-21 October 2020	Mandatory Accreditation Program (MAP)
	24 November 2020	An update on COVID-19



## Corporate Governance Statement

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## BOARD COMPOSITION (CONT'D)

## Directors' Training (cont'd)

Director	Date	Event/Training
Dato' Sr Dr. Rahah binti Ismail	22-23 July 2020	Rising Defences : Section 17A MACC ACT
Dr. Mohd Hafetz bin Ahmad	22-23 July 2020	Rising Defences : Section 17A MACC ACT
Shamsul Anuar bin Abdul Majid	20-22 July 2020	Mandatory Accreditation Programme for Directors of Public Listed Companies
Mohd Yusof bin Ahmad	24 April 2020	Impact of MCO on vacant possession handover and strata management issues & NDASH: The practical solutions.
	24 April 2020	Will malls be empty in the new normal
	28 April 2020	Malaysia's Challenges and its impacts on the property industry & market
	1 May 2020	The Malaysian Property Market picked up in 2019
	4 May 2020	Focus: "Less Overhead, More Revenues"
	11 May 2020	Future of Real Estate
	18 May 2020	Prompt Response to CCC delivery process under the 'New Normal'
	6 June 2020	Insights on the tropical Malaysia house
	17 June 2020	MIT Media LAB Beyond Smart Cities: Emerging design & Technology (Module 1-6)
Yusaini bin Haji Sidek	21 February 2020	Ethics, PDPA, AMLA and Compliance Requirements
	28 February 2020	Practical Aspect of Professional Will Writing (Muslim & Non-Muslim)

## Corporate Governance Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### BOARD COMPOSITION (CONT'D)

##### Tenure of the Independent Directors

Save for Zainah binti Mustafa, the tenure of other Independent Directors does not exceed a cumulative term limit of nine years as provided under Practice 4.2 of the MCCG.

Zainah has exceeded her tenure on the Board for a cumulative term of more than nine years since her appointment date. Pursuant to Practice 4.2 of the MCCG, she may be re-designated as Non-Independent Non-Executive Director in order to continue to hold office as a Director of the Manager or be re-elected as Non-Independent Non-Executive Director. Zainah has decided not to seek re-election at the next AGM.

In view thereof, the Board with the recommendation of the NC agrees and supports her decision and will proceed to find a suitable candidate to replace Zainah as an Independent Non-Executive Director of the Manager subject to the approval of the SC so as to comply with the Bursa Listing Requirements as well as Practice 4.2 of the MCCG.

##### Appointment of Board Members

The Nomination and Remuneration Committee ("NRC") is empowered to bring to the Board recommendations as to the appointment of any new Director(s) and member(s) of the senior Management team. The NRC is chaired by Dato' Haji Mohd Redza Shah bin Abdul Wahid, who is an Independent Director.

In deliberating the proposed appointment of any new Director(s) and senior Management team, the NRC is guided and takes into account the skills, knowledge and experience of the candidate as well as the structure of the Board and its Committees.

The task of identifying suitably qualified candidates for appointment of Directors of the Board is carried out by the NRC and relies on multiple channels of recommendation, including endorsement from Board members, internal promotion from Management team and major shareholders.

The Board acknowledges the recommendation of the MCCG pertaining to the establishment of boardroom gender diversity policy. However, the Board is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender. However, the Board endeavours to have diversity of Board and its workforce in terms of gender, cultural background and age. Currently, the Board consists of a female Director out of its seven members.

## Corporate Governance Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### BOARD COMPOSITION (CONT'D)

##### Board Evaluation

The NRC carries out an annual evaluation of the effectiveness of the Board and the performance of the Board Committees against a set of criteria that encompasses a diverse set of skills and experience in the fields of, amongst others, accounting, business and management, marketing, risk management, information technology and finance. The assessment also includes an aspect of the Board's and Board Committees' structure, operational conduct and its role and responsibilities.

The evaluation process was conducted internally and facilitated by the Company Secretaries. During the process, questionnaires were sent to the Directors, and the results were reported to the NRC. The summary of the evaluation is shared with the Board thereafter. The results of evaluation and recommendations of the NRC were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities.

The Board is also considering to enhance the evaluation by introducing and implementing a 360 degrees evaluation involving the Board, the management and the Chairman in totality. The proposal will be deliberated by the NRC and shall be tabled to the Board for approval for implementation.

#### REMUNERATION

The Board recognises that to attract, retain and motivate Directors and senior Management of good calibre to drive and pursue the long-term objectives of the Fund, it is important to have a fair and competitive remuneration package that commensurate with their experiences, skills, responsibilities, performances, contributions as well as benchmarking against the remuneration practices and trends by other similar players in the market.

The NRC reviews and recommends to the Board on the framework of remuneration policy and package for the Directors and the senior Management personnel. It is to be noted that such remuneration is paid by the Manager and not by the Fund. The remuneration policy takes into account the demands, complexities and performance of the Manager as well as skills-set and relevant experiences required. For Independent Directors, the Board ensures that the remuneration does not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings.

A brief overview of the Directors' remuneration (comprising salaries, other emoluments, fees, meeting allowances and benefits-in-kind) for FY2020 is tabulated below:

Range of Remuneration (per annum)	Executive Directors	Non-Executive Directors
Up to RM100,000	-	6
RM101,000 – RM200,000	-	-
RM200,001 – RM300,000	-	-
RM300,001 – RM400,000	-	-
RM400,001 – RM500,000	-	-
RM500,001 and above	1	-

**Note:**

The above remuneration is to manage 2 funds i.e., Al-'Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust. Details of the Directors' and senior management's individual remunerations are not disclosed as the Directors and senior management are remunerated by the Manager, and not by the fund. The Manager believes that the overview presented above is sufficient for public disclosure, and that the non-disclosure of individual remunerations is essential to protect the interests of the Manager and its officers.

## Corporate Governance Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### REMUNERATION (CONT'D)

##### Nomination and Remuneration Committee (NRC)

The NRC is the Board's committee that implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board members and senior Management. Currently, the NRC comprises three members who are all Independent Non-Executive Directors. The Executive Director may be invited to participate in certain meetings of the NRC to provide insights, particularly on considerations relating to the performance of the Company but he will not be involved in deciding his own remuneration.

The NRC is guided by its Term of Reference which is available at the Fund's website at [www.alaqar.com.my](http://www.alaqar.com.my).

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Risk Management and Internal Control Framework

##### Informed Decisions on Level of Risks and Implementation of Controls

The Board has the oversight responsibility of the adequacy and effectiveness of the Manager's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Fund to achieve its various objectives at many levels and having considered the risks that the Fund faces whilst balancing out the interest of its many stakeholders and protecting the assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Board Audit and Risk Committee (BARC). An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2017 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic and Business, Financial, Compliance and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Manager has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function which was outsourced to Crowe Governance Sdn Bhd assesses and reports the adequacy and effectiveness of the governance, risk management and internal control system whilst provide confirmation of the effectiveness of internal control and risk assessment process by the heads of departments.

An overview of the Board's responsibility and descriptions of the key components of system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 90 to 93 of this Annual Report.

##### Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the BARC to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently.

The Internal Audit Function is outsourced to a team of competent and qualified auditors at Crowe Governance Sdn Bhd, who reports directly to the BARC. The Internal Auditors attend all meetings of the BARC. The BARC's review of the scope of work and reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the BARC Report on pages 86 to 89 of this Annual Report. The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 93 in the Statement on Risk Management and Internal Control and page 88 in the BARC Report of this Annual Report, respectively.

## Corporate Governance Statement

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****Communication with Stakeholders**

The Board recognises the importance of maintaining transparency and accountability to the stakeholders of Al-`Aqar. The Board believes that regular engagements will enhance stakeholders' understanding and appreciation of Al-`Aqar's business strategies, financial performance, current initiatives and prospects of the business. These engagements are undertaken at both the Manager and property levels with stakeholders such as investors and tenants as it is crucial to address their concerns in times of uncertainties impacted by the COVID-19 crisis.

Stakeholders	Engagement and initiatives
Investment Community (Unitholders, Analysts, Fund Managers)	<ul style="list-style-type: none"> <li>• Statutory announcement</li> <li>• Annual General Meeting</li> <li>• Roadshow</li> <li>• Investors and analysts briefing</li> <li>• Corporate website</li> <li>• Social media</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Media release</li> <li>• Corporate website</li> <li>• Social media</li> </ul>
Government, Local Authorities and Regulators	<ul style="list-style-type: none"> <li>• Engagement meeting</li> <li>• Consultation paper</li> <li>• Engagement through Malaysian REIT Managers Association</li> <li>• Maintain rapport with local authorities</li> </ul>
Tenants and Lessees	<ul style="list-style-type: none"> <li>• Periodic meeting</li> <li>• Survey and feedback</li> <li>• Rental support programme</li> <li>• Marketing support and promotional activities</li> </ul>
Suppliers and Contractors	<ul style="list-style-type: none"> <li>• Request for proposal</li> <li>• Tender interview</li> <li>• Regular meetings</li> <li>• Supplier evaluation and audit</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employees engagement dialogue</li> <li>• Survey and feedback</li> <li>• Performance appraisal</li> <li>• Recreational activities</li> <li>• Flexible work arrangement</li> <li>• Upskilling and reskilling programmes</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Customers' survey and feedback</li> <li>• Social media</li> <li>• CSR programme</li> <li>• Loyalty programme</li> <li>• Stringent operational and safety requirements</li> <li>• SOPs during MCOs</li> </ul>

## Corporate Governance Statement

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### Communication with Stakeholders (cont'd)

Al-`Aqar is highly committed to ensure that relevant and material corporate information is shared with our unitholders and investing community effectively. Al-`Aqar maintains a corporate website, <http://www.alaqar.com.my> to disseminate up-to-date and historical information and enhance its investor relations practices. The Investor Relations section on the website provides investor-related information such as financial information, announcements released to Bursa Securities, general meetings materials, circulars and distribution information. Stakeholders will also have access to corporate governance information including but not limited to the Board Charter, Terms of Reference, Whistleblowing Policy and Anti-Bribery & Corruption Policy.

The Manager has in place the Investor Relations team to facilitate effective communication with unitholders, analysts, fund managers and media. The email address, name and contact number of the Manager's designated person also available in Al-`Aqar's website to enable the public to forward queries relating to Al-`Aqar to the Manager.

#### Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction for effective communication and proactive engagement between the Board and unitholders of Al-`Aqar. A copy of the 2019 Annual Report of Al-`Aqar and the relevant Circular to unitholders, including the notice of meeting were made available to unitholders before the 8th AGM. The notice of meeting was also advertised in the local daily newspapers and announced to Bursa Securities via Bursa LINK. An Administrative Guide, which furnished useful information regarding the conduct of the 8th AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.

In line with the Government's Initiative and the Securities Commission Malaysia Guidance Note, as a precautionary measure amid COVID-19, Al-`Aqar has conducted its 8th AGM on a fully virtual basis via live streaming and online remote voting on 25 June 2020. The Broadcast Venue of the 8th AGM at the Manager's corporate office was strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue. No Unitholders/Proxy(ies) was allowed to be physically present at the Broadcast Venue on the day of the 8th AGM.

The voting of all resolutions set out in the notice of the 8th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Al-`Aqar has appointed Mega Corporate Services Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting and Cygnus IT Solutions PLT as Independent Scrutineers to verify the poll results.

All Directors of the Manager were present at the 8th AGM to engage with unitholders. Besides, the Trustee, the Management Team, external auditors and the advisers were in attendance to address questions or concerns raised by unitholders. The Chairman of the meeting presented the progress and performance of the business and encouraged unitholders to participate in the Q&A session.



# Board Audit and Risk Committee Report

The BARC 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 BARC is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management. The BARC 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 2020, the Board Audit & Risk Committee (BARC or the Committee) comprised of 3 (three) Directors, all of whom are also members of the Board of the Manager.

The composition of the BARC is as follows:

1. Zainah binti Mustafa  
*Chairman/Independent Non-Executive Director*
2. Dato' Wan Kamaruzaman bin Wan Ahmad  
*Independent Non-Executive Director (appointed on 24 August 2020)*
3. Mohd Yusof bin Ahmad  
*Non-Independent Non-Executive Director (appointed on 24 August 2020)*
4. Dr. Mohd Hafetz bin Ahmad  
*Independent Non-Executive Director (resigned on 24 August 2020)*
5. Dato' Sr Dr. Rahah binti Ismail  
*Independent Non-Executive Director (resigned on 24 August 2020)*

On 3 August 2020, Dr. Mohd Hafetz bin Ahmad and Dato' Sr Dr. Rahah binti Ismail resigned from being members of the BARC following the respective resignations as Independent Non-Executive Directors on 24 August 2020.

