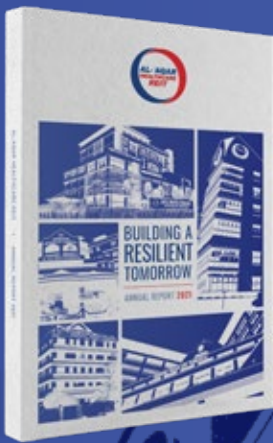




BUILDING A RESILIENT TOMORROW

ANNUAL REPORT **2021**





COVER RATIONALE

As the world's first Islamic Real Estate Investment Trust, Al-`Aqar is taking a proactive standpoint to be adaptable and innovative while remaining optimistic amid shifting global economic scenarios. We are unswervingly bridging the gap between common socio-economic progress and prosperity towards our core vision. By resetting our strategies, the Group has placed itself on a distinctive maturation and moving in the right direction progressively with synergy and multiple sources of strategies, which enable us to establish a strong and synergetic business within healthcare industry, while enhancing the values and long-term returns of investment for our customers, shareholders and investors.



SCAN ME

Scan the QR Code by following these simple steps

GET IT

Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

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





WHAT'S INSIDE

1

CORPORATE OVERVIEW

- 003 2021 Highlights
- 004 Objective, Policy and Strategies
- 005 Corporate Profile
- 006 Corporate Information
- 008 Letter to Stakeholders
- 015 Salient Features
- 016 5-Year Financial Performance
- 018 Trading Performance
- 020 Analysis of Unitholdings

2

THE DRIVING FORCES

- 024 Trust Structure
- 025 Organisation Structure
- 026 The Board of Directors
- 033 The Shariah Committee
- 037 The Management Team

3

STRATEGIC PERFORMANCE

- 042 Management Discussion and Analysis
- 042 Financial Review
- 046 Operations Review
- 052 Capital Review
- 054 Risk Management
- 056 Market Report Summary
- 064 Portfolio Summary and Details

4

SUSTAINABILITY STATEMENT

- 078 About This Report
- 079 Approach to Sustainable Development
- 082 Stakeholder Engagement
- 084 Material Sustainability Matters
- 088 Robust Corporate Governance
- 090 Sustainable Trust Fund
- 092 Strong Social Relationships
- 098 Environment Stewardship
- 099 Conclusion
- 099 GRI Content Index

5

GOVERNANCE STRUCTURE

- 102 Corporate Governance Statement
- 110 Board Audit and Risk Committee Report
- 117 Statement on Risk Management and Internal Control
- 126 Additional Compliance Information
- 128 Shariah Committee's Report
- 129 Trustee's Report

6



FINANCIAL REPORTS

- 131 Manager's Report
- 136 Statement by the Directors of the Manager
- 136 Statutory Declaration
- 137 Independent Auditors' Report
- 141 Statements of Comprehensive Income
- 143 Statements of Financial Position
- 145 Statements of Changes in Net Asset Value
- 147 Statements of Cash Flows
- 149 Notes to the Financial Statements



KPJ JOHOR SPECIALIST HOSPITAL

CORPORATE OVERVIEW

- 
- 
- 003** 2021 Highlights
 - 004** Objective, Policy and Strategies
 - 005** Corporate Profile
 - 006** Corporate Information
 - 008** Letter to Stakeholders
 - 015** Salient Features
 - 016** 5-Year Financial Performance
 - 018** Trading Performance
 - 020** Analysis of Unitholdings

2021 HIGHLIGHTS

CORPORATE
OVERVIEWTHE DRIVING
FORCESSTRATEGIC
PERFORMANCESUSTAINABILITY
STATEMENTGOVERNANCE
STRUCTUREFINANCIAL
REPORTS

PROPERTY VALUE
RM1.54 billion



DISTRIBUTION YIELD
6.72%



MARKET CAPITALISATION
RM853.7 million



DISTRIBUTION PER UNIT (DPU)
7.80 sen



GROSS REVENUE
RM114.1 million



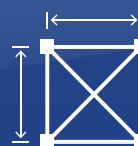
NET REALISED INCOME
RM65.2 million



OCCUPANCY RATE
100%



NUMBER OF ASSETS
23



GROSS FLOOR AREA
**4.87 million
sq. ft.**

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.

STRATEGIES

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 is 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 of 31 December 2021, Al-`Aqar’s property value stood at RM1.54 billion with a market capitalisation of RM853.7 million.



CORPORATE INFORMATION

MANAGER

**DAMANSARA REIT MANAGERS
SDN BERHAD** (200501035558)

Registered Office:

Level 14, 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

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD
(200701008892)

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

SHARIAH COMMITTEE

1. Dato' (Dr) Haji Nooh bin Gadot
2. Profesor Madya Dr Abdul Halim bin Muhammad
3. IBFIM (200701005076)
Level 5, Bangunan AICB,
No. 10, Jalan Dato' Onn,
50480 Kuala Lumpur.
Tel : (+603) 2031 1010
Fax : (+603) 2026 9988
Email : info@ibfim.com /
shariah.advisory@ibfim.com
Website : 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

SOLICITOR

ABDUL RAMAN SAAD & ASSOCIATES

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

KADIR ANDRI & PARTNERS

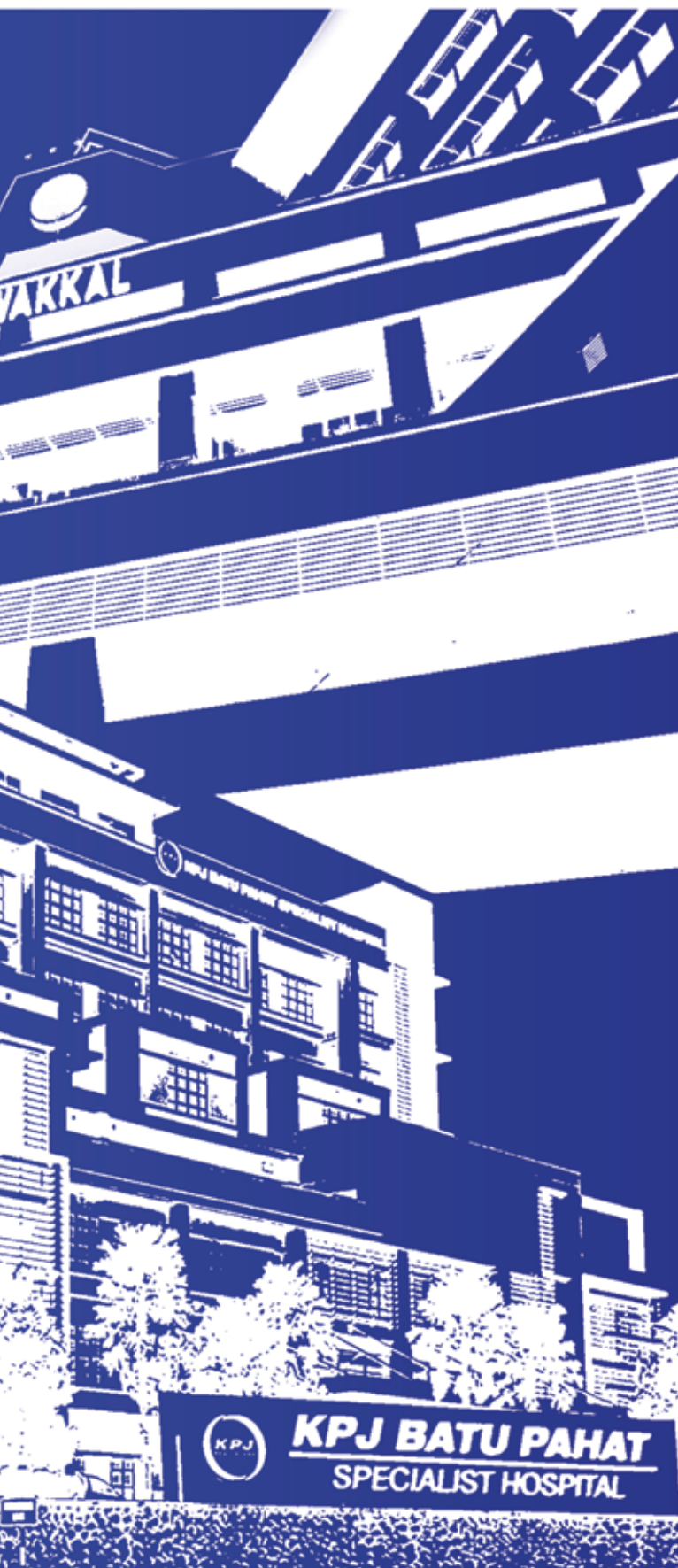
Suite A-38-8, Level 38,
Menara UOA Bangsar,
5, Jalan Bangsar Utama 1,
59000 Kuala Lumpur.
Tel : (+603) 2780 2888
Fax : (+603) 2780 2833
Email : partner@kaaplaw.com
Website : www.kaaplaw.com

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
Website : www.albar.com.my



CORPORATE INFORMATION



MOHAMED RIDZA & CO

Unit No. 50-10-9, Level 10, Wisma UOA Damansara,
No. 50, Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur.

Tel : (+603) 2092 4822

Fax : (+603) 2092 5822

Email : mrco@ridzalaw.com.my

Website : ridzalaw.com.my

PROPERTY MANAGER

HEALTHCARE TECHNICAL SERVICES SDN BHD

(199501012909)

Level 17, Menara KPJ, No. 238, Jalan Tun Razak,
50400 Kuala Lumpur.

Tel : (+603) 2681 6222

Fax : (+603) 2681 6888

CBRE (C) PTY LTD

(64003205552)

Level 3, Waterfront Place,
1 Eagle Street, Brisbane,
Queensland 4000, Australia.

Tel : (+617) 3833 9833

IM GLOBAL PROPERTY CONSULTANTS SDN BHD

(200501019108)

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

C H Williams Talhar & Wong Sdn Bhd (CBRE|WTW)

(197401001098)

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 : kualalumpur@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 2021 (“FY2021”). The year 2021 is another challenging year with the resurgence of COVID-19 pandemic cases across Malaysia. The Country once again went into total lockdown with the implementation of Movement Control Order (“MCO 2.0 & 3.0”), which adversely impacted all businesses and the healthcare industry was not spared too. Despite the challenging operating environment, the Manager have taken all the initiatives to keep the long-standing business partnership with KPJ Group as the main sponsor of the fund. As the chairman of the Group, it is my pleasure to present the Annual Report for the year ended 2021 with a better distribution and investment return to unitholders.

”

REVIEWING 2021: A TOUGH YEAR WITH GENUINE DOUBLE HAZARD PROBLEMS

A year and a half tussle with COVID-19 pandemic, the global economy is back on the track of robust post-recession recovery in 2021 with better growth of global GDP at 5.5% as the relaxation of pandemic related lockdowns in many countries. However, the rebound is expected to remain varied across countries.

For Malaysia, the year 2021 started with a full-blown pandemic and ended with a natural disaster of massive flood, which resulted in a weakened economic activity. However, the latest economic indicators show that there is a high frequency of economic activity recovered from July 2021 onwards, as the government has taken a rapid roll-out of the vaccination program and there is a declining number of cases daily. Malaysia's 2021 GDP is projected to range between 3% to 4%, as there is an ease of movement restriction which allows interstate and most of the sectors to return to their normal operation.

COVID-19 pandemic outbreak has stretched Malaysia's healthcare industry as public hospitals were overwhelmed with patients and they are struggling to cope with the surge of the number of patients daily. On the other hand, private hospitals have recorded a steep revenue drop by at least 50% during the year, due to the significant drop in non-emergency cases, as patients tend to delay or avoid visiting hospitals for their non-essential treatment. However, there is a gradual pick-up in private healthcare demand during the second half of the year due to the relaxation of containment measures.



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

Chairman



2021 – A CHALLENGING AND POSITIVE TRANSITION YEAR

Considering that private hospitals are generally not built to handle infectious diseases like COVID-19 cases, therefore KPJ Group's focused mainly on the public-private partnership arrangement and treating non-COVID-19 patients.

KPJ group has recorded a higher revenue in 2021 as there was a greater relaxation of containment measures by the Government during the second half of the year with a gradual pick-up of demand and better economic activities. However, higher fixed costs and the incremental cost for Standard Operating Procedure compliance has resulted to a lower performance in KPJ's EBITDA financial performance. As a long-term business partner, Al-`Aqar has granted the rental support initiative to KPJ Group.

For the business segment in Australia, the establishment of the Royal Commission into Aged Care Quality and Safety and ongoing COVID-19 pandemic have continued created an uncertainty within the aged care industry. Both events have contributed to the decline in demand for senior living facilities and indirectly affected the property value of such facilities in Australia. There is no exception to our property in Australia, Jeta Gardens ("JG"), as the occupancy rate of JG has fallen from 95% in 2018 to 79% in 2020 and subsequently contributed to the negative financial performance of JG. In October 2021, with the advice from the appointed valuer, CBRE Australia, Al-`Aqar has entered into rental revision with JG, to reflect current market rate and property value.

LETTER TO STAKEHOLDERS

2021 – A CHALLENGING AND POSITIVE TRANSITION YEAR (CONT'D)

2021 AL-`AQAR INITIATIVES.

Despite a challenging year, the Manager managed to sustain their business prospects by transforming the risks into opportunities through an effective and continuous Capital, Investment and Asset Management plan.



Capital Management

Cost-saving of RM6 million in 2021 and an expected full-year cost saving of RM10 million in 2022 from the refinancing of the principal amount of Issue 2 RM575 million under Al-`Aqar Sukuk Programme.



Investment Management

The Manager of Al-`Aqar has renewed the 15 years lease tenure of six KPJ Properties, that are contributing 37% of Al-`Aqar's revenue, in June 2021.



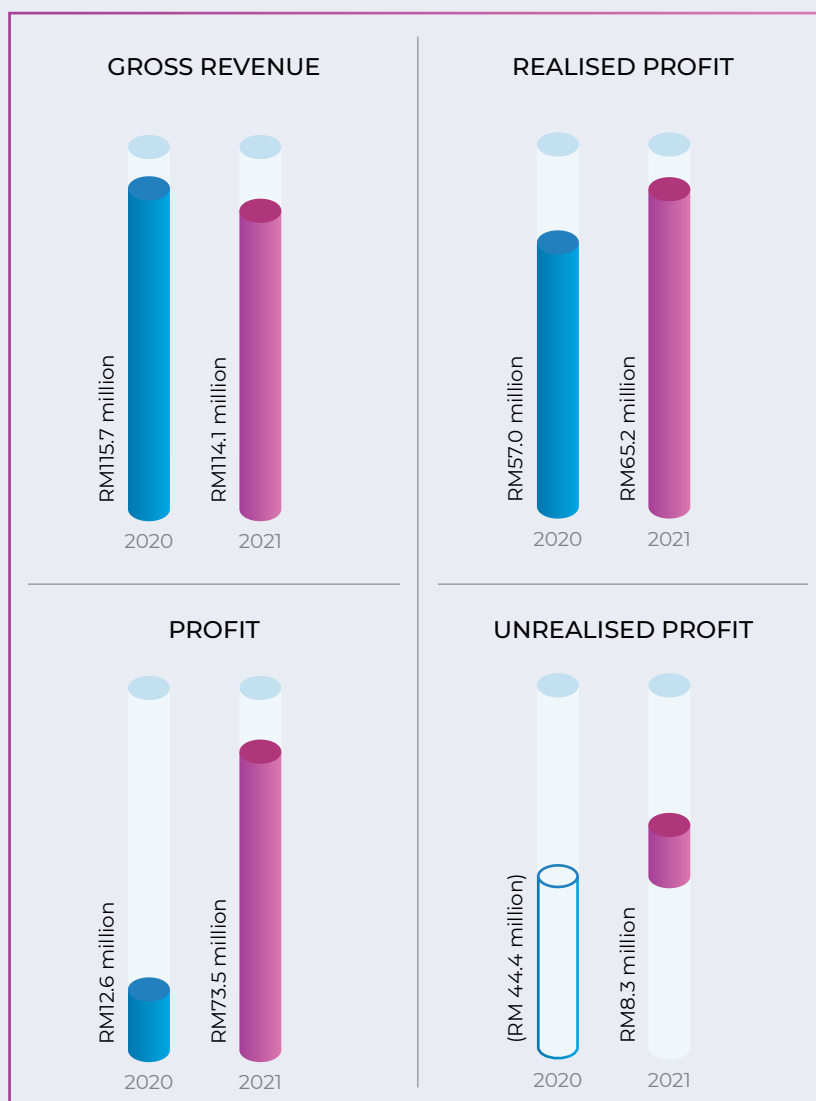
Asset Management

The Manager has also managed to maintain a 100% occupancy rate for all of their assets leasing out to the lessees during the year.

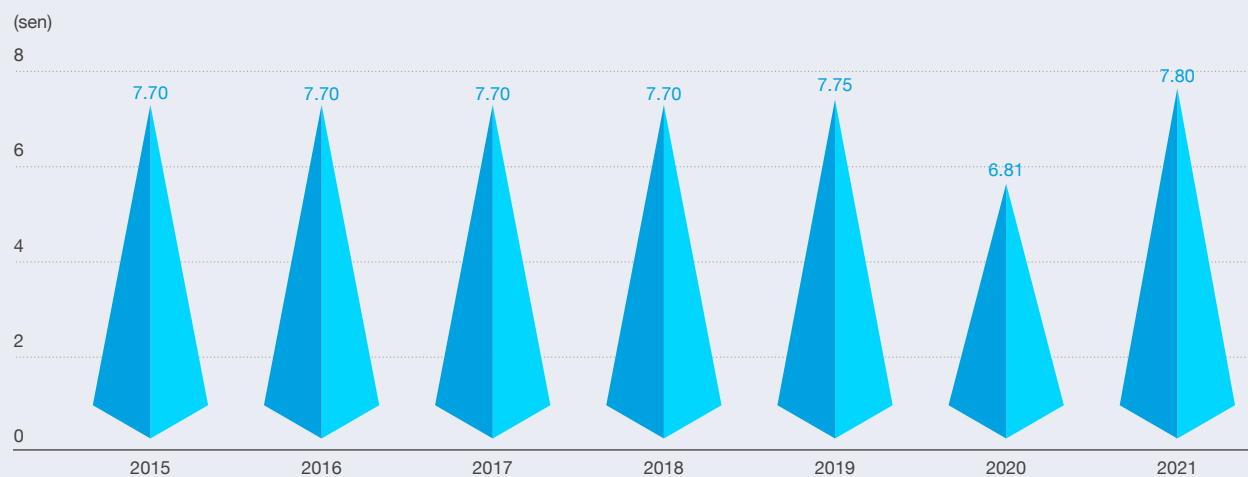


2021 AL-`AQAR FINANCIAL PERFORMANCE. The Fund recorded a slightly lower gross revenue of RM114.1 million in FY2021 (FY2020: RM115.7 million). The Group successfully recorded a higher profit at RM73.5 million (FY2020: RM12.6 million); comprising realised profit of RM65.2 million (FY2020: RM57.0 million) and unrealised profit of RM8.3 million (FY2020: unrealised loss of RM44.4 million). Realised profit increased by 14.4% or RM8.2 million in FY2021 mainly due to saving from refinancing exercise during the year. The unrealised gain of RM8.3 million mainly related to fair value adjustment of investment properties.

LETTER TO STAKEHOLDERS



2021 AL-`AQAR DISTRIBUTION. With total income available for distribution at RM59.6 million, the Fund total distribution per unit for FY2021 is 7.80 sen per unit - higher than pre-pandemic distribution in FY2019.



LETTER TO STAKEHOLDERS

2022 A KEY YEAR FOR THE CONSOLIDATION OF RECOVERY

Amid exceptional uncertainty, the global economy is rebounding strongly in 2021 with a projected growth of 4.4% in 2022 supported by manufacturing, trade activity and improvement in labour market conditions. Whereas, for Malaysia, with the rebound in domestic demand, Malaysia economy is projected to grow by 5.8% in 2022.

As the pandemic continues to unfold, the profound impact has altered the global outlook on the needs and demands of the healthcare system. The public is more health-conscious as they are moving from preventive measures to reactive measures in seeking medical treatment.

BUILDING A RESILIENT TOMORROW

The existing trends, which formerly grew incrementally, such as telemedicine and data-driven models, have accelerated substantially, resulting in a sooner-than-expected arrival of tomorrow's healthcare ecosystem. From surviving mode, the Manager has activated various type of business transformation initiatives at both Fund and Manager levels.

FUND LEVEL - FUND CHARACTERISTIC TRANSFORMATION.

Hence, the Group is currently aimed to be a lucrative fund that is capable to generate a positive return and long-term growth investment by having various diversification plans through 4 key investment plans as follows:

01

Reposition /
Divestment of Potential
Underperformed /
Underutilised Assets



02

Diversification of
Assets Class



03

Diversification of
Tenants



04

Diversification by
Geography



For more information on our 4 key investment plans, please refer to page 51.



LETTER TO STAKEHOLDERS

FUND LEVEL - BUSINESS MODEL TRANSFORMATION. To remain competitive in the industry, the Group has re-designed its new business model and packages to include rental revision, rental rebate and other affordable packages offered to both existing and future tenants. This rental arrangement is flexible to cater to the needs and requirements of the tenants.

MANAGER LEVEL - DIGITAL AND ORGANISATIONAL TRANSFORMATIONS. To expedite the implementation of fund transformation initiatives, the Manager has implemented various initiatives, such as digital transformation to promote flexible working arrangements during pandemic periods and organisational transformation to redirect the team to focus on strategic matters rather than administration or operational matters by having an inverted pyramid organisational structure.

The above initiatives will act as a platform for the Group to optimise the assets as well as to expand its current portfolio. Currently, the Group is in the stage of negotiation with both KPJ and third parties asset owner / operator to inject the new healthcare properties. It is expected for Al-Aqar to record a transaction involving the diversification initiatives by the first half of 2022.



LETTER TO STAKEHOLDERS



APPRECIATION AND ACKNOWLEDGMENT

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

I would also like to take this opportunity to express my gratitude to the previous Directors, Zainah binti Mustafa and Mohd Yusof bin Ahmad for their positive contribution to the Board. Besides, I wish to express my cordial salutation to the newly joined Directors, Abdullah bin Abu Samah and Datuk Hashim bin Wahir as Independent Non-Executive Directors who have been appointed to the Board on 10 March 2021 and 24 January 2022 respectively.

Our appreciation is also expressed to our Management and loyal employees who continue to put in their effort and commitment for the Company to endure during the pandemic period. 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

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

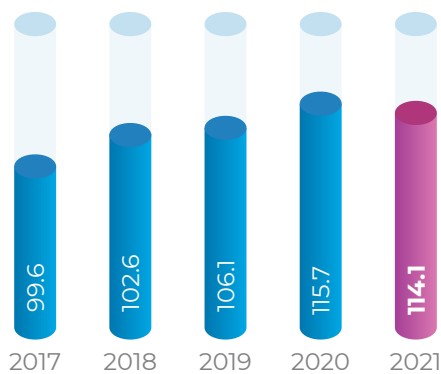
		2017	2018	2019	2020	2021
Gross revenue	(RM'000)	99,648	102,648	106,110	115,710	114,072
Net property income	(RM'000)	93,207	96,609	100,326	109,614	108,222
Income before tax	(RM'000)	86,154	92,292	76,148	13,624	72,781
Net income after tax						
- realised	(RM'000)	59,852	61,032	63,409	56,984	65,218
- unrealised	(RM'000)	22,350	30,342	12,753	(44,413)	8,331
Earnings per unit	(sen)	11.83	12.66	10.35	1.71	9.99
Investment properties	(RM'000)	1,459,703	1,485,727	1,569,814	1,534,501	1,538,210
Total asset value	(RM'000)	1,556,425	1,580,468	1,674,352	1,647,986	1,664,733
Net asset value	(RM'000)	923,290	947,798	958,513	943,490	945,002
NAV per unit						
- before distribution	(RM)	1.2679	1.2878	1.3024	1.2819	1.2840
- after distribution	(RM)	1.2284	1.2671	1.2822	1.2474	1.2660

FINANCIAL HIGHLIGHTS - FUND

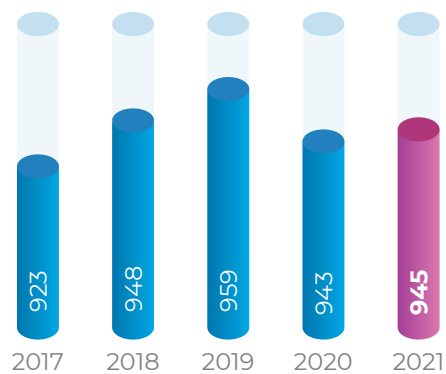
		2017	2018	2019	2020	2021
Gross revenue	(RM'000)	88,550	91,097	94,588	103,918	104,245
Net property income	(RM'000)	82,588	85,162	88,942	97,974	98,405
Income before tax	(RM'000)	84,511	83,112	73,771	50,126	46,602
Net income after tax						
- realised	(RM'000)	59,367	59,770	61,267	55,137	64,400
- unrealised	(RM'000)	24,535	23,342	12,504	(7,545)	(17,030)
Earnings per unit	(sen)	11.61	11.29	10.02	6.47	6.44
Investment properties	(RM'000)	1,320,100	1,353,300	1,449,400	1,446,376	1,451,912
Total asset value	(RM'000)	1,525,031	1,551,718	1,650,199	1,647,844	1,664,797
Net asset value	(RM'000)	921,041	943,239	959,604	967,599	945,419
NAV per unit						
- before distribution	(RM)	1.2648	1.2816	1.3038	1.3147	1.2846
- after distribution	(RM)	1.2255	1.2609	1.2836	1.2802	1.2666
Market Capitalisation	(RM'000)	1,041,364	964,140	971,500	964,140	853,743
Distribution Per Unit	(sen)	7.70	7.70	7.75	6.81	7.80
Annualised Distribution Yield	(%)	5.38	5.88	5.87	5.20	6.72

5-YEAR FINANCIAL PERFORMANCE

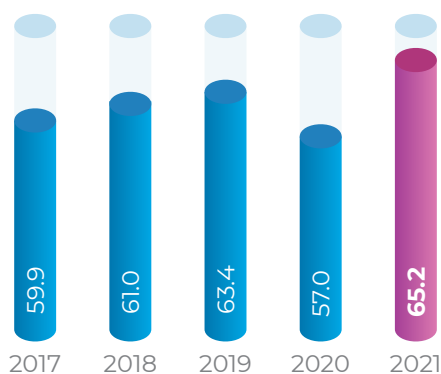
GROSS REVENUE (RM' mil)



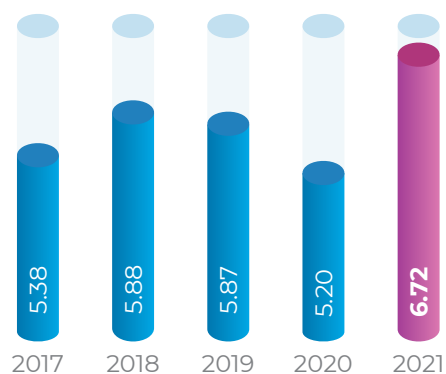
NET ASSET VALUE (RM' mil)



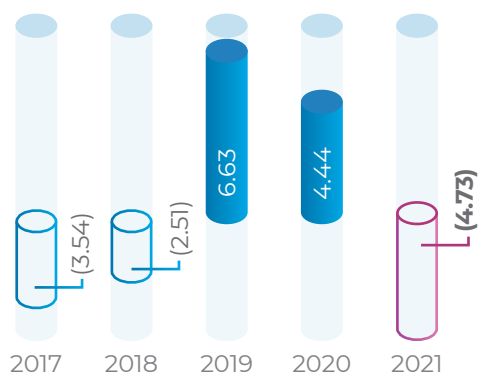
NET INCOME AFTER TAXATION (REALISED) (RM' mil)



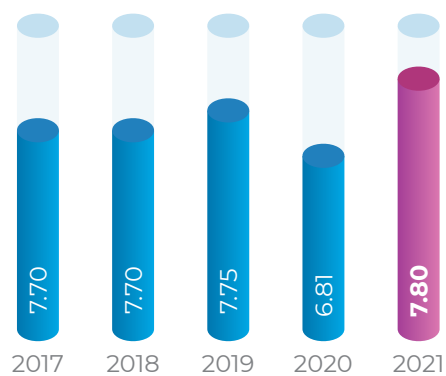
DISTRIBUTION YIELD (%)



ANNUAL TOTAL RETURN (%)



DISTRIBUTION PER UNIT (sen)

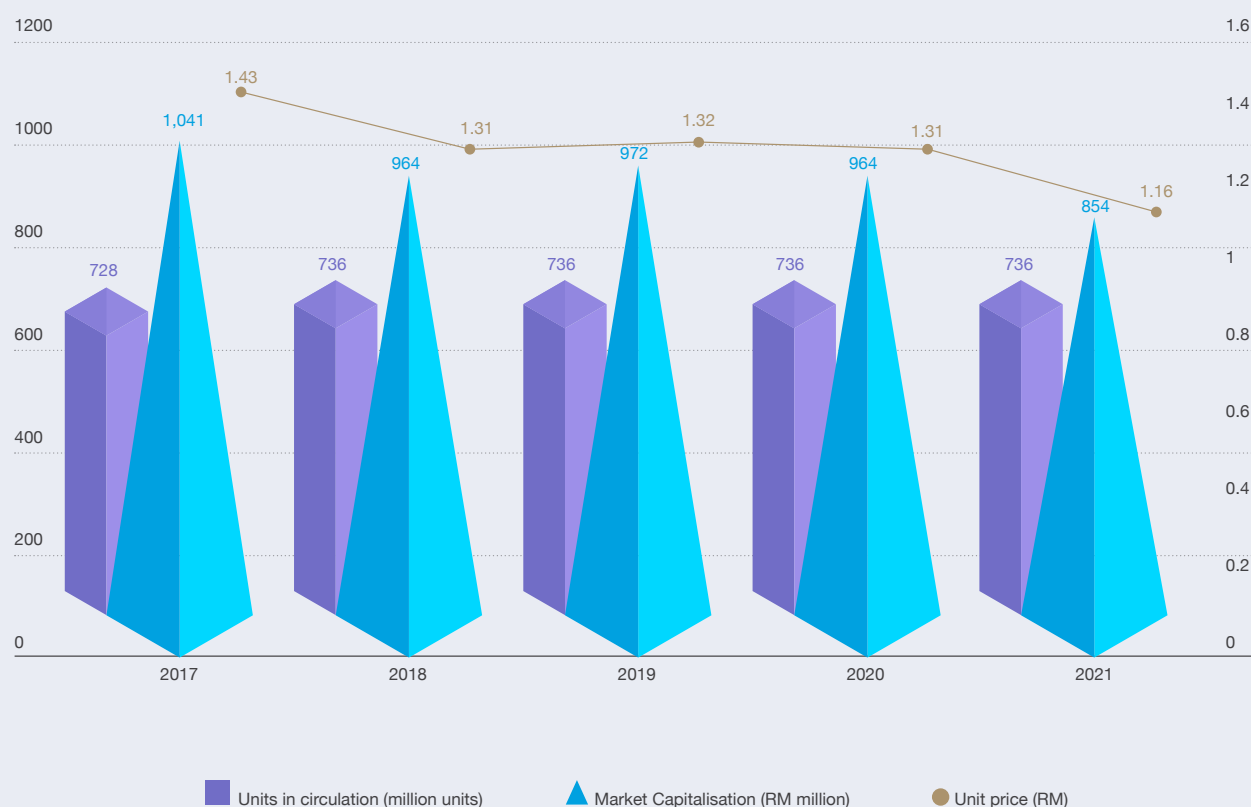


TRADING PERFORMANCE

TRADING SUMMARY

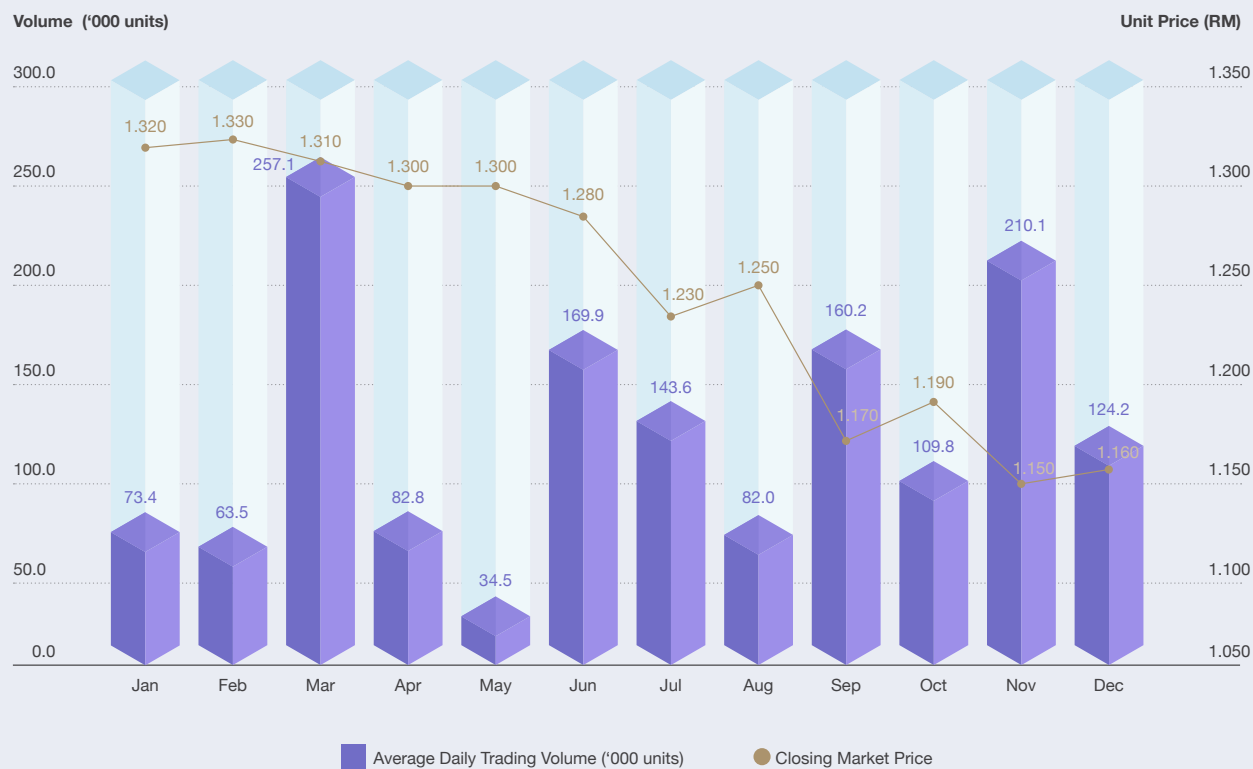
		2017	2018	2019	2020	2021
Closing Unit Price	(RM)	1.43	1.31	1.32	1.31	1.16
52-week Highest Traded Price	(RM)	1.67	1.41	1.55	1.42	1.37
52-week Lowest Traded Price	(RM)	1.35	1.08	1.27	1.19	1.10
Price Movement	(%)	(8.9)	(8.4)	0.8	(0.8)	(11.5)
Annual Total Return	(%)	(3.54)	(2.51)	6.63	4.44	(4.73)
Number of Units in Circulation	(unit '000)	728,226	735,985	735,985	735,985	735,985
Market Capitalisation	(RM'000)	1,041,364	964,140	971,500	964,140	853,743

MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION

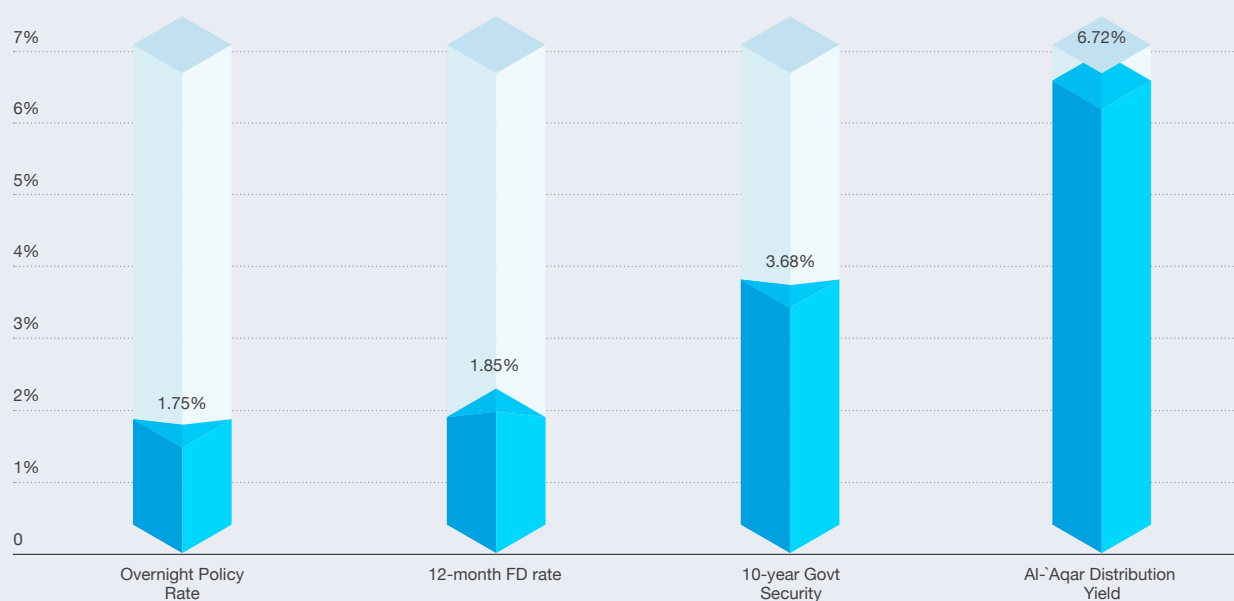


TRADING PERFORMANCE

FY2021 TRADING PERFORMANCE



COMPARATIVE YIELD



Source: Bank Negara Malaysia, Maybank, Damansara REIT Managers

ANALYSIS OF UNITHOLDINGS

UNITHOLDINGS STATISTICS AS AT 31 DECEMBER 2021

As per Record of Depositor

Total Number of Units Issued : 735,985,088 units

Fully Paid-Up Capital : RM731,398,126

BREAK DOWN OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	372	8.16	14,893	0.00
100 – 1000	1,556	34.12	798,857	0.11
1,001 – 10,000	1,788	39.21	8,184,061	1.11
10,001 – 100,000	694	15.22	21,964,741	2.99
100,001 to less than 5% of Issued Capital	145	3.18	375,123,808	50.97
5% and above of Issued Capital	5	0.11	329,898,728	44.82
TOTAL	4,560	100.00	735,985,088	100.00

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	77,460,138	10.52
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 Pledged Securities Account For 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	Medical Associates Sdn Bhd	19,055,000	2.59
11	Waqaf An-Nur Corporation Berhad	18,251,870	2.48
12	AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia 3	16,857,430	2.29
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

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	%
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	Kajang Specialist Hospital Sdn Bhd	4,487,000	0.61
26	AmanahRaya Trustees Berhad - A/C Jeta Gardens (QLD) Pty Ltd	3,786,924	0.51
27	Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	0.48
28	CIMB Group Noms (T) Sdn Bhd - A/C Aiiman Asset Management Sdn Bhd For Lembaga Tabung Haji	3,433,200	0.47
29	CitiGroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (LIFE PAR FD)	3,373,894	0.46
30	Maybank Noms (T) Sdn Bhd - A/C Exempt An For Maybank Islamic Asset Management Sdn Bhd	3,361,000	0.46

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

No.	Name	Direct Interest		Deemed Interest	
		No. of Units	%	No. of Units	%
1	Johor Corporation	-	-	269,248,302 ¹	36.58
2	KPJ Healthcare Berhad	-	-	269,075,083 ²	36.56
3	Lembaga Tabung Haji	105,531,856	14.34	-	-
4	Employees Provident Fund	83,227,538	11.31	-	-
5	Kumpulan Wang Persaraan (Diperbadankan)	65,390,800	8.88	-	-
6	Pusat Pakar Tawakal Sdn Bhd	54,648,534	7.43	-	-
7	Amanah Saham Bumiputera	46,000,000	6.25	-	-

Note :

¹. Deemed Interested by virtue of interest in KPJ Healthcare Berhad under Section 8 of the Companies Act 2016.

². Deemed Interested by virtue of interest as several unitholders of Al-`Aqar are part of the KPJ Group of Companies.

ANALYSIS OF UNITHOLDINGS

UNIT ANALYSIS AS AT 31 DECEMBER 2021

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	6,049	3	6,049	-	-	-	-
Finance	20	269,445,482	20	269,445,482	-	-	-	-
Investment Trust	5	166,500	4	16,500	1	150,000	-	-
Nominees	1,156	158,108,951	906	18,440,119	218	137,280,297	32	2,388,535
Companies	78	269,711,928	52	268,934,148	26	777,780	-	-
Clubs / Association	1	895,400	1	895,400	-	-	-	-
Co - Operatives	7	606,250	5	506,650	2	99,600	-	-
Individuals	3,290	37,044,528	686	2,773,093	2,550	32,600,476	54	1,670,959
TOTAL	4,560	735,985,088	1,677	561,017,441	2,797	170,908,153	86	4,059,494
%	100.00	100.00	36.78	76.23	61.34	23.22	1.88	0.55

HOSPITAL PAKAR KUANTAN

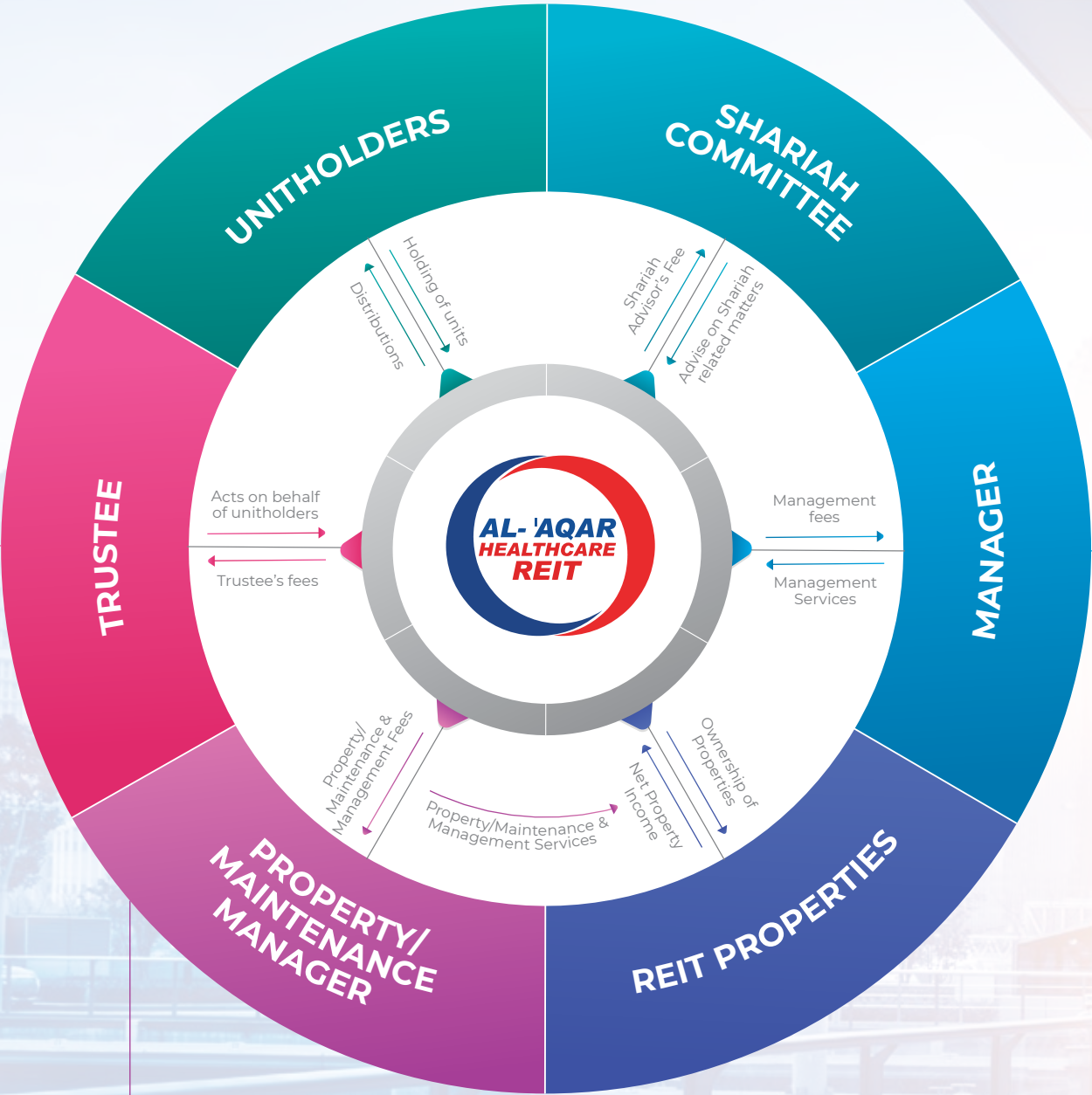
THE DRIVING FORCES



- 024** Trust Structure
- 025** Organisation Structure
- 026** The Board of Directors
- 033** The Shariah Committee
- 037** The Management Team

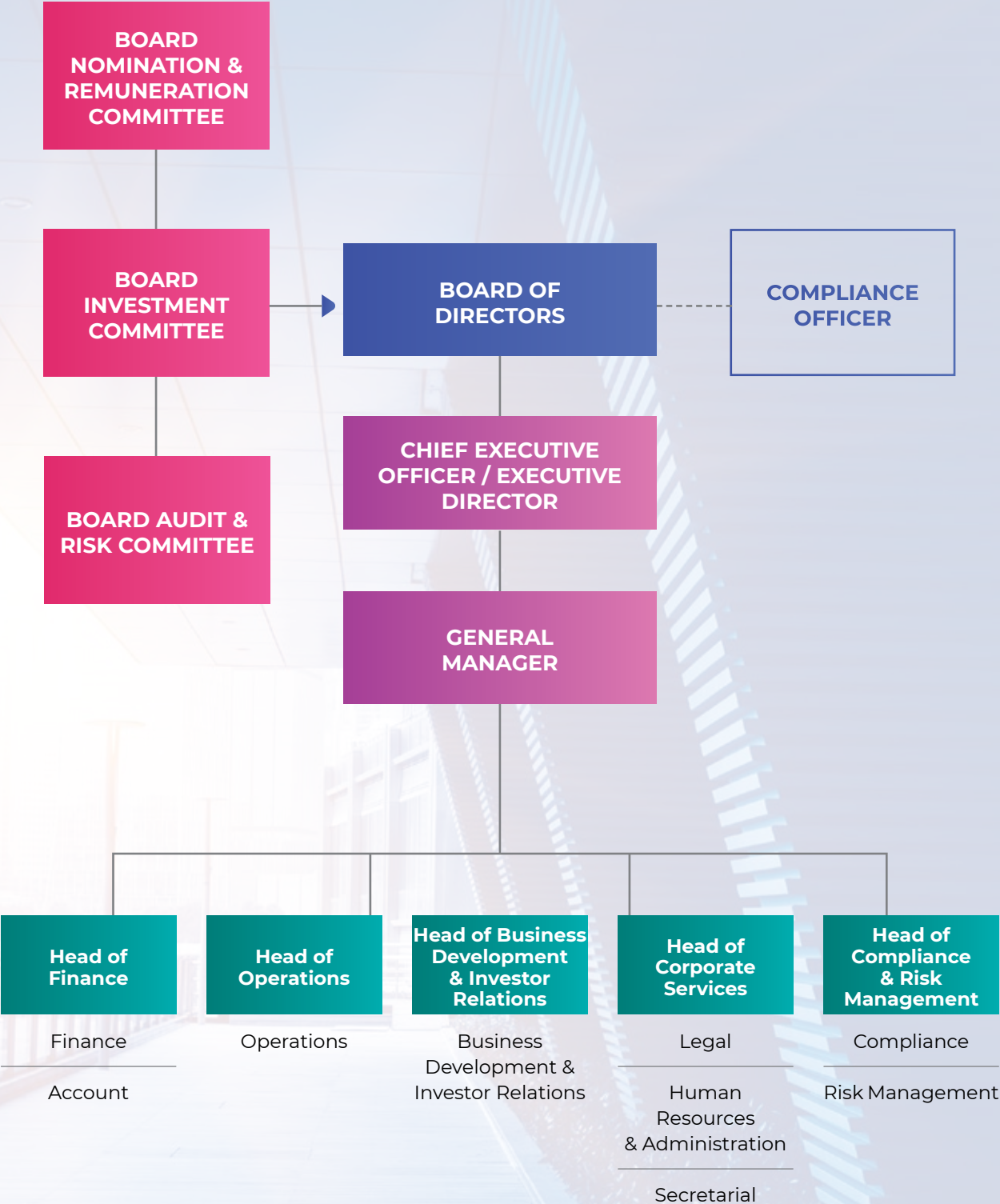
TRUST STRUCTURE

AMANAHRAYA
TRUSTEES



DAMANSARA REIT MANAGERS
SDN BERHAD

ORGANISATION STRUCTURE



THE BOARD OF DIRECTORS



DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

Chairman, Independent Non-Executive Director

Nationality	Malaysian
Age	59
Gender	Male
Number of Meetings Attended	12/12

Course Attended

- Kuala Lumpur Islamic Finance Forum 2021 (KLIFF 2021) - Global Islamic Capital Market Outlook
- Shariah Audit Best Practice Guide: Islamic Cooperatives & Ar-Rahnu Roundtable Discussion
- Malaysian Institute of Accountants (MIA) Conference 2021
- Wacana Al Quran – Membangun Sinergi Waqaf

Committee Member

Nil

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

Working Experience

Present Appointment

Nil

Past Experiences

1. Chief Executive Officer, Bank Muamalat Malaysia Berhad (2019)
2. Group Chief Operating Officer, DRB-Hicom Berhad (2006)
3. Group Chief Executive Officer, Tradewinds Corporation Berhad (2005)
4. Chief Financial Officer, Silterra Malaysia Berhad (2001)

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	58
Gender	Male
Number of Meetings Attended	12/12

Course Attended

- Financial Master Class-History repeats itself! Learn from the past financial market crashes & position for the future
- Future Hospital Strategy & Development Forum 2021
- Business Foresight Forum 2021: Transformative Innovation - Reshaping Business Realities in Extraordinary Times

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. Vice President (Strategic Development Department), Johor Corporation (2017)
2. Managing Director, Damansara Realty Berhad (2014)
3. Senior Manager (Corporate Finance), Johor Corporation (2000)
4. Senior Manager (Corporate Finance), BSN Merchant Bank Berhad (1999)
5. Manager, Perwira Affin Merchant Bank Berhad (1996)

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	62
Gender	Male
Number of Meetings Attended	11/12

Course Attended

- Launch of the Malaysia Ageing and Retirement Survey (MARS)
- Sustainability Day - In The New Normal
- World Pension Summit 2021
- Majlis Amanat GLIC - Perkukuh Pelaburan Rakyat

Committee Member

- Chairman, Board Investment Committee
- Member, Board Audit & Risk Committee
- Member, Board Nomination and Remuneration Committee

Date of Appointment

24 August 2020

Academic and Professional Qualifications

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

Working Experience

Present Appointment

Nil

Past Experiences

1. Chief Executive Officer, Kumpulan Wang Persaraan (Diperbadankan) (2018)
2. General Manager, Treasury Department, Employees Provident Fund (2013)
3. Finance Director, Izoma Sdn Bhd and Kemuncak Facilities Management Sdn Bhd (2007)
4. Chief Executive Officer, Affin Trust Management Bhd and Affin Fund Management Sdn Bhd (2005)
5. Chief Executive Officer, Affin Moneybrokers Sdn Bhd (2003)
6. FX Trader/Chief Dealer/Treasury Manager, Treasury Dept. KL, London and Hamburg, Malayan Banking Berhad (1994)

Other Directorship

1. **Listed Issuer**
 - Al-Salām Real Estate Investment Trust
 - Malaysian Resources Corp Bhd (MRCB)
 - Bermaz Auto Berhad
2. **Public Companies**

Nil
3. **Others**
 - Independent Director, Bond and Sukuk Information Exchange Sdn Bhd
 - Director, Malaysia Convention & Exhibition Bureau (MyCEB)
 - Director, Minority Shareholder Watchdog Group (MSWG)
 - Investment Panel Member of Employees Provident Fund (EPF)
 - Director, Global LNG Sdn Bhd
 - Director, Iris Capital Sdn Bhd
 - Director, MIF Investments Ltd
 - Director, Massive Equity Sdn Bhd

THE BOARD OF DIRECTORS



ABDULLAH BIN ABU SAMAH

Independent Non-Executive Director

Nationality **Malaysian**

Age **56**

Gender **Male**

Number of Meetings Attended **11/11**

Course Attended

- Mandatory Accreditation Programme (MAP)
- KPMG Tax and Business Summit 2021
- Managing Human Rights: Why is it important to corporations

Committee Member

- Chairman, Board Audit & Risk Committee
- Member, Board Investment Committee
- Member, Board Nomination and Remuneration Committee

Date of Appointment

10 March 2021

Academic and Professional Qualifications

- **Master of Business Administration**, University of Washington
- **Bachelor of Science in Business Administration**, University of the Pacific
- **Member**, Malaysian Institute of Accountants
- **Member**, Malaysian Institute of Certified Public Accountants

Working Experience

Present Appointment

Nil

Past Experiences

1. Licensed Partner for Audit of Financial Statements of Companies Listed and Non Listed, KPMG Malaysia Partner (Audit) (1997)
2. Managing the Audit and the Financial Statements of Companies, KPMG Malaysia Audit Manager (1993)
3. Fieldwork of Audit of Financial Statements, KPMG Malaysia Audit Staff (1983)

Other Directorship

1. **Listed Issuer**
 - Al-Salām Real Estate Investment Trust
 - Media Prima Berhad
2. **Public Companies**
 - Kulim (M) Berhad

THE BOARD OF DIRECTORS



DATUK HASHIM BIN WAHIR

Independent Non-Executive Director

Nationality **Malaysian**

Age **64**

Gender **Male**

Number of Meetings Attended **-**

Course Attended

- Khazanah Megatrends Forum 2021

Committee Member

- Chairman, Board Nomination and Remuneration Committee (*appointed w.e.f. 24 January 2022*)

Date of Appointment

24 January 2022

Academic and Professional Qualifications

- **Bachelor of Engineering (Honours) in Mechanical Engineering**, Universiti Teknologi Malaysia
- **Executive Development Program**, Ashridge Management College, United Kingdom
- **Executive Development Program**, Johnson School of Management, Cornell University, USA

Working Experience

Present Appointment

Nil

Past Experiences

1. Director, PETRONAS Hartabina Sdn Bhd (2013)
2. CEO, KLCC REIT Management Sdn Bhd - Manager of KLCCP Stapled Group (5325SS) - (2013)
3. Group Chief Executive Officer/Executive Director - KLCC(Holdings) Sdn Bhd /KLCC Property Holdings Berhad (2007)
4. Country Chairman - Petronas Sudan Operations, Khartoum (2004)
5. General Manager, Planning and Resource Allocation - PETRONAS, Kuala Lumpur (2000)
6. General Manager of Chad/Cameroon JV Project, PCSB (1999)
7. Senior Manager, Petroleum Engineering Department of PETRONAS Carigali Sdn Bhd (1993)
8. Head of Production Technology - Baram Delta Operations, Miri, Sarawak (1983)
9. Engineer - Petronas Carigali Sdn Bhd (1981)

Other Directorship

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

Nil

THE BOARD OF DIRECTORS



DATUK Sr AKMAL BIN AHMAD

Non-Independent Non-Executive Director

Nationality **Malaysian**

Age **56**

Gender **Male**

Number of Meetings Attended **12/12**

Course Attended

- Mandatory Accreditation Programme (MAP)

Committee Member

Member, Board Audit and Risk Committee

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. Chief Operating Officer, Iskandar Investment Berhad (2020)
2. Chief Executive Officer, Iskandar Development Management Services Sdn Bhd (IIB subsidiary) (2018)
3. Chief Development Officer, Iskandar Investment Berhad (2016)
4. Director of Operations, Iskandar Development Management Services Sdn Bhd (2013)
5. General Manager, Nusajaya Development Sdn Bhd (UEM Land Berhad subsidiary) (2007)
6. Project Manager 1, (Prince Court Medical Centre Project) KLCC Projek Sdn Bhd (2007)
7. Project Manager, (University Technology of Petronas Development) KLCC Projek Sdn Bhd (2003)
8. Project Manager, (Petronas Twin Towers Fit-Out) KLCC Projek Sdn Bhd (1999)
9. Contract Management Executive, KLCC Projek Sdn Bhd (1993)
10. Technical Services Executive, Island & Peninsular Berhad (1993)
11. Assistant Quantity Surveyor, Yong & Mohd Faiz Sdn Bhd (1989)

Other Directorship

1. **Listed Issuer**
 - Al-Salām Real Estate Investment Trust
 - Damansara Holdings Berhad
2. **Public Companies**
 - Johor Land Berhad

THE BOARD OF DIRECTORS



SHAMSUL ANUAR BIN ABDUL MAJID

Non-Independent Non-Executive Director

Nationality	Malaysian
Age	50
Gender	Male
Number of Meetings Attended	12/12

Course Attended

- Global Health Transformation Roundtable (Asia-Pacific)
- Exclusive Talks on Anti Bribery Management Systems (ABMS) ISO 370001:2016 & Corporate Liability Section 17 (A)
- Virtual Business Dialogue on Indonesia New Economic Paradigm: Investment Opportunities in Special Economic Zones

Committee Member

- Member, Board Investment Committee

Date of Appointment

24 August 2020

Academic and Professional Qualifications

- **Bachelor of Science (Honours), Chemistry**, Imperial College London, United Kingdom
- **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

1. Chief Investment Officer, Johor Corporation

Past Experiences

1. General Manager, Johor Corporation (2017)
2. Director and Principal Partner, Fikiran Sepakat Sdn Bhd (2017)
3. Special Officer to the Managing Director, Iskandar Waterfront Holdings (2014)
4. Executive Vice President, Strategy & Feasibility, Iskandar Investment Berhad (2011)
5. Vice President, Finance and Special Projects, Greenland Malaysia (2007)
6. Energy Sector Specialist, The Boston Consulting Group (2001)
7. Planning Analyst, Downstream Economics Planning Department, Shell Malaysia (1999)

Other Directorship

1. Listed Issuer

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

2. Public Companies

- QSR Brands (M) Holdings Berhad
- Kulim (M) Berhad
- Johor Land 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 of 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 2021.

THE SHARIAH COMMITTEE



DATO' (DR) HAJI NOOH BIN GADOT

Chairman, Shariah Committee

Nationality	Malaysian
Age	76
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 Shariah Committee, Al-Salām Real Estate Investment Trust
2. Chairman of Yayasan Infaq Angkasa
3. Shariah Adviser Member, Permodalan Nasional Berhad
4. Board Member, Universiti Tun Hussein Onn Malaysia
5. Board Member, Yayasan Wakaf Anak Yatim Malaysia
6. Committee Member, Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education
7. Committee Member of various companies within the JCorp Group
8. Committee Member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment, Planning and Development units

THE SHARIAH COMMITTEE



PROFESOR MADYA DR ABDUL HALIM BIN MUHAMMAD

Member, Shariah Committee

Nationality **Malaysian**

Age **77**

Gender **Male**

Appointment Date

22 June 2006

Academic and Professional Qualifications

- **Bachelor in Shariah**, Al-Azhar University, Egypt
- **Doctor of Philosophy (PhD) in Shariah**, University of St Andrews, 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, Al-Salām Real Estate Investment Trust
2. Shariah Committee Member, Terengganu Trust Fund
3. Shariah Committee Member, Trust Fund Amanah Saham Darul Iman
4. Kelantan Ulama Council

THE SHARIAH COMMITTEE

About IBFIM



IBFIM is 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. IBFIM is also a lifelong learning institution that specialises in technical certifications for Islamic financial services industry. As Shariah Adviser to Al-`Aqar, IBFIM is providing necessary advice to ensure that Al-`Aqar business is Shariah compliant. IBFIM was appointed as the 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 persons responsible for the fund investment activities under Al-`Aqar are Mohamad Salihin Deris and Irma Namira Missnan.

Mohamad Salihin Deris is the Director, Business Advisory of IBFIM. He brings with him approximately 20 years of blended experience in Islamic finance and Shariah advisory in both roles: as a policy maker in a regulatory authority and as an industry practitioner. At IBFIM, he leads the Shariah advisory and consultancy team helping the clients to achieve a comprehensive and optimal Shariah compliance solution.

Mohamad Salihin started his career with Bank Negara Malaysia's Islamic Banking & Takaful Department. He then served CIMB Islamic Bank, Hong Leong Islamic Bank and Association of Islamic Banking Institutions Malaysia ("AIBIM") before joining Bank Pembangunan Malaysia Berhad ("BPMB"). He had gained experience in Shariah advisory, research, secretariat and review functions, developed and implemented the overall Shariah governance framework. He had involved in conversion into a full-fledged Islamic development bank initiative. Currently he is a Shariah Committee member of Affin Islamic Bank.

THE SHARIAH COMMITTEE

PROFILE OF DESIGNATED PERSON RESPONSIBLE FOR SHARIAH MATTERS RELATING TO AL-`AQAR (CONT'D)

Mohamad Salihin holds double-degree in LLB(Hons) and LLB(Shariah)(Hons) from International Islamic University Malaysia. He also holds Associate Qualification in Islamic Finance ("AQIF") and has obtained Certified Shariah Advisor ("CSA") from the Association of Shariah Advisors in Islamic Finance ("ASAS"). He is an exco, a trainer and reviewer of contents of the Shariah certification modules for ASAS. Occasionally, he speaks in Islamic finance events on Shariah governance. He is registered with the Securities Commission Malaysia as IBFIM's designated person responsible for Shariah matters in relation to the Islamic capital market-related product and services.

Irma Namira Missnan is currently a Manager, Business Advisory of IBFIM. She brings with her approximately 9 years of experience in Islamic finance and Shariah advisory. At IBFIM, she is responsible to lead and provide relevant inputs for the Shariah advisory, consultancy and research functions regarding Islamic banking, takaful, Islamic capital market, Islamic REITs and Islamic unit trust funds.

Irma Namira started her career as a Shariah executive in RHB Islamic Bank Berhad since 2012. Specialising in Shariah advisory, governance and management portfolios, she was then entrusted as a Section Head of the Shariah Secretariat of RHB Islamic Bank from May 2015 until March 2020 before joining IBFIM. She is experienced in the Shariah application in Islamic products and services which includes retail banking, non-retail banking and Islamic capital markets.

Irma Namira graduated with Bachelor of Shariah and Laws (Hons) from Universiti Sains Islam Malaysia and obtained Certificate in Islamic Law of Banking & Finance from International Islamic University Malaysia. She is a member of ASAS. She is registered with the Securities Commission Malaysia as IBFIM's designated person responsible for Shariah matters in relation to the Islamic capital market-related product and services.

Notes - None of the Shariah Committee members 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 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 2021.

COMPANY SECRETARIES



NURALIZA BINTI A. RAHMAN
(MAICSA 7067934)



ROHAYA BINTI JAAFAR
(LS0008376)

THE MANAGEMENT TEAM

WAN AZMAN BIN ISMAIL

Chief Executive Officer,
Non-Independent Executive Director

Nationality	Malaysian
Age	58
Gender	Male
Appointment Date	27 March 2017

SHAHRL ZAIRIS BIN RAMLI

General Manager

Nationality	Malaysian
Age	52
Gender	Male
Appointment Date	1 July 2012

ROZIAH BINTI ABU BAKAR

Head of Compliance and Risk
Management

Nationality	Malaysian
Age	54
Gender	Female
Appointment Date	1 March 2016

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

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

- Senior Manager, Tanjung Langsat Port Sdn Bhd (2012)
- Senior Manager, Langsat Marine Base Sdn Bhd (2011)
- Manager, Johor Corporation (2009)

Responsibilities

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

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

- Senior Manager, KFCH International College, 2013
- Manager, Akademi Johor Corporation, 2010
- Deputy Manager, Chief Operating Officer Office, Johor Corporation, 2004
- Senior Executive, Business Development Department, Johor Corporation, 2004
- Executive, Corporate Office, Johor Corporation, 2000

THE MANAGEMENT TEAM

SUHAIMI BIN SAAD

Head of Operations

Nationality	Malaysian
Age	52
Gender	Male
Appointment Date	1 July 2006

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

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

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

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

THE MANAGEMENT TEAM

HAMIM BIN MOHAMAD

Head of Corporate Services

Nationality	Malaysian
Age	45
Gender	Male
Appointment Date	16 July 2014

Qualifications

- **Bachelor of 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

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

Head of Finance

Nationality	Malaysian
Age	36
Gender	Male
Appointment Date	10 October 2011

Qualifications

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

Directorship

Nil

Working Experience

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

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

THE MANAGEMENT TEAM

SAHRIN BIN MUNIR

Head of Business Development & Investor Relations

Nationality	Malaysian
Age	40
Gender	Male
Appointment Date	2 May 2013

Qualifications

- **Bachelor of Management (Technology)**, Universiti Teknologi Malaysia

Directorship

Nil

Working Experience

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

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 2021.

