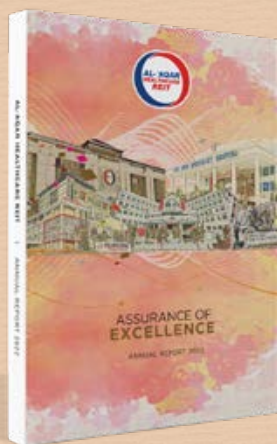




ASSURANCE OF EXCELLENCE

ANNUAL REPORT 2022



COVER RATIONALE

Established with an initial portfolio of 6 properties, Al-Aqar has grown its portfolios and takes pride in realizing its objective as the world's first Islamic Real Estate Investment Trust that delivers strong and sustainable value to all its stakeholders. As we moved towards the future, Al-Aqar is looking beyond to expand and diversify its portfolio locally and abroad with developments that are not only market-driven but also built with value and sustainability in mind. At Al-Aqar, we believe in providing "Assurance of Excellence" to our stakeholders, we will achieve shared successes and build the common good, as we grow together.



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 website

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2022 HIGHLIGHTS



Property Value **RM1.72 Billion**



Distribution Yield **6.64%**



Market Capitalisation **RM922.9 Million**



Distribution Per Unit ("DPU") **8.10 Sen**



Gross Revenue **RM110.2 Million**



Net Realised Income **RM67.8 Million**



Occupancy Rate **100%**



Number of Assets **24**



Total Return **11.81%**

CORPORATE PROFILE



Al-`Aqar was listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 10 August 2006.

Al-`Aqar was established with an initial portfolio of **6 properties** , and today, it has grown to **24 properties** , comprising **17 hospitals**  and **4 wellness/health centres** , **2 colleges**  in Malaysia and **1 aged care & retirement village**  in Australia.

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

As at 31 December 2022, **Al-`Aqar's property values**  stood at **RM1.72 billion** with a **market capitalisation**  of **RM922.9 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

LARKIN SENTRAL PROPERTY BERHAD

Lot S8, Podium 1, Menara Ansar,
65, Jalan Trus,
80000 Johor Bahru, Johor.
Tel : (+607) 297 2521
Fax : (+607) 223 3275

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 : arsaki@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@kaaplawa.com
Website : www.kaaplawa.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

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

CBRE WTW Valuation & Advisory Sdn Bhd (197401001098)

(formerly known as C H Williams Talhar & Wong Sdn Bhd)
30-01 30th Floor
Menara Multi-Purpose
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 2022 (“FY2022”). The year 2022 is a recovery year as Malaysia transitioned to “Endemic Phase” of Covid-19 and healthcare industry recorded a strong rebound in financial earnings. In 2022, Al-`Aqar reached a significant milestone by successfully completing the acquisition of three assets and the Group’s investment properties value stood at a record high of RM1.7 billion as at 31 December 2022. As we enter 2023, the Manager is prepared to implement the comprehensive 5-Year Plan (2023-2027) which will propel Al-`Aqar to the next stage of growth. As the Chairman of the Group, it is my pleasure to present the Annual Report 2022 with our distribution per unit (“DPU”) hitting a historic 10-year high of 8.10 sen. This remarkable achievement contributed mainly by cost savings from the refinancing exercise in FY2021 and no rental support given during the financial year. ”



REVIEWING 2022: A RECOVERY YEAR

The global GDP is projected to slow from 6.0% in 2021 to 3.2% in 2022, as the world is experiencing a broad-based slowdown on the back of the high inflation, tightening financial conditions in most regions and Russia’s invasion of Ukraine.

For Malaysia, we transitioned to “Endemic Phase” of Covid-19 in April 2022, with all restrictions on business activities removed and life return to normalcy. The Malaysian economy expanded by 8.7% in 2022 given the favourable growth momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions.

The private hospitals saw a strong rebound in patient visits in 2022, particularly those seeking elective treatments. This has led to strong operating metrics for the KPJ Group, such as increased patient volume and higher bed occupancy rate. KPJ Group’s financial earnings rebounded in 2022 and are on track to return to pre-COVID-19 level. Hence, unlike in 2021, Al-`Aqar did not provide any rental support to the KPJ Group in 2022.

2022 – PORTFOLIO GREW

The Malaysia segment was largely resilient, underpinned by the long contractual leases. On 23 December 2022, Al-Aqar completed the acquisitions of KPJ Pasir Gudang Specialist Hospital (“KPJ Pasir Gudang”), the extended building of KPJ Seremban Specialist Hospital (“KPJ Seremban”) and the extended building of Taiping Medical Centre for a total consideration of RM192.0 million, satisfied by combination of RM167.0 million cash and 20.5 million units worth RM25.0 million. This brought Al-Aqar’s total number of properties to 24 (from 23 in 2021) and investment properties value to RM1.7 billion (from RM1.5 billion as at 31 December 2021). The acquisition of these properties aligns with the Group’s expansion strategy, while fortifying our relationship with the KPJ Group.

For the business segment in Australia, the ongoing reform which is led by the Royal Commission has continued to create uncertainties within the aged care industry. The aged care providers are required to implement new standards and reporting systems which resulted in higher operating expenses and adversely affected the financial performance of the aged care providers. Nevertheless, as Australia learned to live with Covid-19 without restrictions, our property in Australia, Jeta Gardens, has also seen the occupancy rate improved from the low of 70% in 2021 to 80% in 2022. Jeta Gardens contributed 5.1% to Al-Aqar’s total revenue in FY2022 and did not have any significant impact to the DPU.



2022 AL-AQAR INITIATIVES

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

Lower interest rates in 2021 and 2022 benefited Al-Aqar, where the refinancing exercise in FY2021 contributed significantly to cost savings of RM14.0 million over two years.



Investment Management

On 23 December 2022, Al-Aqar completed the acquisitions of KPJ Pasir Gudang, the extended building of KPJ Seremban and the extended building of Taiping Medical Centre for a total consideration of RM192.0 million. The acquisition will provide minimum additional income stream of RM11.0 million per annum.



Asset Management

In 2022, Al-Aqar has renewed the 3-year rental of KPJ Tawakkal KL Specialist Hospital which contributed 8.6% of Al-Aqar’s revenue in FY2022, an upward revision of 2.0% from the last rental. Al-Aqar has also managed to maintain a 100% occupancy rate for all the assets leased out to the lessees during the year.

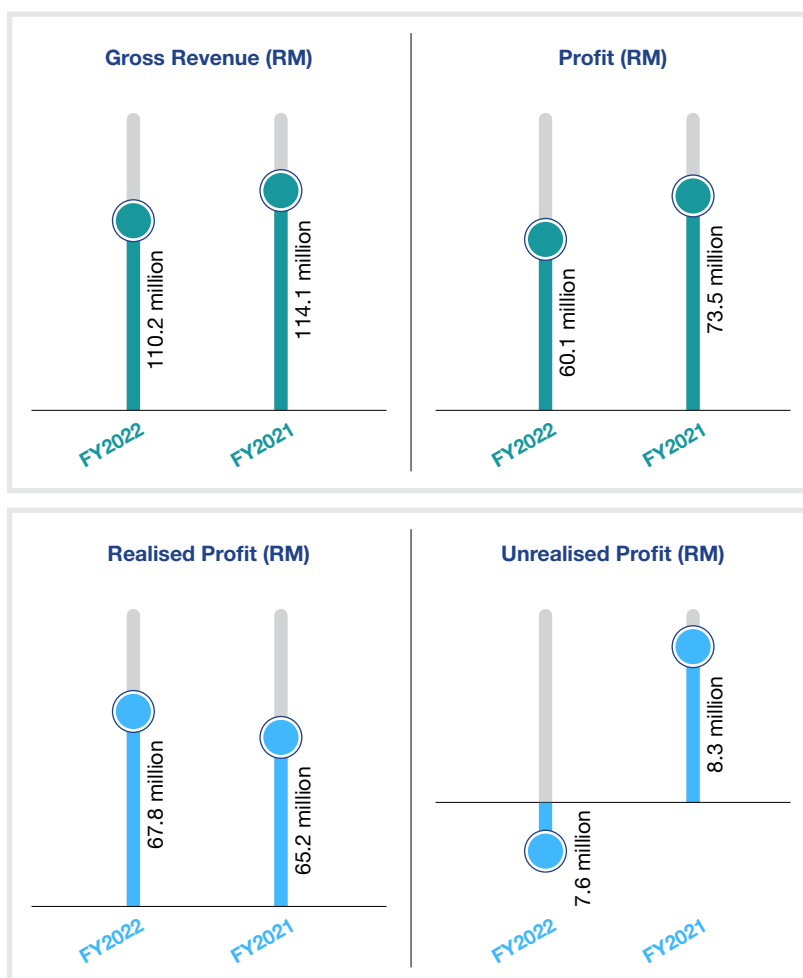
LETTER TO STAKEHOLDERS

2022 – PORTFOLIO GREW (CONT'D)

2022 AL-AQAR FINANCIAL PERFORMANCE.

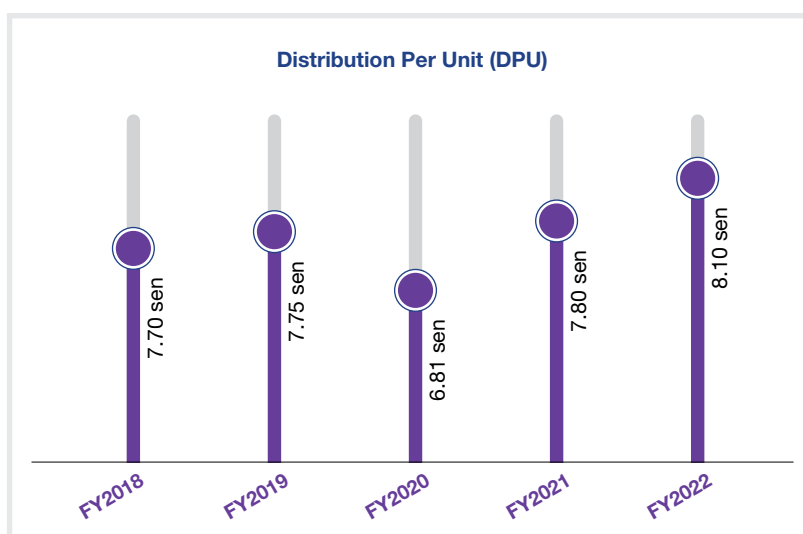
In FY2022, the Group recorded a slightly lower gross revenue of RM110.2 million (FY2021: RM114.1 million) and net property income of RM104.2 million (FY2021: RM108.2 million). Profit for the year was RM60.1 million (FY2021: RM73.5 million); comprising realised profit of RM67.8 million (FY2021: RM65.2 million) and unrealised loss of RM7.6 million (FY2021: unrealised gain of RM8.3 million).

Despite lower profit recorded in FY2022, realised profit increased marginally by 3.9% to RM67.8 million in FY2022 mainly due to saving from refinancing exercise and absence of Covid-19 rental support to tenant. The unrealised loss of RM7.6 million mainly related to fair value adjustment of investment properties.



2022 AL-AQAR DISTRIBUTION.

Al-Aqar has seen a rising trend of DPU beginning in FY2019 (except for FY2020), as opposed to previous record of stagnant distribution pattern. The Fund has achieved a total distribution per unit of 8.10 sen in FY2022, surpassed not only the pre-pandemic distribution in FY2019, but also achieved a historic 10-year high. This remarkable achievement is due to cost savings from the refinancing exercise in FY2021 and no rental support given during the financial year.



LETTER TO STAKEHOLDERS



2023 - ON EXPANSION MODE

Malaysia's GDP is expected to grow moderately between 4.0% to 5.0% in 2023, backed by strong fundamentals and diversified economic structure, coupled with ongoing policy support to cushion the impact of the rising cost of living and mitigate the downside risks stemming from prolonged geopolitical uncertainties and tightening global financial conditions.

The Manager is optimistic about Al-Aqar's prospects in 2023, underpinned by the full-year earnings contribution from the three assets which were acquired in December 2022 and the expected renewal of "Second Injection Properties" in June 2023. Moreover, the Manager's primary focus will be on expansion and diversification of the portfolio as well as growing Al-Aqar's DPU. The Manager has also taken into consideration the possibility of a higher OPR in managing both the existing asset portfolio and the future acquisitions.

BUILDING A RESILIENT TOMORROW

The Manager has developed a comprehensive 5-Year Plan (2023-2027), taking into consideration of the future healthcare trends, such as telemedicine and data-driven models, which have accelerated substantially during the Covid-19 pandemic period. With the implementation of the 5-Year Plan (2023-2027), the Manager expect the Group's investment properties value to double in size to approximately RM3.0 billion by 2027 and the DPU to show a consistent upward trend in the long-term.

GROUP LEVEL - THE 5-YEAR PLAN (2022-2027)

The next five years will see the Group carefully evaluate potential asset acquisitions to ensure alignment with the Group's growth and diversification strategies. In addition, underperforming and underutilized assets will be repositioned or divested to maximize returns. These efforts will serve as a foundation for optimizing and expanding the Group's current portfolio. The Manager is currently in negotiations with both KPJ and third-party asset owners/operators to acquire new healthcare properties.

GROUP LEVEL - BUSINESS MODEL TRANSFORMATION

To remain competitive in the market, the Manager is exploring new business model for Al-Aqar's future tenants. This may include rental arrangement that has flexibility and is customised to the needs of the future tenants, without compromising on the distribution to unitholders.

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. It is anticipated that digital transformation initiative also will streamline the data mining and analysing processes, leading to an increase in the Manager's productivity in managing the Fund.

LETTER TO STAKEHOLDERS

APPRECIATION AND ACKNOWLEDGMENT

In conclusion, I wish to extend my heartfelt appreciation to our stakeholders, 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 Non-Independent Executive Director and Chief Executive Officer, Wan Azman Bin Ismail for his positive contribution to the Board. Additionally, I extend a warm welcome to the newly appointed Directors, Dato' Salehuddin Bin Hassan as Non-Independent and Non-Executive Director on 10 March 2022, as well as to Lailatul Azma Binti Abdullah as an Independent Non-Executive Director and Ng Yan Chuan as Non-Independent and Non-Executive Director on 12 December 2022.

I am also delighted to welcome YM Raja Nazirin Shah Bin Raja Mohamad as our new Chief Executive Officer, who joined us on 11 January 2023. With his extensive experience and proven track record, I am confident that he will lead us into a new chapter of growth and deliver exceptional results for our stakeholders.

Our appreciation is also expressed to our Management and loyal employees who continue to put in their effort and commitment for Al-'Aqar to endure during the pandemic period. Looking forward, we will continue to strengthen our business and presence throughout Malaysia and overseas.

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

INVESTMENT OBJECTIVE

To provide stable distributions per unit to unitholders with potential for sustainable growth of distributions and net asset value per unit.

INVESTMENT POLICY

To diversify its Shariah-compliant real estate portfolio with a focus on healthcare-related real estate investment by property and location as well as to explore opportunities with attractive returns.

INVESTMENT MANAGEMENT STRATEGY

- To increase cash flow and enhance unit value through selective acquisitions
- To preserve and enhance the value of the Fund's properties via portfolio diversification consideration and a combination of:
 - i. capitalization of acquisition growth opportunities; and
 - ii. identify assets approaching or have attained optimal returns for disposal consideration.

OPERATING STRATEGY

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

- i. meeting needs of the tenants
- ii. maintaining the quality and physical conditions of the properties;
- iii. minimizing interruptions in rental income and operational costs; and
- iv. enhancement initiatives by repositioning or repurposing potential underperformed or underutilized properties.

CAPITAL MANAGEMENT STRATEGY

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

Distribution Policy:

At least 95% of distributable income

Fund Size:

756,485,757 units

Rental Review:

Every 3 years

Occupancy Rate:

100%

Listing:

Main Market of Bursa Malaysia Securities Berhad

Stock Name & Code:

ALAQAR (5116)

Listing Date:

10 August 2006

Financial Year End:

31 December

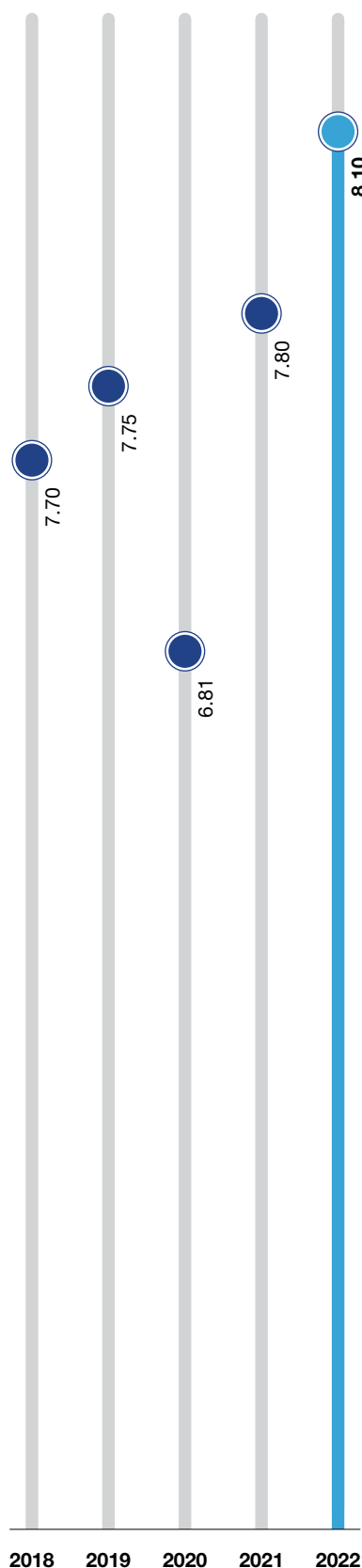
5-YEARS' FINANCIAL PERFORMANCE

		2018	2019	2020	2021	2022
FINANCIAL HIGHLIGHTS - GROUP						
Gross revenue	(RM'000)	102,648	106,110	115,710	114,072	110,239
Net property income	(RM'000)	96,609	100,326	109,614	108,222	104,199
Profit before tax	(RM'000)	92,292	76,148	13,624	72,781	60,036
Profit for the year						
- realised	(RM'000)	61,032	63,409	56,984	65,218	67,766
- unrealised	(RM'000)	30,342	12,753	(44,413)	8,331	(7,627)
Earnings per unit						
- realised	(sen)	8.37	8.62	7.74	8.86	9.20
- unrealised	(sen)	4.29	1.73	(6.03)	1.13	(1.03)
Investment properties	(RM'000)	1,485,727	1,569,814	1,534,501	1,538,210	1,721,281
Total asset value	(RM'000)	1,580,468	1,674,352	1,647,986	1,664,733	1,867,066
Net asset value	(RM'000)	947,798	958,513	943,490	945,002	971,215
NAV per unit						
- before distribution	(RM)	1.2878	1.3024	1.2819	1.2840	1.2839
- after distribution	(RM)	1.2671	1.2822	1.2474	1.2660	1.2629

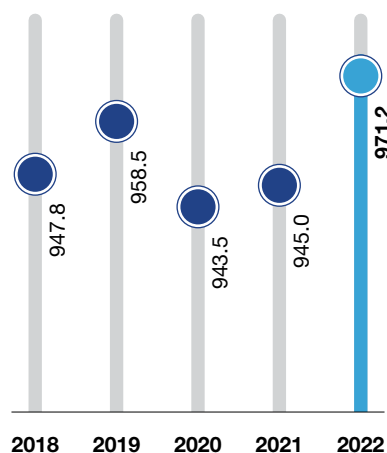
		2018	2019	2020	2021	2022
FINANCIAL HIGHLIGHTS - FUND						
Gross revenue	(RM'000)	91,097	94,588	103,918	104,245	104,588
Net property income	(RM'000)	85,162	88,942	97,974	98,405	98,610
Profit before tax	(RM'000)	83,112	73,771	50,126	46,602	58,083
Profit for the year						
- realised	(RM'000)	59,770	61,267	55,137	64,400	66,707
- unrealised	(RM'000)	23,342	12,504	(7,545)	(17,030)	(8,521)
Earnings per unit						
- realised	(sen)	8.20	8.32	7.49	8.75	9.06
- unrealised	(sen)	3.09	1.70	(1.02)	(2.31)	(1.16)
Investment properties	(RM'000)	1,353,300	1,449,400	1,446,376	1,451,912	1,636,015
Total asset value	(RM'000)	1,551,718	1,650,199	1,647,844	1,664,797	1,867,100
Net asset value	(RM'000)	943,239	959,604	967,599	945,419	971,209
NAV per unit						
- before distribution	(RM)	1.2816	1.3038	1.3147	1.2846	1.2838
- after distribution	(RM)	1.2609	1.2836	1.2802	1.2666	1.2628
Market Capitalisation	(RM'000)	964,140	971,500	964,140	853,743	922,913
Distribution Per Unit	(sen)	7.70	7.75	6.81	7.80	8.10
Annualised Distribution Yield	(%)	5.88	5.87	5.20	6.72	6.64

5-YEARS' FINANCIAL PERFORMANCE

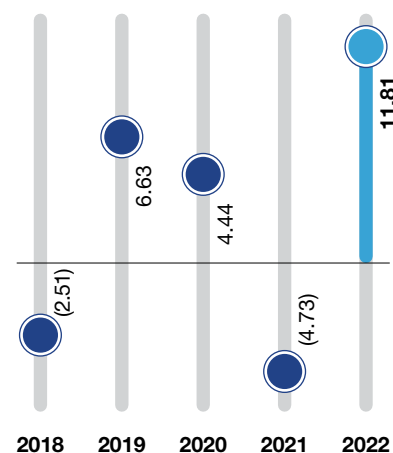
DISTRIBUTION PER UNIT
(Sen)



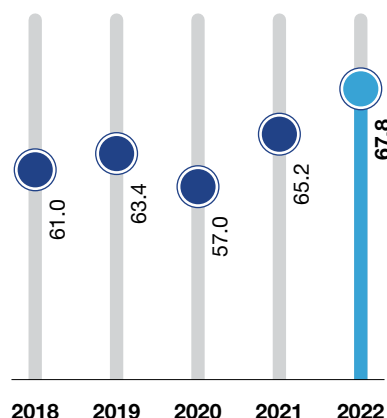
NET ASSET VALUE
(RM Million)



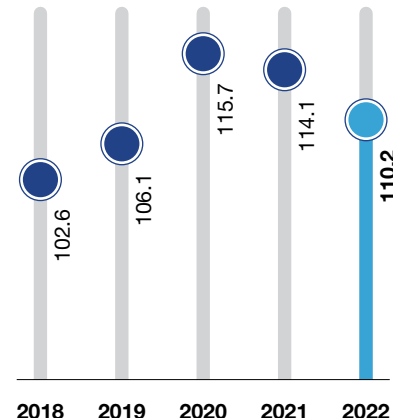
ANNUAL TOTAL RETURN
(%)



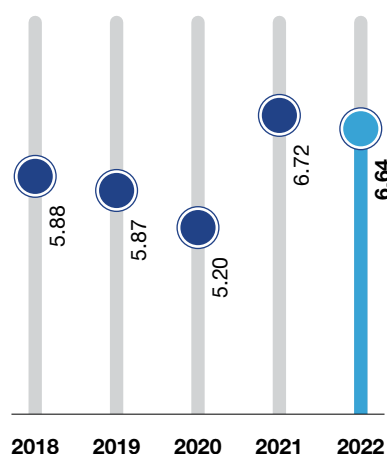
PROFIT FOR THE YEAR (REALISED)
(RM Million)



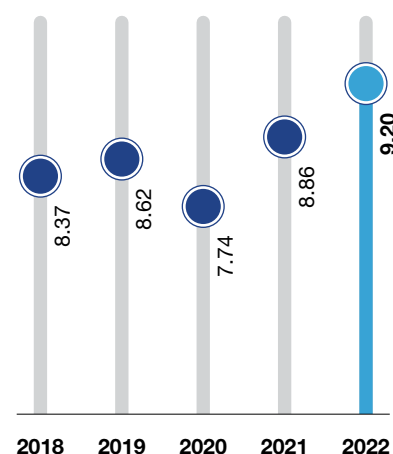
GROSS REVENUE
(RM Million)



DISTRIBUTION YIELD
(%)



EARNINGS PER UNIT (REALISED)
(Sen)

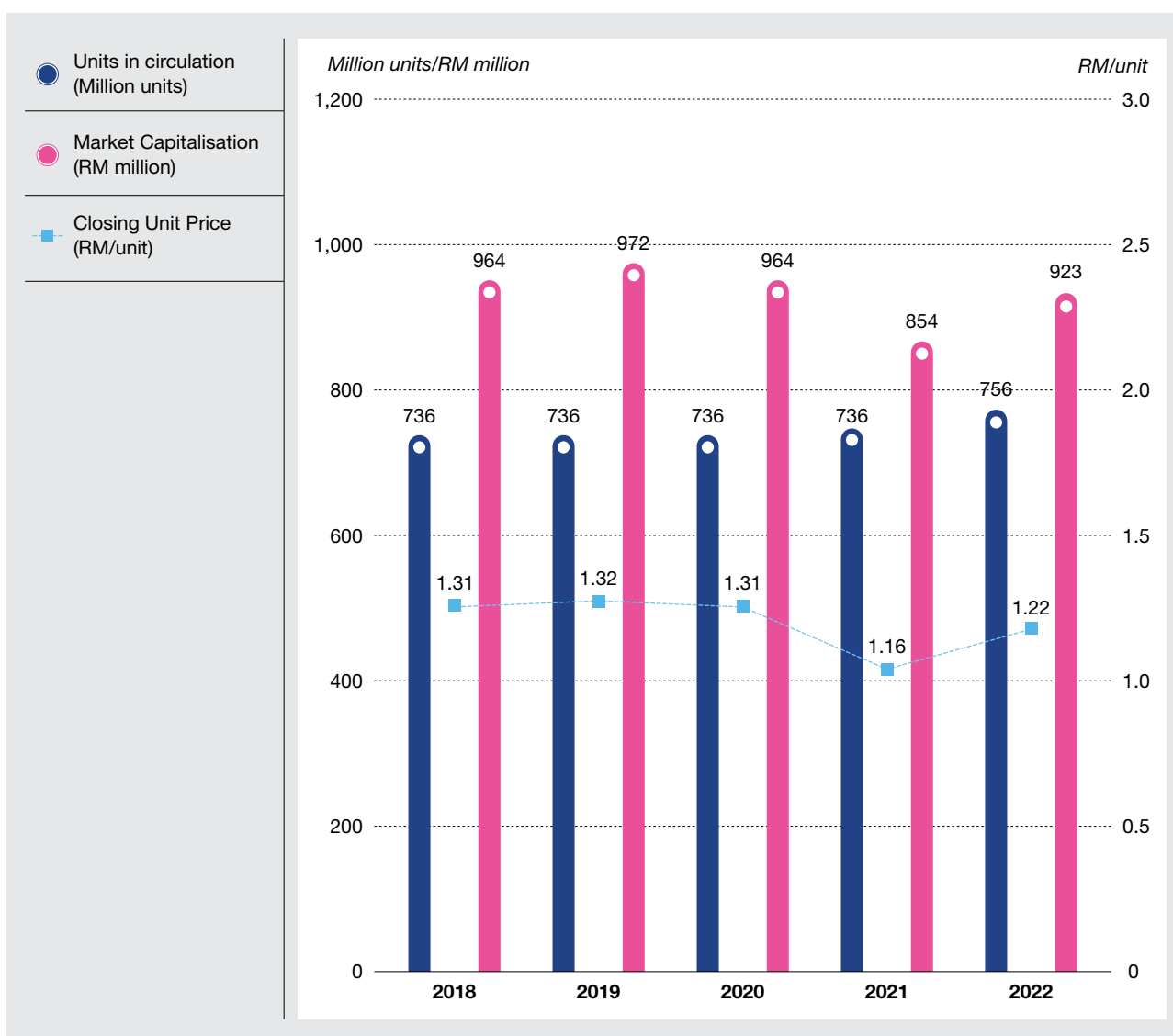


TRADING PERFORMANCE

TRADING SUMMARY

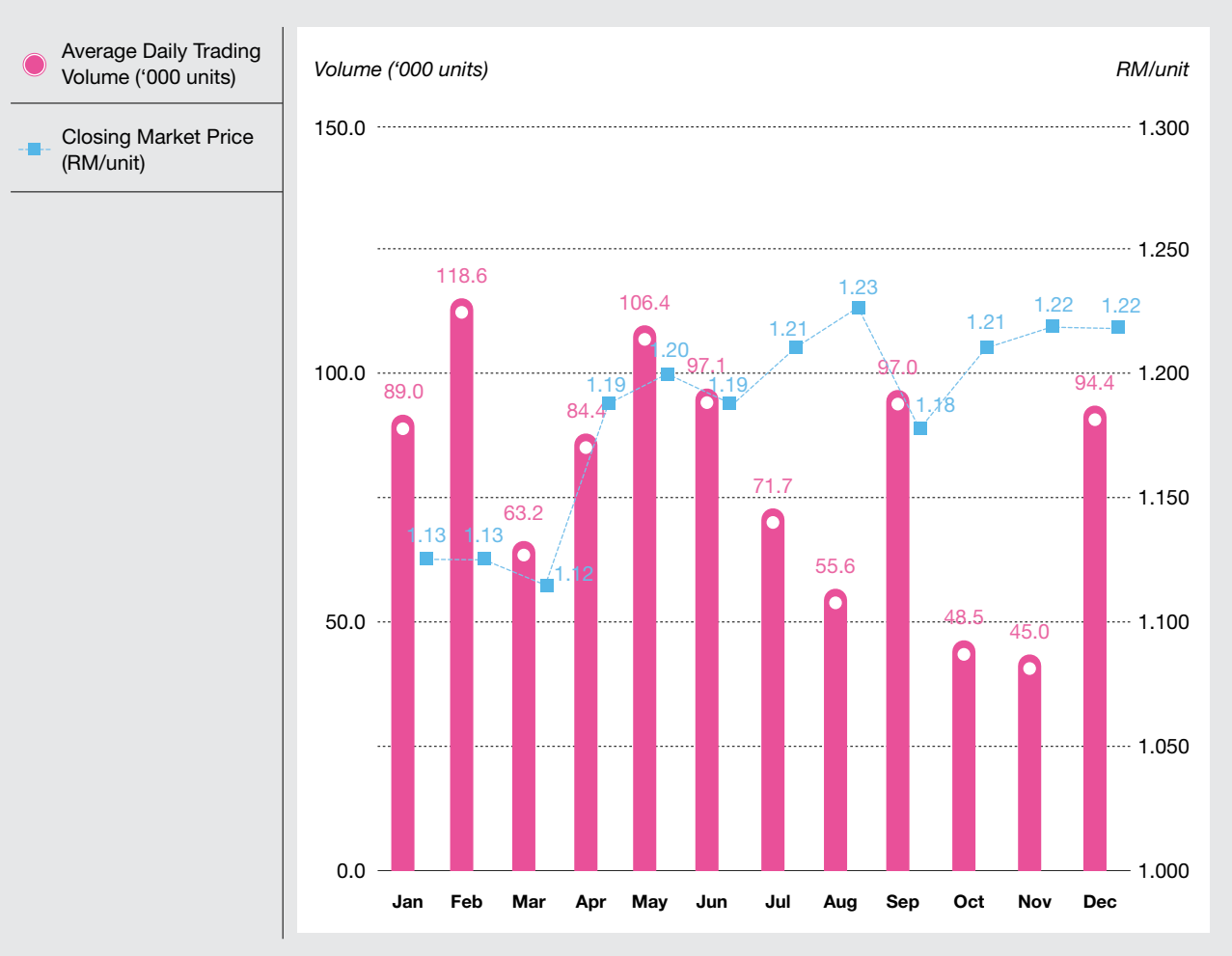
		2018	2019	2020	2021	2022
Closing Unit Price	(RM)	1.31	1.32	1.31	1.16	1.22
52-week Highest Traded Price	(RM)	1.41	1.55	1.42	1.37	1.25
52-week Lowest Traded Price	(RM)	1.08	1.27	1.19	1.09	1.09
Price Movement	(%)	(8.4)	0.8	(0.8)	(11.5)	5.17
Annual Total Return	(%)	(2.51)	6.63	4.44	(4.73)	11.81
Number of Units in Circulation	('000)	735,985	735,985	735,985	735,985	756,486
Market Capitalisation	(RM'000)	964,140	971,500	964,140	853,743	922,913

MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION

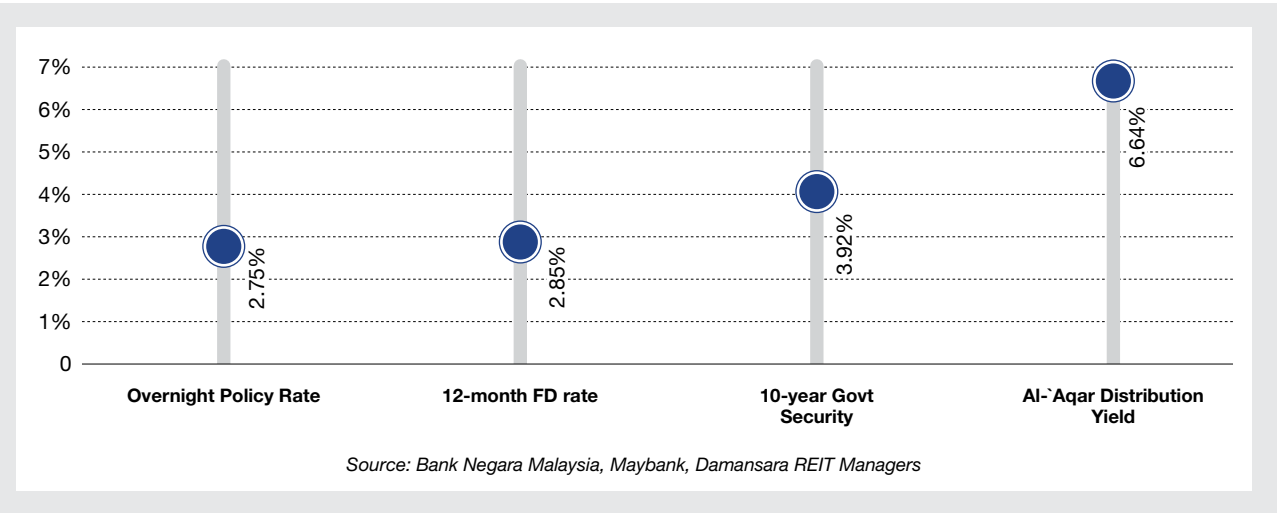


TRADING PERFORMANCE

FY2022 TRADING PERFORMANCE



COMPARATIVE YIELD



ANALYSIS OF UNIT HOLDINGS

UNITHOLDINGS STATISTICS AS OF 31 DECEMBER 2022

As per Record of Depositor

Issued	756,485,757 Units
--------	-------------------

BREAK DOWN OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	371	7.38	14,943	-
100 – 1000	1,720	34.24	880,371	0.12
1,001 – 10,000	2,007	39.96	9,206,187	1.22
10,001 – 100,000	770	15.33	24,050,191	3.18
100,001 to less than 5% of Issued Capital	150	2.99	394,275,300	52.12
5% and above of Issued Capital	5	0.10	328,058,765	43.36
TOTAL	5,023	100.00	756,485,757	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	13.50
2	CitiGroup Nominees (Tempatan) Sdn. Bhd. - A/C Employees Provident Fund Board	75,620,175	10.00
3	Kumpulan Wang Persaraan (Diperbadankan)	63,322,400	8.37
4	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	46,000,000	6.08
5	Pusat Pakar Tawakal Sdn. Bhd.	41,017,534	5.42
6	Bandar Baru Klang Specialist Hospital Sdn. Bhd.	36,115,266	4.77
7	HSBC Nominees (Tempatan) Sdn. Bhd. - A/C Pledged Securities Account For Selangor Specialist Hospital Sdn. Bhd.	35,000,000	4.63
8	Seremban Specialist Hospital Sdn. Bhd.	23,731,000	3.14
9	Ampang Puteri Specialist Hospital Sdn. Bhd.	21,013,739	2.78
10	KPJ Healthcare Berhad	20,500,669	2.71
11	Medical Associates Sdn. Bhd.	19,055,000	2.52
12	Waqaf An-Nur Corporation Berhad	18,251,870	2.41
13	AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia 3	16,857,430	2.23
14	Sentosa Medical Centre Sdn. Bhd.	15,653,000	2.07
15	Kedah Medical Centre Sdn. Bhd.	15,000,000	1.98
16	Pusat Pakar Tawakal Sdn. Bhd.	13,631,000	1.80
17	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	12,726,100	1.68
18	Johor Specialist Hospital Sdn. Bhd.	12,203,000	1.61
19	Puteri Specialist Hospital (Johor) Sdn. Bhd.	12,000,000	1.59

ANALYSIS OF UNIT HOLDINGS

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	%
20	Perdana Specialist Hospital Sdn. Bhd.	11,789,000	1.56
21	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	11,749,800	1.55
22	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.11
23	KPJ Healthcare University College Sdn. Bhd.	7,758,620	1.03
24	CitiGroup Nominees (Tempatan) Sdn. Bhd. - A/C Employees Provident Fund Board (ASIANISLAMIC)	5,767,400	0.76
25	Kuantan Specialist Hospital Sdn. Bhd.	5,000,000	0.66
26	Kajang Specialist Hospital Sdn. Bhd.	4,487,000	0.59
27	AmanahRaya Trustees Berhad - A/C Jeta Gardens (QLD) Pty Ltd	3,786,924	0.50
28	Kota Kinabalu Specialist Hospital Sdn. Bhd.	3,500,000	0.46
29	CIMB Group Nominees (Tempatan) Sdn. Bhd. - A/C Aiiman Asset Management Sdn. Bhd. For Lembaga Tabung Haji	3,433,200	0.45
30	Ong Ah How @ Ong Beng Hwa	3,408,677	0.45

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

No.	Name	Direct Interest		Deemed Interest	
		No. of Units	%	No. of Units	%
1	Johor Corporation	-	-	289,748,971 ⁽¹⁾	38.31
2	KPJ Healthcare Berhad	-	-	289,575,752 ⁽²⁾	38.29
3	Lembaga Tabung Haji	105,531,856	13.95	-	-
4	Employees Provident Fund	83,227,538	11.00	-	-
5	Kumpulan Wang Persaraan (Diperbadankan)	65,390,800	8.64	-	-
6	Pusat Pakar Tawakal Sdn. Bhd.	54,648,534	7.22	-	-
7	Amanah Saham Bumiputera	46,000,000	6.08	-	-

Notes :

⁽¹⁾ Deemed interested by virtue of its shareholding in several companies which are part of the KPJ Group Pursuant to Section 8 of the Act

⁽²⁾ Deemed interested by virtue of its shareholding in KPJ and Johor Ventures Sdn. Bhd. pursuant to Section 8 of the Act

ANALYSIS OF UNIT HOLDINGS

UNIT ANALYSIS AS OF 31 DECEMBER 2022

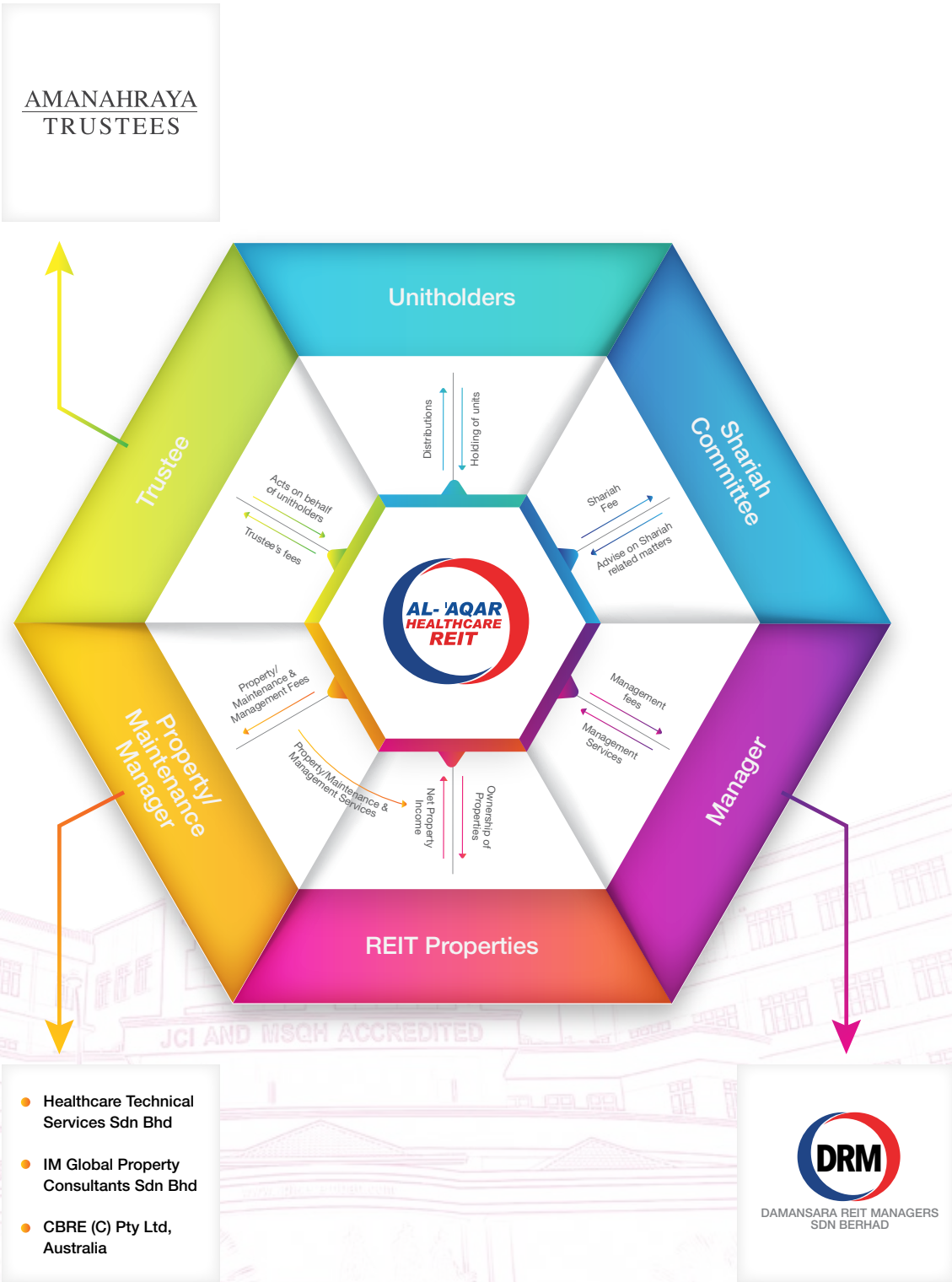
ROD	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holder	No. of Units	Holder	No. of Units	Holder	No. of Units	Holder	No. of Units
Govt. Agencies Group 3	1	3,000	1	3,000	-	-	-	-
Finance	20	268,601,682	14	241,553,286	5	23,261,472	1	3,786,924
Investment Trust	6	171,500	4	16,500	2	155,000	-	-
Nominees Private Limited Company	1,291	154,804,863	278	133,028,032	971	18,696,096	42	3,080,735
-	55	247,619,758	24	245,844,878	31	1,774,880	-	-
-	-	-	-	-	-	-	-	-
Limited Company								
- Retail Body Corporates	18	39,890,439	18	39,890,439	-	-	-	-
- Insti-Body Corporate	7	1,896,000	7	1,896,000	-	-	-	-
Clubs / Association	2	898,400	1	895,400	1	3,000	-	-
Co - Operatives	7	606,250	5	506,650	2	99,600	-	-
Individuals	3,616	41,993,865	797	3,467,843	2,768	36,785,623	51	1,740,399
TOTAL	5,023	756,485,757	1,149	667,102,028	3,780	80,775,671	94	8,608,058
%	100.00	100.00	22.88	88.18	75.25	10.68	1.87	1.14

The Driving Force

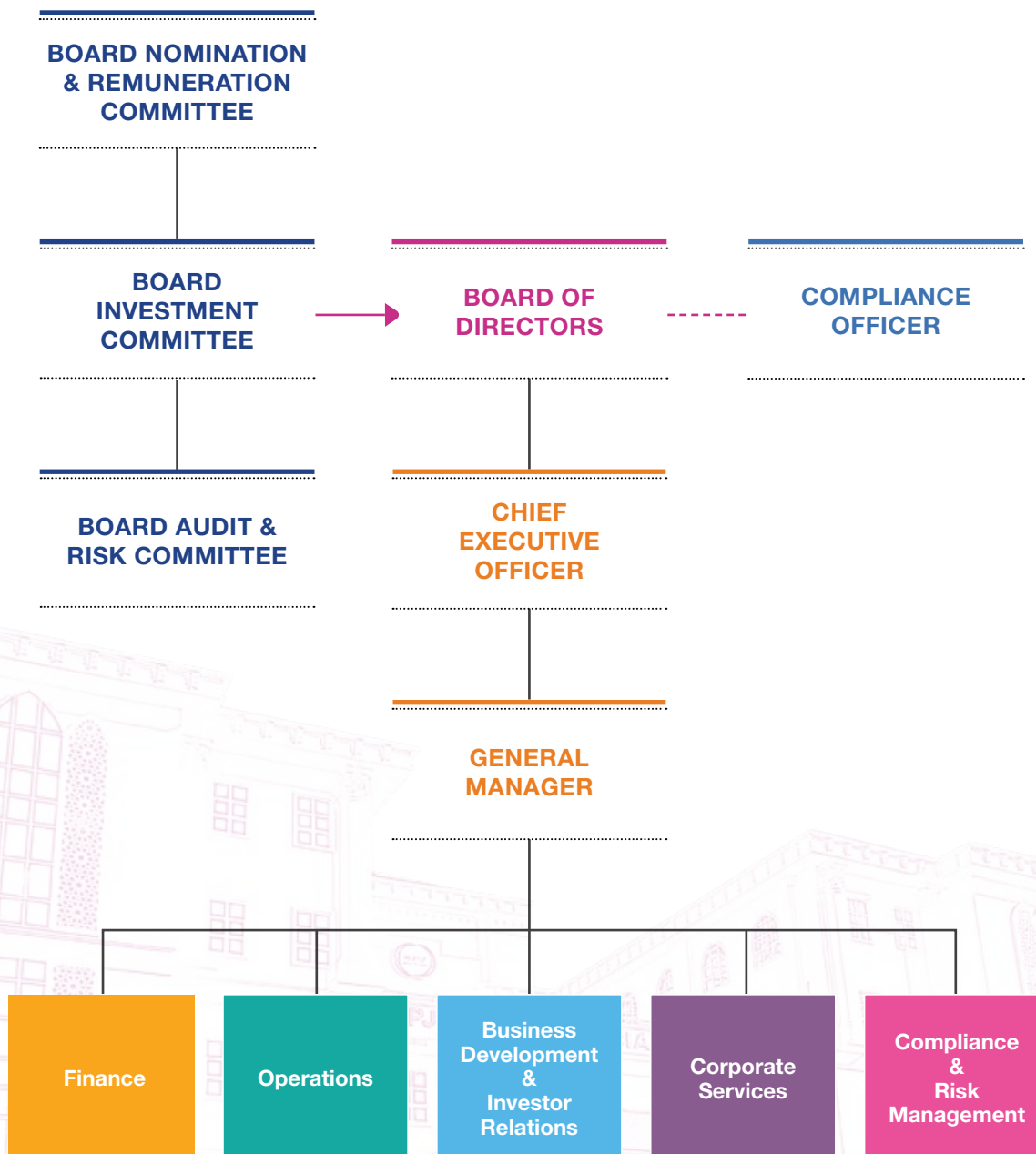
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TRUST STRUCTURE



ORGANISATION STRUCTURE



The Board of Directors



Datuk Hashim Bin Wahir

Abdullah Bin Abu Samah

Dato' Haji Mohd Redza Shah Bin Abdul Wahid

Dato' Wan Kamaruzaman Bin Wan Ahmad

BOARD AT A GLANCE

	Board of Directors	Board Audit and Risk Committee	Board Investment Committee	Board Nomination and Remuneration Committee
1. Dato' Haji Mohd Redza Shah Bin Abdul Wahid	●	●	●	●
2. Dato' Wan Kamaruzaman Bin Wan Ahmad	●	●	●	●
3. Abdullah Bin Abu Samah	●	●	●	●
4. Datuk Hashim Bin Wahir	●	●	●	●
5. Lailatul Azma Binti Abdullah	●	●	●	●
6. Datuk Sr Akmal Bin Ahmad	●	●	●	●
7. Dato' Salehuddin Bin Hassan	●	●	●	●
8. Shamsul Anuar Bin Abdul Majid	●	●	●	●
9. Ng Yan Chuan	●	●	●	●

● Chairman ● Member



Lailatul Azma
Binti Abdullah

Datuk Sr Akmal
Bin Ahmad

Dato' Salehuddin
Bin Hassan

Shamsul Anuar Bin
Abdul Majid

Ng Yan Chuan

COMPANY SECRETARIES



NURALIZA BINTI A. RAHMAN (MAICSA 7067934)



ROHAYA BINTI JAAFAR (LS0008376)

THE BOARD OF DIRECTORS

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

Chairman,
Independent Non-Executive Director

 **Nationality:**

 **Age:** 60

 **Gender:** Male

 **Date of Appointment:** 14 February 2020

 **Number of Meetings Attended:** 6/6

Committee Member:

Nil

Academic and Professional Qualifications:

- **Bachelor of Science in Economics (Industry and Trade)**, London School of Economics and Political Science, University of London, United Kingdom
- **Master of Science of Economics (International Banking and Finance)** University of Wales, Cardiff, United Kingdom
- **Member**, Institute of Chartered Accountants 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

- Waqaf An Nur Corporation Berhad

Course Attended:

- Nil



THE BOARD OF DIRECTORS



DATO' WAN KAMARUZAMAN BIN WAN AHMAD

Independent Non-Executive Director

- Nationality:** Malaysia
- Age:** 64
- Gender:** Male
- Date of Appointment:** 24 August 2020
- Number of Meetings Attended:** 5/6

Committee Member:

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

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 Department KL, London and Hamburg, Malayan Banking Berhad (1994)

Other Directorship:

1. Listed Issuer

- Al-Salām Real Estate Investment Trust
- Malaysian Resources Corporation Berhad
- Bermaz Auto Berhad

2. Public Companies

- Bank of America Malaysia Berhad

Course Attended:

- Nil

THE BOARD OF DIRECTORS

ABDULLAH BIN ABU SAMAH

Independent Non-Executive Director

 **Nationality:**

 **Age:** 58

 **Gender:** Male

 **Date of Appointment:** 10 March 2021

 **Number of Meetings Attended:** 6/6

Committee Member:

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

Academic and Professional Qualifications:

- **Bachelor of Science in Business Administration**, University of the Pacific
- **Master of Business Administration**, University of Washington
- **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

Course Attended:

- Understanding the requirements in Bursa Malaysia's Enhanced Sustainability Reporting Requirement
- Inflation, Looming Recession and Climate Change



THE BOARD OF DIRECTORS



DATUK HASHIM BIN WAHIR

Independent Non-Executive Director

- Nationality:** Malaysia
- Age:** 66
- Gender:** Male
- Date of Appointment:** 24 January 2022
- Number of Meetings Attended:** 6/6

Committee Member:

- Chairman, Board Nomination and Remuneration Committee

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

- Director, PETRONAS Hartabina Sdn Bhd (2013)
- Chief Executive Officer, KLCC REIT Management Sdn Bhd - Manager of KLCCP Stapled Group (2013)
- Group Chief Executive Officer/Executive Director, KLCC(Holdings) Sdn Bhd /KLCC Property Holdings Berhad (2007)
- Country Chairman, Petronas Sudan Operations, Khartoum (2004)

- General Manager, Planning and Resource Allocation - PETRONAS, Kuala Lumpur (2000)
- General Manager of Chad/Cameroon JV Project, Petronas Carigali Sdn Bhd (1999)
- Senior Manager, Petroleum Engineering Department, Petronas Carigali Sdn Bhd (1993)
- Head of Production Technology Baram Delta Operations, Miri, Sarawak (1983)
- Engineer, Petronas Carigali Sdn Bhd (1981)

Other Directorship:

- Listed Issuer**
 - Al-Salām Real Estate Investment Trust
- Public Companies**
 - Pelaburan Hartanah Berhad

Course Attended:

- Mandatory Accreditation program
- Treasury Liquidity & Market Risk Management
- Data Science & Machine Learning in Credit Assessment & Fraud Detection Model

THE BOARD OF DIRECTORS

LAILATUL AZMA BINTI ABDULLAH

Independent Non-Executive Director

-  **Nationality:** 
-  **Age:** 50
-  **Gender:** Female
-  **Date of Appointment:** 16 December 2022
-  **Number of Meetings Attended:** 1/1

Committee Member:

- Nil

Academic and Professional Qualifications:

- **Bachelor of Science, (First Class Honours) Quantity Surveying,** University of Reading, United Kingdom
- **Master of Science, (Distinction) - IT Management in Construction,** University of Salford, United Kingdom
- **Master of Laws (LLM) Corporate Governance,** The University of Law, United Kingdom

Working Experience:

Present Appointment

Nil

Past Experiences

1. Head of Partnership, Specialized Sports Services Sdn Bhd (2022)
2. Head of Branding and Advertising, Destination, Resorts and Hotels Sdn Bhd (Subsidiary of Khazanah) (2014)
3. Director, Asset Management & Investment Committee for CIMB Trust-Capital Sdn Bhd, CIMB Group Berhad (2011)
4. Senior Manager (Asset Management), CIMB Group Berhad (2010)
5. Head of Property Development and Management, CIMB Group Berhad (2007)

6. Head of Business Development, X-Txt Asia Sdn Bhd (2006)
7. Chief of Operations, GCS Sdn Bhd (2004)
8. Quantity Surveyor, Project Executive, Davis, Langdon & Seah Malaysia (JUBM Sdn Bhd) (1997)
9. Contracts Manager, GCS Sdn Bhd (1995)

Other Directorship:

1. Listed Issuer

- Al-Salām Real Estate Investment Trust

2. Public Companies

Nil

Course Attended:

- Nil



THE BOARD OF DIRECTORS



DATUK Sr AKMAL BIN AHMAD

Non-Independent Non-Executive Director

- Nationality:**
- Age:** 57
- Gender:** Male
- Date of Appointment:** 21 January 2021
- Number of Meetings Attended:** 6/6

Committee Member:

- Member, Board Audit and Risk Committee

Academic and Professional Qualifications:

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

Working Experience:

Present Appointment

- Director, Real Estate and Infrastructure Division, Johor Corporation
- Group Managing Director, Damansara Holdings Berhad

Past Experiences

- Executive Director, Johor Land Berhad (2022)
- Group Managing Director, Johor Land Berhad (2020)
- Chief Operating Officer, Iskandar Investment Berhad (2020)
- Chief Executive Officer, Iskandar Development Management Services Sdn Bhd (IIB subsidiary) (2018)
- Chief Development Officer, Iskandar Investment Berhad (2016)

- Director of Operations, Iskandar Development Management Services Sdn Bhd (2013)
- General Manager, Nusajaya Development Sdn Bhd (UEM Land Berhad subsidiary) (2007)
- Project Manager 1, (Prince Court Medical Centre Project) KLCC Projek Sdn Bhd (2007)
- Project Manager, (University Technology of Petronas Development) KLCC Projek Sdn Bhd (2003)
- Project Manager, (Petronas Twin Towers Fit-Out) KLCC Projek Sdn Bhd (1999)
- Contract Management Executive, KLCC Projek Sdn Bhd (1993)

Other Directorship:

1. Listed Issuer

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

2. Public Companies

Nil

Course Attended:

-

THE BOARD OF DIRECTORS

DATO' SALEHUDDIN BIN HASSAN

Non-Independent Non-Executive Director

 **Nationality:**

 **Age:** 59

 **Gender:** Male

 **Date of Appointment:** 4 March 2022

 **Number of Meetings Attended:** 5/6

Committee Member:

- Nil

Academic and Professional Qualifications:

- **Diploma in Banking Studies**, Universiti Teknologi MARA
- **Bachelor of Business Administration with Honours**, Universiti Utara Malaysia

Working Experience:

Present Appointment

1. State Financial Officer of Johor

Past Experiences

1. Mayor (Datuk Bandar) - Majlis Bandaraya Iskandar Puteri (2021)
2. Chief Executive Officer - YPJ Holdings Sdn Bhd (2019)
3. Deputy Secretary of State Government of Johor (Development) - Unit Perancang Ekonomi Negeri Johor (2017)
4. Yang DiPertua - Majlis Perbandaran Johor Bahru Tengah (2015)
5. Chief Executive Officer (CEO) - Yayasan Pembangunan Keluarga Darul Ta'zim (2013)
6. Yang DiPertua - Majlis Perbandaran Batu Pahat (MPBP) (2011)
7. Chief Deputy Secretary - Pejabat Setiausaha Kerajaan Johor, Cawangan Kerajaan Tempatan (2009)

8. Secretary - Majlis Perbandaran Johor Bahru Tengah (2007)
9. Deputy Secretary 1 - Pejabat Setiausaha Kerajaan Johor (Sumber Manusia) (2004)
10. Deputy Director - Pejabat Tanah Dan Galian Johor (Bahagian Kemajuan) (2003)
11. Deputy Land Director - Pejabat Tanah Mersing (2001)
12. Deputy Land Director - Pejabat Tanah Daerah Segamat (2000)

Other Directorship:

1. Listed Issuer

- Al-Salām Real Estate Investment Trust

2. Public Companies

- Nil

Course Attended:

1. Mandatory Accreditation Program



THE BOARD OF DIRECTORS



SHAMSUL ANUAR BIN ABDUL MAJID

Non-Independent Non-Executive Director

-  **Nationality:** Malaysia
-  **Age:** 52
-  **Gender:** Male
-  **Date of Appointment:** 24 August 2020
-  **Number of Meetings Attended:** 6/6

Committee Member:

- Member, Board Investment Committee

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 (2019)
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

Course Attended:

1. Executive Education: University of Cambridge, Judge Business School, UK - Platform Strategies Digital Transformation.
2. Executive Education: Northwestern University, Kellogg School of Business, USA - Strategic Change Management.

THE BOARD OF DIRECTORS

NG YAN CHUAN

Non-Independent Non-Executive Director

Nationality: 

Age: 58

Gender: Male

Date of Appointment: 16 December 2022

Number of Meetings Attended: 1/1

Committee Member:

- Nil

Academic and Professional Qualifications:

- **Bachelor of Building**, University of New South Wales, Sydney Australia
- **Master of Applied Science**, Macquarie University, New South Wales, Australia

Working Experience:

Present Appointment

1. Chief Commercial Officer, JLand Group Sdn Bhd
2. Deputy Director, Real Estate & Infrastructure Division, JCorp Group

Past Experiences

1. CEO, Southern Region Distinctive Group (2021)
2. Executive Director, Business Development Gamuda Land Sdn Bhd (2020)
3. Executive Director of Iskandar Coast Iskandar Investment Berhad (2019)

4. Executive Vice President, Strategic Marketing Iskandar Investment Berhad (2018)
5. Senior Vice President, Marketing Iskandar Investment Berhad (2010)
6. Senior Vice President, Residential Development Iskandar Investment Berhad (2009)

Other Directorship:

1. Listed Issuer

- Al-Salām Real Estate Investment Trust

2. Public Companies

- Johor Land Berhad

Course Attended:

- Nil



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 2022.

THE SHARIAH COMMITTEE



DATO' DR. HAJI NOOH BIN GADOT

Chairman,
Shariah Committee

 **Nationality:** 

 **Age:** 77

 **Gender:** Male

 **Date of Appointment:** 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:

Dato' Dr. Haji Nooh Bin Gadot 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).

Dato' Dr. Haji Nooh Bin Gadot 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:

- Chairman of Yayasan Infaq Angkasa
- Shariah Adviser Member, Permodalan Nasional Berhad
- Director, Universiti Tun Hussein Onn Malaysia
- Director, Yayasan Wakaf Anak Yatim Malaysia
- Committee Member, Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education
- Committee Member of various companies within the JCorp Group
- 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 Advisory Committee

 **Nationality:** 

 **Age:** 78

 **Gender:** Male

 **Date of Appointment:** 22 June 2006

Other Directorship:

- Shariah Committee, ANGKASA
- Shariah Committee, STUTE
- Committee, Jamaah Ulama Majlis Istiadat Agama Islam dan Adat Istiadat Melayu Kelantan

Academic and Professional Qualifications:

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

Working Experience:

Profesor Madya Dr. Abdul Halim Bin Muhammad 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

Profesor Madya Dr. Abdul Halim Bin Muhammad 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.



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 Bin Deris and Irma Namira Binti Missnan.

Mohamad Salihin Bin Deris is the Director, Shariah Business Advisory of IBFIM. He brings with him approximately 22 years of combined 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. Before joining IBFIM, he served Bank Pembangunan Malaysia Berhad as the Group Head, Shariah Management. He had gained experience in Shariah advisory, research, secretariat and review functions, developed and implemented the overall Shariah governance framework as well as involved in Islamic conversion initiative for a development bank.

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 from IBFIM and Certified Shariah Advisor qualification from Association of Shariah Advisors in Islamic Finance ("ASAS"). He is a Member of ASAS and had previously served as its exco. He is a certified HRDCorp trainer and had contributed as reviewer of Shariah training modules. Occasionally, he speaks on Shariah governance topics in Islamic finance. Currently he is a Member of Affin Islamic Bank's Shariah Committee, the Chairman of AmMetLife Takaful's Shariah Committee and a registered Shariah adviser with the Securities Commission of Malaysia for IBFIM in relation to the Islamic capital market product and services.

Irma Namira Binti Missnan is currently a Manager, Shariah Business Advisory of IBFIM. She brings with her approximately 10 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 with regard to Islamic banking, takaful, Islamic capital market, Islamic REITs and Islamic unit trust funds.

THE SHARIAH COMMITTEE

Profile of Designated Person responsible for Shariah matters relating to Al-`Aqar (cont'd)

Irma Namira had started her career as a Shariah executive in RHB Islamic Bank Berhad since 2012. Specializing 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 Syariah 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 and a registered Shariah adviser with the Securities Commission of Malaysia for IBFIM 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 2022.



THE MANAGEMENT TEAM



YM RAJA NAZIRIN SHAH BIN RAJA MOHAMAD

Chief Executive Officer

Nationality:

Age: 59

Gender: Male

Appointment Date: 11 January 2023

Qualifications:

- **Diploma in Estate Management**, Universiti Teknologi MARA
- **Bachelor of Estate Management (Hons)**, Universiti Teknologi MARA
- **MBA Finance**, Management and Science University
- **Post Graduate Research in Business Administration**, Kagawa University, Japan
- **Registered Property Manager – PM0415**, Board of Valuers, Appraisers & Estate Agents
- **Registered Valuer - V0415**, Board of Valuers, Appraisers & Estate Agents
- **Registered Real Estate Agent - E1247**, Board of Valuers, Appraisers & Estate Agents

Directorship:

Nil

Working Experience:

- Chief Executive Officer, AmFirst REIT (2022)
- Vice President and Head of Commercial, PNB Merdeka Ventures Sdn Bhd (2019)
- Chief Operating Officer, PNB Commercial Sdn Bhd (2017)
- General Manager, Sales, Marketing & Asset Management, Malaysian Resources Corporation Berhad (2011)

Responsibilities:

- Developing and executing a strategic plan for the Fund to achieve its investment goals and maximise returns for its shareholders.
- Overseeing the acquisition, development, and management of the Fund overall portfolio.
- Working with the management team to implement effective property management and leasing strategies.
- Communicating with the Board of directors, shareholders, and other stakeholders to provide regular updates on the company's financial performance and growth prospects.
- Fostering relationships with key industry players, including lenders, brokers, and property managers, to support the growth of the Fund portfolio.

THE MANAGEMENT TEAM

SHAHRLI ZAIRIS BIN RAMLI

General Manager

 **Nationality:** 

 **Age:** 53

 **Gender:** Male

 **Appointment Date:** 1 July 2012

Qualifications:

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

Directorship:

Nil

Working Experience:

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

Responsibilities:

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

ROZIAH BINTI ABU BAKAR

Head of Compliance and Risk Management

 **Nationality:** 

 **Age:** 55

 **Gender:** Female

 **Appointment Date:** 1 March 2016

Qualifications:

- **Bachelor of Arts, International Relations**, The University of British Columbia, Vancouver, Canada
- **Master's 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 (2016)
- Manager, Akademi Johor Corporation (2013)
- Deputy Manager, Chief Operating Officer Office, Johor Corporation (2010)
- Senior Executive, Business Development Department, Johor Corporation (2007)
- Executive, Corporate Office, Johor Corporation (2004)

Responsibilities:

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

THE MANAGEMENT TEAM

SUHAIMI BIN SAAD

Head of Operations

 **Nationality:** 

 **Age:** 53

 **Gender:** Male

 **Appointment Date:** 1 July 2006

Qualifications:

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

Directorship:

Nil

Working Experience:

- 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

HAMIM BIN MOHAMAD

Head of Corporate Services

 **Nationality:** 

 **Age:** 46

 **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

THE MANAGEMENT TEAM

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

Head of Finance

 **Nationality:** 

 **Age:** 37

 **Gender:** Male

 **Appointment Date:** 10 October 2011

Qualifications:

- **Member**, Malaysian Institute of Accountant
- **Member**, Association of Chartered Certified Accountants
- **Capital Markets Services Representative Licence Holder**

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

SAHRIN BIN MUNIR

Head of Business Development & Investor Relations

 **Nationality:** 

 **Age:** 41

 **Gender:** Male

 **Appointment Date:** 2 May 2013

Qualifications:

- **Bachelor of Management (Technology)**, Universiti Teknologi Malaysia
- **Capital Markets Services Representative Licence Holder**

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 2022.

Strategic Performance

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financials	FY2021 RM '000	FY2022 RM '000	Growth %
The Group:			
-Gross revenue	114,072	110,239	(3.4)
-Net Property Income (NPI)	108,222	104,199	(3.7)
-Profit for the year (realised)	65,219	67,766	3.9
-EPU (realised) (sen)	8.86	9.20	3.8
The Fund:			
-Income available for distribution	59,650	63,012	5.6
-DPU (sen)	7.80	8.10	3.8

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

	FY2021 RM '000	FY2022 RM '000	Growth %
Malaysia	104,245	104,588	0.3
Australia	9,827	5,651	(42.5)

NPI CONTRIBUTION

	FY2021 RM '000	FY2022 RM '000	Growth %
Malaysia	98,405	98,610	0.2
Australia	9,817	5,589	(43.1)

Malaysian Segment

The Malaysian segment, as the key contributor, contributed 94.9% (FY2021: 91.4%) to the Group's total revenue. This segment reported revenue of RM104.6 million in FY2022, a marginal increase of 0.3% from RM104.2 million in FY2021. In terms of NPI, Malaysian segment contributed 94.6% (FY2021: 90.9%) to the Group's total NPI. This segment reported NPI of RM98.6 million in FY2022, a slight increase of 0.2% from RM98.4 million in FY2021.

