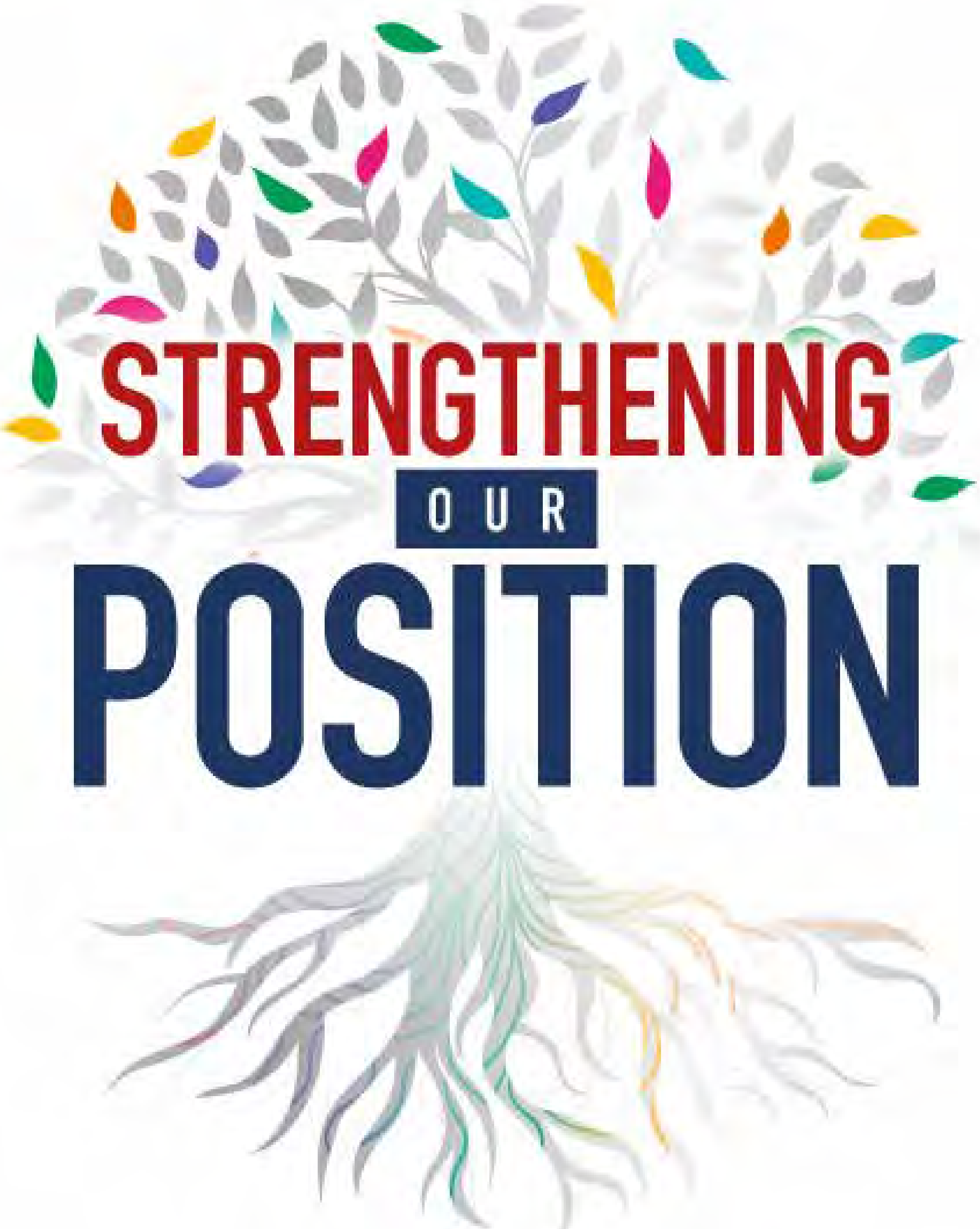
al-`aqar
HEALTHCARE REIT



STRENGTHENING OUR POSITION

ANNUAL REPORT 2023

COVER RATIONALE

This year, Al-`Aqar has dedicated a significant effort to strengthen our relationship with our key tenant, KPJ Healthcare Berhad. Alongside, we are actively working on establishing a strategic foundation for our long-term objectives. This commitment is visually represented through the vibrant depiction of a resilient and colorful tree root on the annual report cover. This symbolic representation encapsulates the essence of our initiatives to fortify a strategic foundation, embodying the company's dedication to enduring success and sustained growth. The tree root, bursting with color, serves as a powerful metaphor, symbolising the depth and strength of our strategic endeavors. As we invest effort into this foundation, it is akin to nurturing a colorful root that will eventually give rise to beautiful leaves—reflecting the positive outcomes and achievements that will flourish from our dedicated and intentional initiatives. The annual report cover, adorned with this dynamic and symbolic imagery, becomes a visual testament to our commitment to building a strong and enduring foundation that will blossom into a future of success and prosperity for our company.

SCAN ME

Scan the QR Code by following these simple steps

OPEN IT
Open the Camera app or open the dedicated QR code reader

POINT IT
Point your camera or QR code scanner at the QR code

ACCESS IT
Get access to Al-`Aqar website

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CORPORATE PROFILE

Established on 10 August, 2006, and listed on the main market of Bursa Malaysia, Al-`Aqar embarked on its journey with a modest portfolio of six properties. Over time, it has transformed into a robust entity, now encompassing an extensive portfolio of 24 properties spanning diverse segments, with a notable focus on healthcare. This diverse segments includes 17 hospitals, four wellness/health centers, two colleges, and an aged care facility, solidifying Al-`Aqar's presence in the real estate investment trust landscape.

At the helm of Al-`Aqar's growth is Damansara REIT Managers Sdn Berhad (DRMSB), proudly serving as the fund manager. As a wholly-owned subsidiary of Johor Corporation and supported by KPJ Healthcare Berhad, DRMSB has played a pivotal role in fostering Al-`Aqar's growth.

As at 31 December 2023, Al-`Aqar's properties value stood at RM1.64 billion and market capitalisation of RM1.04 billion.

17 HOSPITALS

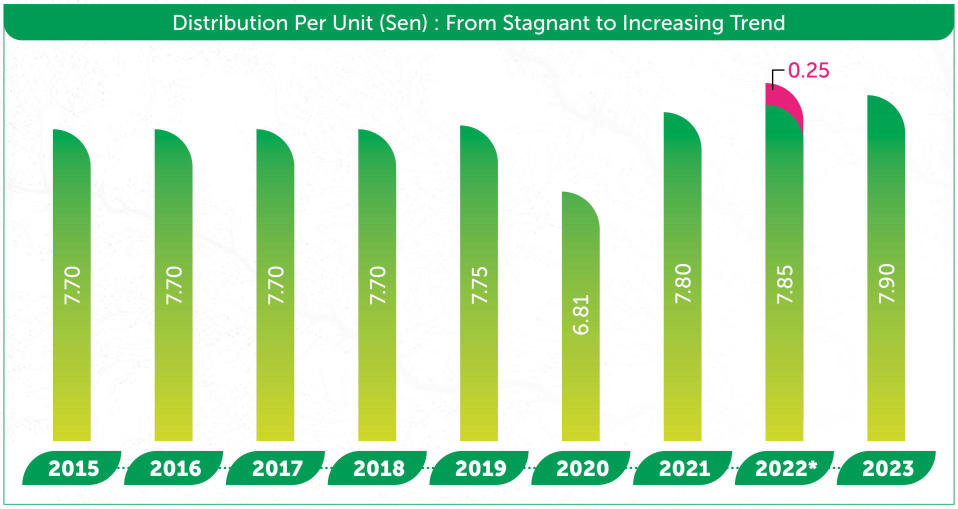
4 WELLNESS/ HEALTH CENTRES

2 COLLEGES

1 AGED CARE & RETIREMENT VILLAGE

2023 YEAR IN REVIEW

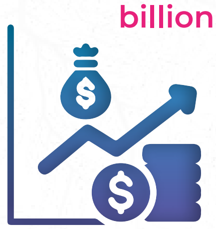
RETURN HIGHLIGHTS



*Note: Contributed by cost saving from refinancing exercise (refinanced from fixed to floating rate)

24
NO OF ASSETS

PROPERTY VALUE
RM 1.64 billion



DISTRIBUTION YIELD
6.37 %

MARKET CAPITALISATION
RM 1.04 billion

TOTAL RETURN
8.01 %

NET REALISED INCOME
RM 63.2 million

GROSS REVENUE
RM 121.0 million

OCCUPANCY RATE

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 0323
Email : art@arb.com.my
Website : www.artrustees.my

SHARIAH COMMITTEE

1. Dato' (Dr) Haji Nooh Bin Gadot
2. Professor 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 : arsakl@arsa.com.my
Website : www.arsa.com.my

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

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

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

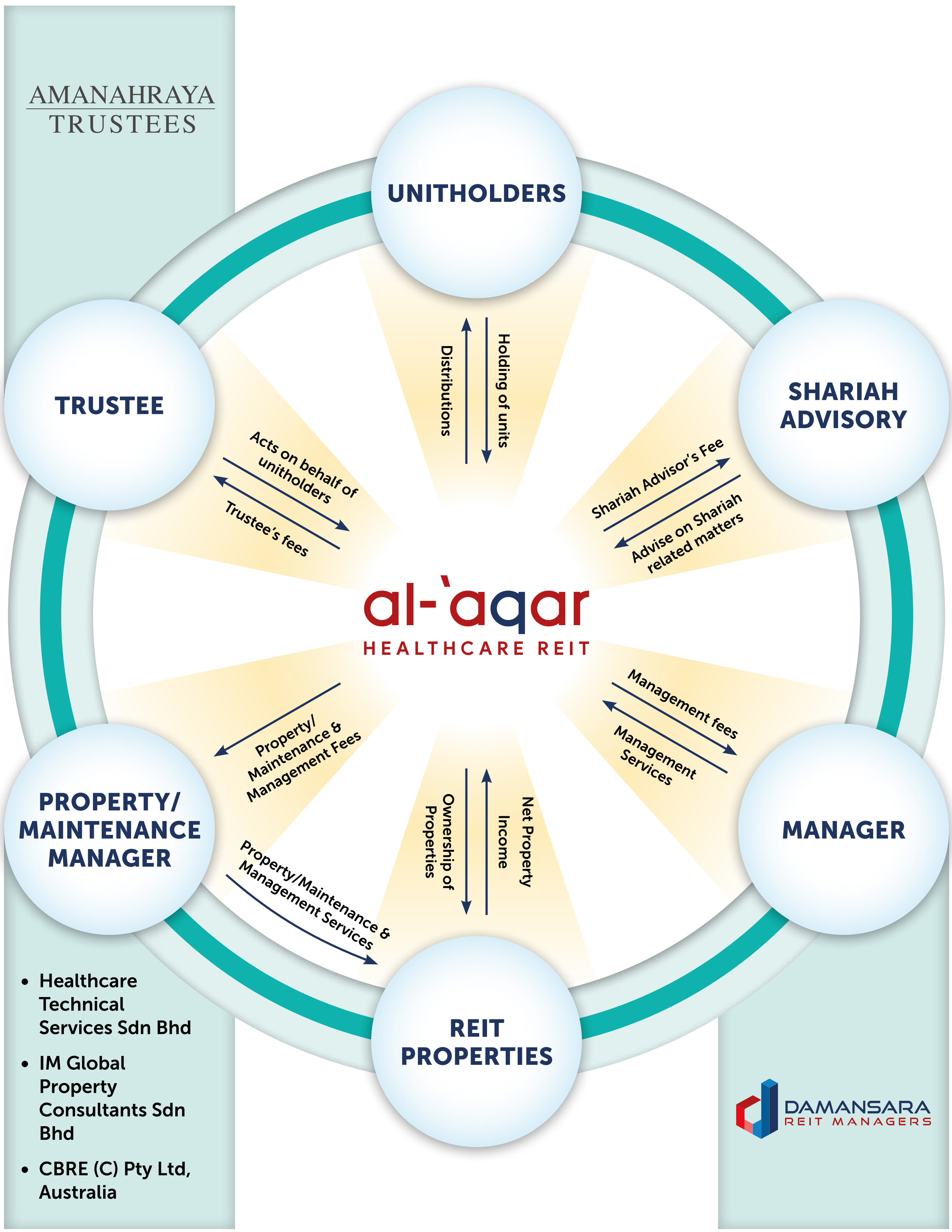
CBRE (C) PTY LTD
(64003205552)
Level 3, Waterfront Place,
1 Eagle Street, Brisbane,
Queensland 4000, Australia.
Tel : (+617) 3833 9833

IM GLOBAL PROPERTY CONSULTANTS SDN BHD
(200501019108)
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

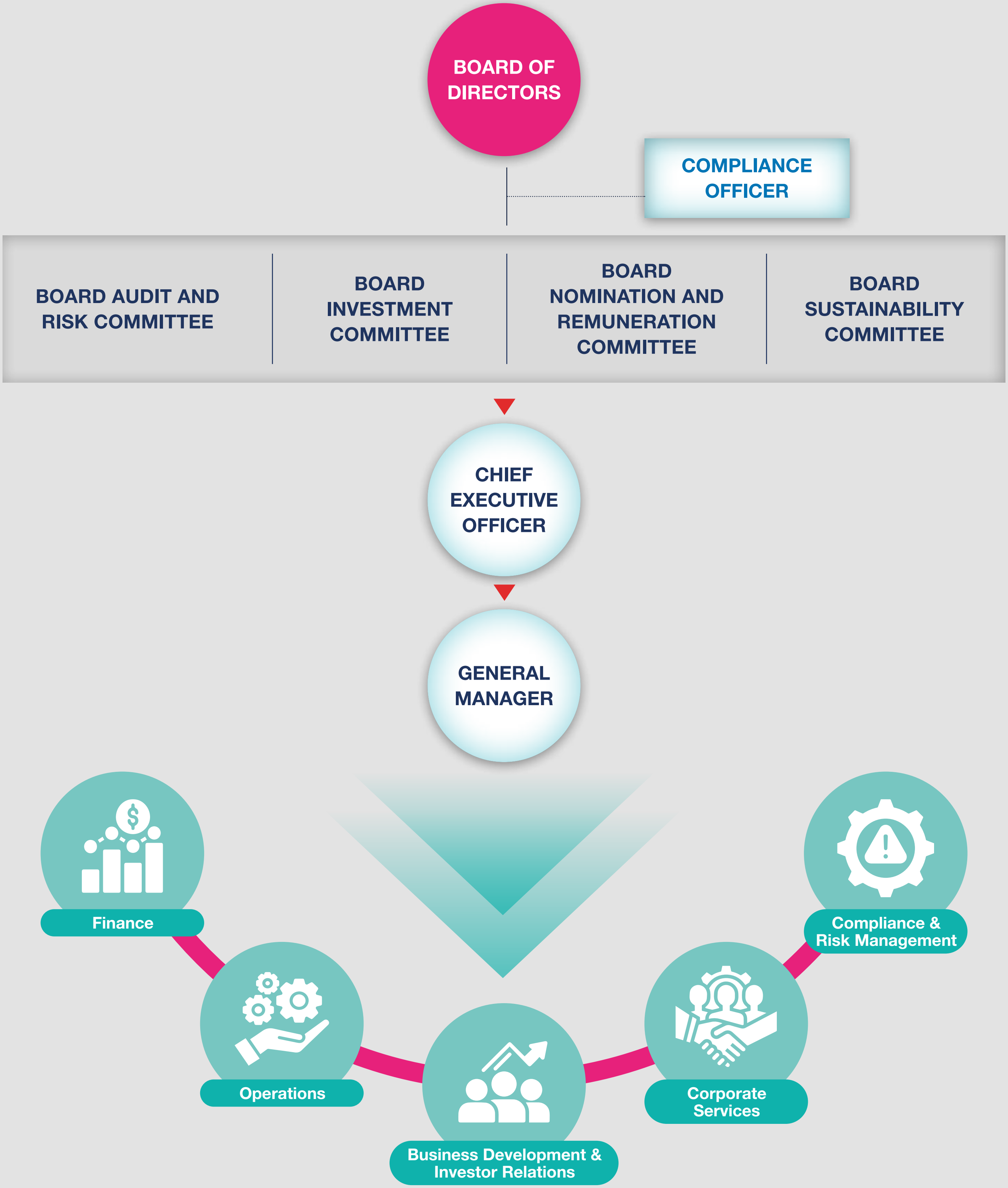
INDEPENDENT PROPERTY VALUER

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

TRUST STRUCTURE



ORGANISATION STRUCTURE



SALIENT FEATURES

NAME OF FUND
Al-`Aqar Healthcare REIT

TYPE OF FUND
Income and growth

CATEGORY OF FUND
Islamic healthcare real estate and healthcare related assets

DISTRIBUTION POLICY
At least 95% of distributable income

RENTAL REVIEW
Every 3 years

LISTING
Main Market of Bursa Malaysia Securities Berhad

LISTING DATE
10 August 2006

FUND SIZE
839,597,757 units

OCCUPANCY RATE
100%

STOCK NAME & CODE
ALAQAR (5116)

FINANCIAL YEAR END
31 December

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. capitalisation 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. minimising interruptions in rental income and operational costs; and
iv. enhancement initiatives by repositioning or repurposing potential underperformed or underutilised 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.