KPJ
SEREMBAN
SPECIALIST HOSPITAL

JCI AND MSQH ACCREDITED

STRATEGIC PERFORMANCE



042 Management Discussion and Analysis

042 Financial Review

046 Operations Review

052 Capital Review

054 Risk Management

056 Market Report Summary

064 Portfolio Summary and Details

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financials	FY2020 RM '000	FY2021 RM '000	Growth %
The Group:			
-Gross revenue	115,710	114,072	(1.4)
-Net Property Income (NPI)	109,614	108,222	(1.3)
-Profit for the year (realised)	56,984	65,218	14.4
-EPU (realised) (sen)	7.74	8.86	14.5
The Fund:			
-Income available for distribution	52,737	59,650	13.1
-DPU (sen)	6.81	7.80	14.5

CONTRIBUTION BY SEGMENT

The Group's segmental reporting is based on its geographical location of customers and assets 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. The segmental performance is evaluated based on operating profit.

REVENUE CONTRIBUTION

	FY2020 RM '000	FY2021 RM '000
Malaysia	103,918	104,245
Australia	11,792	9,827

NPI CONTRIBUTION

	FY2020 RM '000	FY2021 RM '000
Malaysia	97,974	98,405
Australia	11,640	9,816

Malaysian Segment

The Malaysian segment, as the key contributor, contributed 91.4% (FY2020: 89.8%) in terms of revenue, an increase of 0.3% to RM104.2 million in FY2021 from RM103.9 million in FY2020. NPI contributed 90.9% (FY2020: 89.4%), increased by 0.4% from RM98.0 million to RM98.4 million.

Australian Segment

The Australian segment contributed 8.6% (FY2020: 10.2%) in terms of revenue, decreased by 16.7% to RM9.8 million in FY2021 from RM11.8 million in FY2020. NPI contributed 9.1% (FY2020: 10.6%), a decrease of 15.7% from RM11.6 million to RM9.8 million.

PROFIT FOR THE YEAR

Profit for the year was RM73.5 million (FY2020: RM12.6 million) comprising realised profit of RM65.2 million (FY2020: RM57.0 million) and unrealised profit of RM8.3 million (FY2020: unrealised loss of RM44.4 million). Realised profit increased 14.4% or RM8.2 million in FY2021 mainly due to saving from refinancing exercise during the year. The unrealised gain of RM8.3 million mainly related to fair value adjustment of investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2021 of the Fund was RM59.6 million. The Fund had distributed interim income distributions of 6.00 sen per unit amounting to approximately RM44.1 million for the period from 1 January to 30 September 2021.

On 26 January 2022, the Fund declared a final income distribution of 1.80 sen per unit totalling RM13.2 million for the period from 1 October 2021 to 31 December 2021. The said distribution was paid on 28 February 2022.

Total distribution per unit ("DPU") for FY2021 is 7.80 sen per unit totalling RM57.4 million, which represents 96% of the income available for distribution

STATEMENT OF FINANCIAL POSITION

Al-`Aqar's total asset value increased by RM16.7 million to RM1.66 billion for the current year. The increase was mainly relating to increase in trade receivables. Al-`Aqar's financing increased from RM683.6 million to RM683.9 million, resulting in a gearing ratio of 41.08% against the previous year-end of 41.48%.

STATEMENT OF CASH FLOW FOR EACH ACTIVITY:

Operating Activities

Net cash generated from operating activities was RM88.6 million in FY2021 which was higher than RM82.6 million in FY2020. The higher amount in FY2021 was mainly due to saving from refinancing exercise and lower COVID-19 rental rebate given to tenants during the year.

Investing Activities

Al-`Aqar received income on investment of RM0.6 million during the year.

Financing Activities

Net cash used in financing activities was RM66.5 million, contributed by income distribution to unitholders of RM54.8 million, financing cost of RM31.3 million and partially offset by decrease in restricted cash of RM14.6 million as well as net proceeds from financing amounting of RM5.0 million.

Cash and bank balances stood at RM82.9 million as of 31 December 2021, higher by RM21.8 million from RM61.1 million in FY2020.

PERFORMANCE BENCHMARK

Performance Benchmark	FY2020	FY2021	Commentary
Management expense ratio (%)	0.32	0.29	Management expenses ratio decreased by 9.4% mainly due to decrease in miscellaneous expenses.
Total return (%)	4.44	(4.73)	Total return for the financial year was negative due to lower closing price of RM1.16 compared to RM1.31 in FY2020.
Average annual total return (5 years) (%)	4.41	0.06	The 5-year average annual total return decreased due to lower closing price in FY2021.
Average annual total return (3 years) (%)	2.80	2.11	The 3-year average annual total return decreased due to lower closing price in FY2021.
Distribution yield (%)	5.20	6.72	Distribution yield has increased from 5.20% to 6.72% due to increase in DPU and lower closing price in FY2021.
NAV per unit (RM)	1.2819	1.2840	NAV per unit recorded an increase of 0.2% due to the total comprehensive income recorded for the year 2021 (RM71.0 million) and payment of final income distribution in FY2020 (RM 25.4 million) and interim income distribution in FY2021 (RM44.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FAIR VALUE OF INVESTMENT PROPERTIES

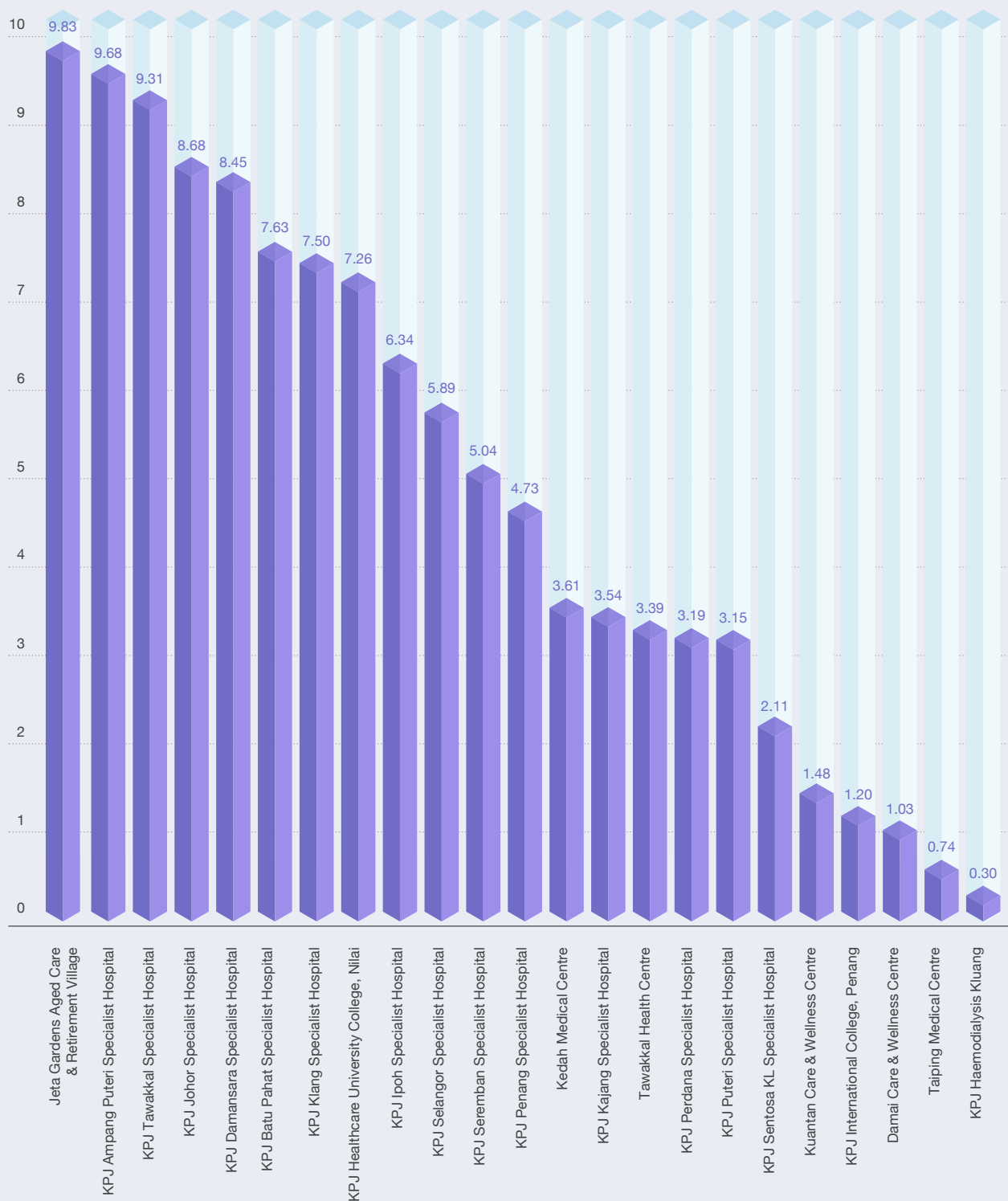
	FY2020 RM'000	FY2021 RM'000
Investment properties		
At 1 January	1,569,814	1,534,501
Enhancements	2,400	-
Effect of foreign currency exchange differences	10,059	(1,827)
(Loss)/Gain on fair value of investment properties	(47,772)	5,536
Total investment properties as at 31 December	1,534,501	1,538,210

Description of property	FY2020 Fair Value RM'000	FY2021 Fair Value RM'000
KPJ Ampang Puteri Specialist Hospital	137,000	137,000
KPJ Damansara Specialist Hospital	135,000	138,000
KPJ Johor Specialist Hospital	122,000	122,000
KPJ Ipoh Specialist Hospital	77,000	89,000
KPJ Puteri Specialist Hospital	42,000	40,000
KPJ Selangor Specialist Hospital	82,000	84,000
Kedah Medical Centre	52,000	52,500
KPJ Perdana Specialist Hospital	42,120	42,000
Kuantan Care & Wellness Centre	20,400	16,800
KPJ Sentosa KL Specialist Hospital	30,500	31,000
KPJ Kajang Specialist Hospital	51,900	52,000
Taiping Medical Centre	10,000	10,000
Damai Care & Wellness Centre	14,100	11,000
KPJ International College, Penang	15,400	14,600
Tawakkal Health Centre	48,800	48,000
KPJ Healthcare University College, Nilai	106,500	102,000
KPJ Seremban Specialist Hospital	69,200	75,000
KPJ Penang Specialist Hospital	64,000	65,000
KPJ Tawakkal Specialist Hospital	139,800	139,000
KPJ Haemodialysis Kluang	4,700	4,700
KPJ Klang Specialist Hospital	104,800	104,000
KPJ Batu Pahat Specialist Hospital	80,000	80,000
Jeta Gardens Aged Care & Retirement Village	88,125	86,298
TOTAL PORTFOLIO - based on valuation report	1,537,345	1,543,898
Less: Unbilled rental income	(2,844)	(5,688)
Total Portfolio Properties as at 31 December	1,534,501	1,538,210

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL LEASE CONTRIBUTION

RM * Million



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The re-imposition of nation-wide containment measures (MCO 2.0 in January 2021 & MCO 3.0 in May 2021) had dampened the growth momentum. Healthcare industry was not spared too. Considering that private hospitals are generally not built to handle infectious diseases like COVID-19 cases, therefore KPJ Group's (the main sponsor of Al-`Aqar) stance and focus on the public-private partnership arrangement is to take on and treat non-COVID-19 patients. Nevertheless, throughout 2021, KPJ has worked to support the vaccination process in Malaysia, being the largest private healthcare provider supporting the National Immunisation Programme operating 25 PPVs across the country. Thus, has resulted KPJ Group to report a decline in their financial performance and the allocation of more than 10% of its workforce and clinical expertise throughout Malaysia has contributed to the higher fixed cost to the Group. As a long-term business partner, Al-`Aqar has granted the rental support initiative.

However, it is expected not to recur in the long term and will be compensated by the financing cost savings initiative. It is also expected that KPJ to return to pre-COVID-19 level by financial year 2022.

The gradual relaxations for more economic sectors to operate, along with higher adaptability of firms to the new operating environment and continued policy support, would partly mitigate the impact and allow the economy to resume its recovery path.

The Manager also does not expect any significant disruption to the earning of Al-`Aqar as the Fund earning is underpinned by the long-term lease arrangements with the KPJ Group.

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 RM4.76 million in FY2021.



MANAGEMENT DISCUSSION AND ANALYSIS



ASSET ENHANCEMENT INITIATIVES

Asset initiatives worth up to RM4,763,535 in FY2021:

CATEGORY	AMOUNT (RM)
Completed	
- Civil and structural	NIL
- Mechanical & Electrical	1,109,140
- Repainting	160,195
Sub Total	1,269,335
Ongoing	
- Repainting	NIL
- Civil and structural	NIL
- Mechanical & Electrical	187,000
- Expansion	3,307,200
Sub Total	3,494,200
TOTAL	4,763,535

LEASE 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. Despite the COVID-19 outbreak, the first 6 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 revised value of RM712 million has been renewed on 30 June 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
FY2022	1	4.3
FY2023	6	26.2
FY2024	15	65.2
FY2025	1	4.3

BUSINESS REVIEW

2021 is a tough year with genuine double hazard problems with the unpredictable resurgence of a full-blown pandemic and ended with flood disaster. This has caused the public hospitals to be overwhelmed with patients, struggling to cope with the surge of patients during this difficult period. On the other hand, private hospitals recorded a steep drop in revenue by at least 50% during the year due to the significant drop in non-emergency cases.

MANAGEMENT DISCUSSION AND ANALYSIS

2021 KEY CHALLENGES

Al-`Aqar was not spared too from the effects of the pandemic. As the main sponsor, KPJ Group being the largest private healthcare provider in Malaysia was also financially affected during this pandemic period.

Declining in Private Healthcare's Financial Performance. Due to greater relaxation of restriction and better economic condition, the demand for private healthcare services has increased, contributed by the pent up demand accumulated over time. Thus, it has resulted for KPJ Group to record a higher revenue in 2021. However, higher fixed costs and the incremental cost for Standard Operating Procedure compliance has resulted in lower performance in KPJ Group's EBITDA performance. In view of its long-term business relationship, Al-`Aqar has temporarily provided a relief to certain badly affected assets of KPJ under Al-`Aqar.

Uncertainty in Australia Aged Care Industry. The financial performance and future of the aged care operators in Australia have been impacted by the following key factors:

- 1. Establishment of the Royal Commission into Aged Care Quality and Safety.** Based on the Manager's assessment of the aged care royal commission's final report, it is expected for a stronger governance and higher regulation on the quality of care, which will result in a higher OPEX for the aged care operator. Besides, there is also the shifting of institutional care to the community and home care which will affect the revenue of the business segment in Australia.
- 2. Over-Reliance on the Australian Government's Financial Support.** The Australian Government had funded the majority of aged care facilities in Australia through subsidies, supplements, capital grants, and funding through aged care programs. The residents have relied on government financial support for their aged care program. The changes in government policies will affect the financial support of residents and thus impact the demand for Jeta Garden's facilities.
- 3. The Uncertainties Faced by the Aged Care Industry as a Result of the Ongoing COVID-19 Pandemic**

MANAGEMENT DISCUSSION AND ANALYSIS



The uncertainties within the aged care industry have thus affected the property value as the demand for senior living facilities is declining. Many providers appeared to be apprehensive as to the direction of the reforms, timing, and higher expectations towards the level and quality of aged care services. The pandemic has also worsened the situation when 74% of Australian COVID-19 pandemic deaths in 2020 were reported to occur in aged care facilities. This has led to a general apprehension by new tenants before committing to entering into aged care facilities.

There is no exception to our property in Australia, Jeta Gardens ("JG"), as the occupancy rate of JG has fallen from 95% in 2018 to 79% in 2020 and subsequently contributed to a negative financial performance of JG. The rental revision announced in October 2021 has been made based on advice from the appointed valuer, CBRE Australia, and the new rental arrangement is based on the current market rate and property value. The rental revision does not have a material impact on the distributable income of Al-`Aqar for the FY 31 December 2021, as the rental revision has only taken effect from 2 October 2021 and the reduction in the income is partially offset by the cost savings from the refinancing of Sukuk. In addition, the Manager of Al-`Aqar is looking into series of acquisitions from KPJ pipeline and third-party assets, which it is expected to contribute to a positive DPU growth of Al-`Aqar.

Although COVID-19 has laid bare the stark weaknesses in almost every health care system due to its formidable obstacle impact on social and economic aspects, Al-`Aqar remains resilient with its sustainable business strategies. For the year under review, Al-`Aqar has recorded a slightly lower gross revenue of RM114.1 million (FY2020: RM115.7 million). Nevertheless, the Group has successfully reported a higher profit at RM73.5 million (FY2020: RM12.6 million). The increase in realised profit of RM8.2 million and unrealised profit of RM52.7 million was mainly due to saving from refinancing exercises during the year and gain on fair value adjustment respectively.

FUTURE POTENTIAL CHALLENGES

The Manager of Al-`Aqar envisaged future potential challenges to exploit opportunities in order to mitigate any risks arising with their implementation of effective business strategies. The below paragraph highlighted the future potential challenges in the healthcare industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The Public is Becoming More Health-Conscious Leading to Shifting of Demand from Reactive to Preventive Maintenance. For the year 2019, the general public's health spending on care and treatment is about 80%. In the year 2040, as the public becomes more health-conscious, there will be a significant shift from reactive to preventive maintenance, whereby 60% of the health spending will go into improving their health and well-being. This will lead to a higher demand for primary, long-term care, regenerative treatment, home, wearable healthcare devices, etc. Currently, Al-`Aqar's assets consist a significant percentage of hospitals and thus there will be a requirement for Al-`Aqar to diversify their current asset portfolio.

Digital Technology will be Part of Health and Social Care Transformation. New-generation well-being activities will likely empower consumers to monitor their health through technologies that can sense early signals of disease in asymptomatic patients, and address drivers of health at an early stage. Digital technology will be part of health and social care transformation, where data and analytics are being used to improve health outcomes, reduce administrative burdens, support transition from volume to value, and facilitate individual, provider and payer effectively. Thus, this led to smaller-scale hospital requirements, as patients have the option to seek their consultation or treatment through virtual platforms rather than a hospital visit and there will be a higher demand for specialised hospitals than multi-disciplinary hospitals. Consumers is expected to only visit a hospital and tend to choose primary and community-led health services. Thus, Al-`Aqar is currently exploring into assets that are connected with these trend (i.e. healthcare related manufacturing asset).



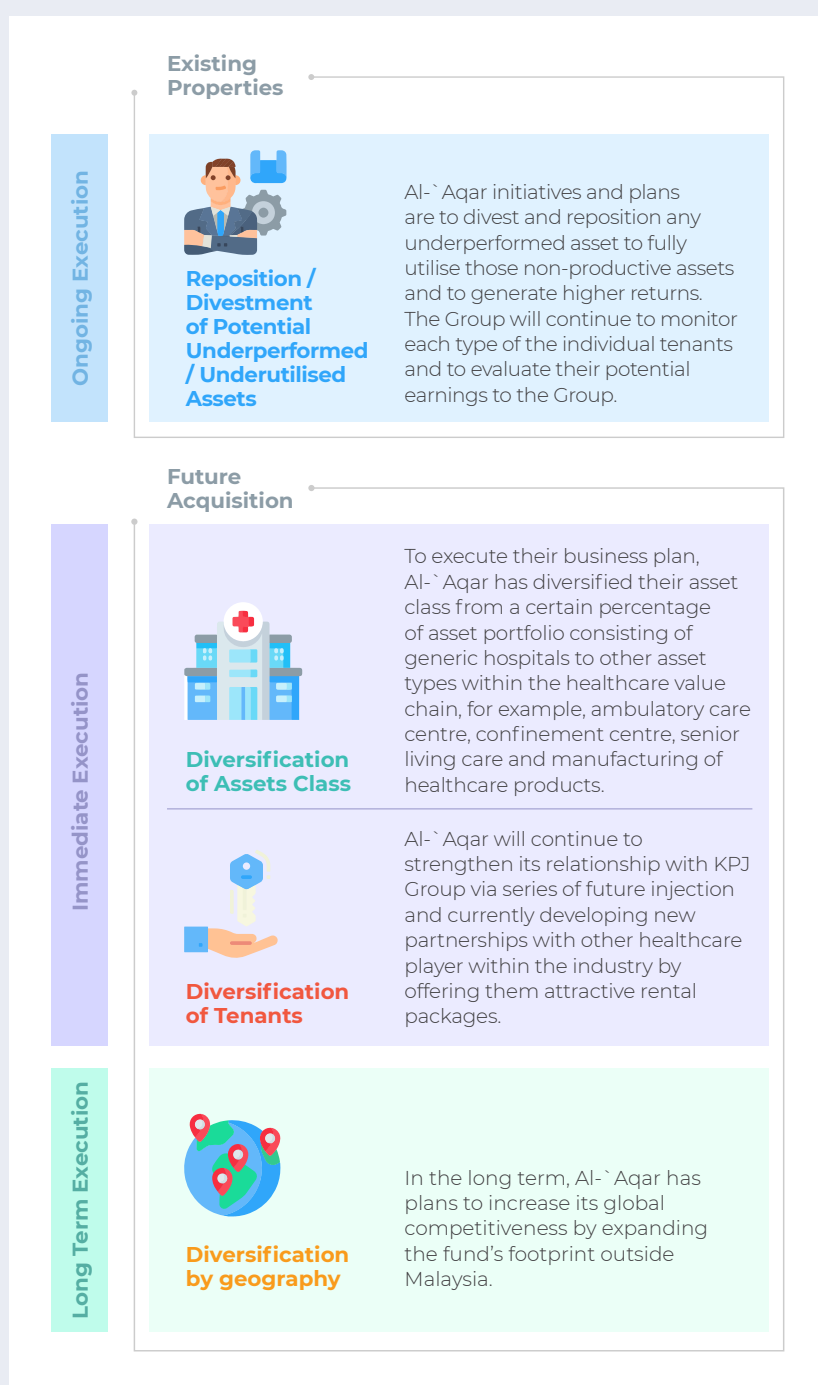
Medical Tourism is Becoming an Increasingly Common Trend. Those days, healthcare provides only competed against territories. However, nowadays it has to compete globally. All these have been buoyed down by the lower cost of international health travel, also known as "medical tourism" which is becoming an increasingly common trend. Medical tourism is where an individual will relocate to a different territory to take advantage of their higher-quality or lower-priced healthcare facilities. When individuals do decide to seek treatment, they can take advantage of medication or treatments not available in their own country or access the same level of treatment for a lower net cost.

Selection of Higher Quality Tenants to Provide Positive and Long-Term Growth Investment. With the above-highlighted challenges, the selection of high-quality tenants is important. Tenants that are at the forefront of innovation and growth industries are expected to provide stronger and more profitable portfolios for a longer time. Therefore, a thorough due diligence process on the proposed healthcare sector and business models of the tenants are required before executing the acquisition. The Environmental, Social & Governance ("ESG") criteria will also be part of the acquisition of new property or repositioning and repurposing of existing properties.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The unpredictable pandemic COVID-19 has accelerated substantially the existing trends in the healthcare system, where telemedicine and data-driven models have become popular and expanded extensively, resulting in a more mature and higher quality of tomorrow's healthcare ecosystem. To sustain the future businesses, the Manager has also started the discussion and negotiation with relevant stakeholders in 2021 to execute the following transformation initiatives:



Together with an injection of KPJ properties to Al-`Aqar, it is expected for the Fund to complete the diversification initiatives by the first half of 2022. This event will be part of Al-`Aqar's risk mitigation plan through diversifying the portfolio of property and tenants instead of focusing on a multi-disciplinary hospital and single tenant in the near term.

Business Model Transformation.

To remain competitive in the market, Al-`Aqar has redesigned and redeveloped its new business model and package to offer to both existing and future tenants. This rental arrangement has flexibility and is customised to the needs and requirements of the tenants.

Transformation at Manager Level.

To expedite the implementation of fund transformation initiatives, the Manager has implemented various initiatives and action plans, such as digital transformation to promote flexible working arrangements during the pandemic period. Besides, the Group has also transformed its organisation into the inverted pyramid structure to redirect its team to focus on strategic matters rather than administration or operational matters.

The Manager believe that Al-`Aqar is on the roadmap of post-pandemic recovery after taking all these initiatives which lay a good foundation and pillar to achieve the goals of sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL REVIEW

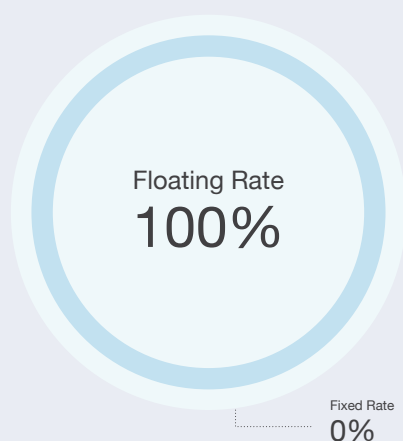
GEARING RATIO

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

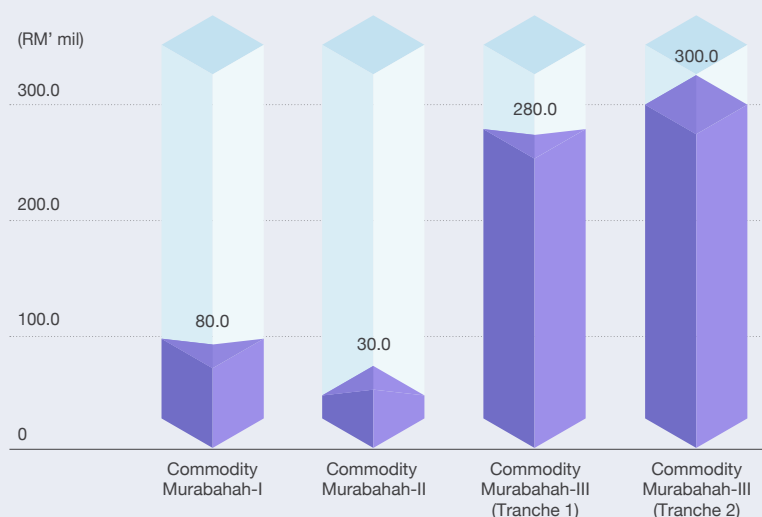
	2020	2021
Total Islamic financings (RM' mil)	683.6	683.9
Total assets value (RM' mil)	1,648.0	1,664.7
Total Islamic financings to total asset value ratio (%)	41.48	41.08

Al-`Aqar's gearing ratio stood at 41.08%, below than SC's Guidelines on Listed REITs' limits of up to the permitted 50% of Total Asset Value. It provides a comfortable financing headroom for potential acquisitions.

Fixed Rate vs Floating Rate Ratio



Debt Maturity Profile



Given that Al-`Aqar's financing is entirely based on floating basis, the financing rate will fluctuate in response to market financing rates. There is a risk on potential increase of financing rate in the future versus the fixed rental arrangement with the tenants.

The following policies will be enforced by management to manage risks:

1. Establishment of a treasury team to track profit rate fluctuations.
2. To consider hedging via an Islamic Profit Rate Swap ("IPRS").
3. Refinancing the facility to a fixed rate after two or three years, depending on the movement and stability of the profit rate.

MANAGEMENT DISCUSSION AND ANALYSIS



ISLAMIC FINANCING: SUKUK IJARAH

The Group has fully redeemed its RM575 million Issue 2 Sukuk Ijarah under the RM1 billion IMTN Programme, on the expected maturity date of 4 May 2021. As such, the respective AAA/Stable and AA2/Stable ratings of the RM295 million Class A and RM60 million Class B Issue 2 Sukuk Ijarah has been withdrawn and no longer have any rating obligation with respect to the facility. The RM220 million Class C notes are unrated. Following the redemption of the Sukuk Ijarah, the facilities has been cancelled effectively on 10 December 2021.

ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-I

On 27 December 2019, Al-`Aqar obtained a floating rate financing 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"). As at reporting date, the profit rate for the Commodity Murabahah-I is 3.35% (2020: 3.35%) per annum.

ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-II

On 30 November 2020, Al-`Aqar obtained floating rate financing facility ("Commodity Murabahah-II") amounting to RM29.9 million to refinance the Murabahah Tawarruq Term Financing-i. 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"). As at reporting date, the profit rate for the Commodity Murabahah-II is 3.35% (2020: 3.35%) per annum.

ISLAMIC FINANCING: COMMODITY MURABAHAH TERM FINANCING-III

On 4 May 2021, The Group has restructured its existing Sukuk Ijarah of RM575.0 million into new Commodity Murabahah-III of RM580.0 million into 2 tranches. The first tranche of RM280.0 million will be due in May 2026 and second tranches of RM300.0 million will be due in May 2028.

The profits are payable over a period of 60 months and 84 months, respectively from the date of the first disbursement with a bullet repayment of the principal sum on the 60th month and 84th month, respectively. The Commodity Murabahah-III bears an effective profit rate of 1.15% per annum and 1.25% per annum, above the bank's Cost of Funds ("COF") respectively. As at reporting date, the profit rate for the Commodity Murabahah-III is 3.32% and 3.44% (2020: Nil) per annum for Tranche 1 and Tranche 2 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

The Group is cognisant of the fact that it is exposed to various risks that may have a material effect on its business operations, financial performance and conditions, and liquidity. As such, the Management of the Group has identified the following key risks faced by the Group together with the measures undertaken to mitigate such risks:

1. Business / Market Risk



The Group is facing a decline in revenue due to poor market condition, competition, geographical concentration, change in government regulations and outbreak of pandemic. However, the Group is not highly susceptible to business and market risk due to the Group has established a long-term relationship of healthcare business with KPJ Group through the years.

The recent outbreak of COVID-19 has imposed a substantial impact on the market condition and business performance of the healthcare sector. To strengthen its current partnership with KPJ Group, an approved rental rebate is granted to lessees to ease their current financial performance. Thus, there was a slight reduction in rental income for the Group in 2021. Moving forward, the Manager will continue to monitor the performance of the lessees. Apart from that, the Manager is also considering redevelopment and divestment plans for those underperforming assets.

2. Tenant Concentration Risk



Al-`Aqar is facing the risk that its revenue is solely dependent on a single tenant. The upside benefit of this lease arrangement is Al-`Aqar maintained a stable rental income to the Fund with minimum administrative cost. However, considering the risk if the lessee or operator's business fails to sustain their own financial performance or change its strategic direction, Al-`Aqar's fund will face the risk of losing their mainstream rental income. To minimise the risk, the Manager has proposed the mitigation plans to take effect should the single tenant go out of their business or decide not to renew or continue the lease. The Group needs to identify new JV partners, continuously source for a replacement lessee or healthcare operator, re-purpose the building and divest or dispose of the property to a third party. The factors to decide will mainly depend on the risk assessments of each project before a certain course of action is undertaken to mitigate the risks.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Cybersecurity Risk



Cybersecurity breaches, for example, can damage a company's reputation, which is difficult to insure against. To mitigate the risk, the Group has implemented the Business Continuity Management ("BCM") drill or testing annually which focuses on IT infrastructure. The Company has undertaken an IT Risk assessment and Penetration Test which was concluded on 12 April 2021.

4. Human Capital Risk



Succession planning risk may affect Al-`Aqar's operation when the critical role becomes vacant and cannot be filled satisfactorily before the vacancy has an unacceptable impact on the organisation. Thus, strategic implementation of activities and processes are designed to decrease the likelihood of lengthy vacancies in critical roles and limit the impact of vacancies in critical roles when they do occur. The Manager has tabled its succession planning framework at the Board meeting and has obtained approval from the Board at the Board meeting on 2 December 2021. The framework includes identification of future successors and leadership training for candidates of critical positions.