Australian Segment

The Australian segment contributed 5.1% (FY2021: 8.6%) to Group's total revenue in FY2022. It reported revenue of RM5.7 million in FY2022, a substantial drop of 42.5% from RM9.8 million in FY2021. In terms of NPI, this segment contributed 5.4% (FY2021: 9.1%) to Group's total NPI. Australian segment reported NPI of RM5.6 million in FY2022, a decrease of 43.1% from RM9.8 million in FY2021. The decrease was mainly due to rent review exercise effective from October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE YEAR

Profit for the year was RM60.1 million (FY2021: RM73.5 million) comprising realised profit of RM67.8 million (FY2021: RM65.2 million) and unrealised loss of RM7.6 million (FY2021: unrealised profit of RM8.3 million). Realised profit increased 3.9% or RM2.6 million in FY2022 mainly due to no provision on Covid-19 rental support recognised during the year as well as saving from refinancing exercise. The unrealised loss was mainly related to fair value adjustment of investment properties.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2022 of the Fund was RM63.0 million. The Fund had distributed interim income distributions for the period from 1 January 2022 to 30 September 2022, of 6.00 sen per unit amounting to approximately RM44.2 million.

On 2 February 2023, the Fund declared a final income distribution of 2.10 sen per unit, totalling RM15.8 million for the period from 1 October 2022 to 31 December 2022. The said distribution was paid on 28 February 2023.

In total, the DPU for FY2022 is 8.10 sen, representing growth of 3.8% compared to DPU of 7.80 sen for FY2021. This remarkable achievement was due to cost savings from refinancing exercise in FY2021 and no provision on rental support recognised during the year. The distribution totalled RM60.0 million for FY2022, which represents 95.3% of the income available for distribution.

STATEMENT OF FINANCIAL POSITION

Al-'Aqar's total asset value increased by RM202.3 million or 12.2% to RM1.9 billion as at end-FY2022. The increase was mainly due to the acquisition of assets on 23 December 2022. Al-'Aqar's financing increased from RM683.9 million or 25.1% to RM855.6 million, resulting in a gearing ratio of 45.8% against 41.1% as at end-FY2021.

STATEMENT OF CASH FLOW FOR EACH ACTIVITY:

Operating Activities

Net cash generated from operating activities increased slightly to RM88.9 million in FY2022 from RM88.6 million in FY2021.

Investing Activities

Al-'Aqar used RM167.0 million for acquisitions of KPJ Pasir Gudang, the extended building of KPJ Seremban and the extended building of Taiping Medical Centre and RM3.7 million enhancement to investment properties during the financial year. Al-'Aqar also received investment income of RM0.9 million as well as net proceed of RM0.2 million from the disposal of piece of land held under KPJIC, Penang.

Financing Activities

Net cash generated from financing activities was RM87.5 million. This was derived from new financings amounting of RM172.0 million in relation to acquisitions of 3 KPJ properties, offset by payment of income distribution to unitholders of RM57.4 million and financing cost paid of RM27.1 million.

Cash and cash equivalents stood at RM96.1 million as at end-FY2022, higher by RM6.3 million or 7.0% from RM89.8 million as at end-FY2021.



MANAGEMENT DISCUSSION AND ANALYSIS



PERFORMANCE BENCHMARK

Performance Benchmark	FY2021	FY2022	Commentary
(i) Management expense ratio (%)	0.29	0.29	No significance changes on the Management expenses ratio.
(ii) Total return (%)	(4.73)	11.81	Total return for the financial year was positive due to higher closing price of RM1.22 compared to RM1.16 and higher DPU of 8.10 sen.
(iii) Average annual total return (5 years) (%)	0.06	3.13	The 5-year average annual total return increased due to higher closing price and higher DPU in FY2022.
(iv) Average annual total unit price return (3 years) (%)	2.11	3.84	The 3-year average annual total return increased due to higher closing price and higher DPU in FY2022.
(v) Distribution yield (%)	6.72	6.64	Distribution yield decreased slightly from 6.72% to 6.64% due to higher closing price in FY2022.
(vi) NAV per unit (RM)	1.2840	1.2839	No significance changes on the NAV per unit.

Notes:

- (i) The ratio of expenses incurred in operating Al-Aqar of RM2.75 million (FY2021: 2.81 million) to the weighted average NAV of Al-Aqar of RM954.5 million (FY2021: RM960.3 million).
- (ii) Total return represents the change in unit price during the year plus distribution yield for the year.
- (iii) Average annual return is the sum of the return rates of Al-Aqar over a given numbers of years divided by that number of years.
- (iv) Average annual return is the sum of the return rates of Al-Aqar over a given numbers of years divided by that number of years.
- (v) Based on DPU of RM8.10 sen (FY2021: DPU of 7.80 sen) divided by its closing price as at 31 December 2022 of RM1.22 (FY2021: RM1.16).
- (vi) Net asset value of Al-Aqar is determined by deducting the value of Al-Aqar's liabilities from the total asset value, divided by total issued units.

MANAGEMENT DISCUSSION AND ANALYSIS

FAIR VALUE OF INVESTMENT PROPERTIES

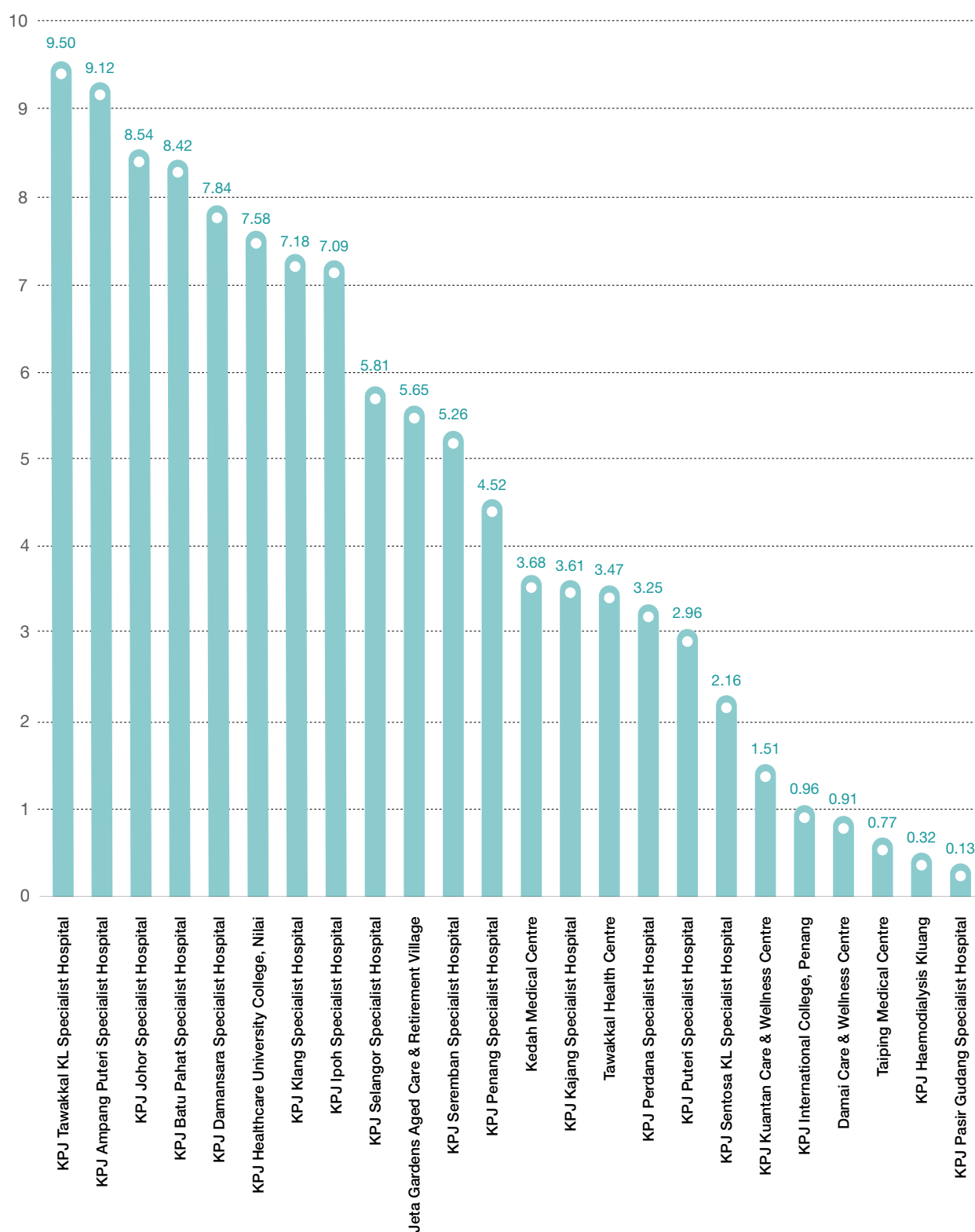
	FY2021 RM'000	FY2022 RM'000
Investment properties		
At 1 January	1,534,501	1,538,210
Addition	-	192,000
Enhancements	-	3,656
Disposal	-	(295)
Effect of foreign currency exchange differences	(1,827)	(1,032)
Gain/(Loss) on fair value of investment properties	5,536	(11,258)
Total investment properties as at 31 December	1,538,210	1,721,281

Description of property	FY2021 Fair Value RM'000	FY2022 Fair Value RM'000
KPJ Ampang Puteri Specialist Hospital	137,000	137,000
KPJ Damansara Specialist Hospital	138,000	138,000
KPJ Johor Specialist Hospital	122,000	122,000
KPJ Ipoh Specialist Hospital	89,000	89,000
KPJ Puteri Specialist Hospital	40,000	40,000
KPJ Selangor Specialist Hospital	84,000	84,000
Kedah Medical Centre	52,500	53,000
KPJ Perdana Specialist Hospital	42,000	42,000
KPJ Kuantan Care & Wellness Centre	16,800	16,500
KPJ Sentosa KL Specialist Hospital	31,000	31,000
KPJ Kajang Specialist Hospital	52,000	52,000
Taiping Medical Centre	10,000	22,500
Damai Care & Wellness Centre	11,000	12,000
KPJ International College, Penang	14,600	14,100
Tawakkal Health Centre	48,000	47,400
KPJ Healthcare University College, Nilai	102,000	102,000
KPJ Seremban Specialist Hospital	75,000	160,000
KPJ Penang Specialist Hospital	65,000	65,000
KPJ Tawakkal KL Specialist Hospital	139,000	139,000
KPJ Haemodialysis Kluang	4,700	4,700
KPJ Klang Specialist Hospital	104,000	104,000
KPJ Batu Pahat Specialist Hospital	80,000	80,000
KPJ Pasir Gudang Specialist Hospital	-	90,000
Jeta Gardens Aged Care & Retirement Village	86,298	85,266
TOTAL PORTFOLIO - based on valuation report	1,543,898	1,730,466
Less: Unbilled rental income	(5,688)	(9,185)
Total Portfolio Properties as at 31 December	1,538,210	1,721,281

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL LEASE CONTRIBUTION

RM' Million



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

With the easing of COVID-19 cases and return to normalcy, there was a strong rebound in patient visits in 2022, particularly those seeking elective treatments. This has led to strong operating metrics for the KPJ Group, such as increased patient volume and higher bed occupancy rate. KPJ Group's financial earnings rebounded in 2022 and are on track to return to pre-COVID-19 level. Hence, unlike in 2021, Al-Aqar did not provide any rental support to the KPJ Group in 2022.

On 23 December 2022, Al-Aqar completed the acquisitions of KPJ Pasir Gudang, the extended building of KPJ Seremban and the extended building of Taiping Medical Centre for a total consideration of RM192.0 million, satisfied by combination of RM167.0 million cash and 20.5 million units worth RM25.0 million. The acquisition of these properties is in line with the Group's strategy in diversifying its rental income and reducing reliance on any single property.

ASSET ENHANCEMENT INITIATIVES

To enhance the value of our properties, we implement asset enhancement measures such as retrofitting, lift replacement, water piping replacement and repainting.

In FY2022, asset enhancement initiatives totalled RM9.8 million:

CATEGORY	AMOUNT (RM)
Completed	
- Civil and structural	381,825
- Mechanical & Electrical	767,180
Sub Total	1,149,005
Ongoing	
- Expansion	3,307,200
- Civil and structural	234,000
- Mechanical & Electrical	4,719,768
- Repainting	400,000
Sub Total	8,660,968
TOTAL	9,809,973



LEASE RENEWALS AND RENTAL REVIEW

Under current lease arrangement, the majority contractual lease term is 15 years with an option to renew for an additional 15 years. The contractual lease term is mostly divided into 5 rental terms of 3 years which shall be reviewed upon expiry of each rental term.

Lease Renewal. In 2022, no contractual leases expired. Looking into 2023, five properties, namely KPJ Perdana Specialist Hospital, KPJ Sentosa KL Specialist Hospital, KPJ Kajang Specialist Hospital, Kedah Medical Centre and KPJ Kuantan Care & Wellness Centre have contractual leases up for renewals in June 2023. Al-Aqar's lease renewal schedule is as follows:

YEAR	NO. OF PROPERTIES	% OF RENTAL INCOME CONTRIBUTION (2022)
FY2023	5	12.89
FY2024	8	15.93
FY2025	1	8.62

Rental Review. In 2022, Al-Aqar has renewed the 3-year rental of KPJ Tawakkal KL Specialist Hospital which contributed 8.6% of Al-Aqar's revenue in FY2022, an upward revision of 2.0% from the last rental. Moving to 2023, Jeta Garden's rental is up for review in November 2023. Al-Aqar's rental review schedule is as follows:

YEAR	NO. OF PROPERTIES	% OF RENTAL INCOME CONTRIBUTION (2022)
FY2023	1	5.13
FY2024	9	49.98
FY2025	2	7.75

MANAGEMENT DISCUSSION AND ANALYSIS

2022 KEY CHALLENGES

In 2022, the Manager faced the challenge of balancing between asset growth opportunities and competitive rental rates. Additionally, the ongoing uncertainty in the aged care industry in Australia persisted.

01

Balancing asset growth and competitive rental.

The low interest rate environment throughout fiscal years 2020 to 2022 has provided KPJ Group, our primary sponsor, with an alternative financing option instead of injection into Al-'Aqar. However, the Manager managed to complete the acquisitions of KPJ Pasir Gudang, the extended building of KPJ Seremban and the extended building of Taiping Medical Centre by offering competitive rental package to KPJ Group without compromising future distribution to unitholders.

02

Continuous uncertainty in the aged care industry in Australia.

The aged care industry has been undergoing reform since the establishment of the Royal Commission into Aged Care Quality and Safety in October 2018. Additionally, Labor Party won the general election in May 2022 and has introduced new legislation to hasten the reform and usher in a new funding model for aged care. This has resulted in higher compliance cost and affected the financial performance of aged care operators in Australia:

a. Implementation of New Standards and Reporting Systems for Aged Care Providers. The Aged Care Amendment (Implementing Care Reform) Bill 2022 requires a qualified registered nurse to be on site in every residential aged care home 24 hours a day, seven days a week, in order to ensure older Australians living in residential aged care receive immediate care when needed. Additional measures introduced include the Star Ratings System, which will see the Department of Health and Aged Care publish a comparative rating for all residential aged care services. Furthermore, the Serious Incident Response Scheme will be extended to all in-home care providers from 1 December 2022, providing increased protection for older Australians from preventable incidents, abuse and neglect. Lastly, a new Code of Conduct has been established for approved providers, their workforce and governing persons. This has resulted in higher compliance cost for the residential aged care providers and affected the financial performance of Jeta Gardens.

b. Residential Aged Care Funding Reform. The Royal Commission Response Bill provides the legislative framework for the new Australian National Aged Care Classification (AN-ACC) funding model for residential aged care homes, which replaced the outdated Aged Care Funding Instrument in October 2022. The Bill introduces measures to monitor the costs associated with aged care, placing greater responsibility on providers to be transparent and fair. This will see the publication of more information about providers' operations including what they are spending money on.

MANAGEMENT DISCUSSION AND ANALYSIS

2022 KEY CHALLENGES (CONT'D)

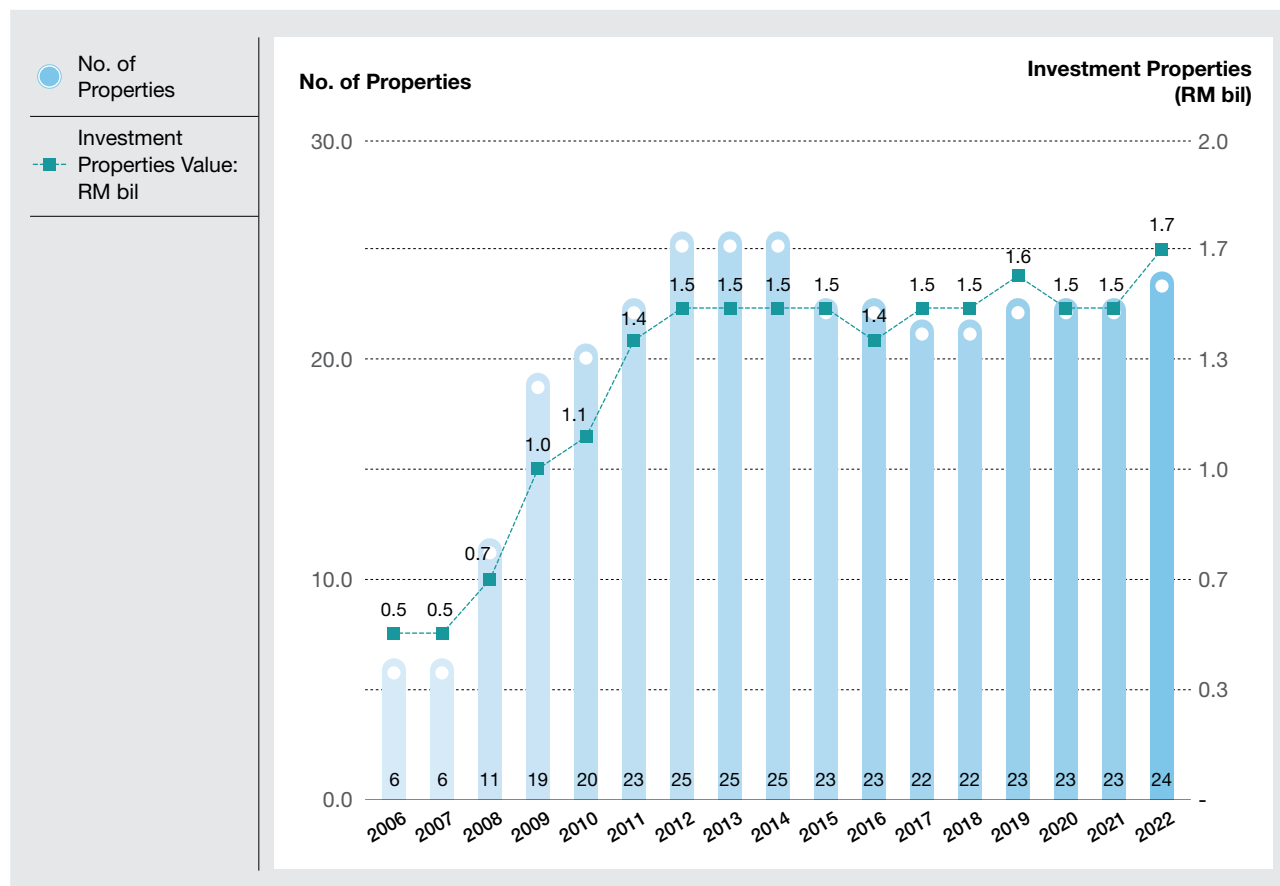
Despite the persistent spread of Covid-19 in 2022, Australia learned to manage and live with the virus without restrictions. Our property in Australia, Jeta Gardens, has also seen the occupancy rate improved from the low of 70% in 2020 to 80% in 2022. The rental revision announced in October 2021 does not have material impact on the distributable income of Al-Aqar in FY2022 as it was mitigated by the cost savings from the refinancing of Sukuk and annual lease increment. In addition, the Manager is looking into series of asset acquisitions which is expected to contribute to a consistent positive DPU growth for Al-Aqar.

PROSPECTS

The value of Al-Aqar's investment properties has tripled from RM0.5 to RM1.7 billion (as at 31 December 2022) since the IPO in 2006. Moving forward, the Manager is optimistic about Al-Aqar's prospects in 2023, underpinned by the full-year earnings contribution from the recently acquired properties. Despite an increase in the financing costs, the Manager believes that the current asset portfolio will continue to provide positive growth in distribution without compromising on the distribution to unitholder.

The Manager also anticipates that the expiring leases will be renewed, as KPJ Group has been a long-term business partner and the rental rates offered to them are competitive. Additionally, the Manager is actively exploring opportunities to optimise the portfolio, which may include acquisition of strategic healthcare assets and divestment/reposition of any potential underutilized or underperformed assets.

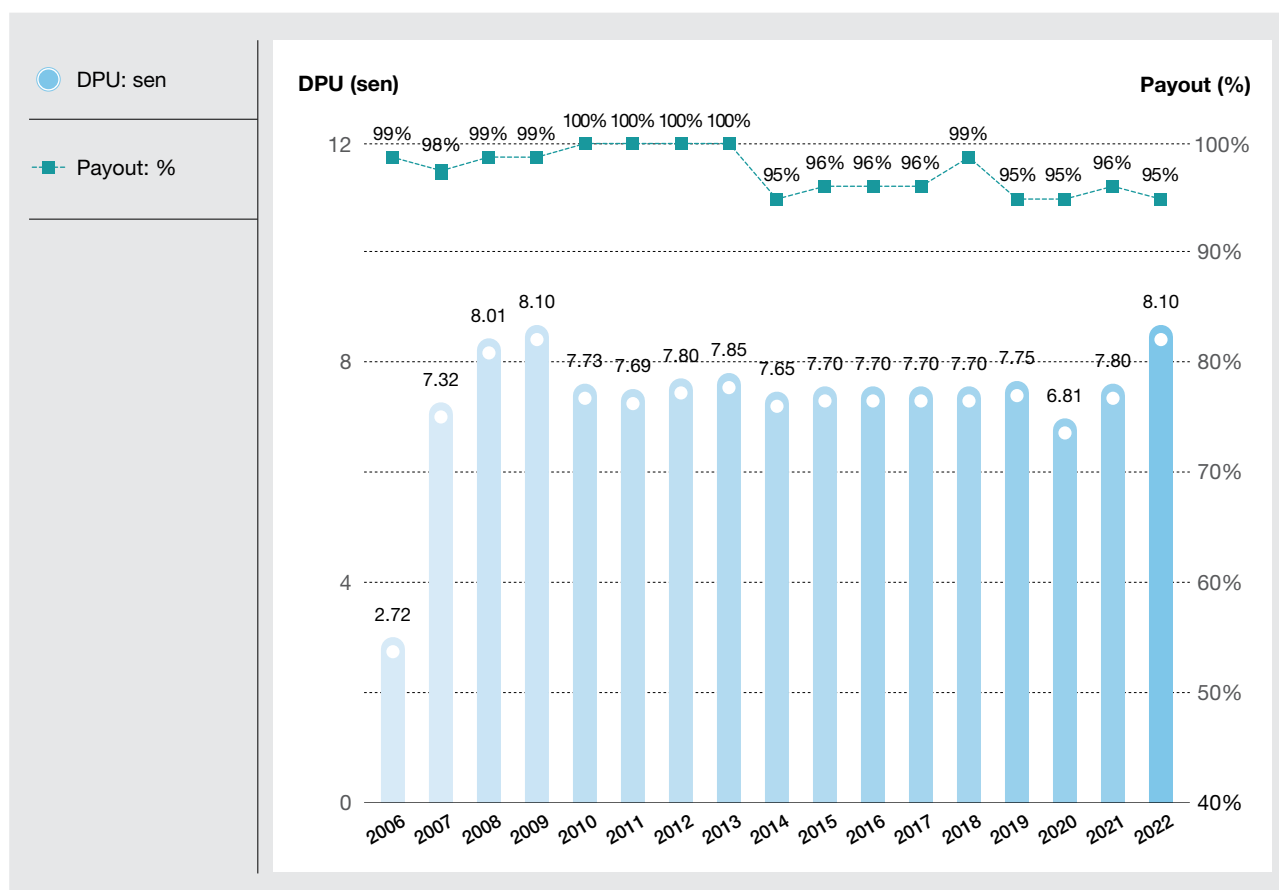
PERFORMANCE OF PORTFOLIO SINCE IPO



MANAGEMENT DISCUSSION AND ANALYSIS

HISTORICAL DPU SINCE IPO

Backed by higher distributable income, the Fund has distributed a higher DPU of 8.10 sen for FY2022, which represents a growth of 3.8% compared to FY2021. It has surpassed not only the pre-pandemic distribution in FY2019, but also achieved a historic 10-year high. This remarkable achievement was due to cost savings from the refinancing exercise in FY2021 and no rental support given during the financial year. Using 2021 as a baseline, the Manager optimistic that the upwards trend will continue in the coming years.



After years of building solid foundation for Al-Aqar, the Manager has also developed a comprehensive 5-Year Plan (2023-2027) for the Group with the following objectives:

01

To double the current investment properties value of RM1.7 billion (as at 31 December 2022) to approximately RM3.0 billion by end-2027 by actively acquiring properties.

02

To adapt to future healthcare trends and ensure sustainable growth in earnings.

03

To maintain a consistent upward trend in DPU over the long-term.

MANAGEMENT DISCUSSION AND ANALYSIS

The primary focus of the 5-year Plan (2023-2027) is acquisition and diversification:

5-YEAR PLAN (2023-2027)

01

Acquisition of Quality Assets - The assets to be acquired may originate from the main sponsor, KPJ Group, and the third-party asset owners. The acquisition strategy would align with the Group's diversification objectives below:

Diversification of Tenants - KPJ Group is currently the sole tenant. It is the Manager's goal to diversify Al-Aqar's tenant base with the target of having a significant portion of its rental income derived from third-party tenants.

Diversification of Asset Classes - As at 31 December 2022, there were 7 non-hospital assets that accounted for 16.4% of Al-Aqar's total portfolio value. In anticipation of the potential shift in healthcare demand towards non-multi-disciplinary hospitals in the future, the Manager aims to increase the proportion of the portfolio in other types of assets within the healthcare value chain, such as, warehouse, ambulatory care centre, confinement centre, and senior living care.

Diversification of Geography - The Manager has plans to increase Al-Aqar's global competitiveness and expand the Group's footprint outside of Malaysia.

02

Reposition and Divestment of Underperformed and Underutilised Assets - The Manager is actively looking at opportunities to reposition and divest any of the underperforming and underutilised assets. This initiative would maximise the Group's returns and aid in diversification.

Business Model Transformation. To remain competitive in the market, the Manager is exploring new business model for Al-Aqar's future tenants. This may include rental arrangement that has flexibility and is customised to the needs of the future tenants, without compromising future distribution to unitholders.

Transformation at Manager Level. The Manager has implemented various initiatives and action plans, such as digital transformation to promote flexible working arrangements during the pandemic period. Besides that, the Manager has also transformed its organisation to redirect its team to focus on strategic matters rather than administration or operational matters. It is anticipated that digital transformation initiative also will streamline the data mining and analysing processes, leading to an increase in the Manager's productivity in managing the Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL REVIEW

GEARING RATIO

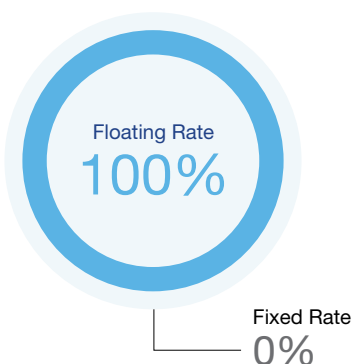
Al-Aqar's gearing ratio are calculated based on the proportion of total Islamic financings to the total asset value in accordance with the SC Guidelines. The gearing ratio at the end of the reporting period are as follows:

	2021	2022
Total Islamic financings (RM' mil)	683.9	855.6
Total assets value (RM' mil)	1,664.7	1,867.1
Total Islamic financings to total asset value ratio (%)	41.1	45.8

As at 31 December 2022, Al-Aqar's gearing ratio stood at 45.8%, below SC's Guidelines on Listed REITs' limits of up to the permitted 50% of Total Asset Value.

Al-Aqar's Islamic financing increased from RM683.9 million as at 31 December 2021 to RM855.6 million after completion acquisitions of 3 KPJ properties in December 2022. The temporary increase in gearing is expected to be reduced via series of private placement exercises to be undertaken in FY2023. The private placement exercise will involve the issuance of new placement units which will increase the number of units in circulation and is expected to improve the trading liquidity of the units.

Fixed Rate vs Floating Rate Ratio



Debt Maturity Profile

Islamic Financing	Facility	Loan Maturity
Commodity Murabahah I	RM80.0 million	2024
Commodity Murabahah II	RM29.9 million	2025
Commodity Murabahah III – Tranche 1	RM280.0 million	2026
Revolving Credit-i and Term Financing-i	RM172.0 million	2027
Commodity Murabahah III – Tranche 2	RM300.0 million	2028

On 23 December 2022, Al-Aqar obtained Islamic financing facilities ("Commodity Murabahah") amounting to RM172.0 million from CIMB Islamic Bank Berhad. The Commodity Murabahah comprises of Revolving Credit - i ("RC-i") amounting to RM100.0 million and Term Financing - i ("TF-i") amounting to RM72.0 million to part finance the acquisitions of KPJ Pasir Gudang, the extended building of KPJ Seremban and the extended building of Taiping Medical Centre and to pay related cost for the acquisitions.

The RC - i and TF - i that are 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 RC - i bears a profit rate of 1.20% per annum above the bank's COF. As at reporting date, the profit rate for the RC - i is 4.40% per annum.

The TF - i bears a profit rate of:




- (i) 1.20% per annum above the bank's COF when Total Financing over Total Assets is greater than or equal to 40%; &
- (ii) profit rate of 1.00% per annum above the bank's COF when Total Financing over Total Assets is less than 40%.

As at reporting date, the profit rate for the TF - i is 4.40% per annum. The RC - i and TF - i were secured against the investment properties which amounting to RM272.5 million.




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 impact on its business operations and financial performance. As such, the Manager has identified the following key risks and established mitigation plans:

Risk	Risk Description	Mitigation Plan
 <p>1. Business and Market Risk</p>	<p>The Group may face a decline in revenue due to unfavourable market condition, increased competition, changes in tenant's business strategies, changes in government regulations and outbreak of pandemics.</p> <p>However, the competitive pressure is relatively low because KPJ Group holds a dominant market position and has strong presence across all states in Malaysia.</p> <p>Furthermore, hospital business has been resilient throughout the history, with the exception of the COVID-19 pandemic period in 2020-2021.</p>	<p>The Manager monitors the operating environment closely, so that it can implement the mitigation plans swiftly, such as repositioning or divesting the assets to ensure that the Group's rental income is not affected.</p>
 <p>2. Non-Renewal of Leases Risk</p>	<p>The remaining tenures of the current contractual leases are shorter than before, with 5 contractual leases (or 21% of total contractual leases) expiring in 2023 and 8 contractual leases (or 29% of total contractual leases) expiring in 2024.</p> <p>Given that Al-Aqar's healthcare assets are highly-specialised, finding a replacement lessee or healthcare operator may take significant amount of time. This could negatively impact the Group's immediate earnings until a new lessee is secured.</p>	<p>The current lease agreements require the tenants to provide a minimum of one year notice prior to renew the tenancy contracts. Furthermore, our mitigation plan for business and market risk can also serve as an early warning for any potential underperformed or underutilised properties.</p> <p>Should the lessee decide not to renew the lease, the Group needs to identify new JV partners, continuously source for a replacement lessee or healthcare operator, re-purpose the building or divest the property to a third party. The factors to decide will mainly depend on the risk assessments of each respective asset before a certain course of action is undertaken to mitigate this risk.</p>
 <p>3. Higher OPR rate</p>	<p>As the world is in a rate hike cycle, it is expected that BNM could follow suit and raise the OPR in 2023.</p> <p>Given that all of Al-Aqar's Islamic financing is under the floating rates, an increase in OPR would have a negative impact on earnings in 2023, although it is expected to be minimal.</p>	<p>The Manager has taken into consideration the possibility of a higher OPR in managing both the existing asset portfolio and the future acquisitions. Thus, it is expected that there will be no significant disruption to the earnings of Al-Aqar.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Risk Description	Mitigation Plan
 <p>4. Inability to Raise Funding Risk</p>	<p>As at 31 December 2022, the Group's gearing ratio stood at 46%, below the threshold of 50% set by Securities Commission.</p> <p>The high gearing level could impede the future asset acquisitions of Al-`Aqar.</p>	<p>The high gearing of Al-`Aqar is a result of the active asset acquisition strategy, aimed at growing the distribution to unitholders. Given the presently resilient asset portfolio, stable rental income, positive growth outlook and solid track record of Al-`Aqar, the Manager does not foresee any risk associated with inability to raise fresh funding, potentially through private placement to reduce gearing and to provide headroom for future asset acquisition.</p>
 <p>5. Failure to Adapt to Future Healthcare Trends</p>	<p>With an increasing emphasis on health and well-being, the general public is expected to shift significantly towards preventive maintenance in the long term, whereby the general public will spend more to prevent health issues from occurring in the first place, rather than relying on reactive measures such as seeking medical attention for an illness. This could lead to a higher demand for primary, long-term care, regenerative treatment, wearable healthcare devices, etc.</p> <p>As at 31 December 2022, hospitals accounted for 84.2% of Al-`Aqar's total 24 assets. Failure to adapt to future healthcare trends could result in the Group losing its relevance in the healthcare industry.</p>	<p>The Manager has established clear plans to diversify Al-`Aqar's asset portfolio, which include actively exploring assets related to the future healthcare trend, such as ambulatory care centre, confinement centre, senior living care, warehouse and manufacturing plant for drug or health products.</p> <p>Furthermore, the selection of high-quality tenants that are leaders in innovation and growth industries are expected to provide a more sustainable and more profitable portfolio for a longer time. Therefore, a thorough due diligence process on the business models of the tenants is essential to the Manager before executing the acquisition.</p>
 <p>6. Cyber Security Risk</p>	<p>Cybersecurity breaches, for example, can damage a company's reputation, which is difficult to insure against.</p>	<p>The Group implements the Business Continuity Management ("BCM") drill or testing, which focuses on IT infrastructure. Only Data Backup Restoration Test was conducted in 2022 and the Manager will get consultation to conduct the BCM Exercise in 2023.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Risk Description	Mitigation Plan
 <p>7. Human Capital Risk</p>	<p>Ineffective succession planning may affect Al-`Aqar's operations if a critical role becomes vacant and cannot be satisfactorily filled before the vacancy has an adverse impact on the organisation.</p> <p>There is also the risk that the Manager will be unable to attract and retain a competent staff force to manage its portfolio and to execute its strategies for sustainable growth.</p>	<p>The Group has a succession planning framework in place, which includes identification of future successors and leadership training for candidates of critical positions. Additionally, the 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.</p> <p>The Manager also conducts climate surveys to gauge employees' preferences, offers competitive reward and compensation, promotes flexible working arrangements, establishes clear career paths and encourages staffs to explore other areas within the Group.</p>

MARKET REPORT SUMMARY

ECONOMIC OVERVIEW

DIVERGENT FORTUNES: MACRO DECELERATION VS. MARKET REVIVAL



For Malaysia macro, economic growth is set to slow in 2023 to 4.0% (2022E: 8.0%) as global economy is expected to experience a mild recession (2023E: 1.7%; 2022E: 2.9%) amid stagnation/recession in major advanced economies (i.e. US, Eurozone, UK) on the impact of high inflation and the resultant high interest rates. Several factors mitigate the downsides to domestic economic outlook. First is the growth-friendly moderate OPR hikes from the “accommodative” record-low of 1.75% since May 2022 to the “neutral” level of 3.00% by Jan 2023. Second, drawdown of excess individual/household savings built since Jan 2020 amid lockdowns and economic stimulus measures provide a buffer to consumer spending. Third, recovery in inbound tourism provides the next leg for the growth tailwinds from full economic opening. Fourth, investment outlook is positive amid a technology-driven surge in approved investment/FDI since 2021 e.g. capex in electronics industry and data centres; automation and digitalisation; 5G infrastructure rollout.