02

Business Overview

LETTER TO STAKEHOLDERS

Dear Valued Stakeholders,

On behalf of the Board of Directors, I am delighted to present the Annual Report for Al-`Aqar Healthcare REIT ("Al-`Aqar", the "Fund" or the "Group") for the financial year ended 31 December 2023 ("FY2023"). The year 2023 marked a significant period of growth as Malaysia successfully navigated beyond the challenges posed by Covid-19 and the healthcare industry witnessed its capacity reaching maximum rates.

Throughout 2023, the Manager dedicated substantial efforts to fortify relationships with existing tenants, KPJ Group, laying the foundation for future growth and diversification, as well as implementing capital recycling strategies. The Group's investment properties stood at RM1.64 billion as at 31 December 2023. As we step into 2024, the Manager remains focused on implementing the comprehensive 5-Year Plan (2024-2028), a strategic initiative poised to propel Al-`Aqar to the next phase of growth.

As the chairman of the Group, I am honored to present the Annual Report for FY2023, featuring a commendable distribution per unit ("DPU") of 7.90 sen. This achievement aligns with the Manager's expectation and translates to a remarkable payout of 100%, marking a 10-year high for Al-`Aqar, demonstrating our continuous commitment in delivering higher DPU to unitholders.

The Manager remains steadfast in its commitment to delivering a consistently increasing trend of DPU, supported by acquisitions, long term lease renewals, and proactive capital recycling.

LETTER TO STAKEHOLDERS

REVIEWING 2023: ROBUST PRIVATE-PUBLIC PARTNERSHIPS

In 2023, the Malaysian economy experienced moderate growth, with projections of a 3.9% to 4.0% increase. Despite this being a moderation from the previous year's 7.8% growth, it signified a stable post-pandemic recovery. Resilient domestic demand was the main driver of growth, with significant contributions from household spending and investment activities. The robust employment market and wage growth further buoyed consumer confidence, which positively impacted our healthcare property sector.

In the aftermath of the COVID-19 pandemic, hospitals in Malaysia, both public and private, are running at almost full capacity. Recognising the challenges posed by overcrowding at public hospitals, the government has established partnerships with private hospitals. Under these collaborations, private hospitals provide treatment to government patients at mutually agreed-upon fees. This private-public partnership trend has become increasingly prevalent due to the realisation that, at a comparable cost, private hospitals deliver procedural services that are on par, if not more efficient, than those provided by government hospitals.

Additionally, KPJ reported robust revenue and net profit in 2023, which increased by 19.2% and 63.3%, respectively, as compared to 2022. This was mainly driven by the higher patient volume, which resulted in a higher bed occupancy rate of 67% and more surgery cases.

2023 - A PRODUCTIVE YEAR

Throughout the financial year 2023, Al-`Aqar's demonstrated strong growth in both revenue and net property income, driven by contributions from three expansion assets bought in December 2022 and the renewal of master leases for five properties in 2023.

Following the acquisition of three expansion assets, the Fund's gearing grew to 45.8%, while the private placement exercise lowered the Fund's gearing to 40.8%, providing headroom for the next acquisition plan.

In 2023, the total number of properties and value remain unchanged at 24 and RM1.72 billion, respectively. Following the implementation of capital recycling activities, the Fund entered into agreements to dispose of two properties worth RM76.7 million, bringing the total investment property value to RM1.64 billion.

KPJ Perdana Specialist Hospital. *15 years master lease renewed on 25 August 2023.*

LETTER TO STAKEHOLDERS

2023 - A PRODUCTIVE YEAR (CONT'D)

2023 AL-`AQAR INITIATIVES

The Manager successfully maintained their business prospects by adeptly turning risks into opportunities through an effective and ongoing Capital, Investment and Asset Management plan.

CAPITAL MANAGEMENT

On 20 April 2023, Al-`Aqar successfully concluded the private placement of 83.1 million units, generating total gross proceeds of RM99.7 million. This move contributed in lowering the gearing level to 40.8%, creating room for future acquisition strategies. Moreover, due to the elevated OPR rate as expected, the Group saw an increase in Islamic financing cost by 41.7%, reaching RM39.1 million in FY2023 (FY2022: RM27.6 million). Nevertheless, the weighted average finance cost of 4.86% in FY2023 was below that of FY2018, which averaged 5.44%.

INVESTMENT MANAGEMENT

On 15 November 2023, Al-`Aqar entered into a Sale and Purchase Agreement ("SPA") with Sihat Damai Sdn Bhd for the disposal of Damai Wellness Centre for a disposal consideration of RM13 million cash. Subsequently, on 12 December 2023, Al-`Aqar entered into an SPA with Principal Healthcare Finance Trust for the disposal of Jeta Gardens Aged Care Facilities, with a disposal consideration of AUD24.4 million (or proximately RM74.9 million). Both transactions are targeted to be completed in 2024. These strategic moves are part of the Group's capital recycling strategy, whereby the Manager divests underperforming and/or underutilised assets and utilises the freed-up capital to acquire high-yielding assets, distribute to unitholders and/or reduce borrowings.

ASSET MANAGEMENT

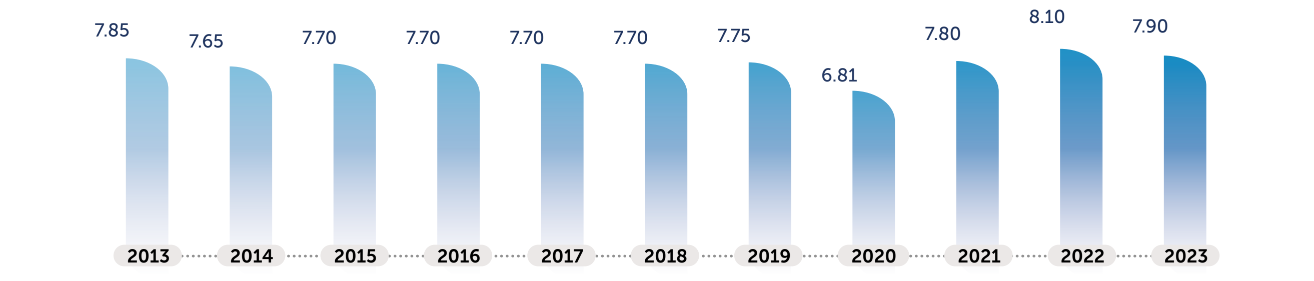
On 25 August 2023, the Manager renewed the master lease for five properties, which contributed 11.8% of Al-`Aqar's revenue in FY2023. Additionally, the Manager has also managed to maintain a 100% occupancy rate for its entire portfolio of assets, ensuring that all the properties were leased out throughout the year.

2023 AL-`AQAR FINANCIAL PERFORMANCE.

In FY2023, the Group recorded a higher gross revenue of RM121.0 million (FY2022: RM110.2 million) and net property income of RM114.5 million (FY2022: RM104.2 million). Profit increased to RM60.7 million (FY2022: RM60.1 million), with realised profit of RM63.2 million.

The Fund achieved a total DPU of 7.90 sen in FY2023. This achievement aligns with the Manager's expectations and translates to a remarkable payout of 100%, marking a 10-year high for Al-`Aqar, demonstrating the Manager's continuous commitment in delivering higher DPU to unitholders.

DISTRIBUTION PER UNIT (SEN)



LETTER TO STAKEHOLDERS

2024 - EXPANSION AND DIVERSIFICATION

Looking ahead to 2024, the Malaysian economy is expected to experience firmer growth of between 4% and 5%. This optimism is underpinned by resilient consumer spending and sustained investment in infrastructure, with the healthcare sector poised to benefit from these trends. The implementation of the MADANI Economy reforms is expected to further boost the service sector, contributing positively to our strategic growth areas.

Furthermore, KPJ expects an increase in the number of patients in 2024, supported by the addition of new beds and services, as well as hiring of new consultants. The health tourism sector is expected to exceed RM2 billion in revenue in 2024, presenting an opportunity that KPJ aims to capitalise on.

The Manager is optimistic regarding Al-`Aqar's prospects in 2024, supported by the acquisitions of high-yielding assets, as well as the strategic disposal of underperforming/underutilising assets and renewal of master lease of six properties by October 2024. Moreover, the Manager's primary focus remains on diversifying its assets and tenant base in the local market, with the aim of enhancing the overall quality of assets and tenants. Equally important, the Manager is dedicated to ensuring a sustained, upward trend in the long-term DPU.

KPJ Penang Specialist Hospital.
15 years master lease to be renewed in October 2024.

KPJ Seremban Specialist Hospital. 15 years master lease to be renewed in October 2024.

LETTER TO STAKEHOLDERS

INNOVATING FOR TOMORROW

The Manager has developed a strategic 5-Year Plan (2024-2028) designed to leverage emerging opportunities and position itself at the forefront of ever-evolving healthcare trends. These trends encompass areas such as telemedicine, artificial intelligence-based diagnostics, wearable technology and precision medicine. With the implementation of the 5-Year Plan (2024-2028), the Manager anticipates the Group's investment properties value to double to approximately RM3.0 billion by 2028 and the DPU to show a consistent increasing trend over the long term.

GROUP LEVEL – THE 5-YEAR PLAN (2024-2028)

Over the next five years, the Group will meticulously assess potential asset acquisitions, ensuring alignment with the Group's growth and diversification strategies. In addition, underperforming and underutilised assets will be strategically repositioned or divested to maximise returns, laying the foundation for a resilient portfolio capable of withstanding the test of time. The Manager is actively engaged in negotiations with KPJ Group, the promoter, and third-party asset owners/operators, to acquire new healthcare properties. The Manager anticipates that Al-`Aqar will record transactions related to some of the growth initiatives below in 2024.

DIVERSIFY CORE BUSINESS

1. Enlarge tenant base with different healthcare operators
2. Grow complementary assets with KPJ

GROWTH IN NEW ECONOMIES

3. Diversify across value chain
4. Capitalise on aged care markets

GROUP LEVEL – STRENGTHENING TENANT RELATIONSHIPS

To enhance competitiveness and strengthen relationship with tenants, the Manager is exploring new business model for Al-`Aqar's current and future tenants. This may involve flexible and customised rental arrangements tailored to the needs of the tenants, including the creation of retail space at the healthcare properties to enhance tenants' income.

MANAGER LEVEL – PIONEERING INNOVATIONS AND IMPROVEMENTS

To expedite the fund transformation initiatives, the Manager has successfully executed digital and organisational transformation initiatives. Furthermore, the Manager continuously implements new measures, which include enhancing leadership development programmes, staying abreast of healthcare trends and international knowledge learning as well as increasing the frequency of engagements with all stakeholders to better understand the existing gaps.

APPRECIATION AND ACKNOWLEDGMENT

I would like to thank Dato' Wan Kamaruzaman bin Wan Ahmad who resigned as Independent Non-Executive Director, and Dato' Salehuddin bin Hassan who resigned as Non-Independent Non-Executive Director, for their guidance and services during their tenure as the Board members. On behalf of the Board, Management and employees of the Manager, we wish them every success in their future endeavours. I also wish to extend my heartfelt appreciation to our unitholders, investors, clients, trustees, financiers, business partners, bankers, government and regulatory bodies for their unwavering support and trust in Al-`Aqar.

Our appreciation is also expressed to our dedicated Management and loyal employees who consistently contribute their efforts and commitment, playing a vital role in shaping a resilient future for Al-`Aqar within the dynamic healthcare landscape. Looking forward, we will persist in fortifying our business and build a stronger portfolio, extending our reach within Malaysia and internationally.

Thank you.

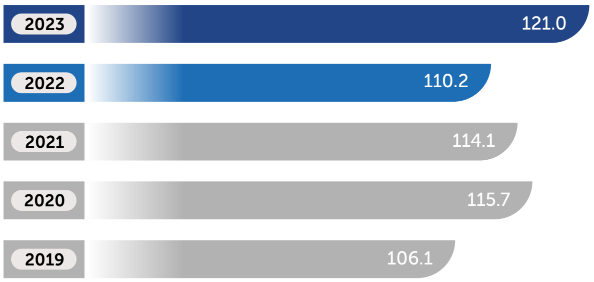
DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID
Chairman

FIVE-YEAR FINANCIAL PERFORMANCE

GROSS REVENUE
(RM Million)

RM**121.0**million

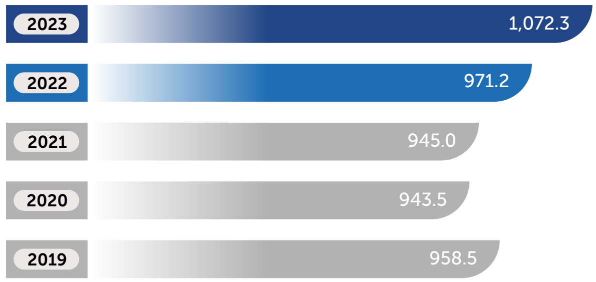
+9.8%



NET ASSET VALUE
(RM Million)

RM**1,072.3**million

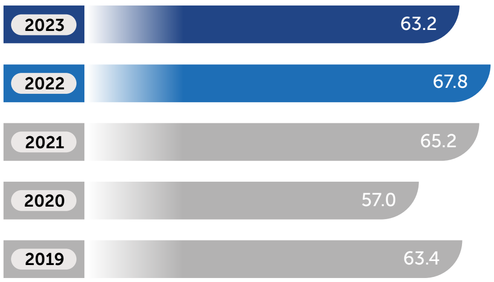
+10.4%



PROFIT FOR THE YEAR (REALISED)
(RM Million)

RM**63.2**million

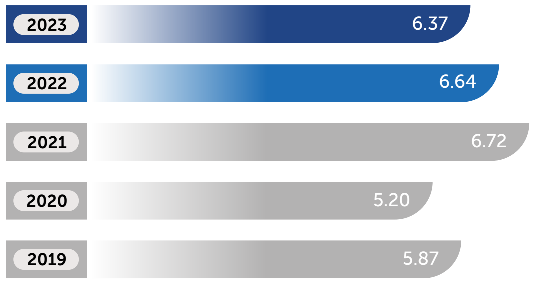
-6.8%



ANNUALISED DISTRIBUTION YIELD
(%)

6.37%

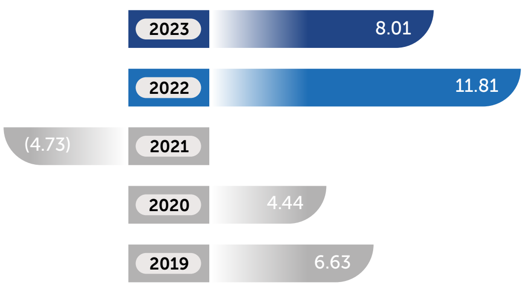
-4.1%



ANNUAL TOTAL RETURN
(sen)

8.01sen

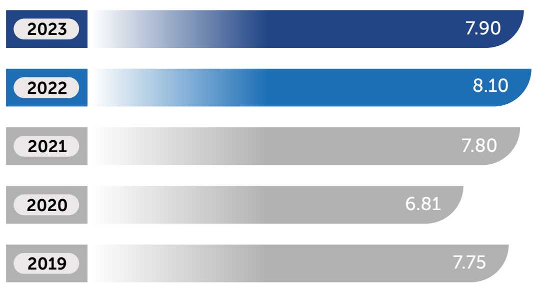
-32.2%



DISTRIBUTION PER UNIT
(sen)