Dato' Wan Kamaruzaman bin Wan Ahmad, an Independent Non-Executive Director and Mohd Yusof bin Ahmad, a Non-Independent Non-Executive Director were appointed as member of the BARC effective 24 August 2020.

## MEETINGS AND ATTENDANCE

### Number of Meetings Held and Details of Attendance

The BARC meets at quarterly intervals or such other intervals as the members shall decide. During the financial year, a total of 2 BARC meetings were held and the details of attendance are as follows:

No	Name of Committee Member attended	No of meetings
1	Zainah binti Mustafa	2 out of 2
2	Dato' Wan Kamaruzaman bin Wan Ahmad	1 out of 1
3	Mohd Yusof bin Ahmad	2 out of 2
4	Dr. Mohd Hafetz bin Ahmad	1 out of 1
5	Dato' Sr Dr. Rahah binti Ismail	1 out of 1

### Terms of Reference

The BARC has a set of Terms of Reference that guides the discharge of its roles and responsibilities. Details of the Terms of Reference are available on the corporate website of [www.alaqar.com.my](http://www.alaqar.com.my)

## Board Audit and Risk Committee Report

### SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The BARC held four meetings during FY2020. The meeting dates were predetermined in advance in order to ensure availability of each member. Meeting papers were circulated to all the BARC members prior to the meetings by way of electronic means and hard copy.

The BARC carried out the following work during the financial year ended 31 December 2020 in the discharge of its functions and duties:

#### Overseeing Financial Reporting

- (a) Reviewed the audited financial statements of Al-`Aqar for the financial year ended 31 December 2019 ("FY2019"), which were prepared in accordance with the Trust Deed of Al-`Aqar, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the applicable Securities Commission Malaysia ("SC") rules and guidelines, prior to recommending the same to the Board for approval.

At the meeting held on 29 January 2020, the External Auditors presented to the BARC the results of the FY2019 audit conducted on Al-`Aqar, where significant audit matters such as valuation of investment properties, revenue recognition and fraud considerations, were discussed.

- (b) Reviewed at every quarterly meeting held in FY2020, the quarterly unaudited financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board for approval. The first, second, third and fourth quarters of the quarterly results for the financial year ended 31 December 2020 were reviewed at the BARC meetings held on 13 May 2020, 19 August 2020, 18 November 2020 and 26 January 2021 respectively.
- (c) 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.
- (d) Reviewed, at each quarterly meeting, the income distributions of Al-`Aqar which were made in accordance with the distribution policy of Al-`Aqar, in order to ensure the adequacy of the realised income for each distribution prior to recommending the proposal to the Board.
- (e) Kept abreast on the application of the new, revised and amendments to accounting standards such as the Amendments to MFRS3 – Definition of a Business, Amendments to MFRS 101 and MFRS 108 – Definition of Material and Revised Conceptual Framework for Financial Reporting. The External Auditors ensured that the BARC members were briefed on the key requirements and potential impact of these new, revised and amendments.

#### External Audit:

- (a) Evaluated the suitability and independence of the External Auditors at the meeting held on 13 May 2020 against evaluation criteria established. Following a satisfactory assessment, the BARC recommended to the Board their appointment as Auditors of Al-`Aqar in respect of FY2020 for onward recommendation to the Trustee of Al-`Aqar. The evaluation criteria included, among others, the adequacy and experience of the firm, its resources, and the experience of the professional staff assigned to the audit of Al-`Aqar.
- (b) Noted the External Auditors' confirmation of their firm's independence in accordance with the terms of all relevant professional and regulatory requirements.
- (c) Ensured that Al-`Aqar's appointed External Auditors were duly registered with the Audit Oversight Board ("AOB") of the SC; based on the verification carried out by the Compliance Officer on the AOB's Register of Auditors as at 31 October 2020 available on the SC's website.

## Board Audit and Risk Committee Report

- (d) Reviewed with the External Auditors, at the meeting held on 19 August 2020, their audit plan for FY2020, audit approach, and reporting requirements prior to the commencement of audit works for the year under review.
- (e) Reviewed the FY2020 audit fees of Al-`Aqar and Al-`Aqar Capital for recommendation to the Board, prior to seeking the approval from the Trustee of Al-`Aqar. The BARC also considered the non-audit fees applicable to Al-`Aqar for FY2020, and was satisfied that the non-audit fees were not of significant nature and were necessary compliance costs in order for Al-`Aqar to comply with the relevant requirements.

The details of audit and non-audit fees for FY2020 are disclosed below:

Al-`Aqar		Al-`Aqar Capital	
Audit fee	Non-audit fee	Audit fee	Non-audit fee
RM118,000	RM10,000	RM45,000	N/A

### Internal Audit

- (a) Reviewed with the internal auditors the internal audit reports (including follow-up review reports), the audit findings and recommendations, management's responses and/or actions taken thereto, and ensured that material findings were satisfactorily addressed by management.
- (b) 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.
- (c) Reviewed and adopted the risk-based internal audit plan for financial year ending 30 June 2020 to ensure sufficient scope and coverage of activities of Al-`Aqar and the Group, which include review of tenant procedures in the leasing department, a review of assessment procedures involving vendors/contractors, and a review of building and asset maintenance and safety controls.
- (d) Reviewed internal audit resourcing, with focus on ensuring that the function has sufficient resources together with the right calibre of personnel to perform effectively, and that the internal audit team has adequate authority to discharge his functions objectively and independently.

### Risk Management and Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The BARC supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. The BARC reviews risk registers produced by the management which covers Strategic, Finance, Operational and Compliance Risks at each of its meetings and the status and progress of action plans in respect of significant risks.

The BARC also considers that appropriate controls are in place in management of the REIT, that the Manager has a well-defined organisational structure with clear lines of responsibility and a comprehensive reporting system and adequate procedures in financial reporting, risk management, internal control and are in place. Further details in respect of risk management and internal controls are set out on pages 90 to 93. Details in respect of the principal risks and uncertainties are set out on pages 44 and 45.

## Board Audit and Risk Committee Report

The Committee also reviewed and deliberated on four frameworks relating to compliance and internal controls and recommended to the Board the implementation of the frameworks and policies put forward by the Management, listed as below:

No	Frameworks & Policy	Date of Meeting
1	Anti-Bribery & Corruption Policy and Whistle Blowing Policy	13 May 2020
2	Internal Control Policy	18 November 2020
3	Compliance Framework & Policy	18 November 2020
4	Limits of Authority	18 November 2020
5	Enterprise Risk Management Framework	18 November 2020

Review of Related Party Transactions (“RPT”) and Recurrent RPT of a Revenue or Trading Nature (“RRPT”) & Conflict of Interest Situations

- (a) Reviewed, on a quarterly basis, the RRPT entered into by Al-`Aqar with related parties to ensure that internal policies and procedures governing RRPT are adhered to, and disclosure requirements of the Main LR are observed, listed as below:
- Carried out in compliance with the REIT Guidelines and the Trust 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) Received updates on the directorships and shareholdings held by the Directors of the Company and persons connected with them in accordance with Section 221 of the Companies Act, 2016 on a quarterly basis. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to RPT or RRPT. All Directors are required to provide declaration letters of their interest(s) and disclosures of conflict of interest situation(s) on an annual basis, and all declarations are documented and kept in the statutory records of the Manager. 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.

### Annual Report

Reviewed the BARC Report, and Statement on Risk Management and Internal Control before recommending these to the Board of Directors for approval for inclusion in 2020 Annual Report.

# Statement on Risk Management and Internal Control

## Introduction

Pursuant to Paragraph 15.26 (b) of the Listing Requirements and the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) with regards to the Manager’s/Fund’s state of internal control, the Board of Directors (“Board”) is pleased to present below the Statement on Risk Management and Internal Control during the financial year under review and up to the date of approval of this statement, prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guidelines”) which was by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad and taking into consideration the recommendations of the MCCG 2017.

## Board’s Responsibility

The Board affirms its responsibility for the Fund’s system of risk management and internal control which includes the establishment of an appropriate internal control environment and risk management framework as well as reviewing its adequacy and effectiveness to safeguard shareholders’ investments and the Fund’s assets.

The system has been put in place is to ensure that risks and their corresponding mitigation plans are effectively managed, monitored and reviewed effectively. These are done through periodical reports to the established committees through which the Board discharged its duties. Risks that are critical to strategic and business objectives are escalated to the Board level to provide reasonable assurances against material misstatement or loss.

The Board has received assurance from the Chief Executive Officer, Head of Finance and the Head of Compliance and Risk Management Department that the risk management and internal control system is operating adequately and effectively, in all material aspects.

## Enterprise Risk Management (ERM) Framework

In order to achieve a sound system of risk management and internal control, the board and management ensure that the risk management and control framework is embedded into the culture, processes and structures of the company. The framework was designed to be responsive to changes in the business environment and clearly communicated to all levels.

The Manager plans and executes activities to ensure that the risks inherent in its management of the Fund are identified and effectively managed to achieve an appropriate balance between realizing opportunities for gains while minimizing losses to the Fund.

The Manager has first established an Enterprise Risk Management Framework (“ERMF”) in 2018 which sets out the risk management governance, guidelines, processes and control responsibilities and underpins the Enterprise Risk Management Policy (“ERM Policy”). It seeks to ensure that there is a consistency to the methods used in managing risks throughout the organisation, both at the strategic and operation level and to ensure that the risk management efforts are aligned with the Fund’s business objectives. It also outlines enhanced and explicit requirements for managing risks and assists in understanding the impact of uncertainties inherent in business decisions especially impacts relating to the COVID-19 outbreak and the MCO in business operations and strategic direction. Further revision was made in 2019 to incorporate a new Earnings per Unit threshold in risk appetite/risk tolerance.

The third revision of the ERMF was presented during the Board of Director’s meeting dated 25 November 2020 and duly approved. The latest revision tightens the risk management processes by adding a mitigation performance parameter, the timeline and the recommendations/assessment of the risks by the CRMD Department. In addition to the above improvement, the Board has also approved the setup of BARC, which is chaired by an Independent Director and comprises of another Independent Director and one Non-Independent Directors. The BARC is put in charge of the following roles and responsibilities:

- (a) Provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development;
- (b) Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by risk owners; and
- (c) Provide an independent view on specific risk and control issues, the state of internal controls, trends and events.

## Statement on Risk Management and Internal Control

The ERMF specifies the level of risk tolerance expressed through the use of a risk consequence and likelihood matrix. Once the level of risk tolerance is determined, the risk owner is required to identify and implement the risk mitigation plan strategies, while taking into consideration the root cause of the risks; covering management actions with target timeline for implementation.

The risk owners are to monitor and timely update their risk profiles on an on-going basis. The update of the risk profiles includes changes to operational, financial and compliance risks and the identification of emerging risks arising from changing business conditions as well as the adequacy and effectiveness of the related controls.

In addition to the establishment of a risk management committee at the Board level, the Manager is planning to set up an Enterprise Risk Management Committee (“ERMC”) at the Company level, which has commenced in January 2021. The function of the ERMC is to drive risk management guided by the ERM Policy and ERMF to ensure effective identification of emerging risks and management of identified risks through implementation of appropriate controls and risk treatment strategies. Risk owners who are also ERMC members are managers or heads from the divisional units to identify and evaluate the risks related to their business objectives or budgets against which performance is measured and to establish the risk profiles during the risk assessment sessions.

The ERMC meets periodically and works closely with the Compliance and Risk Management Department (“CRMD”) to ensure effective and consistent adoption of risk management practices. The ERMC presented the risk management report to the Board on a quarterly basis. As part of the Board’s efforts to ensure risk management and internal control processes are adequate and effective, risk mitigation strategies and internal controls are subject to periodic review by the internal audit with areas for improvement.

### Key Elements of Internal Control

The Manager’s Internal Control Policy and Procedures (“ICPP”) was designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

The ICPP is a reference tool for all employees to identify and assess operating controls, financial reporting, and legal/regulatory compliance processes and to take action to strengthen controls where needed. By developing effective systems of internal control, we can contribute to DRMSB’s ability to meet its objectives and reducing the potential liability arising from non-compliance to regulatory requirements, fraud and lack of efficiency and effectiveness in operations.

This guide is designed to satisfy the basic objectives of most business systems as they relate to carrying out the responsibilities of the REIT Manager/DRMSB. An effective check and balance control environment is fundamental for ensuring a sound internal control system in the Fund’s operations. The Board and Management are committed to maintain an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance to regulatory guidelines.