Several lookouts and wildcards are on our radar. Inflation and interest rates will remain the key macro variables to watch. China’s growth outlook (2023E: 4.0%; 2022E: 3.3%) will be dependent on its zero COVID-19 policy exit conundrum and the management of its real estate doldrum. Early and faster re-opening of China will be positive for global and Malaysia’s economic conditions in terms of trade, investment and tourism flows. Domestically, post-GE15, eyes will be on the re-tabling of Budget 2023 in early-2023 as well as the new government’s policies, including the medium-term fiscal stance.

Re Malaysian equities, while fading reopening tailwinds and interest rate hikes will weigh on growth in 2023, market earnings expansion ex-Gloves is nonetheless forecast to strengthen to +17.3% YoY (2022E: +13.4%) as Cukai Makmur expires, bank sector profitability continues to improve and on accelerating recoveries at laggard sectors like casino-gaming and transport/aviation. Political risk premium is moderating following Nov’s general elections (GE15) having ultimately yielded a PH-led ruling coalition with a solid majority in Parliament, boding well for improved governance and expedited policymaking. A fast-tracked reopening by China will boost trade, tourism and commodities demand/prices. Growth/earnings-disruptive policy changes relating to subsidies and taxes are now unlikely to surface in 2023 as the government focuses on cost-of-living issues, with interim fiscal gap likely to be bridged by a combination of cost cuts, curbing of fiscal leakages and PETRONAS. Re thematic, with a new reformist-leaning government taking the helm, GLC Reform could be back on the table, potentially sparking secular economic and market impetus; interest rates and inflation headwinds are diminished but remain topical, as does dividend yield. Investors also need to pay attention to Sustainability/ESG, as detailed in MY ESG Compendium 2022 (“Shifting into higher gear”, dated November, 29) as well as market impacts from robust FDI inflows, underpinned by supply chain relocation.

(Extracted from Maybank Report: Malaysia 2023 Outlook and Lookouts)

MARKET REPORT SUMMARY

HEALTHCARE TRANSFORMATION

SHIFTING FROM ACCELERATING THE ADOPTION OF NEW TECHNOLOGY AND CARE DELIVERY MODELS TO INCREASING THE FOCUS ON SUSTAINABILITY AND RESILIENCY

The COVID-19 pandemic permanently changed global health care, from accelerating the adoption of new technology and care delivery models to increasing the focus on sustainability and resiliency. At the same time, it accentuated existing workforce challenges and the global disparities of health equity.

With more than 70 percent of the world's population having received at least one COVID-19 vaccine, the sector now faces critical questions that will shape its future in 2023 and beyond. In the coming year, health care providers, other sector participants, governments, and regulators must ask themselves how they can:

- Translate lessons about virtual health delivery during the pandemic into improved access and treatment.
- Leverage technology to reduce costs and demands on health workers while improving care for patients.
- Reduce their carbon footprint and thereby help to mitigate some of the environmental threats to public health.
- Ease the burdens on an increasingly stressed workforce by reshaping the scope of job requirements, allowing more remote work, and providing better support such as mental health services.
- Better prepare facilities, supply chains, and partnerships for future pandemics, public health events, or natural disasters.

COVID-19 has not disappeared from the global stage, but public health professionals are increasingly optimistic that the pandemic is becoming endemic, meaning that while the virus is still present, it is becoming more manageable and predictable — more like the seasonal flu.

While several hundred thousand new infections — and hundreds of deaths — were being reported daily worldwide at the end of 2022, new vaccines have reduced the number of deaths dramatically. During 2022, no new strains were declared a “variant of concern” by the World Health Organization.

Health care stakeholders should remain alert, nimble, flexible, and prepared for spikes and valleys in COVID-19 cases as well as other communicable diseases.

At the same time, COVID taught health professionals how to adapt to remote working, virtual doctor visits and shortages of medical supplies, personnel, and services. Indeed, the lasting impact of COVID-19 may be one of opportunity in which the health sector has a chance to reinvent itself and capitalize on trends that were emerging even before the pandemic, such as shifting consumer preferences, changes in patient behaviors, and rapidly evolving technology. The sector also should continue to explore clinical innovation and new care delivery models — some of which, like telemedicine, were successfully used on a widespread basis during the pandemic.

If the health sector takes advantage of these opportunities, it could transform care delivery, the patient experience, and ways of working at hospitals and other facilities, while also reducing inequities and boosting resiliency.

(Extracted from Deloitte Report: 2023 Global Health Care Outlook)

MARKET REPORT SUMMARY

AUSTRALIA AGED CARE SECTOR REFORMS

KPMG has conducted an in-depth analysis of the aged care market, focusing on the financial performance of the top 25 providers by market share across home care and residential aged care over the past five years. The aged care market remains highly fragmented with 735 providers delivering residential aged care and 906 providers delivering home care services (at 30 June 2021), and the top 10 providers maintain almost 25 per cent of market share across both residential and home care.

The home care market has experienced significant growth mainly from an increase in government expenditure, with \$4.2 billion in FY21, an increase of 25 per cent from the previous year. This growth is aligned to government policy and consumer preference to remain at home for as long as possible.

“
HOME CARE MARKET HAS
EXPERIENCED SIGNIFICANT GROWTH

Demand for residential aged care continues to decline which has resulted in a continuing drop in occupancy levels. Further, 58 per cent of providers reported an operating loss in FY21. Despite these challenging conditions, the Australian aged care market has continued to grow which can be attributed to providers seeking to reach the right economies of scale, growing their brand reputation and footprint and seeking greater influence in the sector.

“
DEMAND FOR RESIDENTIAL AGED
CARE CONTINUES TO DECLINE;
PROVIDERS SEEKING TO REACH THE
RIGHT ECONOMIES OF SCALE

The Royal Commission into Aged Care Quality and Safety (Royal Commission) provided a unique opportunity to improve the quality, safety and experience for senior Australians accessing aged care services. The Government committed \$18.3 billion in the 2021-22 budget to support a five-year reform of the sector, with an additional \$468.3 million committed to continue the implementation in the 2022-23 budget, along with \$458.1 million to support the COVID-19 response.² The reform is likely to result in renewed interest from organisations that don't currently deliver aged care and also further consolidation from smaller providers who may struggle to keep pace with the level of reform.

Following are the five major upcoming reforms to flag now so that the related industry player can prepare early and be ready:

01

24/7 Registered Nurses From 1 July 2023, providers will have to ensure that “at least one registered nurse is on site, and on duty, at all times at the residential facility.” It is likely that additional reporting will be required by providers on 24/7 RN coverage, for example reporting at the end of each month through a form on the My Aged Care Provider Portal. The reporting for care minutes and 24/7 RN care will be used to inform the new star ratings.

02

Mandatory Care Minutes The Government has committed to introducing: (i) mandatory 200 minutes of care time per resident per day (including 40 RN minutes) from October 2023 and (ii) mandatory 215 minutes of care time per resident per day (including 44 RN minutes) from October 2024. Mandatory 200 minutes care time expected to commence October 2023, increasing to mandatory 215 minutes from October 2024.

MARKET REPORT SUMMARY

03

Revised Aged Care Quality Standards

The Aged Care Quality and Safety Commission (Commission) is planning to revise the Aged Care Quality Standards. The proposed changes will reduce the number of Standards from eight to seven, and consolidate some areas covered by each of the Standards. There will be new expectation statements for each of the Standards which will replace the consumer outcome statements in the current Standards. As of 17 January 2023, there is no official start date for the new Standards. It is expected that there will be a transition period to allow providers to familiarise themselves with the new Standards and to implement any systems and practices to allow them to comply. Further consultation will commence in early 2023 on guidance material for providers and older people, as well as the implementation of the revised Standards and transition periods.

04

New Governance Requirements

In August 2022, the Government passed legislation that imposed new requirements with respect to aged care governance. While all new aged providers must meet these requirements immediately, existing aged care providers do not have to meet the requirements until December 2023. There are three new requirements: (i) Membership of the Governing Body, (ii) Consumer Advisory Body and (iii) Constitutions of Providers. These requirements apply from 1 December 2023 for existing providers. For providers who are approved after 1 December 2022, the requirements apply immediately.

05

Potential Wage Increase for Aged Care Workers

In April 2022, the Health Care Services Union (Union) and the Australian Nursing and Midwifery Federation (Federation) brought a case before the Fair Work Commission (FWC), seeking to vary several awards to increase pay for aged care workers by 25 per cent. On 4 November 2022, the FWC released a Summary of Decision. Under the heading “An Interim Increase”, the decision states that a 15 per cent wage increase for direct care workers in the Aged Care and SCHADS Awards and nurses working in aged care who fall under the Nurses Award, was “Plainly justified by work value reasons”. The FWC also noted that this ruling would not conclude their consideration for a 25 per cent increase for employees, specifically those in administrative, kitchen, cleaning, and other support roles. The FWC further stated “Nor are we suggesting the 15 per cent interim increase necessarily exhausts the extent of the increase justified by work value reasons in respect of direct care workers.” The case is not yet resolved. The parties are discussing the issues and must report back to the FWC on 28 February 2023. The FWC will then decide on the next steps.

The requirement to implement new standards and reporting systems has resulted a higher operating expense and adversely affected the financial performance of the aged care providers.



NEW STANDARDS AND REPORTING SYSTEMS
HAS ADVERSELY AFFECTED THE FINANCIAL
PERFORMANCE OF THE AGED CARE PROVIDERS

(Extracted from:

- i. **KPMG Report: Aged Care Market Analysis 2022; and**
- ii. **CompliSpace Aged Care Workforce Report 2022)**

PORTFOLIO SUMMARY AND DETAILS



Malaysia 

23 
PROPERTIES

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
- Kedah Medical Centre
- KPJ Tawakkal KL Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Batu Pahat Specialist Hospital
- Taiping Medical Centre
- KPJ Pasir Gudang Specialist Hospital

Wellness/Health Centres

- Tawakkal Health Centre
- KPJ Kuantan Care & Wellness Centre
- Damai Care & Wellness Centre
- KPJ Haemodialysis Kluang

Colleges

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



Australia 

1 
PROPERTY

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

Asset Value

RM137,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn Bhd

Land Area

233,162 sq.ft.

Gross Floor Area

390,848 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

66 years

Age of Building

27 years



KPJ DAMANSARA SPECIALIST HOSPITAL

Location

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

Asset Value

RM138,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Rawang Specialist Hospital Sdn Bhd

Land Area

180,521 sq.ft.

Gross Floor Area

445,114 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

25 years

PORTFOLIO SUMMARY AND DETAILS



KPJ JOHOR SPECIALIST HOSPITAL

Location

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

Asset Value

RM122,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Johor Specialist Hospital Sdn Bhd

Land Area

217,800 sq.ft.

Gross Floor Area

477,974 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

56 years

Age of Building

41 years



KPJ PUTERI SPECIALIST HOSPITAL

Location

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

Asset Value

RM40,000,000

Encumbrances

Nil

Lessee/Asset Operator

Pasir Gudang Specialist Hospital (Johor) Sdn Bhd

Land Area

104,109 sq.ft.

Gross Floor Area

134,098 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

31 years

Age of Building

36 years

PORTFOLIO SUMMARY AND DETAILS



KPJ SELANGOR SPECIALIST HOSPITAL

Location

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

Asset Value

RM84,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Selangor Specialist Hospital Sdn Bhd

Land Area

204,342 sq.ft.

Gross Floor Area

314,844 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

74 years

Age of Building

26 years



KPJ IPOH SPECIALIST HOSPITAL

Location

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

Asset Value

RM89,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn Bhd

Land Area

142,116 sq.ft.

Gross Floor Area

382,865 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

Old Wing : 30 Years
New Wing : 15 Years

PORTFOLIO SUMMARY AND DETAILS



KPJ PERDANA SPECIALIST HOSPITAL

Location

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

Asset Value

RM42,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Perdana Specialist Hospital Sdn Bhd

Land Area

94,163 sq.ft.

Gross Floor Area

146,686 sq.ft.

Land Tenure

Leasehold

Lease Period

66 years

Remaining Lease Period

Lot No.657 : 41
Lot No.PT 705 : 59

Age of Building

21 years



KPJ SENTOSA KL SPECIALIST HOSPITAL

Location

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

Asset Value

RM31,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Sentosa Medical Centre Sdn Bhd

Land Area

23,659 sq.ft.

Gross Floor Area

91,052 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

24 years

PORTFOLIO SUMMARY AND DETAILS



KPJ KAJANG SPECIALIST HOSPITAL

Location

Jalan Cheras, 43000 Kajang, Selangor.

Asset Value

RM52,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Kajang Specialist Hospital Sdn Bhd

Land Area

68,932 sq.ft.

Gross Floor Area

191,142 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

16 years



KEDAH MEDICAL CENTRE

Location

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

Asset Value

RM53,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Kedah Medical Centre Sdn Bhd

Land Area

83,183 sq.ft.

Gross Floor Area

215,851 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

17 years

PORTFOLIO SUMMARY AND DETAILS



KPJ PENANG SPECIALIST HOSPITAL

Location

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

Asset Value

RM65,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Penang Specialist Hospital Sdn Bhd

Land Area

190,930 sq.ft.

Gross Floor Area

180,109 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

14 years



KPJ TAWAKKAL KL SPECIALIST HOSPITAL

Location

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

Asset Value

RM139,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Pusat Pakar Tawakkal Sdn Bhd

Land Area

89,168 sq.ft.

Gross Floor Area

344,983 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

12 years

PORTFOLIO SUMMARY AND DETAILS



KPJ SEREMBAN SPECIALIST HOSPITAL

Location

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

Asset Value

RM160,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to CIMB Islamic Bank Berhad

Lessee/Asset Operator

Maharani Specialist Hospital Sdn Bhd

Land Area

241,865 sq.ft.

Gross Floor Area

1. Existing building - 182,012 sq.ft.
2. New building - 207,160 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

1. Existing building : 18 years
2. New building : 4 years



TAIPING MEDICAL CENTRE

Location

1. Existing building - No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak.
2. New building - T/K PT 1106, Medan Taiping, 34000 Taiping, Perak

Asset Value

RM22,500,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to CIMB Islamic Bank Berhad

Lessee/Asset Operator

Penang Specialist Hospital Sdn Bhd

Land Area

47,845 sq.ft.

Gross Floor Area

1. Existing building - 40,256 sq.ft.
2. New building - 31,513 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

66 years

Age of Building

1. Existing building : 21 years
2. New building : 2 years

PORTFOLIO SUMMARY AND DETAILS



KPJ KLANG SPECIALIST HOSPITAL

Location

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

Asset Value

RM104,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Bandar Baru Klang Specialist Hospital Sdn Bhd

Land Area

117,391 sq.ft.

Gross Floor Area

353,494 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

70 years

Age of Building

11 years



KPJ BATU PAHAT SPECIALIST HOSPITAL

Location

No 1, Jalan Mutiara Gading Utama 1, Taman Mutiara Gading, Sri Gading, 83000 Batu Pahat, Johor.

Asset Value

RM80,000,000

Encumbrances

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

Lessee/Asset Operator

Pasir Gudang Specialist Hospital Sdn Bhd

Land Area

217,813 sq.ft.

Gross Floor Area

173,645 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

3 years

PORTFOLIO SUMMARY AND DETAILS



KPJ PASIR GUDANG SPECIALIST HOSPITAL

Location

Lot PTD 204781, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor.

Asset Value

RM90,000,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to CIMB Islamic Bank Berhad

Lessee/Asset Operator

Pasir Gudang Specialist Hospital Sdn Bhd

Land Area

141,481 sq.ft.

Gross Floor Area

203,280 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

86 years

Age of Building

10 years

WELLNESS CENTRE



DAMAI CARE & WELLNESS CENTRE

Location

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

Asset Value

RM12,000,000

Encumbrances

Nil

Lessee/Asset Operator

Kota Kinabalu Wellness Sdn Bhd

Land Area

33,988 sq.ft.

Gross Floor Area

44,639 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

51 years

Age of Building

14 years

PORTFOLIO SUMMARY AND DETAILS



KPJ KUANTAN CARE & WELLNESS CENTRE

Location

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

Asset Value

RM16,500,000

Encumbrances

Nil

Lessee/Asset Operator

Kuantan Wellness Centre Sdn Bhd

Land Area

72,323 sq.ft.

Gross Floor Area

69,060 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

36 years



TAWAKKAL HEALTH CENTRE

Location

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

Asset Value

RM47,400,000

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator

Pusat Pakar Tawakkal Sdn Bhd

Land Area

30,557 sq.ft.

Gross Floor Area

121,700 sq.ft.

Land Tenure

Leasehold and freehold

Lease Period

- i. Lot 124 and 125
- Leasehold, 99 years
- ii. Lot 20003
- Leasehold, 99 years
- iii. Lot 78-102
- Freehold

Remaining Lease Period

- i. 55 years
- ii. 90 years
- iii. -

Age of Building

39 years

PORTFOLIO SUMMARY AND DETAILS



KPJ HAEMODIALYSIS KLUANG

Location

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

Asset Value

RM4,700,000

Encumbrances

Nil

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn Bhd

Land Area

10,607 sq.ft.

Gross Floor Area

31,437 sq.ft.

Land Tenure

Leasehold

Lease Period

99 years

Remaining Lease Period

78 years

Age of Building

22 years

COLLEGES



KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI

Location

PT 551 & PT 552, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan.

Asset Value

RM102,000,000

Encumbrances

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

Lessee/Asset Operator

KPJ Healthcare University College Sdn Bhd

Land Area

983,820 sq.ft.

Gross Floor Area

447,823 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

16 years

PORTFOLIO SUMMARY AND DETAILS



KPJ INTERNATIONAL COLLEGE, PENANG

Location

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

Asset Value

RM14,100,000

Encumbrances

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

Lessee/Asset Operator

KPJ Healthcare University College Sdn Bhd

Land Area

126,239 sq.ft.

Gross Floor Area

42,989 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

37 years

AGED CARE AND RETIREMENT VILLAGE



JETA GARDENS AGED CARE AND RETIREMENT VILLAGE

Location

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

Asset Value

AUD28,500,000/RM85,266,300

Encumbrances

Free from any mortgage but subject to subleases and easements

Lessee/Asset Operator

Jeta Gardens (QLD) Pty Ltd

Land Area

1,287,148 sq.ft.

Gross Floor Area

121,675,24 sq.ft.

Land Tenure

Freehold

Lease Period

-

Remaining Lease Period

-

Age of Building

13 years

Sustainability Statement

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SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

GRI - 102-1 | 102-50



DRMSB proudly presents Al-`Aqar's annual sustainability statement, marking our fifth year of sustainability reporting. The statement details the environmental, social and governance ("ESG") performance of our operations as a healthcare REIT from 1 January 2022 to 31 December 2022 ("FY2022"), and serves as a practical tool for stakeholders to assess the progress of our Environmental, Social and Governance ("ESG") commitments, strategies, and initiatives.

The ESG criteria is a primary consideration for an increasing number of investors when making investment decisions. To serve stakeholders, as well as address the full range of ESG risks and opportunities, it is necessary to take a more comprehensive approach to generating long-term value in the current business landscape, with particular focus towards the healthcare sector. As REIT stakeholders become increasingly impacted by corporate ESG performance, they place further importance on it; hence, Al-`Aqar REIT remains committed to sustainability and improving the framework for reporting as an intrinsic element to developing a strong, sustainable business.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT (CONT'D)

Reporting Scope

GRI - 102-4 | 102-46

As majority tenants (24) are subject to a single net lease agreement with KPJ Group, the Manager has limited influence over ESG issues within those properties. Consequently, this statement will present an overview of the Al-'Aqar's sustainability performance at its headquarters, located on Level 19, Block 1, VSQUARE@PJCC, Jalan Utara, Petaling Jaya, with a total floor space of 4,249 sq ft.

Reporting Framework

This document has been prepared in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements. It also specifically references the Bursa Securities 3rd Edition Sustainability Reporting Guide to deliver a balanced, comparable, and meaningful statement. To structure the format and content of our ESG disclosures, we referred to the Global Reporting Initiative (GRI) Standards and the United Nations Sustainable Development Goals (UN SDGs or "SDGs").



Feedback

To keep an open line of communication with stakeholders to facilitate the development and evolution of our ESG reporting and strategies, we encourage and welcome stakeholders' feedback. For any questions, concerns, or remarks, please contact:

1. Encik Suhaimi Saad (Head of Operations) at suhaimi@drmsb.com.my
2. Puan Roziah Abu Bakar (Head of Compliance & Risk Management) at roziah@drmsb.com.my

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT (CONT'D)

ESG Journey

2021

- Reviewed and revised ESG Framework to consist of four pillars (Robust Corporate Governance, Sustainable Trust Fund, Environmental Stewardship and Strong Social Relationship)
- Adopted SDG 8, 9, 11, 13 and 16.
- Reported on our contributions to UN Sustainable Development Goals (SDGs)
- Revised Sustainability Governance Structure to include the Board of Directors, Board Audit and Risk Committee, Enterprise Risk Management Committee and Property Managers.
- Revised stakeholders groups to maintain at six stakeholders and conducted stakeholder engagement.
- Reviewed and consolidated the number of material matters to 15.
- Conducted a materiality reassessment and benchmarking exercise for FY2021.

Our Climate Reporting Journey

- Began reporting on electricity and fuel consumption for HQ.
- Began reporting on Scope 1 and Scope 2 emissions.

2022

- Continue reporting disclosures on four pillars (Robust Corporate Governance, Sustainable Trust Fund, Environmental Stewardship and Strong Social Relationship)
- Updated our contributions to UN Sustainable Development Goals (SDGs)

2020

- Revised Group's sustainability strategy into four key topics (Governance, Environment, Economic and Social)
- Reviewed and revised Sustainability Governance Structure to include Board of Directors, Board Audit & Risk Committee, and the Manager.
- Conducted stakeholder engagement exercise.
- Conducted materiality reassessment in FY2020.

2019

- Conducted stakeholder engagement exercise.
- Conducted a materiality reassessment for FY2019.



2018

- Established ESG Framework consist of 3 pillars (Governance, People and Partner)
- Established Sustainability Strategy comprise of Corporate Governance, Economic and Social.
- Conducted a materiality reassessment for FY 2018.
- Identified 7 stakeholder groups and conducted stakeholder engagement exercise.

2017

- Published first Sustainability Statement.
- Established a Sustainability Governance Structure consists of the Board of Directors and Sustainability Steering Committee.
- Identified 6 stakeholder groups and conducted stakeholder engagement exercise.
- Conducted a Materiality Assessment.



SUSTAINABILITY STATEMENT

APPROACH TO SUSTAINABLE DEVELOPMENT

Sustainability Framework

The Sustainability Framework serves as a guide for the strategic planning, direction, and administration of ESG practises, ultimately advancing sustainability across operations. The Manager's long-term vision includes providing lasting value to stakeholders through sustainable business practises, which influenced the development of this framework. Hence, the Al-'Aqar aligned its vision and mission with four (4) pillars of sustainability and nine (9) focus areas. Action plans were developed to reinforce Al-'Aqar's strategy and facilitate its advancement toward sustainability. In addition, the framework is aligned with the United Nations' Sustainable Development Goals (SDGs).

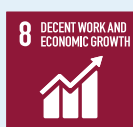


SUSTAINABILITY STATEMENT

APPROACH TO SUSTAINABLE DEVELOPMENT (CONT'D)

Contribution to the UN SDGs

The United Nations established seventeen (17) Sustainable Development Goals (SDGs) as a call to action for addressing and overcoming the global challenges our people and planet face. To demonstrate our commitment to the United Nations' Sustainable Development Goals and their call for a "Decade of Action", along with our support of the Twelfth Malaysia Plan, 2021–2025 (the "Twelfth Plan"), we have adopted the five SDGs that are most pertinent to our industry and to which we can make a significant contribution. In this report, we highlighted our most significant sustainability initiatives linked to the relevant SDGs for FY2022. The Group continues to strive towards enhancing our efforts and initiatives to better align with the UN's Sustainable Development Goals.



Wide range of benefits provided

Average of 23 training hours per employee

37 different training programmes conducted



Electricity and internet allowance provided to employees who work from home

Digital transformation to ensure business continuity



Monitoring of effluent discharge from hospitals



Year-on-year calculation of Scope 1 and Scope 2 greenhouse gas emissions



Prohibiting all forms of child and forced labour

ERM Policy & Framework

Code of Conduct and Business Ethics

Revision of the Whistleblowing Policy

Anti-Bribery and Corruption Policy and Manual

Sustainability Governance

GRI - 102-18 | 102-32

At the helm, the Board of Directors ("the Board") oversees the overall sustainability strategy and performance of Al-`Aqar REIT. They assess and approve proposed initiatives and strategies with the support of the Board Audit and Risk Committee ("BARC"), along with the Enterprise Risk Management Committee ("ERMC"). The Property Managers meet to discuss the monitoring of implementation and the achievement of targets.

APPROACH TO SUSTAINABLE DEVELOPMENT (CONT'D)

Sustainability Governance (cont'd)

	Roles	Responsibilities
01	Board of Directors	<ul style="list-style-type: none"> Endorses and oversees the implementation of the Fund's sustainable strategy to ensure key targets are met. Takes responsibility and accountability for the Fund's communication on sustainability issues to stakeholders. Establishes a culture of integrity by placing emphasis on communication about sustainability across the Fund. Endorses material sustainability matters and the governance structure.
02	Board Audit and Risk Committee	<ul style="list-style-type: none"> Oversee and recommend appropriate risk management and measurement policies and strategies, including ESG risks and opportunities across the Company. Review, approve and ensure adherence to the Company's risk management framework, policy and strategies. Review the effectiveness of the system for monitoring compliance with laws and regulations, along with the results of the management's investigation and follow-up of any instances of non-compliance. Review the Anti-Bribery and Corruption Policy of the Company to ensure that the JLG Group strategy and Anti-Bribery and Corruption Policy are aligned. Chairperson of BARC shall be responsible for receiving Whistle-Blowing information and to and to discuss the action to be taken amongst the members.
03	Enterprise Risk Management Committee	<ul style="list-style-type: none"> Supports BARC in fulfilling its oversight responsibilities with respect to ERM Policy & Framework, along with its processes, including risk assessment on key strategic, financial, operational and compliance risk. To coordinate the development of risk management policies and procedures as well as its initiatives to ensure an effective ERM framework is in place. To review and deliberate risk reports and, where applicable, recommend mitigation strategies for implementation. To provide regular updates to the BARC on respective mitigation measures, and action plans relating to the respective residual risk profile and ERM initiatives. To monitor, develop, review, assess and recommend to BARC risk management strategies, policies and risk tolerance limits.
04	Property Managers	<ul style="list-style-type: none"> Develops the overarching sustainability strategy for the Fund based on material sustainability matters identified. Provides recommendations and improvements to the Board on the material sustainability matters related to the Fund. Formulates targets and initiatives to achieve sustainability goals pledged by the Fund. Assesses the effectiveness of the sustainable initiatives put in place, and monitors and maintains records on these initiatives.

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

GRI - 102-40 | 102-43 | 102-44



Identifying the stakeholder groups that have a direct impact on our business or are impacted by Al-Aqar's activities is crucial for establishing sustainable business operations.

It enables the organisation to identify and comprehend stakeholder expectations, and work toward generating continual value and serving stakeholder interests. We are committed to consistently engaging with our stakeholders, and to addressing and resolving their concerns, in order to maintain their trust and build a long-term relationship that is mutually beneficial.

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"> Annual General Meeting 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 tenable 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

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS

Materiality Matters

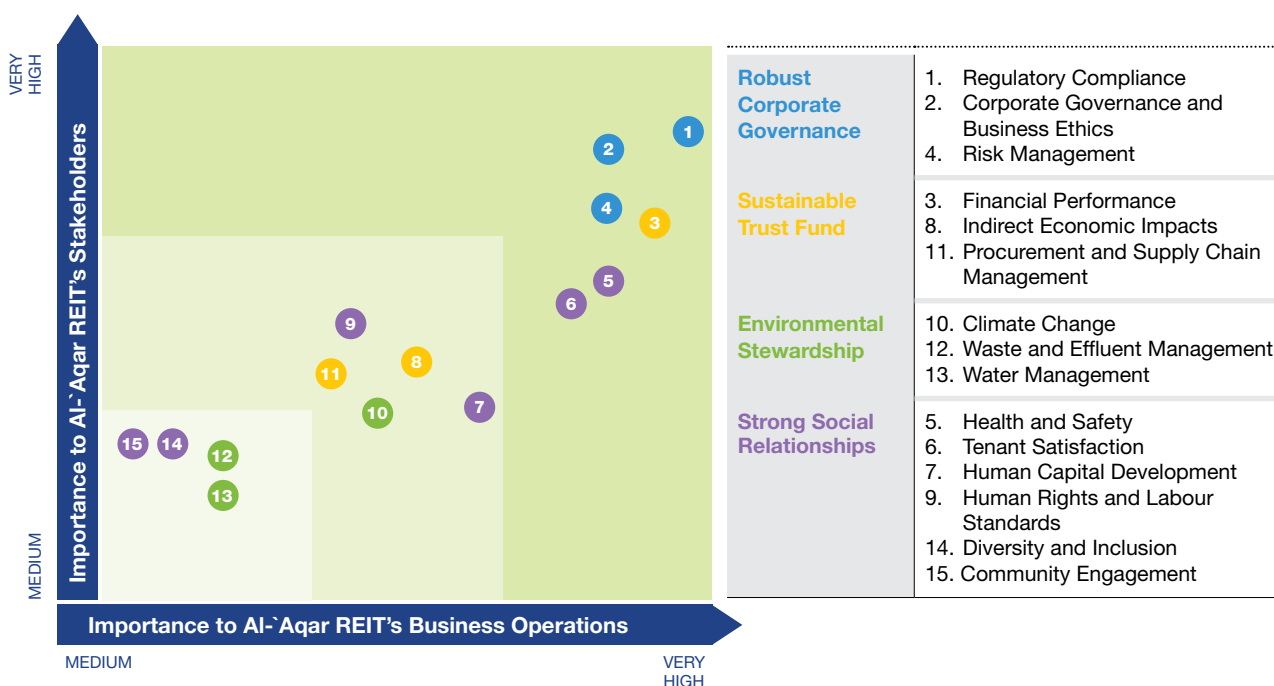
GRI - 102-47

In FY2021, the Al-`Aqar conducted a comprehensive evaluation and reassessment of its material sustainability matters in order to accurately reflect the prioritisation of ESG risks and opportunities within its operations. This exercise was based on the newly formed Sustainability Framework and the then ongoing COVID-19 pandemic. As we now manage the endemic phase of COVID-19, we retained the material matters as they remain relevant and conform with Bursa Malaysia's REIT-specific material matters. These 15 material matters are listed below:

FY2022 Material Sustainability Matters

Robust Corporate Governance Sustainable Trust Fund Environmental Stewardship Strong Social Relationships	Corporate Governance and Business Ethics Regulatory Compliance Risk Management
	Financial Performance Indirect Economic Impacts Procurement and Supply Chain Management
	Climate Change Waste and Effluent Management Water Management
	Diversity and Inclusion Human Rights and Labour Standards Tenant and Customer Satisfaction Occupational Health and Safety Community Engagement Human Capital Development

Materiality Matrix



















SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Materiality Matrix (cont'd)

We have not conducted a materiality reassessment of material sustainability in this reporting year, as the Fund believes the fifteen (15) material matters remain relevant to our current operations. As such, the materiality matrix has been kept unchanged from FY2021. Among material matters that remain top priority to the Fund are those under Robust Corporate Governance, covering topics under “Regulatory Compliance”, “Corporate Governance and Business Ethics”, and finally “Risk Management”.