MARKET REPORT SUMMARY

GLOBAL ECONOMY

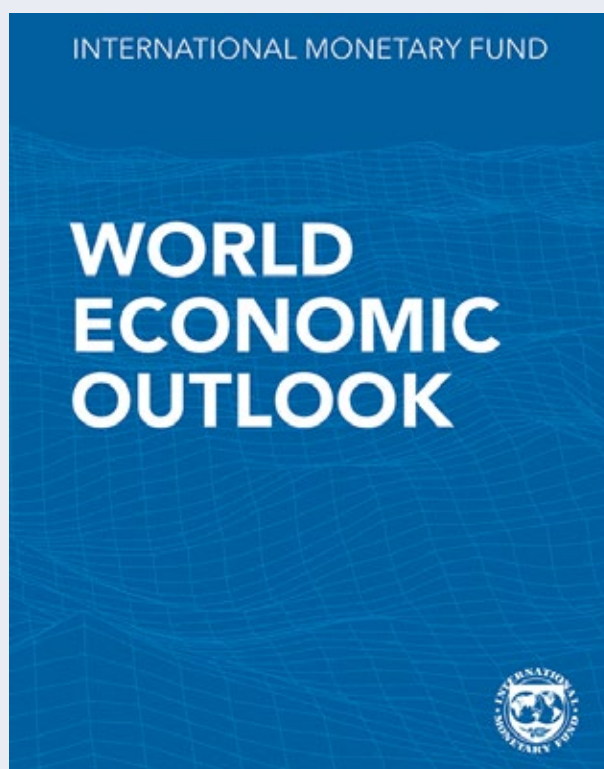
RIISING CASELOADS, A DISRUPTED RECOVERY AND HIGHER INFLATION

Global Growth. The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (“WEO”), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade.

Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022

Longer elevated inflation. Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high energy prices continuing in 2022. Assuming inflation expectations stay well anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.

Risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility and localised wage pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies, capital flows, currencies and fiscal positions may emerge.



The pandemic's continued grip. With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests and treatments is essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery systems and fairer international distribution.

Effective global health strategy is more salient than ever

(Extracted from World Economic Outlook Update, International Monetary Fund, January 2022)

MARKET REPORT SUMMARY

MALAYSIA ECONOMY

MALAYSIA'S ECONOMIC RECOVERY IS EXPECTED TO GAIN MOMENTUM IN 2022



Malaysia's economy is projected to grow by 5.8 percent in 2022 (2021f: 3.3 percent), driven mainly by a rebound in domestic demand. Private consumption growth is forecast to increase to 7.2 percent next year (2021f: 3.4 percent). This increased growth is premised on further relaxation of pandemic-related restrictions, dissipation of uncertainties, continued policy support, and gradual improvements to employment and income prospects. By contrast, growth in public consumption is forecast to decelerate to 1.3 percent in 2022 (2021f: 3.9 percent) on expectations of reduced COVID-19 related expenditure and the government's optimization of operating expenditure.

Gross fixed capital formation is projected to grow by 5.1 percent (2021f: 2.5 percent), with the acceleration largely driven by a strong rebound in public investment. Projected public investment activity will be supported by the intensified implementation of major existing transportation infrastructure projects, including the Mass Rapid Transit Line 2 ("MRT2"), the Light Rail Transit 3 ("LRT3"), and the Pan Borneo Highway and by the commencement of new projects, including the Mass Rail Transit 3 ("MRT3"). Private investment is also expected to improve in 2022, although at a more moderate pace than public investment.

Malaysia's trade is expected to expand at a more moderate pace in 2022. Exports are projected to continue to expand, albeit at a slower rate at 4.5 percent next year (2021f: 15.7 percent), in line with softer global trade in goods. The prospects for services exports, particularly travel and tourism, are likely to remain relatively subdued until the pandemic is brought more firmly under control and cross-border travel restrictions are loosened considerably. Imports are forecast to grow by 4.8 percent in 2022 (2021f: 17.3 percent), with broad-based expansion expected across consumption, intermediate and capital imports, in line with stronger consumer spending and continued expansion in exports and investment activity.

Headline inflation is projected to moderate in 2022, with the base effect of the higher domestic retail fuel prices dissipating. Underlying inflation is expected to be broadly contained over the near term in the absence of immediate domestic cost pressures.

(Extracted from World Bank Group, Malaysia Economic Monitor: Staying Afloat, December 2021)

MARKET REPORT SUMMARY

HEALTHCARE TRANSFORMATION

FOCUS IS SHIFTING FROM HEALTH CARE TO HEALTH & WELL-BEING. MORE RESOURCES ARE BEING ALLOCATED FROM THE END OF THE HEALTH CARE VALUE CHAIN TO THE BEGINNING.

2022 will be a transformative year for global health. The COVID-19 pandemic has brought long-existing weaknesses in our healthcare systems into sharp relief as they buckled under the pressure of the health crisis. This calls for a shift towards new models of care that involve acting earlier to prevent, diagnose and treat diseases, and harnessing transformative innovations to improve patient outcomes. This in turn will help us address the unsustainable burden of disease and ensure the resilience of our health systems against future shocks.

Key factors. People worldwide are living longer.

By 2030, 1 in 6 people in the world will be aged 60 years or over. The number of persons aged 80 years or older is expected to triple between 2020 and 2050 to reach 426 million. While this shift in distribution of a country's population towards older ages started in high-income countries (for example in Japan 30% of the population is already over 60 years old), it is now low- and middle-income countries that are experiencing the greatest change. By 2050, two-thirds of the world's population over 60 years will live in low- and middle-income countries. **Physical challenges of old age and unhealthy lifestyles in working aged people have led to an increasing prevalence of non-communicable disease ("NCD")** and chronic conditions. Where the NCDs itself account for 71% of global death. Since older people are more likely to require healthcare and since the types of care they require are more likely to be resource-intensive, this is creating a surge of demand. This has led for **global spending on health continually rising** between 2000 and 2018 and reached US\$ 8.3 trillion or 10 per-cent of global Gross Domestic Product ("GDP").

The healthcare industry is fast-moving, constantly evolving and highly competitive. This has been clearly demonstrated in the COVID-19 crisis, where multiple pharmaceutical companies raced to become the first to synthesise, approve and distribute a vaccine globally. This was ultimately

achieved less than one year after the pandemic was declared. There is a **greater choice in treatments** than at any time in history. Every year, huge scientific breakthroughs open new markets in various sectors. In 2020 alone, the Federal Drugs Administration in the USA approved 53 novel treatments.



Where once it was the case that healthcare providers only competed within territories, **now the competition is global**. Buoyed by the low costs of international journeys, **"medical tourism" is becoming an increasingly common trend**. Medical tourism is where an individual will relocate to a different territory to take advantage of their higher-quality and/or lower-priced healthcare sector. Where individuals do decide to relocate to treatment, they can take advantage of drugs or treatments not available in their own country or access the same level of treatment for a lower net cost.

MARKET REPORT SUMMARY



Transformation in Healthcare. In 2019, about 80% of health spending went toward care and treatment. **As public become more health-conscious**, by 2040, we are expecting significant **shift from reactive to prevention maintenance**, where 60% of spending will go toward improving health and well-being. Thus, lead to **higher demand for primary / long term care, regenerative treatment, home / wearable healthcare devices** etc. This created **evolving trend on consumer healthy lifestyle** and McKinsey study in 2021 expected the global wellness market annual growth of 5 to 10 per cent.

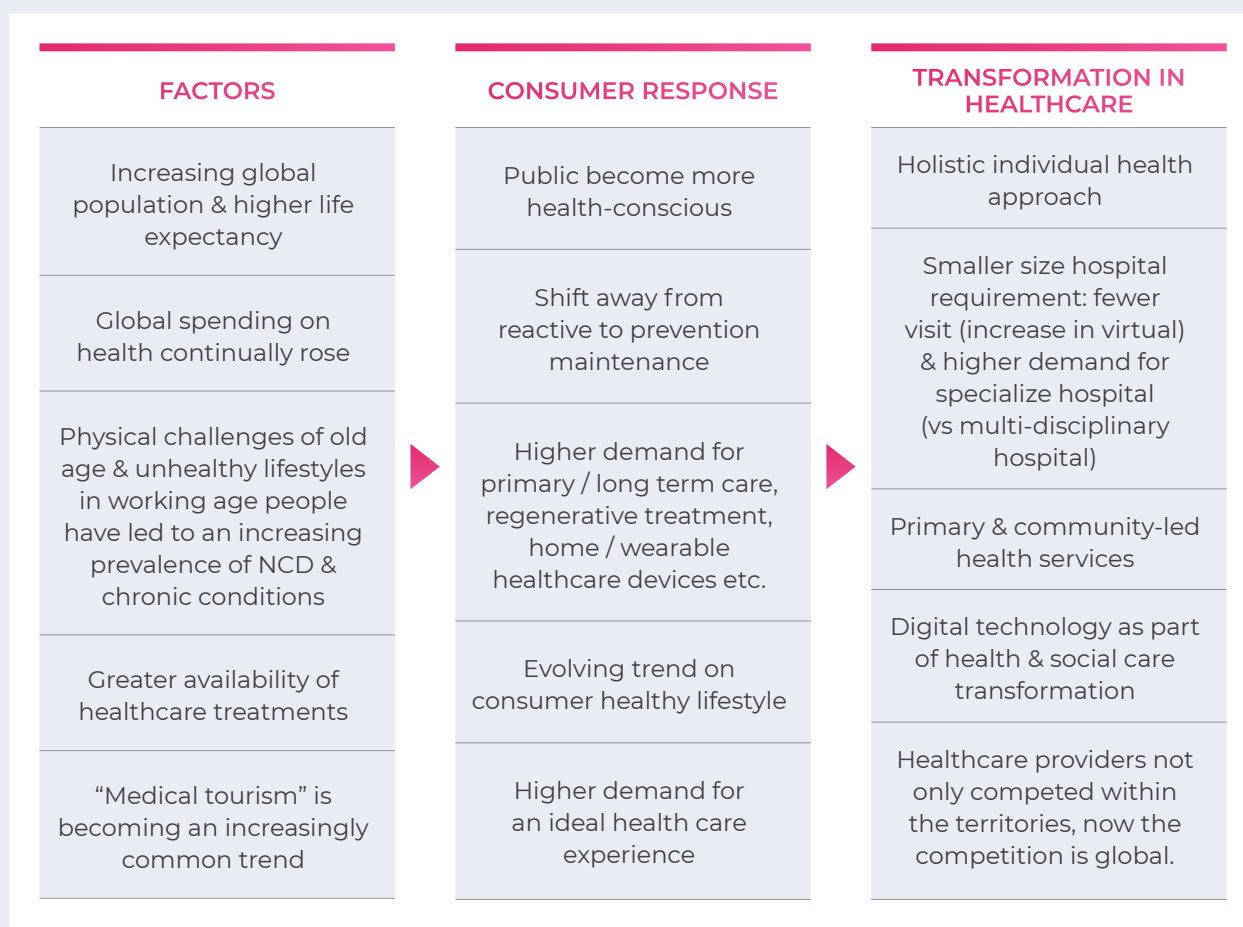
New-generation well-being activities will likely empower consumers to monitor their health through technologies that can sense early signals of disease in asymptomatic people, and address drivers of health early. **Digital technology will be part of health and social care transformation**, where data and analytics being used to improve health outcomes, reduce administrative burdens, support transition from volume to value and facilitate individual/provider/payer effectiveness. The survey conducted by Deloitte in 2021 shows that in average, 80 per cent of respondents are likely to have another virtual visit, even post COVID-19. Thus, lead to **smaller size hospital requirement**: fewer visit (increase in virtual) and higher demand for specialised hospital (vs multi-disciplinary hospital). People are expected to only visit hospital whenever it is required and tend

to choose **primary and community-led health services**.

Greater choice in treatment has created greater competition. While choice does create the possibility of budget options at the lower end of the market, in a sector like healthcare where quality is a key selling point, most customers naturally opt for the most premium products they can afford. This, in turn, drives competition at the higher end of the market, leading to escalating prices. With greater spending power, it is not only allowing them to meet the rising costs of healthcare, but also entitles them to a greater range of choices when it comes to healthcare suppliers. Thus, it is expected higher **demand for an ideal health care experience** (lifestyle centric vs medical centric) with **holistic individual health approach** (transition from standardised clinical protocols to personalised medicine).

The Manager has concluded that there will be a shift from health care to health & well-being and more resources (time, money and attention) are being allocated from the end of the health care value chain (treatment & aftercare) to the beginning (prevention). There will be a greater focus on promoting healthy lifestyles, vitality, wellness; on primary prevention; and on early diagnosis.

MARKET REPORT SUMMARY



(Reference to:

- i. World Economic Forum. Predictions 2022: What are the biggest healthcare shifts? Here's what health experts think.
- ii. World Health Organisation. 2021 Ageing and health.
- iii. Deloitte Insight. 2021 Global health care outlook: Accelerating industry change.
- iv. Deloitte Insight. 2021 Breaking the cost curve.
- v. World Health Organisation. 2020 Global spending on health: Weathering the storm.)

AUSTRALIA AGED CARE SECTOR REFORMS

NON-DEMOGRAPHICS FACTORS DEMAND AGED CARE SECTOR REFORMS

While average occupancy in residential care has been trending down in recent years, in the longer term the demand for all aged care services and support required by older Australians, including subsidised services, will continue to expand with the ageing of the population.

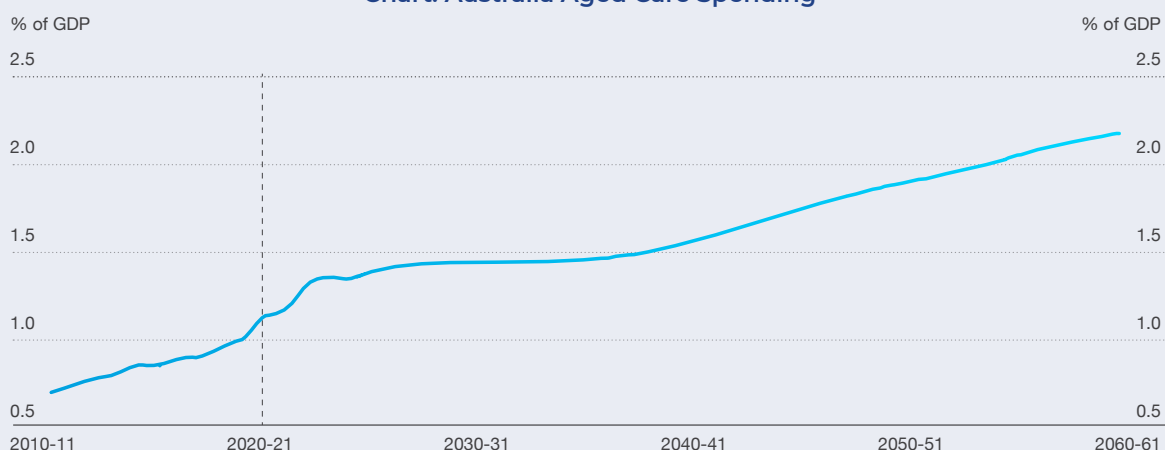
The number of older Australians requiring aged care services is expected to increase as the population ages. In the near term, the impacts of the baby boomer generation moving into their 70s and 80s will be particularly marked. A key driver of aged care spending is the number of people over the age of 70. The number of people aged 70 and over is expected to more than double over the next 40 years, reaching around 6.9 million people by 2060/61.

MARKET REPORT SUMMARY



Aged care spending is expected to increase substantially as a share of the economy, from 1.2 per cent of GDP in 2020/21 to 2.1 per cent of GDP in 2060/61 (or \$113 billion in 2020-21 dollars). This reflects population growth and ageing, as the baby boomer generation enters aged care eligibility age and non-demographic factors. Real per person aged care spending is projected to increase from \$5,460 to \$12,500 for people aged 65 and over.

Chart: Australia Aged Care Spending



DRIVERS OF AGED CARE SPENDING

I. TRANSFORMATION OF THE AGED CARE SECTOR

The Government is making major reforms to the aged care sector that will occur in stages over many years. The Government has already made large investments to improve the safety and quality of residential aged care services and improve access through additional home care packages. Other initiatives will also improve workforce recruitment, retention, and quality in the aged care sector. The Government's reforms to aged care will be underpinned by a new consumer-focused Aged Care Act, supported

by strengthened governance arrangements. The role of the Independent Hospital Pricing Authority will also be expanded to help ensure that aged care costs are directly related to the care provided. These transformations cater to changing community expectations about how and where care is delivered, which will increase aged care costs.

The Government response to the Final Report of the Royal Commission has accepted or accepted-in-principle 126 of the 148 recommendations. In addition, there are a further four recommendations where the Government supports an alternative approach to implementation. A small number of recommendations continue to be considered.

MARKET REPORT SUMMARY

In addition to the Royal Commission, the COVID-19 pandemic has reinforced the importance of Australia having a robust aged care sector that can manage – and adapt to – unforeseen, sudden health shocks.

DRIVERS OF AGED CARE SPENDING

I. TRANSFORMATION OF THE AGED CARE SECTOR

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Government's reforms to aged care will be underpinned by a new consumer-focused Aged Care Act, supported by strengthened governance arrangements

II. CHANGING NEEDS AND PREFERENCES

The aged care system will also need to respond to changing preferences and community expectations about how and where care is delivered. The majority of older people prefer to remain in their own home, delaying entry into residential care until later in life, if at all. This preference has increased demand for home care packages, including demand for higher level supports in the home. Changes to the overall burden of disease in old age have also affected residential care needs. At least half of residential aged care residents have a dementia diagnosis and are more likely to have higher care needs than residents without dementia. The average length of stay in residential aged care has decreased gradually from 3.30 years in 2003 to 2.96 years in 2019.

Majority of older people prefer to remain in their own home, delaying entry into residential care until later in life

At least half of residential aged care residents have a dementia diagnosis

Average length of stay in residential aged care has decreased gradually

MARKET REPORT SUMMARY

III. RISKS AND UNCERTAINTIES

There are uncertainties around the long-term projections of aged care spending. Many interrelated factors will determine aggregate spending, including developments in labour productivity and wages in the sector, demand and consumer preferences. Technological improvements in the delivery of care have the potential to reduce cost pressures in the system. The ability of aged care providers – both in-home and residential – to leverage these improvements to provide cost-effective models of care will be a key determinant of the extent to which these advancements place downward pressure on government spending over the long term.

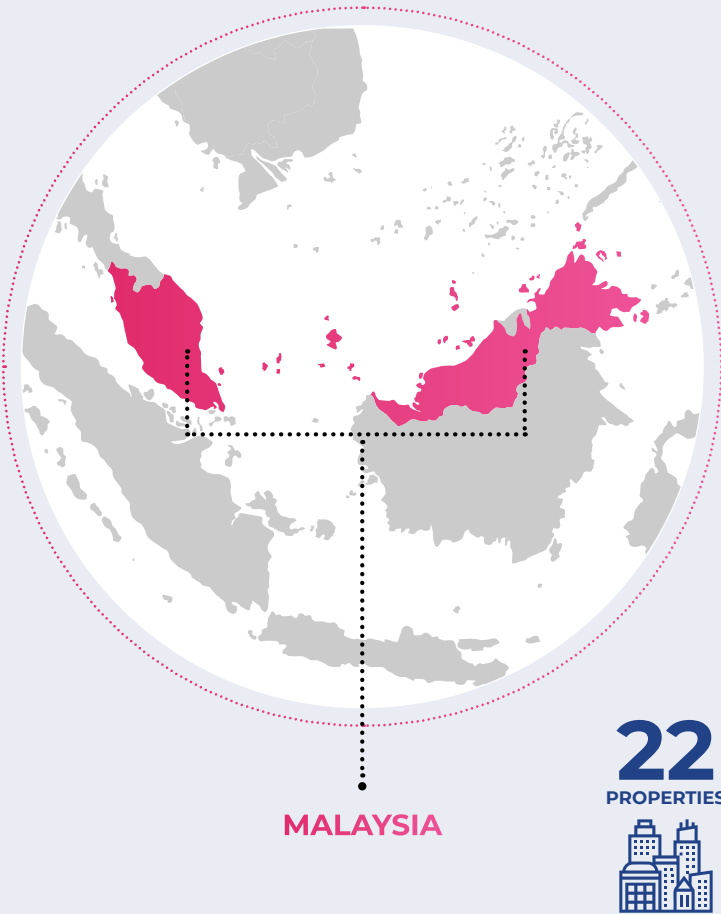
The stronger governance and higher regulation on the quality of care has caused an increase in the operating expenditure and resulted in a lower profit margin of the operators. Only those operators that have a sizeable size with economies of scale will be able to continue to perform.

**Technological improvements
in the delivery of care have
the potential to reduce cost
pressures in the system**

(Extracted from 2021 Australian Government Intergenerational Report & Ninth Report on the Funding and Financing of the Aged Care Industry)



PORTFOLIO SUMMARY AND DETAILS



Hospitals

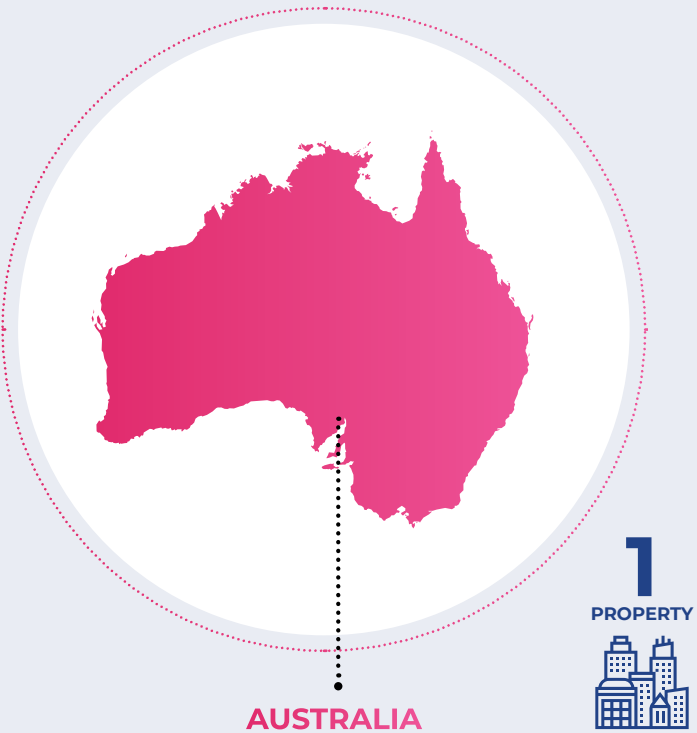
- KPJ Ampang Puteri Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Johor Specialist Hospital
- KPJ Puteri Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Ipoh Specialist Hospital
- KPJ Perdana Specialist Hospital
- KPJ Sentosa KL Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Penang Specialist Hospital
- KPJ Tawakkal Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Batu Pahat Specialist Hospital
- KPJ Haemodialysis Kluang
- 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



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.

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn Bhd

Description

A seven (7)-storey main building and an annexed five (5)-storey specialist centre purpose-built private specialist hospital with one (1) level of common lower ground floor and an undeveloped portion of land being used as car park area.

Age of Building

26 years

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 2036
Expiry of Current Rental Period: 29 June 2024

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

23 years

Registered Proprietor

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

Land Area

180,521 sq.ft.

Gross Floor Area

445,114 sq.ft.

Lease Expiry

Expiry of Contractual Rental Term: 29 June 2036
Expiry of Current Rental Period: 29 June 2024

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS



KPJ JOHOR SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Johor Specialist Hospital Sdn Bhd

Description

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

Age of Building

40 years

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 2036
Expiry of Current Rental Period: 29 June 2024

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



KPJ PUTERI SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn Bhd

Description

A 6-storey purpose-built private hospital building.

Age of Building

35 years

Registered Proprietor

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

Land Area

104,109 sq.ft.

Gross Floor Area

134,098 sq.ft.

Lease Expiry

Expiry of Contractual Rental Term: 29 June 2036
Expiry of Current Rental Period: 29 June 2024

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

Nil

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS

CORPORATE
OVERVIEWTHE DRIVING
FORCESSTRATEGIC
PERFORMANCESUSTAINABILITY
STATEMENTGOVERNANCE
STRUCTUREFINANCIAL
REPORTS

KPJ SELANGOR SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Selangor Specialist Hospital Sdn Bhd

Description

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

Age of Building

25 years

Registered Proprietor

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

Land Area

204,342 sq.ft.

Gross Floor Area

314,844 sq.ft.

Lease Expiry

Expiry of Contractual Rental Term: 29 June 2036
Expiry of Current Rental Period: 29 June 2024

Title

P.T. 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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



KPJ IPOH SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn Bhd

Description

A purpose-built private hospital comprising a 3.5-storey "Old Wing" annexed to a five (5)-storey "New Wing" with a basement level.

Age of Building

Old wing: 29 years
New wing: 14 years

Registered Proprietor

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

Land Area

142,116 sq.ft.

Gross Floor Area

382,865 sq.ft.

Lease Expiry

Expiry of Contractual Rental Term: 29 June 2036
Expiry of Current Rental Period: 29 June 2024

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

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.

Age of Building

19 years

Registered Proprietor

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

Land Area

94,163 sq.ft.

Gross Floor Area

146,686 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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

23 years

Registered Proprietor

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

Land Area

23,659 sq.ft.

Gross Floor Area

81,214 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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS



KPJ KAJANG SPECIALIST HOSPITAL

Location

Jalan Cheras, 43000 Kajang, Selangor.

Lessee/Asset Operator

Kajang Specialist Hospital Sdn Bhd

Description

A 7-storey purpose-built private specialist hospital with one (1) level of basement Car Park.

Age of Building

15 years

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for AI-`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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

12 years

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for AI-`Aqar Healthcare REIT.

Land Area

190,930 sq.ft.

Gross Floor Area

180,109 sq.ft.

Lease Expiry

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

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

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.

Age of Building

11 years

Registered Proprietor

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

Land Area

89,168 sq.ft.

Gross Floor Area

344,983 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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

17 years

Registered Proprietor

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

Land Area

241,865 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 2024

Lease Expiry (Land)

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

Title

P.T. No. 50604 Seksyen 2 held under Title No. GRN 277698 Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan.

Freehold.

Encumbrances

Nil

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS

CORPORATE
OVERVIEWTHE DRIVING
FORCESSTRATEGIC
PERFORMANCESUSTAINABILITY
STATEMENTGOVERNANCE
STRUCTUREFINANCIAL
REPORTS

KPJ KLANG SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

KPJ Klang Specialist Hospital Sdn Bhd

Description

A 6-storey private hospital building with two (2) levels of basement car park.

Age of Building

9 years

Registered Proprietor

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

Land Area

117,391 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 2024

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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd



KPJ BATU PAHAT SPECIALIST HOSPITAL

Location

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

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn Bhd

Description

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

Age of Building

2 years

Registered Proprietor

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

Land Area

217,813 sq.ft.

Gross Floor Area

173,645 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

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS



KPJ HAEMODIALYSIS KLUANG
(PREVIOUSLY KNOWN AS KLUANG UTAMA SPECIALIST HOSPITAL)

Location

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

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn Bhd

Description

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

Age of Building

21 years

Registered Proprietor

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

Land Area

10,607 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 2024

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

Nil

Property Manager

Healthcare Technical Services Sdn Bhd



KEDAH MEDICAL CENTRE

Location

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

Lessee/Asset Operator

Kedah Medical Centre Sdn Bhd

Description

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

Age of Building

17 years

Registered Proprietor

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

Land Area

83,183 sq.ft.

Gross Floor Area

215,851 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 Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

PORTFOLIO SUMMARY AND DETAILS

CORPORATE
OVERVIEWTHE DRIVING
FORCESSTRATEGIC
PERFORMANCESUSTAINABILITY
STATEMENTGOVERNANCE
STRUCTUREFINANCIAL
REPORTS

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.

Age of Building

28 years

Registered Proprietor

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

Land Area

47,846 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 2024

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

Nil

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

38 years

Registered Proprietor

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

Land Area

30,557 sq.ft.

Gross Floor Area

121,700 sq.ft.

Lease Expiry

Expiry of Contractual Rental Term: 14 May 2024
Expiry of Current Rental Period: 14 May 2024

Title

Geran 4413-4424, 4433-4435, 4425, 4432, 4436, 4414, PN 6271, 6272, 51156, all within Section 85A, Bandar K.L., District of K.L., Federal Territory of K.L.

- i) Freehold - Lot Nos. 78 to 91,98 to 102
- ii) Leasehold - Lot 124 and 125 – Leasehold expiring in year 2077.
- Lot 2003 – Leasehold expiring in year 2112.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Property Manager

Healthcare Technical Services Sdn Bhd

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.

Age of Building

35 years

Registered Proprietor

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

Land Area

72,322 sq.ft.

Gross Floor Area

69,060 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

Nil

Property Manager

Healthcare Technical Services Sdn Bhd



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.

Age of Building

15 years

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 2024

Title

Town Lease 017548828 situated at District of Kota Kinabalu, State of Sabah.

Leasehold expiring in year 2073.

Encumbrances

Nil

Property Manager

Healthcare Technical Services Sdn Bhd

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 purpose-built private college comprising of administrative and academic block together with student hostel block.

Age of Building

Existing building: 15 years
New building: 7 years

Registered Proprietor

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

Land Area

983,831 sq.ft.

Gross Floor Area

447,823 sq.ft.

Lease Expiry (Existing Building):

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

Lease Expiry (New Building):

Expiry of Contractual Rental Term: 30 November 2030
Expiry of Current Rental Period: 30 November 2024

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

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

Property Manager

IM Global Property Consultants Sdn Bhd



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.

Age of Building

8 years

Registered Proprietor

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

Land Area

126,239 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 2024

Title

HSD 63443 and GRN 41544, respectively, all in Seksyen 5, Bandar Bukit Mertajam, District of Seberang Perai Tengah, State of Pulau Pinang.

Freehold.

Encumbrances

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

Property Manager

Healthcare Technical Services Sdn Bhd

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.

Age of Building

14 years

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.

Property Manager

CBRE (C) Pty Ltd



SUSTAINABILITY STATEMENT



078	About This Report
079	Approach to Sustainable Development
082	Stakeholder Engagement
084	Material Sustainability Matters
088	Robust Corporate Governance
090	Sustainable Trust Fund
092	Strong Social Relationships
098	Environment Stewardship
099	Conclusion
099	GRI Content Index

SUSTAINABILITY STATEMENT

About This Report



Damansara REIT Managers Sdn Berhad (the “Manager” or “DRMSB”) proudly presents Al-`Aqar Healthcare REIT’s (“Al-`Aqar REIT” or the ‘Fund’) fourth annual sustainability statement for the reporting period of 1 January 2021 to 31 December 2021 (“FY2021”). This statement provides the Fund’s stakeholders with insights on how it champions ESG risks and opportunities within its organisation.

As sustainability has evolved over the last decade, it has become increasingly important for companies to evaluate sustainability priorities with stakeholders to determine key environmental, social and governance (“ESG”) issues. The COVID-19 pandemic has also afflicted the operating environment of the Fund by bringing about unforeseen challenges. As a trust primarily focused on the healthcare industry with numerous hospitals in the Fund’s property portfolio, the pandemic has directly affected us as hospitals have had to align to and fulfil all precautionary measures enforced by authorities while safeguarding the health and safety of its patients, visitors and staff. On a global scale, the pandemic has brought about a sense of urgency surrounding various ESG-related issues such as human rights, diversity and supply chain management as organisations begin to understand the correlation between sustainability and business continuity.

As it gears toward recovery, the Fund has reassessed the role of sustainability in its operations and strives to integrate best practices into its management approach. The Fund’s endeavours have resulted in the formation of a Sustainability Policy and Framework, strengthening of the Sustainability Governance Structure and a comprehensive review of its material sustainability matters. The Fund has also conducted a gap analysis exercise against relevant standards to identify areas of enhancement and develop plans to close the gaps while ensuring compliance.



SUSTAINABILITY STATEMENT

About This Report (cont'd)

REPORTING SCOPE

As all hospitals are under a triple net lease agreement with KPJ Healthcare Berhad ("KPJ"), the Manager has little control over the ESG issues within those properties. As such, this statement will provide an overview of the Fund's sustainability performance within its HQ located in Level 19, Block 1, VSQ@PJCC, Jalan Utara, Petaling Jaya and covering a total floor area of 4249 sq. ft.