The key elements and/or features of internal control system established for maintaining strong corporate governance are as follows:

1. The Standard Operating Procedures (“SOPs”) with specified roles and responsibilities in the reporting structure to incorporate the elements of checks and balances which are aligned to the business and compliance requirements.
2. Limit of Authority Policy is in place for approving capital expenditure and matters on Financial, Treasury, Legal and Secretarial, Audit, Human Resource, Procurement & Contract Management, Investment and Corporate matters – all aimed at keeping potential risk exposures under control.
3. Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains its effectiveness to support the REIT’s business activities. These include the ERMF, Internal Control Policy Manual, Compliance Framework and Policy which was reviewed in 2020. The Manager has also formulated the Business Continuity Management (“BCM”) and Disaster Recovery Plan (“DRP”) Policy, which is currently under review.
4. The DRP testing is undertaken every quarterly and the results presented to the Board for their notation. The Company is evaluating a proposal to carry out an IT technical risk assessment and penetration test of its IT technical infrastructure.



## Statement on Risk Management and Internal Control

5. Strategic Planning and Annual budgets are prepared by the REIT's operations. Analysis and reporting of variances against budget are presented to the Board which act as a monitoring mechanism and reviewed half-yearly.
6. Quarterly and annual financial statements containing key financial results as well as operational performance results of the Fund are prepared and reported to the Board.
7. Timely company briefings with analysts are conducted to apprise the shareholders, stakeholders and general public of the Fund's performance while promoting transparency and open discussion. However, during the year under review no company briefings were carried out due to the restrictions under the MCO.
8. The Chief Executive Officer is involved in the running of the day-to-day business operations by meeting up with both management and operation on a weekly basis to monitor the performance and profitability of the Fund's businesses.
9. Quarterly meetings on management accounts results against prior periods are conducted with significant variances explained and appropriate actions taken or plans put in place.
10. Quarterly meetings with the Trustee are carried out to discuss operational and financial performance of the Fund and the properties. Due to the MCO both the Trustee and REIT Manager were only able to hold the meeting only once in 2020.
11. The Manager has a succession planning programme in place which include identification of future successors and leadership training for candidates of critical positions.
12. Guidelines on employment, 360 degrees performance appraisal are currently in practice to ensure the Manager's ability to operate in an effective and efficient manner. A comprehensive performance management system that links succession planning with elements of core competencies, training needs analysis and training plan, appraisal and reward system is expected to be formalized in 2021.
13. The Human Resource Unit is in charge of the safety & health issues at the operating level to address and ensure compliance with occupational safety and health policies and procedures as required by the various authorities.
14. The Manager undertakes adequate insurance coverage on both its employees and assets to ensure both are sufficiently insured against any losses arising from various perils faced in the Manager's/Fund's operations.
15. The Manager has, in place the KPI reporting to drive awareness of shared management responsibility on their contribution towards enhancing the operating performance in achieving the business objectives.
16. Internal audit is outsourced to ensure independence in audit function, which include performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Company with recommendations for improvement. The internal audit team reports directly to the BARC.
17. Evaluations of outsourced service providers are carried out on a yearly basis and presented at the management committee.
18. Senior management team conducts regular discussions with property, maintenance and service managers to discuss issues for improvement and to promote better understanding to facilitate cognisance in decision-making capability. Due to the MCO, Property Management meetings were only able to hold the meeting once in 2020.
19. The Manager launched its Anti-Bribery & Corruption Framework and the Whistleblowing Policy effective 1 June 2020, which is guided by the Guidelines on Adequate Procedures issued under section 17A(5) of the MACC Act.

## Statement on Risk Management and Internal Control

### Internal Audit

The Manager outsources its Internal Audit Function, which reports independently to the BARC to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes.

The Internal Audit Team (“IAT”) adopts a risk-based approach in executing the annual audit plan that focuses on major business units and/or operations. The annual audit plan is reviewed and approved by the BARC. The IAT reports directly to the BARC on the outcome of its appraisal of the operational activities. Significant audit findings are presented and deliberated by the BARC on a quarterly basis or as appropriate. The IAT also monitors the implementation of audit recommendations in order to obtain assurance that all major risks and controls measures identified have been reasonably addressed by the management in an effective and timely manner.

### Board Review

The Board is of the view that the risk management and internal control system in place throughout the year under review and up to the date of approval of this Statement is sound and sufficient to safeguard the interests of the Fund’s stakeholders, their investments and the Fund’s assets. Additionally, the Board regards the risks faced by the Manager/Fund are within its tolerance levels in relation to its business and strategic objectives.

The Board is not aware of any material losses or fraud during the year under review as a result of weaknesses in internal control. The management is continuously taking necessary measures to improve and strengthen the risk management and internal control system of the Manager/Fund.

### Review of the Statement by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control (“Statement”) in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

They have reported to the Boards that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors on 18 February 2021.

## Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Securities Commission's Guidelines on Listed Real Estate Investment Trusts:

### SANCTIONS OF PENALTIES

There was no public sanction or penalty imposed on the Manager by the relevant regulatory bodies during the financial year.

### STATUS OF UTILISATION PROCEEDS RAISED FROM CORPORATE PROPOSAL

There was no issuance of new units during the FY2020.

### AUDIT AND NON-AUDIT FEES

For more information, please refer to page 88.

### DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At an Extraordinary General Meeting held on 25 June 2020, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2020 where the aggregate value of such RRPTs is equal to or more than RM1.0 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

Set out below are the relevant RRPTs for which Shareholders' Mandate had been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders Mandate and had met the prescribed threshold.

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 25 June to 31 Dec 2020 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
KPJ Group	Rental income for renting of, inter-alia, specialist hospitals, medical centres, aged care centre and college buildings	KPJ is a 38.68% owned company of JCorp. KPJ and JCorp are also the major unitholders of Al-`Aqar.  The Interested Directors are deemed persons connected to JCorp by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group. Dato' Haji Mohd Redza Shah bin Abdul Wahid and Shamsul Anuar bin Abdul Majid are also a director of both KPJ and DRMSB.	65,249,257	112,866,478
KPJ Group	Advisory for, inter-alia, renovation and/or upgrade of any refurbishment work to be undertaken at the hospitals; and property management fee		523,073	1,012,400
JCorp	Registrar costs and expenses	KPJ is the major unitholder of Al-`Aqar.  The Interested Directors are deemed persons connected to JCorp by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group.	20,789	59,982
JCorp	Secretarial Fees		-	-
Premier Revenue Sdn Bhd	Takaful coverage	PRSB is a wholly-owned subsidiary of the Manager. PRSB is the takaful agent for the takaful operator which insures properties of Al-`Aqar managed by DRMSB.  The Directors of PRSB are Wan Azman bin Ismail, the Director of the Manager; and Shahril Zairis bin Ramli who is a part of the senior management team of the Manager.	565,536	1,091,914
<b>Aggregate Value of Transactions</b>			<b>66,358,655</b>	<b>115,030,774</b>

# Shariah Adviser's 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 2020.

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. There is no Shariah non-compliant rental for the financial year ended 31 December 2020; 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 and on behalf of the Shariah Advisory Committee,

**DATO' DR. HAJI NOOH BIN GADOT**

Chairman, Shariah Advisory Committee  
17 February 2021

# Trustee's Report

For The Financial Year Ended 31 December 2020

To the Unit Holders of

**AL-`AQAR HEALTHCARE REIT**

We, **AMANAHRAYA TRUSTEES BERHAD**, have acted as Trustee of **AL-`AQAR HEALTHCARE REIT** for the financial year ended 31 December 2020. 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 securities laws, the applicable Guidelines on Real Estate Investment Trusts and the Deed 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 relevant and reflects the investment objective of **AL-`AQAR HEALTHCARE REIT**.

Yours faithfully,

**AMANAHRAYA TRUSTEES BERHAD**

**ZAINUDIN BIN SUHAIMI**

Chief Executive Officer

Kuala Lumpur, Malaysia

16 February 2021

# Financial Reports

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# Manager's Report

The Manager of Al-Aqar Healthcare REIT (the "Fund"), Damansara REIT Managers Sdn Berhad (the "Manager") have pleasure in presenting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2020.

## 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) The Fund 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

### MANAGER'S INVESTMENT STRATEGIES AND POLICIES (CONT'D)

To achieve the Fund's primary objective, the Manager will seek to achieve the following strategies (cont'd)

(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 of the Manager in office since the beginning of the financial year and to the date of this report are:

Wan Azman bin Ismail	
Zainah binti Mustafa	
Mohd Yusof bin Ahmad	
Dato' Haji Mohd Redza Shah bin Abdul Wahid	(Appointed on 14 February 2020)
Dato' Wan Kamaruzaman bin Wan Ahmad	(Appointed on 24 August 2020)
Shamsul Anuar bin Abdul Majid	(Appointed on 24 August 2020)
Datuk Sr Akmal bin Ahmad	(Appointed on 21 January 2021)
Dato' Kamaruzzaman bin Abu Kassim	(Resigned on 20 January 2020)
Lukman bin Abu Bakar	(Resigned on 14 February 2020)
Dato' Amiruddin bin Abdul Satar	(Resigned on 1 July 2020)
Dr. Mohd Hafetz bin Ahmad	(Resigned on 24 August 2020)
Dato' Sr Dr. Rahah binti Ismail	(Resigned on 24 August 2020)
Yusaini bin Haji Sidek	(Resigned on 15 January 2021)

### DIRECTORS OF THE MANAGER'S BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager of the Fund was a party, whereby the directors might acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of Manager or the fixed salary of a full time employee of the Fund or its related corporations) by reason of a contract made by the Fund or a related corporation with any director or with a firm of which the director is a member, or with a Fund in which the director has substantial financial interest.

## Manager's Report

### DIRECTORS OF THE MANAGER'S INTERESTS

According to the Register of Directors' Unitholdings 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 ----->			
	At 1.1.2020	Acquired	Sold	At 31.12.2020
<b>Related company of the Manager,</b>				
<b>KPJ Healthcare Berhad</b>				
Zainah binti Mustafa	1,000,000	-	-	1,000,000

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:

- 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;
- 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
- 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, other than those as disclosed in the statement of changes in net asset value.

## Manager's Report

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive and statements of financial position of the Group and the Fund were made out, the Manager took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent; 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.
- (g) For the financial year ended 31 December 2020, the net current liabilities of the Group was RM475,258,715 and unitholders' fund of RM943,490,161. In the opinion of the Manager, the Group will be able to meet their obligations and liabilities as and when they fall due on the basis that the Group will be able to refinance their borrowings when it matures. As at the reporting date, the Group received various proposals from financial institutions on the refinancing plan. As at the date of the financial statements, the Group is assessing the available options and will finalise the refinancing plan by the maturity date in May 2021. Taking into consideration the viability of these available options, the Group is confident in materialising its refinancing plan.

## Manager's Report

### AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	<b>Group RM</b>	<b>Fund RM</b>
Audit fees	252,606	128,000

To the extent permitted by law, the Manager of the Fund has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 18 February 2021.

**DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID**

**WAN AZMAN BIN ISMAIL**

Kuala Lumpur

## Statement by the Directors of the Manager

We, **Dato' Haji Mohd Redza Shah bin Abdul Wahid** 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 directors of the Manager, the accompanying financial statements of **AI-Aqar Healthcare REIT** (the "Fund") and its subsidiaries (the "Group") set out on pages 108 to 156 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 and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines") in Malaysia so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2020 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 18 February 2021.

**DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID**

**WAN AZMAN BIN ISMAIL**

## Statutory Declaration

I, **Wan Azman bin Ismail**, being the Executive Director of the Manager primarily responsible for the financial management of **AI-Aqar Healthcare REIT**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 108 to 156 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.

Subscribed and solemnly declared  
by the abovenamed **Wan Azman bin Ismail**  
at **Kuala Lumpur** in the Federal Territory  
on 18 February 2021.

**WAN AZMAN BIN ISMAIL**

Before me,

**COMMISSIONER FOR OATHS**

Kuala Lumpur  
18 February 2021



# 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 as at 31 December 2020 of the Group and of the Fund, and 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, as set out on pages 108 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

### 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 audit 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) of the Malaysian Institute of Accountants ("By- Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

### Valuation of Investment Properties

The Group and the Fund adopt fair value model for their investment properties. As at 31 December 2020, the carrying amount of the Group's and the Fund's investment properties is RM1,534,501,049 and RM1,446,376,199 respectively, which represents 93% and 88% of the Group's and the Fund's total assets respectively.