Mapping the Material Sustainability Matters

Pillars	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.		
 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	
	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	

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Mapping the Material Sustainability Matters

Pillars	Material Sustainability Matter	Description	Stakeholders	Corresponding SDGs
Strong Social Relationships (cont'd)	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.	Employees 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	

ROBUST CORPORATE GOVERNANCE

Regulatory Compliance

GRI - 102-16 | 102-17

Among the key national laws, regulations and guidelines applicable to the business include but are not limited 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 Capital Market Products and Services	Guidelines on Corporate Governance for Capital Market Intermediaries

The Manager maintains a comprehensive compliance report, which details the requirements for various acts, risk treatments, the Fund's mitigation plans, and risk ratings. This is to ensure that the Fund is able to comply with all relevant legal and statutory requirements. Beyond this, the Manager also conducts training on legal requirements, obtains legal advice from professionals, and requires all internal audits be performed by external consultants to maintain impartiality.

ROBUST CORPORATE GOVERNANCE (CONT'D)

Regulatory Compliance (cont'd)

It is also crucial that tenants abide by all stipulated legal requirements and agreements, such as the Uniform By-Laws 1984, the Fire Services Act 1988, and the Lease/Tenancy Agreement. To ensure all requirements are met, the REIT conducts scheduled monitoring, and receives monthly updates from the Maintenance Manager through the Monthly Report. This report also details the licence status of each building, with the renewal of said licences under the purview of the lessee and regulated by KPJ HQ.

The Board regularly receives legal and secretarial updates in order to stay updated on developments in the regulatory landscape. For this purpose, both management personnel and the Board are encouraged to attend talks and seminars whenever necessary. The Manager also receives alerts on relevant changes from Bursa Malaysia, the Securities Commission, and the Malaysian REIT Managers Association ("MRMA").

Initiatives taken to ensure compliance with applicable laws and regulations are communicated internally via management meetings, announcements, and briefings. They are conducted externally through Annual General Meetings, analyst briefings, Al-Aqar's corporate website, and annual reports. Any and all questions are directed via email to a designated individual. In fiscal year 2022, the Fund has not recorded any incidents of non-compliance.

Corporate Governance and Business Ethics

GRI - 205-1 | 205-2

Daily processes are kept in order by internal SOPs, which take into account business development, internal controls, risk management, compliance, IT, talent management, finance, and operations. All values, principles, and expectations of professional conduct within Al-Aqar are upheld through the Manager's Code of Conduct and Business Ethics (the "Code"). The Code is a clearly defined guideline on how employees and associates are expected to behave, as well as detailing disciplinary actions in the event of non-compliance. This Code is supplemented by other policies, such as the Whistleblowing Policy, Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") and Manual. All these policies and procedures are communicated to employees via mail, briefings, training sessions, and posters.

The Fund is dedicated to providing a secure avenue for informants to report instances of non-compliance and misbehaviour within the organisation. As such, our Whistleblowing Policy has been revised, adopting a similar policy and standard procedure to JCorp. This updated Whistleblowing Policy ensures all reports received are treated with confidentiality and impartiality, while

ensuring any made with malicious intent will be dealt with accordingly. This updated policy is revised in accordance with the Whistleblowers Protection Act 2010. In FY2022, the Manager did not receive any whistleblowing reports.

Al-Aqar remains committed to ensuring all operations remain in compliance with the Malaysia Anti-Corruption Act 2009. To this end, the Manager has adopted an ABAC Policy, which clearly defines and communicates the Manager's principles and guidelines on money laundering, gifts, entertainment, and hospitality expenses. Further supplementing this, a new No-Gift, No-Entertainment Policy was implemented. The details of these policies are disseminated internally through briefing and training, and externally through the corporate website. Anti-corruption training was provided for all employees at every position level, with a total of 96% of all employees attending the training. In FY2022, no employees were dismissed due to non-compliance with the ABAC Policy.

To further improve Fund's compliance with anti-bribery and corruption laws and ensure regulatory compliance, the Manager has introduced and implemented the following new initiatives: conducting refresher briefing and trainings to employees, and committing to due diligence through an integrity pledge by service providers or business partners. Additionally, the previously established due diligence procedure for new tenants has been retained, and risk assessments are conducted on approximately 100% of internal operations this reporting period. Operations that have undergone this risk assessment include recruitment, Business Associates & Outsourced Service Providers, Suppliers, Business Development & Investor Relations, and Operations. The risk assessment findings are compiled in an "integrity risk register" and presented to the BARC and the Board Investment Committee ("BIC"). There have been no significant risks identified in all assessed operations. In FY2022, there have been no incidents of corruption or non-compliance.

Risk Management

To ensure the longevity and stability of the business as a Fund, it is vital to appropriately manage all risks. The overseers of risk management are the BARC, which is assisted by the Enterprise Risk Management Committee ("ERMC"). These committees are responsible for ensuring risk management is embedded in the Manager's daily routine, and are also charged with identifying risk parameters, appetite, profiles, treatment options, action plans and indicators. The Manager assesses risks on a quarterly basis following the Enterprise Risk Management ("ERM") Policy and Framework, and findings are compiled into a detailed risk register into categories, which are: strategic, financial, operational, compliance, IT and integrity risks.

ROBUST CORPORATE GOVERNANCE (CONT'D)

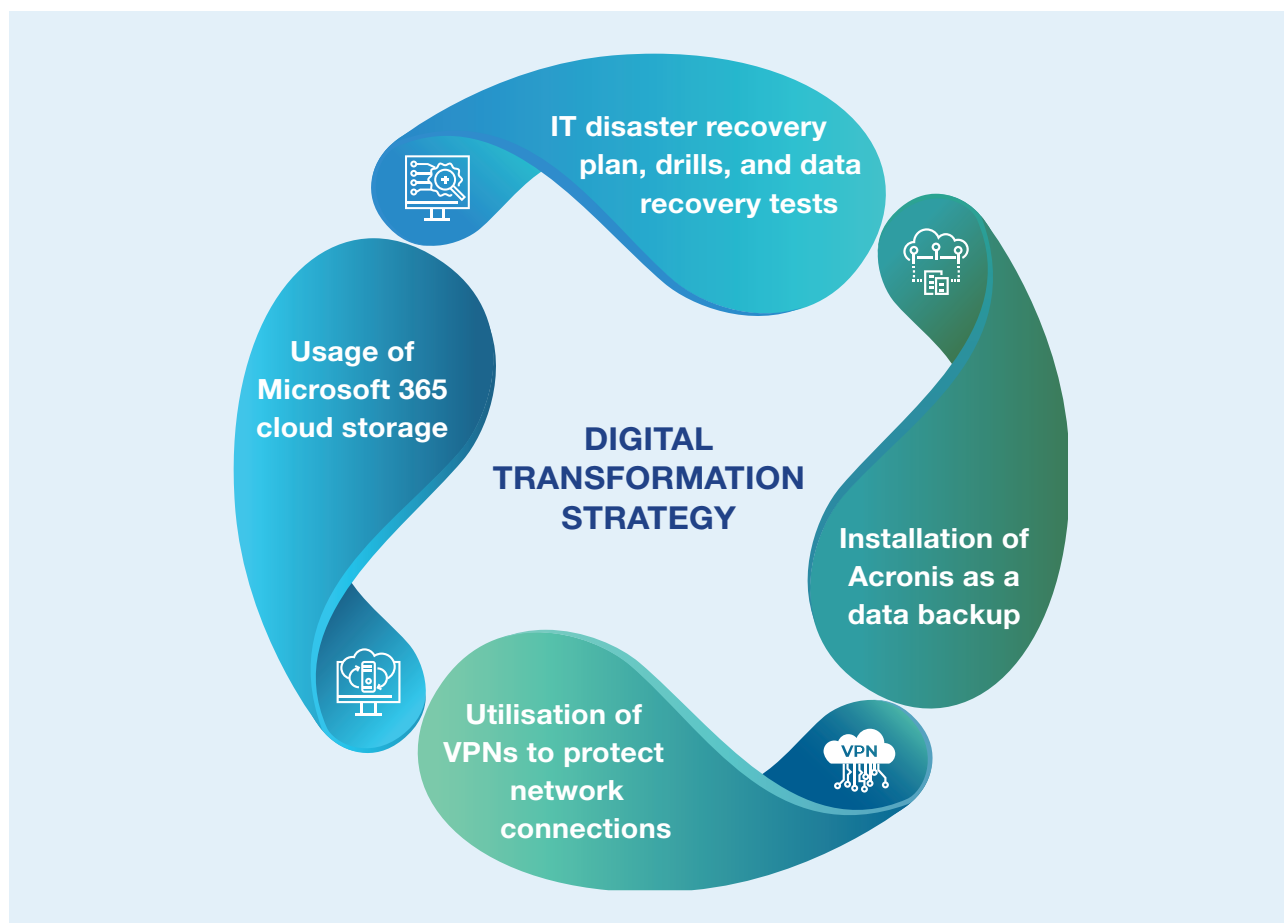
Risk Management (cont'd)

For the review this year, the Manager retained the updated ERM Policy and Framework, effective December 1, 2022. They take into account the re-classification of Risk Category to include ESG Risk, Market Risk and Partnership Risk.

The Manager has conducted the risk assessment for suppliers' environmental and social issues, labour issues, health and safety issues, tax issues, and finally data protection. There was no high risk identified during the course of the assessment. Risk owners, who are designated at the Risk Identification stage, are tasked with reporting the progress of risks and associated mitigation plans at weekly Management Committee meetings. Risk owners communicate with the employees regarding the risks. They also identify the risks to their operations and the associated mitigation plans, presenting them to the ERM and/or at weekly Management Committee meetings. The ERM holds quarterly meetings to ensure effective communication of risks and mitigation plans. Subsequently, the updated Risk Profiles were presented at the quarterly BARC meetings.

Data privacy and cyber security have grown increasingly important as digitalisation of services has become more common, bolstered by the need in a post-pandemic world. To ensure the safety of our customers and to safeguard patient data, the REIT has implemented a user access rights matrix and ensured adherence to the Personal Data Protection ("PDP") Policy. A Cyber Security Procedure, aimed at embedding essential cyber security measures to ensure the appropriate actions can take place during a potential data or security breach, has been put into place. Since the implementation of these measures, there have been no complaints regarding breaches of customer privacy or loss of data.

The Manager has maintained various business continuity measures in relation to digital transformation, allowing the Fund to continuously adapt to a changing business environment in the COVID-19 endemic stage.



SUSTAINABILITY STATEMENT

SUSTAINABLE TRUST FUND

Financial Performance

GRI - 201-4 | 203-1

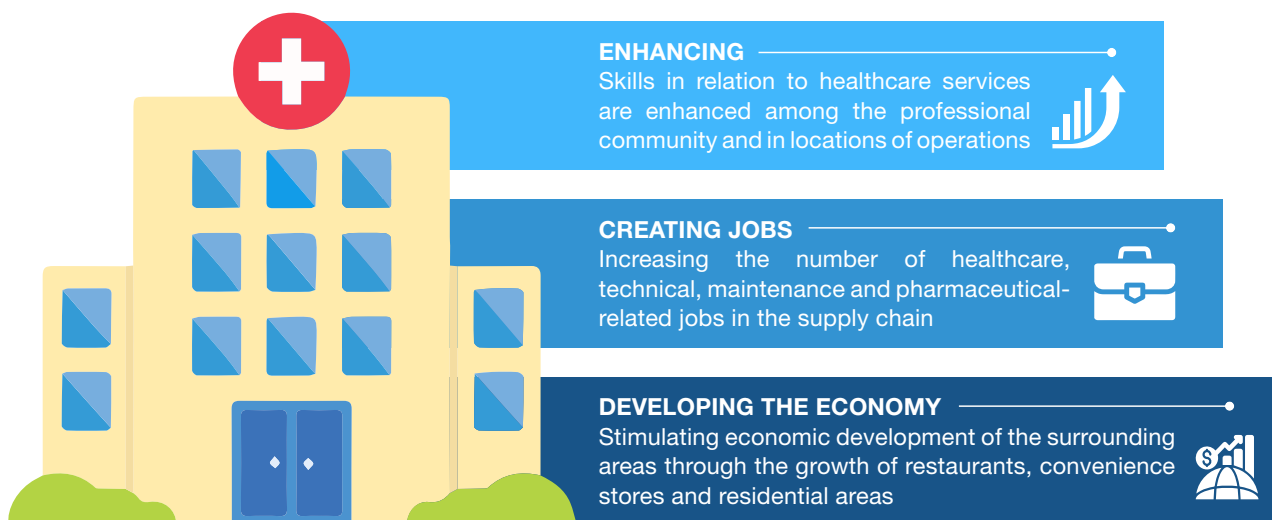
As Malaysia gradually navigates the COVID-19 endemic phase, the impact it has on us as a healthcare REIT is steadily abating. The main financial challenges the Fund's tenants faced were the reorganisation of hospital operations and the rationing of the medical workforce. Still, there has been a steady increase in healthcare demand at the tenants' facilities due to an even greater relaxation of restrictions, better economic conditions, and a public-private partnership with the government since the middle of 2021.

Compared to the previous year, the Fund has seen marked improvements in financial performance. As such, it has not received any financial assistance from the government. Furthermore, as a result of this improvement, the Fund generated a total of RM104,587,721 in revenue compared to RM104,245,507 last year, and retained a total of RM66,707,130. The Fund intends to distribute 95% or more of this total income to the unitholders.

In addition to this, the Fund became the silver sponsor for the 3rd Annual Malaysia's REIT in FY2022. The Manager has also participated in the M-REITs and The Road Ahead event. This event gave the Fund an opportunity to engage with analysts, investment bankers, and potential investors, and acted as part of an investor relations activity for Al-Aqar.

Indirect Economic Impacts

Indirect economic impacts are the consequences arising from the direct impact of financial transactions and cash flows that occur between an organisation and their stakeholders. This encompasses the investments made for an organisations' infrastructure as well as the services supported by these investments. The REIT, acting as a player in the real estate industry with a key focus on the healthcare sector, has positively impacted the surrounding communities in locations where it operates.



Procurement and Supply Chain Management

Majority KPJ hospitals are under a single net lease agreement. Therefore, all supply chain decisions and property expenditures are to be borne by the tenant, and they will directly engage with contractors or service providers. During the interview process with any potential vendors, the presence of a representative from the Manager is required to ensure compliance with internal and regulatory policies.

STRONG SOCIAL RELATIONSHIPS

Health and Safety

GRI 403-1 | 403-2 | 403-4 | 419-1

At Al-Aqar, the safety and well-being of our people, including our tenants, are deeply rooted within our OSH strategy and are strengthened by the tenant's OSH culture, which aims to create greater transparency and awareness. The Fund's OSH strategy drives efforts towards embedding a culture of accident prevention, safety, and risk management throughout all operations.

Routine inspections to identify work-related hazards are carried out every two (2) or three (3) years by an appointed Safety and Health Officer at each KPJ hospital. Within the HQ, the Manager has also appointed one staff member to act as a Safety and Health Officer. The safety and health officer ("HSO") is responsible for the following duties:

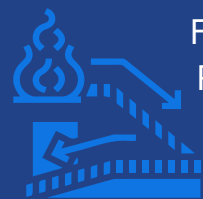
- Advising the management on safety issues as well as developing health and safety policies and procedures
- Monitoring and controlling safety and compliance in the organisation as per the law and organisation's policy
- Carrying out safety inspections and internal audits, and reporting to management 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.

As the Manager, the Fund continues to ensure our sole tenant demonstrates resilience in maintaining good OSH practices in every aspect of their work and operations. KPJ hospitals continued the initiatives that ensure strict adherence to safety standards and enforced safety culture, compliance and leadership among employees.



Emergency
Respond Team
Policy & Procedure

Fire Drill



Fire Rescue and
Prevention Plan

The Fund continues to be the driving force accelerating the development of an OSH culture across our business and operations. During the year, two employees attended the virtual Occupational Safety and Health training on safe practices within an office environment.

We continued our associated control measures, maintaining them for the endemic phase of COVID-19. This is to ensure employee's health, safety and welfare in light of the new normal.

“

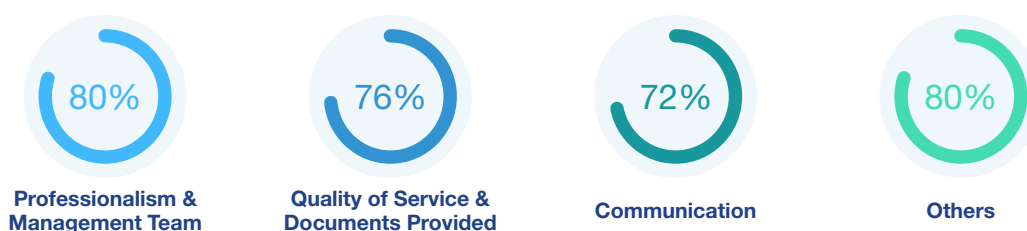
The REIT Manager recorded
ZERO
reportable incidents during the
reporting period.

SUSTAINABILITY STATEMENT

STRONG SOCIAL RELATIONSHIPS (CONT'D)

Tenant Satisfaction

We believe in building a strong and trusting relationship with our tenant as we continue to engage with them even during difficult times. We value their patronage, and take into consideration their feedback in our effort to expand our outreach in building a shared sense of responsibility and progressing societal development at all KPJ properties. 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 3.9 out of 5 across all categories, for an overall average rating of 86.1%.



Apart from performance evaluations, the Manager carries out extensive engagements via numerous communication channels to promote social betterment, building strong tenant relationships to meet their evolving behaviour and expectations. The Maintenance Manager conducts quarterly formal engagement sessions with tenants to address any questions or concerns raised by the tenants, or issues relating to tenant-property owner relationships. During these meetings, tenants are also encouraged to share their opinions, whether positive or negative, on the Property or Maintenance Manager.

The Manager requires that the appointed Maintenance Manager undertake building inspections once a year to provide constructive recommendations to the hospitals, as needed, to ensure that the Fund's assets are well maintained at all times. Building audits are performed on physical assets and environmental services such as air conditioning and ventilation, firefighting systems, water supply systems, lifts, staff and manpower, preventive planned maintenance master programme, and statutory requirements and licence status. Following the submission of the report to the tenant, immediate action is required to address the comments to ensure that the buildings and equipment are in good condition and safe to use.

Human Capital Development

GRI 401-1 | 401-2 | 404-1 | 404-2

Our people are integral to our business and success. As a responsible employer, we strive to provide 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.

We recognise that workforce expectations have evolved considerably over the past year and will continue to do so. Our human capital development is based on promoting performance management, leadership development, succession planning and employee capacity building. It is implemented at all levels of the organisation, in partnership with our leaders, business managers and operation teams, to support our business priorities and growth strategy.

Our intention is to provide our employees across the Funds with the development opportunities they need with regard to their technical and personal skills. This enables us to retain talents over the long-term and prepare them for their future roles. During the year, we continue to promote training to equip our people with essential and important skillsets, allowing them to function in today's world and to adapt to new work cultures.

93%	Employees Attended Training
584	Total Hours of Training
23	Total Training Investment per Employee (Hour)
1071	Total Training Cost per Employee (RM)
27,834	Total Training Cost (RM)

SUSTAINABILITY STATEMENT

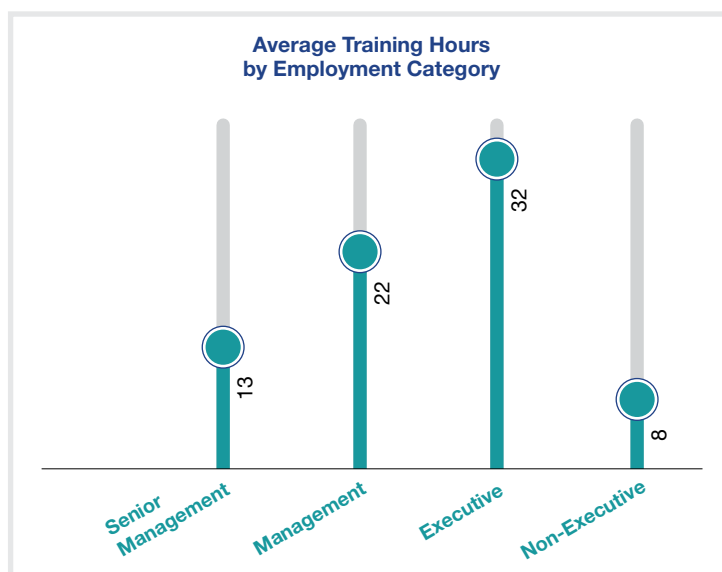
STRONG SOCIAL RELATIONSHIPS (CONT'D)

Human Capital Development (cont'd)

Some highlights from the training programmes conducted this year include:



- Enhancing Corporate Governance by Effective Corruption Prevention
- ESG Risk Management and Due Diligence
- Investment Opportunities in a Post COVID-19 Pandemic World
- Preparing Leaders & Executive for Artificial Intelligence
- Microsoft Excel Intermediate



The Manager also offers employees regular performance reviews to contribute to their personal development and skill management. A breakdown of the percentage of employees receiving a performance review by gender and employment category is presented below. In FY2022, 86% of the Fund's workforce received a performance review.

Male	Female	Senior Management	Management	Executive	Non-Executive
54%	46%	4%	25%	46%	25%

The well-being of our employees is reflective of how happy and healthy they are at the workplace. By engaging them in our business, we inspire them to greater commitment, and motivate them to perform productively and efficiently. We continue to maintain consistent employee engagement during these challenging times by putting our people first, as we focused on their health and emotional wellbeing as well as matters of their needs and concerns.

In this reporting period, the Manager recorded a hiring rate of 12% and a turnover rate of 4%.

SUSTAINABILITY STATEMENT

STRONG SOCIAL RELATIONSHIPS (CONT'D)

Human Rights and Labour Standards

As a responsible business, we are committed to generating mutual stakeholder benefits and ensuring that we do not infringe on the human rights of others. We recognise that our employees are crucial to the on-going success of the business, and to how the Fund is regarded by the wider market. Furthermore, we believe that all employees should be treated fairly and with respect.

Whilst we recognise that the Government has the primary responsibility to protect and support human rights, we also embrace the important role we play as a business. Within all our business activities and partnerships, we are dedicated to considering our social and environmental impact and addressing any human rights issues. The Manager expects everyone working with us or on our behalf to abide by the Malaysian Labour Laws, which includes the Employment Act 1955, and we have a zero-tolerance approach to modern slavery and child labour in our organisation and our supply chains.

In this reporting period, online training sessions on the Employment Law: New Amendment to Employment Legislation and labour rights issues prevalent in businesses and the economy, titled The Future of Work and Talent for a Future Malaysian Economy, are conducted.

Diversity and Inclusion

GRI - 102-8 | 405-1

Board Diversity Disclosure

The Fund strives to build a diverse and inclusive work culture in which each of our employees are respected, valued, and given equal opportunities based on merits. Advancing our culture of inclusion and belonging continues to be a priority, and in 2022, we took significant steps to strengthen our approach and enhance our strategy.

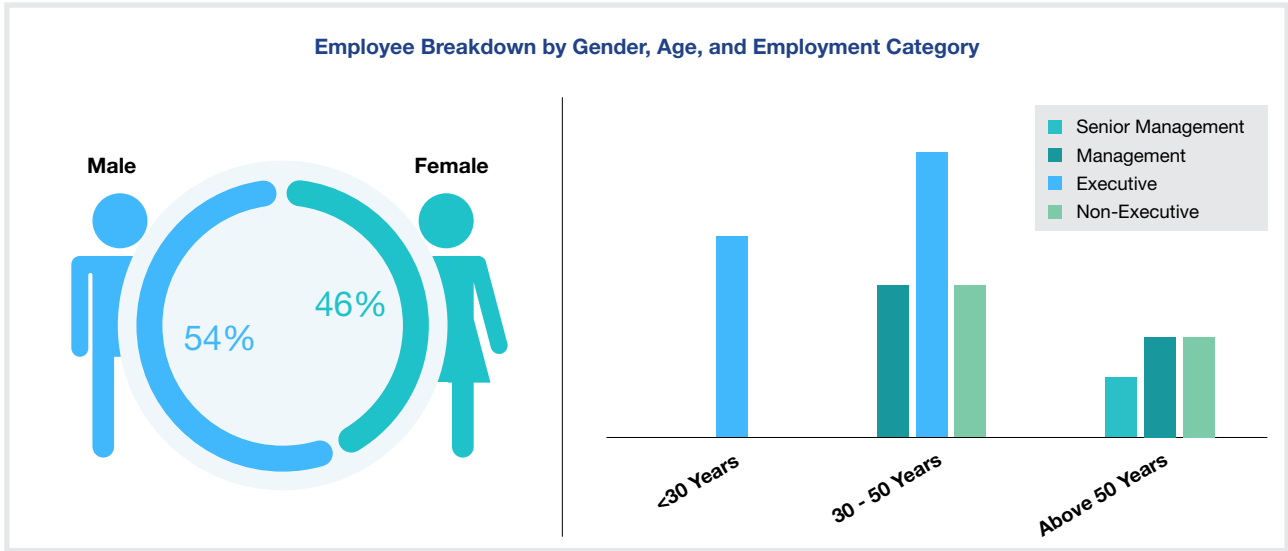
We are committed to a culture in which everyone has access to opportunities that support their development, and in which everyone can reach their potential without barriers. Furthermore, we recognise that the diversity of our workforce, including the different skills, mindsets, knowledge and experience of our employees, give us a better understanding of our stakeholder's expectations. Ensuring our environment is one where everyone feels they belong and can bring their potential to the fullest will drive our collective ability to innovate, allowing us to deliver cutting-edge ideas, products and services to all our stakeholders.

Workplace diversity fosters collaboration and drives innovation among employees. The Fund values mutual respect and understanding across the organisation, and encourages employees to report cases of discrimination to the Human Resources department at the earliest possible opportunity. In this reporting period, the Fund recorded zero cases of harassment and discrimination.

Equal opportunities for women remain a key focus for the Manager. We recognise the positive impact of gender diversity on the performance of teams and the business. Therefore, increasing female representation in leadership supports our business strategy. In 2022, women accounted for 46% of the Manager's team and 29% of the Management team. This year, we have a woman representative on the Board of Directors. Moving forward, the REIT 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 (62%) 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.

STRONG SOCIAL RELATIONSHIPS (CONT'D)



Community Engagement

GRI 413-1

The Manager embraces social responsibility and maintains active engagement with our diverse group of stakeholders who all have a direct or indirect impact to our business, reputation and our purpose in creating a sustainable future for all. We continue to establish mutually beneficial relationships through impactful communications and initiatives that suit the different needs of our stakeholders.

As majority of the Fund's properties are under a single net lease agreement, the Manager does not conduct CSR activities there, but rather takes its own initiatives to do so at DRMSB/HQ level. In this reporting period, the Manager made a second payment donation assistance for our employees which were affected by flood.

ENVIRONMENTAL STEWARDSHIP

Climate Change

GRI - 302-1 | 302-4 | 305-1 | 305-2 | 307-1

The world is facing a climate emergency, and natural resources are being used up faster than they can be replenished. Protecting the environment is an ongoing challenge for businesses of all sizes, in all industries, all over the world. We continue to promote responsible business practices throughout our operations, supporting the global Climate Change Agenda.

Al-Aqar continues to embrace our responsibility to understand and manage our carbon footprint. We monitor our carbon emissions and track our progress in reducing greenhouse gas ("GHG") emissions, where possible, to do our part to minimise impacts on the climate.

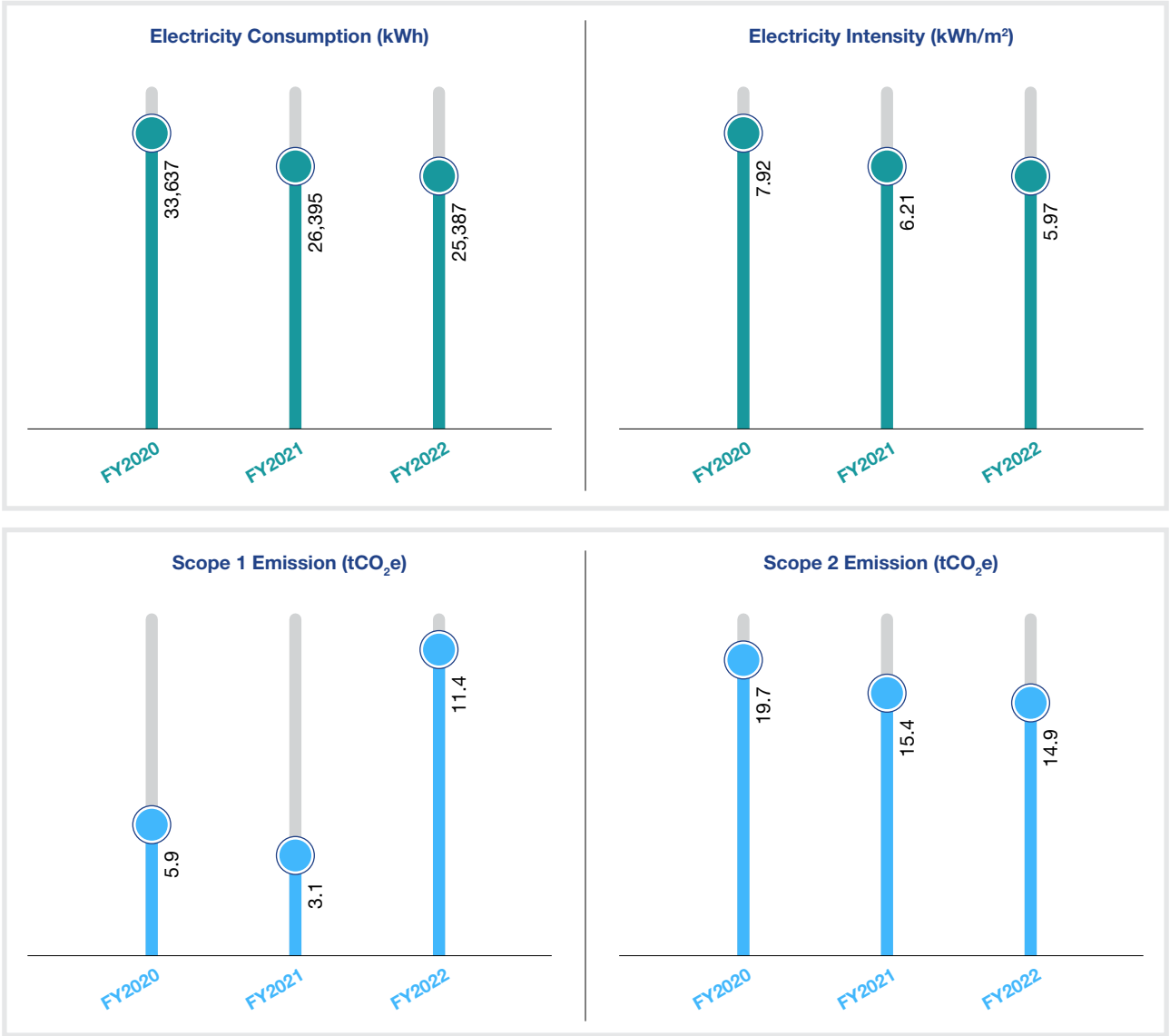
The emissions included in this statement are classified as scope 1 emissions (emissions produced from the consumption of diesel to power company vehicles) and scope 2 emissions (emissions produced from the consumption of electricity).

SUSTAINABILITY STATEMENT

ENVIRONMENTAL STEWARDSHIP (CONT'D)

Climate Change (cont'd)

	FY2020	FY2021	FY2022
Diesel Consumption, litres	2197.1	1174.2	4261.2
Scope 1 Emissions, tonnes	5.9	3.1	11.4
Electricity Consumption, kWh	33,637	26,395	25,387
Scope 2 Emissions, tonnes	19.7	15.4	14.9



SUSTAINABILITY STATEMENT

ENVIRONMENTAL STEWARDSHIP (CONT'D)

Waste and Effluent Management

GRI - 303-2 | 306-2

We strongly believe in our responsibility and role in managing both environment and community wellbeing. Thus, we remain committed to managing waste generated from our operations according to local waste regulations. While the amount of waste generated within the Fund's property portfolio or HQ is not monitored, the Manager 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.

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 intends 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.

CLOSING STATEMENT

Way Forward

As the world marches ahead into the COVID-19 epidemic, this recovery is certain to bring about a new set of challenges to surpass and overcome. Through this Al-Aqar will remain steadfast and adaptable, laser focused in continuing our sustainability journey through promoting sustainable practices and managing ESG risks and opportunities. We intend to strengthen our ESG performance and drive positive economic growth, while delivering value to stakeholders in the coming years.