REPORTING FRAMEWORK

This statement has been prepared in accordance to Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, with reference to Bursa Malaysia's Sustainability Reporting Guide (2nd Edition). The Global Reporting Initiative ("GRI") Standards have been used to inform reporting practices to ensure that it is being done in a structured and transparent manner. The GRI content index on pages 99 and 100 lists the disclosures used throughout this statement.



Approach to Sustainable Development

SUSTAINABILITY FRAMEWORK

The Sustainability Framework established by the Manager serves as a tool to inform planning and management of ESG practices, and as a guide to drive sustainability across operations. At the heart of this framework are the Manager's vision and mission of delivering long-term value to stakeholders by integrating sustainable business practices throughout operations. To drive this ambition forward, the Fund has interconnected the vision and mission to four (4) sustainability pillars and nine (9) key focus areas which are pertinent in the sustainability landscape. Furthermore, the Fund has established action plans to strengthen its approach and thus contribute to realising its goal of being a sustainable REIT. The framework is also aligned to the United Nations Sustainable Development Goals ("UN SDGs").

SUSTAINABILITY STATEMENT

Approach to Sustainable Development (cont'd)

VISION

To deliver long-term sustainable value to our stakeholders and communities in which we operate.

MISSION

To integrate sustainable business practices throughout the Fund.



Robust Corporate Governance

Upholding the highest standards of governance, business ethics and integrity

GOVERNANCE AND BUSINESS ETHICS

Safeguarding the reputation of the Fund through strong governance practices and ethical business practices

TRANSPARENCY

Ensuring transparency in all financial and non-financial disclosures



Sustainable Trust Fund

Ensuring long-term sustainable returns while spurring socio-economic growth

PROCUREMENT PRACTICES

Maximising value along our supply chain while minimising adverse impacts through a diligent selection process and local procurement

INFRASTRUCTURE INVESTMENT

Upgrading facilities to ensure that properties operate at an optimum level for sustainable economic growth



Environmental Stewardship

Conserving and preserving the environment through responsible management and practices

CLIMATE CHANGE

Recognising the risk of climate change and managing energy efficiency

ENVIRONMENTAL MANAGEMENT

Creating awareness on efficient water use and responsible management of waste to mitigate adverse environmental impacts



Strong Social Relationship

Creating a diverse and talented workforce within a safe environment while contributing to the community

DIVERSITY AND DEVELOPMENT

Providing fair and equal opportunities to our workforce for personal and professional development

HEALTH AND SAFETY

Creating a safe and healthy environment for our workforce

CORPORATE SOCIAL RESPONSIBILITY

Promoting societal development by giving back to the communities in which we operate

KEY ACTION PLANS

Transparent and comprehensive reporting practices in accordance to relevant standards

Integrating sustainable business practices into management approach

Monitoring and recording sustainability progress

Increasing stakeholder engagement

OUR COMMITMENT



SUSTAINABILITY STATEMENT

Approach to Sustainable Development (cont'd)

CONTRIBUTION TO THE UN SDGS

As a member state of the United Nations and with the launch of the Twelfth Malaysia Plan, 2021 – 2025 (the “Twelfth Plan”) in September 2021, Malaysia is on a path to achieve a prosperous, inclusive and sustainable nation. Focusing on the key themes of resetting the economy, strengthening security, wellbeing and inclusivity, as well as advancing sustainability, the Twelfth Plan is consistent with the objectives of Wawasan Kemakmuran Bersama 2030 and the UN SDGs.

As a responsible player in the real estate industry, the Fund strives to support national and global efforts towards sustainable development by aligning its operations with the UN SDGs. The Fund has adopted five (5) goals which it believes are most suited to the sector and mapped its initiatives to achieve the aspirations and targets of these goals.



SUSTAINABILITY STATEMENT

Approach to Sustainable Development (cont'd)

SUSTAINABILITY GOVERNANCE

Sustainability at Al-`Aqar REIT is spearheaded by the Board of Directors of DRMSB (the “Board”) which plays an oversight role of the entire sustainability strategy and provides final approval of policies, the materiality matrix and this statement. Reporting to the Board is the Board Audit and Risk Committee (“BARC”). Discussion of potential ESG risk areas is conducted by the Enterprise Risk Management Committee (“ERMC”), who report to the BARC. Implementation difficulties on ESG issues are reported directly to the Board.

Monitoring of implementation and achievement of targets is discussed at the Property Managers meeting.



Stakeholder Engagement

Stakeholders are paramount to the growth and development of business. Al-`Aqar REIT defines stakeholders as individuals and groups that have a vested interest in the Fund’s business conduct and performance. The Fund understands that frequent and consistent engagement with stakeholders is key to addressing their expectations and concerns which in turn, secures their trust and allows us to improve.

Al-`Aqar REIT’s Shareholders



SUSTAINABILITY STATEMENT

CORPORATE
OVERVIEW

Stakeholder Engagement (cont'd)

No.	Stakeholder	Areas of Interest	Method of Engagement	Frequency of Engagement
1	Employees	<ul style="list-style-type: none"> Staff performance and development Business strategies/objectives/achievements Staff wellbeing Employee benefits 	<ul style="list-style-type: none"> Performance appraisal and career development plan Townhall Revision of salary package Work-life balance 	<ul style="list-style-type: none"> Yearly Yearly Every 3 years Ongoing
2	Investors	<ul style="list-style-type: none"> Corporate Financial Performance Corporate Governance Investor Relationship Management Environmental matters Safety of assets 	<ul style="list-style-type: none"> AGM Corporate website Annual & quarterly reports Investor relations briefings Investment criteria/policy 	<ul style="list-style-type: none"> Yearly Minimum quarterly Yearly & quarterly Quarterly Yearly
3	Tenants	<ul style="list-style-type: none"> Rental Demised premises in good and tenantable repair and maintenance 	<ul style="list-style-type: none"> Monthly reports Annual building audit 	<ul style="list-style-type: none"> Monthly Annually
4	Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> Compliance to Regulations Labour Practices Transparency and Disclosure 	<ul style="list-style-type: none"> Quarterly compliance report Announcement, Notification & Reporting Compliance audit 	<ul style="list-style-type: none"> Quarterly Quarterly, Half-yearly, as and when required Annually
5	Service Providers and Suppliers	<ul style="list-style-type: none"> Transparent Procurement Process Business ethics 	<ul style="list-style-type: none"> Evaluation & Performance Reviews Compliance to MACC Act Procurement Policy 	<ul style="list-style-type: none"> Ongoing Ongoing Ongoing
6	Property Managers/ Service Manager/ Maintenance Manager	<ul style="list-style-type: none"> Maintenance Summary 	<ul style="list-style-type: none"> Monthly reports Quarterly meeting 	<ul style="list-style-type: none"> Monthly Quarterly

THE DRIVING
FORCESSTRATEGIC
PERFORMANCESUSTAINABILITY
STATEMENTGOVERNANCE
STRUCTUREFINANCIAL
REPORTS

SUSTAINABILITY STATEMENT

Material Sustainability Matters

MATERIALITY ASSESSMENT

With the impact of the ongoing pandemic and formation of the Fund's Sustainability Framework in mind, the Fund decided to undergo a complete review and reassessment of its material sustainability matters to better reflect the prioritisation of ESG risks and opportunities within its operations.

The initial stage of the assessment consisted of a benchmarking exercise to determine the relevance of the FY2020 material sustainability matters. A total of 15 material matters were identified and then ranked in order of priority using an online survey platform and plotted on a materiality matrix to demonstrate the relative importance to business operations and stakeholders.

	FY2020 Material Sustainability Matters	FY2021 Material Sustainability Matters
Robust Corporate Governance	Corporate Governance	Corporate Governance and Business Ethics
	Anti-Corruption	
	Anti-Competitive Behaviour	
	Regulatory Compliance	Regulatory Compliance
	Risk Management	Risk Management
Sustainable Trust Fund	Financial Performance	Financial Performance
	Indirect Economic Impacts	Indirect Economic Impacts
	Procurement Practices	Procurement and Supply Chain Management
	Supply Chain	
Environmental Stewardship	Energy Management	Climate Change
	Emissions	
	Waste and Effluent Management	Waste and Effluent Management
	Water Management	Water Management
	Land Remediation, Contamination or Degradation	
Strong Social Relationships	Diversity	Diversity and Inclusion
	Labour Practices	Human Rights and Labour Standards
	Human Rights	
	Production and Services Responsibility	Tenant and Customer Satisfaction
	Occupational Health and Safety	Occupational Health and Safety
	Community Investment	Community Engagement
		Human Capital Development

SUSTAINABILITY STATEMENT

CORPORATE
OVERVIEW

THE DRIVING
FORCES

STRATEGIC
PERFORMANCE

SUSTAINABILITY
STATEMENT

GOVERNANCE
STRUCTURE

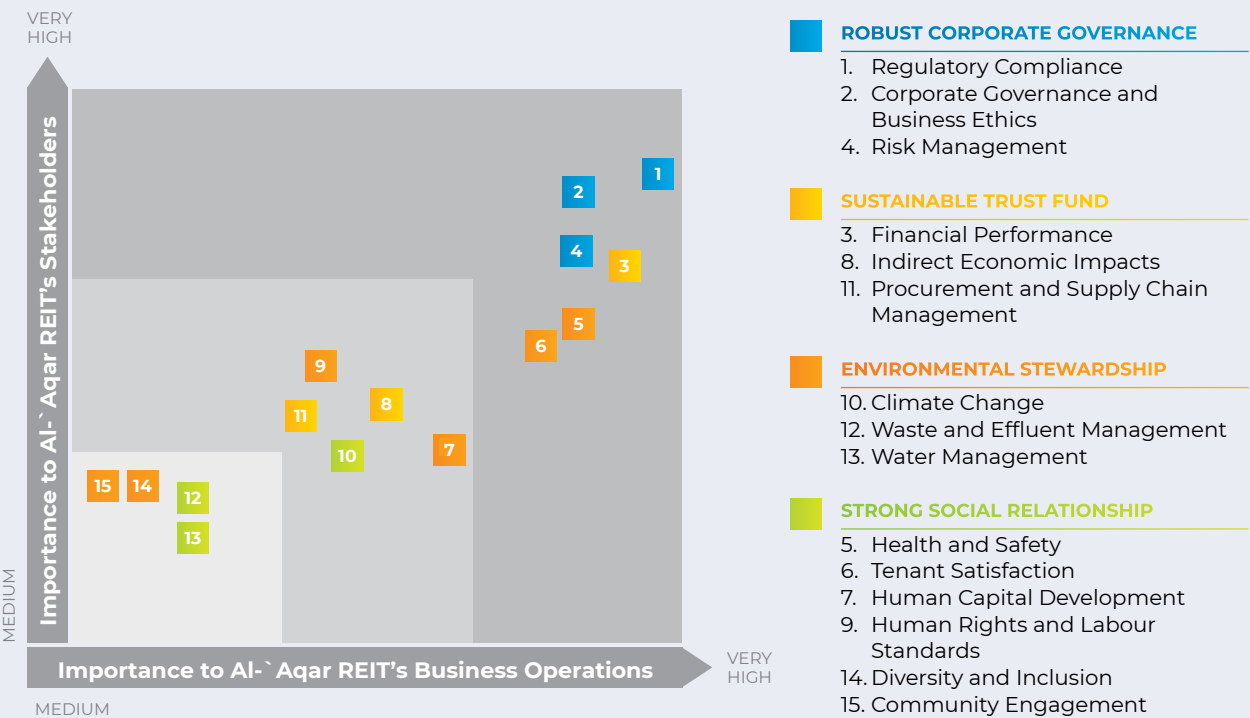
FINANCIAL
REPORTS

Material Sustainability Matters (cont'd)

MATERIALITY ASSESSMENT (CONT'D)




MATERIALITY MATRIX



SUSTAINABILITY STATEMENT

Material Sustainability Matters (cont'd)

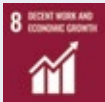

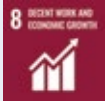




MAPPING THE MATERIAL SUSTAINABILITY MATTERS

Material Sustainability Matter	Description	Stakeholders	Corresponding SDGs
Robust Corporate Governance			
Regulatory Compliance	Efforts to adhere to laws, regulations, guidelines and specifications relevant to business operations.	Employees, Investors, Tenants, Regulatory Agencies & Statutory Bodies	 
Risk Management	Strategies in managing operational, financial and compliance risks to ensure sustainable long-term growth.	Employees, Investors	
Corporate Governance and Business Ethics	Values, principles, standards and norms that are critical towards business sustainability.	Employees, Investors, Tenants, Regulatory Agencies & Statutory Bodies	 
Sustainable Trust Fund			
Financial Performance	Strategies in managing financial and operational performance, as well as measuring their effects on stakeholders.	Employees, Investors	
Indirect Economic Impact	Strategies in managing the indirect economic impacts of infrastructure investments and the services supported.	Tenants, Local Communities	 
Procurement and Supply Chain Management	Management of supply chain activities to maximise value for customers and tenants, as well as ensure that products or services provided by suppliers meet the standards and requirements of the Manager.	Local Communities, Service Providers & Suppliers, Property/Service/Maintenance Manager	
Strong Social Relationships			
Tenant Satisfaction	Initiatives to ensure that all properties are comfortable, safe, and meet the standards of all tenants and customers.	Tenants	 
Health and Safety	Measures taken to prevent workplace accidents or injuries, and to maintain a safe and conducive working environment.	Employees, Tenants, Regulatory Agencies & Statutory Bodies	

SUSTAINABILITY STATEMENT

Material Sustainability Matters (cont'd)

MAPPING THE MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Material Sustainability Matter	Description	Stakeholders	Corresponding SDGs
Strong Social Relationships (cont'd)			
Human Rights and Labour Standards	Respecting and protecting the rights of all employees, service providers and suppliers, local communities and other stakeholders regardless of gender, age, employment type, nationality, religion and race.	Employees, Local Communities	
Human Capital Development	Providing personal and professional benefits, training and development opportunities to all employees.	Employees	
Diversity and Inclusion	Promoting a diverse and inclusive workplace where every employee, regardless of gender, race and ethnicity, is treated with dignity and respect.	Employees	
Community Engagement	Building strong relationships through regular engagement activities, to promote the well-being of local communities.	Local Communities	 
Environmental Stewardship			
Climate Change	Efforts made on responsible energy management and usage to reduce the impacts on climate change.	Investors, Tenants, Property/Service/Maintenance Manager	
Waste and Effluent Management	Managing waste to reduce its generation and ensure that it is disposed of properly.	Investors, Tenants, Local Communities, Regulatory Agencies & Statutory Bodies, Property/Service/Maintenance Manager	
Water Management	Managing water to reduce its consumption.	Investors, Tenants, Property/Service/Maintenance Manager	

SUSTAINABILITY STATEMENT

Robust Corporate Governance

REGULATORY COMPLIANCE

Some of the key national laws, regulations and guidelines applicable to the business include but notwithstanding to the following:

▶ Capital Market Services Act 2007	▶ Income Tax Act 1967
▶ Main Market Listing Requirements	▶ EPF Act 1991
▶ Guidelines on Listed REITs	▶ Malaysia Code on Corporate Governance ("MCCG")
▶ Guidelines on Islamic Fund Management	

To ensure the Fund continues to comply with all relevant legal and statutory requirements, the Manager maintains a comprehensive compliance report which presents the requirements of various acts, risk treatment, the Fund's mitigation plans and risk rating. The Manager also seeks legal advice from professionals, conducts training on legal requirements and requires that internal audits be performed by external consultants to ensure fairness.

At REIT-level, it is crucial that tenants abide by the necessary legal requirements and agreements such as the Uniform By-Laws 1984, the Fire Services Act 1988 and the Lease/Tenancy Agreement. To manage this, the Fund conducts monitoring and require periodic updates from the Maintenance Manager through quarterly meetings and reports.

To keep abreast with developments in the regulatory landscape, the Board receives regular legal and secretarial updates. Management personnel and the Board are also required to attend talks and seminars whenever necessary. When relevant changes occur, the Manager receives alerts from Bursa Malaysia, the Securities Commission and the Malaysia REIT Association.

The initiatives taken to ensure compliance with applicable laws and regulations are communicated internally through management meetings, announcements and briefings, and externally through Annual General Meetings, analyst briefings, Al-`Aqar REIT's corporate website and annual reports. All queries are directed to a designated person via email. In the year under review, the Fund is pleased to disclose that no incidents of non-compliance have been recorded.

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Day-to-day processes are governed by internal SOPs which address business development, internal controls, risk management, compliance, IT, talent management, finance and operations. The values, principles and expectations of professional conduct within the Fund are further upheld through the Manager's Code of Conduct and Business Ethics (the "Code"). The Code contains clear guidelines on how employees and associates are expected to behave, as well as the disciplinary actions in the event of non-compliance. The Code is complimented by other policies such as the Whistleblowing Policy and Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") and Manual. These policies and procedures are communicated to employees via email, briefings, training sessions and posters.

SUSTAINABILITY STATEMENT

Robust Corporate Governance (cont'd)

CORPORATE GOVERNANCE AND BUSINESS ETHICS (CONT'D)

The Whistleblowing Policy provides a formal channel for employees and other stakeholders to report occurrences of malpractice within the organisation. A disclosure can be made in writing, verbally or via electronic means to the Integrity Officer. In accordance with the Whistle-Blower Protection Act 2019, all reports received through the Fund's whistleblowing channels are treated with confidentiality and impartiality, with no employee or third-party subject to consequence or retaliation for making a report in good faith. In FY2021, the Manager did not receive any whistleblowing reports.

Al-`Aqar REIT is committed to conducting business in compliance with the Malaysia Anti-Corruption Act 2009. As part of this commitment, the Manager has adopted an ABAC Policy which communicates and details the Manager's principles and guidelines on money laundering, gifts, entertainment and hospitality expenses. This policy is communicated internally via briefing and training, and externally via the corporate website. However, in this reporting period, the Fund did not conduct training related to anti-bribery and corruption due to COVID-19. In FY2021, no employees were dismissed due to non-compliance with the ABAC Policy.

To further enhance the Fund's commitment to anti-bribery and corruption, the Manager established a due diligence procedure for new tenants and conducted risk assessments on approximately 50% of internal operations in this reporting period. Operations that had undergone the assessment include procurement and outsourcing, acquisitions/divestment, recruitment and training, and valuations. The findings of the risk assessment are compiled in an Integrity Risk register and tabled to the BARC and Board Investment Committee ("BIC").

RISK MANAGEMENT

Managing risks appropriately is crucial for long-term strategy planning and futureproofing the business as a REIT. Risk management within the Fund falls under the purview of the BARC which is assisted by the Enterprise Risk Management Committee ("ERMC"). These committees are mainly responsible for ensuring risk management is integrated in the Manager's day-to-day operations, and identifying risk parameters, appetite, profiles, treatment options, action plans and indicators. As per the Enterprise-Wide Risk Management ("ERM") Policy and Framework, the Manager reviews risks on a quarterly basis. All findings are compiled in a detailed risk register where the main risk categories are strategic, financial, operational, compliance, IT and integrity risks.

In the year under review, the Manager has decided to update the ERM Policy and Framework, effective 2 December 2021. The updates have considered MCCC's emphasis on ESG-related risks, internal changes to the governance structure, standard operating procedures ("SOPs"), the timely execution of mitigation plans and establishment of the Three Lines of Defence model. The Manager also targets to adopt an ESG Risk Profile in the first quarter of FY2022.



In the Three Lines of Defence models, business line management is the first line, risk management is the second and internal audits are the third.

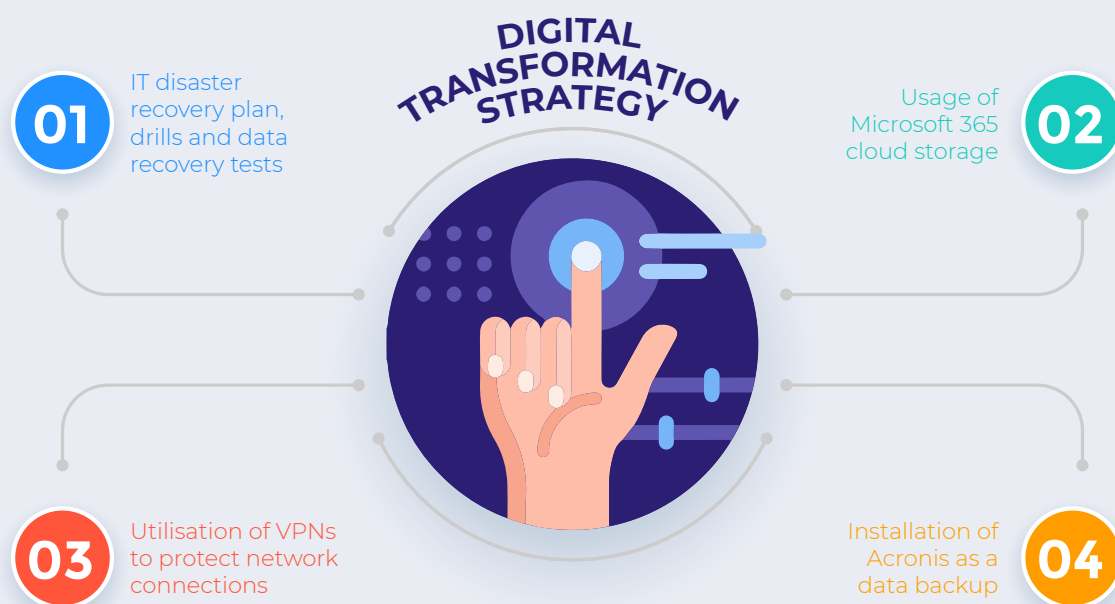
Risks are communicated to the employees by the risk owners. Risk owners also identify the risks to their operations and the associated mitigation plans and present them to the ERMC and/or at the weekly Management Committee meetings. Risk owners are specified at the Risk Identification stage and are responsible for reporting the progress of mitigation plans at weekly Management Committee meetings. To ensure efficient communication of risks and mitigation plans, the ERMC conducts quarterly meetings. In FY2021, the Manager conducted training on Risk Profiling in February, and held a risk refresher workshop in August.

SUSTAINABILITY STATEMENT

Robust Corporate Governance (cont'd)

RISK MANAGEMENT (CONT'D)

To manage and adapt to the risks posed by the pandemic, the Manager has implemented various business continuity measures, particularly in relation to digital transformation.



Sustainable Trust Fund

FINANCIAL PERFORMANCE

The unprecedented COVID-19 pandemic has impacted most industries. As a healthcare REIT, the main financial challenge the Fund's tenants faced was a reduction in hospital inpatient activity due to factors such as the nationwide lockdowns and quarantining, reorganisation of hospital operations, and the rationing of medical workforce. However, healthcare demand at tenants' facilities has been increasing due to greater relaxation of restrictions, better economic conditions, and public-private partnership with the government since the middle of 2021.

To manage the financial impacts of the pandemic, the Fund embarked on cost cutting measures including freeze on hiring across the Manager. It also received financial assistance from the government through the Perlindungan Ekonomi & Rakyat Malaysia ("PERMAI") Assistance Package. With this package, the Fund received a special tax deduction for providing at least 30% rental discounts to tenants.

As a result of these initiatives, the Fund generated a total of RM114,072,501 in revenue despite market conditions, and retained a total of RM72,781,553.

SUSTAINABILITY STATEMENT

Sustainable Trust Fund (cont'd)

INDIRECT ECONOMIC IMPACTS

Indirect economic impacts can be defined as the additional consequences of the direct impact of financial transactions and the flow of money between an organisation and its stakeholders. It also addresses the impacts of an organisations infrastructure investments and the services supported by said investments.

As a player in the real estate industry, with focus on the healthcare sector, the Fund contributes various positive impacts to the surrounding community.



PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Under current lease agreement, all KPJ hospitals' supply chain decisions and property expenditures are borne by the tenant – the tenants will engage with contractors or service providers directly. A representative from DRMSB is required to be present in the Procurement / Tender Committee and during the interview with potential vendors to ensure compliance to internal and regulatory policies.

SUSTAINABILITY STATEMENT

Strong Social Relationships

HEALTH AND SAFETY

At Al-`Aqar REIT, the safety and well-being of employees and tenants is an absolute priority. The Fund strives to embed a culture of accident prevention, safety and risk management throughout all operations.

A Safety and Health Officer is appointed at each KPJ hospital to carry out routine inspections every three (3) months as a means of identifying work-related hazards. Within the HQ, the Manager has also appointed one staff to act as a Safety and Health Officer. The safety and health officer ("HSO") is responsible for the following duties:

- ▶ Advising the management on safety issues as well as developing health and safety policies and procedures
- ▶ Monitoring and controlling safety and compliance in the organisation as per the law and organisation's policy
- ▶ Carrying out safety inspections and internal audits and reporting to management with suggestions
- ▶ Ensure preventive measures, administrative control and personal protective equipment are implemented and used
- ▶ Investigate and report accidents and near misses
- ▶ Record keeping of all safety events, training and drills

To increase the competency of the Fund's employees on safe practices within an office environment, two employees underwent training for Occupational Safety and Health in the Office.

In light of the new normal brought about by the COVID-19 pandemic, the Manager has taken a prudent approach in ensuring that where employees are to Work from Home ("WFH"), where applicable, proper equipment, safety training and policies are provided or in place, to ensure the employee's health, safety and welfare are accordingly protected in the course of their work.

With the MCO being lifted and working at office was allowed, the Manager has looked at indicators for risk assessment indicators at the workplace and the associated control measures:

- ▶ Scanning upon entry to office building or daily temperature check
- ▶ Daily attendance report to the supervisory division of the Securities Commission
- ▶ Office sanitisation
- ▶ Monitor vaccination status of employees

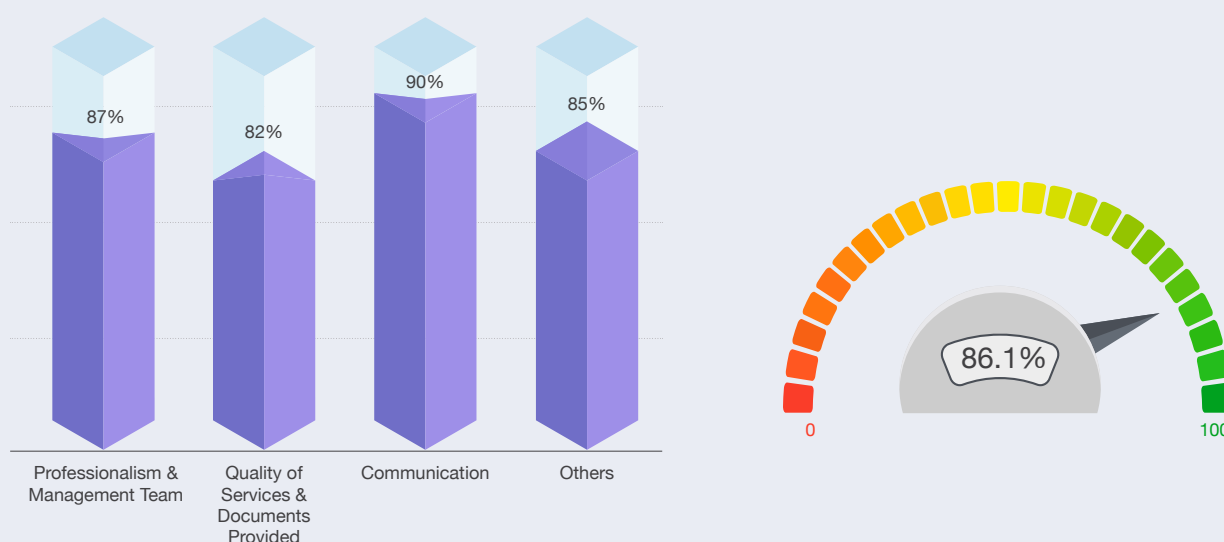
As a result of the effective implementation of health and safety measures stated above, the Manager recorded zero reportable incidents this reporting period.

SUSTAINABILITY STATEMENT

Strong Social Relationships (cont'd)

TENANT SATISFACTION

Providing high quality services to the Fund's tenants is key to securing long-term tenancy. As the sole tenant of the Fund is KPJ, the Manager ensures that tenant satisfaction maintains at a satisfactory level at all KPJ hospitals. Once a year, tenants are asked to evaluate the services rendered by the Property or Maintenance Manager on a scale of one (1) to five (5) where one (1) is very unsatisfactory and five (5) is very satisfactory. Categories included in this evaluation are professionalism and management team, quality of services and communication. The Performance Evaluation results showed an average score of 4.3 out 5 across all categories, for an overall average rating of 86.1%.



Apart from performance evaluations, the Manager carries out formal engagement sessions with tenants and the Maintenance Manager quarterly to address any questions or concerns raised by the tenants, or issues relating to tenant-property owner relationships. The tenants are also encouraged to provide feedback on the Property or Maintenance Manager, albeit positive or negative, during these meetings.

To ensure that the Fund's assets are well maintained at all times, the Manager requires that the appointed Maintenance Manager to conduct building inspections once a year to provide constructive recommendations to the hospitals, where necessary. The building audits are conducted on physical assets and environmental services, including but not limited to air conditioning and ventilation, firefighting system, water supply system, lifts, staff and manpower, preventive planned maintenance master programme, and statutory requirements and licences status. Upon submission of the report to the tenant, immediate action to address the comments is required to ensure that the buildings and equipment are in good condition and are safe to be used.

SUSTAINABILITY STATEMENT

Strong Social Relationships (cont'd)

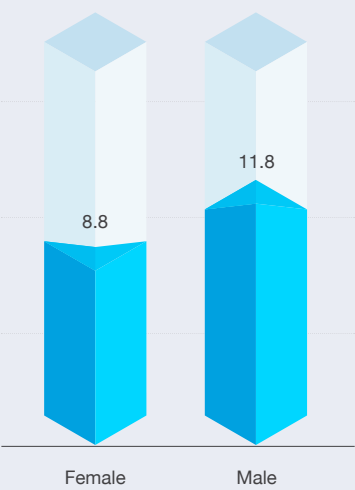
HUMAN CAPITAL DEVELOPMENT

Employees are provided with an extensive remuneration package of attractive benefits such as medical coverage, insurance, dental care, paternal leave and pilgrimage leave. To safeguard the health of employees and their families during these trying times, the Manager has provided its staff with an incentive to work from home. This incentive includes an allowance which covers home internet, establishment of a comfortable and conducive workspace, and electricity consumption.

To further enhance the skillsets of employees while providing higher job satisfaction and retaining key talent, the Manager provides a range of professional training opportunities. In the year under review, the workforce collectively received 271 training hours across 21 different training programmes, averaging 10.84 hours per employee. Employees are also encouraged to provide feedback on the training they have received to determine the effectiveness of the course. This is accomplished by assessing the employee's knowledge of a subject matter before and three (3) months after the course. Some highlights from the training programmes conducted this year include:

- ▶ Sustainable and Responsible Investment Series 2021
- ▶ Crisis Management Readiness – Post Pandemic
- ▶ Governance Online Forum #1 – Financial Risk
- ▶ Budget 2022 Tax Updates

Average Training Hours by Gender



Average Training Hours by Employment Category

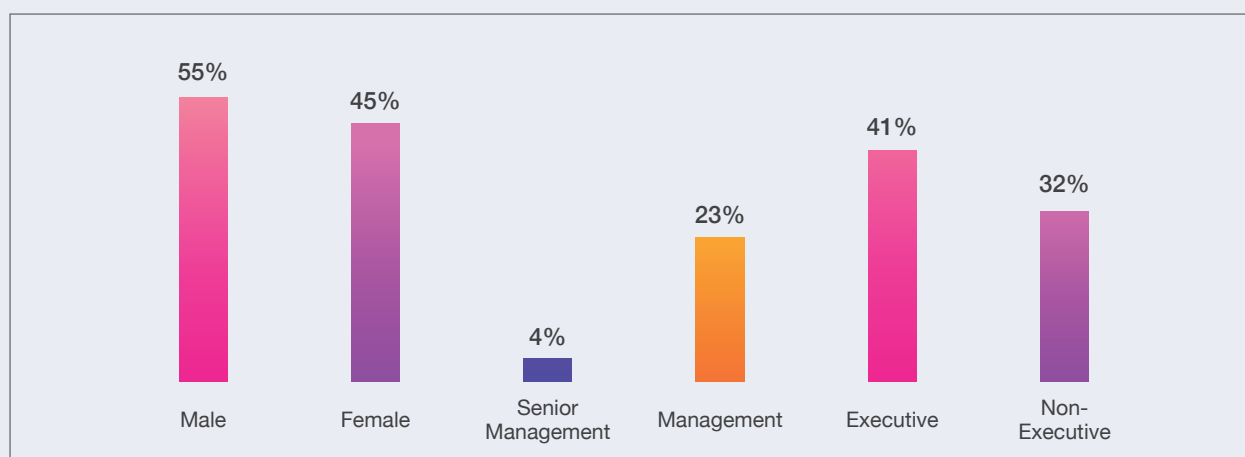


SUSTAINABILITY STATEMENT

Strong Social Relationships (cont'd)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

The Manager also offers employees regular performance reviews to contribute to their personal development and skill management. A breakdown of percentage of employees receiving a performance review by gender and employment category is presented below. In FY2021, 100% of the Fund's permanent workforce received a performance review.