We have identified this as an important area of our audit given the significance of the investment properties and the complex valuation method which is based on assumptions that are highly judgemental.

Our audit procedures focused on the valuations performed by independent professional valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the independent professional valuers;

## Independent Auditors' Report to the Unitholders of Al-`Aqar Healthcare REIT

### KEY AUDIT MATTERS (CONT'D)

#### Valuation of Investment Properties (cont'd)

Our audit procedures focussed on the valuations performed by independent professional valuers, which included, amongst others, the following procedures (cont'd)

- We obtained an understanding of the methodology adopted by the independent professional valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent professional valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data, yield rate and discount rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged yield rate by comparing them with available industry data, taking into consideration comparability and market factors;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's and the Fund's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The disclosures on the valuation sensitivity and significant assumptions used are included in Notes 3.2(a) and 10 to 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 annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

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

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

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

#### RESPONSIBILITIES OF THE MANAGER FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Fund, the Manager 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 either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Independent Auditors' Report to the Unitholders of Al-`Aqar Healthcare REIT

### 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, 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 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 or 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 or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund 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 the Manager 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 the Manager 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 the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for 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.

## Independent Auditors' Report to the Unitholders of Al-`Aqar Healthcare REIT

### OTHER MATTERS

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Ernst & Young PLT**  
**202006000003 (LLP0022760-LCA) & AF 0039**  
**Chartered Accountants**

Kuala Lumpur, Malaysia  
18 February 2021

**Ismed Darwis bin Bahatlar**  
**02921/04/2022 J**  
**Chartered Accountant**

# Statements of Comprehensive Income

For the Year Ended 31 December 2020

	Note	The Group		The Fund	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	4	115,710,279	106,110,287	103,918,211	94,587,596
Property expenses	5	(6,096,053)	(5,784,630)	(5,943,869)	(5,645,289)
Gross profit		109,614,226	100,325,657	97,974,342	88,942,307
Investment revenue	6	1,011,305	1,655,201	8,868,611	10,550,265
Unrealised gain on foreign exchange		736,084	-	736,084	-
Other income		1,414,273	717,196	1,414,273	717,196
Fair value adjustment of investment properties		(47,772,461)	13,072,974	(5,423,801)	16,837,514
<b>Total income</b>		<b>65,003,427</b>	<b>115,771,028</b>	<b>103,569,509</b>	<b>117,047,282</b>
<b>Expenditure</b>					
Finance costs:					
Islamic financing		34,791,725	31,933,936	4,382,605	1,607,653
Amount due to a subsidiary		-	-	30,629,294	30,603,857
Transaction cost		462,365	390,454	242,192	112,880
Manager's fees		1,837,356	1,719,328	1,837,356	1,719,328
Professional fees		270,677	537,734	119,050	517,734
Valuation fees		584,800	492,248	584,800	492,248
Directors fees		25,350	-	-	-
Trustee's fees		393,361	284,114	393,361	284,114
Maintenance of property		1,070,388	2,113,889	1,070,388	2,113,889
Printing expenses		74,766	89,700	73,070	87,900
Secretarial fee		286	4,583	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		(3,649)	138,923	(3,649)	138,923
Audit fees					
Current year		242,606	181,453	118,000	100,000
Other services		10,000	-	10,000	10,000
Tax agent's fee		10,000	18,000	16,200	17,200
Unrealised loss on foreign exchange		-	333,951	-	333,951
Administration expenses		1,011,039	487,096	751,001	239,017
Allowance for impairment loss of investment in subsidiaries	11	-	-	4,000,000	4,000,000
Derecognition of past lease receivables	12	9,801,166	-	8,423,133	-
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		785,731	889,506	785,731	889,506
Shariah adviser's fee		6,000	3,000	6,000	3,000
<b>Total expenditure</b>		<b>51,379,067</b>	<b>39,623,015</b>	<b>53,443,632</b>	<b>43,276,300</b>
<b>Profit before tax</b>		<b>13,624,360</b>	<b>76,148,013</b>	<b>50,125,877</b>	<b>73,770,982</b>
Tax	7	(1,052,958)	13,724	(2,534,162)	-
<b>Profit for the year</b>		<b>12,571,402</b>	<b>76,161,737</b>	<b>47,591,715</b>	<b>73,770,982</b>
<b>Profit for the year</b>					
Realised		56,984,413	63,408,990	55,137,270	61,267,419
Unrealised		(44,413,011)	12,752,747	(7,545,555)	12,503,563
		<b>12,571,402</b>	<b>76,161,737</b>	<b>47,591,715</b>	<b>73,770,982</b>

# Statements of Comprehensive Income For the Year Ended 31 December 2020

		The Group		The Fund	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>Earnings per unit (sen):</b>					
Basic	8	1.71	10.35		
<b>Other comprehensive income/(loss)</b>					
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Foreign currency translation, representing total other comprehensive income/(loss) for the year, net of tax					
		12,001,396	(8,039,546)	-	-
<b>Total comprehensive income for the year, net of tax</b>					
		24,572,798	68,122,191	47,591,715	73,770,982

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Statements of Financial Position

As at 31 December 2020

	Note	The Group		The Fund	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Investment properties	10	1,534,501,049	1,569,814,000	1,446,376,199	1,449,400,000
Investment in subsidiaries	11	-	-	27,492,186	31,492,186
Amounts due from a subsidiary	13	-	-	99,147,701	99,147,701
Trade receivables	12	5,373,102	-	-	-
		1,539,874,151	1,569,814,000	1,573,016,086	1,580,039,887
<b>Current assets</b>					
Trade receivables	12	25,280,289	13,267,472	9,703,257	4,838,597
Other receivables and prepaid expenses	12	159,066	3,516,647	132,537	3,473,591
Amounts due from a subsidiary	13	-	-	17,078,522	10,006,947
Islamic fixed deposits with licensed banks	14	36,276,092	44,283,132	16,518,131	25,000,000
Cash and bank balances	14	46,396,739	43,470,684	31,395,992	26,839,607
		108,112,186	104,537,935	74,828,439	70,158,742
<b>Total assets</b>		1,647,986,337	1,674,351,935	1,647,844,525	1,650,198,629
<b>Total unitholders' fund and liabilities</b>					
<b>Unitholders' fund</b>					
Unitholders' capital	19	731,398,126	731,398,126	731,398,126	731,398,126
Undistributed income		217,626,683	244,651,258	236,201,257	228,205,519
Foreign currency translation reserve		(5,534,648)	(17,536,044)	-	-
<b>Total unitholders' fund</b>		943,490,161	958,513,340	967,599,383	959,603,645
<b>Non-current liabilities</b>					
Deferred tax liabilities	17	2,534,162	1,453,008	2,534,162	-
Other payables	15	9,521,423	6,907,481	9,521,423	6,907,481
Amount due to a subsidiary	16	-	-	555,233,358	555,577,717
Islamic financing	18	109,069,690	653,639,058	109,069,690	79,340,000
		121,125,275	661,999,547	676,358,633	641,825,198
<b>Current liabilities</b>					
Other payables	15	8,853,336	24,042,522	3,886,509	18,973,260
Islamic financing	18	574,517,565	29,796,526	-	29,796,526
		583,370,901	53,839,048	3,886,509	48,769,786
<b>Total liabilities</b>		704,496,176	715,838,595	680,245,142	690,594,984
<b>Total unitholders' fund and liabilities</b>		1,647,986,337	1,674,351,935	1,647,844,525	1,650,198,629

Statements of Financial Position  
As at 31 December 2020

	Note	The Group		The Fund	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>Number of units in circulation</b>	19	735,985,088	735,985,088	735,985,088	735,985,088
<b>Net asset value ("NAV")</b>					
- before income distribution		943,490,161	958,513,340	967,599,383	959,603,645
- after income distribution		918,098,675	943,646,441	942,207,897	944,736,746
<b>NAV per unit</b>					
- before income distribution		1.28	1.30	1.31	1.30
- after income distribution		1.25	1.28	1.28	1.28

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Net Asset Value

For the Year Ended 31 December 2020

The Group	Note	Unitholders' capital RM	<----- Distributable ----->			Foreign currency translation reserve RM	Total unitholders' fund RM
			Realised RM	Unrealised RM	Total undistributed income RM		
<b>At 1 January 2019</b>		731,398,126	43,751,369	182,144,969	225,896,338	(9,496,498)	947,797,966
Profit for the year		-	63,408,990	12,752,747	76,161,737	-	76,161,737
Other comprehensive loss		-	-	-	-	(8,039,546)	(8,039,546)
Total comprehensive income/(loss)		-	63,408,990	12,752,747	76,161,737	(8,039,546)	68,122,191
Transactions with unitholders:							
Income distributions	9	-	(57,406,817)	-	(57,406,817)	-	(57,406,817)
<b>At 31 December 2019</b>		731,398,126	49,753,542	194,897,716	244,651,258	(17,536,044)	958,513,340
<b>At 1 January 2020</b>		731,398,126	49,753,542	194,897,716	244,651,258	(17,536,044)	958,513,340
Profit for the year		-	56,984,413	(44,413,011)	12,571,402	-	12,571,402
Other comprehensive income		-	-	-	-	12,001,396	12,001,396
Total comprehensive income/(loss)		-	56,984,413	(44,413,011)	12,571,402	12,001,396	24,572,798
Transactions with unitholders:							
Income distributions	9	-	(39,595,977)	-	(39,595,977)	-	(39,595,977)
<b>At 31 December 2020</b>		731,398,126	67,141,978	150,484,705	217,626,683	(5,534,648)	943,490,161

# Statements of Changes in Net Asset Value For the Year Ended 31 December 2020

<----- Distributable ----->						
	Note	Unitholders' capital RM	Realised RM	Unrealised RM	undistributed income RM	Total unitholders' fund RM
The Fund						
At 1 January 2019						
Total comprehensive income		731,398,126	46,440,526	165,400,828	211,841,354	943,239,480
Transactions with unitholders:		-	61,267,419	12,503,563	73,770,982	73,770,982
Income distributions	9	-	(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
At 1 January 2020						
Total comprehensive income		731,398,126	50,301,128	177,904,391	228,205,519	959,603,645
Transactions with unitholders:		-	55,137,270	(7,545,555)	47,591,715	47,591,715
Income distributions	9	-	(39,595,977)	-	(39,595,977)	(39,595,977)
At 31 December 2020						
		731,398,126	65,842,421	170,358,836	236,201,257	967,599,383

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flows

For the Year Ended 31 December 2020

	The Group		The Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Cash flows from operating activities</b>				
Profit before tax	13,624,360	76,148,013	50,125,877	73,770,982
Adjustments for:				
Finance costs	35,254,090	32,324,390	35,254,091	32,324,390
Investment revenue	(1,011,305)	(1,655,201)	(8,868,611)	(10,550,265)
Net amortisation of deferred income	(832,523)	-	(832,523)	-
Allowance for impairment loss in investment in subsidiaries	-	-	4,000,000	4,000,000
Fair value adjustment of investment properties	47,772,461	(13,072,974)	5,423,801	(16,837,514)
Unrealised (gain)/loss on foreign exchange	(736,084)	333,951	(736,084)	333,951
Unbilled rental income	(2,843,801)	-	(2,843,801)	-
Derecognition of past lease receivables	9,801,166	-	8,423,133	-
Operating profit before working capital changes	101,028,364	94,078,179	89,945,883	83,041,544
Changes in working capital:				
Increase in trade receivables	(24,343,284)	(11,021,330)	(10,443,992)	(3,622,314)
Decrease/(Increase) in other receivables and prepaid expenses	3,330,148	(2,345,246)	3,330,148	(2,355,998)
Increase in other payables	2,610,999	2,987,728	2,713,434	2,867,071
Net changes in working capital	(18,402,137)	(10,378,848)	(4,400,410)	(3,111,241)
<b>Net cash generated from operating activities</b>	<b>82,626,227</b>	<b>83,699,331</b>	<b>85,545,473</b>	<b>79,930,303</b>
<b>Cash flows from investing activities</b>				
Income received on investment	1,038,738	1,630,043	1,022,211	1,630,043
Profit sharing on advances from a subsidiary in Australia	-	-	785,731	10,668,629
Enhancement to investment properties	(2,400,000)	(1,262,486)	(2,400,000)	(1,262,486)
Acquisition of investment properties	-	(78,000,000)	-	(78,000,000)
<b>Net cash used in investing activities</b>	<b>(1,361,262)</b>	<b>(77,632,443)</b>	<b>(592,058)</b>	<b>(66,963,814)</b>
<b>Cash flows from financing activities</b>				
Finance costs paid on Islamic financing	(34,720,137)	(31,194,287)	(4,311,017)	(1,607,418)
Finance costs paid on amount due to a subsidiary	-	-	(30,629,294)	(28,961,350)
Transaction costs paid	(404,744)	(660,000)	(403,078)	(660,000)
Decrease in amount due to a subsidiary	-	-	(344,359)	(2,066,840)
Income distributions	(54,021,285)	(57,186,006)	(54,021,285)	(57,186,006)
Increase in restricted cash	(1,245,005)	(1,662,779)	(771,438)	(1,000,000)
Net proceeds from Islamic financing	94,050	80,000,000	94,050	80,000,000
<b>Net cash used in financing activities</b>	<b>(90,297,121)</b>	<b>(10,703,072)</b>	<b>(90,386,421)</b>	<b>(11,481,614)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,032,156)</b>	<b>(4,636,184)</b>	<b>(5,433,006)</b>	<b>1,484,875</b>
Effects of changes in exchange rates	1,970,082	(287,822)	-	-
Effects of foreign currency translation on cash and cash equivalents	736,084	(333,951)	736,084	(333,951)
<b>Cash and cash equivalents at beginning of year</b>	<b>67,475,106</b>	<b>72,733,063</b>	<b>50,839,607</b>	<b>49,688,683</b>
<b>Cash and cash equivalents at end of year (Note 14)</b>	<b>61,149,116</b>	<b>67,475,106</b>	<b>46,142,685</b>	<b>50,839,607</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2020