GRI CONTENT INDEX

GRI - 102-55

GRI Indicator	Content of Disclosure	Page Number
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102-4	Location of operations	75
102-8	Information on employees and other workers	90
102-16	Values, principles, standards and norms of behaviour	83 - 85
102-17	Mechanisms for advice and concerns about ethics	83 - 85
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102-40	List of stakeholder groups	80
102-43	Approach to stakeholder engagement	80
102-44	Key topics and concerns raised	80
102-46	Defining report content and topic boundaries	75
102-47	List of material topics	81

SUSTAINABILITY STATEMENT

GRI CONTENT INDEX (CONT'D)

GRI Indicator	Content of Disclosure	Page Number
General Disclosures		
102-50	Reporting period	74
102-55	GRI Content Index	93 - 94
103-2	<i>Management approach</i>	<i>Throughout</i>
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201-4	Financial assistance received from government	86
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302-1	Energy consumption within the organisation	91 - 92
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303-2	Management of water discharge-related impacts	93
305-1	Direct (Scope 1) GHG emissions	92
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307-1	Non-compliances to environmental law and regulation	91 - 93
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401-1	New employee hire and employee turnover	89
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	88
403-1	Occupational Health and Safety management system	87
403-2	Hazard identification, risk assessment, and incident investigation	87
403-4	Worker participation, consultation, and communication on occupational health and safety	87
404-1	Average hours of training per year per employee	89
404-2	Programmes for upgrading employee skills and transition assistance programmes	88 - 89
405-1	Diversity of governance bodies and employees	90 - 91
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419-1	Non-compliance with laws and regulations in the social and economic area	87 - 91

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

This Corporate Governance (“CG”) Overview Statement sets out the principal features of the Group’s corporate governance approach, summary of corporate governance practices during the year under review as well as key focus areas and future priorities in relation to corporate governance.

The Board has been guided by the Malaysian Code on Corporate Governance (“MCCG”) in its implementation of CG practices while ensuring compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Guidelines for Listed REITs, Bursa Malaysia Corporate Governance Guide 28 April 2021, and Companies Act 2016.

The Board also monitors developments in industry practice and other relevant regulations and statutory requirements, best practices and guidelines so as to provide a detailed articulation on the application of the Group’s corporate governance practices vis-à-vis the MCCG.

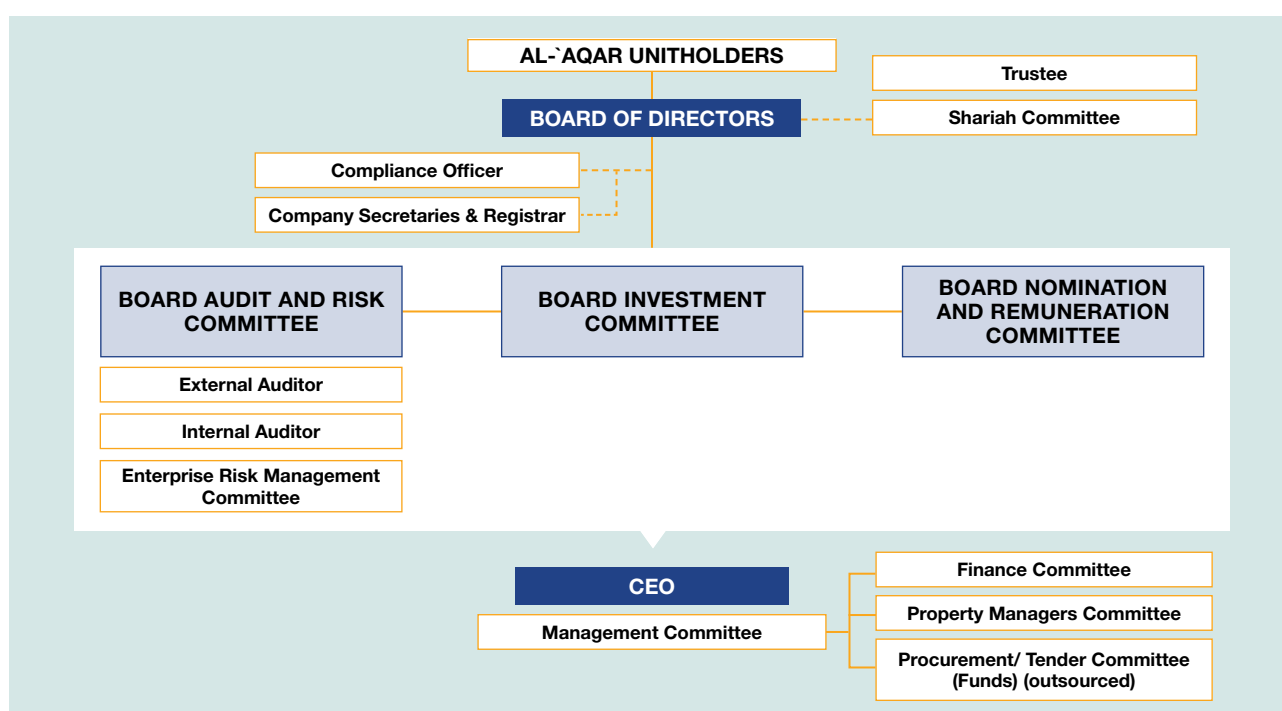
The Corporate Governance Report is available on the Group’s website at www.alaqar.com.my as well as via an announcement on the website of Bursa Malaysia. This CG Overview Statement should also be read in tandem with the other statements in the Integrated Report namely, the Statement on Risk Management and Internal Control (“SORMIC”), Audit and Risk Committee Report, and Sustainability Statement.

The CG Overview Statement provides a summary of the Company’s CG practices during the financial year, with reference to the following 3 principles:

- 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.

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

A female Director, Lailatul Azma Binti Abdullah was appointed as Independent Non-Executive Director on 16 December 2022.

The board will continue to scout for women directors to sit on board in the coming years, 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.

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 Company 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, for example, vulnerability of these personnel being poached by competitors as well as potential disgruntlement amongst the personnel concerned when they note how much their fellow colleagues are drawing, notwithstanding that the disclosure is in bands of RM50,000 each.

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 2022.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

THE BOARD AUDIT AND RISK COMMITTEE ("BARC")

The 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, the performance of the Company's independent auditors and internal audit function, risk management practices, and internal control of the company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

THE ENTERPRISE RISK MANAGEMENT COMMITTEE ("ERMC")

The ERMC is a management Committee established at the Company Level to identify potential events that may affect the Fund and the REIT 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.

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") Policy and Framework provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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 Policy and Framework, the Manager has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function which was outsourced to PKF Risk Management Sdn Bhd ("PKF") who assesses and reports the adequacy and effectiveness of the governance, risk management and internal control system whilst provide confirmation of the effectiveness of internal control and risk assessment process by the heads of departments.

An overview of the Board's responsibility and descriptions of the key components of system of internal control which include the conduct of reviews by the internal audit function, risk management and compliance management is set out in the SORMIC on pages 117 to 125 of this Annual Report.

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 PKF Risk Management 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 a detailed description of the Internal Audit Function is provided in the BARC Report on page 105 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 SORMIC and page 105 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

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
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
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

COMMUNICATION WITH STAKEHOLDERS (CONT'D)

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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.

A copy of the Annual Report and the relevant Circular to unitholders, including the notice of meeting were made available to unitholders before the 10th 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 10th AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.

The 10th AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and Frequently Asked Questions on Conduct of General Meetings for Listed Issuers. The Fund has conducted its 10th AGM on a fully virtual basis via live streaming and online remote voting on 20 April 2022. The Broadcast Venue of the 10th 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 10th AGM.

The voting of all resolutions set out in the notice of the 10th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad MMLR. 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 10th 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 Questions & Answers session.

BOARD AUDIT AND RISK COMMITTEE REPORT

The BARC 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 ("Board of Directors" or 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 and main part of the corporate governance mechanism, the BARC is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management

COMPOSITION

In line with the requirements of Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities, the composition of the BARC is as follows:

MEMBERS

1. Abdullah Bin Abu Samah
Chairman/Independent Non-Executive Director
2. Dato' Wan Kamaruzaman Bin Wan Ahmad
Independent Non-Executive Director
3. Datuk Sr. Akmal Bin Ahmad
Non-Independent Non-Executive Director

SECRETARIES

1. Nuraliza Binti Abd Rahman
2. Rohaya Binti Jaafar

The BARC members are appointed by the Board and consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The Board elects a chairman who is an independent Director and who is not the chairman of the Board. The composition of the BARC shall fulfill the requirements as prescribed in the Listing Requirements.

The Board, via the 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 2022 and was satisfied that the BARC and its members have discharged their functions, duties and responsibilities in accordance to the BARC's Terms of Reference.

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 2022 which were attended by all members.

BOARD AUDIT AND RISK COMMITTEE REPORT

MEETINGS AND ATTENDANCE (CONT'D)

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE (CONT'D)

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

BARC Members	Date of Meetings				
	26 Jan 2022	13 Apr 2022 (Special)	18 May 2022	18 Aug 2022	16 Dec 2022
1 Abdullah Bin Abu Samah	✓	✓	✓	✓	✓
2 Dato' Wan Kamaruzaman Bin Wan Ahmad	✓	✓	✓	✓	✓
3 Datuk Sr. Akmal Bin Ahmad	✓	✓	✓	✓	✓

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

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR

The BARC shall meet at least four (4) times annually and the Internal Auditor, the Head of Finance and the Head of Compliance and Risk shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent Directors present shall form a quorum.

The BARC shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

Meeting papers were circulated to all the BARC members prior to the meetings by way of electronic means. Minutes of each BARC Meeting was recorded and tabled for confirmation and adoption at the next BARC Meeting and subsequently presented to the Board for approval and notation. The Chairman of the BARC shall report on each meeting to the Board.

The BARC carried out the following work during the financial year ended 31 December 2022 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 2022 ("FYE2022"), 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 REIT for FYE2022 were issued and circulated to the Unitholders in line with the prescribed requirements.

At the meeting held on 31 January 2023, the External Auditors presented to the BARC the results of the FYE2022 audit conducted on Al-Aqar where significant audit matters listed below are discussed:

- Valuation of investment properties
- Recognition of deferred tax on investment properties
- Expected credit losses of trade receivables
- Going concern considerations

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

OVERSEEING FINANCIAL REPORTING (CONT'D)

- (b) Reviewed at every quarterly meeting held in FYE2022, 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 2022 were reviewed at the BARC meetings held on 18 May 2022, 18 August 2022, 16 November 2022 and 31 January 2023, respectively.
- (c) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (d) Reviewed, at each quarterly meeting, the income distributions of 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. MFRS
- (f) The BARC was satisfied that adequate impact assessment had been carried out by Management and the accounting policies as shown below had been appropriately updated in the financial statements of the Fund for FY2022.

Description	Effective for annual period 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

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 Fund; 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.
- (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 Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.
- (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 barc. The BARC 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.

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

EXTERNAL AUDIT (CONT'D)

- (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. The non-audit fees for the financial year ended 31 December 2022 amounted to RM10,000.
- (g) Met with the External Auditors without executive Board members and Management on 26 January 2022 to discuss matters in relation to their review.
- (h) Reviewed the SORMIC which provided an overview of the state of internal controls prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on page 125 of this Annual Report.
- (i) 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.

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.
- (b) 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
- (c) 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 Management to address identified risks.
- (d) 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
- (e) Discussed with the Compliance & Risk Department, to provide assurance of the soundness of internal control systems and activities of the Fund and the Fund Manager.
- (f) 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.
- (g) Reviewed the SORMIC which provided an overview of the state of internal controls prior to the Board's approval for inclusion in the Annual Report.

The BARC was satisfied that the system of risk management and internal control as described in the SORMIC, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Fund's operations. The BARC also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders' investments, and the Fund's assets.

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

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 Policy & Framework and process to ensure proactive and holistic risk identification, and monitoring of mitigation actions to reduce risk impact to an acceptable level.
- (c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2022.
- (d) 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 Management.
- (e) 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 (SORMIC of this Annual Report). Details in respect of the principal risks and uncertainties are set out on pages 42 to 55 under Management Discussion and Analysis.
- (f) 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:

Frameworks & Policy	Date of Meeting	Reason for Review
1 Limit of Authority	1 Mar 2022 1 Dec 2022	<ul style="list-style-type: none"> Changes in limit of authority in small spending Mandate delegated to the CEO by the Board
2 Occupational and Safety (OSH) Policy	2 Mar 2022 (new)	
3 No-Gift No-Entertainment Policy	2 Mar 2022 (new)	
4 Whistleblowing Policy (Revised)	2 Mar 2022 (rev 1)	Alignment of policy and procedures to those of the JCorp Group
5 Fixed Asset Policy & Procedure	6 Sep 2022 (new)	
6 Internal Control Policy & Procedures Manual	6 Sep 2022 (rev 4)	Editorial changes due to the latest issuance of Main Market Listing Requirements, Guidelines to Listed REITs and MCCG
7 DRMSB Procurement Policy	6 Sep 2022 (rev.2) 1 Dec 2022 (rev 3)	<ul style="list-style-type: none"> Conditions allowed under direct negotiation with respect to awarding of a contract To incorporate ESG elements in Vendor Assessment/ Evaluation to reflect the changes in the Bursa Sustainability Reporting Guide
8 Fit & Proper Policy	1 Dec 2022 (new)	

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Frameworks & Policy	Date of Meeting	Reason for Review
9 ERM Policy and Framework	1 Dec 2022 (rev 4)	Re-classification of Risk Category to include ESG Risks, Market Risks and Partnership Risks
10 Investment Policy	1 Dec 2022 (rev 2)	Incorporation of ESG elements into the Investment Policy

COMPLIANCE

- (a) Monitored and reviewed the status and outcomes of the Quarterly Compliance Report which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, standards, policies, and procedures and discussed the adequacy of measures to address such gaps or non-compliance.
- (b) Deliberated on the results of compliance cases and directed Management to implement and/or enhance controls to prevent a recurrence, including conducting education programmes to increase awareness.
- (c) 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 an annual basis. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to Related Party Transaction ("RPT") or Recurrent Related Party Transaction ("RRPT").
- (d) 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).
- (e) Ensured that the Declaration of Directors' Interests in Securities and disclosures of conflict of interest situation(s) in all Board level meetings, are documented and minuted accordingly in the minutes of meeting. 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 RPT AND RRPT OF A REVENUE OR TRADING NATURE & CONFLICT OF INTEREST SITUATIONS

- (a) Reviewed related party transactions entered into by the REIT and ensured that the transactions undertaken were in the best interest of the Fund/unitholders, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority unitholders, and recommended the same for approval of the Board.
- (b) Reviewed the annual unitholders' Mandate in relation to RRPT of a revenue or trading nature for unitholders' approval to undertake transactions that are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Fund with related parties.
- (c) Ensures that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the REIT had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.
- (d) Reviewed of RRPT on a quarterly basis. The Management had given assurance to the BARC that related party transactions and mandate for RRPT were in compliance with the Listing Requirements and policies and procedures.

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

OTHER ACTIVITIES

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

- The BARC Report
- CG Overview Statement
- CG Report
- SORMIC

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	26 Jan 2022	13 Apr 2022 (Special)	18 May 2022	18 Aug 2022	16 Nov 2022
Financial Reporting					
Full year results (2021)	●				
Interim results	●		●	●	●
Consideration of new accounting standards MFRS9, MFRS139 and MFRS 7, MFRS 4 and MFRS 16 (FYE 2021)	●				
Internal audit					
Internal audit plan	●				●
Internal audit reports (AI-`Aqar)	●		●	●	●
					Follow up Review
Internal audit effectiveness and independence	●				
External audit					
External audit plan					●
External audit reports (FYE 2021)	●				
External audit effectiveness and independence					●
Risk					
Risk Registers	●		●	●	●
RRPT		●			
Quarterly Review	●		●	●	●
Annual Report					
Review of SORMIC and Audit & Risk Committee Report (FYE 2021)	●				
Other Matters					
Review of Policies and Frameworks	●			●	●
Evaluation and Review of Outsourced Activities			●		
IT Security/Business Continuity Management/ Disaster Recovery Plan					Reviewed in 2023

BOARD INVESTMENT COMMITTEE REPORT

The Board Investment Committee (“BIC” or the “Committee”) plays a pivotal role in evaluating all investment opportunities and to make recommendations to the board with regard thereto. The responsibilities include reviewing, assessing and deciding on the escalation of proposals relating to asset investment (acquisition and disposal), asset management and fund-raising exercises to be undertaken by the Fund to the Board and Trustee for approval.

COMPOSITION

In line with the recommendation of Chapter 6 of the Guidelines on Real Estate Investment Trusts of Securities Commission Malaysia, the composition of the BIC is as follows:

MEMBERS

1. Dato’ Wan Kamaruzaman Bin Wan Ahmad
Chairman/Independent Non-Executive Director
2. Abdullah Bin Abu Samah
Independent Non-Executive Director
3. Shamsul Anuar Bin Abdul Majid
Non-Independent Non-Executive Director

SECRETARIES

Nuraliza Binti Abd Rahman and Rohaya Binti Jaafar, are also Secretaries of the BIC.

The BIC members are appointed by the Board and consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The Board elects a chairman who is an independent Director and who is not the chairman of the Board. The composition of the BIC shall adhere to the recommendation as per the Chapter 6 of the Guideline On Real Estate Investment Trusts.

The Board, via the BNRC, annually reviews the terms of office and performance of the BIC and its members through an effectiveness evaluation exercise. The BNRC assessed the BIC’s performance for the financial year ended 31 December 2022 and was satisfied that the BIC and its members have discharged their functions, duties, and responsibilities in accordance with the BIC’s Terms of Reference.

MEETINGS AND ATTENDANCE

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

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

The BIC held four (4) regular meetings and two (2) special BIC meetings during the financial year ended 31 December 2022 which were attended by all members.

BOARD INVESTMENT COMMITTEE REPORT

MEETINGS AND ATTENDANCE (CONT'D)

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE (CONT'D)

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

BIC Members	Date of Meetings				
	26 Jan 2022	13 Apr 2022 (Special)	18 May 2022	18 Aug 2022	16 Dec 2022
1 Dato' Wan Kamaruzaman Bin Wan Ahmad	✓	✓	✓	✓	✓
2 Abdullah Bin Abu Samah	✓	✓	✓	✓	✓
3 Shamsul Anuar Bin Abdul Majid	✓	✓	✓	✓	✓

TERMS OF REFERENCE

The Investment Committee is responsible for fulfilling the duties ascribed to it in the Board Investment Committee Term of Reference ("BIC TOR"), including those specifically delegated to it from time to time by the Board of Directors. The duties and responsibilities of the BIC are set out in its Terms of Reference as follows:

Objectives

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

Roles and Responsibilities

Subject at all times to the provisions of the Trust Deed, and to any other regulations or resolutions that may be adopted, the BIC is responsible for:

- reviewing all proposals regarding investments, dispositions, financings (and other relevant transactions) ("strategic transactions");
- to make recommendations on any other matters to the Board of Directors;
- to review and monitor approved strategic transactions or other matters;
- ensuring that the REIT is managed in accordance with:-
 - its investment objectives;
 - its Restated Deed;
 - its Prospectus;
 - the SC Guidelines and other securities laws; and
 - the internal investment restrictions and policies.
- Carrying out other duties as may be determined from time to time by the Board.

MATTERS DISCUSSED BY THE BIC IN THE FYE 2022

The BIC has undertaken the role of reviewing, recommending and monitoring to the Board of Directors pertaining to all proposals including strategic transactions ie investments in ensuring that the Fund practises sound capital preservation and safety margin levels, maintains optimally measured risk-reward thresholds, adopts prudent but pragmatic management style and attain adequate earnings potential and competitive advantages as well as growth.

BOARD INVESTMENT COMMITTEE REPORT

MATTERS DISCUSSED BY THE BIC IN THE FYE 2022 (CONT'D)

The following are key matters discussed by the BIC during the FYE 2022:

INVESTMENT (ACQUISITION & DISPOSAL)

The BIC has reviewed proposals of the proposed acquisitions, which include the diversification its Shariah-compliant real estate portfolio with a focus on healthcare related real estate investment by tenant and asset class, as well as to explore opportunities with attractive returns and enhance unit value through selective acquisitions. This to ensure these properties have good track record and/or good prospects of future net rental income of reasonable levels which have been shown by studies to be competitive and located within good catchment areas.

The BIC has reviewed and monitor proposal of divested of properties, namely where the investments have achieved the set targets, or have been assessed as not being able to derive any further value and or when an opportunity to maximize its value arises before the predetermined investment time horizon or other reason that may warrant divestment. The divestment plan also has taken into consideration the transformation in the industry.

ASSET MANAGEMENT

The BIC has deliberated on proposals for asset enhancement initiatives of current properties that has the potential to further increase its returns and expected to generate accretive returns upon further expansion. The BIC has also reviewed proposals for repositioning of current properties within the Fund's portfolio which is to be aligned with the transformation of the industry and may require to be recapitalised to achieve portfolio optimization goals.

CAPITAL MANAGEMENT

The BIC has reviewed funding proposals to ensure each investment made by the Fund shall have a funding structure appropriate to the investment profile. In general, the capital structure of REIT should be financed by a combination of equity, debt and other financing instruments.

PORTFOLIO MONITORING

The BIC also undertook periodic monitoring on all investments including reviewing performance of the investment portfolio to ensure consistency with Fund's objectives and direction and transformation in the healthcare industry.

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	26 Jan 2022	13 Apr 2022 (Special)	18 May 2022	18 Aug 2022	16 Nov 2022
Investment (Acquisition & Disposal)	✓	✓	✓	✓	✓
Asset Management	✓	✓	✓	✓	✓
Capital Management	✓	✓	✓	✓	✓
Portfolio Monitoring	✓	✓	✓	✓	✓

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

The establishment of the BNRC is mandated for listed issuers under Bursa Malaysia's Main Market Listing Requirements. The Committee was reconstituted during the financial period ended 31 December 2022 following the change in the Board of Directors' composition (the Board) composition and amendments in the MCCG 2021, which specifies that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.

The terms of reference can be found under Investor Relations section on the Company's website at www.alaqar.com.my.

The MCCG 2021 indicates that the Board may establish and delegate part of its powers to one or more other committees, in order to conduct certain tasks and functions expressly delegated to such committees. The committees will examine specific topics chosen by the Board of Directors and report on them to the Board. Decision-making remains the collective responsibility of the Board and the committee may only make suggestions to the Board.

The main purpose of the BNRC is to assist the Board in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to board composition and performance, directors' performance and remuneration structure that drives behaviour within the company.

COMPOSITION OF THE BOARD NOMINATION AND REMUNERATION COMMITTEE

In accordance with the MCCG 2021, the BNRC is composed of a minimum of three, a majority of whom must be Independent Directors. The Committee shall appoint a Chairman amongst its members who must necessarily be an Independent Director.

The Members of the BNRC consist of the following Directors:-

Members	Designation	Date of Appointment
Datuk Hashim Bin Wahir (Chairman)	Independent Non-Executive Director	24 January 2022
Dato' Wan Kamaruzaman Bin Wan Ahmad (Member)	Independent Non-Executive Director	25 August 2020
Abdullah Bin Abu Samah (Member)	Independent Non-Executive Director	10 March 2021

The Company Secretary is the Secretary of the BNRC.

MEETINGS HELD DURING FY 2022

The BNRC, in accordance with its regulations, meet whenever it is convened by the Board of Directors, the Committee itself, or by its Chairman. The Committee shall meet at least two (2) times per annum and at such other times as it sees fit. During the FYE 2022 the Committee met three times.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the CEO, the Group Human Resources Vice President, the Head of Corporate Services (Human Resources), and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Company Secretary keeps Minutes of all BNRC meetings, which are available to all members of the Board of Directors.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

MEETINGS HELD DURING FY 2022 (CONT'D)

The meetings held by the Committee are summarised below:

Date of Meeting	Members Present at the meeting	Secretary	Other Attendees
17 June, 2022	<ul style="list-style-type: none"> Datuk Hashim Bin Wahir (Chairman) Dato' Wan Kamaruzaman Bin Wan Ahmad (Member) Abdullah Bin Abu Samah (Member) 	Rohaya Binti Jaafar, Secretary of the Company	<ul style="list-style-type: none"> Ridzuan Bin Buasan, Head of Human Resource, JLand Group Sdn Bhd Roziah Binti Abu Bakar, Compliance Officer
1 September 2022	<ul style="list-style-type: none"> Datuk Hashim Bin Wahir (Chairman) Dato' Wan Kamaruzaman Bin Wan Ahmad (Member) Abdullah Bin Abu Samah (Member) 	Rohaya Binti Jaafar, Secretary of the Company	<ul style="list-style-type: none"> Ridzuan Bin Buasan, Head of Human Resource, JLand Group Sdn Bhd Roziah Binti Abu Bakar, Compliance Officer Hamim Bin Mohamed, Corporate Services (Human Resource)
26 October 2022	<ul style="list-style-type: none"> Datuk Hashim Bin Wahir (Chairman) Dato' Wan Kamaruzaman Bin Wan Ahmad (Member) Abdullah Bin Abu Samah (Member) 	Rohaya Binti Jaafar, Secretary of the Company	<ul style="list-style-type: none"> Ridzuan Bin Buasan, Head of Human Resource, JLand Group Sdn Bhd Roziah Binti Abu Bakar, Compliance Officer Hamim Bin Mohamed, Corporate Services (Human Resource)

ROLES AND RESPONSIBILITIES

Notwithstanding the duties assigned to it by law and other duties which may be assigned thereto by the Board of Directors, the Nomination and Remuneration Committee shall have the following basic responsibilities:

- WITH RESPECT TO REMUNERATION:**
 - Recommend to the Board the policy for the remuneration of the Company's Directors;
 - Determine the total individual remuneration package of the CEO/Executive Director, including bonuses, share-based incentive awards, and other elements of their remuneration;
 - Determine and recommend the Key Performance Indicators and/or performance score-card for the CEO and the Company;
 - Ensure compliance with the Remuneration package is competitive and complies with the remuneration Policy that was approved and ratified by the shareholders. The policy is available through the corporate web page of the Company.
- WITH RESPECT TO NOMINATION**
 - Regularly review the structure, size and composition (including the skills, experience, independence, knowledge, and diversity, including gender) of the Board and make recommendations to the Board with regard to any changes that are deemed necessary.
 - Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

ROLES AND RESPONSIBILITIES (CONT'D)

Notwithstanding the duties assigned to it by law and other duties which may be assigned thereto by the Board of Directors, the BNRC shall have the following basic responsibilities (cont'd):

- **WITH RESPECT TO APPOINTMENTS TO THE BOARD**

- a) Assess the qualifications, background knowledge, and experience necessary to sit on the Board of Directors, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, according to the Fit and Proper Policy of the Company. The Fit and Proper Policy was approved by the Board of Directors, in the session held on 1 December 2022, following the recommendation from the Nomination and Remuneration Committee. It is available through the corporate web page of the Company.
- b) Consider possible candidates to fill vacancies for the position of director, provided that the BNRC may as well independently search for and consider alternative candidates for such position. Such Directors are, for the avoidance of doubt, to be appointed upon a decision of the Shareholder of the REIT Manager.
- c) Examine or organize, in the manner it deems appropriate, the succession of the Chairman and CEO and, if appropriate, make proposals to the Board of Directors for such succession to take place in an orderly and well-planned manner.
- d) Ensure that due diligence is carried out on the candidate for directorship and CEO to ensure compliance with the regulatory requirements set by the Authorities.
- e) Ensure compliance with BM's requirement towards one female presence on the Board by the end of the financial year 2022, and 30% female participation by the year 2027.

- **WITH RESPECT TO INDUCTION AND TRAINING**

The Committee shall ensure that all new directors undertake an appropriate on-boarding Directors Programme and the Mandatory Accreditation Programme (Bursa Malaysia) to ensure that they are fully informed about strategic and commercial issues affecting the Company and the markets in which it operates as well as their duties and responsibilities as a director, and consider any training requirements for the Board as a whole.

- **WITH RESPECT TO CONFLICTS OF INTEREST**

The Committee shall:

- a) Before the appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest;
- b) Consider and, if appropriate, authorize situational conflicts of interest of directors and potential directors;

- **WITH RESPECT TO THE BOARD EVALUATION**

The Committee shall:

- a) Assist the Chairman of the Board with the implementation of an annual evaluation process.
- b) Review the results of the Board performance evaluation process that relate to the composition of the Board;

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

MATTERS DISCUSSED BY THE BNRC IN THE FYE 2022

In 2022, the BNRC, in the performance of its duties in accordance with the scope of responsibilities specified in the BNRC Charter as approved by the Board of Directors, convened its 2 meetings to consider the significant matters and report the results to the Board of Directors that can be summarized as follows:

- a) Consideration and selection of candidates as new directors by taking into account their knowledge, ability, experience, transparency, morality, responsibility, maturity, and professionalism. It also took into account the Board Diversity and set a Board Skills Matrix to determine the qualifications of the directors to be nominated based on the necessary skills, appropriate qualifications, and are consistent with the composition and Board's structure according to the company's business strategy.
- b) Consideration and determination of remuneration for the CEO by taking into account the appropriateness of duties and responsibilities of the directors, together with the company's operational results, compared with that of companies in the same industry and on a similar scale.
- c) Consideration and review of the Nomination and Remuneration Committee's Charter to ensure that the format and topic are in the same direction and in line with the MCCG 2021.
- d) Review of the Limit of Authority relating to HR Matters.

In this regard, the BNRC has performed its duties independently in accordance with good corporate governance principles to make the recruitment and remuneration processes transparent and build the confidence of shareholders and all stakeholders.

EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

It is a standard practice for the Board to distribute an annual questionnaire at the end of each financial year through the Secretariat of the Board which, amongst other sections, includes a self-assessment, with a series of questions that also enable compliance with the various annual reports of the Committee and the Board.

The Board performed the annual questionnaire and the self-assessment for this financial year 2022, in order to analyse the Board's effectiveness and composition and to identify opportunities for improvement to ensure proper compliance with the existing obligations or recommendations in this area.

The questionnaire used a Self-assessment approach on subjective and objective information related to the functioning of the Board and its Committees, among other aspects, among others;

- a) Functioning of the Board, with questions related to the Board's effectiveness and internal functioning.
- b) Structure and composition of the Board, comprising questions to obtain the Directors' opinion on the Board's structure and composition, and the capacities, professional profile of its members, and areas of competencies in order to perform their duties on the Board.
- c) Board of Directors Committees, where the Directors are asked to evaluate the performance of the functions of the BARC, the BIC, and the BNRC.
- d) Board of Director's agenda, where Directors are asked about the Board's performance in areas or matters within its scope, such as the current corporate governance model, environmental, social, and corporate policy (ESG), involvement in the design and approval of strategy in financial and investment policies, monitoring of the risk map (in all its areas), dividend policy and capital structure and their participation in decision-making in significant transactions, among other matters.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES (CONT'D)

- e) Chairman of the Board of Directors and CEO, where the Directors are asked for their views on the performance of these two positions and fulfilment of responsibilities.
- f) Other areas, with questions relating to the Board's response to the industry crisis and improvement opportunities or aspects to be developed in the future.

The responses are generally positive and supportive, without prejudice to the Chairman and the CEO, taking into consideration going forward some of the suggestions made regarding the functioning of the Board.

From the feedback received from the Directors, a few significant points and recommendations on areas that could be discussed by the Board for potential improvements, which are as follows:

- Identification of issues relating to stakeholder management, in terms of identification of the stakeholders and the materiality of their influences on Manager and the Fund.
- Achievement of targets relating to gender diversity in the Board's and Board Committees'.
- Enhancement of better communication and engagement channels between the Board and the management team in terms of strategic direction, performance benchmarking, achievement of targets, and accountability on achievement of those targets.
- Identification of ESG initiatives and the assimilation of ESG elements in all aspects of the REIT's business operations.

The above issues, if deemed appropriate, to the definition of an action plan for the 5-year strategic planning.

For better transparency and in order for the Board to evaluate any potential conflict of interest, each Director reports to the Committee through an annual declaration, the list of listed companies in which they serve as Directors and/or other positions and a Declaration of Interest in Securities (stocks, bonds, note, unit trusts or other securities).

The directorships of the Directors in other listed issuers can be found on page 24 of this Annual Report or, <https://www.alaqar.com.my/board-of-directors.php>.

CONCLUSION

During the financial year 2022, there have been no circumstances or situations in the areas of responsibility and competence of the Committee that required its intervention and/or report to the Board of Directors. The succession planning of the Board of Directors, senior management team as well as gender diversity are the two areas of relevance on which the Committee will continue to work throughout the financial year 2023, to submit its proposals to the Board of Directors.

This annual report was presented to the BNRC dated 16 January 2023 and the Board of Directors on 23 February 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of Listed Companies is required to include in their annual report, a statement about the state of risk management and internal control of the listed issuer. Accordingly, the Board of Directors of the Manager is pleased to provide the following statement that has been prepared in accordance with the SORMIC Guidelines for Directors of Listed Issuers endorsed by Bursa Securities and taking into consideration the recommendations of the MCCG 2021.

This Statement outlines the nature and scope of risk management and internal control of the Manager during the financial year under review and up to the date of approval of this statement and covers all of the Fund’s operations.

BOARD’S RESPONSIBILITIES

The Board is responsible for the establishment as well as overseeing the Group’s risk management framework and internal control systems that are designed to manage the REIT’s risk appetite within the acceptable level of tolerance set by the Board and Management, rather than eliminate totally the risks of failure, to achieve the goals and objectives in generating potential returns to unitholders.

The Board periodically reviews the effectiveness and adequacy of the framework and systems by identifying, assessing, monitoring, and communicating key business risks which cover financial, operational, management information systems, organisational, and compliance controls to safeguard the unitholders’ investment and assets.

BOARD AUDIT AND RISK COMMITTEE

The committee at the Board level that have primary risk management and internal control oversight responsibilities is the BARC. The main responsibilities of the BARC are:

- To assist the Board in ensuring a sound and robust Enterprise Risk Management framework and its implementation to enhance the Group’s Corporate Governance practices with focus on risk issues. The Terms of Reference (“ToR”) and main duties of the BARC in relation to risk management are detailed out on the website at www.alaqar.com.my
- To assist the Board in assessing the effectiveness of the Group’s internal control systems and overseeing the financial reporting. The BARC also reviews the adequacy and integrity of the Group’s internal control systems and management information systems, including compliance with applicable laws, rules, directives and guidelines through internal audit functions. The BARC’s ToR and main duties in assessing the adequacy and effectiveness of internal control systems implementation are detailed out on the website at www.alaqar.com.my

Other Board Committees such as BNRC and BIC are also established with clearly defined duties and responsibilities to oversee various key business activities of the Fund. The Board acknowledges the responsibility for all the actions of the committees with regard to the execution of the delegated roles, including the outcome of the review and disclosure of key risks and internal control systems of the Manager and the Fund.