A healthy-work-life balance is known to help reduce stress and prevent burnouts in the workplace. As such, prior to the pandemic, the Manager promoted initiatives such as staff trips, *majlis berbuka puasa* and Hari Raya celebrations. Unfortunately, due to current circumstances, these gatherings were put on hold. Flexible work arrangements and “work from anywhere” concept were designed to continue to promote work-life balance despite the pandemic related disruptions to the workplace. Employees were also given a work-from-home allowance, which takes into consideration home internet usage, home space and home electricity consumption.

In this reporting period, the Manager recorded a hiring rate of 7.7% and a turnover rate of 15.4%.

HUMAN RIGHTS AND LABOUR STANDARDS

The Manager operates in full compliance with the Employment Act 1955, and prohibits all forms of child, forced and bonded labour throughout operations. The Manager also strives to provide a safe and mutually respectful workplace environment that is free from violence, harassment, humiliation and intimidation of a sexual nature. The working hours of DRMSB's employees complies with all applicable laws. However, recognising the need for employees to balance their working life with other interests and responsibilities, the Manager offers flexible working hours and flexible work arrangements.

While risk assessments and due diligence exercises have not been carried out specifically for labour standards or human rights issues, they are conducted during the acquisition of new properties on legal, financial and business risks. The due diligence process, however, could possibly highlight underlying human rights risks pertaining to the tenants of the properties under review.

In this reporting period, one employee received online training on human rights issues prevalent in businesses, titled Human Rights Issues in Business: Closing Gaps in Implementation & Reporting.

SUSTAINABILITY STATEMENT

Strong Social Relationships (cont'd)

DIVERSITY AND INCLUSION

Board Diversity Disclosure

"The Board takes cognisance of the MCCG 2021 clauses which specifies that (5.9) the board comprises at least 30% women directors and (5.10) The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

The company has long understood the importance of diversity and inclusion. The commitment to diversity is embedded in our ESG that set out DRMSB's values. The composition and quality of the Board shall be optimised, to suit the Fund size, its investment portfolio and business direction. A diverse Board with a range of views enhances decision-making, which is beneficial to the Manager's/ Fund's long-term success in the interests of the stakeholders.

When selecting Directors, the process is based on objective criteria and there is no discrimination on any gender, personal or physical attributes that would not speak to such person's ability to perform as a Director.

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board Nomination and Remuneration Committee ("BNRC") reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition, NRC will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board and with due regard for the benefits of diversity on the Board.

It also oversees the conduct of the annual assessment of Board effectiveness. As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the BNRC will consider the balance of skills, experience, independence and knowledge on the Board and the diversity representation of the Board."

Workplace diversity fosters collaboration and drives innovation among employees. The Manager values mutual respect and understanding across the organisation and encourage employees to report cases of discrimination to the Human Resources department at the earliest possible opportunity.

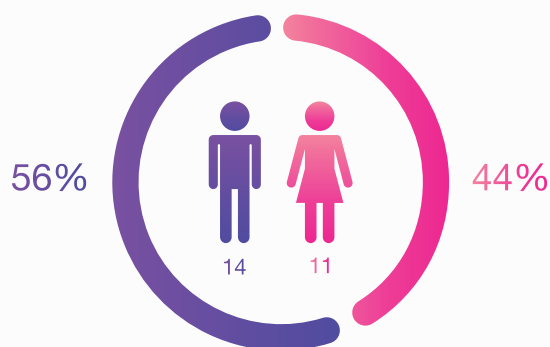
Currently, women make up 44% of the Manager's team and 25% of the Management team. While there are no women on the Board of Directors, moving forward, the Manager aims to ensure that the Board consists of at least 30% women directors, in line with the requirements of the updated Malaysia Code of Corporate Governance.

Majority of employees (60%) lie within the 30 to 50-year age bracket. They represent the talented and experienced professionals capable of driving the Fund's business forward. The Manager's workforce is 100% Malaysian.

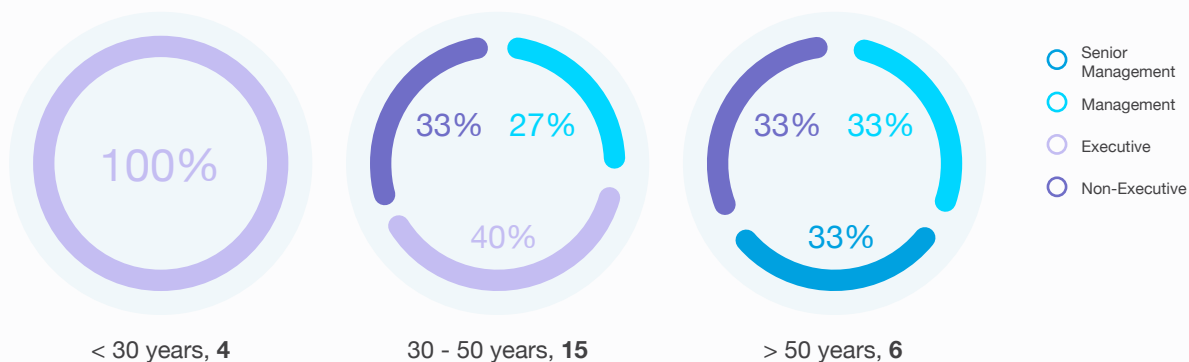
SUSTAINABILITY STATEMENT

Strong Social Relationships (cont'd)

Employee Breakdown by Gender and Employment Category



Employee Breakdown by Age and Employment Category



COMMUNITY ENGAGEMENT

As the Fund's properties are under a triple net lease agreement, the Manager does not conduct CSR activities there but rather takes its own initiatives to do so at DRMSB/HQ level. The Manager's process behind choosing organisations to conduct community engagement programmes with includes alignment with the Manager's development strategy and collaborating with stakeholders with significant influence on internal expansion plans as well as organisations that are well-established. Donations made by DRMSB/HQ for the financial year include:

- RM 5,000 – to Waqaf An-Nur Corporation Berhad for Program Infaq Warisan Leaf & Life Wetland @ Bandar Dato' Onn Johor Bahru
- RM 3,000 – to Yayasan Johor Corporation for Tabung Prihatin COVID-19 UTM
- RM 10,000 – to Yayasan Johor Corporation for Flood Relief

SUSTAINABILITY STATEMENT

Environmental Stewardship

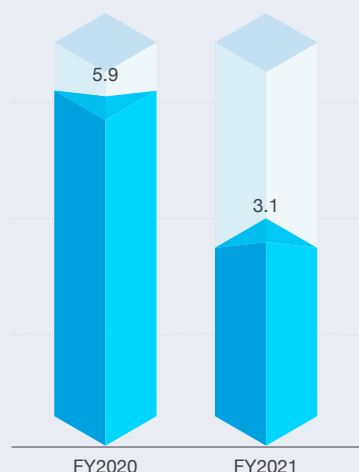
CLIMATE CHANGE

Climate change has been identified as one of the most critical sustainability issues facing the globe to date. Al-`Aqar REIT is committed to monitoring and reducing its greenhouse gas ("GHG") emissions, where possible, to do its part to minimise impacts on the climate.

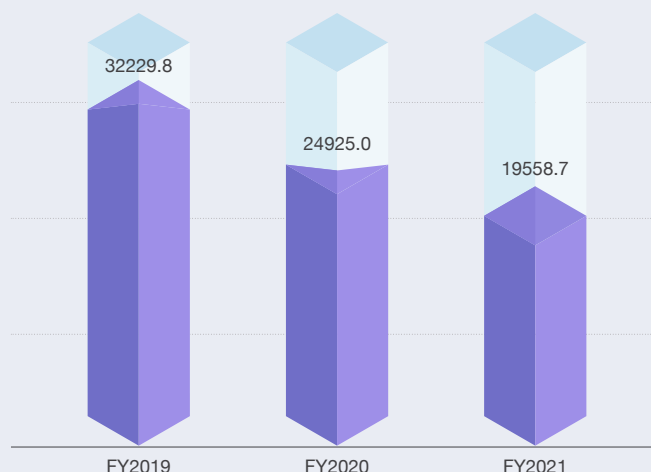
The emissions included in this statement are classified as scope 1 emissions (emissions produced from the consumption of diesel to power company vehicles) and scope 2 emissions (emissions produced from the consumption of electricity). The reduction in both scope 1 and scope 2 emissions from FY2020 to FY2021 is a result of minimal usage of lighting and air conditioning as many staff were working from home due to the pandemic.

	FY2019	FY2020	FY2021
Diesel Consumption, litres	Data unavailable	2197.1	1174.2
Scope 1 Emissions, tonnes	N/A	5.9	3.1
Electricity Consumption, kWh	43495.0	33637.0	26395.0
Scope 2 Emissions, tonnes	32229.8	24925.0	19558.7

Scope 1 Emissions, tCO₂e



Scope 2 Emissions, tCO₂e



WASTE AND EFFLUENT MANAGEMENT

Responsible waste management and disposal is crucial to safeguarding the environment and public health. While the amount of waste generated within the Fund's property portfolio or HQ is not monitored, the Fund monitors the effluent produced by the KPJ hospitals to ensure that the quality of effluent abides by all relevant regulatory standards. On a monthly basis, the Fund requires that the Maintenance Manager issue a report on the effluent produced by the hospitals. Upon satisfactory findings, the hospital's licence to dispose of effluent will be validated. The Maintenance Manager is also required to make certain that each hospital follows the standards set out in the Environmental Quality Act 1974, the National Water Services Commission Act 2006 (Act 654) and the Water Services Industry Act 2006.

SUSTAINABILITY STATEMENT

WATER MANAGEMENT

As the Fund's HQ is situated in an office space that is not directly controlled by the Manager, it has not implemented any initiatives to reduce water consumption or manage its potential impacts. It also does not monitor the amount of water used as it is included in the monthly rental fee. However, the Fund recognises the importance of proper water management to combat issues surrounding water scarcity and intend to do its part in reducing wastage. Moving forward, the Fund will do its best to create awareness among employees about responsible water usage as an attempt to curb any wastages.

CONCLUSION

Despite the challenges faced in light of COVID-19, Al-`Aqar REIT continues to remain resilient and committed in its endeavours to promote sustainable practices and manage ESG risks and opportunities. In the years to come, the Fund aims to strengthen its ESG performance while sustaining positive economic growth and delivering value to its stakeholders.

GRI Content Index

GRI Indicator	Content of Disclosure	Page Number
General Disclosures		
102-1	Name of the organisation	078
102-4	Location of operations	079
102-8	Information on employees and other workers	096-097
102-16	Values, principles, standards and norms of behaviour	088-089
102-17	Mechanisms for advice and concerns about ethics	088-089
102-18	Governance structure	082
102-32	Highest governance body's role in sustainability reporting	082
102-40	List of stakeholder groups	082-083
102-43	Approach to stakeholder engagement	083
102-44	Key topics and concerns raised	083
102-46	Defining report content and topic boundaries	078-079
102-47	List of material topics	084-087
102-50	Reporting period	078
102-55	GRI Content Index	099
103-2	Management approach	Throughout
Economic		
203-1	Infrastructure investment and services supported	091
205-2	Communication and training about anti-corruption policies and procedures	088-089

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI Indicator	Content of Disclosure	Page Number
Environment		
302-1	Energy consumption within the organisation	098
302-4	Reduction of energy consumption	098
303-2	Management of water discharge-related impacts	099
305-1	Direct (Scope 1) GHG emissions	098
305-2	Energy indirect (Scope 2) GHG emissions	098
306-2	Management of significant waste-related impacts	098-099
307-1	Non-compliances to environmental law and regulation	088
Social		
401-1	New employee hire and employee turnover	095
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	094-095
403-1	Occupational Health and Safety management system	092
403-2	Hazard identification, risk assessment and incident investigation	092
403-4	Worker participation, consultation and communication on occupational health and safety	092
404-1	Average hours of training per year per employee	094
404-2	Programmes for upgrading employee skills and transition assistance programmes	094
405-1	Diversity of governance bodies and employees	096-097
413-1	Operations with local community engagement, impact assessments and development programs	097
419-1	Non-compliance with laws and regulations in the social and economic area	088

GOVERNANCE STRUCTURE



- 102** Corporate Governance Statement
- 110** Board Audit and Risk Committee Report
- 117** Statement on Risk Management and Internal Control
- 126** Additional Compliance Information
- 128** Shariah Committee's Report
- 129** Trustee's Report

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 31 December 2021. 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 ("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 ("MMLR") of Bursa Malaysia Securities Berhad
- The Guidelines for Listed REITs
- Bursa Malaysia Corporate Governance Guide 28 April 2021

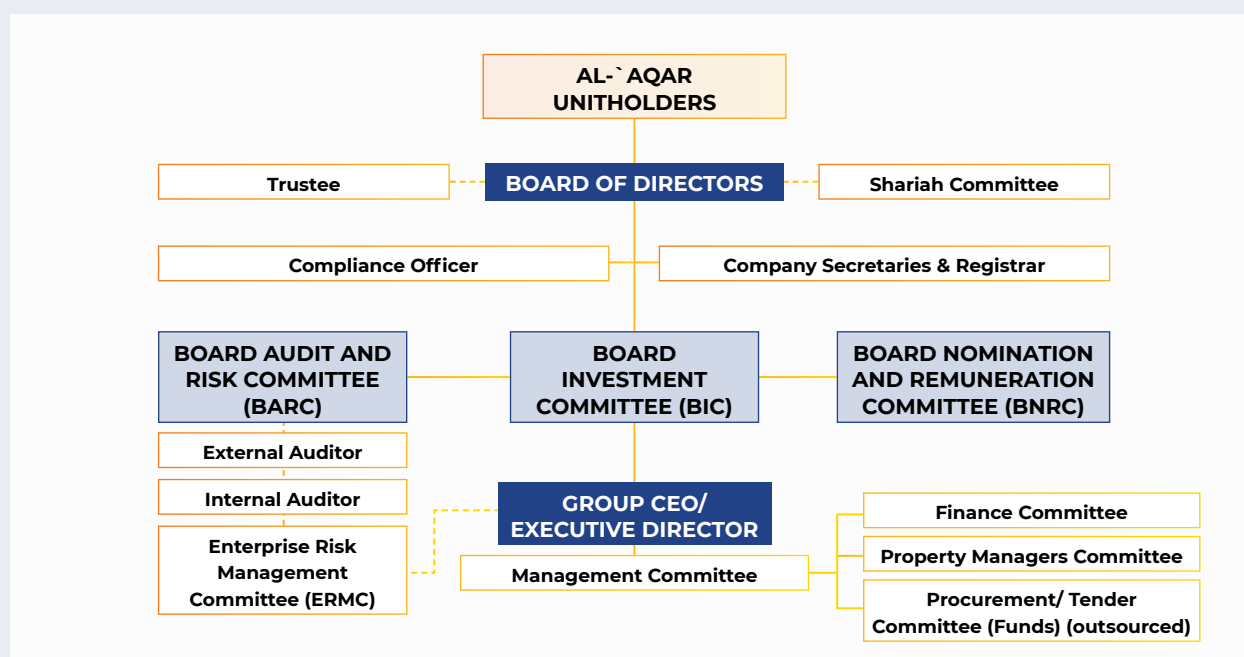
The CG Overview Statement provides a summary of the Company's CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the Company's structure, processes, business environment and industry practices:

- 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 the CG Report, and also be read in conjunction 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.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review except for the practices mentioned below:

Practice 1.4 : **The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.**

During the year under review, the Chairman of the Board, Dato' Haji Mohd Redza Shah bin Abdul Wahid was the Chairman of the Board Remuneration and Nomination Committee (BNRC).

The BOD in its meeting dated 2 December 2021 agreed on the appointment of a new Independent Director, Datuk Hashim bin Wahir as Chairman of the BNRC on 24 January 2022. His appointment as the new Independent Director, however, is subject to the Securities Commission's approval and is expected to be obtained in March 2022.

Practice 5.6 : **In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates. If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.**

In the event of a need to appoint new member(s) of the Board, nominations will be tabled and deliberated in the Company's BNRC meeting to assess the qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company.

In practice, upon the need to seek for a candidate for appointment as directors, the BNRC will source for candidates via recommendations from existing Board members or major shareholders.

Candidates are selected based on a specified criteria that are relevant to the industry that the Fund is in and also the outcome of the background check/ due diligence carried out on the potential candidates.

In scouting for suitably qualified candidates for the Company, high regard and emphasis are placed on the ability of the candidate, who shall have the relevant skills and knowledge pertaining to the industry.

Before being appointed as a director, the Board, via the BNRC, assesses each potential candidate regardless of the source of the recommendation, based on among others, the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership and ability to exercise sound judgement. The BNRC will then recommend their findings for consideration and approval by the Board. The power to appoint the director(s) nominated is vested wholly on the Board.

Moving forward, the Board will, nonetheless, consider sourcing out the task of scouting qualified & expert candidates to become potential directors of the company to renowned job-hunting firm.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review except for the practices mentioned below:

Practice 5.9 : The board comprises at least 30% women directors.

The Board of Directors of DRMSB consists of all male directors. Previously the Board had two female Directors. However, both of them had retired in 2020.

The board is continuously scouting for at least one woman director to sit on board in 2022, taking into account diverse perspectives and insights based on the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership and ability to exercise sound judgement.

Target date for full implementation: June 2023

Practice 8.1 : There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

The remuneration of the directors is paid by the Manager and not by the Fund. However, the Board ensures that the remuneration policy takes into account the demands, complexities and performance of the Company 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.

Practice 8.2 : The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

The Board is of the view that such disclosure may not be in the best interest of the Company due to confidentiality and security concerns.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 31 December 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board Audit and Risk Committee (BARC)

The Board Audit and Risk Committee ("BARC") is chaired by an Independent Non-Executive Director and consists of another Independent Non-Executive Director and a Non-Independent Non-Executive Director.

The composition of the BARC, its duties and responsibilities as well as details of meetings attended by each member can be found in the Terms of Reference of the BARC, which is available on the website of Al-`Aqar at www.alaqar.com.my.

The BARC assists the Board in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to ensuring the integrity of the Company's financial statements, performance of the Company's independent auditors and internal audit function, risk management practices and internal control of the company.

The Enterprise Risk Management Committee (ERMC)

The Enterprise Risk Management Committee ("ERMC") is a management Committee established at the Company Level to identify potential events that may affect the Fund and the Manager adversely and systematically manage risk within its risk appetite, to provide reasonable assurance regarding the achievement of strategic objectives.

ERMC also supports the BARC in fulfilling its oversight responsibilities with respect to ERM Policy & Framework and its processes, including risk assessment on key strategic, financial, operational and compliance risks.

Other responsibilities of the ERMC include:

- (a) To coordinate the development of risk management policies and procedures and its initiatives to ensure an effective ERM framework is in place;
- (b) To review and deliberate risk reports and, where applicable, recommend mitigation strategies for implementation;
- (c) To provide regular updates to the BARC on respective mitigation measures and action plans relating to the respective residual risk profile and ERM initiatives;
- (d) To monitor, develop, review, assess and recommend to BARC on risk management strategies, policies and risk tolerance limits.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Oversight and Assessment of the Suitability and Independence of External Auditors

The Board has established a transparent relationship with the Company's External Auditors and Internal Auditors via the BARC who has explicit authority to communicate directly with them. The External Auditors confirmed to the BARC of their independency at each financial year and during their presentation of relevant audit Memorandum.

The Board considered the suitability and independence of the External Auditors during the discussion of the Group Audit Plan for the financial year ended 31 December 2021. The factors that take into account including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the External Auditors to the Group for the financial year under review.

The BARC had conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of the external Auditor in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

The BARC had also obtained assurance confirming that the External Auditors are independent in accordance with the terms of all relevant professional and regulatory requirements.

Risk Management and Internal Control

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 BARC. The Enterprise Risk Management ("ERM") Framework 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.

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 117 to 125 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Internal Audit and Assurance

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 attended all meetings of the BARC during the financial year. The BARC's reviewed the scope of work and reports by the Internal Auditors and the detailed description of the Internal Audit Function are provided in the BARC Report on pages 113 and 114 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 124 in the Statement on Risk Management and Internal Control and page 113 in the BARC Report of this Annual Report, respectively.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board believes in providing prompt and accurate disclosure of material information to unitholders. The Board believes that regular engagements will enhance stakeholders' understanding and appreciation of the Fund's business strategies, financial performance, current initiatives and prospects of the business. Effective, transparent and regular communication with stakeholders are in line with disclosure obligations as per the MMLR.

Stakeholders	Engagement and initiatives
Investment Community (Unitholders, Analysts, Fund Managers)	<ul style="list-style-type: none"> • Statutory announcement • Annual General Meeting • Roadshow • Investors and analysts briefing • Corporate website • Social media
Media	<ul style="list-style-type: none"> • Media interview • Media release • Corporate website • Social media
Government, local authorities and regulators	<ul style="list-style-type: none"> • Engagement meeting • Consultation paper • Engagement through MRMA • Maintain rapport with local authorities
Tenants and lessees	<ul style="list-style-type: none"> • Periodic meeting • Survey and feedback • Rental support programme • Marketing support and promotional activities

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Communication with Stakeholders (cont'd)

Stakeholders	Engagement and initiatives
Suppliers and contractors	<ul style="list-style-type: none"> • Request for proposal • Tender interview • Regular meetings • Supplier evaluation and audit
Employees	<ul style="list-style-type: none"> • Townhall • Employees engagement dialogue • Survey and feedback • Performance appraisal • Recreational activities • Flexible work arrangement • Upskilling and reskilling programmes
Communities	<ul style="list-style-type: none"> • Customers' survey and feedback • Social media • CSR programme • Loyalty programme • Stringent operational and safety requirements • SOPs during MCOs

The Manager is highly committed to ensure that relevant and material corporate information is shared with the Fund's unitholders and investing community effectively. The Manager maintains a corporate website, 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 the Fund's website to enable the public to forward queries relating to the Fund 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 the Fund. As the avenue for dialogue, unitholders are encouraged to participate in raising questions and concerns relating to the Fund, exercising their rights relating to resolutions tabled and appointing proxies as per the unitholder's discretion.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Conduct of General Meeting (cont'd)

A copy of the Annual Report and the relevant Circular to unitholders, including the notice of meeting were made available to unitholders before the 9th 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 9th AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.

The 9th AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and FAQs on Conduct of General Meetings for Listed Issuers. the Fund has conducted its 9th AGM on a fully virtual basis via live streaming and online remote voting on 28 April 2021. The Broadcast Venue of the 9th 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 9th AGM.

The voting of all resolutions set out in the notice of the 9th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Mega Corporate Services Sdn Bhd was appointed 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 9th 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 Board Audit and Risk Committee ("BARC" or the "Committee") plays a major role in corporate governance regarding the organisation's direction, control and accountability. The BARC is set up with the primary objective to assist the Directors (the "Board") in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to ensuring the integrity of the Company's financial statements, performance of the Company's independent auditors and internal audit function, risk management practices and internal control of the company.

As a representative of the board of directors and main part of the corporate governance mechanism, the audit committee is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance and risk management.

COMPOSITION

For the financial year ended 31 December 2021, the BARC 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. Abdullah bin Abu Samah
Chairman/Independent Non-Executive Director (appointed on 10 March 2021)
2. Zainah binti Mustafa
Chairman/Independent Non-Executive Director (resigned on 10 March 2021)
3. Dato' Wan Kamaruzaman bin Wan Ahmad
Independent Non-Executive Director
4. Datuk Sr Akmal bin Ahmad
Non-Independent Non-Executive Director (appointed on 29 December 2021)
5. Mohd Yusof bin Ahmad
Non-Independent Non-Executive Director (resigned on 29 December 2021)

On 29 December 2021, Mohd Yusof bin Ahmad resigned from being members of the BARC following his resignations as Non-Independent Non-Executive Director on the same date.

Datuk Sr Akmal bin Ahmad, a Non-Independent Non-Executive Director was appointed as a member of the BARC effective 29 December 2021.

The Board of Directors (the "Board"), via the Board Nomination and Remuneration Committee ("BNRC"), annually reviews the terms of office and performance of the BARC and its members through an effectiveness evaluation exercise. The BNRC assessed the BARC's performance for the financial year ended 31 December 2021 and was satisfied that the BARC and its members have discharged their functions, duties and responsibilities in accordance with the BARC's Terms of Reference. The duties and responsibilities of the BARC are set out in its Terms of Reference, which is accessible in the Corporate Governance section, on the website at www.alaqar.com.my

BOARD AUDIT AND RISK COMMITTEE REPORT

MEETINGS AND ATTENDANCE

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The BARC meets at quarterly intervals or such other intervals as the Committee shall decide.

The BARC held four (4) regular meetings and two (2) special BARC meetings during the financial year ended 31 December 2021 which were attended by all members.

During the financial year, the details of attendance are as follows:-

No	Name of Committee Member attended	No of meetings
1	Abdullah bin Abu Samah (<i>appointed on 10 March 2021</i>)	5 out of 5
2	Dato' Wan Kamaruzaman bin Wan Ahmad	6 out of 6
3	Datuk Sr Akmal bin Ahmad (<i>appointed on 29 December 2021</i>)	-
4	Mohd Yusof bin Ahmad (<i>resigned on 29 December 2021</i>)	6 out of 6

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.

SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The BARC held six meetings during FY2021. The meeting dates were predetermined in advance in order to ensure availability of each member. Meeting papers were circulated to all the Committee members prior to the meetings by way of electronic means and hard copy.

The Committee carried out the following work during the financial year-end 31 December 2021 in the discharge of its functions and duties:-

OVERSEEING FINANCIAL REPORTING

- (a) Reviewed the audited financial statements of the Manager and the Fund for the financial year ended 31 December 2021 ("FY2021"), which were prepared in accordance with the Trust Deed, the applicable Securities Commission Malaysia ("SC") rules and guidelines, Malaysian Financial Reporting Standards and Malaysian Financial Reporting Standards ("MFRS"), prior to recommending the same to the Board for approval. The audited financial statements of the Fund for FY2021 were issued and circulated to the Unitholders in line with the prescribed requirements.

At the meeting held on 26 January 2022, the External Auditors presented to the BARC the results of the FY2021 audit conducted on Al-`Aqar where significant audit matters listed below are discussed:

- i. Valuation of investment properties
- ii. Recognition of deferred tax on investment properties
- iii. Expected credit losses of trade receivables
- iv. Going concern considerations

BOARD AUDIT AND RISK COMMITTEE REPORT

- (b) Reviewed at every quarterly meeting held in FY2021, the quarterly 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 2021 were reviewed at the BARC meetings held on 20 May 2021, 19 August 2021, 15 November 2021 and 26 January 2022, respectively.
- (c) Reviewed and discussed with the 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 the Fund which were made in accordance with the distribution policy, 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 accounting standards, i.e. Malaysian Financial Reporting Standard ("MFRS")
- (f) The Committee was satisfied that adequate impact assessment had been carried out by the Management and the accounting policies as shown below had been appropriately updated in the financial statements of the Fund for FY2021.

Description	Effective for annual period beginning on or after
Amendment to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021

EXTERNAL AUDIT

- (a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.
- (b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company.
- (c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with the Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by the Management.

BOARD AUDIT AND RISK COMMITTEE REPORT

- (d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit and Risk Management Committee. The Audit and Risk Management Committee had received from the External Auditors written confirmation on their independence and which disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.
- (e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.
- (f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors.
- (g) Met with the External Auditors without executive Board members and the Management on 4 February 2021 and 15 November 2021 to discuss matters in relation to their review.

INTERNAL AUDIT

- (a) Provided input on key areas to be included as part of the annual Internal Audit Plan. Deliberated the risk-based Internal Audit Plan to ensure adequate scope and comprehensive coverage of business activities, prior to recommending to the Board for approval. Monitored the progress of the approved Internal Audit Plan, including the status of the planned reviews and approved changes to the Internal Audit Plan due to changes in business and/or risk environment.
- (b) Reviewed and deliberated on internal audit reports, the audit recommendations and adequacy of Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory and timely remediation actions have been committed by the Management to address identified risks. Additional presentations were made at the request of the BARC to ensure adequate actions were taken in addressing the issues raised.
- (c) Monitored the implementation of corrective action plans agreed by the Management on outstanding audit findings on a quarterly basis to ensure that all actions have been implemented on a timely basis in the related areas.
- (d) Discussions with the internal audit team, to assure itself of the soundness of internal control systems and internal audit activities, and to provide guidance on ad hoc matters arising from on-going internal audit activities.
- (e) Reviewed the effectiveness of the Internal Audit function through evaluation of its performance and competency, and monitoring the sufficiency of resources and costs, to ensure that it has the required expertise and professionalism to discharge its duties.
- (f) Received updates on the status of investigation cases handled by Internal Audit to provide guidance where relevant.

BOARD AUDIT AND RISK COMMITTEE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

- (a) Reviewed quarterly top risk profiles which covers Strategic, Finance, Operational and Compliance Risks and deliberated on the significant threats and opportunities, including status and adequacy of mitigation strategies.
- (b) Discussed the improvements to the Enterprise Risk Management framework and process to ensure proactive and holistic risk identification and monitoring of mitigation actions to reduce risk impact to an acceptable level.
- (c) Evaluated the overall adequacy and effectiveness of internal controls through review of the work performed by both internal and external auditors, other assurance providers and through discussions with the Management.
- (d) Ensures appropriate controls are in place in management of the Fund, 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 117 to 125 (Statement on Risk Management and Internal Control of this Annual Report). Details in respect of the principal risks and uncertainties are set out on pages 042 to 055 under Management Discussion and Analysis.
- (e) 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	Effective Date
1	Procurement Policy (New)	18 Feb 2021	1 March 2021
2	Business Continuity Management Framework (Revised)	18 Feb 2021	18 Feb 2021
3	Investment Policy	18 Feb 2021	1 March 2021
4	Personal Data Protection Policy (New)	28 May 2021	18 June 2021
5	IT Policy (Revised)	2 Dec 2021	2 Dec 2021
6	Limits of Authority (Revised)	2 Dec 2021	2 Dec 2021
7	Enterprise Risk Management Policy & Framework (Revised)	2 Dec 2021	2 Dec 2021
8	Anti-Money Laundering and Terrorism Financing Policy (AMLTF)	2 Dec 2021	1 Jan 2022

COMPLIANCE

- (a) Monitored the status of internal misconduct cases reported to Board and BARC on a quarterly basis, including on-going investigations, in accordance with the Code of Conduct and Business Ethics ("CoBE").
- (b) Deliberated on the results of compliance cases and directed Management to implement and/or enhance controls to prevent recurrence, including conducting education programmes to increase awareness.

BOARD AUDIT AND RISK COMMITTEE REPORT

- (c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2021.
- (d) 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.
- (e) 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 was no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer.

REVIEW OF RELATED PARTY TRANSACTIONS ("RPT") AND RECURRENT RPT OF A REVENUE OR TRADING NATURE ("RRPT") & CONFLICT OF INTEREST SITUATIONS

- (a) Reviewed the annual mandate compiled for recurrent related party transactions.
- (b) Reviewed related party transactions as disclosed in the financial statements and performed quarterly monitoring of the mandate for recurrent related party transactions to ensure compliance with the MMLR and policies and procedures.
- (c) Reviewed and deliberated on any new related party transactions to ensure that the terms and conditions of the transactions are commercially based and at arm's length.