7.90sen

-2.5%



FIVE-YEAR FINANCIAL PERFORMANCE

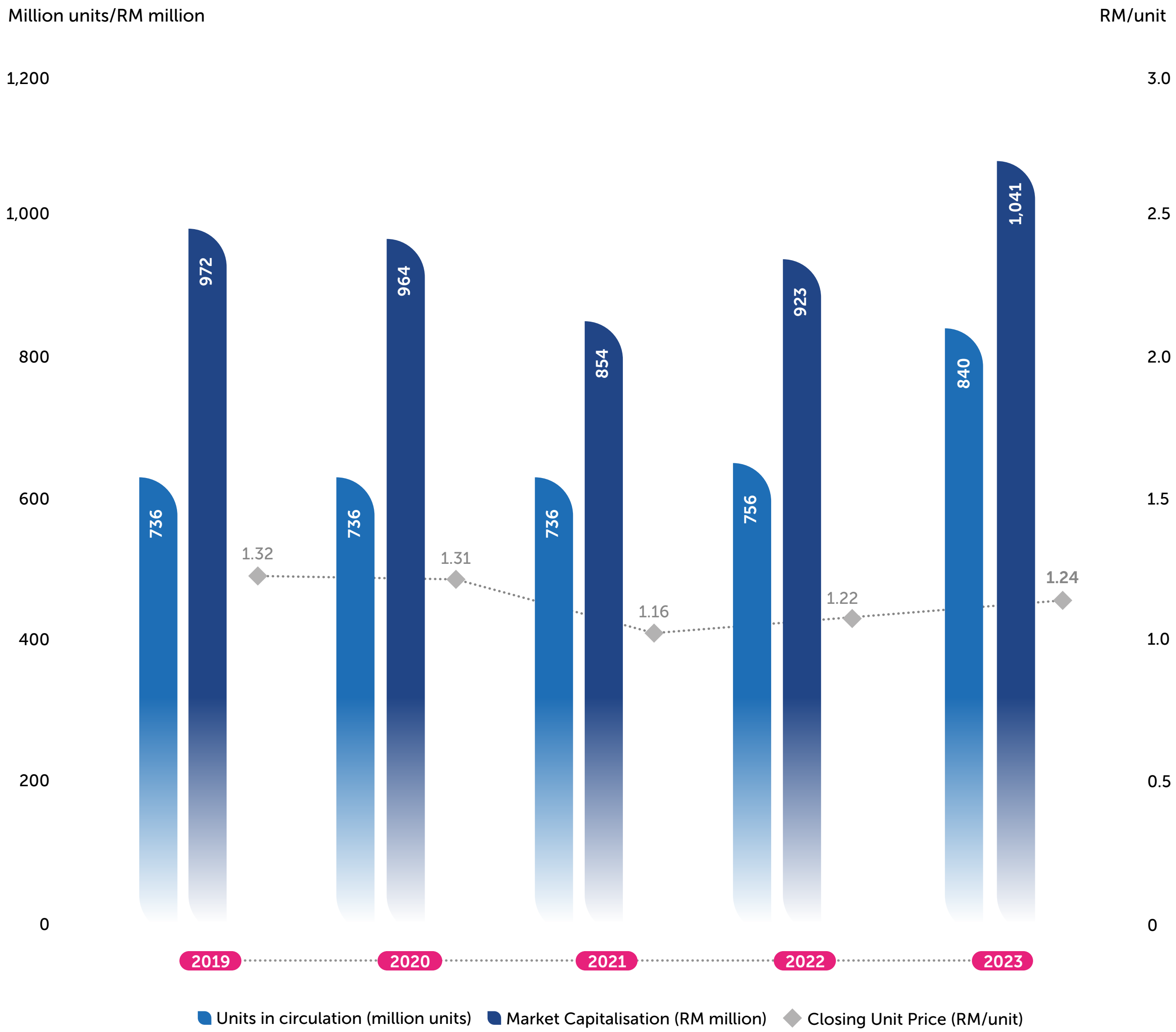
FINANCIAL HIGHLIGHTS - GROUP	2019	2020	2021	2022	2023
Gross revenue *(RM'000)*	106,110	115,710	114,072	110,239	**121,022**
Net property income *(RM'000)*	100,326	109,614	108,222	104,199	**114,470**
Profit before tax *(RM'000)*	76,148	13,624	72,781	60,036	**60,554**
Profit for the year					
- realised *(RM'000)*	63,409	56,984	65,218	67,766	**63,246**
- unrealised *(RM'000)*	12,753	(44,413)	8,331	(7,627)	**(2,552)**
Earnings per unit					
- realised *(sen)*	8.62	7.74	8.86	9.20	**7.76**
- unrealised *(sen)*	1.73	(6.03)	1.13	(1.03)	**(0.31)**
Investment properties *(RM'000)*	1,569,814	1,534,501	1,538,210	1,721,281	**1,643,220**
Total asset value *(RM'000)*	1,674,352	1,647,986	1,664,733	1,867,066	**1,855,984**
Net asset value *(RM'000)*	958,513	943,490	945,002	971,215	**1,072,297**
NAV per unit					
- before distribution *(RM)*	1.3024	1.2819	1.2840	1.2839	**1.2772**
- after distribution *(RM)*	1.2822	1.2474	1.2660	1.2629	**1.2572**

FINANCIAL HIGHLIGHTS - FUND	2019	2020	2021	2022	2023
Gross revenue *(RM'000)*	94,588	103,918	104,245	104,588	**115,250**
Net property income *(RM'000)*	88,942	97,974	98,405	98,610	**108,764**
Profit before tax *(RM'000)*	73,771	50,126	46,602	58,083	**66,378**
Profit for the year					
- realised *(RM'000)*	61,267	55,137	64,400	66,707	**64,694**
- unrealised *(RM'000)*	12,504	(7,545)	(17,030)	(8,521)	**1,824**
Earnings per unit					
- realised *(sen)*	8.32	7.49	8.75	9.06	**7.94**
- unrealised *(sen)*	1.70	(1.02)	(2.31)	(1.16)	**0.22**
Investment properties *(RM'000)*	1,449,400	1,446,376	1,451,912	1,636,015	**1,632,750**
Total asset value *(RM'000)*	1,650,199	1,647,844	1,664,797	1,867,100	**1,854,869**
Net asset value *(RM'000)*	959,604	967,599	945,419	971,209	**1,072,316**
NAV per unit					
- before distribution *(RM)*	1.3038	1.3147	1.2846	1.2838	**1.2772**
- after distribution *(RM)*	1.2836	1.2802	1.2666	1.2628	**1.2572**
Market Capitalisation *(RM'000)*	971,500	964,140	853,743	922,913	**1,041,101**
Distribution Per Unit *(sen)*	7.75	6.81	7.80	8.10	**7.90**
Annualised Distribution Yield *(%)*	5.87	5.20	6.72	6.64	**6.37**

TRADING PERFORMANCE

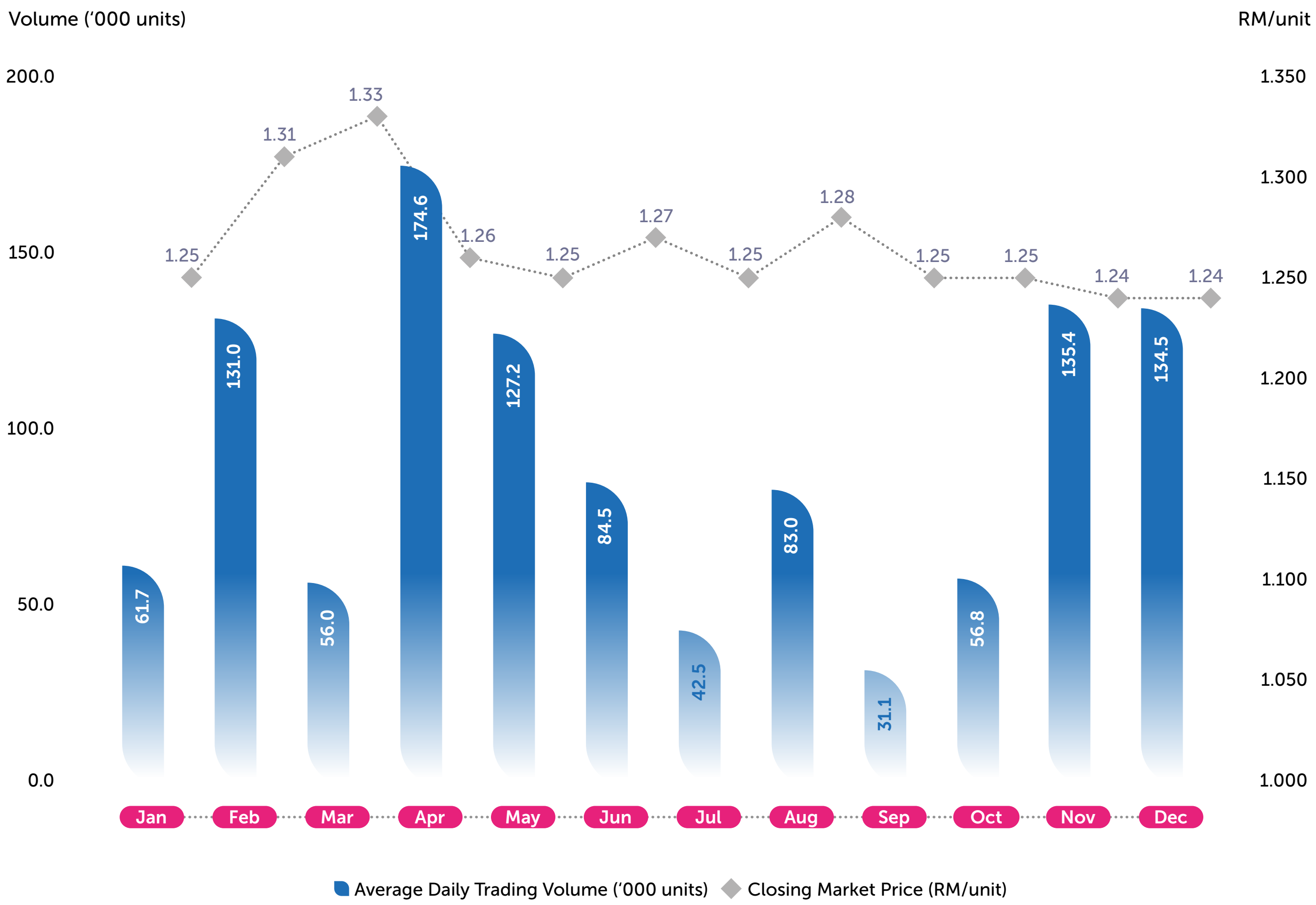
TRADING SUMMARY	2019	2020	2021	2022	2023
Closing Unit Price *(RM)*	1.32	1.31	1.16	1.22	**1.24**
52-week Highest Traded Price *(RM)*	1.55	1.42	1.37	1.25	**1.35**
52-week Lowest Traded Price *(RM)*	1.27	1.19	1.09	1.09	**1.22**
Price Movement *(%)*	0.8	(0.8)	(11.5)	5.17	**1.64**
Annual Total Return *(%)*	6.63	4.44	(4.73)	11.81	**8.01**
Number of Units in Circulation *('000)*	735,985	735,985	735,985	756,486	**839,598**
Market Capitalisation *(RM'000)*	971,500	964,140	853,743	922,913	**1,041,101**

MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION

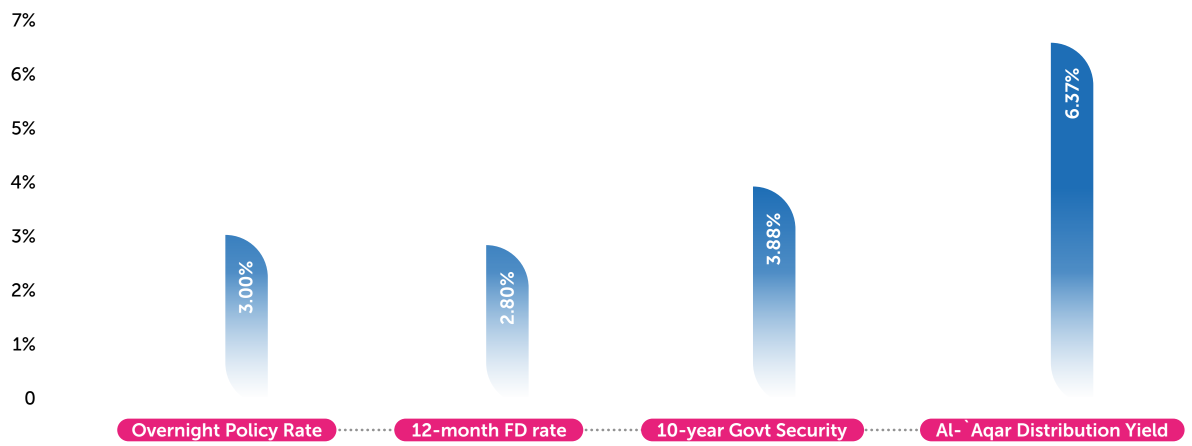


TRADING PERFORMANCE

FY2023 TRADING PERFORMANCE



COMPARATIVE YIELD



Source: Bank Negara Malaysia, Maybank, Damansara REIT Managers

MARKET SUMMARY REPORT

ECONOMIC OVERVIEW

"RISING MOMENTUM"

Malaysia's GDP growth is forecasted at 4.4% for 2024E (2023E: +3.9%), supported by robust consumer spending, investments in infrastructure and recoveries in trade-related services and manufacturing industries. The global economy is expected to grow at a slower pace of 2.8% in 2024 after a 3.3% of expansion in 2023, driven by slower growths in US and China, and ongoing sluggishness in Europe. This global economic shift is reflected in the declining global composite purchasing index, which indicated a consumer transition from goods to services as the economy reopens post Covid-19. ASEAN-6 on the other hand is expected to pick up the pace through measures taken to support the respective domestic economies such as relaxation of visa requirements for foreign travelers. Headwinds in 2024 include global economic shifts, especially in the US and China geostrategic competition that led to geoeconomic fragmentation. The year 2023 ends with two major conflicts, the Russia-Ukraine war and Israel-Palestine war. The market seems to be factoring in the likelihood of an ongoing deadlock in the Russia-Ukraine conflict and a low probability of the Israel-Palestine issue escalating into a broader Middle East crisis.

2023 has been a year of transition to a more stable domestic political environment for Malaysia, which also enables focus on medium to long term transition of the economy. In the year, there has been various notable blueprints and roadmaps such as MADANI Economy, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030, 12th Malaysia Plan Mid-Term Review, Hydrogen Economy & Technology Roadmap, and Fiscal Responsibility Act and Energy Efficiency & Conservation Act. 2024 is then the year of execution and implementation of the announced blueprints and roadmaps. Fiscal reforms are high on the execution agenda, with the key element being the implementation of targeted rationalization of fuel subsidy in 2024, together with economic restructuring where the main event is Progressive Wage Policy (PWP), to address the cost-of-living issues, adequacy of retirement savings and equality.

Globally, inflation rates have peaked and are seen slowing, signaling the end of the hike cycle for interest rates, with the US Fed keeping the fed funds rate (FFR) at 5.25-5.50%. 2024 FFR outlook is forecasted to have cuts up to 75bps and 100bps in 2025. Bank Negara is also expected to maintain the Overnight Policy Rate at 3.00%. Consumer spending in 2023 has been weakened by the ongoing cost inflation pressures, with signs showing that consumers spending has shifted towards Nestle's lower-priced mainstream brands. Into 2024, the risk for further weakness in consumer spending cries for additional government subsidy rollbacks.

(Extracted from Maybank Report: Malaysia 2024 Outlook and Lookouts)

MARKET SUMMARY REPORT

HEALTHCARE TRENDS

ADAPTING HEALTHCARE IN MALAYSIA: BALANCING GROWTH AND EQUITY AMIDST GLOBAL CHALLENGES

The long-term effects of COVID-19, particularly on individuals with pre-existing health conditions, have prompted Malaysia to prioritise health and wellness. The national Agenda of Healthy Malaysia is a key initiative to encourage healthier lifestyles. This focus is essential due to the high rate of deaths from non-communicable diseases (NCDs). Malaysia's healthcare system, which heavily imports high-tech medical devices, presents a significant market for advanced medical products. The country is also undergoing a digital transformation in healthcare service delivery, creating demand for virtual consultation technologies, electronic medical records systems, and solutions for data privacy and security. Additionally, Malaysia is striving to enhance its healthcare travel ecosystem and strengthen its position in clinical research, leveraging its diverse population for a variety of medical studies.

With the absence of travel restrictions, and the holiday season brewing as the year ended in 2023, Covid-19 cases have seen soaring from 200 confirmed cases in November 2023 to a peak of 3,700 confirmed cases daily in December 2023 as reported by Kementerian Kesihatan Malaysia (KKM). Medical experts have stressed that given the immunity obtained from vaccines, infections have been mild on most cases, and hospitals in the Nation are coping, hence there are slim chances on the reintroduction of lockdowns as in the previous years. Living with Covid-19 is a norm to be accepted. This transformation in the healthcare sector has also sculpted the healthcare landscape.

Locally, inpatient volume trend, bed occupancy rate (BOR) and surgery numbers are underway to surpass pre-pandemic levels, positively geared to drive stronger earnings moving forward. Cost control remains a key variable for bottom line growth amid expansions to meet growing demand for local and foreign patients. The return of health tourism, referrals from public hospitals and high insurance penetration also serve as upside potentials for the sector.

MARKET SUMMARY REPORT

HEALTHCARE TRENDS (CONT'D)

Health tourism, which currently accounts for around 4-6% of the country's total tourism revenue (sourced from Malaysia Healthcare Travel Council) is expected to exceed current levels, due to the attractive pricing, strategic location, and quality of medical services available. The recent announcement for visa-free travel for citizens from China and India acts as a boost to attract inbound health tourists from these countries. Budget 2024 also included an allocation of RM200m to refer patients from public to private hospitals, potentially contributing to additional upsides to top line growth in the private healthcare sector. There are downsides which distort the healthcare industry, such as expansion delays, supply constraints of medical professionals which would cap operational bed numbers. The rising costs of human capital, energy and medical supply would also erode operating margins. However, unprecedented travel restrictions imposed if cases worsen would cut into health tourism and patient numbers, dampening the local healthcare industry growth.

Globally, access to care is linked to affordability. As healthcare costs increase, the affordability of care also depends on investments in health and health systems. With public debt reaching a record of US$92 trillion in 2022, developing countries are allocating more funds for debt interest payments than for healthcare and education. The number of countries experiencing high debt levels escalated from 22 in 2011 to 59 in 2022. Approximately 3.3 billion people, or nearly half the global population, now reside in countries where healthcare investment is overshadowed by debt service, particularly in certain developing nations in Africa, Latin America, and Asia (excluding China).