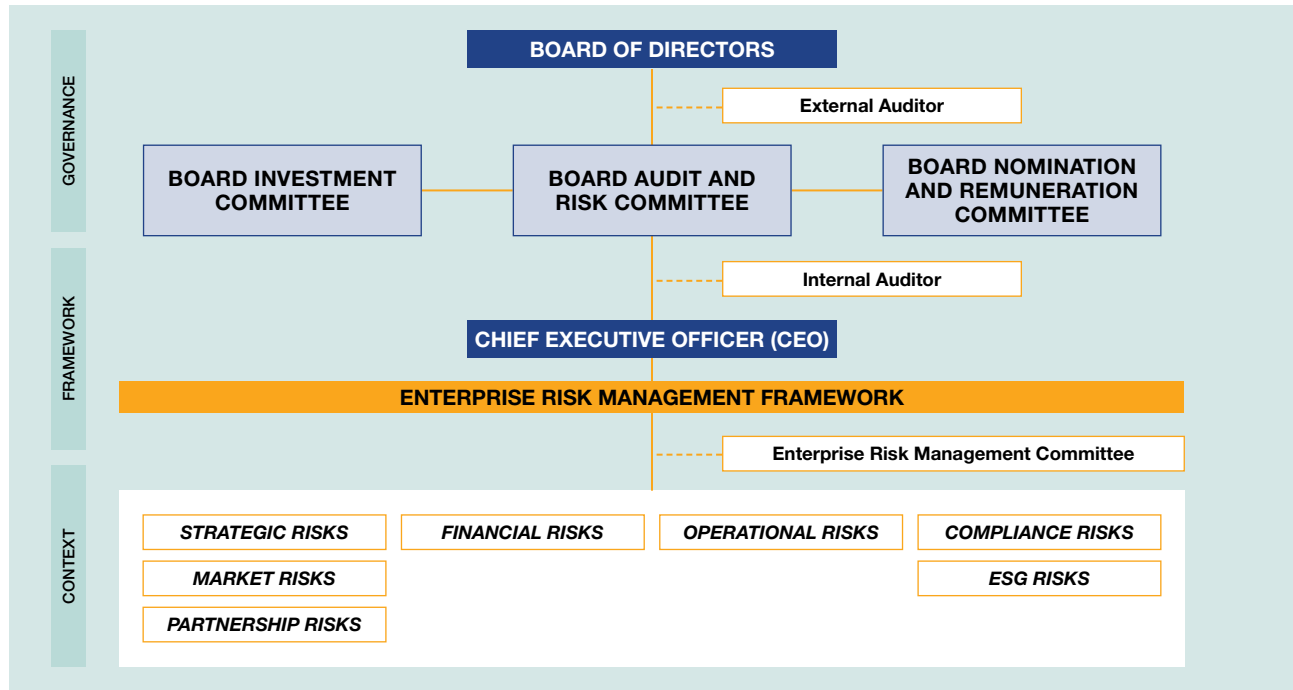
RISK MANAGEMENT

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 oversight role of risk management is carried out by the Board and BARC and assisted by the ERM. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT (CONT'D)



The BARC is assisted by the ERM, which is headed by the CEO, and respective heads of department. The function of the ERM 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 the implementation of appropriate controls and risk treatment strategies.

Risk owners who are also ERM 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 categorised under Strategic, Financial, Operational and Compliance Risks.

The discussions relating to ERM, and risk profiles are carried out through the ERM which sits every quarter. In 2022, the Board Executive Committee is also responsible for the function of the ERM since the CEO position is vacant since 1 July 2022.

The roles and responsibilities of the BARC, the ERM and other key personnel are summarised as below:

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT (CONT'D)

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.

ERMC/ Compliance & Risk Management Department

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 Business Line Management/ Risk Owners.
Process	Identification and assessment of risk, implementation, and monitoring of risk action plans.

Business Line Management/ Risk Owners

Responsibilities	<ul style="list-style-type: none">• The Senior Management are primarily responsible for managing process.• They are also responsible for controlling risks by using business control and compliance frameworks, implementing 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.

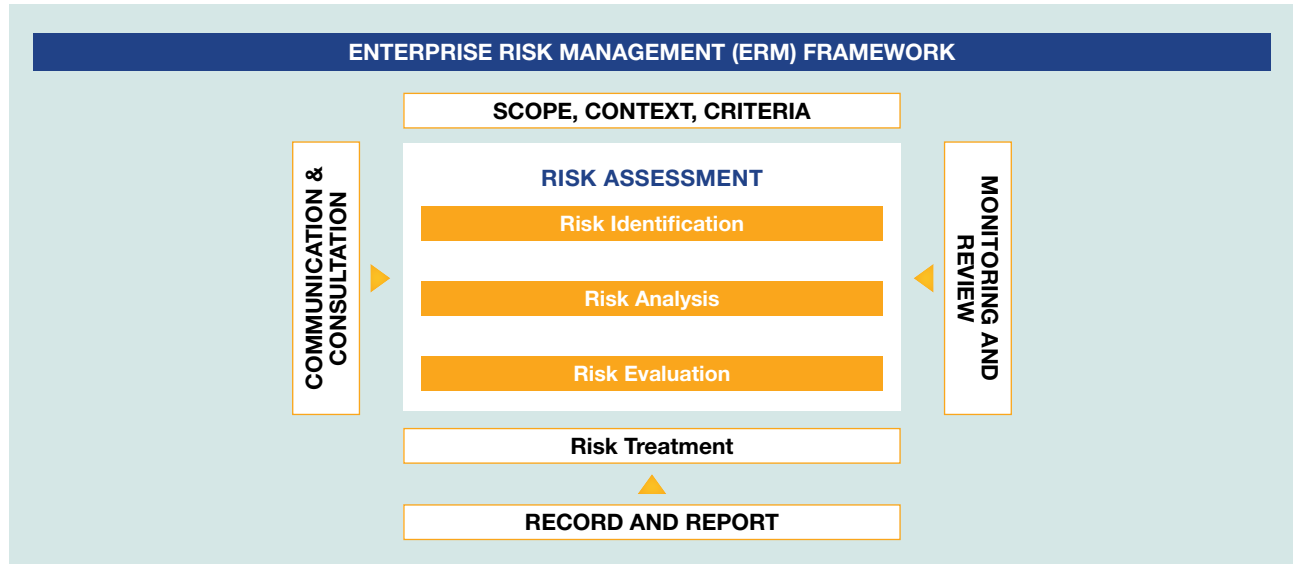
The periodic reporting to both the Board and BARC on the risk management activities undertaken by the ERMC, to keep the Board and the BARC apprised and advised of all aspects of the enterprise risk management, and significant risks and risk trends.

ENTERPRISE RISK MANAGEMENT (ERM) 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK (CONT'D)



The Manager plans and executes activities to ensure that the risks inherent in the 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 ERM Framework. The ERM Framework was 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, and 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 under specified categories as shown below. On 1 December 2022, the Board approved the reclassification of Risk Category to include ESG Risk, Market Risk and Partnership Risk in the ERM Policy & Framework.

Strategic Risks

Any risk arises due to potential failures in strategic planning, which may lead to a company not achieving its objectives and goals.

Financial Risks

Any risk arises due to the potential loss incurred and will impact the cash flow, revenue, operating expenditure (OPEX) & capital expenditure (CAPEX) and profitability of the company.

Operational Risks

Any risk arises of loss resulting from ineffective or failed internal processes, people, systems, or external events that can disrupt or delay the business operation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK (CONT'D)

Compliance & Legal Risks

Any risk arises due to potential exposure to legal penalties, financial forfeiture and material loss, resulting from failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices or contractual liability and requirements with third parties.

ESG Risks

Environmental, Social, and Governance materiality matters that affect the financial position or operating performance, and reputation of the organization. These include ensuring investments are not at risk of contributing to violations of the ESG regulations.

Market Risks

Risk arising from changes in the markets to which an organization has exposure. Market changes can impact capital values and future cashflows of the investment and ultimately returns overtime. The market risk can fluctuate from changes to supply and demand or other general shifts in the market cycle.

Partnership Risks

Risk arising from the potential that a partner will fail to deliver on their obligations to company resulting in losses and business disruptions and the unlimited liability of the partners involved, examples personal liability to creditors, lawsuits and debts.

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.

The ERM process evaluation are undertaken by the ERM C every quarterly 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. The updated risk profile was used as a basis to develop a risk-based internal audit plan for the financial year ended 31 December 2022.

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 REIT'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 post Covid-19 business sustainability and strategic direction.

An expansion of risk appetite parameters was proposed at the BIC to further regulate future diversification exercises.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 ("ICPP") was designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

The ICPP is a reference tool for all employees to identify and assess operating controls, financial reporting, and legal/regulatory compliance processes and to take action to strengthen controls where needed. By developing effective systems of internal control, we can contribute to the Manager's ability to meet its objectives and reduce 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 maintaining 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 with regulatory guidelines.

The key elements and/or features of the 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") Manual is in place for approving capital expenditure and matters on general/ corporate, audit, legal and secretarial, finance and accounts, human resource management, procurement and contract administration, investment, and assets – aimed at keeping potential risk exposures under control. A revision in the LOA was tabled to the BARC on 16 November 2022 and approved at the Board on 1 December 2022.
3. Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains their effectiveness to support the REIT's business activities. The Manager has revised the ERM Policy & Framework, Internal Control Policy & Procedures Manual, Procurement Policy and Investment Policy which were approved by the Board on 1 December 2022.
4. The annual testing on data recovery is undertaken annually, and the results are monitored by the IT Unit and reported at the Management Committee Meeting. Any serious issues would be escalated to the Board immediately.
5. Strategic Planning and mid-year review are prepared by the Manager and tabled to the Board for approval. Analysis and reporting of variances against budget are presented to the Board and the trustee as required by the Trust Deed which acts as a monitoring mechanism and is 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: 18 April 2022, 29 November 2022, 30 November 2022, 1 December 2022 and 7 December 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

8. The CEO 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 the progress of high-risk corporate projects and exercises. In the absence of the CEO, the Management Committee meetings are chaired by the General Manager as an Acting Chairman.
9. Quarterly meetings on management accounts results against prior periods are conducted with justifications and appropriate actions taken or plans were 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 21 March, 21 June, 27 October, and 29 December 2022.
11. Guidelines on employment, 360 degrees performance appraisal are currently in practice to ensure the Management team's competency are assessed on a regular annually basis.
12. 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 and healthy working environment for all employees and other related parties in compliance with the requirements of the Occupational Safety and Health Act 1994. The Manager tabled its Occupational Safety & Health Policy at the Board meeting and obtained approval of the Board at the meeting on 2 March 2022.
13. 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 in place, to ensure the employee's health, safety and welfare are accordingly protected in the course of their work.
14. The Manager undertakes adequate insurance coverage on both its employees and assets to ensure both are sufficiently insured against any losses arising from various perils faced in the Manager's/Fund's operations.
15. The Manager has, in place the KPI reporting to drive awareness of shared management responsibility on their contribution towards enhancing the operating performance in achieving the business objectives.
16. A comprehensive fit and proper policy was formulated as a guidance for directors, director candidates, Shariah Adviser(s), CEO/Principal Officers and CMSRL holders. The Manager tabled the Policy at the Board meeting and obtained approval from the Board at the Board meeting on 1 December 2022.
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 7 April, 4 August, and 6 December 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

20. The Manager launched its Anti-Bribery & Corruption Policy 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. On 2 March 2022, the revised Whistleblowing policy with enhanced procedures and clear process flow and responsibilities was tabled and approved by the Board. The Board, on 2 June 2022 has also approved the No-Gift and No-Entertainment Policy which is a part and parcel to combat bribery and corruption in an organization.
21. The Personal Data Protection (“PDP”) Policy was approved by the Board in prior year to provide assurance to its data owners – tenants, directors and employees that their personal data will be safeguarded and protected by the Fund. The Manager carried out a refresher briefing on PDP Policy on 25 July 2022 and ensure that all employees undertook a pledge to safeguard and protect the data of the tenants, directors, employees, and other stakeholders.
22. The Board also approved the Anti-Money Laundering and Anti-Terrorism Financing Policy in 2021 to commit with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“AMLA”). The Manager uses its best endeavours to meet the requirements imposed and all applicable laws to commensurate with the nature of the Company’s businesses and activities.
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.

INTERNAL AUDIT

The internal audit function is outsourced to an independent professional consulting firm, Messrs. PKF Risk Management Sdn Bhd (“PKF”), which adopts the International Professional Practices Framework (“IPPF”) in carrying out the internal audit assignments and reports directly to the BARC. The team from PKF is led by Dr. Wong Ka Fee, the Director of Risk and Governance Advisory. He possessed doctoral degree in Behavioural Finance and Master of Science in Management Consultancy. Dr. Wong Ka Fee has over 15 years of experience in a wide range of governance advisory, risk and internal audit work.

The Internal Audit Team (“IAT”) at PKF consists of 10 permanent internal audit personnel staffs who are qualified in the areas on internal audit and assurance. All the internal PKF audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 an appropriate control environment and framework to manage risks. The Board continues to derive its comfort of the state of 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;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- 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 the status of Management's implementation of the audit recommendations; and
- Management's assurance that the Group's risk management and internal control systems, including systems for compliance with applicable laws, regulations, rules directives, and guidelines have been operated adequately, effectively, and with integrity, in all material respects.

CEO, Compliance Officer 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 resulting 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.

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 Audit and Assurance Practice Guide 3 ("AAPG 3") (Revised), 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 the 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 2023.

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 during FY2022.

STATUS OF UTILISATION PROCEEDS RAISED FROM CORPORATE PROPOSAL

For information, please refer to page 182.

AUDIT AND NON-AUDIT FEES

For information, please refer to page 136.

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At an Annual General Meeting held on 20 April 2022, 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 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 2022 where the aggregate value of such RRPTs is equal to or more than RM1 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 28 February 2022 (LPD) to 31 Dec 2022 (RM'000)	The 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	JCorp has a 38.60% indirect interest in KPJ. KPJ and JCorp (via KPJ) are also the major unitholders of Al-Aqar. The Manager is also indirectly wholly-owned by JCorp.	49,801	59,861
	• Advisory for, inter-alia, renovation and/or upgrade of any refurbishment work to be undertaken at the hospitals; and property management fee	The Interested Directors (save for Dato' Mohd Redza Shah Bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the Board and/or senior management of JCorp Group.	1,014	1,098
		Dato' Mohd Redza Shah Bin Abdul Wahid and Shamsul Anuar Bin Abdul Majid are the Directors of DRMSB and also Directors of KPJ.		

ADDITIONAL COMPLIANCE INFORMATION

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 28 February 2022 (LPD) to 31 Dec 2022 (RM'000)	The aggregate value of transactions during the financial year (RM'000)
JCorp	Registrar expenses	<p>JCorp is the major unitholder of Al-'Aqar. The Manager is also indirectly wholly owned by JCorp.</p> <p>The Interested Directors (save for Dato' Mohd Redza Shah Bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the Board and/or senior management of JCorp Group.</p>	34	34
Aggregate Value of Transactions			50,849	60,993

SHARIAH ADVISER'S REPORT TO THE UNITHOLDERS OF AL-'AQAR HEALTHCARE REIT

We have acted as the Shariah Adviser of Al-'Aqar Healthcare REIT ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Damansara REIT Managers Sdn Berhad ("the Manager") and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, 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 2022.

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 Islamic Capital Market Products and Services. There is no Shariah non-compliant rental for the financial year ended 31 December 2022; 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.

Our review does not include Shariah confirmation on the audited financial statements of the Fund where we noted that some conventional terminologies were used in the financial statements.

For and on behalf of the Shariah Adviser,

IBFIM

MOHAMAD SALIHIN DERIS

Designated Person Responsible for Shariah Advisory Kuala Lumpur

Kuala Lumpur

TRUSTEE'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022. 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
24 February 2023

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MANAGER'S REPORT

The Manager of Al-Aqar Healthcare REIT (the "Fund"), Damansara REIT Managers Sdn Berhad (the "Manager") have pleasure in presenting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2022.

RESULTS

	Group 2022 RM	Fund 2022 RM
Profit for the year	60,138,859	58,186,432

INCOME DISTRIBUTIONS

Since the end of the previous financial year, the amounts of dividends paid by the Fund were as follows:

	Fund 2022 RM
In respect of the financial year ended 31 December 2021 as reported in the directors' report of that year:	
Final income distribution of 1.80 sen per unit on 735,985,088 units, paid on 28 February 2022	13,247,724
In respect of the financial year ended 31 December 2022 as reported in the directors' report of current year:	
First interim income distribution of 2.00 sen per unit on 735,985,088 units, paid on 8 July 2022	14,719,691
Second interim income distribution of 2.00 sen per unit on 735,985,088 units, paid on 11 October 2022	14,719,691
Third interim income distribution of 2.00 sen per unit on 735,985,088 units, paid on 6 January 2023	14,719,702
	57,406,808

A final interim income distribution in respect of the financial year ended 31 December 2022, of 2.10 sen per unit on 756,485,757 units amounting to an income distribution payable of RM15,886,201 will be payable on 28 February 2023.

The financial statements for the current year do not reflect this final interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2023.

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.

MANAGER'S REPORT

THE FUND AND ITS INVESTMENT OBJECTIVE (CONT'D)

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.

On 13 December 2022, at the Extraordinary General Meeting, the unitholders of the Fund approved the proposed amendments to the Second Restated Trust Deed dated 25 November 2019. The Supplemental Deed to the Second Restated Trust Deed was executed on 29 December 2022. 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 Supplemental Deed to the Second Restated Trust Deed.

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

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

THE MANAGER AND ITS PRINCIPAL ACTIVITY

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

The principal activity of the Manager is that of managing real estate investment trusts. There has been no significant change in the nature of the activity during the financial year.

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

To achieve the Fund's primary objective, the Manager will seek to achieve the following strategies:

(i) Portfolio composition

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

- (a) at least seventy-five percent (75%) of the total assets value must be invested in Real Estate that generates recurrent rental income at all times;
- (b) the Fund may invest in Real Estate where it does not have a majority ownership and control provided that the total value of these Real Estate does not exceed twenty-five percent (25%) of the total assets value at the point of acquisition, as the case may be; and
- (c) the aggregate investments in Property Development Activities (Property Development Costs) and Real Estate under construction must not exceed fifteen percent (15%) of the total assets value. For avoidance of doubt, such investments cannot be accounted towards meeting the requirement under Clause 6.3.1(a) of this Deed.

MANAGER'S REPORT

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

(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

Dato' Wan Kamaruzaman Bin Wan Ahmad

Shamsul Anuar Bin Abdul Majid

Datuk Sr Akmal Bin Ahmad

Abdullah Bin Abu Samah

Datuk Hashim Bin Wahir

(Appointed on 24 January 2022)

Dato' Haji Salehuddin Bin Hassan

(Appointed on 4 March 2022)

Ng Yan Chuan

(Appointed on 16 December 2022)

Lailatul Azma Binti Abdullah

(Appointed on 16 December 2022)

Wan Azman Bin Ismail

(Resigned on 30 June 2022)

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.

DIRECTORS OF THE MANAGER'S INTERESTS

According to the Register of Directors' Unitholdings kept by the Manager under Section 59 of the Companies Act 2016, the interest of the Directors of the Manager in office at the end of the financial year in units of the Fund and its related corporations during the financial year were as follows:

	<-----Number of ordinary shares----->			
	At 1.1.2022	Acquired	Sold	At 31.12.2022
Al-Salām Real Estate Investement Trust				
Dato' Haji Salehuddin Bin Hassan	9,125	-	-	9,125

MANAGER'S REPORT

DIRECTORS OF THE MANAGER'S INTERESTS (CONT'D)

Save as disclosed above, none of the other Directors of the Manager in office at the end of the financial year had any interest in units of the Fund and of 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 and the Supplemental Deed to the Second Restated Trust Deed dated 29 December 2022, the Manager is entitled to receive the following fees from the Fund:

- (a) Management fee of 0.3% per annum of the total assets value of the Fund 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 financial statements.

ISSUE OF UNITSHOLDERS' UNITS

During the year, the Fund increased its issued and fully paid-up unitholders' capital from RM731,398,126 to RM756,408,942 by way of the issuance of 20,500,669 units of unitholders' capital at an issue price of RM1.22 per units to KPJ Healthcare Berhad offset against the proceeds from acquisition of hospitals.

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).

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Fund were made out, the Manager took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 27 to the financial statements.

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
Auditors' remuneration paid to Ernst & Young PLT		
- Statutory audit	175,000	150,000
- Others	10,000	10,000
	185,000	160,000
Auditors' remuneration paid to other firms		
- Statutory audit	138,970	-
Total remuneration paid to the external auditors	323,970	160,000

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 24 February 2023.

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

ABDULLAH BIN ABU SAMAH

Kuala Lumpur

STATEMENT BY THE DIRECTORS OF THE MANAGER

We, **Dato' Haji Mohd Redza Shah Bin Abdul Wahid** and **Abdullah Bin Abu Samah**, 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 142 to 192 are drawn up in accordance with applicable provisions of the Second Restated Trust Deed dated 25 November 2019, Supplemental Deed to the Second Restated Trust Deed dated 29 December 2022, 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 2022 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 2023.

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

ABDULLAH BIN ABU SAMAH

STATUTORY DECLARATION

I, **Abdullah Bin Abu Samah**, being the 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 142 to 192 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 **Abdullah Bin
Abu Samah** at **Kuala Lumpur** in the
Federal Territory on 24 February 2023

ABDULLAH BIN ABU SAMAH

Before me,

Commissioner for Oaths
Kuala Lumpur

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 2022 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 142 to 192.

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 2022, 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 2022, the carrying amount of the Group's and the Fund's investment properties is RM1,721,281,384 and RM1,636,015,084 respectively, which represents 92% and 88% of the Group's and the Fund's total assets respectively.

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

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)

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.

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.

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 (CONT'D)

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.

The Trustee is responsible for overseeing the Fund's financial reporting process. 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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)

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 2023

Mimie Joanna Binti Johar
03592/09/2023 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		The Group		The Fund	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	4	110,238,667	114,072,501	104,587,721	104,245,507
Property expenses	5	(6,039,653)	(5,850,628)	(5,977,646)	(5,840,129)
Gross profit		104,199,014	108,221,873	98,610,075	98,405,378
Investment revenue	6	922,748	623,104	5,377,949	7,382,380
Realised gain on foreign exchange		-	11,182	-	11,182
Other income		1,005,423	532,331	579,833	532,303
Fair value adjustment of investment properties		(11,258,551)	5,536,199	(11,258,551)	5,536,199
Total income		94,868,634	114,924,689	93,309,306	111,867,442
Expenditure					
<u>Finance costs:</u>					
Islamic financing		26,169,776	26,437,736	26,169,776	16,658,697
Amount due to a subsidiary		-	-	-	10,328,925
Transaction cost	17	1,428,263	1,567,034	1,428,263	1,017,149
Manager's fees		1,851,471	1,845,342	1,851,471	1,845,342
Professional fees		1,008,481	892,748	946,895	683,542
Valuation fees		411,800	552,023	411,800	552,023
Directors fees		23,565	23,409	-	-
Trustee's fees		380,770	385,343	380,770	385,343
Disposal fees		1,004	-	1,004	-
Maintenance of property		1,865,540	1,712,287	1,865,540	1,712,287
Printing expenses		138,997	121,980	136,337	119,370
Secretarial fee		831	1,876	-	-
Securities Commission's fees		100	100	100	100
Audit fees					
- Current year		313,970	249,614	150,000	127,000
- Other services		10,000	10,000	10,000	10,000
Tax agent's fee		18,500	15,520	16,500	14,720
Unrealised loss on foreign exchange		16,585	146,339	16,585	146,339
Realised loss on foreign exchange		56,000	-	56,000	-
Loss on disposal		93,800	-	93,800	-
Administration expenses		583,127	1,683,784	337,046	1,096,372
Allowance for impairment loss of investment in a subsidiary	11	-	-	893,792	24,058,753
Allowance for expected credit loss on amount due from a subsidiary		-	-	-	1,303,019
Derecognition of past lease receivables	12	-	5,806,073	-	4,514,732
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		445,520	675,928	445,520	675,928
Shariah adviser's fee		10,000	11,000	10,000	11,000
Total expenditure		34,833,100	42,143,136	35,226,199	65,265,641
Profit before tax		60,035,534	72,781,553	58,083,107	46,601,801
Tax credit	7	103,325	768,296	103,325	768,296
Profit for the year		60,138,859	73,549,849	58,186,432	47,370,097

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	The Group		The Fund	
		2022 RM	2021 RM	2022 RM	2021 RM
Profit for the year					
Realised		67,765,765	65,218,589	66,707,130	64,400,609
Unrealised		(7,626,906)	8,331,260	(8,520,698)	(17,030,512)
		60,138,859	73,549,849	58,186,432	47,370,097
Earnings per unit (sen):	8				
Basic		8.17	9.99		
Other comprehensive loss for the year,					
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):</i>					
<i>Foreign currency translation, representing total other comprehensive loss for the year, net of tax</i>		(1,529,996)	(2,487,531)	-	-
Total comprehensive income for the year, net of tax		58,608,863	71,062,318	58,186,432	47,370,097

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	The Group		The Fund	
		2022 RM	2021 RM	2022 RM	2021 RM
Assets					
Non-current assets					
Investment properties	10	1,721,281,384	1,538,210,398	1,636,015,084	1,451,912,398
Investment in subsidiaries	11	-	-	2,539,641	3,433,433
Amount due from a subsidiary	13	-	-	99,147,701	99,147,701
		1,721,281,384	1,538,210,398	1,737,702,426	1,554,493,532
Current assets					
Trade receivables	12	49,503,412	36,106,493	23,747,173	16,292,030
Other receivables and prepaid expenses	12	149,885	574,587	149,410	574,123
Amount due from subsidiaries	13	-	-	27,204,712	23,161,870
Islamic fixed deposits with licensed banks	14	55,356,398	40,503,678	55,317,256	40,465,247
Cash and bank balances	14	40,774,756	49,337,838	22,979,202	29,809,806
		145,784,451	126,522,596	129,397,753	110,303,076
Total assets		1,867,065,835	1,664,732,994	1,867,100,179	1,664,796,608
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	18	756,408,942	731,398,126	756,408,942	731,398,126
Undistributed income		224,358,012	221,625,961	214,800,407	214,020,783
Foreign currency translation reserve		(9,552,175)	(8,022,179)	-	-
Total unitholders' fund		971,214,779	945,001,908	971,209,349	945,418,909
Non-current liabilities					
Deferred tax liabilities	16	1,662,541	1,765,866	1,662,541	1,765,866
Other payables	15	15,247,543	13,475,204	15,247,543	13,475,204
Islamic financing	17	855,616,967	683,876,967	855,616,967	683,876,967
		872,527,051	699,118,037	872,527,051	699,118,037
Current liabilities					
Other payables	15	23,324,005	20,613,049	23,363,779	20,259,662
		23,324,005	20,613,049	23,363,779	20,259,662
Total liabilities		895,851,056	719,731,086	895,890,830	719,377,699
Total unitholders' fund and liabilities		1,867,065,835	1,664,732,994	1,867,100,179	1,664,796,608

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	The Group		The Fund	
		2022 RM	2021 RM	2022 RM	2021 RM
Number of units in circulation	18	756,485,757	735,985,088	756,485,757	735,985,088
Net asset value ("NAV")					
- before income distribution		971,214,779	945,001,908	971,209,349	945,418,909
- after income distribution		955,328,578	931,754,176	955,323,148	932,171,177
NAV per unit					
- before income distribution		1.28	1.28	1.28	1.28
- after income distribution		1.26	1.27	1.26	1.27

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 2022

The Group	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Foreign currency translation reserve RM	Total unitholders' fund RM
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 loss		-	-	-	-	(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
At 1 January 2022		731,398,126	62,809,996	158,815,965	221,625,961	(8,022,179)	945,001,908
Issuance of unitholders' capital		25,010,816	-	-	-	-	25,010,816
Profit/(loss) for the year		-	67,765,765	(7,626,906)	60,138,859	-	60,138,859
Other comprehensive loss		-	-	-	-	(1,529,996)	(1,529,996)
Total comprehensive income/(loss)		-	67,765,765	(7,626,906)	60,138,859	(1,529,996)	58,608,863
Transactions with unitholders:							
Income distributions	9	-	(57,406,808)	-	(57,406,808)	-	(57,406,808)
At 31 December 2022		756,408,942	73,168,953	151,189,059	224,358,012	(9,552,175)	971,214,779

* Distributable

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE YEAR ENDED 31 DECEMBER 2022

The Fund	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
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
At 1 January 2022		731,398,126	60,692,459	153,328,324	214,020,783	945,418,909
Issuance of unitholders' capital		25,010,816	-	-	-	25,010,816
Total comprehensive income/(loss)		-	66,707,130	(8,520,698)	58,186,432	58,186,432
Transactions with unitholders:						
Income distributions	9	-	(57,406,808)	-	(57,406,808)	(57,406,808)
At 31 December 2022		756,408,942	69,992,781	144,807,626	214,800,407	971,209,349

* 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 2022

	The Group		The Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from operating activities				
Profit before tax	60,035,534	72,781,553	58,083,107	46,601,801
Adjustments for:				
Finance costs	27,598,039	28,004,770	27,598,039	28,004,771
Investment revenue	(922,748)	(623,104)	(5,377,949)	(7,382,380)
Interest accretion on tenant deposits	359,332	1,018,526	359,332	1,018,526
Amortisation of deferred income	(406,923)	(347,829)	(406,923)	(347,829)
Allowance for impairment loss in investment in subsidiaries	-	-	893,792	24,058,753
Allowance for expected credit loss on amount due from a subsidiary	-	-	-	1,303,019
Fair value adjustment of investment properties	11,258,551	(5,536,199)	11,258,551	(5,536,199)
Unrealised loss on foreign exchange	16,585	146,339	16,585	146,339
Loss on disposal of investment properties	93,800	-	93,800	-
Unbilled rental income	(3,497,314)	(2,843,801)	(3,497,314)	(2,843,801)
Derecognition of past lease receivables	-	5,806,073	-	4,514,732
Operating profit before working capital changes	94,534,856	98,406,328	89,021,020	89,537,732
Changes in working capital:				
Increase in trade receivables	(9,899,605)	(8,415,374)	(3,957,829)	(8,259,704)
Decrease/(Increase) in other receivables and prepaid expenses	437,857	(362,818)	437,857	(388,883)
Increase/(Decrease) in other payables and accrued expenses	3,797,903	(1,047,592)	4,191,064	3,565,848
Net changes in working capital	(5,663,845)	(9,825,784)	671,092	(5,082,739)
Net cash generated from operating activities	88,871,011	88,580,544	89,692,112	84,454,993
Cash flows from investing activities				
Income received on investment	908,882	569,429	909,604	570,401
Profit sharing on advances from a subsidiary in Australia	-	-	445,520	675,928
Net proceed from disposal of investment property	200,700	-	200,700	-
Enhancement to investment properties	(3,655,737)	-	(3,655,737)	-
Acquisition of investment properties	(166,989,184)	-	(166,989,184)	-
Net cash (used in)/ generated from investing activities	(169,535,339)	569,429	(169,089,097)	1,246,329
Cash flows from financing activities				
Finance costs paid on Islamic financing	(25,436,793)	(25,067,049)	(25,436,793)	(15,288,010)
Finance costs paid on amount due to a subsidiary	-	-	-	(10,328,925)
Transaction costs paid	(1,688,263)	(6,277,322)	(1,688,263)	(6,209,872)
Decrease in amount due to a subsidiary	-	-	(33,161)	(556,536,377)
Income distributions	(57,406,808)	(54,830,869)	(57,406,808)	(54,830,869)
Net proceeds from Islamic financing	172,000,000	5,000,000	172,000,000	580,000,000
Net cash generated from/(used in) financing activities	87,468,136	(81,175,240)	87,434,975	(63,194,053)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	The Group		The Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Net changes in cash and cash equivalents	6,803,808	7,974,733	8,037,990	22,507,269
Effects of changes in exchange rates	(498,296)	(660,681)	-	-
Effects of foreign currency translation on cash and cash equivalents	(16,585)	(146,339)	(16,585)	(146,339)
Cash and cash equivalents at beginning of year	89,803,085	82,635,372	70,275,053	47,914,123
Cash and cash equivalents at end of year (Note 14)	96,092,012	89,803,085	78,296,458	70,275,053

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. Corporate information

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

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

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

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

On 13 December 2022, at the Extraordinary General Meeting, the unitholders of The Fund approved the proposed amendments to the Second Restated Trust Deed dated 25 November 2019. The Supplemental Deed to the Second Restated Trust Deed was executed on 29 December 2022. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Supplemental Deed to 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. Corporate information (cont'd)

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

(i) Maintenance and management fee

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

(ii) Manager's fee

Pursuant to the Second Restated Trust Deed dated 25 November 2019 and the Supplemental Deed to the Second Restated Trust Deed dated 29 December 2022, the Manager is entitled to receive the following fees from the Fund:

- (a) Management fee of 0.30% per annum of the total assets value of the Fund calculated based on monthly accrual basis and payable monthly in arrears;

The management fee for the current financial year is RM1,851,471 (2021: RM1,845,342). Prior to the execution of the Supplemental Deed to the Second Restated Trust Deed dated 29 December 2022, the Manager is entitled to receive management fee of 0.1% per annum of the total assets value of the Fund that is below RM1,000,000,000 and 0.125% of the total 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

The acquisition fee paid to the Manager during the current financial year is RM1,920,000 (2021: RMNil).