OTHER ACTIVITIES

Reviewed and recommended to the Board, for inclusion in the Annual Report:

- The BARC Report
- Corporate Governance Overview Statement
- Corporate Governance Report
- Statement on Risk Management and Internal Control

BOARD AUDIT AND RISK COMMITTEE REPORT

Items discussed	26 January 2021	22 March 2021	19 May 2021	29 July 2021	16 August 2021	15 November 2021
FINANCIAL REPORTING						
Full year results (2021)	●					
Interim results	●		●		●	●
Consideration of new accounting standards MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16	●					
INTERNAL AUDIT						
Internal audit plan	●					
Internal audit reports (Al-`Aqar)			●		●	●
Internal audit effectiveness and independence	●					
EXTERNAL AUDIT						●
External audit plan						
External audit reports	●					
External audit effectiveness and independence			●			
RISK					●	●
Risk Registers	●		●			
RRPT					●	●
Quarterly Review	●		●			
ANNUAL REPORT						
Review of SORMIC and Audit Committee Report	●					
OTHER MATTERS						
Internal Control, Regulatory, Compliance Activities / Issues	●	●	●	●	●	●
IT Security/ Business Continuity Management/ Disaster Recovery Plan					●	●

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance ("MCCG").

This Statement outlines the nature and scope of risk management and internal control of the Group during the financial year under review and up to the date of approval of this statement and covers all of the Fund's operations as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and taking into consideration the recommendations of the MCCG 2017.

BOARD'S RESPONSIBILITIES

The Board recognises and affirms its overall responsibility in maintaining a risk management framework and internal control systems as well as to review the adequacy and integrity of the system. The system of risk management and internal control covers financial, operational, management information systems, organisational and compliance controls. In view of the limitations that are inherent in any systems of internal controls, the internal control and risk management are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objective. Accordingly, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

RISK MANAGEMENT

The Board fully supports the contents of Principle B of the MCCG which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof.

The Board is assisted by the Board Audit and Risk Committee ("BARC") in evaluating, assessing and reviewing the adequacy of the Group's system of risk management.

The oversight role of risk management is carried out by the Board and BARC. Mandate and commitment from the Board and BARC are key contributors to the success factors in the implementation of enterprise risk management programmes. The Board and BARC set the strict direction for risk roles, responsibilities and risk reporting structures.

The BARC is assisted by the Enterprise Risk Management ("ERM") Committee, which consists of the CEO & Executive Director, and respective heads of department. The function of the ERM Committee is to drive risk management guided by the ERM Policy and Framework 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 ERM Committee 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 discussions relating to ERM and risk profiles are carried out through the ERM Committee which sits every quarter.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The periodic reporting to both the Board and BARC on the risk management activities undertaken by the ERM Committee, to keep the Board and the BARC apprised and advised of all aspects of the enterprise risk management, and significant risks and risk trends.

ENTERPRISE RISK MANAGEMENT (ERM) POLICY & 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 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.

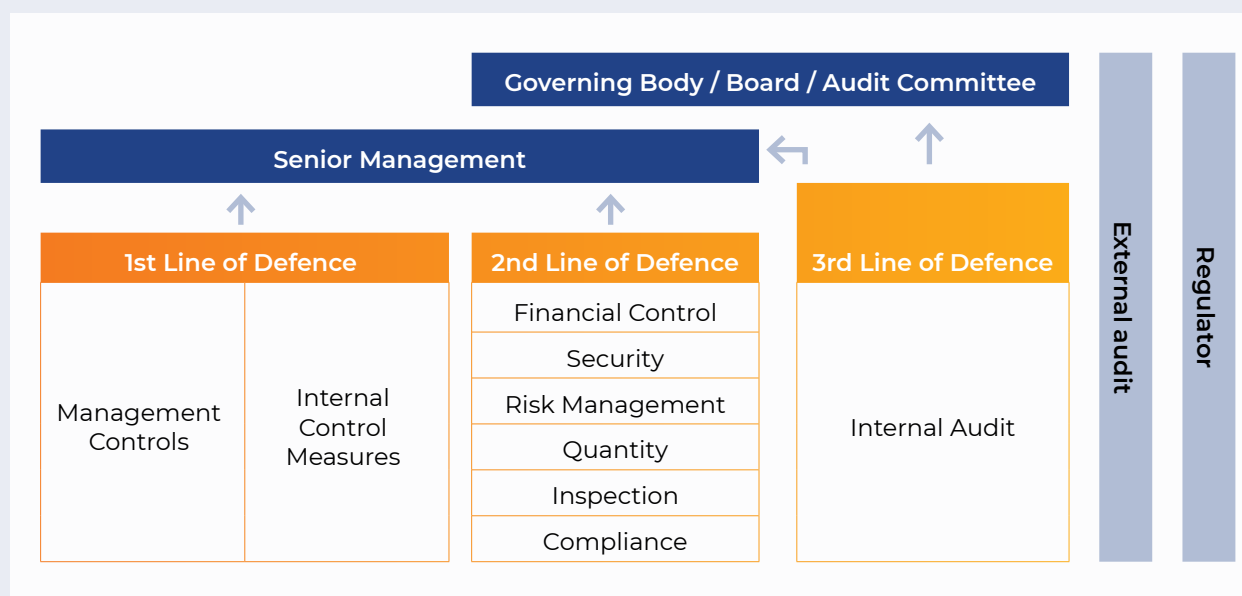
The Board adopted the enhanced Enterprise Risk Management ("ERM") Policy & Framework. The ERM Policy & Framework has been enhanced with the Group's risk profiles being updated and action plans formulated and monitored focusing on principal business risks. It also identified the ERM reporting structure and frequency of reporting, the responsibilities of the Board Committees for ERM, the key elements of the risk assessment process and also specifies the level of risk tolerance expressed through the use of a risk consequence and likelihood matrix.

Identified key risks of the group were assessed and recorded in the risk profiles. 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. Advice from the Risk Management Department, ERM Committee and BARC are updated in the Risk Profiles as a method to improve mitigation plan to address residual risks. Being in the REIT, it is inherent that the Fund is facing with the key risks such as acquisition risks, capital management risks which include management of gearing levels and alternative means of funding expansion of property portfolio and fund growth and ensuring optimisation of returns to unitholders.

The ERM process evaluation are undertaken by the ERM Committee every quarterly a year to assess and evaluate risks that may impede the Group from achieving its strategic and operational objectives, as well as developing action plans to mitigate such risks and to monitor Mitigation Performance. The result of the risk updates was deliberated on the root cause causes, existing controls, severity, impact and action plans to address the top risk of the organisation at the BARC meetings. The updated risk profile was used as a basis to develop a risk-based internal audit plan for the financial year ended 31 December 2021, which was approved by the BARC. Results of the risk review were then reported to the Board for endorsement and approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

On 15 November and 2 December 2021, the BARC and the Board approved the revision of the ERM to include a more detailed designation of risk management responsibilities across in ERM reporting structure. The designation of responsibilities includes the Three Lines of Defence model by the IIA. The revised ERM reporting structure and designation of responsibilities is as below:



Adopted model of Three Lines of Defence (The Institute of Internal Auditors, 2013)

Responsibilities and Processes in the Three Lines of Defence Model

The Board and the BARC	
Responsibilities	Governing overall risk oversight responsibility including defining the appropriate governance structure and risk appetite.
Process	<ul style="list-style-type: none"> Articulates and provides direction on risk appetite, organisational control environment and risk culture. Provide an independent view on specific risk and control issues, the state of internal controls, trends and events
↑	
3rd Level of Defence: Internal Audit	
Responsibilities	<ul style="list-style-type: none"> Provide independent assurance design and effectiveness on an organisation's risk management, governance and internal control processes are operating effectively. Assurance about design and effectiveness
Process	Perform risk-based internal audit and independent reporting to Management and BARC

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



2nd Level of Defence: Risk Management and the ERM

Responsibilities	<ul style="list-style-type: none"> Oversees the operationalisation of risk management strategies as well as frameworks and policies. Independent reporting to the management and BARC Advisor to 1st line/ 1st Level of Defence: Business Line Management/ Risk Owners
Process	Monitors the consistent enforcement of ERM policy, reviews and endorses risk parameter, risk appetite, risk profile and treatment options and risk action plans.



1st Level of Defence: Business Line Management/ Risk Owners

Responsibilities	<ul style="list-style-type: none"> The Senior Management who form the 1st line of defence are primarily responsible for managing process, They are also responsible for controlling risks by using business control and compliance frameworks, implement internal control processes and adequate control Manage day-to-day risk inherent in business activities as guided by the established risk strategies, frameworks and policies
Process	Identification and assessment of risk, implementation and monitoring of risk action plans.

In ensuring that there is a consistency to the methods used in managing risks throughout the organisation, both at the strategic and operation level of risk appetites were pre-determined to ascertain that the risk management efforts are aligned with the Fund's business objectives. The risk appetites also outline 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 Movement Control Order ("MCO") in business operations and strategic direction.

An expansion of risk appetite parameters was proposed at the Board Investment Committee ("BIC") to further regulate future diversification exercises.

In addition to the above, the revised ERM Framework also incorporate the ESG risks to provide a holistic approach to risk management.

KEY ELEMENTS OF INTERNAL CONTROL

The Board acknowledges that the internal control systems are designed to identify, evaluate, monitor and manage the risks that may hinder the Group from achieving its goals and objectives.

The Manager's Internal Control Policy and Procedures ("ICCP") was designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 Damansara REIT Managers Sdn Berhad ("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 Manager. 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 ("LOA") 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—aimed at keeping potential risk exposures under control. A revision in the LOA was tabled to the BARC on 15 November 2021 and approved at the Board on 2 December 2021.

In relation to this, the Manager has formulated the Procurement Policy with the objectives of ensuring alignment of procurement practices across departments and business units within the Johor Corporation Group of companies and adoption of the following best practices which includes transparency in processes and management of integrity risks. The policy was approved by the Board on 18 February 2021.

The Investment Policy was set up with the objectives of:

- To have a framework for disciplined approach to investing
- To establish reasonable expectations and guidelines for investment and divestments
- To create a diversified investment portfolio that can generate acceptable medium-to-long term returns at reasonable risk tolerance levels
- To establish governance for monitoring investment performance

The Investment Policy was approved by the Board on 18 February 2021.

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 Fund's business activities. These include the ERM Policy and Framework, Internal Control Policy Manual, Compliance Framework and Policy. The Manager has revised its the Business Continuity Management ("BCM") and Disaster Recovery Plan ("DRP") Policy, which was approved by the Board on 25 January 2021.
4. The BCM Drill/ testing is undertaken annually, and the results presented to the BARC and the Board for their notation. The Company has also undertaken an IT Risk assessment and Penetration Test which was concluded on 12 April 2021 and presented to the Board on 19 May 2021. Based on the outcome of the IT Risk, the Management has formulated the IT Policy which was recommended by the BARC and approved by the Board on 15 November 2021 and 2 December 2021 respectively.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5. Strategic Planning and Annual budgets are prepared by the Fund's operations. Analysis and reporting of variances against budget are presented to the Board and the trustee as required by the Trust Deed 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 BARC and 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. During the year under review seven (7) company briefings were carried out on the following dates: 24 May 2021, 2 June 2021, 3 June 2021, 13 September 2021, 14 September 2021, 20 September 2021 and 28 October 2021.
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. This is carried out via the weekly Management Committee Meetings and ad-hoc meetings to discuss progress of high-risk corporate projects and exercises.
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. During the year under review, four (4) meetings with the Trustee were carried out on 22 February, 1 July, 28 October and 28 December 2021.
11. The Manager tabled its succession planning framework at the Board meeting and obtained approval of the Board at the Board meeting on 2 December 2021. The framework includes 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 was formalised 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, with a goal to facilitate the provision of a safe working environment for employees. Two (2) designated officers have been appointed to be responsible and act as OSH Officers to ensure compliance with the requirement to Act 514 Occupational Safety and Health Act 1994.
14. In the new normal brought about by the COVID-19 pandemic the Manager has taken a prudent approach in ensuring that where employees are to Work from Home ("WFH"), where applicable, proper equipment, safety training and policies are provided or be in place, to ensure the employee's health, safety and welfare are accordingly protected in the course of their work.

With the MCO being lifted and working at office was allowed, the Manager has looked at indicators for risk assessment indicators at the workplace and the associated control measures:

- scanning upon entry to office building or daily temperature check
- daily attendance report to the supervisory division of the Securities Commission
- office sanitisation
- monitor vaccination status of employees

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

15. 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.
16. 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.
17. 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.
18. Evaluations of outsourced service providers on critical business functions are carried out on a yearly basis and presented to the Board.
19. Senior management team conducts regular discussions with property, maintenance, and service managers to discuss issues for improvement and to promote better understanding to facilitate cognizance in decision-making capability. During the year under review, three (3) meetings with the Maintenance Manager were carried out on 5 April, 11 August and 22 December 2021.
20. 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 to mitigate corruption and integrity risks.
21. On 7 September 2021, the Personal Data Protection ("PDP") Policy was tabled and approved by the Board to provide assurance to its data owners – tenants, directors and employees that their personal data will be safeguarded and protected by the Fund.
22. The Board, on 2 December 2021 has also approved the Anti-Money Laundering and Anti-Terrorism Financing Policy and undertakes the following approach:
 - (a) **Compliance with laws:** Service is not provided where there is good reason to suppose that transactions are associated with money laundering ("ML") or terrorist financing ("TF") activities.
 - (b) **Co-operation with law enforcement agencies:** The Management and the Board must co-operate fully with relevant law enforcement agencies. This includes taking appropriate measures such as timely disclosure of information to relevant law enforcement agencies.
 - (c) **Establishing internal controls:** Issue and adopt policies and procedures which are consistent with the principles set out under the AMLA and these Guidelines, which include ongoing training programmes to keep its board of directors, the management and employees abreast on matters under the AMLA and SC AMLA Guidelines.
 - (d) **Risk-based approach:** Ensure that the depth and breadth of its policies and procedures to identify, assess, monitor, manage and mitigate risks commensurate with the nature, scale and complexity of its activities.
 - (e) **Customer Due Diligence:** Have an effective procedure to identify its customers and to obtain satisfactory evidence to verify its customers' identity.
23. The Group has established processes and procedures to ensure the quarterly and annual reports, which cover the Group's performance, are submitted to Bursa Malaysia for release to shareholders and stakeholders on a timely basis. All quarterly results are reviewed by the Board prior to their announcements. The Annual Report of the Group is issued to the shareholders within the stipulated time as prescribed under the MMLR of Bursa Securities.

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 ASSURANCE AND LIMITATION

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal control, identifying principal risks, and establishing appropriate control environment and framework to manage risks. The Board continues to derive its comfort of the state or risk management and internal control of the Fund from the following oversight mechanisms and information compiled for these oversight processes:-

- periodic review of financial information covering financial performance and quarterly financial results;
- BARC's oversight of risk management framework, changes in risk magnitudes and status of management implementation of risk mitigation plan;
- BARC's review and consultation with Management on the integrity of the financial results and audited financial statements;
- audit findings and reports on the review of systems of internal control provided by the internal auditors and status of Management's implementation of the audit recommendations; and
- Management's assurance that the Group's risk management and internal control systems have been operated adequately and effectively, in all material respects.

Executive Director and Head of Finance of the Company ensure that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control is effective to enable the Group to achieve its business objectives and there were no material losses resulted from in this Annual Report.

The Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. Nonetheless, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 24 February 2022.

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 OR 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 FY2021.

AUDIT AND NON-AUDIT FEES

For more information, please refer to page 135.

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At an Annual General Meeting held on 28 April 2021, 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 2021 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 8 March (LPD) to 31 December 2021 (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.	71,845	90,759
KPJ Group	Advisory for, inter-alia, renovation and/or upgrade of any refurbishment work to be undertaken at the hospitals; and property management fee	Dato' Haji Mohd Redza Shah bin Abdul Wahid and Shamsul Anuar bin Abdul Majid are also a director of both KPJ and DRMSB.	842	1,010

ADDITIONAL COMPLIANCE INFORMATION

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 8 March (LPD) to 31 December 2021 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
JCorp	Registrar costs and expenses	KPJ is the major unitholder of Al-Aqar.	85	85
JCorp	Secretarial Fees	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.	-	-
Aggregate Value of Transactions			72,772	91,854

SHARIAH COMMITTEE'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, based on our review of the documents and information made available to us, 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 2021.

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 Malaysia's Guidelines on Listed Real Estate Investment Trusts. There is no Shariah non-compliant rental for the financial year ended 31 December 2021; 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 deemed to be Shariah non-compliant during the financial year.

For and on behalf of the Shariah Committee,

DATO' (DR) HAJI NOOH BIN GADOT

Chairman, Shariah Committee

21 February 2022

TRUSTEE'S REPORT

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 2021. In our opinion, DAMANSARA REIT MANAGERS SDN BERHAD, the Manager, has managed **AL-` AQAR HEALTHCARE REIT** in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.

We are of the opinion that:

- (a) the procedures and processes employed by the Manager to value and/or price the units of **AL-` AQAR HEALTHCARE REIT** are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirement; and
- (b) the distribution of returns made by **AL-` AQAR HEALTHCARE REIT** as declared by the Manager is in accordance with the investment objective of **AL-` AQAR HEALTHCARE REIT**.

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

ZAINUDIN BIN SUHAIMI
Chief Executive Officer

Kuala Lumpur, Malaysia
21 February 2022

TAIPEI
MEDICAL
CENTRE

FINANCIAL REPORTS



- 131** Manager's Report
- 136** Statement by the Directors of the Manager
- 136** Statutory Declaration
- 137** Independent Auditors' Report
- 141** Statements of Comprehensive Income
- 143** Statements of Financial Position
- 145** Statements of Changes in Net Asset Value
- 147** Statements of Cash Flows
- 149** Notes to the Financial Statements

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 2021.

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

MANAGER'S REPORT

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

(i) Portfolio composition (cont'd)

- (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.

(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:

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Wan Azman bin Ismail

Dato' Wan Kamaruzaman bin Wan Ahmad

Shamsul Anuar bin Abdul Majid

Datuk Sr Akmal bin Ahmad

(Appointed on 21 January 2021)

Abdullah bin Abu Samah

(Appointed on 10 March 2021)

Datuk Hashim bin Wahir

(Appointed on 24 January 2022)

Yusaini bin Sidek

(Resigned on 15 January 2021)

Zainah binti Mustafa

(Resigned on 10 March 2021)

Mohd Yusof bin Ahmad

(Resigned on 29 December 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, none of the Directors of the Manager in office at the end of the financial year held any interest in shares in its related corporations during and at the end of the financial year.

None of the other Directors of the Manager in office at the end of the financial year had any interest in units in the Fund or shares in its related corporations during and at the end of the financial year.

MANAGER'S REMUNERATION

Pursuant to the Second Restated Trust Deed dated 25 November 2019, the Manager is entitled to receive from the Fund:

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

SOFT COMMISSION

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

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year, other than those as disclosed in the statement of changes in net asset value.

HOLDING CORPORATION

The ultimate holding corporation of the Fund is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995).

MANAGER'S REPORT

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income 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.

MANAGER'S REPORT

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM	Fund RM
Audit fees		
- Current year	249,614	127,000
- Other service	10,000	10,000
	259,614	137,000

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 unspecific 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 24 February 2022.

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 **Al-`Aqar Healthcare REIT** (the "Fund") and its subsidiaries (the "Group") set out on pages 141 to 198 are drawn up in accordance with applicable provisions of the Second Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2021 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 24 February 2022.

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 **Al-`Aqar Healthcare REIT**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 141 to 198 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 24 February 2022

WAN AZMAN BIN ISMAIL

Before me,

Commissioner for Oaths

Kuala Lumpur
24 February 2022

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

(INCORPORATED IN MALAYSIA)

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 2021 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 141 to 198.

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 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 2021, the carrying amount of the Group's and the Fund's investment properties is RM1,538,210,398 and RM1,451,912,398 respectively, which represents 92% and 87% of the Group's and the Fund's total assets respectively.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONT'D)

Valuation of Investment Properties (cont'd)

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;
- 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

(INCORPORATED IN MALAYSIA)

RESPONSIBILITIES OF THE MANAGER AND TRUSTEE 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 and International Financial Reporting Standards. 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. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 (cont'd):

- 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.

OTHER MATTERS

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia 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
 24 February 2022

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

		The Group		The Fund	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	4	114,072,501	115,710,279	104,245,507	103,918,211
Property expenses	5	(5,850,628)	(6,096,053)	(5,840,129)	(5,943,869)
Gross profit		108,221,873	109,614,226	98,405,378	97,974,342
Investment revenue	6	623,104	1,011,305	7,382,380	8,868,611
Realised gain on foreign exchange		11,182	-	11,182	-
Unrealised gain on foreign exchange		-	736,084	-	736,084
Other income		532,331	1,414,273	532,303	1,414,273
Fair value adjustment of investment properties		5,536,199	(47,772,461)	5,536,199	(5,423,801)
Total income		114,924,689	65,003,427	111,867,442	103,569,509
Expenditure					
<i>Finance costs:</i>					
Islamic financing		26,437,736	34,791,725	16,658,697	4,382,605
Amount due to a subsidiary		-	-	10,328,925	30,629,294
Transaction cost	18	1,567,034	462,365	1,017,149	242,192
Manager's fees		1,845,342	1,837,356	1,845,342	1,837,356
Professional fees		892,748	270,677	683,542	119,050
Valuation fees		552,023	584,800	552,023	584,800
Directors fees		23,409	25,350	-	-
Trustee's fees		385,343	393,361	385,343	393,361
Maintenance of property		1,712,287	1,070,388	1,712,287	1,070,388
Printing expenses		121,980	74,766	119,370	73,070
Secretarial fee		1,876	286	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		-	(3,649)	-	(3,649)
Audit fees					
- Current year		249,614	232,606	127,000	118,000
- Underprovision in prior year		-	10,000	-	-
- Other services		10,000	10,000	10,000	10,000
Tax agent's fee		15,520	10,000	14,720	16,200
Unrealised loss on foreign exchange		146,339	-	146,339	-
Administration expenses		1,683,784	1,011,039	1,096,372	751,001
Allowance for impairment loss of investment in a subsidiary	11	-	-	24,058,753	4,000,000
Allowance for expected credit loss on amount due from a subsidiary		-	-	1,303,019	-
Derecognition of past lease receivables	12	5,806,073	9,801,166	4,514,732	8,423,133
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		675,928	785,731	675,928	785,731
Shariah adviser's fee		11,000	6,000	11,000	6,000
Total expenditure		42,143,136	51,379,067	65,265,641	53,443,632

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	The Group		The Fund	
		2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax		72,781,553	13,624,360	46,601,801	50,125,877
Tax credit/(expense)	7	768,296	(1,052,958)	768,296	(2,534,162)
Profit for the year		73,549,849	12,571,402	47,370,097	47,591,715
Profit for the year					
Realised		65,218,589	56,984,413	64,400,609	55,137,270
Unrealised		8,331,260	(44,413,011)	(17,030,512)	(7,545,555)
		73,549,849	12,571,402	47,370,097	47,591,715
Earnings per unit (sen):					
Basic	8	9.99	1.71		
Other comprehensive income					
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Foreign currency translation, representing total other comprehensive income for the year, net of tax		(2,487,531)	12,001,396	-	-
Total comprehensive income for the year, net of tax		71,062,318	24,572,798	47,370,097	47,591,715

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		The Group		The Fund	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Assets					
Non-current assets					
Investment properties	10	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199
Investment in subsidiaries	11	-	-	3,433,433	27,492,186
Amounts due from a subsidiary	13	-	-	99,147,701	99,147,701
Trade receivables	12	-	5,373,102	-	-
		1,538,210,398	1,539,874,151	1,554,493,532	1,573,016,086
Current assets					
Trade receivables	12	36,106,493	25,280,289	16,292,030	9,703,257
Other receivables and prepaid expenses	12	574,587	159,066	574,123	132,537
Amounts due from subsidiaries	13	-	-	23,161,870	17,078,522
Islamic fixed deposits with licensed banks	14	40,503,678	36,276,092	40,465,247	16,518,131
Cash and bank balances	14	49,337,838	46,396,739	29,809,806	31,395,992
		126,522,596	108,112,186	110,303,076	74,828,439
Total assets		1,664,732,994	1,647,986,337	1,664,796,608	1,647,844,525
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	19	731,398,126	731,398,126	731,398,126	731,398,126
Undistributed income		221,625,961	217,626,683	214,020,783	236,201,257
Foreign currency translation reserve		(8,022,179)	(5,534,648)	-	-
Total unitholders' fund		945,001,908	943,490,161	945,418,909	967,599,383
Non-current liabilities					
Deferred tax liabilities	17	1,765,866	2,534,162	1,765,866	2,534,162
Other payables	15	13,475,204	9,521,423	13,475,204	9,521,423
Amount due to a subsidiary	16	-	-	-	555,233,358
Islamic financing	18	683,876,967	109,069,690	683,876,967	109,069,690
		699,118,037	121,125,275	699,118,037	676,358,633
Current liabilities					
Other payables	15	20,613,049	8,853,336	20,259,662	3,886,509
Islamic financing	18	-	574,517,565	-	-
		20,613,049	583,370,901	20,259,662	3,886,509
Total liabilities		719,731,086	704,496,176	719,377,699	680,245,142
Total unitholders' fund and liabilities		1,664,732,994	1,647,986,337	1,664,796,608	1,647,844,525

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	The Group		The Fund	
		2021 RM	2020 RM	2021 RM	2020 RM
Number of units in circulation	19	735,985,088	735,985,088	735,985,088	735,985,088
Net asset value ("NAV")					
- before income distribution		945,001,908	943,490,161	945,418,909	967,599,383
- after income distribution		931,754,176	918,098,675	932,171,177	942,207,897
NAV per unit					
- before income distribution		1.28	1.28	1.28	1.31
- after income distribution		1.27	1.25	1.27	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 2021

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Foreign currency translation reserve RM	Total unitholders' fund RM
The Group							
At 1 January 2020		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)
At 31 December 2020		731,398,126	67,141,978	150,484,705	217,626,683	(5,534,648)	943,490,161
At 1 January 2021		731,398,126	67,141,978	150,484,705	217,626,683	(5,534,648)	943,490,161
Profit for the year		-	65,218,589	8,331,260	73,549,849	-	73,549,849
Other comprehensive income		-	-	-	-	(2,487,531)	(2,487,531)
Total comprehensive income/(loss)		-	65,218,589	8,331,260	73,549,849	(2,487,531)	71,062,318
Transactions with unitholders:							
Income distributions	9	-	(69,550,571)	-	(69,550,571)	-	(69,550,571)
At 31 December 2021		731,398,126	62,809,996	158,815,965	221,625,961	(8,022,179)	945,001,908

* Distributable

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE YEAR ENDED 31 DECEMBER 2021

The Fund	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
At 1 January 2020		731,398,126	50,301,128	177,904,391	228,205,519	959,603,645
Total comprehensive income/(loss)		-	55,137,270	(7,545,555)	47,591,715	47,591,715
Transactions with unitholders:						
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
At 1 January 2021		731,398,126	65,842,421	170,358,836	236,201,257	967,599,383
Total comprehensive income/(loss)		-	64,400,609	(17,030,512)	47,370,097	47,370,097
Transactions with unitholders:						
Income distributions	9	-	(69,550,571)	-	(69,550,571)	(69,550,571)
At 31 December 2021		731,398,126	60,692,459	153,328,324	214,020,783	945,418,909

* Distributable

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 2021

	The Group		The Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities				
Profit before tax	72,781,553	13,624,360	46,601,801	50,125,877
Adjustments for:				
Finance costs	28,004,770	35,254,090	28,004,771	35,254,091
Investment revenue	(623,104)	(1,011,305)	(7,382,380)	(8,868,611)
Interest accretion on tenant deposits	1,018,526	140,228	1,018,526	140,228
Amortisation of deferred income	(347,829)	(972,751)	(347,829)	(972,751)
Allowance for impairment				
loss in investment in subsidiaries	-	-	24,058,753	4,000,000
Allowance for expected credit loss on				
amount due from a subsidiary	-	-	1,303,019	-
Fair value adjustment of investment properties	(5,536,199)	47,772,461	(5,536,199)	5,423,801
Unrealised loss/(gain) on foreign exchange	146,339	(736,084)	146,339	(736,084)
Unbilled rental income	(2,843,801)	(2,843,801)	(2,843,801)	(2,843,801)
Derecognition of past lease receivables	5,806,073	9,801,166	4,514,732	8,423,133
Operating profit before working capital changes	98,406,328	101,028,364	89,537,732	89,945,883
Changes in working capital:				
Increase in trade receivables	(8,415,374)	(24,343,284)	(8,259,704)	(10,443,992)
(Increase)/Decrease in other				
receivables and prepaid expenses	(362,818)	3,330,148	(388,883)	3,330,148
(Decrease)/Increase in other				
payables and accrued expenses	(1,047,592)	2,610,999	3,565,848	2,713,434
Net changes in working capital	(9,825,784)	(18,402,137)	(5,082,739)	(4,400,410)
Net cash generated from operating activities	88,580,544	82,626,227	84,454,993	85,545,473
Cash flows from investing activities				
Income received on investment	570,401	1,038,738	570,401	1,022,211
Profit sharing on advances from a				
subsidiary in Australia	-	-	675,928	785,731
Enhancement to investment properties	-	(2,400,000)	-	(2,400,000)
Net cash generated from/(used in)				
 investing activities	570,401	(1,361,262)	1,246,329	(592,058)
Cash flows from financing activities				
Finance costs paid on Islamic financing	(25,067,049)	(34,720,137)	(15,288,010)	(4,311,017)
Finance costs paid on amount				
due to a subsidiary	-	-	(10,328,925)	(30,629,294)
Transaction costs paid	(6,277,322)	(404,744)	(6,209,872)	(403,078)
Decrease in amount due to a subsidiary	-	-	(556,536,377)	(344,359)
Income distributions	(54,830,869)	(54,021,285)	(54,830,869)	(54,021,285)
Increase in restricted cash	14,637,954	(1,245,005)	(5,114,323)	(771,438)
Net proceeds from Islamic financing	5,000,000	94,050	580,000,000	94,050
Net cash used in financing activities	(66,537,286)	(90,297,121)	(68,308,376)	(90,386,421)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Fund	
	2021	2020	2021	2020
	RM	RM	RM	RM
Net changes in cash and cash equivalents	22,613,659	(9,032,156)	17,392,946	(5,433,006)
Effects of changes in exchange rates	(660,681)	1,970,082	-	-
Effects of foreign currency translation on cash and cash equivalents	(146,339)	736,084	(146,339)	736,084
Cash and cash equivalents at beginning of year	61,149,116	67,475,106	46,142,685	50,839,607
Cash and cash equivalents at end of year (Note 14)	82,955,755	61,149,116	63,389,292	46,142,685

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 2021

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 ultimate holding corporation of the Fund is Johor Corporation, 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 14, 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Corporate information (cont'd)

(i) Maintenance and management fee

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

(ii) Manager's fee

Pursuant to the 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 RM1,845,342 (2020: RM1,837,356).

- (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

There is no acquisition fee paid to the Manager during the current and previous financial year.

- (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 paid 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 2021 of RM385,343 (2020: RM393,361).

The financial statements of the Group and of the Fund were authorised by the board of directors of the Manager for issuance on 24 February 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 and International Financial Reporting Standards. 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.

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 2021:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

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 periods beginning on or after
Amendment to MFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: 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: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

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

Description	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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

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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

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 (cont'd):

- (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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

Business combinations (cont'd)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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)

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 2021

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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 marketplace (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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Derecognition (cont'd)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(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 a subsidiary 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 financier 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(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 2021

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(m) Taxation (cont'd)

(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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(m) Taxation (cont'd)

(ii) Deferred tax (cont'd)

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 manager's 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.

(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 distributions 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(r) Fair value measurement (cont'd)

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.

(a) Deferred taxation on investment properties

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Yield rate				
- 0.25%	26,152,200	52,165,915	22,670,000	48,610,000
+ 0.25%	(382,379,400)	(48,506,705)	(35,200,000)	(45,260,000)
Discount rate				
- 0.25%	21,812,200	12,655,915	18,330,000	9,100,000
+ 0.25%	(31,909,400)	(11,656,705)	(28,730,000)	(8,410,000)

(b) Contingent liabilities

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.