Worldwide, healthcare providers can incorporate steps to address inequities which limits access and affordability to healthcare, these include:

- Collaborating to influence multiagency action such as with integrated care systems;
- Leveraging their position as an anchor institution in their vicinity or community;
- Conducting quality improvement programs focused on health equity;
- Promoting targeting of health care delivery to meet regional needs and explicitly aim to lessen health care inequalities; or
- Integrating health equity-focused approaches through advocates across initiatives.

If healthcare industry players are willing to further narrow the affordability gap in healthcare by incorporating the steps into their policies, focusing less on commercial gains and more on enhancing access and affordability, growth is likely to ensue. This strategic shift towards prioritising public health needs over profit can lead to sustainable development and expansion in the healthcare sector.

Extracted from:

1. *Maybank: Malaysia Outlook and Lookouts, 2024*
2. *International Trade Administration: Market Overview, 2024*
3. *New Straits Times: Health Experts Say Malaysia Prepared For New Wave of Covid-19, 2023*
4. *Malaysia's Ministry of Health: Covid Dashboard, 2023*
5. *Deloitte: Global Health Care Sector Outlook, 2024*

MARKET SUMMARY REPORT

AUSTRALIA AGED CARE SECTOR

"STILL GOING THROUGH CONSOLIDATION"

Home Care Services:

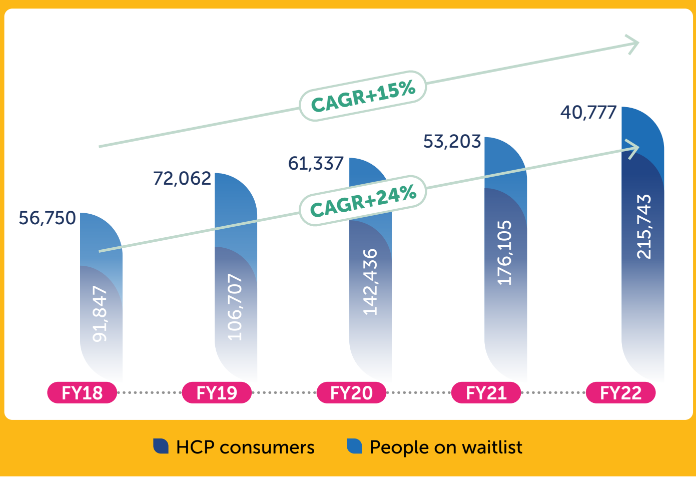
As at December 2022, the number of individuals accessing Home Care Packages witnessed a significant increase, reaching 235,999 people, representing an increase of 19%. The rise can be attributed to the Australian Government's release of an increased number of packages.

The increase in supply into the market has resulted in a reduction of people waiting for a Package at their approved level, with 37,894 people waiting for a Package at their approved level at December 2022, a decrease of 45% in 12 months.

Government funding in this sector increased by 23% between FY21 and FY22. This growth is aligned to government policy and consumer preference to remain at home for as long as possible. However, the supply growth is challenged by a very tight labour market and increasing competition amongst providers to attract and retain home care workforce. In FY22, there was a net decrease in the number of providers, falling from 867 in FY21 to 846 in FY22 (19 new entries, 40 exits).

The chart below shows historical growth in the number of consumers across the country. This growth is equivalent to a CAGR of 24% over FY18 to FY22, as shown in the chart below.

NUMBER OF HOME CARE CONSUMERS + WAITLIST



The difference in growth between the Home Care Package consumers (24 percent) and total demand (Home Care Package consumers + waitlist, 15 percent) indicates that unmet demand is slowly decreasing as more packages are released into the market. Both growth measures exceed growth in the 80 years and over population over the same timeframe, which was 3.2 percent, reiterating the fact that there has historically been significant unmet demand.

MARKET SUMMARY REPORT

AUSTRALIA AGED CARE SECTOR (CONT'D)

Residential Aged Care:

There are currently 698 providers delivering residential aged care in Australia, a 4.3% decrease in providers in the market since FY21.

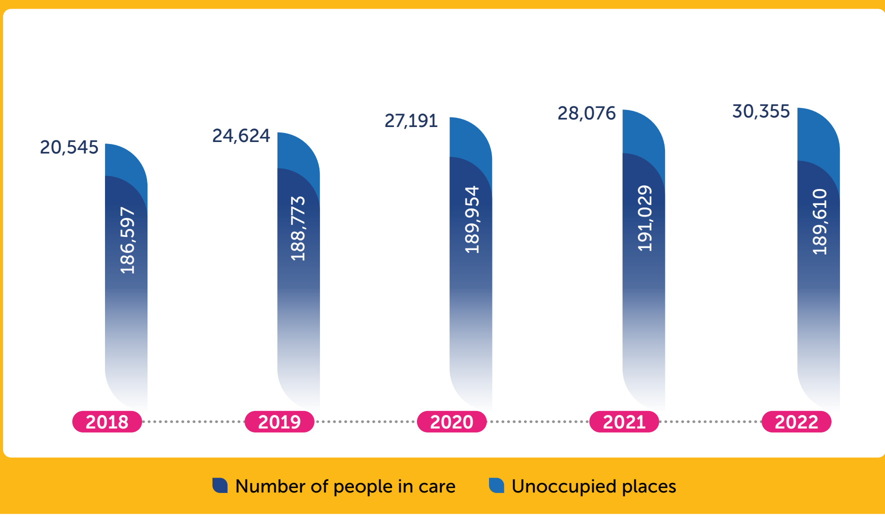
New requirements in relation to staffing are set to come into effect in 2023, starting with having a registered nurse onsite 24 hours per day from July 2023, and then needing to achieve minimum 'care minutes' targets by October 2023. These measures could be considered contributing factors towards the closure of some homes, including recent announcements from Brightwater in Western Australia and Wesley Mission in New South Wales that they will each close three of their homes.

There's a declining trend in demand for residential aged care, resulting in a 5.6% drop in occupancy levels over the past five years. However, the market is still growing in terms of operational places per provider.

Meanwhile, as at June 2022, there were 180,750 permanent residents accessing residential aged care, a decrease of 1.7% since June 2021.

Despite the drop in occupancy levels and overall demand for residential aged care, the Australian aged care market has continued to grow in terms of the total number of operational places. Chart below shows historical growth in the number of 'operational places' across the country. This growth is equivalent to a CAGR of 1.5% over the timeframe.

TOTAL AND OCCUPIED RESIDENTIAL AGED CARE PLACES



0.4 percent compound annual growth in the number of occupied residential aged care places is low relative to the growth in the 85 years and over population over the same timeframe, which was 2.5 percent. This indicates a trend away from residential aged care to an extent.

(Extracted from KPMG Aged Care Market Analysis 2023)

MANAGEMENT DISCUSSION AND ANALYSIS

Section 1 - FINANCIAL REVIEW

KEY FINANCIALS

	FY2022 RM'000	FY2023 RM'000	Growth %
The Group:			
- Gross revenue	110,239	121,022	9.8
- Net Property Income (NPI)	104,199	114,470	9.9
- Profit for the year (realised)	67,766	63,246	(6.7)
- EPU (realised) (sen)	9.20	7.76	(15.6)
The Fund:			
- Income available for distribution	63,012	64,694	2.7
- DPU (sen)	8.10	7.90	(2.5)

CONTRIBUTION BY SEGMENT

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

i. Malaysia
ii. Australia

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

	FY2022 RM'000	FY2023 RM'000	Growth %
Revenue			
Malaysia	104,588	115,250	10.2
Australia	5,651	5,772	2.1
Net Property Income (NPI)			
Malaysia	98,610	108,764	10.3
Australia	5,589	5,706	2.1

MALAYSIAN SEGMENT

The Malaysian segment, as the key contributor, contributed 95.2% (FY2022: 94.9%) to the Group's total revenue. This segment reported revenue of RM115.2 million in FY2023, an increase of 10.2% from RM104.6 million in FY2022. In terms of NPI, Malaysian segment contributed 95.0% (FY2022: 94.6%) to the Group's total NPI. This segment reported NPI of RM108.8 million in FY2023, an increase of 10.3% from RM98.6 million in FY2022. The increase was contributed by income from TMC Health (Expansion Building), KPJ Seremban Specialist Hospital (Expansion Building) and KPJ Pasir Gudang Specialist Hospital, which were acquired in December 2022.

AUSTRALIAN SEGMENT

The Australian segment contributed 4.8% (FY2022: 5.1%) to Group's total revenue in FY2023. It reported revenue of RM5.8 million in FY2023, a slight increase of 2.1% from RM5.7 million in FY2022. In terms of NPI, this segment contributed 5.0% (FY2022: 5.4%) to Group's total NPI. Australian segment reported NPI of RM5.7 million in FY2023, an increase of 2.1% from RM5.6 million in FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 1 - FINANCIAL REVIEW (CONT'D)

PROFIT FOR THE YEAR

Profit for the year was RM60.7 million (FY2022: RM60.1 million) comprising realised profit of RM63.2 million (FY2022: RM67.8 million) and unrealised loss of RM2.5 million (FY2022: RM7.6 million). Despite a higher NPI of RM10.3 million, realised profit decreased 6.7% or RM4.5 million in FY2023, mainly due to an increase in financing cost of RM11.5 million and trust expenses of RM4.6 million. The higher financing cost was due to the drawdown of additional Islamic financing in December 2022 and the full impact of a 100 basis point OPR hike in FY2022, as well as a 25 basis point OPR hike in FY2023. Higher other trust expenses were mainly due to revisions in management fee and professional fees incurred in FY2023. The unrealised loss was mainly related to the fair value adjustment of Jeta Gardens, given the changes in the Australian aged care industry landscape.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2023 of the Fund was RM64.7 million. The Fund had distributed three interim income distributions for the period from January 2023 to September 2023, totalling 5.90 sen per unit and RM47.9 million.

On 24 January 2024, the Fund declared a final income distribution of 2.00 sen per unit, totalling RM16.8 million for the period from October 2023 to December 2023. The said distribution was paid on 29 February 2024.

In total, the distribution per unit ("DPU") for FY2023 is 7.90 sen, a slight decrease of 2.5% compared to the DPU of 8.10 sen for FY2022. The DPU of 8.10 sen for FY2022 was boosted by the cost savings from the refinancing of Al-`Aqar's Sukuk in FY2021. The distribution totalled RM64.7 million for FY2023, which represents 99.9% of the income available for distribution, the highest payout in the past 10 years.

STATEMENT OF FINANCIAL POSITION

Al-`Aqar's total asset value decreased by RM11.1 million (or 0.6%) to RM1.8 billion as of the end-FY2023. The decrease was mainly related to fair value losses on investment properties. Al-`Aqar's financing decreased from RM855.6 million (or 11.4 %) to RM757.7 million, resulting in a lower gearing ratio of 40.8% against 45.8% as at end-FY2022.

STATEMENT OF CASH FLOW FOR EACH ACTIVITY:

OPERATING ACTIVITIES

Net cash generated from operating activities increased to RM101.2 million in FY2023 from RM88.9 million in FY2022. This is in line with the increase in NPI.

INVESTING ACTIVITIES

Investment income jumped by 57.2% to RM1.5 million (FY2022: RM0.9 million) given the higher OPR.

FINANCING ACTIVITIES

Al-`Aqar utilised RM116.6 million for financing activities during the year. On 27 April 2023, Al-`Aqar has fully redeemed its RM100.0 million of Revolving Credit-i mainly via proceeds from the private placements of RM98.3 million and internal fund of RM1.7 million, in order to provide headroom for future acquisitions. Total financing costs paid were higher as compared to the preceding year, mainly due to an increase in OPR as well as additional financing obtained in December 2022 in relation to the acquisitions of three asset expansions.

Cash and cash equivalents stood at RM84.3 million as of end-FY2023, lower by RM11.8 million (or 12.3%) from RM96.1 million as of end-FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 1 - FINANCIAL REVIEW (CONT'D)

PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK	FY2022	FY2023	COMMENTARY
Management expense ratio (%)	0.29	0.58	Management expenses increased due to revision in Manager's fees expenses
Total return (%)	11.81	8.01	Total return for the financial year was lower mainly due to lower distribution yield
Average annual total unit price return (5 years) (%)	3.13	5.23	The 5-year average annual total return increased due to higher closing price offset lower DPU in FY2023
Average annual total unit price return (3 years) (%)	3.84	5.03	The 3-year average annual total return increased as higher closing price offset lower DPU in FY2023
Distribution yield (%)	6.64	6.37	Distribution yield has decreased due to higher closing price of RM1.24 and lower DPU of 7.90 sen in FY2023
NAV per unit (RM)	1.2839	1.2772	NAV per unit decreased 0.5% due to higher unit base, following the issuance of new units in April 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Section 1 - FINANCIAL REVIEW (CONT'D)

FAIR VALUE OF INVESTMENT PROPERTIES

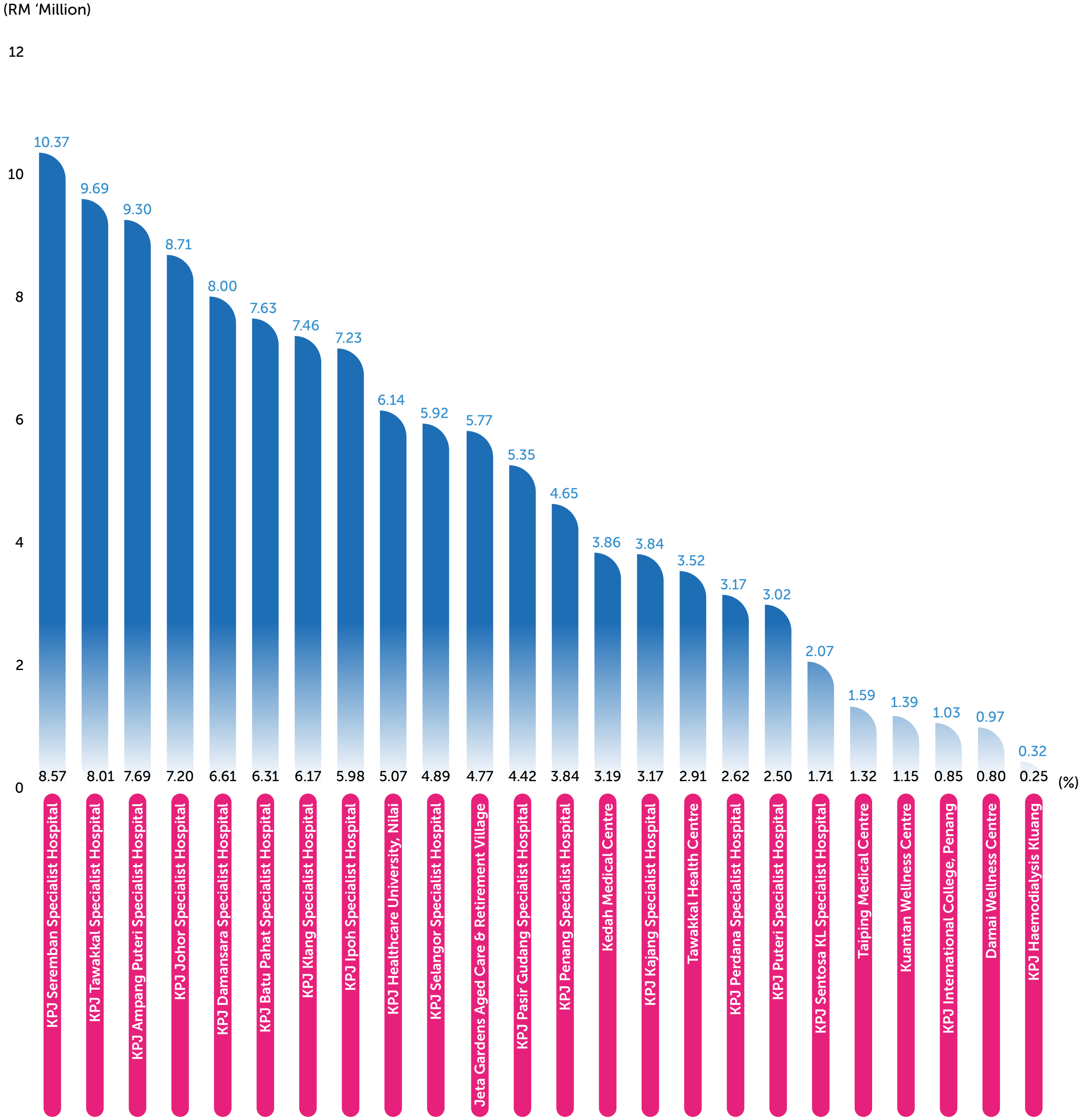
Investment properties	FY2022 RM'000	FY2023 RM'000
At 1 January	1,538,210	1,721,281
Additions	192,000	-
Enhancements	3,656	-
Disposal	(295)	-
Transfer to assets classified as held for sale	-	(76,700)
Fair value adjustment	(11,258)	(5,151)
Foreign exchange differences	(1,032)	3,790
Total investment properties as at 31 December	**1,721,281**	**1,643,220**

Description of property	FY2022 Fair Value RM'000	FY2023 Fair Value RM'000
KPJ Ampang Puteri Specialist Hospital	137,000	137,000
KPJ Damansara Specialist Hospital	138,000	140,000
KPJ Johor Specialist Hospital	122,000	122,000
KPJ Ipoh Specialist Hospital	89,000	90,000
KPJ Puteri Specialist Hospital	40,000	40,000
KPJ Selangor Specialist Hospital	84,000	84,000
Kedah Medical Centre	53,000	60,000
KPJ Perdana Specialist Hospital	42,000	40,000
KPJ Kuantan Care & Wellness Centre	16,500	16,000
KPJ Sentosa KL Specialist Hospital	31,000	31,000
KPJ Kajang Specialist Hospital	52,000	57,000
Taiping Medical Centre	22,500	22,500
Damai Care & Wellness Centre	12,000	12,000
KPJ International College, Penang	14,100	14,000
Tawakkal Health Centre	47,400	46,000
KPJ Healthcare University, Nilai	102,000	102,000
KPJ Seremban Specialist Hospital	160,000	160,000
KPJ Penang Specialist Hospital	65,000	65,000
KPJ Tawakkal Specialist Hospital	139,000	139,000
KPJ Haemodialysis Kluang	4,700	4,800
KPJ Klang Specialist Hospital	104,000	104,000
KPJ Batu Pahat Specialist Hospital	80,000	80,000
Pasir Gudang Specialist Hospital	90,000	90,000
Jeta Gardens Aged Care & Retirement Village	85,266	79,385
TOTAL PORTFOLIO - based on valuation report	**1,730,466**	**1,735,685**
Less: Unbilled rental income	(9,185)	(11,550)
Less: Investment properties classified as held for sale	-	(76,700)
Less: Fair value adjustment of investment property transferred to asset classified as held for sale	-	(4,215)
Total Portfolio Properties as at 31 December	**1,721,281**	**1,643,220**

MANAGEMENT DISCUSSION AND ANALYSIS

Section 1 - FINANCIAL REVIEW (CONT'D)

ANNUAL LEASE CONTRIBUTION (RM'MILLION} AND PERCENTAGE CONTRIBUTION (%)



MANAGEMENT DISCUSSION AND ANALYSIS

Section 2 - OPERATIONS REVIEW

Following the normalisation of hospital operations post-Covid-19, bed occupancy rate at Malaysia's hospitals reached near full capacity. Consequently, both public and private hospitals have expanded by adding new beds. In 2023, KPJ's revenue increased by 19.2% to RM3.42 billion, while its net profit increased by 63.3% to RM281.3 million, owing to the growing hospital activities.