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

The disposal fee to the Manager during the current financial year is RM1,004 (2021: RMNil).

(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 2022 of RM380,770 (2021: RM385,343).

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 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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, Supplemental Deed to the Second Restated Trust Deed dated 29 December 2022, 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 2022:

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

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
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 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 16: Lease Liability in a Sale and Leaseback	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

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

Description (cont'd)	Effective for annual periods beginning on or after
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(b) Functional currency (cont'd)

(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).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(c) Investment properties (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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)

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the 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, Islamic fixed deposits with licensed banks, and cash and bank balances.

Derecognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Derecognition (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(f) Financial liabilities (cont'd)

Recognition and measurement (cont'd)

The Group's and the Fund's other financial liabilities include total payables (non-current and current, excluding deferred lease payment) 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 fixed deposits with licensed banks 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(j) Leases (cont'd)

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.

(ii) Investment revenue

Investment revenue, which comprise income earned from Islamic fixed deposits with licensed banks 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(m) Taxation

(i) Current income tax

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

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

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

(ii) Deferred tax

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

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

- (a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- (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 carryforward 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

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

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

(n) Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Fund who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 23, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(p) Borrowing costs (cont'd)

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

(q) Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

(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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(r) Fair value measurement (cont'd)

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

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3.1 Critical judgements made in applying accounting policies

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

(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

31 DECEMBER 2022

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Yield rate				
- 0.25%	44,340,570	26,152,200	40,900,000	22,670,000
+ 0.25%	(39,141,390)	(38,379,400)	(36,000,000)	(35,200,000)
Discount rate				
- 0.25%	29,040,570	21,812,200	25,600,000	18,330,000
+ 0.25%	(24,341,390)	(31,909,400)	(21,100,000)	(28,730,000)

4. Revenue

Revenue from contract with customers comprises the following:

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Rental income				
Base rental income	106,741,353	111,228,700	101,090,407	101,401,706
Unbilled rental income	3,497,314	2,843,801	3,497,314	2,843,801
	110,238,667	114,072,501	104,587,721	104,245,507

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. Revenue (cont'd)

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

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Rental income from				
KPJ Ampang Puteri Specialist Hospital	9,118,277	9,683,806	9,118,277	9,683,806
KPJ Tawakkal KL Specialist Hospital	9,498,307	9,312,066	9,498,307	9,312,066
KPJ Damansara Specialist Hospital	7,840,556	8,449,417	7,840,556	8,449,417
KPJ Johor Specialist Hospital	8,537,495	8,681,833	8,537,495	8,681,833
KPJ Klang Specialist Hospital	7,185,059	7,497,643	7,185,059	7,497,643
KPJ Ipoh Specialist Hospital	7,085,540	6,337,679	7,085,540	6,337,679
KPJ Selangor Specialist Hospital	5,807,819	5,892,023	5,807,819	5,892,023
KPJ Penang Specialist Hospital	4,524,314	4,727,578	4,524,314	4,727,578
KPJ Seremban Specialist Hospital	5,259,904	5,037,555	5,259,904	5,037,555
KPJ Healthcare University College, Nilai	7,580,155	7,263,240	7,580,155	7,263,240
Kedah Medical Centre	3,681,350	3,609,167	3,681,350	3,609,167
KPJ Perdana Specialist Hospital	3,254,313	3,190,503	3,254,313	3,190,503
KPJ Kajang Specialist Hospital	3,609,771	3,538,991	3,609,771	3,538,991
Tawakkal Health Centre	3,469,370	3,378,598	3,469,370	3,378,598
KPJ Puteri Specialist Hospital	2,961,988	3,150,412	2,961,988	3,150,412
KPJ Sentosa KL Specialist Hospital	2,156,594	2,114,307	2,156,594	2,114,307
KPJ Kuantan Care & Wellness Centre	1,509,354	1,479,758	1,509,354	1,479,758
KPJ International College, Penang	963,348	1,196,668	963,348	1,196,668
Damai Care & Wellness Centre	908,523	1,027,915	908,523	1,027,915
Taiping Medical Centre	767,949	738,684	767,949	738,684
KPJ Haemodialysis Kluang	322,372	304,243	322,372	304,243
KPJ Batu Pahat Specialist Hospital	8,415,988	7,633,421	8,415,988	7,633,421
KPJ Pasir Gudang Specialist Hospital	129,375	-	129,375	-
Jeta Gardens Aged Care & Retirement Village	5,650,946	9,826,994	-	-
	110,238,667	114,072,501	104,587,721	104,245,507

5. Property expenses

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Assessment	3,356,065	3,349,533	3,356,065	3,349,533
Takaful coverage	977,947	930,297	977,947	930,297
Maintenance fee	1,246,727	1,106,915	1,184,720	1,096,416
Quit rent	458,914	463,883	458,914	463,883
	6,039,653	5,850,628	5,977,646	5,840,129

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. Investment revenue

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Shariah Compliant income from Islamic fixed deposits with licensed banks	922,748	623,104	922,748	623,104
Profit sharing on advances from a subsidiary in Australia	-	-	4,455,201	6,759,276
	922,748	623,104	5,377,949	7,382,380

7. Tax credit

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 16)	(103,325)	(768,296)	(103,325)	(768,296)

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	60,035,534	72,781,553	58,083,107	46,601,801
Tax at the statutory tax rate of 24% (2021: 24%)	14,408,528	17,467,573	13,939,946	11,184,432
Different tax rates in other country	(51,484)	(92,304)	-	-
Deferred tax recognised at different tax rate	(103,325)	(768,296)	(103,325)	(768,296)
Non-deductible expenses	4,606,746	2,176,652	4,300,044	7,478,994
Income not subject to tax	(12,065,182)	(14,203,104)	(10,871,927)	(12,248,450)
Income exempted from tax	(6,898,608)	(5,348,817)	(7,368,063)	(6,414,976)
Tax expense for the year	(103,325)	(768,296)	(103,325)	(768,296)

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 2022 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% (2021: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. Tax credit (cont'd)

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% (2021: 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 2022 and 2021, are as follows:

	Group	
	2022 RM	2021 RM
Earnings attributable to unitholders:		
Profit for the year	60,138,859	73,549,849
Weighted average number of units	736,265,919	735,985,088
Earnings per unit (sen)	8.17	9.99

9. Income distributions

For the financial years ended 31 December 2022 and 2021, the Manager, with the approval of the Trustee, has declared the following income distributions:

	Group and Fund	
	2022 RM	2021 RM
Income distributions on ordinary shares in respect of the current financial year		
First interim income distribution of 2.00 (2021: 2.00) sen per unit declared on 30 May 2022 (2021: 28 May 2021) and paid on 8 July 2022 (2021: 16 July 2021)	14,719,691	14,719,695
Second interim income distribution of 2.00 (2021: 2.00) sen per unit declared on 26 August 2022 (2021: 26 August 2021) and paid on 11 October 2022 (2021: 22 October 2021)	14,719,691	14,719,696
Third interim income distribution of 2.00 (2021: 2.00) sen per unit declared on 25 November 2022 (2021: 26 November 2021) and paid on 6 January 2023 (2021: 20 January 2022)	14,719,702	14,719,702
	44,159,084	44,159,093

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9. Income distributions (cont'd)

For the financial years ended 31 December 2022 and 2021, the Manager, with the approval of the Trustee, has declared the following income distributions (cont'd):

	Group and Fund	
	2022	2021
	RM	RM
Income distribution on ordinary shares in respect of the previous financial year		
Final income distribution of 1.80 (2021: 3.45) sen per unit declared on 27 January 2022 (2021: 26 January 2021) and paid on 28 February 2022 (2021: 26 February 2021)	13,247,724	25,391,478
	57,406,808	69,550,571

The Manager had declared a final income distribution of 2.10 (2021: 1.80) sen per unit totaling RM15,886,201 for the financial year ended 31 December 2022 on 2 February 2023 (2021: 26 January 2022).

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 2023.

The total distributions (including proposed final income distribution) for the financial year ended 31 December 2022 amounting to RM60,045,285 (2021: RM57,406,817). Total income distribution is 8.10 (2021: 7.80) sen per unit.

Income distributions to unitholders is derived from the following sources:

	Group		Fund	
	2022	2021	2022	2021
	RM	RM	RM	RM
Net rental income	104,199,014	108,221,873	98,610,075	98,405,378
Investment revenue	922,748	623,104	5,377,949	7,382,380
Realised gain on foreign exchange	-	11,182	-	11,182
Other income	1,005,423	532,331	579,833	532,303
Interest accretion on tenant deposits	359,332	1,018,526	359,332	1,018,526
Less: Amortisation of deferred income	(406,923)	(347,829)	(406,923)	(347,829)
Less: Unbilled rental income	(3,497,314)	(2,843,801)	(3,497,314)	(2,843,801)
	102,582,280	107,215,386	101,022,952	104,158,139
Less: Expenses	(34,816,515)	(41,996,797)	(34,315,822)	(39,757,530)
Realised income for the year	67,765,765	65,218,589	66,707,130	64,400,609
Undistributed income brought forward	62,823,720	67,155,702	60,692,459	65,842,421
Less: Undistributed income	(73,182,677)	(62,823,720)	(69,992,781)	(60,692,459)
	57,406,808	69,550,571	57,406,808	69,550,571

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10. Investment properties

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199
Additions	192,000,000	-	192,000,000	-
Enhancements	3,655,737	-	3,655,737	-
Disposal	(294,500)	-	(294,500)	-
Fair value adjustment	(11,258,551)	5,536,199	(11,258,551)	5,536,199
Foreign exchange differences	(1,031,700)	(1,826,850)	-	-
At 31 December	1,721,281,384	1,538,210,398	1,636,015,084	1,451,912,398
Land and buildings at fair value	1,721,281,384	1,538,210,398	1,636,015,084	1,451,912,398

During the financial year, the Group and the Fund acquired property, plant and equipment by the following means:

	Group and Fund 2022 RM
Cash	166,989,184
Issuance of units	25,010,816
	192,000,000

The carrying amount of the investment properties for the financial years ended 31 December 2022 and 2021 is based on the market value determined based on valuations, adjusted with accrued unbilled rental income, as follows:

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Investment properties - based on valuation report	1,730,466,300	1,543,898,000	1,645,200,000	1,457,600,000
Investment properties - accrued unbilled rental income (Note 12)	(9,184,916)	(5,687,602)	(9,184,916)	(5,687,602)
	1,721,281,384	1,538,210,398	1,636,015,084	1,451,912,398

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.

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10. Investment properties (cont'd)

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

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

Fair value of investment properties is classified as Level 3.

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% (2021: 5.50% - 9.25%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.00% - 7.75% (2021: 6.00% - 7.50%)	- Higher reversionary yield rates, lower fair value
Void rate of 5.00% - 10.00% (2021: 5.00% - 10.00%)	- Higher void rate, lower fair value
Discount rate of 5.50% - 9.25% (2021: 5.50% - 9.25%)	- 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	2022 Fair value RM	2021 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital ###	Leasehold	99	66	Ampang	31 December 2022	137,000,000	137,000,000	3
KPJ Damansara Specialist Hospital ###	Freehold	-	-	Damansara	31 December 2022	138,000,000	138,000,000	3
KPJ Johor Specialist Hospital ###	Leasehold	99	56	Johor Bahru	31 December 2022	122,000,000	122,000,000	3
KPJ Ipoh Specialist Hospital ###	Freehold	-	-	Ipoh	31 December 2022	89,000,000	89,000,000	3
KPJ Puteri Specialist Hospital	Leasehold	99	31	Johor Bahru	31 December 2022	40,000,000	40,000,000	3
KPJ Selangor Specialist Hospital ###	Leasehold	99	74	Shah Alam	31 December 2022	84,000,000	84,000,000	3
Kedah Medical Centre ###	Freehold	-	-	Alor Setar	31 December 2022	53,000,000	52,500,000	3
KPJ Perdana Specialist Hospital ###	Leasehold	66	41	Kota Bharu	31 December 2022	42,000,000	42,000,000	3
KPJ Kuantan Care & Wellness Centre	Freehold	-	-	Kuantan	31 December 2022	16,500,000	16,800,000	3
KPJ Sentosa KL Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2022	31,000,000	31,000,000	3
KPJ Kajang Specialist Hospital ###	Freehold	-	-	Kajang	31 December 2022	52,000,000	52,000,000	3
Taiping Medical Centre ###	Leasehold	99	66	Taiping	31 December 2022	22,500,000	10,000,000	3
Damai Care & Wellness Centre	Leasehold	99	51	Kota Kinabalu	31 December 2022	12,000,000	11,000,000	3
KPJ International College Penang ##	Freehold	-	-	Bukit Mertajam	31 December 2022	14,100,000	14,600,000	3
Tawakkal Health Centre ###	Leasehold	99	55	Kuala Lumpur	31 December 2022	47,400,000	48,000,000	3
KPJ Healthcare University College, Nilai ###	Freehold	-	-	Seremban	31 December 2022	102,000,000	102,000,000	3
KPJ Seremban Specialist Hospital ###	Freehold	-	-	Seremban	31 December 2022	160,000,000	75,000,000	3
KPJ Penang Specialist Hospital ###	Freehold	-	-	Bukit Mertajam	31 December 2022	65,000,000	65,000,000	3
KPJ Tawakkal KL Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2022	139,000,000	139,000,000	3

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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	2022 Fair value RM	2021 Fair value RM	Fair value hierarchy
KPJ Haemodialysis Kluang	Leasehold	99	78	Kluang	31 December 2022	4,700,000	4,700,000	3
KPJ Klang Specialist Hospital ###	Leasehold	99	70	Klang	31 December 2022	104,000,000	104,000,000	3
KPJ Batu Pahat Specialist Hospital #	Freehold	-	-	Batu Pahat	31 December 2022	70,815,084	74,312,398	3
KPJ Pasir Gudang Specialist Hospital ###	Leasehold	99	86	Pasir Gudang	31 December 2022	90,000,000	-	3
Total for the Fund						1,636,015,084	1,451,912,398	
Jeta Gardens Aged Care & Retirement Village	Freehold	-	-	Queensland	31 December 2022	85,266,300	86,298,000	3
Total for the Group						1,721,281,384	1,538,210,398	

The investment properties amounting to RM112,815,084 (2021: RM116,312,398) are used to secure against Commodity Murabahah Term Financing-i ("CMTF-i") issued by the Fund as disclosed in Note 17. The amount of RM112,815,084 represents the fair value of KPJ Batu Pahat Specialist Hospital and KPJ Healthcare University College, Nilai New Building (residential) amounting to RM70,815,084 (2021: RM74,312,398) and RM42,000,000 (2021: RM42,000,000) respectively.

The investment properties amounting to RM74,100,000 (2021: RM74,600,000) are used to secure against Commodity Murabahah Term Financing-II ("CMTF-II") issued by the Fund as disclosed in Note 17. The amount of RM74,100,000 represents the fair value of KPJ International College, Penang and KPJ Healthcare University College, Nilai New Building (commercial) amounting to RM14,100,000 (2021: RM14,600,000) and RM60,000,000 (2021: RM60,000,000) respectively.

The investment properties amounting to RM1,103,400,000 (2021: RM1,103,500,000) are used to secure against Commodity Murabahah Term Financing-III ("CMTF-III") issued by the Fund as disclosed in Note 17.

The investment properties amounting to RM272,500,000 (2021: RMNil) are used to secure against Revolving Credit-i ("RC - I") and Term Financing-i ("TF - I") issued by the Fund as disclosed in Note 17.

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

NOTES TO THE FINANCIAL STATEMENTS

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11. Investment in subsidiaries

	2022 RM	Fund 2021 RM
Unquoted shares, at cost	42,492,186	42,492,186
Less: Accumulated impairment losses	(39,952,545)	(39,058,753)
Net carrying amount	2,539,641	3,433,433

The movement in the accumulated impairment losses is as follows:

	2022 RM	2021 RM
At 1 January	39,058,753	15,000,000
Allowance for impairment losses	893,792	24,058,753
At 31 December	39,952,545	39,058,753

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	
			2022 %	2021 %
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

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12. Trade receivables, other receivables and prepaid expenses

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables Current				
Related companies	40,318,496	30,418,891	14,562,257	10,604,428
Less: Allowance for expected credit losses (Note (a))	-	-	-	-
	40,318,496	30,418,891	14,562,257	10,604,428
Unbilled rental income	9,184,916	5,687,602	9,184,916	5,687,602
	49,503,412	36,106,493	23,747,173	16,292,030
Other receivables and prepaid expenses				
Other receivables	80,574	67,419	80,099	66,955
Prepayments	69,311	507,168	69,311	507,168
	149,885	574,587	149,410	574,123
Total trade and non-trade receivables (non-current and current)	49,653,297	36,681,080	23,896,583	16,866,153
Add: Amount due from subsidiaries	-	-	126,352,413	122,309,571
Add: Islamic fixed deposits with licensed banks	55,356,398	40,503,678	55,317,256	40,465,247
Add: Cash and bank balances	40,774,756	49,337,838	22,979,202	29,809,806
Less: Prepayments	(69,311)	(507,168)	(69,311)	(507,168)
Total financial assets at amortised cost (debt instruments)	145,715,140	126,015,428	228,476,143	208,943,609

(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 (2021: 1 to 7 days).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(a) Trade receivables (cont'd)

Ageing analysis of trade receivables

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
1 to 30 days past due	8,645,031	3,124,723	5,653,231	2,595,451
31 to 60 days past due	1,629,962	2,708,751	1,629,962	2,184,885
61 to 90 days past due	244,714	1,949,811	244,714	1,421,583
More than 90 days past due	29,798,789	22,635,606	7,034,350	4,402,509
	40,318,496	30,418,891	14,562,257	10,604,428

Movement in allowance for expected credit losses of trade receivables:

	Group 2021 RM	Fund 2021 RM
At 1 January	-	-
Derecognition of past lease receivables (Note (i))	5,806,073	4,514,732
Written off	(5,806,073)	(4,514,732)
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.

In the previous financial year, the Group and the Fund provided COVID-19 related rental support of RM5,806,073 and RM4,514,732 respectively to its tenants.

13. Amount due from subsidiaries

	2022 RM	Fund 2021 RM
Non-current		
Amount due from a subsidiary	99,147,701	99,147,701
Current		
Amount due from subsidiaries	28,507,731	24,464,889
	127,655,432	123,612,590
Less: Allowance for expected credit losses	(1,303,019)	(1,303,019)
	126,352,413	122,309,571

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13. Amount due from subsidiaries (cont'd)

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

	2022 RM	Fund 2021 RM
At 1 January	1,303,019	-
Allowance for expected credit loss	-	1,303,019
At 31 December	1,303,019	1,303,019

Amount due from a subsidiary represents unsecured advances given to a subsidiary from the proceeds raised from Islamic Financing and issuance of new units in previous years for the purpose of purchase of an investment property in Australia and profit sharing on the advances receivable from the subsidiary. It is non-trade, unsecured, non-interest bearing and repayable on demand.

14. Cash and cash equivalents

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

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Islamic fixed deposits with licensed banks	55,356,398	40,503,678	55,317,256	40,465,247
Cash and bank balances	40,774,756	49,337,838	22,979,202	29,809,806
Total cash and bank balances	96,131,154	89,841,516	78,296,458	70,275,053
Less: Islamic fixed deposits with licensed banks with maturity period of more than 3 months	(39,142)	(38,431)	-	-
Cash and cash equivalents	96,092,012	89,803,085	78,296,458	70,275,053

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

	Group		Fund	
	2022	2021	2022	2021
Weighted average deposit rate (%)	2.48	1.68	2.48	1.67
Average remaining maturity period	36	38	32	28

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15. Other payables

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Tenant deposits	10,050,013	8,301,075	10,050,013	8,301,075
Deferred lease income	5,197,530	5,174,129	5,197,530	5,174,129
	15,247,543	13,475,204	15,247,543	13,475,204
Current				
Amount due to the Trustee	32,322	32,422	32,322	32,422
Amount due to the Manager	331,015	155,531	327,209	155,531
Amounts due to related companies	2,671,741	622,839	2,671,741	622,839
Other payables	176,421	242,761	41,334	105,018
Third interim income distribution payable (Note 9)	14,719,702	14,719,702	14,719,702	14,719,702
Other accrued expenses	5,392,804	4,839,794	5,571,471	4,624,150
	23,324,005	20,613,049	23,363,779	20,259,662
Total other payables (non-current and current)	38,571,548	34,088,253	38,611,322	33,734,866
Less: Deferred lease income	(5,197,530)	(5,174,129)	(5,197,530)	(5,174,129)
Add: Islamic financing (Note 17)	855,616,967	683,876,967	855,616,967	683,876,967
Total financial liabilities carried at amortised costs	888,990,985	712,791,091	889,030,759	712,437,704

(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. Deferred tax liabilities

	Group and Fund	
	2022 RM	2021 RM
At 1 January	1,765,866	2,534,162
Recognised in profit or loss (Note 7)	(103,325)	(768,296)
At 31 December	1,662,541	1,765,866

NOTES TO THE FINANCIAL STATEMENTS

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16. Deferred tax liabilities (cont'd)

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

Deferred tax liability - Group and Fund

	Investment properties RM
At 1 January 2022	1,765,866
Recognised in profit or loss	(103,325)
At 31 December 2022	1,662,541
At 1 January 2021	2,534,162
Recognised in profit or loss	(768,296)
At 31 December 2021	1,765,866

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.

17. Islamic financing

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 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	580,000,000	580,000,000
Revolving Credit-i ("RC - I")	100,000,000	-	100,000,000	-
Term Financing-i ("TF - I")	72,000,000	-	72,000,000	-
	861,994,050	689,994,050	861,994,050	689,994,050
Less: Transaction costs	(6,377,083)	(6,117,083)	(6,377,083)	(6,117,083)
Total (non-current)	855,616,967	683,876,967	855,616,967	683,876,967

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17. Islamic financing (cont'd)

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% (2021: 1.25%) per annum above the bank's Cost of Funds ("COF"). As at reporting date, the profit rate for the Commodity Murabahah is 4.50% (2021: 3.35%) per annum.

The Commodity Murabahah - I was secured against the investment properties which amounting to RM112,815,084 (2021: RM116,312,398) 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% (2021: 1.25%) per annum above the bank's COF. As at reporting date, the profit rate for the Commodity Murabahah is 4.5% (2021: 3.35%) per annum.

The Commodity Murabahah - II was secured against the investment properties which amounting to RM74,100,000 (2021: RM74,600,000) as disclosed in Note 10.

Commodity Murabahah - III

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 - III bears a profit rate of 1.15% and 1.25% (2021: 1.15% and 1.25%) per annum for Tranche 1 and Tranche 2 respectively above the bank's COF. As at reporting date, the profit rate for the Commodity Murabahah is 4.42% and 4.54% (2021: 3.32% and 3.44%) per annum for Tranche 1 and Tranche 2 respectively.

The Commodity Murabahah - III was secured against the investment properties which amounting to RM1,103,400,000 (2021: RM1,103,500,000) as disclosed in Note 10.

RC - I and TF - I

On 23 December 2022, the Group and the Fund obtained the RC - I and TF - I that are 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 RC - I bears a profit rate of 1.20% (2021: Nil) per annum above the bank's COF. As at reporting date, the profit rate for the RC - I is 4.40% (2021: Nil) per annum.

The TF - I bears a profit rate of 1.20% (2021: Nil) per annum above the bank's COF when Total Financing over Total Assets is greater than or equal to 40% and profit rate of 1.00% (2021: Nil) per annum above the bank's COF when Total Financing over Total Assets is less than 40%. As at reporting date, the profit rate for the TF - I is 4.40% (2021: Nil) per annum.

The RC - I and TF - I were secured against the investment properties which amounting to RM272,500,000 (2021: RMNil) as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

17. Islamic financing (cont'd)

Changes in liabilities arising from financing activities:

	At 1 January 2022 RM	Cash flows RM	Charged to profit or loss RM	At 31 December 2022 RM
Group				
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
RC - I	-	100,000,000	-	100,000,000
TF - I	-	72,000,000	-	72,000,000
	689,994,050	172,000,000	-	861,994,050
Less: Transaction costs on Islamic financing	(6,117,083)	(1,688,263)	1,428,263	(6,377,083)
	683,876,967	170,311,737	1,428,263	855,616,967

	At 1 January 2021 RM	Cash flows RM	Charged to profit or loss 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 - II	-	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				
Murabahah Tawarruq	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

31 DECEMBER 2022

17. Islamic financing (cont'd)

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

	At 1 January 2022 RM	Cash flows RM	Charged to profit or loss RM	At 31 December 2022 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
RC - I	-	100,000,000	-	100,000,000
TF - I	-	72,000,000	-	72,000,000
	689,994,050	172,000,000	-	861,994,050
Less: Transaction costs on Islamic financing	(6,117,083)	(1,688,263)	1,428,263	(6,377,083)
	683,876,967	170,311,737	1,428,263	855,616,967

	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
	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

18. Unitholders' capital

	Group and Fund			
	2022		2021	
	No. of units	RM	No. of units	RM
Issued and fully paid-up:				
At 1 January	735,985,088	731,398,126	735,985,088	731,398,126
Issue of new units	20,500,669	25,010,816	-	-
At 31 December	756,485,757	756,408,942	735,985,088	731,398,126

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

18. Unitholders' capital (cont'd)

During the year, the Fund increased its Issued and fully paid-up unitholders' capital from RM731,398,126 to RM756,408,942 by way of the issuance of 20,500,669 units of unitholders' capital at an issue price of RM1.22 per unit to KPJ Healthcare Berhad offset against the proceeds from acquisition of hospitals.

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 2022 and 31 December 2021 respectively based on the Record of Depositors are as follows:

	2022		2021	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	66,671,211	54,648,534	63,392,299
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	44,060,625	36,115,266	41,893,709
Selangor Medical Centre Sdn Bhd	35,000,000	42,700,000	35,000,000	40,600,000
Seremban Specialist Hospital Sdn Bhd	23,731,000	28,951,820	23,731,000	27,527,960
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	25,636,762	21,013,739	24,375,937
KPJ Healthcare Berhad	20,500,669	25,010,816	-	-
Medical Associates Sdn Bhd	19,055,000	23,247,100	19,055,000	22,103,800
Waqaf An-Nur Corporation Berhad	18,251,870	22,267,281	-	-
Sentosa Medical Centre Sdn Bhd	15,653,000	19,096,660	15,653,000	18,157,480
Kedah Medical Centre Sdn Bhd	15,000,000	18,300,000	15,000,000	17,400,000
Johor Specialist Hospital Sdn Bhd	12,203,000	14,887,660	12,203,000	14,155,480
Puteri Specialist Hospital Sdn Bhd	12,000,000	14,640,000	12,000,000	13,920,000
Perdana Specialist Hospital Sdn Bhd	11,789,000	14,382,580	11,789,000	13,675,240
KPJ Healthcare University College Sdn Bhd	7,758,620	9,465,516	7,758,620	8,999,999
Kuantan Specialist Hospital Sdn Bhd	5,000,000	6,100,000	5,000,000	5,800,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,474,140	4,487,000	5,204,920
Jeta Gardens (Qld) Pty Ltd	3,786,924	4,620,047	3,786,924	4,392,832
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,270,000	3,500,000	4,060,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,067,480	3,334,000	3,867,440
Johor Ventures Sdn Bhd	173,219	211,327	173,219	200,934

19. Management Expense Ratio ("MER")

	Fund	
	2022	2021
	%	%
MER	0.29	0.29

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

20. Significant related party transactions

Parties are considered to be related to the Group if the parties have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Fund derive all their rental income as disclosed in Note 4 from related parties.

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

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Manager's fee	1,851,471	1,845,342	1,851,471	1,845,342
Maintenance fee	1,098,480	1,010,176	1,098,480	1,010,176
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.

21. 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Less than one year	112,168,484	115,451,639	106,440,368	109,723,524
Between one and five years	348,147,381	446,089,551	317,741,852	422,480,505
	460,315,865	561,541,190	424,182,220	532,204,029

22. Financial risk management objectives and policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its contractual obligations. Credit risk arises from cash and cash equivalents, amount due from subsidiaries 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 Islamic 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 amount 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 subsidiaries. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be insignificant.

Trade receivables using the simplified approach

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(a) Credit risk (cont'd)

Impairment of financial assets (cont'd)

Amount due from a subsidiary

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

(b) Liquidity risk

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

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 2022				
Financial liabilities				
Other payables	24,504,143	4,244,681	10,032,142	38,780,966
Islamic financing	37,967,407	680,374,555	305,479,274	1,023,821,236
	62,471,550	684,619,236	315,511,416	1,062,602,202
As at 31 December 2021				
Financial liabilities				
Other payables	20,613,049	3,875,364	9,761,667	34,250,080
Islamic financing	22,924,406	469,751,406	314,434,192	807,110,004
	43,537,455	473,626,770	324,195,859	841,360,084

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Fund				
As at 31 December 2022				
Financial liabilities				
Other payables	24,543,917	4,244,681	10,032,142	38,820,740
Islamic financing	37,967,407	680,374,555	305,479,274	1,023,821,236
	62,511,324	684,619,236	315,511,416	1,062,641,976
As at 31 December 2021				
Financial liabilities				
Other payables	20,259,662	3,875,364	9,761,667	33,896,693
Islamic financing	22,924,406	469,751,406	314,434,192	807,110,004
	43,184,068	473,626,770	324,195,859	841,006,697

(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) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for profit rate risk (cont'd)

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Financing rate				
- 25 bp decrease	2,000,651	1,608,433	2,000,749	1,608,529
- 25 bp increase	(2,000,651)	(1,608,433)	(2,000,749)	(1,608,529)

(d) Foreign currency risk

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

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

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

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Denominated in AUD				
Trade receivables	25,756,239	19,814,463	-	-
Cash and cash equivalents	18,926,130	26,732,251	1,132,576	7,205,394
Other payables	(133,238)	(351,539)	-	-
Net exposure in the statements of financial position	44,549,131	46,195,175	1,132,576	7,205,394

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

	Group		Other comprehensive income Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
AUD				
Strengthened 5%	2,227,457	2,309,759	56,629	360,270
Weakened 5%	(2,227,457)	(2,309,759)	(56,629)	(360,270)

23. Segment reporting

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

- (i) Malaysia
- (ii) Australia

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

The Group's segmental information is as follows:

	Malaysia RM	Australia RM	Total RM
31 December 2022			
Gross rental	104,587,721	5,650,946	110,238,667
Property expenses	(5,977,646)	(62,007)	(6,039,653)
Net property income	98,610,075	5,588,939	104,199,014
Investment revenue	922,748	-	922,748
Other income	579,833	425,590	1,005,423
Fair value adjustment on investment properties	(11,258,551)	-	(11,258,551)
Total income	88,854,105	6,014,529	94,868,634
Trust expenditure	(6,732,573)	(502,488)	(7,235,061)
Operating profit	82,121,532	5,512,041	87,633,573
Finance costs	(27,598,039)	-	(27,598,039)
Profit before tax	54,523,493	5,512,041	60,035,534
Tax	103,325	-	103,325
Profit after tax	54,626,818	5,512,041	60,138,859
Total assets	1,737,999,430	129,066,405	1,867,065,835
Total liabilities	895,642,368	208,688	895,851,056

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

23. Segment reporting (cont'd)

The Group's segmental information is as follows (cont'd):

	Malaysia RM	Australia RM	Total RM
31 December 2021			
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 income	623,104	-	623,104
Realised gain on foreign exchange	11,182	-	11,182
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
Expenditure	(11,951,060)	(2,187,306)	(14,138,366)
Operating profit	93,157,106	7,629,217	100,786,323
Financing 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

24. 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 17) 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. The SC Guidelines require that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50% of the total asset value of the Fund at the time the borrowings are incurred. Notwithstanding, the Fund's total borrowings may exceed this limit with the sanction of the unitholders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

24. 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Total borrowings	855,616,967	683,876,967	855,616,967	683,876,967
Total assets value	1,867,065,835	1,664,732,994	1,867,100,179	1,664,796,608
Total borrowings to total assets value ratio	45.83%	41.08%	45.83%	41.08%

25. Portfolio turnover ratio ("PTR")

	Group 2022 RM	Fund 2022 RM
PTR (times)	0.20	0.20

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.

26. Capital commitments

	Group		Fund	
	2022 RM	2021 RM	2022 RM	2021 RM
Capital expenditure - authorised but not contracted for	213,200,000	296,000,000	213,200,000	296,000,000

27. Significant events

(i) Acquisition of a building known as TMC Health Centre

On 2 September 2022, the Fund as represented by the Trustee, entered into a conditional sales and purchase agreement with Penang Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ Healthcare Berhad to acquire a building known as TMC Health Centre, for a total consideration of RM14,300,000. The acquisition was completed on 23 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

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27. Significant events (cont'd)

(ii) Acquisition of a building forming part of KPJ Seremban Specialist Hospital

On 2 September 2022, the Fund as represented by the Trustee, entered into a conditional sales and purchase agreement with Maharani Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ Healthcare Berhad to acquire a building forming part of KPJ Seremban Specialist Hospital, for a total consideration of RM84,700,000. The acquisition was completed on 23 December 2022.

(iii) Acquisition of KPJ Pasir Gudang Specialist Hospital

On 2 September 2022, the Fund as represented by the Trustee, entered into a conditional sales and purchase agreement with Pasir Gudang Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of KPJ Healthcare Berhad to acquire KPJ Pasir Gudang Specialist Hospital, for a cash consideration of RM67,989,184 and issuance of 20,500,669 units of unitholders' capital at an issue price of RM1.22 per unit. The acquisition was completed on 27 December 2022.

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