## 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 Amanah Raya Trustees Berhad (the “Trustee”) for the retirement of Amanah Raya Berhad from acting as a Trustee and for the appointment of Amanah Raya 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 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 Group and the Fund is to invest in Shariah-compliant properties with the primary objective of providing unitholders with stable income 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 Year Ended 31 December 2020

### 1. Corporate information (cont'd)

#### (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 RM1,837,356 (2019: RM1,719,328).

- (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 RMNil (2019: RM780,000).

- (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 2020 of RM393,361 (2019: RM284,114) is determined based on 0.03% (2019: 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 18 February 2021.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

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") as issued by the Malaysian Accounting Standards Board, 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"). These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities.

The financial statements of the Group and the Fund are prepared under the historical cost basis except for investment properties and applicable financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia ("RM") except when otherwise stated.

As of 31 December 2020, the current liabilities of the Group has exceeded the current assets by RM475,258,715. The net current liabilities position are mainly derived from the IMTNs of RM575,000,000 which will due in May 2021 as disclosed in Note 18.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.1 Basis of preparation (cont'd)

The Manager believes that the Group will meet their short term obligation as and when they fall due on the basis that the Group will be able to refinance their borrowings when it matures. As at the reporting date, the Group received various proposals from financial institutions on the refinancing plan.

As at the date of the financial statements, the Group is assessing the available options and will finalise the refinancing plan before the maturity date in May 2021. Taking into consideration the viability of these available options, the Group is confident in materialising its refinancing plan before the maturity date. Accordingly, the Manager is of the opinion going concern basis used in the preparation of financial statements is appropriate.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and the Fund adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2020:

Description	Effective for annual period beginning on or after
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101: Definition of Material	1 January 2020
Amendments to MFRS 108: Definition of Material	1 January 2020
References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendment to MFRS 16 Leases: COVID-19 Related Rent Concessions	1 June 2020
Amendments to MFRS 3 Business Combinations: Definition of a Business	1 January 2020
Amendments to MFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying MFRS 9	17 August 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	17 August 2020

The adoption of the above new and amended MFRS did not have any significant financial impact to the Group and the Fund.

#### 2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.3 Standards and interpretations issued but not yet effective (cont'd)

The Group and the Fund expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application.

#### 2.4 Summary of significant accounting policies

##### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date.

The financial statements of the subsidiaries are prepared for the same reporting date as the Fund, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

- (i) Power over the investee (i.e. 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 investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

- (i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Group, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When the Group loses control of a subsidiary, a gain or loss calculated as the differences 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.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (a) Basis of consolidation (cont'd)

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 retained earnings. 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 using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

##### Investment in subsidiaries – separate financial statements

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

##### (b) Functional currency

The Group's consolidated statements are presented in RM, which is also the functional currency of the Fund. All transactions are recorded in RM. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### (i) Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's and the Fund's net investment in a foreign operation. These are recognised in other comprehensive income ("OCI") until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (b) Functional currency (cont'd)

###### (i) Transactions and balances (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group and the Fund initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group and the Fund determine the transaction date for each payment or receipt of advance consideration.

###### (ii) Consolidated financial statement

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular operation is recognised in profit or loss.

##### (c) Investment properties

Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally hospitals and universities that are not occupied substantially for use by, or in the operations of, the Group and the Fund, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. 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 property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (c) Investment properties (cont'd)

For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

- (i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments;
- (ii) In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in MFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group and the Fund consider the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in MFRS 15.

##### (d) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition and measured either at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Fund have applied the practical expedient, the Group and the Fund initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component and therefore are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Fund's business model for managing financial assets refer to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group and the Fund determined the classification of their financial assets as financial assets (debt instruments) at amortised cost at its initial recognition.



## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (d) Financial assets (cont'd)

###### Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Fund's financial assets at amortised cost includes trade receivables, other receivables and prepaid expenses (excluding prepayments and GST receivables), amount due from a subsidiary, fixed deposits with licensed banks, and cash and bank balances.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

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

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

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

##### (e) Impairment of financial assets

The Group and the Fund recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Fund expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (e) Impairment of financial assets (cont'd)

For trade receivables, the Group and the Fund apply a simplified approach in calculating ECLs. Therefore, the Group and the Fund do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Fund have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Fund consider factors if a financial asset in default such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments that indicate that the Group and the Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (f) Financial liabilities

###### Recognition and measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as other financial liabilities.

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

The Group's and the Fund's other financial liabilities include total payables (non-current and current, excluding deferred lease payment), amount due to subsidiaries and Islamic financing.

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

###### Derecognition

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 different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a 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.

##### (g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (h) Cash and cash equivalents

Cash and Islamic short-term deposits in the statement of financial position comprise cash at banks and on hand and Islamic short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and Islamic short-term deposits, as defined above, net of restricted cash as they are considered an integral part of the Group's and the Fund's cash management.

##### (i) Provisions

Provisions are recognised when the Group and the Fund have a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made.

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

##### (j) Leases

The Group and the Fund assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### As a lessor

Leases in which the Group and the Fund do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### (k) Revenue

The Group's and the Fund's key sources of income include:

##### (i) Rental income

The Group and the Fund earn revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (k) Revenue (cont'd)

The Group's and the Fund's key sources of income include (cont'd):

##### (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).

##### (l) Income distribution

Income distributions are recognised as a liability when they are approved by Trustee and the board of directors of the Manager. Interim distributions are deducted from unitholders' funds when they are paid.

Income distribution to unitholders that are declared after the reporting period are not recognised as a liability at the end of the reporting period.

##### (m) Taxation

##### (i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in OCI or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

##### (ii) Deferred tax

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

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

- (a) When 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 accounting profit nor taxable profit or loss.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (m) Taxation (cont'd)

##### (ii) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences, except (cont'd):

- (b) In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that 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:

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group and the Fund offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### (n) 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.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (o) 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. Income distribution are recognised in equity in the period in which they are declared.

##### (p) Borrowing costs

Borrowing costs consists of interest and other costs that the Group and the Fund incurred in connection with the borrowing of funds. 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 expenditure 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.

##### (q) Current versus non-current classification

The Group and the Fund present assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting period; or
- There is no unconditional right to defer the settlement of the liability; for at least twelve months after reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (r) Fair value measurement

The Group and the Fund measure financial instruments such as Islamic derivatives and Shariah Compliant investment property at fair value at each balance sheet date.

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

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A 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 valuation 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:

- (i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value 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.

### 3. Significant accounting judgements and estimates

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

#### 3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Fund's accounting policies that have a significant effect on the amounts recognised in the financial statements.



## Notes to the Financial Statements For the Year Ended 31 December 2020

### 3. Significant accounting judgements and estimates (cont'd)

#### 3.2 Key sources of estimation uncertainty

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

##### (a) Fair value of investment properties

The Group and the Fund carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund had engaged independent professional valuers to determine the fair value and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuers is most sensitive to the yield rate and discount rate. The range of the yield rate and the discount rate used in the valuation is disclosed in Note 10.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair Value Increase/(decrease) Group		Fair Value Increase/(decrease) Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Yield rate				
- 0.25%	49,760,000	38,398,000	48,610,000	41,500,000
+ 0.25%	(46,310,000)	(35,998,000)	(45,260,000)	39,100,000
Discount rate				
- 0.25%	10,250,000	9,300,000	9,100,000	9,300,000
+ 0.25%	(9,460,000)	(10,000,000)	(8,410,000)	(10,000,000)

### 4. Revenue

Revenue from contract with customers comprises the following:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Rental income</b>				
Base rental income	112,866,478	106,110,287	101,074,410	94,587,596
Unbilled rental income	2,843,801	-	2,843,801	-
	115,710,279	106,110,287	103,918,211	94,587,596
<b>Rental income from</b>				
KPJ Ampang Puteri Specialist Hospital	10,144,554	9,945,641	10,144,554	9,945,641
KPJ Tawakkal Specialist Hospital	9,215,736	8,864,208	9,215,736	8,864,208
KPJ Damansara Specialist Hospital	8,914,911	8,740,109	8,914,911	8,740,109
KPJ Johor Specialist Hospital	8,690,400	8,520,000	8,690,400	8,520,000
KPJ Klang Specialist Hospital	7,426,178	7,280,567	7,426,178	7,280,567
KPJ Ipoh Specialist Hospital	5,511,162	5,403,100	5,511,162	5,403,100

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 4. Revenue (cont'd)

Revenue from contract with customers comprises the following (cont'd):

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Rental income from (cont'd)</b>				
KPJ Selangor Specialist Hospital	5,917,288	5,801,262	5,917,288	5,801,262
KPJ Penang Specialist Hospital	4,654,815	4,546,305	4,654,815	4,546,305
KPJ Seremban Specialist Hospital	4,944,935	4,873,194	4,944,935	4,873,194
KPJ Healthcare University College, Nilai	7,206,994	6,955,539	7,206,994	6,955,539
Kedah Medical Centre	3,594,833	3,806,516	3,594,833	3,806,516
KPJ Perdana Specialist Hospital	3,169,180	3,313,215	3,169,180	3,313,215
KPJ Kajang Specialist Hospital	3,469,599	3,401,567	3,469,599	3,401,567
Tawakkal Health Centre	3,354,022	3,288,257	3,354,022	3,288,257
Puteri Specialist Hospital	3,304,666	3,239,868	3,304,666	3,239,868
KPJ Sentosa KL Specialist Hospital	2,072,850	2,032,206	2,072,850	2,032,206
Kuantan Care & Wellness Centre	1,457,497	1,462,688	1,457,497	1,462,688
KPJ International College, Penang	1,178,250	1,145,154	1,178,250	1,145,154
Damai Care & Wellness Centre	1,018,901	924,783	1,018,901	924,783
Taiping Medical Centre	733,856	719,467	733,856	719,467
Kluang Utama Specialist Hospital	304,163	298,199	304,163	298,199
KPJ Batu Pahat Specialist Hospital	7,633,421	25,751	7,633,421	25,751
Jeta Gardens Aged Care Facility and Retirement Village	11,792,068	11,522,691	-	-
	115,710,279	106,110,287	103,918,211	94,587,596

## 5. Property expenses

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Assessment	3,339,933	3,256,288	3,339,933	3,256,288
Takaful coverage	1,028,095	874,100	1,028,095	874,100
Maintenance fee	1,258,011	1,223,966	1,105,827	1,084,625
Quit rent	470,014	430,276	470,014	430,276
	6,096,053	5,784,630	5,943,869	5,645,289

## 6. Investment revenue

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Shariah Compliant income from Islamic fixed deposits placements	1,011,305	1,655,201	1,011,305	1,655,201
Profit sharing on advances from a subsidiary in Australia	-	-	7,857,306	8,895,064
	1,011,305	1,655,201	8,868,611	10,550,265

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 7. Income tax expense

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 17)	1,052,958	(13,724)	2,534,162	-
	1,052,958	(13,724)	2,534,162	-

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

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	13,624,360	76,148,013	50,125,877	73,770,982
Tax at the statutory tax rate of 24% (2019: 24%)	3,269,846	18,275,523	12,030,210	17,705,036
Different tax rates in other country	(1,927,957)	(193,260)	-	-
Deferred tax recognised at different tax rate	2,534,162	-	2,534,162	-
Non-deductible expenses	17,638,597	1,211,963	3,507,646	1,663,018
Income not subject to tax	(11,855,678)	(6,734,515)	(2,504,932)	(6,700,780)
Income exempted from tax	(8,606,012)	(12,573,435)	(13,032,924)	(12,667,274)
Tax expense for the year	1,052,958	(13,724)	2,534,162	-

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.