On 25 August 2023, Al-`Aqar successfully renewed the master lease for five properties. These five properties were valued at RM204.0 million as at 31 December 2023 and contributed RM14.3 million of rental income in FY2023, representing 11.8% of the Group's total rental income in FY2023. The renewal of this master lease reflects the Manager's ongoing commitment in strengthening the tenant relationships by enhancing the asset and business value proposition.

ASSET ENHANCEMENT INITIATIVES

To rejuvenate the properties, the Manager implements asset enhancement measures such as retrofitting, lift replacement, water pipping replacement and repainting. In collaboration with the tenant, the Manager continuously explores a value-based asset management strategy, which includes multi-tenant arrangements and the installation of solar panels and EV charging stations.

In FY2023, asset enhancement initiatives totalled RM2.1 million:

CATEGORY	AMOUNT RM
Completed	
- Civil and structural	357,500
- Mechanical & Electrical	696,858
- Repainting	460,000
- Expansion	NIL
Sub Total	**1,514,358**
Ongoing	
- Repainting	NIL
- Civil and structural	NIL
- Mechanical & Electrical	610,375
- Expansion	NIL
Sub Total	**610,375**
TOTAL	**2,124,733**

LEASE RENEWALS

Under the lease arrangement, the contractual lease term is 15 years, with the option to renew for an additional 15 years. The contractual lease term is mostly divided into five rental terms of 3 years, subject to renewal upon the expiry of each rental term.

On 25 August 2023, the Manager renewed the master lease of five properties ("Second Injection Properties"), namely KPJ Perdana Specialist Hospital, KPJ Sentosa KL Specialist Hospital, KPJ Kajang Specialist Hospital, Kedah Medical Centre and Kuantan Care & Wellness Centre. These new lease agreements took effect on 1 October 2023.

Looking into 2024, master leases for six properties are set for renewals by the end of October 2024. These six properties are KPJ Seremban Specialist Hospital, KPJ Penang Specialist Hospital, Taiping Medical Centre, Tawakkal Health Centre, KPJ Healthcare University, Nilai and KPJ International College, Penang.

Al-`Aqar master lease renewal is as follows:

YEAR	NO. OF PROPERTIES	% OF TOTAL RENTAL
FY2024	6	23%
FY2025	1	8%
FY2027	2	6%

MANAGEMENT DISCUSSION AND ANALYSIS

Section 2 - OPERATIONS REVIEW (CONT'D)

PROPOSED DISPOSALS

In 2023, the fund entered agreement/contract for two asset disposals:

On 15 November 2023, Al-`Aqar entered into a Sale and Purchase Agreement ("SPA") with Sihat Damai Sdn Bhd for the disposal of Damai Wellness Centre for a disposal consideration of RM13.0 million cash. This proposed disposal is expected to be completed in the first half of 2024.

On 12 December 2023, Al-`Aqar entered into a Land Sale Contract ("LSC") with Principal Healthcare Finance Pty Ltd to dispose of the lands and buildings of Jeta Gardens Aged Care Facility with the disposal consideration amounting to AUD24.4 million cash (equivalent to approximately RM74.9 million). This proposed disposal is anticipated to be completed in the second half of 2024.

The proposed disposals above will enable Al-`Aqar to realise its investment and strengthen its asset profile via capital recycling.

2023 KEY CHALLENGES

In 2023, the Manager faced the challenge of balancing between a higher financing rate and competitive rental rates. Additionally, the ongoing uncertainty in the aged care industry in Australia persisted.

1. **Balancing higher financing rate and attractive rental.** As expected by the Manager, the OPR increased in 2022-2023 and has led to higher financing rates for Al-`Aqar, impacting the Group's earnings negatively. Despite this challenge, Al-`Aqar managed to renew the leases for the "Second Properties Injection" at competitive rental rates for KPJ Group without compromising future returns to unitholders.

2. **Continuous uncertainty in the aged care industry in Australia.** The outcome of the Royal Commission into Aged Care Quality and Safety Report in 2019 had led to a shift from residential aged care to home care. The home care market has experienced significant growth mainly from an increase in government expenditure, with AUD4.2 billion in the year 2021, an increase of 12% from the previous year. This growth is aligned with government policy and consumer preferences to remain at home for as long as possible. As such, the demand for residential aged care and retirement villages has continued to decline, resulting in a continuing drop in occupancy levels.

Hence, to minimise risk exposure to the changes in the aged care industry in Australia, together with KPJ , Al-`Aqar has entered into agreements to dispose Jeta Gardens Aged Care Facility in December 2023 and the final exit via disposal of Jeta Gardens Retirement Village is expected to be completed in the next two years.

PROSPECTS

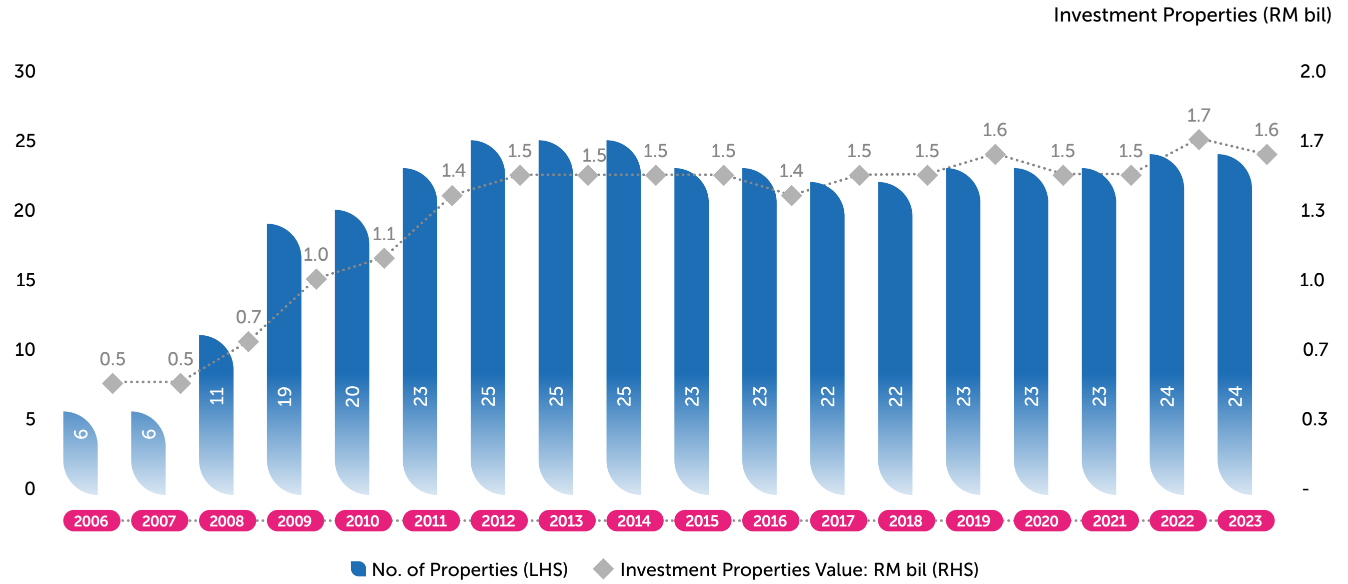
The value of Al-`Aqar's investment properties has more than tripled, reaching RM1.64 billion as at 31 December 2023, since the initial public offering (IPO) in 2006. Looking ahead to 2024, the Manager holds an optimistic outlook for Al-`Aqar, bolstered by a scheduled rental increase, potential earnings from new acquisitions and renewal of master leases. Additionally, the OPR may have already peaked, making it unlikely for Al-`Aqar's financing rates to increase, a factor that could otherwise dampen Al-`Aqar's earnings growth. The Manager also anticipates that the expiring leases will be renewed, given the longstanding business partnership with KPJ Group and the competitiveness of the rental rates offered to them.

Beyond 2024, the Manager remains optimistic about Al-`Aqar's prospects, supported by its proactive capital recycling strategy which involves acquiring strategic healthcare assets and divesting/repositioning underutilised or underperformed assets.

MANAGEMENT DISCUSSION AND ANALYSIS

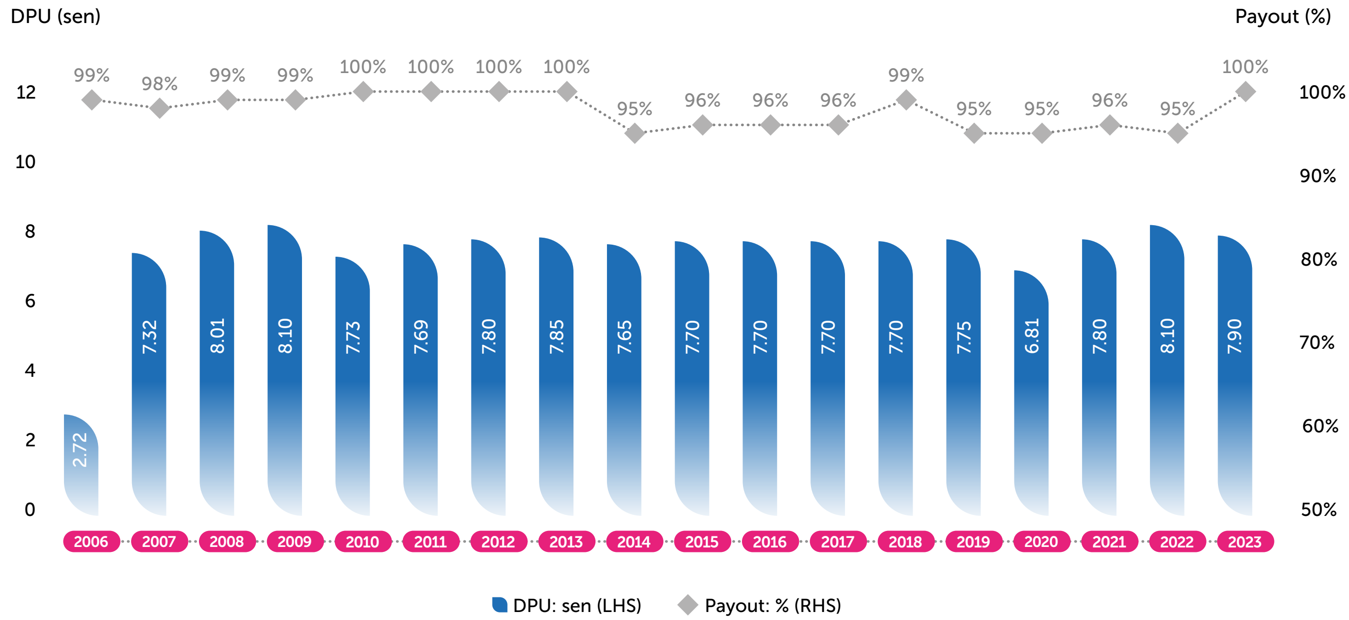
Section 2 - OPERATIONS REVIEW (CONT'D)

PERFORMANCE OF PORTFOLIO SINCE IPO



On the back of a lower distributable income, the Manager distributed a lower DPU of 7.90 sen for FY2023, which represents a small decline of 2.5% compared to FY2022. However, the payout for FY2023 was 99.9%, marking the highest payout in the past 10 years. The lower DPU for FY2023 is due to the absence of the cost savings from the refinancing of Al-`Aqar's Sukuk which boosted DPU for FY2022. The Manager is optimistic that the DPU will be on an upward trend in the coming years.

HISTORICAL DPU SINCE IPO



MANAGEMENT DISCUSSION AND ANALYSIS

Section 2 - OPERATIONS REVIEW (CONT'D)

HISTORICAL DPU SINCE IPO (CONT'D)

The Manager continues to actively pursue the comprehensive 5-Year Plan (2024-2028) for the Group with the following objectives:

1. **To double the current investment properties value of RM1.64 billion (as at 31 December 2023) to approximately RM3.0 billion by the end of 2028 through a proactive capital recycling strategy, encompassing both acquisitions and disposals.**
2. **To align with future healthcare trends and establish a strong portfolio of assets capable of enduring the test of time.**
3. **To ensure a sustained, increasing trend in DPU over the long term.**

The primary focus of the 5-Year Plan (2024-2028) lies in acquiring high quality assets, diversifying across the value chain and expanding geographically:

5-Year Plan (2024-2028)

	GROWTH INITIATIVES	ASSET TYPE	RATIONALES
Diversify Core	1 Enlarge tenant base with different healthcare operators	Hospitals, Specialist Centers	**Diversification of tenants, geographical expansion** • Exploring independent hospitals in Malaysia • Exploring healthcare group with large network of hospitals overseas
Diversify Core	2 Grow complementary assets with KPJ	Ambulatory Care Centers (ACCs)	**Complementary to hospital portfolio** • Hub and spoke model • Targeting multidisciplinary Ambulatory Care Centres ("ACC")
Growth In New Economics	3 Diversify across value chain	Factories	**Expansion into upstream healthcare segment** • Sale-leaseback for medical devices and pharmaceutical players with existing built-up assets • Identifying partner(s) for Build-to-Suit (BTS)
Growth In New Economics	4 Capitalise on aged care markets	Nursing home	**Diversification of assets** • Meeting the demand for quality nursing home locally • Exploring Japan (oldest nation, FDI friendly)

Adapting Business Model. To enhance competitiveness and strengthen relationships with tenants, the Manager is exploring a new business model for Al-`Aqar's tenants. This may involve flexible and customised rental arrangements tailored to the needs of the tenants, including the creation of retail space at the hospitals. Retail space now plays a pivotal role in hospitals, both in terms of aesthetics and ambiance, potentially leading to an increase in property valuation and generating additional income for Al-`Aqar's tenants.