The Group applied judgements in reviewing the provision at each reporting date and adjusted to reflect the current best estimate of the probable outflow of economic resources will be required to settle the obligation. The details are further disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. Revenue (cont'd)

Revenue from contract with customers comprises the following:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income				
Base rental income	111,228,700	112,866,478	101,401,706	101,074,410
Unbilled rental income	2,843,801	2,843,801	2,843,801	2,843,801
	114,072,501	115,710,279	104,245,507	103,918,211

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income from				
KPJ Ampang Puteri Specialist Hospital	9,683,806	10,144,554	9,683,806	10,144,554
KPJ Tawakkal Specialist Hospital	9,312,066	9,215,736	9,312,066	9,215,736
KPJ Damansara Specialist Hospital	8,449,417	8,914,911	8,449,417	8,914,911
KPJ Johor Specialist Hospital	8,681,833	8,690,400	8,681,833	8,690,400
KPJ Klang Specialist Hospital	7,497,643	7,426,178	7,497,643	7,426,178
KPJ Ipoh Specialist Hospital	6,337,679	5,511,162	6,337,679	5,511,162
KPJ Selangor Specialist Hospital	5,892,023	5,917,288	5,892,023	5,917,288
KPJ Penang Specialist Hospital	4,727,578	4,654,815	4,727,578	4,654,815
KPJ Seremban Specialist Hospital	5,037,555	4,944,935	5,037,555	4,944,935
KPJ Healthcare University College, Nilai	7,263,240	7,206,994	7,263,240	7,206,994
Kedah Medical Centre	3,609,167	3,594,833	3,609,167	3,594,833
KPJ Perdana Specialist Hospital	3,190,503	3,169,180	3,190,503	3,169,180
KPJ Kajang Specialist Hospital	3,538,991	3,469,599	3,538,991	3,469,599
Tawakkal Health Centre	3,378,598	3,354,022	3,378,598	3,354,022
KPJ Puteri Specialist Hospital	3,150,412	3,304,666	3,150,412	3,304,666
KPJ Sentosa KL Specialist Hospital	2,114,307	2,072,850	2,114,307	2,072,850
Kuantan Wellness Centre	1,479,758	1,457,497	1,479,758	1,457,497
KPJ International College, Penang	1,196,668	1,178,250	1,196,668	1,178,250
Damai Wellness Centre	1,027,915	1,018,901	1,027,915	1,018,901
Taiping Medical Centre	738,684	733,856	738,684	733,856
KPJ Haemodialysis Kluang	304,243	304,163	304,243	304,163
KPJ Batu Pahat Specialist Hospital	7,633,421	7,633,421	7,633,421	7,633,421
Jeta Gardens Aged Care & Retirement Village	9,826,994	11,792,068	-	-
	114,072,501	115,710,279	104,245,507	103,918,211

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Property expenses

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Assessment	3,349,533	3,339,933	3,349,533	3,339,933
Takaful coverage	930,297	1,028,095	930,297	1,028,095
Maintenance fee	1,106,915	1,258,011	1,096,416	1,105,827
Quit rent	463,883	470,014	463,883	470,014
	5,850,628	6,096,053	5,840,129	5,943,869

6. Investment revenue

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Shariah Compliant income from Islamic fixed deposits placements	623,104	1,011,305	623,104	1,011,305
Profit sharing on advances from a subsidiary in Australia	-	-	6,759,276	7,857,306
	623,104	1,011,305	7,382,380	8,868,611

7. Tax (credit)/expense

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 17)	(768,296)	1,052,958	(768,296)	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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	72,781,553	13,624,360	46,601,801	50,125,877
Tax at the statutory tax rate of 24% (2020: 24%)	17,467,573	3,269,846	11,184,432	12,030,210
Different tax rates in other country	(92,304)	(1,927,957)	-	-
Deferred tax recognised at different tax rate	(768,296)	2,534,162	(768,296)	2,534,162
Non-deductible expenses	2,176,652	17,638,597	7,478,994	3,507,646
Income not subject to tax	(14,203,104)	(11,855,678)	(12,248,450)	(2,504,932)
Income exempted from tax	(5,348,817)	(8,606,012)	(6,414,976)	(13,032,924)
Tax expense for the year	(768,296)	1,052,958	(768,296)	2,534,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Tax (credit)/expense (cont'd)

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 2021 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% (2020: 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% (2020: 24%).

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 2021 and 2020, are as follows:

	Group	
	2021 RM	2020 RM
Earnings attributable to unitholders:		
Profit for the year	73,549,849	12,571,402
Weighted average number of units	735,985,088	735,985,088
Earnings per unit (sen)	9.99	1.71

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Income distributions

For the financial years ended 31 December 2021 and 2020, the Manager, with the approval of the Trustee, has declared the following income distributions:

	Group and Fund	
	2021	2020
	RM	RM
Income distributions on ordinary shares in respect of the current financial year		
First interim income distribution of 2.00 (2020: 2.06) sen per unit declared on 28 May 2021 (2020: 28 August 2020) and paid on 16 July 2021 (2020: 12 October 2020)	14,719,695	15,161,285
Second interim income distribution of 2.00 (2020: 1.30) sen per unit declared on 26 August 2021 (2020: 23 October 2020) and paid on 22 October 2021 (2020: 4 December 2020)	14,719,696	9,567,804
Third interim income distribution of 2.00 sen per unit declared on 26 November 2021 and paid on 20 January 2022	14,719,702	-
	44,159,093	24,729,089
Income distribution on ordinary shares in respect of the previous financial year		
Final income distribution of 3.45 (2019: 2.02) sen per unit declared on 26 January 2021 (2019: 31 January 2020) and paid on 26 February 2021 (2019: 28 February 2020)	25,391,478	14,866,888
	69,550,571	39,595,977

The Manager had declared a final income distribution of 1.80 (2020: 3.45) sen per unit totalling RM13,247,732 for the financial year ended 31 December 2021 on 26 January 2022 (2020: 26 January 2021).

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 2021 amounting to RM57,406,825 (2020: RM50,120,567). Total income distribution is 7.80 (2020: 6.81) sen per unit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Income distributions (cont'd)

Income distributions to unitholders is derived from the following sources:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Net rental income	108,221,873	109,614,226	98,405,378	97,974,342
Investment revenue	623,104	1,011,305	7,382,380	8,868,611
Realised gain on foreign exchange	11,182	-	11,182	-
Other income	532,331	1,414,273	532,303	1,414,273
Interest accretion on tenant deposits	1,018,526	140,228	1,018,526	140,228
Less: Amortisation of deferred income	(347,829)	(972,751)	(347,829)	(972,751)
Less: Unbilled rental income	(2,843,801)	(2,843,801)	(2,843,801)	(2,843,801)
	107,215,386	108,363,480	104,158,139	104,580,902
Less: Expenses	(41,996,797)	(51,379,067)	(39,757,530)	(49,443,632)
Realised income for the year	65,218,589	56,984,413	64,400,609	55,137,270
Undistributed income brought forward	67,155,702	49,767,266	65,842,421	50,301,128
Less: Undistributed income	(62,823,720)	(67,155,702)	(60,692,459)	(65,842,421)
	69,550,571	39,595,977	69,550,571	39,595,977

10. Investment properties

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	1,534,501,049	1,569,814,000	1,446,376,199	1,449,400,000
Enhancements	-	2,400,000	-	2,400,000
Fair value adjustment	5,536,199	(47,772,461)	5,536,199	(5,423,801)
Foreign exchange differences	(1,826,850)	10,059,510	-	-
At 31 December	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199
Land and buildings at fair value	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investment properties (cont'd)

The carrying amount of the investment properties for the financial years ended 31 December 2021 and 2020 is based on the market value determined based on valuations, adjusted with accrued unbilled rental income, as follows:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Investment properties - based on valuation report	1,543,898,000	1,537,344,850	1,457,600,000	1,449,220,000
Investment properties - accrued unbilled rental income (Note 12)	(5,687,602)	(2,843,801)	(5,687,602)	(2,843,801)
	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199

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"), independent professional valuers not related to the Group and the Fund. Messrs. CBRE is 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investment properties (cont'd)

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.

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 5.50% - 9.25% (2020: 6.00% - 8.00%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.00% - 7.50% (2020: 6.25% - 8.50%)	- Higher reversionary yield rates, lower fair value
Void rate of 5.00% - 10.00% (2020: 2.50% - 10.00%)	- Higher void rate, lower fair value
Discount rate of 5.50% - 9.25% (2020: 6.00% - 8.50%)	- 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.

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	2021 Fair value RM	2020 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital ###	Leasehold	99	67	Ampang	31 December 2021	137,000,000	137,000,000	3
KPJ Damansara Specialist Hospital ###	Freehold	-	-	Damansara	31 December 2021	138,000,000	135,000,000	3
KPJ Johor Specialist Hospital ###	Leasehold	99	57	Johor Bahru	31 December 2021	122,000,000	122,000,000	3
KPJ Ipoh Specialist Hospital ###	Freehold	-	-	Ipoh	31 December 2021	89,000,000	77,000,000	3
KPJ Puteri Specialist Hospital	Leasehold	99	32	Johor Bahru	31 December 2021	40,000,000	42,000,000	3
KPJ Selangor Specialist Hospital ###	Leasehold	99	75	Shah Alam	31 December 2021	84,000,000	82,000,000	3
Kedah Medical Centre ###	Freehold	-	-	Alor Setar	31 December 2021	52,500,000	52,000,000	3
KPJ Perdana Specialist Hospital ###	Leasehold	66	42	Kota Bharu	31 December 2021	42,000,000	42,120,000	3
Kuantan Wellness Centre	Freehold	-	-	Kuantan	31 December 2021	16,800,000	20,400,000	3
KPJ Sentosa KL Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2021	31,000,000	30,500,000	3
KPJ Kajang Specialist Hospital ###	Freehold	-	-	Kajang	31 December 2021	52,000,000	51,900,000	3
Taiping Medical Centre	Leasehold	99	67	Taiping	31 December 2021	10,000,000	10,000,000	3
Damai Wellness Centre	Leasehold	99	52	Kota Kinabalu	31 December 2021	11,000,000	14,100,000	3
KPJ International College, Penang ##	Freehold	-	-	Bukit Mertajam	31 December 2021	14,600,000	15,400,000	3
Tawakkal Health Centre ###	Leasehold	99	56	Kuala Lumpur	31 December 2021	48,000,000	48,800,000	3
KPJ Healthcare University College, Nilai ###	Freehold	-	-	Seremban	31 December 2021	102,000,000	106,500,000	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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	2021 Fair value RM	2020 Fair value RM	Fair value hierarchy
KPJ Seremban Specialist Hospital	Leasehold	-	-	Seremban	31 December 2021	75,000,000	69,200,000	3
				Bukit				
KPJ Penang Specialist Hospital ###	Freehold	-	-	Mertajam	31 December 2021	65,000,000	64,000,000	3
KPJ Tawakkal Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2021	139,000,000	139,800,000	3
KPJ Haemodialysis Kluang	Leasehold	99	79	Kluang	31 December 2021	4,700,000	4,700,000	3
KPJ Klang Specialist Hospital ###	Leasehold	99	71	Klang	31 December 2021	104,000,000	104,800,000	3
KPJ Batu Pahat Specialist Hospital #	Freehold	-	-	Batu Pahat	31 December 2021	74,312,398	77,156,199	3
Total for the Fund						1,451,912,398	1,446,376,199	
Jeta Gardens Aged Care & Retirement Village	Freehold	-	-	Queensland	31 December 2021	86,298,000	88,124,850	3
Total for the Group						1,538,210,398	1,534,501,049	

The investment properties amounting to RM116,312,398 (2020: RM119,156,199) are used to secure against Commodity Murabahah Term Financing-i ("CMTF-i") issued by the Fund as disclosed in Note 18. The amount of RM116,312,398 represents the fair value of KPJ Batu Pahat Specialist Hospital and KPJ Healthcare University College, Nilai New Building (residential) amounting to RM74,312,398 (2020: RM77,156,199) and RM42,000,000 (2020: RM42,000,000) respectively.

The investment properties amounting to RM74,600,000 (2020: RM79,900,000) are used to secure against Commodity Murabahah Term Financing-II ("CMTF-ii") issued by the Fund as disclosed in Note 18. The amount of RM74,600,000 represents the fair value of KPJ International College, Penang and KPJ Healthcare University College, Nilai New Building (commercial) amounting to RM14,600,000 (2020: RM15,400,000) and RM60,000,000 (2020: RM64,500,000) respectively.

The investment properties amounting to RM1,103,500,000 (2020: RM NIL) are used to secure against Commodity Murabahah Term Financing-III ("CMTF-iii") issued by the Fund as disclosed in Note 18.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Investments in subsidiaries

	Fund	
	2021 RM	2020 RM
Unquoted shares, at cost	42,492,186	42,492,186
Less: Accumulated impairment losses	(39,058,753)	(15,000,000)
Net carrying amount	3,433,433	27,492,186

The movement in the accumulated impairment losses is as follows:

	2021 RM	2020 RM
At 1 January	15,000,000	11,000,000
Allowance for impairment losses	24,058,753	4,000,000
At 31 December	39,058,753	15,000,000

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	
			2021 %	2020 %
Al-` Aqar Capital Sdn Bhd ⁽ⁱ⁾	Malaysia	Special purpose company for the purpose of raising Islamic Financing for the Fund	100	100
Al-Aqar Australia Pty Ltd ⁽ⁱⁱ⁾	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 2021

12. Trade receivables, other receivables and prepaid expenses

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables				
Non-current				
Related company	-	5,373,102	-	-
Current				
Related companies	30,418,891	22,436,488	10,604,428	6,859,456
Less: Allowance for expected credit losses (Note (a))	-	-	-	-
	30,418,891	22,436,488	10,604,428	6,859,456
Unbilled rental income	5,687,602	2,843,801	5,687,602	2,843,801
	36,106,493	25,280,289	16,292,030	9,703,257
Other receivables and prepaid expenses				
Other receivables	67,419	46,258	66,955	19,729
Prepayments	507,168	112,808	507,168	112,808
	574,587	159,066	574,123	132,537
Total trade and non-trade receivables (non-current and current)	36,681,080	30,812,457	16,866,153	9,835,794
Add: Amount due from subsidiaries	-	-	122,309,571	116,226,223
Add: Fixed deposits with licensed banks	40,503,678	36,276,092	40,465,247	16,518,131
Add: Cash and bank balances	49,337,838	46,396,739	29,809,806	31,395,992
Less: Prepayments	(507,168)	(112,808)	(507,168)	(112,808)
Less: GST receivable	-	(5,477)	-	(5,477)
Total financial assets at amortised cost (debt instruments)	126,015,428	113,367,003	208,943,609	173,857,855

(a) Trade receivables

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

Unbilled rental income consist of unbilled incremental lease rental receivable from Pasir Gudang Specialist Hospital ("KPJ Batu Pahat"). 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 (2020: 1 to 7 days).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Trade receivables, other receivables and prepaid expenses (cont'd)

(a) Trade receivables (cont'd)

Ageing analysis of trade receivables

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
1 to 30 days past due	3,124,723	2,396,024	2,595,451	1,342,841
31 to 60 days past due	2,708,751	2,046,442	2,184,885	964,035
61 to 90 days past due	1,949,811	1,281,364	1,421,583	187,377
More than 90 days past due	22,635,606	22,085,760	4,402,509	4,365,203
	30,418,891	27,809,590	10,604,428	6,859,456

Movement in allowance for expected credit losses of trade receivables:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	-	-	-	-
Derecognition of past lease receivables (Note (i))	5,806,073	9,801,166	4,514,732	8,423,133
Written off	(5,806,073)	(9,801,166)	(4,514,732)	(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 RM5,806,073 (2020: RM9,801,166) and RM4,514,732 (2020: RM8,423,133) respectively to its tenants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Amount due from subsidiaries

	Fund	
	2021 RM	2020 RM
Non-current		
Amount due from a subsidiary	99,147,701	99,147,701
Current		
Amount due from subsidiaries	24,464,889	17,078,522
	123,612,590	116,226,223
Less: Allowance for expected credit losses	(1,303,019)	-
	122,309,571	116,226,223

Movement in allowance for expected credit losses on amount due from subsidiaries:

	Fund	
	2021 RM	2020 RM
At 1 January	-	-
Allowance for expected credit loss	1,303,019	-
At 31 December	1,303,019	-

Amount due from subsidiaries 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.

14. Cash and cash equivalents

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

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Islamic fixed deposits with licensed banks	40,503,678	36,276,092	40,465,247	16,518,131
Cash and bank balances	49,337,838	46,396,739	29,809,806	31,395,992
	89,841,516	82,672,831	70,275,053	47,914,123
Less: Restricted cash	(6,885,761)	(21,523,715)	(6,885,761)	(1,771,438)
	82,955,755	61,149,116	63,389,292	46,142,685

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

14. Cash and cash equivalents (cont'd)

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

	Group		Fund	
	2021	2020	2021	2020
Weighted average deposit rate (%)	1.68	1.74	1.67	1.60
Average remaining maturity period	38	21	28	17

Included in cash and bank balances and fixed deposits with licensed banks of the Group and the Fund are deposits of RM6,885,761 (2020: RM21,523,715) and RM6,885,761 (2020: RM1,771,438) 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. Payables

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current				
Tenant deposits	8,301,075	3,951,224	8,301,075	3,951,224
Deferred lease income	5,174,129	5,570,199	5,174,129	5,570,199
	13,475,204	9,521,423	13,475,204	9,521,423
Current				
Amount due to the Trustee	32,422	32,033	32,422	32,033
Amount due to the Manager	155,531	152,430	155,531	152,430
Amounts due to related companies	622,839	150,682	622,839	89,429
Other payables	242,761	534,698	105,018	286,992
Third interim income distribution payable (Note 9)	14,719,702	-	14,719,702	-
Accrued finance costs on Sukuk Ijarah Programme (Note 18)	-	4,611,254	-	-
Other accrued expenses	4,839,794	3,372,239	4,624,150	3,325,625
	20,613,049	8,853,336	20,259,662	3,886,509

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15. Payables (cont'd)

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Total payables (non-current and current)	34,088,253	18,374,759	33,734,866	13,407,932
Less: Deferred lease income	(5,174,129)	(5,570,199)	(5,174,129)	(5,570,199)
Add: Amount due to a subsidiary	-	-	-	555,233,358
Add: Islamic financing (Note 18)	683,876,967	683,587,255	683,876,967	109,069,690
Total financial liabilities carried at amortised costs	712,791,091	696,391,815	712,437,704	672,140,781

(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

In the previous financial year, the 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, in the previous financial year, 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 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	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	2,534,162	1,453,008	2,534,162	-
Recognised in profit or loss (Note 7)	(768,296)	1,052,958	(768,296)	2,534,162
Foreign exchange differences	-	28,196	-	-
At 31 December	1,765,866	2,534,162	1,765,866	2,534,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021	2,534,162
Recognised in profit or loss	(768,296)
At 31 December 2021	1,765,866
At 1 January 2020	(5,640,120)
Recognised in profit or loss	8,174,282
At 31 December 2020	2,534,162

Deferred tax asset - Group

	Unrealised loss on foreign exchange RM
At 1 January 2020	7,093,128
Recognised in profit or loss	(7,121,324)
Foreign exchange difference	28,196
At 31 December 2020	-

Deferred tax liability - Fund

	Investment properties RM
At 1 January 2021	2,534,162
Recognised in profit or loss	(768,296)
At 31 December 2021	1,765,866
At 1 January 2020	-
Recognised in profit or loss	2,534,162
At 31 December 2020	2,534,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Deferred tax liabilities (cont'd)

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.

18. Islamic financing

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current				
Commodity Murabahah Term Financing-i I ("Commodity Murabahah - I")	80,000,000	80,000,000	80,000,000	80,000,000
Commodity Murabahah Term Financing-I II ("Commodity Murabahah - II")	29,994,050	29,994,050	29,994,050	29,994,050
Commodity Murabahah Term Financing-I III ("Commodity Murabahah - III")	580,000,000	-	580,000,000	-
	689,994,050	109,994,050	689,994,050	109,994,050
Less: Transaction costs	(6,117,083)	(924,360)	(6,117,083)	(924,360)
Total (non-current)	683,876,967	109,069,690	683,876,967	109,069,690
Current				
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")	-	575,000,000	-	-
Less: Transaction costs	-	(482,435)	-	-
Total (current)	-	574,517,565	-	-
Total (non-current and current)	683,876,967	683,587,255	683,876,967	109,069,690

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Islamic financing (cont'd)

Sukuk Ijarah

	Nominal value 2020 RM	Rating	Profit rate (%)
Non-current			
Issue II - Tranche 1			
<u>Issued on 4 May 2018</u>			
Class A IMTNs	220,000,000	AAA	4.64
Class B IMTNs	23,000,000	AA2	4.95
Class C IMTNs	220,000,000	Unrated	5.60
Total	463,000,000		
Issue II - Tranche 2			
<u>Issued on 20 December 2018</u>			
Class A IMTNs	75,000,000	AAA	4.68
Class B IMTNs	37,000,000	AA2	4.98
Total	112,000,000		
	575,000,000		

The Company has fully redeemed Sukuk Ijarah Issue II of RM575,000,000 on the maturity date of 4 May 2021. Following the redemption of the Sukuk Ijarah Issue II, the facilities has been cancelled on 10 December 2021.

Commodity Murabahah-I

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 a profit rate of 1.25% (2020: 1.25%) per annum above the bank's Cost of Funds ("COF"). As at reporting date, the profit rate for the Commodity Murabahah is 3.35% (2020: 3.35%) per annum.

The Commodity Murabahah - I was secured against the investment properties which amounting to RM116,312,398 (2020: RM119,156,199) as disclosed in Note 10.

Commodity Murabahah-II

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 a profit rate of 1.25% (2020: 1.25%) per annum above the bank's COF. As at reporting date, the profit rate for the Commodity Murabahah is 3.35% (2020: 3.35%) per annum.

The Commodity Murabahah - II was secured against the investment properties which amounting to RM74,600,000 (2020: RM79,900,000) as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Islamic financing (cont'd)

Commodity Murabahah-III

On 4 May 2021, the Group and the Fund obtained the Commodity Murabahah - III is payable over a period of 60 and 84 months for Tranche 1 and Tranche 2 respectively from the date of first disbursement with bullet repayment of the principal sum on the 60th and 84th months respectively.

The Commodity Murabahah - II bears a profit rate of 1.15% and 1.25% (2020: Nil) per annum for Tranche 1 and Tranche 2 respectively above the bank's Cost of Funds ("COF"). As at reporting date, the profit rate for the Commodity Murabahah is 3.32% and 3.44% (2020: Nil) per annum for Tranche 1 and Tranche 2 respectively.

The Commodity Murabahah - II was secured against the investment properties which amounting to RM1,103,500,000 (2020: RM NIL) as disclosed in Note 10.

Changes in liabilities arising from financing activities:

	At 1 January 2021 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2021 RM
Group					
Non-current					
Commodity Murabahah - I	80,000,000	-	-	-	80,000,000
Commodity Murabahah - II	29,994,050	-	-	-	29,994,050
Commodity Murabahah - III	-	580,000,000	-	-	580,000,000
	109,994,050	580,000,000	-	-	689,994,050
Less: Transaction costs on Islamic financing	(924,360)	(6,209,872)	1,017,149	-	(6,117,083)
	109,069,690	573,790,128	1,017,149	-	683,876,967
Current					
IMTN	575,000,000	(575,000,000)	-	-	-
Less: Transaction costs on Islamic financing	(482,435)	(67,450)	549,885	-	-
	683,587,255	(1,277,322)	1,567,034	-	683,876,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Islamic financing (cont'd)

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

	At 1 January 2020 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2020 RM
Group					
Non-current					
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 Islamic financing	(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
Current					
IMTN	-	-	-	575,000,000	575,000,000
Murabahah Tawarruq	29,900,000	(29,900,000)	-	-	-
Less: Transaction costs on Islamic financing	(103,474)	-	103,474	(482,435)	(482,435)
	683,435,584	(310,694)	462,365	-	683,587,255

	At 1 January 2021 RM	Cash flows RM	Charged to profit or loss RM	At 31 December 2021 RM
Fund				
Non-current				
Commodity Murabahah - I	80,000,000	-	-	80,000,000
Commodity Murabahah - II	29,994,050	-	-	29,994,050
Commodity Murabahah - II	-	580,000,000	-	580,000,000
Transaction costs on Islamic financing	(924,360)	(6,209,872)	1,017,149	(6,117,083)
	109,069,690	573,790,128	1,017,149	683,876,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Islamic financing (cont'd)

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

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

19. Unitholders' capital

	2021		2020	
	No. of units	RM	No. of units	RM
Group and Fund				
Issued and fully paid-up:				
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 2021 and 31 December 2020 respectively based on the Record of Depositors are as follows:

	2021		2020	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	63,392,299	54,648,534	71,589,580
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	41,893,709	36,115,266	47,310,998
Selangor Medical Centre Sdn Bhd	35,000,000	40,600,000	35,000,000	45,850,000
Seremban Specialist Hospital Sdn Bhd	23,731,000	27,527,960	23,731,000	31,087,610
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	24,375,937	21,013,739	27,527,998
Medical Associates Sdn Bhd	19,055,000	22,103,800	19,055,000	24,962,050
Sentosa Medical Centre Sdn Bhd	15,653,000	18,157,480	15,653,000	20,505,430

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19. Unitholders' capital (cont'd)

	2021		2020	
	No. of units	RM	No. of units	RM
Related parties (cont'd):				
Kedah Medical Centre Sdn Bhd	15,000,000	17,400,000	15,000,000	19,650,000
Johor Specialist Hospital Sdn Bhd	12,203,000	14,155,480	12,203,000	15,985,930
KPJ Puteri Specialist Hospital Sdn Bhd	12,000,000	13,920,000	12,000,000	15,720,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	13,675,240	11,789,000	15,443,590
KPJ Healthcare University College Sdn Bhd	7,758,620	8,999,999	7,758,620	10,163,792
Kuantan Specialist Hospital Sdn Bhd	5,000,000	5,800,000	5,000,000	6,550,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,204,920	4,487,000	5,877,970
Jeta Gardens (Qld) Pty Ltd	3,786,924	4,392,832	3,786,924	4,960,870
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,060,000	3,500,000	4,585,000
Taiping Medical Centre Sdn Bhd	3,334,000	3,867,440	3,334,000	4,367,540
Johor Ventures Sdn Bhd	173,219	200,934	173,219	226,917

20. Management Expense Ratio ("MER")

	Fund	
	2021	2020
	%	%
MER	0.29	0.32

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

21. Significant related party transactions

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. Significant related party transactions (cont'd)

Significant related party charges/(credits) other than those disclosed in Note 4 are as follows:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Manager's fee	1,845,342	1,837,356	1,845,342	1,837,356
Maintenance fee	1,010,176	1,012,400	1,010,176	1,012,400
Other income	(532,000)	(532,000)	(532,000)	(532,000)

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Less than one year	115,451,639	92,333,647	109,723,524	80,897,143
Between one and five years	446,089,551	193,428,006	422,480,505	159,118,494
	561,541,190	285,761,653	532,204,029	240,015,637

23. Financial risk management objectives and policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial risk management objectives and policies (cont'd)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

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.

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 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 are of the opinion going concern basis used in the preparation of financial statements is appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

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
Group				
As at 31 December 2021				
Financial liabilities				
Other payables	20,613,049	-	13,637,031	34,250,080
Islamic financing	22,924,406	469,751,406	314,434,192	807,110,004
	43,537,455	469,751,406	328,071,223	841,360,084
As at 31 December 2020				
Financial liabilities				
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
Fund				
As at 31 December 2021				
Financial liabilities				
Other payables	20,259,662	-	13,637,031	33,896,693
Islamic financing	22,924,406	469,751,406	314,434,192	807,110,004
	43,184,068	469,751,406	328,071,223	841,006,697
As at 31 December 2020				
Financial liabilities				
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest 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 interest rate mentioned below will have an impact on the management of the Group and the Fund regardless of 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 and placements 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Financing rate				
- 25 bp increase	1,608,433	1,618,278	1,608,529	1,619,462
- 25 bp decrease	(1,608,433)	(1,618,278)	(1,608,529)	(1,619,462)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Denominated in AUD				
Trade receivables	19,814,463	20,950,135	-	-
Cash and cash equivalents	26,732,251	22,459,995	7,205,394	10,369,231
Other receivables	-	-	-	-
Other payables	(351,539)	(343,726)	-	-
Net exposure in the statements of financial position	46,195,175	43,066,404	7,205,394	10,369,231

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.

	Other comprehensive income Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
AUD				
Strengthened 5%	2,309,759	2,153,320	360,270	518,462
Weakened 5%	(2,309,759)	(2,153,320)	(360,270)	(518,462)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Segment reporting (cont'd)

The Group's segmental information is as follows:

	Malaysia RM	Australia RM	Total RM
31 December 2021			
Gross rental	104,245,507	9,826,994	114,072,501
Property expenses	(5,840,129)	(10,499)	(5,850,628)
Net property income	98,405,378	9,816,495	108,221,873
Investment revenue	623,104	-	623,104
Realised gain on foreign exchange	11,182	-	11,182
Unrealised gain on foreign exchange	-	-	-
Other income	532,303	28	532,331
Fair value adjustment on investment properties	5,536,199	-	5,536,199
Total income	105,108,166	9,816,523	114,924,689
Trust expenditure	(11,951,060)	(2,187,306)	(14,138,366)
Operating profit	93,157,106	7,629,217	100,786,323
Finance costs	(28,004,770)	-	(28,004,770)
Profit before tax	65,152,336	7,629,217	72,781,553
Tax	768,296	-	768,296
Profit after tax	65,920,632	7,629,217	73,549,849
Total assets	1,539,093,674	125,639,320	1,664,732,994
Total liabilities	719,379,547	351,539	719,731,086

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Segment reporting (cont'd)

The Group's segmental information is as follows:

	Malaysia RM	Australia RM	Total RM
31 December 2020			
Rental	103,918,211	11,792,068	115,710,279
Property expenses	(5,943,869)	(152,184)	(6,096,053)
Net property income	97,974,342	11,639,884	109,614,226
Investment income	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)
Total income	95,712,203	(30,708,776)	65,003,427
Expenditure	(14,283,068)	(1,841,909)	(16,124,977)
Operating profit	81,429,135	(32,550,685)	48,878,450
Financing costs	(35,254,090)	-	(35,254,090)
Profit before tax	46,175,045	(32,550,685)	13,624,360
Tax	(2,534,162)	1,481,204	(1,052,958)
Profit after tax	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

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 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).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

25. Capital management (cont'd)

Gearing ratio

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 follows:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Total borrowings	683,876,967	683,587,255	683,876,967	664,303,048
Total assets value	1,664,732,994	1,647,986,337	1,664,796,608	1,647,844,525
Total borrowings to total assets value ratio	41.08%	41.48%	41.08%	40.31%

26. Portfolio turnover ratio ("PTR")

	Fund	
	2021 RM	2020 RM
PTR (times)	-	-

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. Contingent liabilities

On 25 January 2022, Al-Aqar Australia Pty Ltd, a subsidiary of the Group, has received a Failure To Lodge on time ("FTL") penalty of AUD1,554,000 (equivalent to RM4,755,240) in relation to late lodgement of several Business Activity Statements ("BAS") from the Australian Taxation Authority ("ATO") for the months of April 2021 to August 2021.

The Group also faces potential exposure to additional penalties for the following:

- (i) False or misleading statements with regard to failure to disclosure the status of its subsidiary as a Significant Global Entity ("SGE"). These penalties could range from Nil to AUD106,560 (equivalent to RM326,074); and
- (ii) FTL penalties relating to failure to lodge General Purpose Financial Statements ("GPFS") for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020. These penalties would likely be approximately AUD2,200,000 (equivalent to RM6,732,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

27. Contingent liabilities (cont'd)

The directors, upon consultation with their tax advisors, are of the view that ATO will reduce the penalty amount as this is the Group's first infringement. Based on the tax advisors' previous experience of dealing with the ATO on similar matters, it is probable that the Group may be liable for a penalty of AUD150,000 (equivalent to RM459,000) for failure to lodge BAS on time. It is also probable that the Group will have no further penalties relating to non-disclosure of its status as an SGE and late lodgements of GPFS from 2016 to 2020 under a prompt voluntary disclosure.

Based on the above, management recognised a provision of RM459,000 based on their best estimate of the probable outcome as at the reporting date.

28. Capital commitments

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Capital expenditure				
- authorised but not contracted for	296,000,000	-	296,000,000	-

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