As at the date of this financial statements, the Fund has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2020 accordingly. No provision for income tax expense has been made for the year.

Deferred tax liability has been provided for the investment properties held by the Fund at 10% (2019: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

#### 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, income distributions (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 income distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24% (2019: 24%).

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 8. Earnings per unit

The earnings per unit which are calculated based on the profit for the year of the Group, divided by the weighted average number of units in circulation as of 31 December 2020 and 2019, are as follows:

	Group	
	2020 RM	2019 RM
Earnings attributable to unitholders:		
Profit for the year	<u>12,571,402</u>	<u>76,161,737</u>
Weighted average number of units	<u>735,985,088</u>	<u>735,985,088</u>
Earnings per unit (sen)	<u>1.71</u>	<u>10.35</u>

### 9. Income distributions

For the financial years ended 31 December 2020 and 2019, the Manager, with the approval of the Trustee, has declared the following income distributions:

	Group and Fund	
	2020 RM	2019 RM
<b>Income distributions on ordinary shares in respect of the current financial year</b>		
First interim income distribution of 2.06 (2019: 1.91) sen per unit declared on 28 August 2020 (2019: 29 May 2019) and paid on 12 October 2020 (2019: 12 July 2019)	15,161,285	14,057,310
Second interim income distribution of 1.30 (2019: 1.86) sen per unit declared on 23 October 2020 (2019: 30 August 2019) and paid on 4 December 2020 (2019: 17 October 2019)	9,567,804	13,689,315
Third interim income distribution of 1.96 sen per unit declared on 21 November 2019 and paid on 10 January 2020	-	14,425,308
	<u>24,729,089</u>	<u>42,171,933</u>
<b>Income distribution on ordinary shares in respect of the previous financial year</b>		
Final income distribution of 2.02 (2019: 2.07) sen per unit declared on 31 January 2020 (2019: 30 January 2019) and paid on 28 February 2020 (2019: 28 February 2019)	14,866,888	15,234,884
	<u>39,595,977</u>	<u>57,406,817</u>

The Manager had declared a final income distribution of 3.45 (2019: 2.02) sen per unit totaling RM25,391,486 for the financial year ended 31 December 2020 on 26 January 2021 (2019: 30 January 2020).

The financial statements for the current year do not reflect this final income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2021.

The total distributions (including proposed final income distribution) for the financial year ended 31 December 2020 amounting to RM50,120,575 (2019: RM57,038,821). Total income distribution is 6.81 (2019: 7.75) sen per unit.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 9. Income distributions (cont'd)

Income distributions to unitholders is derived from the following sources:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Net rental income	109,614,226	100,325,657	97,974,342	88,942,307
Investment revenue	1,011,305	1,655,201	8,868,611	10,550,265
Other income	1,414,273	717,196	1,414,273	717,196
Less: Amortisation of deferral lease income	(832,523)	-	(832,523)	-
Less: Unbilled rental income (Note 4)	(2,843,801)	-	(2,843,801)	-
	108,363,480	102,698,054	104,580,902	100,209,768
Less: Expenses	(51,379,067)	(39,275,340)	(49,443,632)	(38,942,349)
Realised income for the year	56,984,413	63,422,714	55,137,270	61,267,419
Undistributed income brought forward	49,767,266	43,751,369	50,301,128	46,440,526
Less: Undistributed income	(67,155,702)	(49,767,266)	(65,842,421)	(50,301,128)
	39,595,977	57,406,817	39,595,977	57,406,817

### 10. Investment properties

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	1,569,814,000	1,485,726,800	1,449,400,000	1,353,300,000
Additions	-	78,000,000	-	78,000,000
Enhancements	2,400,000	1,262,486	2,400,000	1,262,486
Fair value adjustment	(47,772,461)	13,072,974	(5,423,801)	16,837,514
Foreign exchange differences	10,059,510	(8,248,260)	-	-
At 31 December	1,534,501,049	1,569,814,000	1,446,376,199	1,449,400,000
Land and buildings at fair value	1,534,501,049	1,569,814,000	1,446,376,199	1,449,400,000

The carrying amount of the investment properties for the financial years ended 31 December 2020 and 2019 is based on the market value determined based on valuations, adjusted with accrued unbilled rental income as required by MFRS 140, as follows:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Investment properties - based on valuation report	1,537,344,850	1,569,814,000	1,449,220,000	1,449,400,000
Investment properties - accrued unbilled rental income (Note 4)	(2,843,801)	-	(2,843,801)	-
	1,534,501,049	1,569,814,000	1,446,376,199	1,449,400,000

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 10. Investment properties (cont'd)

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuer. The valuation method used in determining the valuations is the investment method.

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. CBRE Valuation Pty Limited ("CBRE"), Messrs. Cheston International (KL) Sdn Bhd ("Cheston"), Messrs. Knight Frank Malaysia Sdn Bhd ("Knight Frank"), and Messrs. Henry Butcher Malaysia Sdn Bhd ("Henry Butcher"), independent professional valuers not related to the Group and the Fund. Messrs. CBRE, Messrs. Cheston, 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 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.

There are no material events that affect the valuation between the valuation, data and financial year end.

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the data of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can assess at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

#### Transfer between Level 1, 2 and 3 fair values

There is no transfer between level 1, 2 and 3 fair values during the financial year.

Fair value of investment properties is classified as Level 3.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 10. Investment properties (cont'd)

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% - 8.00% (2019: 6.00% - 6.60%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.25% - 8.50% (2019: 6.25% - 9.50%)	- Higher reversionary yield rates, lower fair value
Void rate of 2.50% - 10.00% (2019: 2.50% - 10.00%)	- Higher void rate, lower fair value
Discount rate of 6.00% - 8.50% (2019: 6.00% - 9.50%)	- Higher discount rate, lower fair value

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 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.



Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 10. Investment properties (cont'd)

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

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2020 Fair value RM	2019 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital #**	Leasehold	99	69	Ampang	31 December 2020	137,000,000	137,000,000	3
KPJ Damansara Specialist Hospital #**	Freehold	-	-	Damansara	31 December 2020	135,000,000	135,000,000	3
KPJ Johor Specialist Hospital #**	Leasehold	99	59	Johor Bahru	31 December 2020	122,000,000	122,000,000	3
KPJ Ipoh Specialist Hospital #*	Freehold	-	-	Ipoh	31 December 2020	77,000,000	76,300,000	3
Puteri Specialist Hospital #**	Leasehold	99	33	Johor Bahru	31 December 2020	42,000,000	42,000,000	3
KPJ Selangor Specialist Hospital #**	Leasehold	99	76	Shah Alam	31 December 2020	82,000,000	83,000,000	3
Kedah Medical Centre #**	Freehold	-	-	Alor Setar	31 December 2020	52,000,000	53,000,000	3
KPJ Perdana Specialist Hospital #*	Leasehold	66	44	Kota Bahru	31 December 2020	42,120,000	45,500,000	3
Kuantan Care & Wellness Centre #*	Freehold	-	-	Kuantan	31 December 2020	20,400,000	20,500,000	3
KPJ Sentosa KL Specialist Hospital #*	Freehold	-	-	Kuala Lumpur	31 December 2020	30,500,000	30,000,000	3
KPJ Kajang Specialist Hospital #*	Freehold	-	-	Kajang	31 December 2020	51,900,000	50,600,000	3
Taiping Medical Centre #**	Leasehold	99	68	Taiping	31 December 2020	10,000,000	10,000,000	3
Damai Care & Wellness Centre #**	Leasehold	99	53	Kota Kinabalu	31 December 2020	14,100,000	15,000,000	3
KPJ International College, Penang ###	Freehold	-	-	Bukit Mertajam	31 December 2020	15,400,000	16,300,000	3
Tawakkal Health Centre #*	Leasehold	99	57	Kuala Lumpur	31 December 2020	48,800,000	48,400,000	3
KPJ Healthcare University College, Nilai ## ###	Freehold	-	-	Seremban	31 December 2020	106,500,000	105,900,000	3
KPJ Seremban Specialist Hospital #*	Leasehold	-	-	Seremban	31 December 2020	69,200,000	69,600,000	3
KPJ Penang Specialist Hospital #**	Freehold	-	-	Bukit Mertajam	31 December 2020	64,000,000	64,000,000	3
KPJ Tawakkal Specialist Hospital #*	Freehold	-	-	Kuala Lumpur	31 December 2020	139,800,000	138,700,000	3

# Notes to the Financial Statements For the Year Ended 31 December 2020

## 10. Investment properties (cont'd)

A summary of the investment properties of the Group and of the Fund, as required to be disclosed by the SC Guidelines, is as follows (cont'd):

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2020		2019		Fair value hierarchy
						Fair value	RM	Fair value	RM	
Kluang Utama Specialist Hospital #**	Leasehold	99	80	Kluang	31 December 2020	4,700,000		5,000,000		3
KPJ Klang Specialist Hospital #*	Leasehold	99	73	Klang	31 December 2020	104,800,000		103,600,000		3
KPJ Batu Pahat Specialist Hospital ##****	Freehold	-	-	Batu Pahat	31 December 2020	77,156,199		78,000,000		3
Total for the Fund						1,446,376,199		1,449,400,000		
Jeta Gardens Aged Care Facility and Retirement Village ***	Freehold	-	-	Queensland	31 December 2020	88,124,850		120,414,000		3
Total for the Group						1,534,501,049		1,569,814,000		

# The investment properties amounting to RM1,247,320,000 (2019: RM1,249,200,000) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by a subsidiary company as disclosed in Note 18.

## The investment properties amounting to RM122,000,000 (2019: RM119,500,000) are used to secure against Commodity Murabahah Term Financing-I ("CMTF-I") issued by the Fund as disclosed in Note 18. The amount of RM122,000,000 represents the fair value of KPJ Batu Pahat Specialist Hospital and KPJ Healthcare University College, Nilai New Building (residential) amounting to RM80,000,000 and RM42,000,000 respectively.

### The investment properties amounting to RM79,900,000 (2019: RM NIL) are used to secure against Commodity Murabahah Term Financing-II ("CMTF-II") issued by the Fund as disclosed in Note 18. The amount of RM79,900,000 represents the fair value of KPJ International College, Penang and KPJ Healthcare University College, Nilai New Building (commercial) amounting to RM15,400,000 and RM64,500,000 respectively.

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

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

\*\*\* Based on valuation carried out by independent professional valuer, Messrs. CBRE.

\*\*\*\* Based on valuation carried out by independent professional valuer, Messrs. Cheston International (KL).

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 11. Investments in subsidiaries

	2020 RM	Fund 2019 RM
Unquoted shares, at cost	42,492,186	42,492,186
Less: Accumulated impairment losses	(15,000,000)	(11,000,000)
Net carrying amount	27,492,186	31,492,186

The movement in the accumulated impairment losses is as follows:

	2020 RM	2019 RM
At 1 January	11,000,000	7,000,000
Allowance for impairment losses	4,000,000	4,000,000
At 31 December	15,000,000	11,000,000

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
Al-Aqar Capital Sdn Bhd <sup>(i)</sup>	Malaysia	Special purpose company for the purpose of raising Islamic Financing for the Fund	100	100
Al-Aqar Australia Pty Ltd <sup>(ii)</sup>	Australia	Special purpose company for the purpose of acquisition of Australian property for the Fund	100	100

(i) Audited by Ernst & Young PLT

(ii) Audited by a firm other than Ernst & Young PLT

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 12. Trade receivables, other receivables and prepaid expenses

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Trade receivables</b>				
<b>Non-current</b>				
Related company	5,373,102	-	-	-
<b>Current</b>				
Related companies	22,436,488	13,267,472	6,859,456	4,838,597
Less: Allowance for expected credit losses (Note (a))	-	-	-	-
	22,436,488	13,267,472	6,859,456	4,838,597
Unbilled rental income	2,843,801	-	2,843,801	-
	25,280,289	13,267,472	9,703,257	4,838,597
<b>Other receivables and prepaid expenses</b>				
Other receivables	46,258	112,429	19,729	69,373
Prepayments	112,808	3,399,916	112,808	3,399,916
Prepaid profit for Murabahah Tawarruq	-	4,302	-	4,302
	159,066	3,516,647	132,537	3,473,591
<b>Total receivables (trade and non-trade)</b>	30,812,457	16,784,119	9,835,794	8,312,188
Add: Amount due from a subsidiary	-	-	116,226,223	109,154,648
Add: Fixed deposits with licensed banks	36,276,092	44,283,132	16,518,131	25,000,000
Add: Cash and bank balances	46,396,739	43,470,684	31,395,992	26,839,607
Less: Prepayments	(112,808)	(3,399,916)	(112,808)	(3,399,916)
Less: GST receivable	(5,477)	(48,517)	(5,477)	(48,517)
<b>Total financial assets at amortised cost (debt instruments)</b>	113,367,003	101,089,502	173,857,855	165,858,010

#### (a) Trade receivables

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

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

The credit period granted by the Group and the Fund on rental receivable from lessees ranges from 1 to 7 days (2019: 1 to 7 days).