Continuous Improvement at Manager Level. To expedite the fund transformation initiatives, the Manager has successfully executed digital and organisational transformation initiatives. Furthermore, the Manager continuously implements new measures, which include enhancing leadership development programmes, staying abreast of healthcare trends and international knowledge learning as well as increasing the frequency of engagements with all stakeholders to better understand the existing gaps.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 3 - CAPITAL REVIEW

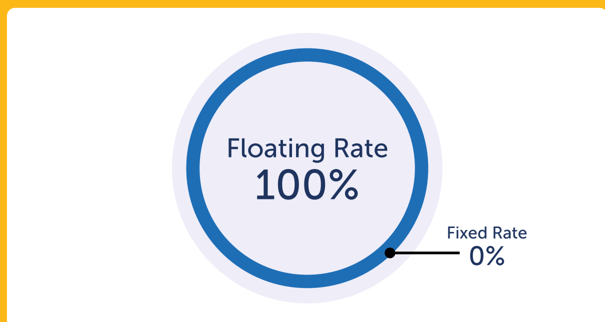
GEARING RATIO

Al-`Aqar's gearing ratio is calculated based on the proportion of total Islamic financing to the total asset value in accordance with the Securities Commission ("SC") Guidelines. The gearing ratio at the end of the reporting period is as follows:

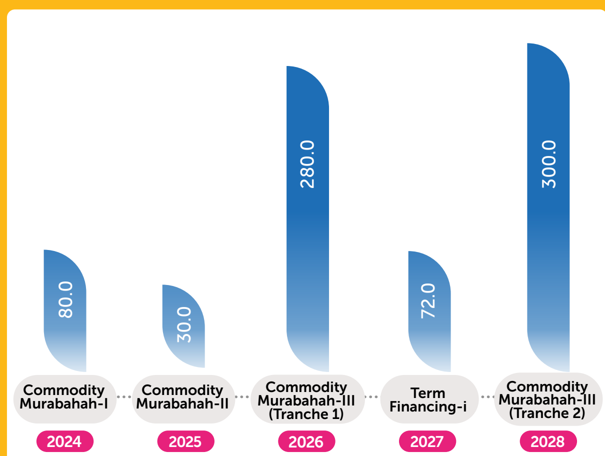
	2022	2023
Total Islamic financings (RM'mil)	855.6	757.7
Total assets value (RM'mil)	1,867.1	1,856.0
Total Islamic financings to total asset value ratio (%)	45.8	40.8

Following the completion of placement in April 2023, Al-`Aqar's gearing ratio dropped to 40.8% as at 31 December 2023. This provides Al-`Aqar plenty of headroom for future asset acquisitions and is also below the threshold limit of 50% set by SC.

FIXED RATE VS FLOATING RATE RATIO



DEBT MATURITY PROFILE (RM'mil)



MANAGEMENT DISCUSSION AND ANALYSIS

Section 4 - 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
Business and Market	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. However, the competitive pressure is relatively low because KPJ Group holds a dominant market position and has strong presence across all states in Malaysia. Furthermore, hospital business has been resilient throughout the history, with the exception of the COVID-19 pandemic period in 2020-2021.	The Manager monitors the operating environment closely and strategises with its business partners, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 4 - RISK MANAGEMENT (CONT'D)

RISK	RISK DESCRIPTION	MITIGATION PLAN
Non-Renewal of Leases	The remaining tenures of the current contractual leases are shorter than before, with 6 contractual leases (or 25% of total contractual leases) expiring in 2024 and only 1 contractual lease (or 4% of total contractual leases) expiring in 2025. 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.	The current lease agreements require the tenants to provide a minimum of one year notice prior to renewing 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. Should the lessee decide not to renew the lease, the Group needs to identify new joint venture 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 asset before a certain course of action is undertaken to mitigate this risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 4 - RISK MANAGEMENT (CONT'D)

RISK	RISK DESCRIPTION	MITIGATION PLAN
Elevated OPR Rate	The high OPR rate may stay at the elevated level for an extended period if inflation remains persistently high. Given that all of Al-`Aqar's Islamic financing is under the floating rates, a high OPR could exert pressure on its earnings.	The Manager has taken into consideration the possibility of a persistently high 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.
Inability to Raise Funding	Asset acquisitions have the potential to raise Al-`Aqar's gearing level, posing a hindrance to future asset acquisitions.	As at 31 December 2023, the Group's gearing ratio was at 40.8%, comfortably below the threshold of 50% set by Securities Commission. Additionally, the cash proceeds from the proposed disposal of Damai Wellness Centre and Jeta Gardens will lower the Group's gearing level and provide the financial means for future asset acquisitions. Should Al-`Aqar's gearing level approach the threshold, the Manager does not foresee any risk related to the inability to raise fresh funding. This is attributed to the resilience of Al-`Aqar's portfolio, characterised by stable rental income, a positive growth outlook in both earnings and DPU.
Failure to Adapt to Future Healthcare Trends	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. Additionally, digital technology will likely empower consumers to monitor their health through technologies that can detect early signals of disease in asymptomatic patients, and address drivers of health at an early stage. This could result in a need for smaller-scale hospital requirements, as patients have the option to seek consultation or treatment through virtual platforms rather than an in-person hospital visit and there will be a higher demand for specialised hospitals than multi-disciplinary hospitals. As at 31 December 2023, hospitals' rental accounted for 77% 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.	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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Section 4 - RISK MANAGEMENT (CONT'D)

RISK	RISK DESCRIPTION	MITIGATION PLAN
Cyber Security Breach	Cybersecurity breaches, for example, can damage a company's reputation, which is difficult to insure against.	The Group implements the Business Continuity Management ("BCM") drill or testing, which focuses on IT infrastructure. No testing was conducted in 2023 and the Manager will get consultation to conduct the BCM drill and Disaster Recovery Programme ("DRP") in 2024.
Lack of Effective Talent Management Strategies	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. 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.	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. 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.

STAKEHOLDERS ENGAGEMENT

ENGAGEMENT WITH STAKEHOLDERS (2023)

INVESTMENT COMMUNITY

ANALYST BRIEFINGS

EXTRAORDINARY GENERAL MEETING

INTERVIEW

FINANCIAL INSTITUTIONS

POTENTIAL BUSINESS PARTNERS

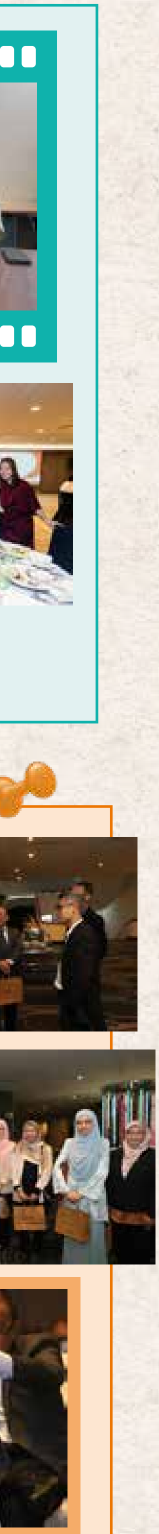
FOREIGN PARTNERSHIPS

LOCAL PARTNERSHIPS

TRUSTEE

STAKEHOLDERS ENGAGEMENT

ENGAGEMENT WITH STAKEHOLDERS (2023)



REGULATORS

BOARD AND EMPLOYEES

EMPLOYEES

BOARD OF DIRECTORS

COMMUNITY

CORPORATE SOCIAL RESPONSIBILITIES

03 Sustainability Statement

OVERVIEW

Damansara REIT Managers Sdn Berhad ("the Manager" or "DRMSB") is pleased to present the Al-'Aqar Healthcare REIT ("Al-'Aqar", "the REIT" or "the Fund") sustainability statement for the year 2023. Covering disclosures for the reporting period of 1 January 2023 to 31 December 2023 ("FY2023"), this statement outlines how environmental, social and governance ("ESG") considerations influence our operations, commitments and business strategies as a healthcare REIT.

In a business landscape where investors increasingly make investment decisions based on strong ESG criteria, a holistic strategy is essential to better serve stakeholder needs and navigate the intricate spectrum of ESG risks and possibilities. Moreover, as REIT stakeholders place greater influence on corporate ESG performance, Al-'Aqar REIT remains steadfast in our dedication to creating long-term sustainable value for stakeholders.

MILESTONES SHAPING OUR ESG PROGRESS

In line with our goal of incorporating sustainability considerations into our operations, we began implementing the recommendations set out by the Task Force on Climate-related Financial Disclosures ("TCFD") this year. Adopting TCFD recommendations provided us with a methodical reporting framework that served to enhance our understanding of climate-related risks and opportunities. We also extended our greenhouse gas ("GHG") disclosures to include Scope 3 emissions, providing a more comprehensive oversight of our emissions data.

Furthermore, we conducted a materiality reassessment and streamlined our materiality matrix with Bursa Malaysia's 11 common sustainability matters, ensuring coherent sustainability reporting and aligning our material concerns with peer REITs and current trends. Supplier screening and evaluation on environmental impact was also conducted this year, allowing us to ensure adherence to environmentally responsible practices throughout our supply chain.

In the current year, we established a Board Sustainability Committee ("BSC") to support the Board of Directors in overseeing the Group's sustainability objectives, policies, and practices, ensuring alignment with legal requirements. Additionally, we established a Sustainability Management Committee ("SMC") which is specifically committed to overseeing sustainability targets, policies, practices, and management systems. The SMC delivers comprehensive quarterly reports to the BSC on significant sustainability matters, encompassing reviews of pertinent policies and frameworks.

Al-'Aqar REIT proactively embraces environmental stewardship. A preliminary assessment towards obtaining the Green Building Index ("GBI") certification has been carried out, centred around five hospitals: KPJ Damansara Specialist Hospital, KPJ Puteri Specialist Hospital, KPJ Ipoh Specialist Hospital, KPJ Perdana Specialist Hospital and KPJ Kajang Specialist Hospital.

The introduction of a green lease by Al-'Aqar REIT marks an innovative step, covering criteria such as Energy Usage, Chemical Usage, Renewable Energy, Waste Management, Data Sharing, Water Conservation, Cost Provision, Sustainable Procurement and Sustainable Transportation. This integration of sustainability principles aligns the REIT's operations with eco-friendly practices while setting a standard for responsible and sustainable real estate management, emphasising the Fund's deep commitment to a future grounded in sustainability.

OVERVIEW

REPORTING SCOPE AND BOUNDARY

The Manager's influence over ESG matters within the properties remains limited as our 24 tenants are bound by a single net lease agreement with KPJ Group. This statement therefore serves as a summary of Al-'Aqar's sustainability performance, focusing specifically on our company headquarters.

REPORTING FRAMEWORK

This statement was prepared with reference to the Main Market Listing Requirements ("MMLR"), Sustainability Reporting Guide (3rd Edition) and Illustrative Reporting Guide issued by Bursa Securities. Our reporting practices are further guided by the Global Reporting Initiative ("GRI") Standards and the United Nations Sustainable Development Goals ("UN SDGs"), ensuring the reliability of our disclosures.

This report also marks the beginning of the phased alignment with Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

Bursa Malaysia's Sustainability Reporting Guide (3rd Edition) and Illustrative Reporting Guide

Global Repoorting Initiatives ("GRI") Standards

Task Force on Climate-related Financial Disclosures ("TCFD") recommendations

United Nations Sustainable Development Goals ("UN SDGs")

ASSURANCE STATEMENT

The Manager acknowledges the importance of independent assurance in ensuring trustworthy data and is considering acquiring third-party verification for future statements. In the interim, our data has undergone internal verification by the Sustainability Management Committee to ensure accurate reporting to the best of our ability.

FEEDBACK

Our commitment to transparent reporting and sustainable practices is strengthened by the input we receive from external sources. Thus, we highly value any feedback on our performance, sustainable initiatives or the statement itself.

Feedback can be submitted via an email contact on our website.

A SYNOPSIS OF OUR SUSTAINABILITY ACCOMPLISHMENTS

ROBUST CORPORATE GOVERNANCE

100% of operations were assessed for corruption related risks and recorded **Zero** incidents of corruption

Zero employee dismissal due to non-compliance with the Anti-Bribery and Anti-Corruption ("ABAC") Policy

96% of employees received anti-corruption training

Zero cases of data breach incidents recorded

SUSTAINABLE TRUST FUND

100% of procurement budget spent on local suppliers

50% of new suppliers were screened using environmental criteria while **61%** suppliers were assessed for their environmental impact

ENVIRONMENTAL STEWARDSHIP

Emissions reduction

Recorded a **5%** reduction in Scope 3 emissions

Energy reduction

Total energy consumption reduced by **5%**

STRONG SOCIAL RELATIONSHIPS

Employees received **920** hours of training in total

Recorded **Zero fatalities** across the Fund

Invested a total of **RM8,700** on community initiatives

NAVIGATING OUR SUSTAINABILITY JOURNEY

2017

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

2018

- Established an ESG Framework consisting of 3 pillars (Governance, People and Partner)
- Established a Sustainability Strategy comprising of Corporate Governance, Economic and Social
- Conducted a materiality reassessment for FY2018
- Identified 7 stakeholder groups and conducted a stakeholder engagement exercise

2019

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

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

2021

- Revised ESG Framework to consist of four pillars (Robust Corporate Governance, Sustainable Trust Fund, Environmental Stewardship and Strong Social Relationship)
- Adopted UN SDG 8, 9, 11, 13 and 16
- Revised the Sustainability Governance Structure to include the Board of Directors, Board Audit and Risk Committee, Enterprise Risk Management Committee and Property Managers
- Revised stakeholder groups to 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
- Began reporting on energy consumption and Scope 1 and Scope 2 emissions

2022

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

2023

- Began aligning disclosures with the TCFD recommendations
- Updated the Sustainability Governance Structure by forming the BSC and SMC
- Conducted a materiality reassessment for FY2023 and consolidated the number of material matters to 13
- Streamlined our material matters to Bursa Malaysia's sustainability disclosure requirements
- Reported on our limited Scope 3 GHG emissions

OUR APPROACH TO SUSTAINABILITY

ESG FRAMEWORK

Developed with the ultimate goal of advancing sustainability throughout Al-'Aqar, our Sustainability Framework guides the integration of ESG considerations throughout the REIT's strategic plans and administration. Our vision to deliver enduring sustainable value within our operations exerts considerable influence over this framework.

Aligned with four sustainability pillars encompassing 13 material sustainability matters, these pillars are reinforced by meaningful action plans that further bolster our sustainable strategy. They are also aligned with relevant UN SDGs and reporting frameworks.

VISION

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

MISSION

To integrate sustainable business practices throughout the Fund.

ROBUST CORPORATE GOVERNANCE

- Corporate Governance and Anti-Corruption
- Regulatory Compliance and Risk Management
- Data Privacy and Cybersecurity

8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABLE TRUST FUND

- Economic Performance
- Supply Chain Management

8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

STRONG SOCIAL RELATIONSHIPS

- Tenant Satisfaction
- Occupational Health and Safety
- Labour Practices and Standards
- Diversity and Inclusion
- Community Enrichment

8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES

ENVIRONMENTAL STEWARDSHIP

- Energy, Emissions and Climate Resilience
- Waste and Effluent Management
- Water Consumption

11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION

KEY ACTION PLANS

Transparent and comprehensive reporting practices in accordance to relevant standards	Integrating sustainable business practices into management approach	Increasing stakeholder engagement	Monitoring and recording sustainability progress

KEY STAKEHOLDER GROUPS

Investors	Service Providers and Suppliers	Tenants
Regulatory Agencies and Statutory Bodies	Property/Managers/Service Manager/ Maintenance Manager	Employees

REPORTING GUIDES AND FRAMEWORKS

BURSA MALAYSIA · GRI · TCFD · SUSTAINABLE DEVELOPMENT GOALS

OUR APPROACH TO SUSTAINABILITY

OUR CONTRIBUTION TO THE UN SDGs

Enacted by the United Nations, the Agenda for Sustainable Development stands as a global guideline steering us towards a more equitable world by 2030. At its core are the 17 SDGs, interconnected goals that address economic growth, social inclusion and environmental protection. These goals serve as catalysts for collaborative efforts within international communities, propelling lasting positive change.

At Al-'Aqar, we incorporate five goals most resonant with our aspirations. Within this statement, we outline our progression towards this commitment, discussing our sustainability initiatives linked to the pertinent SDGs.

SDG	Target	Description	Our initiatives
8 DECENT WORK AND ECONOMIC GROWTH	8.7	Measures to eradicate forced labour, modern slavery and child labour	• Competitive benefits provided for all employees • 100% of employees received performance review • A total of 919.5 training hours recorded
	8.8	Protect labour rights and promote safe working environments	
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	Upgrade infrastructure to make them sustainable, with increased resource-use efficiency	• Tenant satisfaction survey conducted annually, with average score of 84% recorded
11 SUSTAINABLE CITIES AND COMMUNITIES	11.6	Reduce the adverse per capita environmental impact of cities by paying attention to municipal and waste management	• Continuously monitored the effluents produced by KPJ Hospitals through reviewing monthly effluent reports.
13 CLIMATE ACTION	13.1	Strengthen resilience and adaptation to climate-related hazards	• Records Scope 1, Scope 2 and Scope 3 GHG emissions • Committed to raise awareness among employees about responsible water use
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.5	Substantially reduce corruption and bribery	• Established Code of Conduct and Business Ethics, Anti Bribery and Anti Corruption Policy, as well as Whistleblowing Policy • Review of risks on a quarterly basis based on the Enterprise-Wide Risk Management ("ERM") Policy and Framework.

KEY ESG PERFORMANCE INDICATORS

Our Key Performance Indicators ("KPIs"), grounded in the JLG 2030 ESG Roadmap, function as precise metrics to assess sustainability development and performance across our ESG pillars.

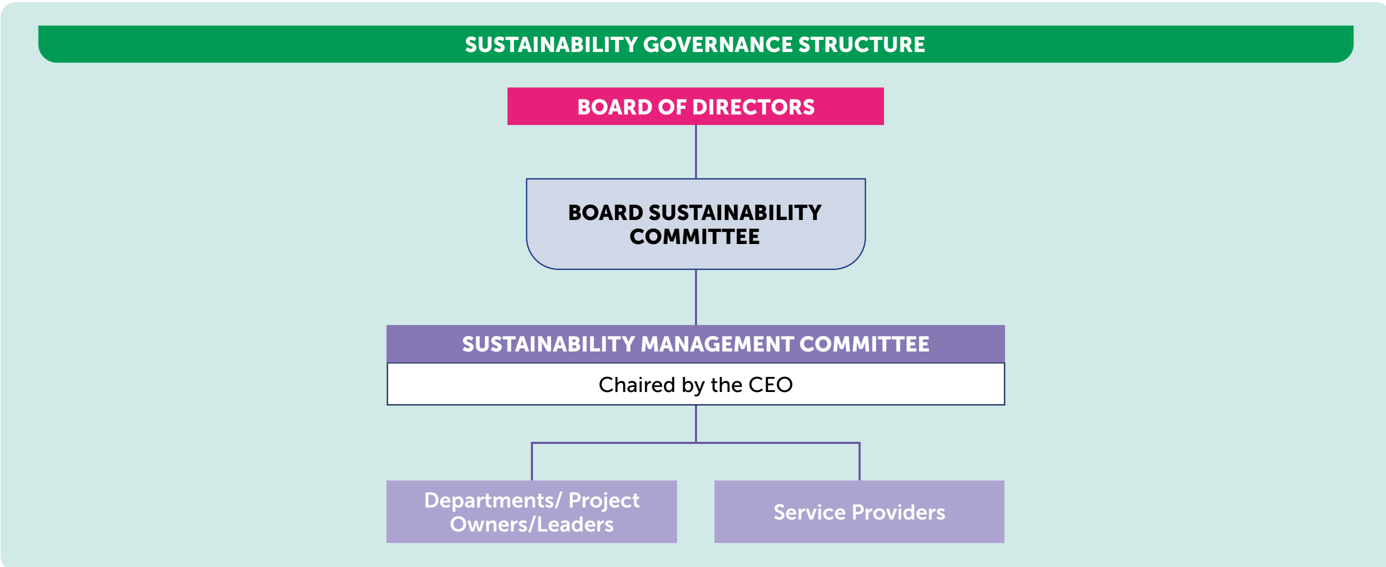
Achieved | Ongoing Progress

MATERIAL MATTERS	FY2023 TARGETS		FY2023 ACHIEVEMENTS
ROBUST CORPORATE GOVERNANCE			
Corporate Governance and Anti-Corruption	Maintain 30% female participation on the Board of Directors.	Ongoing Progress	14% of the Board consists of women
	Provide training and regular communication on the ABAC Policy for 100% of DRMSB employees.	Ongoing Progress	96% of employees received training in FY2023
Regulatory Compliance and Risk Management	Conduct one internal risk management review to incorporate ESG risk and opportunities into DRMSB's risk management framework.	Ongoing Progress	Included 'opportunities of green energy' within the current risk profile
Data Privacy and Cybersecurity	Conduct refresher trainings on cybersecurity issues for 100% of employees.	Achieved	A Cyber Security Awareness Training session was conducted in FY2023
	Maintain zero incidents of cybersecurity breaches or data loss across DRMSB.	Achieved	Zero incidents of cybersecurity breaches or data loss across Al-'Aqar was recorded
STRONG SOCIAL RELATIONSHIPS			
Tenant Satisfaction	Maintain the tenant satisfaction survey at Al-'Aqar REIT with a minimum score of 85% achieved.	Ongoing Progress	We attained a satisfaction score of 84% in our tenant survey
Occupational Health and Safety	Maintain zero fatalities, permanent disabilities or major injuries across DRMSB operations.	Ongoing Progress	Zero fatalities and one injury recorded at Al-'Aqar
	100% of DRMSB employees to receive OHS-related training/briefings to raise awareness about best practises in the office working environment.	Ongoing Progress	8% of total employees underwent training on health and safety standards
	100% of employees at Al-'Aqar REIT to receive a briefing on the latest relevant SOPs to mitigate potential workplace incidents.	Achieved	OSH Guideline was provided to all staff
Labour Practices and Standards	Provide training/briefing on human rights topics and issues for 100% of employees.	Achieved	A sexual harassment education programme was conducted
	Record zero incidents of human rights infringement throughout DRMSB operations.	Achieved	Zero complaints regarding human rights violations recorded
ENVIRONMENTAL RELATIONSHIPS			
Energy, Emissions and Climate Resilience	Al-'Aqar REIT to perform GBI assessments at our managed properties.	Ongoing Progress	GBI assessments have been conducted on 20.8% of Al-`Aqar properties

KEY ESG PERFORMANCE INDICATORS

SUSTAINABILITY GOVERNANCE STRUCTURE

Al-'Aqar REIT's Board of Directors ("the Board") charts our sustainability direction, providing strategic direction on the REIT's overall sustainability strategies and performance. Supported by both the Board Sustainability Committee ("BSC") and the Sustainability Management Committee ("SMC"), the Board evaluates and approves proposed sustainability initiatives. Meanwhile, the Head of Departments and Project Owners convene to discuss the results of their monitoring efforts concerning sustainability initiative implementation and target achievement.



BOD

- Has oversight of Damansara REIT Managers Sdn Bhd's ("DRMSB") sustainability strategies and key targets.
- Ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.

BSC

- Assists the Board in fulfilling their oversight responsibilities in relation to the Group's objectives, policies, and practices in respect of sustainability and compliance with statutory requirements.

SMC

- Develops, executes, monitors, improve and audits sustainability targets, policies, practices, working principles, and management systems regularly.
- Identify emerging issues, their potential for impacting the business, and how the business should respond.
- Ensures sustainability work plans are well-aligned with business needs.
- Reports to the BSC on material sustainability matters quarterly.
- Reviews the relevant policies and frameworks, as well as provide recommendations on the DRMSB's policy and performance in relation to the environment, health, safety, and community relations.
- 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 on any instances of non-compliance.

Departments/ Project Owners/ Leaders

- Executes ESG initiatives and reports to SMC.
- Assesses the effectiveness of the sustainable initiatives put in place, and monitors and maintains records on these initiatives.

KEY ESG PERFORMANCE INDICATORS

STAKEHOLDER ENGAGEMENT

Stakeholders are integral to our business, shaped by and influencing the REIT's decisions. This interdependence underscores the necessity for transparency and mutual understanding between both parties to establish sustainable business operations. To accomplish this, the Manager frequently engages with key stakeholder groups to develop a deeper understanding of their evolving expectations and needs. Through proactive engagement such as this, it enables timely addressal of concerns and fosters a mutually beneficial, long-term relationship.

LEGEND: ● Every three years ● Yearly ● Half-yearly ● Quarterly ● Monthly ● Ongoing ● As and when required

Investors

Influences share prices, liquidity, dividend yields, cost of capital, portfolio strategy and the overall market perception of the REIT

KEY CONCERNS:	• Corporate Financial Performance • Corporate Governance	• Investor Relationship Management	• Environmental matters • Safety of assets
ENGAGEMENT METHODS:	• Annual General Meeting (Yearly) • Corporate website (Quarterly)	• Annual & quarterly reports (Yearly, Quarterly) • Investor relations briefings (Quarterly)	• Investment criteria/ policy (Yearly)
OUR RESPONSE:	• Annual auditing • Uphold good governance practices		

Regulatory Agencies and Statutory Bodies

Sets the compliance requirements and legal frameworks

KEY CONCERNS:	• Compliance with Regulations • Labour Practices	• Transparency and Disclosure	
ENGAGEMENT METHODS:	• Quarterly compliance report (Quarterly)	• Announcement, Notification & Reporting (Quarterly, Half-yearly, As and when required)	• Compliance audit (Yearly)
OUR RESPONSE:	• Ensure compliance with latest laws and regulations		

Service Providers and Suppliers

Provides essential services and goods for property management and operations

KEY CONCERNS:	• Transparent Procurement • Process	• Business ethics	
ENGAGEMENT METHODS:	• Evaluation & Performance Reviews (Ongoing)	• Compliance with MACC Act (Ongoing)	• Procurement Policy (Ongoing)
OUR RESPONSE:	• A representative from DRMSB is present during supplier interviews to ensure adherence to the Manager's ESG-related policies and regulations		

KEY ESG PERFORMANCE INDICATORS

Property Managers/ Service Manager/ Maintenance Manager

Property managers oversee property operations and tenant relations, service managers coordinate essential services, and maintenance managers manage physical upkeep in the REIT.

KEY CONCERNS:	• Maintenance Summary
ENGAGEMENT METHODS:	• Monthly reports • Quarterly meeting
OUR RESPONSE:	• Senior management team conducts regular discussions with all managers to discuss issues for improvement • Maintenance Managers provide monthly updates to the REIT

Tenants

Tenants enhance the REIT's financial performance through rent and significantly impact property success and reputation through their satisfaction.

KEY CONCERNS:	• Rental • Demised premises in good and tenantable repair and maintenance
ENGAGEMENT METHODS:	• Monthly reports • Annual building audit • Engagement sessions
OUR RESPONSE:	• Tenants are engaged through a Performance Evaluation of the services facilitated by the Property or Maintenance Manager • The Maintenance Manager conducts formal engagement sessions with tenants to address questions or concerns raised by the tenants

Employees

Individuals employed by Al-'Aqar to manage and operate the properties within the portfolio.

KEY CONCERNS:	• Staff performance and development • Business strategies/ objectives/ achievements • Staff wellbeing • Employee benefits
ENGAGEMENT METHODS:	• Performance appraisal and career development plan • Townhall • Revision of salary package • Work-life balance
OUR RESPONSE:	• Al-'Aqar offers opportunities for career progression and skills enhancement, along with competitive benefits to attract and retain talented employees

INSIGHTS INTO OUR MATERIALITY ASSESSMENT

Keen understanding of the sustainability risks significant to DRMSB and our stakeholders is essential for accurately prioritising material topics. Therefore, we conducted a reassessment of material sustainability aspects through a four-step process this year as described below. We enhanced our focus by including an additional material matter, Data Privacy and Cybersecurity. This expansion aligns with the requirements in Bursa Malaysia's Main Market Listing Rules, ensuring that we remain aligned with the current sustainability landscape.

Identification

We identified 13 material sustainability matters pertinent to both the Group and our stakeholders. These material matters align with the guidelines set by Bursa Malaysia's REIT-specific material matters and industry best practices.

Ranking

We collaborated with internal stakeholders to assess and prioritise the identified sustainability matters through the use of a survey form.

Prioritisation and Generation of Matrix

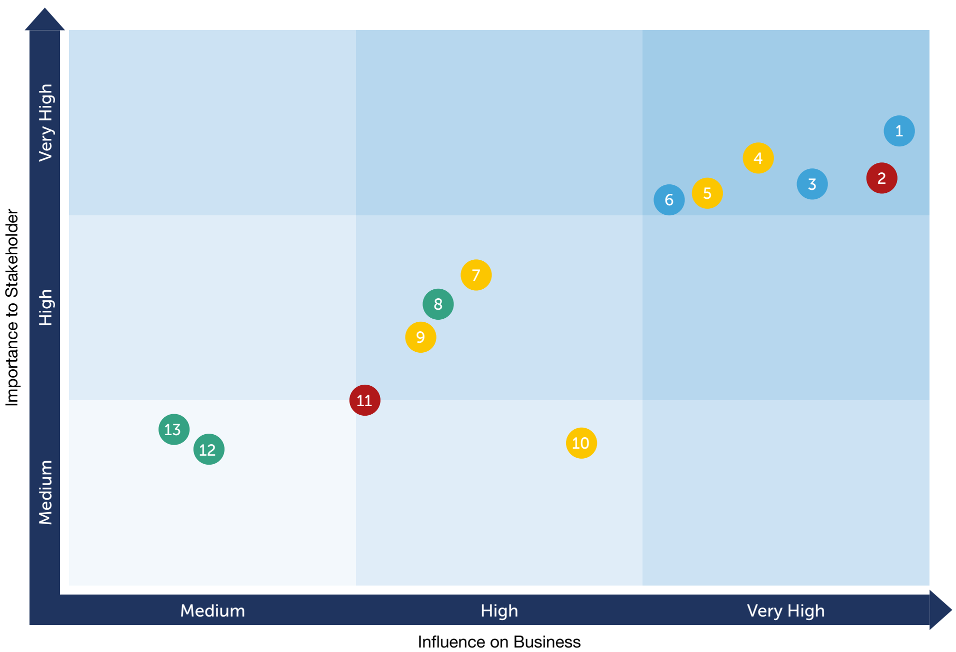
The responses gathered from the survey form were analysed to generate a materiality matrix, demonstrating the importance of each identified sustainability matter for both the business and stakeholders.

Validation and Approval

The materiality matrix underwent validation by the Senior Management and received approval from the Board of Directors.

MATERIAL SUSTAINABILITY MATTERS

The top five material matters most crucial to the Fund are **Corporate Governance and Business Ethics**, **Economic Performance**, **Regulatory Compliance and Risk Management**, **Tenant Satisfaction** and **Data Privacy and Cybersecurity**.



ROBUST CORPORATE GOVERNANCE

01 Corporate Governance and Anti-Corruption
03 Regulatory Compliance and Risk Management
06 Data Privacy and Cybersecurity

SUSTAINABLE TRUST FUND

02 Economic Performance
11 Supply Chain Management

STRONG SOCIAL RELATIONSHIPS

04 Tenat Satisfaction
05 Occupational Health and Safety
07 Labour Practices and Standards
09 Diversity and Inclusion
10 Community Enrichment

ENVIRONMENTAL STEWARDSHIP

08 Energy, Emissions and Climate Resilience
12 Waste Management
13 Water Consumption

INSIGHTS INTO OUR MATERIALITY ASSESSMENT

MAPPING THE MATERIAL SUSTAINABILITY MATTERS

We illustrated the connections between our sustainability efforts by connecting each of the material matters to the relevant SDGs and significant stakeholder groups.

MATERIAL MATTERS	DESCRIPTION	STAKEHOLDERS	UN SDGs
ROBUST CORPORATE GOVERNANCE			
Corporate Governance and Anti-Corruption	Values, principles, standards and norms that are critical towards business sustainability.		
Regulatory Compliance and Risk Management	Strategies in managing operational, financial and compliance risks to ensure sustainable long-term growth as well as efforts to adhere to laws, regulations, guidelines and specifications relevant to business operations.	Investors, Tenants, Regulatory Agencies & Statutory Bodies, Employees	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Data Privacy and Cybersecurity	Prioritising data privacy and cybersecurity is crucial to safeguard property and financial information, ensuring trust and mitigating risks associated with digital transactions and communications.		
SUSTAINABLE TRUST FUND			
Economic Performance	Strategies in managing financial performance, as well as managing the indirect economic impacts of infrastructure investments and the services supported.	Investors, Tenants, Employees, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
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.	Investors, Service Providers and Suppliers	8 DECENT WORK AND ECONOMIC GROWTH
STRONG SOCIAL RELATIONSHIP			
Tenant Satisfaction	Initiatives to ensure that all properties are comfortable, safe, and meet the standards of all tenants and customers.	Tenants	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Occupational 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	
Labour Practices and Standards	Respecting and protecting the rights of all employees, service providers and suppliers, local communities and other stakeholders. Providing personal and professional benefits, training, and development opportunities to all employees.	Employees, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH
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	

INSIGHTS INTO OUR MATERIALITY ASSESSMENT

MAPPING THE MATERIAL SUSTAINABILITY MATTERS (CONT'D)

MATERIAL MATTERS	DESCRIPTION	STAKEHOLDERS	UN SDGs
STRONG SOCIAL RELATIONSHIP			
Community Enrichment	Building strong relationships through regular engagement activities, to promote the well-being of local communities.	Employees, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
ENVIRONMENTAL STEWARDSHIP			
Energy, Emissions and Climate Resilience	Efforts made on responsible energy management and usage to reduce the impacts on climate change.	Investors, Tenants, Property/ Service/ Maintenance Manager	13 CLIMATE ACTION
Waste 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	11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Water Consumption	Managing water to reduce its consumption.	Investors, Tenants, Property/ Service/ Maintenance Manager	13 CLIMATE ACTION

INTEGRATING CLIMATE-RELATED CONSIDERATIONS

Providing a consistent approach to climate-related reporting, the TCFD framework allows us to provide insights into climate-related risks and opportunities for stakeholders. Al-'Aqar REIT is dedicated to integrating TCFD's four core elements into our sustainability strategy, enhancing our risk disclosures and improving how we address climate-related risks.

GOVERNANCE

Acknowledging the influence of climate change on REIT operations, the Manager has integrated climate considerations into our decision-making processes. These efforts are guided by initiatives overseen by both the Board and endorsed by the BSC and SMC.

Board of Directors

- The Board provides strategic oversight concerning the sustainability strategies, policies, and performance of the REIT, which includes considerations related to climate issues.
- The Board approves ESG Key Performance Indicators (KPIs), encompassing climate-related metrics.

Management

- The SMC proposes sustainability strategies and initiatives to the Board, including those related to climate concerns.
- The SMC evaluates and supervises the implementation of sustainability initiatives and performance, which encompasses climate-related considerations.