Notes to the Financial Statements  
For the Year Ended 31 December 2020**12. Trade receivables, other receivables and prepaid expenses (cont'd)****(a) Trade receivables (cont'd)**Ageing analysis of trade receivables

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
1 to 30 days past due	2,396,024	3,230,724	1,342,841	2,178,899
31 to 60 days past due	2,046,442	1,948,878	964,035	884,450
61 to 90 days past due	1,281,364	1,812,923	187,377	761,356
More than 90 days past due	22,085,760	6,274,947	4,365,203	1,013,892
	27,809,590	13,267,472	6,859,456	4,838,597

Subsequent to year end, the Group entered into a settlement agreement with a debtor. Both parties agreed that the outstanding rental of RM20,950,134 is to be paid by an advance sum of RM10,203,930 and remaining balance of RM10,746,204 through twenty fourth monthly instalments when they fall due starting April 2021.

Subsequent to year end, the Fund entered into a settlement agreement with a debtor. Both parties agreed that the outstanding rental of RM4,616,954 is to be paid by the debtor through seven monthly instalments as and when they fall due starting January 2021.

Movement in allowance for expected credit losses of trade receivables:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	-	-	-	-
Derecognition of past lease receivables	9,801,166	-	8,423,133	-
Written off	(9,801,166)	-	(8,423,133)	-
At 31 December	-	-	-	-

**(i) Derecognition of past lease receivables**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The rapid spread of ongoing COVID-19 pandemic throughout the country has a significant impact on the overall economy.

During the year, the Group and the Fund provided COVID-19 related rental support of RM9,801,166 and RM8,423,133 respectively to its tenants.

**13. Amount due from a subsidiary**

Amount 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. It is non-trade, unsecured, non-interest bearing and repayable on demand.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 14. Cash and cash equivalents

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

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Islamic fixed deposits with licensed banks	36,276,092	44,283,132	16,518,131	25,000,000
Cash and bank balances	46,396,739	43,470,684	31,395,992	26,839,607
	82,672,831	87,753,816	47,914,123	51,839,607
Less: Restricted cash	(21,523,715)	(20,278,710)	(1,771,438)	(1,000,000)
	61,149,116	67,475,106	46,142,685	50,839,607

At the reporting date, the weighted average interest rate per annum and average remaining maturity period of fixed deposits with licensed banks are as follows:

	The Group		The Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Weighted average interest rate (%)	1.74	3.17	1.60	3.14
Average remaining maturity period	21	26	17	14

Included in cash and bank balances and fixed deposits with licensed banks of the Group and the Fund are deposits of RM21,523,715 and RM1,771,438 respectively (2019: RM20,278,770 and RM1,000,000 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 18.

### 15. Other payables

	The Group		The Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Non-current</b>				
Tenant deposits	3,951,224	6,907,481	3,951,224	6,907,481
Deferred lease income	5,570,199	-	5,570,199	-
	9,521,423	6,907,481	9,521,423	6,907,481
<b>Current</b>				
Amount due to the Trustee	32,033	24,096	32,033	24,096
Amount due to the Manager	152,430	153,613	152,430	153,613
Amounts due to related companies	150,682	781,369	89,429	720,607
Other payables	534,698	343,872	286,992	23,462
Third interim income distribution payable (Note 9)	-	14,425,308	-	14,425,308
Accrued finance costs on Sukuk Ijarah Programme (Note 18)	4,611,254	4,611,254	-	-
Other accrued expenses	3,372,239	3,703,010	3,325,625	3,626,174
	8,853,336	24,042,522	3,886,509	18,973,260

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 15. Other payables (cont'd)

	The Group		The Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Total payables (non-current and current)</b>	18,374,759	30,950,003	13,407,932	25,880,741
Less: Deferred lease income	(5,570,199)	-	(5,570,199)	-
Add: Amount due to a subsidiary	-	-	555,233,358	555,577,717
Add: Islamic financing (Note 18)	683,587,255	683,435,584	109,069,690	109,136,526
<b>Total financial liabilities carried at amortised costs</b>	696,391,815	714,385,587	672,140,781	690,594,984

## (a) Deferred lease income

Deferred lease income relates to the excess of the principal amount of security deposits received over their fair value which is accounted for as prepaid lease income and amortised over the lease term on a straight line basis.

## (b) Amount due to the Trustee, the Manager and related companies

Amount due to the Trustee, the Manager and related companies are non-trade, unsecured, non-interest bearing and repayable on demand.

## 16. Amount due to a subsidiary

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 18. 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 totalling RM19,067,340 (2019: RM18,721,341) 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.

## 17. Deferred tax liabilities

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	1,453,008	1,963,268	-	-
Recognised in profit or loss (Note 7)	1,052,958	(13,724)	2,534,162	-
Recognised in other comprehensive income	-	(469,198)	-	-
Foreign exchange differences	28,196	(27,338)	-	-
At 31 December	2,534,162	1,453,008	2,534,162	-



## Notes to the Financial Statements For the Year Ended 31 December 2020

### 17. Deferred tax liabilities (cont'd)

The components and movements of deferred tax assets and liability during the financial year are as follows:

#### Deferred tax liability - Group

	Investment properties RM
At 1 January 2020	(5,640,120)
Recognised in profit or loss	8,389,672
Foreign exchange difference	(215,390)
At 31 December 2020	2,534,162
At 1 January 2019	(5,703,609)
Recognised in profit or loss	(13,724)
Foreign exchange difference	77,213
At 31 December 2019	(5,640,120)

	Unrealised loss on foreign exchange RM
At 1 January 2020	7,093,128
Recognised in profit or loss	(7,336,714)
Foreign exchange difference	243,586
At 31 December 2020	-
At 1 January 2019	7,666,877
Recognised in other comprehensive income	(469,198)
Foreign exchange difference	(104,551)
At 31 December 2019	7,093,128

#### Deferred tax liability - Fund

	Investment properties RM
At 1 January 2020	-
Recognised in profit or loss	2,534,162
At 31 December 2020	2,534,162

The deferred tax liability relates to fair value gain on investment properties which is expected to be recovered through sale. The amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Based on the Finance Act 2019 which was gazetted in December 2019, it was clarified that the RPGT rate of 10% is prescribed for disposal of investment properties held for more than 5 years for a trustee of a trust.

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 18. Islamic financing

	The Group		The Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Non-current</b>				
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")	-	575,000,000	-	-
Commodity Murabahah Term Financing-I ("Commodity Murabahah-I")	80,000,000	80,000,000	80,000,000	80,000,000
Commodity Murabahah Term Financing-II ("Commodity Murabahah-II")	29,994,050	-	29,994,050	-
	109,994,050	655,000,000	109,994,050	80,000,000
Less: Transaction costs	(924,360)	(1,360,942)	(924,360)	(660,000)
	109,069,690	653,639,058	109,069,690	79,340,000
<b>Current</b>				
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")	575,000,000	-	-	-
Murabahah Tawarruq Term Financing-i ("Murabahah Tawarruq")	-	29,900,000	-	29,900,000
	575,000,000	29,900,000	-	29,900,000
Less: Transaction costs	(482,435)	(103,474)	-	(103,474)
	574,517,565	29,796,526	-	29,796,526
	683,587,255	683,435,584	109,069,690	109,136,526

**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 RM1,247,320,000 (2019: RM1,249,200,000) as mentioned in Note 10, comprises the following tranches at nominal value:

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 18. Islamic financing (cont'd)

#### *Sukuk Ijarah (cont'd)*

	Nominal value			Profit
	2020	2019		rate
	RM	RM	Rating	(%)
<b>Non-current</b>				
<b>Issue II - Tranche 1</b>				
<u>Issued on 4 May 2018</u>				
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	
Total (iii)	575,000,000	575,000,000		
<b>Issue II - Tranche 2</b>				
<u>Issued on 20 December 2018</u>				
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"):
  - FSCR at Issue level of not less than 1.5 times; and
  - FSCR at Al-Aqar Healthcare REIT level of not less than 1.5 times; and
  - 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 10 amounting to RM1,247,320,000 (2019: RM1,249,200,000).

The Manager believes that the Group will meet their short term obligation as and when they fall due on the basis that the Group will be able to refinance their borrowings when it matures. As at the reporting date, the Group received various proposals from financial institutions on the refinancing plan.

As at the date of the financial statements, the Group is assessing the available options and will finalise the refinancing plan before the maturity date in May 2021. Taking into consideration the viability of these available options, the Group is confident in materialising its refinancing plan before the maturity date. Accordingly, the Manager is of the opinion going concern basis used in the preparation of financial statements is appropriate.

#### **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.

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 18. Islamic financing (cont'd)

**Murabahah Tawarruq Term Financing-i (cont'd)**

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 4.40%. There is no specific financial covenant associated with the Murabahah Tawarruq.

The Murabahah Tawarruq had been fully repaid during the current financial year.

**Commodity Murabahah Term Financing-I**

On 27 December 2019, the Fund obtained floating rate borrowing facility ("Commodity Murabahah-I") amounting to RM80,000,000 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-I 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-I bears an effective profit rate of 1.25% per annum above the bank's COF. The average effective profit rate for the Commodity Murabahah-I during the year is 3.74%. The transaction costs incurred for the Commodity Murabahah-I was RM660,000.

The Commodity Murabahah-I was secured against the investment properties as disclosed in Note 10 amounting to RM122,000,000 (2019: RM119,500,000).

**Commodity Murabahah Term Financing-II**

On 30 November 2020, the Fund obtained floating rate borrowing facility ("Commodity Murabahah-II") amounting to RM29,994,050 from OCBC Al-Amin Bank Berhad to refinance the Ambank's facility. The Commodity Murabahah-II 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-II bears an effective profit rate of 1.25% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Commodity Murabahah-II during the year is 3.35%. The transaction costs incurred for the Commodity Murabahah-II was RM403,078.

The Commodity Murabahah-II was secured against the investment properties as disclosed in Note 10 amounting to RM79,900,000 (2019: NIL).

Changes in liabilities arising from financing activities:

Group	At 1 January 2020 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2020 RM
<b>Non-current</b>					
IMTN	575,000,000	-	-	(575,000,000)	-
Commodity Murabahah-I	80,000,000	-	-	-	80,000,000
Commodity Murabahah-II	-	29,994,050	-	-	29,994,050
	655,000,000	29,994,050	-	(575,000,000)	109,994,050
Less: Transaction costs on borrowings	(1,360,942)	(404,744)	358,891	482,435	(924,360)
	653,639,058	29,589,306	358,891	(574,517,565)	109,069,690
<b>Current</b>					
IMTN	-	-	-	575,000,000	575,000,000
Murabahah Tawarruq	29,900,000	(29,900,000)	-	-	-
Less: Transaction costs on borrowings	(103,474)	-	103,474	(482,435)	(482,435)
	683,435,584	(310,694)	462,365	-	683,587,255

# Notes to the Financial Statements For the Year Ended 31 December 2020

## 18. Islamic financing (cont'd)

### Commodity Murabahah Term Financing-II (cont'd)

Changes in liabilities arising from financing activities (cont'd):

Group	At 1 January 2019 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2019 RM
<b>Non-current</b>					
IMTN	575,000,000	-	-	-	575,000,000
Commodity Murabahah-I	-	80,000,000	-	-	80,000,000
Murabahah Tawarruq	29,900,000	-	-	(29,900,000)	-
	604,900,000	80,000,000	-	(29,900,000)	655,000,000
Less: Transaction costs on borrowings	(1,194,870)	(660,000)	390,454	103,474	(1,360,942)
	603,705,130	79,340,000	390,454	(29,796,526)	653,639,058
<b>Current</b>					
Murabahah Tawarruq	-	-	-	29,900,000	29,900,000
Less: Transaction costs on borrowings	-	-	-	(103,474)	(103,474)
	603,705,130	79,340,000	390,454	-	683,435,584

Fund	At 1 January 2020 RM	Cash flows RM	Charged to profit or loss RM	At 31 December 2020 RM
<b>Non-current</b>				
Commodity Murabahah-I	80,000,000	-	-	80,000,000
Commodity Murabahah-II	-	29,994,050	-	29,994,050
Transaction costs on borrowings	(660,000)	(403,078)	138,718	(924,360)
<b>Current</b>				
Murabahah Tawarruq	29,900,000	(29,900,000)	-	-
Transaction costs on borrowings	(103,474)	-	103,474	-
	109,136,526	(309,028)	242,192	109,069,690

Fund	At 1 January 2019 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2019 RM
<b>Non-current</b>					
Commodity Murabahah-I	-	80,000,000	-	-	80,000,000
Murabahah Tawarruq	29,900,000	-	-	(29,900,000)	-
Transaction costs on borrowings	(216,354)	(660,000)	112,880	103,474	(660,000)
<b>Current</b>					
Murabahah Tawarruq	-	-	-	29,900,000	29,900,000
Transaction costs on borrowings	-	-	-	(103,474)	(103,474)
	29,683,646	79,340,000	112,880	-	109,136,526

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 19. Unitholders' capital

	2020		2019	
	No. of Units	RM	No. of Units	RM
<b>Group and Fund</b>				
<b>Issued and fully paid-up:</b>				
At 1 January/31 December	735,985,088	731,398,126	735,985,088	731,398,126

Details of units held by the Manager's directors and unitholders, and related parties which comprise companies related to Johor Corporation and KPJ Healthcare Berhad, substantial unitholders of the Fund, and their market value as of 31 December 2020 and 31 December 2019 respectively based on the Record of Depositors are as follows:

	2020		2019	
	No. of Units	RM	No. of Units	RM
<b>Related parties:</b>				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	71,589,580	54,648,534	72,136,065
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	47,310,998	36,115,266	47,672,151
Selangor Medical Centre Sdn Bhd	35,000,000	45,850,000	35,000,000	46,200,000
Seremban Specialist Hospital Sdn Bhd	23,731,000	31,087,610	23,731,000	31,324,920
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	27,527,998	21,013,739	27,738,135
Medical Associates Sdn Bhd	19,055,000	24,962,050	19,055,000	25,152,600
Sentosa Medical Centre Sdn Bhd	15,653,000	20,505,430	15,653,000	20,661,960
Kedah Medical Centre Sdn Bhd	15,000,000	19,650,000	15,000,000	19,800,000
Johor Specialist Hospital Sdn Bhd	12,203,000	15,985,930	12,203,000	16,107,960
Puteri Specialist Hospital Sdn Bhd	12,000,000	15,720,000	12,000,000	15,840,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	15,443,590	11,789,000	15,561,480
KPJ Healthcare University College Sdn Bhd	7,758,620	10,163,792	7,758,620	10,241,378
Kuantan Specialist Hospital Sdn Bhd	5,000,000	6,550,000	5,000,000	6,600,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,877,970	4,487,000	5,922,840
Jeta Gardens (Qld) Pty Ltd	3,786,924	4,960,870	3,786,924	4,998,740
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,585,000	3,500,000	4,620,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,367,540	3,334,000	4,400,880
Johor Ventures Sdn Bhd	173,219	226,917	173,219	228,649

## 20. Management Expense Ratio ("MER")

	Fund	
	2020	2019
	%	%
MER	0.32	0.25

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.

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 21. Significant related party transactions

Parties are considered to be related to the Group if the parties have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operation decisions, or vice versa, or where the Group 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 4 from related parties.

Significant related party (credits)/charges other than those disclosed in Note 4 are as follows:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors' fees	-	5,000	-	-
Manager's fee	1,837,356	1,719,328	1,837,356	1,719,328
Maintenance fee	1,012,400	998,385	1,012,400	998,385
Registrar fee	-	138,923	-	138,923
Secretarial fee	-	2,640	-	-
Other income	(532,000)	(532,000)	(532,000)	(532,000)
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.

### 22. Operating leases - Group as lessor

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:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Less than one year	92,333,647	114,927,099	80,897,143	103,490,595
Between one and five years	193,428,006	292,312,123	159,118,494	246,566,107
	285,761,653	407,239,222	240,015,637	350,056,702

### 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.



## Notes to the Financial Statements For the Year Ended 31 December 2020

### 23. Financial risk management objectives and policies (cont'd)

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.

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 12.

#### Credit risk concentration profile

Other than the amounts due from the subsidiary, 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 Year Ended 31 December 2020

### 23. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

##### *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.

As of 31 December 2020, the current liabilities of the Group has exceeded the current assets by RM475,258,715. The net current liabilities position are mainly derived from the IMTNs of RM575,000,000 which will come due in May 2021 as disclosed in Note 18.

The Manager believes that the Group will meet their short term obligation as and when they fall due on the basis that the Group will be able to refinance their borrowings when it matures. As at the reporting date, the Group received various proposals from financial institutions on the refinancing plan.

As at the date of the financial statements, the Group is assessing the available options and will finalise the refinancing plan by the maturity date in May 2021. Taking into consideration the viability of these available options, the Group is confident in materialising its refinancing plan before the maturity date. Accordingly, the Manager is of the opinion going concern basis used in the preparation of financial statements is appropriate.

##### 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 reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
<b>Group</b>				
<b>As at 31 December 2020</b>				
<b>Financial liabilities</b>				
Other payables	8,853,336	-	10,353,946	19,207,282
Islamic financing	593,017,275	121,797,213	-	714,814,488
	601,870,611	121,797,213	10,353,946	734,021,770

Notes to the Financial Statements  
For the Year Ended 31 December 2020

## 23. Financial risk management objectives and policies (cont'd)

## (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
<b>As at 31 December 2019</b>				
<b>Financial liabilities</b>				
Other payables	30,950,003	-	-	30,950,003
Islamic financing	63,707,131	681,488,867	-	745,195,998
	94,657,134	681,488,867	-	776,146,001
<b>Fund</b>				
<b>As at 31 December 2020</b>				
<b>Financial liabilities</b>				
Other payables	3,886,509	-	10,353,946	14,240,455
Amount due to a subsidiary	586,512,235	-	-	586,512,235
Islamic financing	3,626,982	121,797,213	-	125,424,195
	594,025,726	121,797,213	10,353,946	726,176,885
<b>As at 31 December 2019</b>				
<b>Financial liabilities</b>				
Other payables	25,880,741	-	-	25,880,741
Amount due to a subsidiary	29,114,505	586,639,442	-	615,753,947
Islamic financing	34,592,626	94,849,425	-	129,442,051
	89,587,872	681,488,867	-	771,076,739

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 23. Financial risk management objectives and policies (cont'd)

#### (c) Interest 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 interest 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.

The above interest rate is a general economic indicator that will have an impact on the management of the Group and the Fund regardless whether it is an Islamic fund or otherwise. It does not in any way suggest that the Group and the Fund will invest in conventional financial instruments. All the investments carried out for the Group and the Fund are in accordance with Shariah requirements.

#### 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.

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Financing rate				
- 25 bp increase	1,618,278	1,597,881	1,619,462	1,599,286
- 25 bp decrease	(1,618,278)	(1,597,881)	(1,619,462)	(1,599,286)

#### (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 and the Fund also maintain bank accounts denominated in foreign currencies, primarily in AUD, as a natural hedge against foreign currency risk.

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

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Denominated in AUD</b>				
Trade receivables	20,950,135	8,428,875	-	-
Cash and cash equivalents	22,459,995	23,338,277	10,369,231	9,633,147
Other payables	(343,726)	(419,159)	-	-
Net exposure in the statements of financial position	43,066,404	31,347,993	10,369,231	9,633,147

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 23. Financial risk management objectives and policies (cont'd)

#### (d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

	Group		Other comprehensive income Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>AUD</b>				
Strengthened 5%	2,153,320	1,097,180	518,462	481,657
Weakened 5%	(2,153,320)	(1,097,180)	(518,462)	(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 2020	Malaysia RM	Australia RM	Total RM
Gross rental	103,918,211	11,792,068	115,710,279
Property expenses	(5,943,869)	(152,184)	(6,096,053)
<b>Net property income</b>	<b>97,974,342</b>	<b>11,639,884</b>	<b>109,614,226</b>
Investment revenue	1,011,305	-	1,011,305
Unrealised gain on foreign exchange	736,084	-	736,084
Other income	1,414,273	-	1,414,273
Fair value adjustment on investment properties	(5,423,801)	(42,348,660)	(47,772,461)
<b>Total income</b>	<b>95,712,203</b>	<b>(30,708,776)</b>	<b>65,003,427</b>
Expenditure	(14,283,068)	(1,841,909)	(16,124,977)

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 24. Segment Reporting (cont'd)

The Group's segmental information is as follows (cont'd):

31 December 2020	Malaysia RM	Australia RM	Total RM
<b>Operating profit</b>	81,429,135	(32,550,685)	48,878,450
Finance costs	(35,254,090)	-	(35,254,090)
<b>Profit before tax</b>	46,175,045	(32,550,685)	13,624,360
Tax	(2,534,162)	1,481,204	(1,052,958)
<b>Profit after tax</b>	43,640,883	(31,069,481)	12,571,402
 Total assets	 1,526,820,587	 121,165,750	 1,647,986,337
Total liabilities	704,152,450	343,726	704,496,176
 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)
<b>Net property income</b>	88,942,307	11,383,350	100,325,657
Investment revenue	1,655,201	-	1,655,201
Other income	717,196	-	717,196
Fair value adjustment on investment properties	16,837,514	(3,764,540)	13,072,974
<b>Total income</b>	108,152,218	7,618,810	115,771,028
Expenditure	(7,053,425)	(240,196)	(7,293,621)
<b>Operating profit</b>	101,098,793	7,378,614	108,477,407
Finance costs	(32,329,394)	-	(32,329,394)
<b>Profit before tax</b>	68,769,399	7,378,614	76,148,013
Tax	-	13,724	13,724
<b>Profit after tax</b>	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

### 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 18) offset by cash and cash equivalents and unitholders' fund of the Group and of the Fund (comprising unitholders' capital and undistributed income).

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 25. Capital management (cont'd)

The Group and the Fund are required to comply with the financial covenants as disclosed in Note 18 and the SC Guidelines on capital requirements.

As at 31 December 2020, the Group and the Fund had complied with all financial covenants as disclosed in Note 18.

Gearing ratios are calculated based on the proportion of total borrowings to the total asset value in accordance with Securities Commission Malaysia ("SC") Guidelines. On 12 August 2020, the SC announced that it will temporarily increase the gearing limit for Malaysian REITs from 50% to 60%, effective immediately until 31 December 2022. Notwithstanding, the Fund's total borrowings may exceed this limit with the sanction of the unit holders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

#### 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:

	Group		Fund	
	2020 RM	2019 RM	2020 RM	2019 RM
Total borrowings	683,587,255	683,435,584	664,303,048	664,714,243
Total assets value	1,647,986,337	1,674,351,935	1,647,844,525	1,650,198,629
Total borrowings to total assets value ratio	41.48%	40.82%	40.31%	40.28%

### 26. Portfolio Turnover Ratio ("PTR")

	Fund	
	2020 RM	2019 RM
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. Comparative figures

In the previous financial year, the Group and the Fund obtained Islamic Financing of RM78,000,000 to finance the acquisition of KPJ Batu Pahat Specialist Hospital for a cash consideration of RM78,000,000. The acquisition was completed on 28 December 2019.

For the financial year ended 31 December 2019, cash flows from financing and investing activities were both understated by RM78,000,000. The reclassification had been had been restated in the statement of cash flows, as follows:

	As previously stated RM	Re- classification RM	As restated RM
<b>Group and Fund</b>			
<b>At 31 December 2019</b>			
<b>Cash flows from financing activities</b>			
Net proceeds from Islamic financing	2,000,000	78,000,000	80,000,000
<b>Cash flows from investing activities</b>			
Addition of investment property	-	(78,000,000)	(78,000,000)





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