STRATEGY

Al-'Aqar's climate-related risks fall under transition risks and physical risks. Transition risks pertain to challenges associated with the transition towards a sustainable, low-carbon economy while physical risks emanate from the direct consequences of climate change.

Transition Risks

Transition Risks	Potential Impact	Opportunities
Policy and Legal	• Potential expenses resulting from penalties and fines.	Conforming to or surpassing anticipated environmental regulations enables us to seamlessly access new markets and pre-emptively address potential legal issues.
Technology	• The adoption of new technologies in healthcare facilities for energy efficiency or renewable energy sources may require investments and pose risks associated with technology changes.	Investing in energy-efficient technologies and practices can lead to cost savings and contribute to a lower carbon footprint.
Market	• Reduced revenue due to increased costs. • Economic shifts, such as recessions, can impact property valuations and rental revenues. A less robust economic climate may result in elevated vacancy rates, diminished demand, and financial difficulties for the REIT.	Through effectively communicating and promoting our dedication to sustainability, we can set ourselves apart and draw in clients who prioritise environmental consciousness.
Reputation	• Investors and tenants are placing growing emphasis on sustainable and climate-resilient properties. Failing to meet these expectations can result in discontent and harm to the reputation of the entity.	Opportunity exists to elevate Al-'Aqar's reputation by pioneering climate-conscious operations.

INTEGRATING CLIMATE-RELATED CONSIDERATIONS

STRATEGY (CONT'D)

Physical Risks

Physical Risks	Potential Impact	Opportunities
Acute	Healthcare facilities may face increased risks from extreme weather events such as hurricanes, or floods, potentially leading to property damage, disruptions in operations, and increased insurance costs.	Performing thorough risk assessments, developing emergency response plans, and investing in resilient infrastructure are crucial steps in mitigating the immediate risks.
Chronic	Persistent environmental shifts, such as rising temperatures and changes in precipitation patterns, pose continual challenges in terms of: • infrastructure • availability of resources • health of workers	Implementing climate-resilient infrastructure and building designs can enhance the REIT's ability to withstand extreme weather events and other climate-related impacts can help alleviate the long-term impacts.

RISK MANAGEMENT

ESG risk considerations are integrated into our risk management framework, where the Board receives support from our BSC and SMC to systematically manage risks. Our robust risk management processes enable the identification and assessment of the primary climate-related risks we are exposed to.

METRICS AND TARGETS

The metrics and targets integral to the REIT's strategic and risk management processes are employed to address climate-related risks and opportunities. To guide our efforts, JLG Group established a comprehensive 2030 ESG Roadmap, complete with a set of key performance indicators ("KPIs"), to actively reduce our emissions and minimise waste generation.

Al-'Aqar REIT measures carbon emissions, energy and water usage, representing carbon emissions in tCO_2e, electricity in kWh, and water in m^3. We monitor and disclose emissions under Scope 1, Scope 2 and Scope 3, continuously tracking GHG emissions across our operations and consistently enhancing TCFD disclosures to align with relevant recommendations and regulatory requirements.

ROBUST CORPORATE GOVERNANCE

Ensuring good governance is fundamental to upholding transparency, accountability and effective management in REIT operations. A well-designed governance structure serves as a guide for decision-making that mitigates risks and safeguards the interests of both the REIT and our tenants

- Corporate Governance and Business Ethics
- Regulatory Compliance and Risk Management
- Data Privacy and Cybersecurity

- **100%** of operations were assessed for corruption related risks
- **Zero** incidents of corruption recorded
- **96%** of employees received anti-corruption training
- **Zero** employee dismissal due to non-compliance with the ABAC Policy
- **Zero** cases of data breach incidents recorded

ROBUST CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Good governance serves as the key to maintaining rigorous ethical conduct, ensuring accountability through effective risk management, performance assessment and exemplary leadership. As such, the Manager staunchly advocates the principles of excellent governance, striving to uphold operational integrity while safeguarding the interests of our stakeholders and tenants.

OUR APPROACH

Internal SOPs covering account business development, internal controls, risk management, compliance, IT, talent management, finance and operations play a pivotal role in ensuring the Fund's seamless daily operations. This is further reinforced by the Manager's Code of Conduct and Business Ethics (the "Code") which define the professional conduct expected of the Fund's associates and employees. The Code includes clear guidelines and stipulates disciplinary actions for incidents of non-compliance. Augmented by policies such as the Whistleblowing Policy, Anti-Bribery and Anti-Corruption Policy ("ABAC") and Manual, these measures collectively contribute to robust governance. Employees are well-informed about these policies and procedures through various channels, including mail, briefings, training sessions and posters.

ABAC Policy

- Upholds conformity to the Malaysian Anti-Corruption Act 2009
- Outlines and informs of the Manager's principles and guidelines with regards to money laundering, gifts, entertainment and hospitality expenses,
- Fortified by our No-Gift, No-Entertainment Policy
- Internally circulated among staff through briefing and training, and published on the corporate website for external communication

Whistleblowing Policy

- Aligns with the Whistleblowers Protection Act 2010
- Provides a secure mechanism for reporting non-compliance and misconduct within Al-`Aqar REIT
- Reports are treated impartially and confidentially, and any instances of malicious intent in reporting are addressed appropriately.

ANTI-BRIBERY AND CORRUPTION INITIATIVES

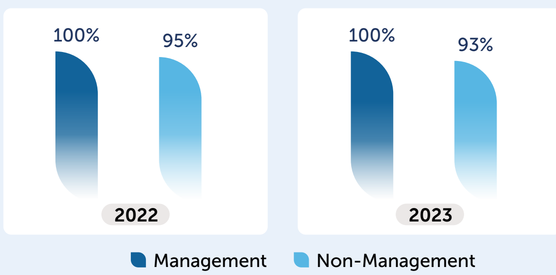
Conduct refresher, briefing and training sessions	Maintain due diligence procedures	Ensure integrity pledges by business partners	Conduct risk assessments

OUR PERFORMANCE

Employees are equipped with anti-corruption awareness through training, with 96% of the workforce in attendance this year.

We conducted corruption-related risk assessments on 100% of internal operations, compiling all findings into an integrity risk register that was presented to the Board Audit Risk Committee ("BARC") and the Board Investment Committee ("BIC").

PERCENTAGE OF EMPLOYEES ATTENDED ANTI-CORRUPTION TRAINING



ROBUST CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND BUSINESS ETHICS (CONT'D)

OUR PERFORMANCE (CONT'D)

The operations in Al-Aqar REIT have been assessed against 15 corruption risks.

Fraud	Charitable and political donations, sponsorship	Embezzlement
Bribery & Kickbacks	Money Laundering	Environmental Corruption
Government Interaction	Procurement Practices	Recruitment
Facilitation Payments	Collusion	Cyber Corruption
Gifts, entertainment & hospitality	Conflict of Interest	Country of Operation

In FY2023, the Manager reported zero incidents of corruption or non-compliance. Additionally, we recorded zero whistle blowing reports and zero employee dismissal due to non-compliance with the ABAC Policy.

(Source: Corporate Services)

REGULATORY COMPLIANCE AND RISK MANAGEMENT

Beyond preserving the integrity of our corporate processes, upholding steadfast regulatory compliance fortifies the Fund's vigilance against potential risks and opportunities. By guaranteeing stringent regulatory compliance at our REIT operations, we also safeguard the interests of our stakeholders, fostering increased overall trust and further bolstering brand perception.

Effective risk management also empowers the Fund, enabling the identification and proactive preparation against potential risks, thereby future-proofing the business as a REIT. Thus, Al-'Aqar REIT commits to embedding risk management processes throughout our endeavours, ensuring a holistic approach to addressing and mitigating potential risks.

OUR APPROACH

i. Regulatory Compliance

The REIT complies with relevant national laws, regulations, and guidelines.

- Capital Market Services Act 2007
- Main Market Listing Requirements
- Guidelines on Listed REITs
- Guidelines on Islamic Capital Market Products and Services
- Income Tax Act 1967
- EPF Act 1991
- Malaysia Code on Corporate Governance ("MCCG")
- Guidelines on Corporate Governance for Capital Market Intermediaries

The Manager ensures strict compliance with relevant legal and statutory requirements through meticulous management of a compliance report delineating the requirements of various acts, risk treatments, mitigation plans and risks ratings. To further fortify these efforts, the Manager employs legal specialists for advice, trains staff members on legal requirements and assigns external consultants to undertake all internal audits, preserving objectivity.

ROBUST CORPORATE GOVERNANCE

REGULATORY COMPLIANCE AND RISK MANAGEMENT (CONT'D)

OUR APPROACH (CONT'D)

i. Regulatory Compliance (Cont'd)

Al-'Aqar REIT tenants are also obligated to abide by stipulated legal requirements and agreements, encompassing laws such as the Uniform By-Laws 1984, the Fire Services Act 1988 and the Lease/Tenancy Agreement. As such, to ensure requirements are upheld within the properties, the Fund conducts scheduled monitoring and instructs Maintenance Managers to provide updates through a Monthly Report. Each building's licencing status is detailed within the report, with the renewal process managed by the lessee and falling under the oversight of KPJ HQ.

Remaining well-informed of developments in the regulatory landscape is of chief importance. Beyond obtaining regular legal and secretarial updates to stay abreast of the latest changes, the Board, as well as management personnel, are encouraged to attend talks and seminars whenever necessary. Furthermore, the Manager receives notifications on relevant changes from Bursa Malaysia, the Securities Commission and the Malaysian REIT Managers Association ("MRMA").

To ensure compliance with applicable laws and requirements throughout Al-'Aqar REIT, initiatives related to compliance are communicated through multiple channels. Internally, these initiatives are disseminated during management meetings, briefings and through announcements. Externally, information is shared via Annual General Meetings, analyst briefings, the corporate website and annual reports. Those requiring further clarification regarding these initiatives can direct their questions to a designated individual via email.

ii. Risk Management

Risk management at Al-'Aqar REIT is overseen by the BARC, with support from the Enterprise Risk Management Committee ("ERMC"). Tasked with inculcating risk management into the Manager's day-to-day operations, they also identify risk parameters, appetite, profiles, treatment options, action plans and indicators.

Adhering to the Enterprise Risk Management ("ERM") Policy and Framework, the Manager conducts quarterly risk assessments where findings are systematically catalogued in a comprehensive risk register. Additionally, the Manager conducts risk assessments on the REIT's suppliers which cover social, labour, health and safety, tax and data protection issues.

Risk owners are responsible for reporting on the current status of risks and the progression of corresponding mitigation measures. These risk owners also identify any new potential operational risks as well as develop mitigation plans, presenting them to the ERMC and at the weekly Management Committee meetings. The ERMC works to effectively communicate such risks and mitigation plans, meeting on a quarterly basis.

OUR PERFORMANCE

The Fund is pleased to report that due to our consistent effort to uphold regulatory compliance, we recorded zero incidences of non-compliance. Additionally, no high risk was identified during the supplier risk assessment.

(Source: Compliance & Risk)

ROBUST CORPORATE GOVERNANCE

DATA PRIVACY AND CYBERSECURITY

The digitalisation of services is an increasingly ubiquitous feature in businesses across sectors. This expanding virtual landscape emphasises the imperative for strong data privacy and cybersecurity measures. Functioning primarily as a healthcare REIT, the Manager is committed to safeguard customer and patient data confidentiality through various initiatives.

OUR APPROACH

The Manager ensures stringent adherence to the Personal Data Protection ("PDP") Policy and has implemented a user access rights matrix. Additionally, a Cyber Security Procedure was put into action, incorporating essential cyber security measures as a guide for appropriate steps in the event of a data or security breach.

We conduct a Data Recovery test on an annual basis to verify the adequacy of our backup systems, ensuring data resiliency in the event of any unforeseen circumstances. The Manager continued to implement a number of business continuity strategies with regard to digital transformation which has enabled the Fund to continually adjust in an evolving REIT sector.

OUR DIGITAL TRANSFORMATION STRATEGY

- Installed backup software and data protection
- Utilised VPNs to protect network connections
- Usage of Microsoft 365 cloud storage
- Implemented IT disaster recovery plan, drills, and data recovery tests

In FY2023, we organised a Cyber Security Awareness Training session to enhance employees' understanding of cyber risks and equip them with the knowledge to safeguard against threats encountered on the internet. Participants also gained valuable insights into managing and securing their accounts and passwords.

OUR PERFORMANCE

In FY2023, zero complaints regarding breaches of customer privacy or data loss were recorded.

(Source: Corporate Services)

SUSTAINABLE TRUST FUND

REITs are a unique vehicle for stakeholders to participate in real estate investments and income generation. At Al- 'Aqar REIT, we are committed to delivering sustainable growth for our tenants and the communities surrounding our portfolio assets through prudent investments and efficient supply chain management.

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- **Economic Performance**
- **Supply Chain Management**

- **100%** of procurement budget spent on local suppliers
- **50%** of new suppliers were screened using environmental criteria
- **61%** suppliers were assessed for their environmental impact

SUSTAINABLE TRUST FUND

ECONOMIC PERFORMANCE

As a healthcare REIT, our efforts to provide long-term value for our unitholders and tenants hinge on the robust growth and financial performance of our organisation. Upholding the value of our healthcare real estate assets enhances the Fund's appeal to potential investors and guarantees tenant satisfaction. Furthermore, our financial performance has a significant influence on our capacity to broaden our portfolio, allowing us to pursue expansion opportunities and further contribute to the success of our stakeholders.

OUR APPROACH

Our property selection process during the acquisition stage is guided by a set of processes and criteria. This involves prioritising tenants at the forefront of innovation and strategically focus on assets with a forward-looking and high-tech profile. We also incorporate assets that align with ESG principles into our portfolio.

Indirect economic impacts emanate from the financial transactions and cash flows between an organisation and its stakeholders. These extend to investments in infrastructure and the services facilitated by these investments. As a healthcare-focused real estate player, we positively contribute to the communities we serve.

Developing Expertise
Advancing skills and expertise in healthcare services within professional networks and operational areas.

Stimulating the Economy
Spurring economic development in the surrounding areas.

Generating Employment Opportunities
Increasing healthcare, technical, maintenance and pharmaceutical jobs in the supply or distribution chain.

OUR PERFORMANCE

In the fiscal year 2023, the Fund diligently maintained the positive trajectory achieved in the previous year's financial performance. Notably, the Fund remained self-sufficient, continuing its commendable record of not relying on any financial assistance from the government.

	FY2022	FY2023
Economic value generated (revenue)	RM 104,587,721	RM 115,250,328
Retained economic value (Profits)	RM 54,626,818	RM 71,543,213

(Source: Finance)

SUPPLY CHAIN MANAGEMENT

Ensuring the seamless flow of materials, services and resources essential for property maintenance and management is vital for optimising operational efficiency within the Fund. Additionally, we strategically prioritise suppliers with environmentally friendly practices, thereby aligning with our overarching ESG objectives.

OUR APPROACH

The majority of KPJ hospitals operate under a consolidated net lease agreement. Under this arrangement, tenants bear the responsibility for all supply chain decisions and property expenditures, engaging directly with contractors or service providers. To ensure adherence to internal and regulatory policies, it is mandatory to have a representative from the Manager present during the interview process with potential vendors.

SUSTAINABLE TRUST FUND

SUPPLY CHAIN MANAGEMENT (CONT'D)

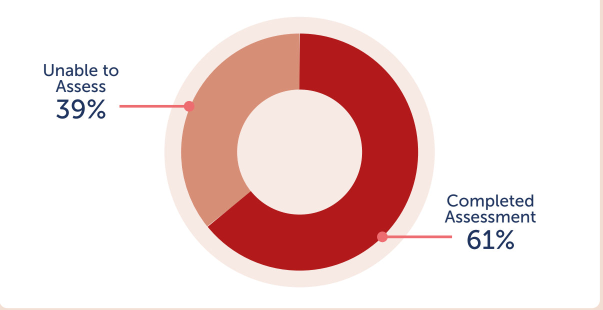
OUR APPROACH (CONT'D)

Aligned with our strategy for local economic support, we prioritise local suppliers, ensuring quality and contributing to community economic development. In 2023, we initiated a screening mechanism to assess new suppliers based on environmental criteria and began evaluating suppliers for their environmental impacts. This proactive approach reflects our commitment to sustainability and our ongoing efforts to integrate environmentally responsible practices into our supply chain management.

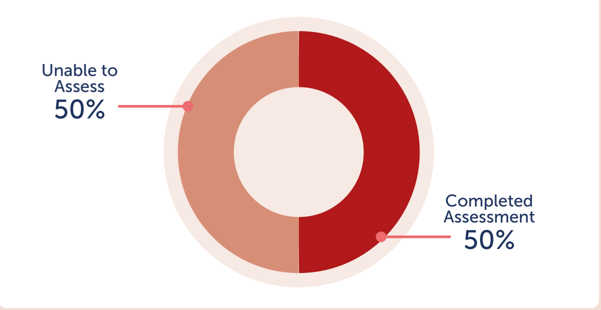
OUR PERFORMANCE

From 2021 to 2023, Al-'Aqar REIT consistently allocated 100% of our procurement budget to local suppliers. This year, we evaluated the environmental impacts of 61% of our suppliers, with environmental criteria applied to the screening process for 50% of our new suppliers.

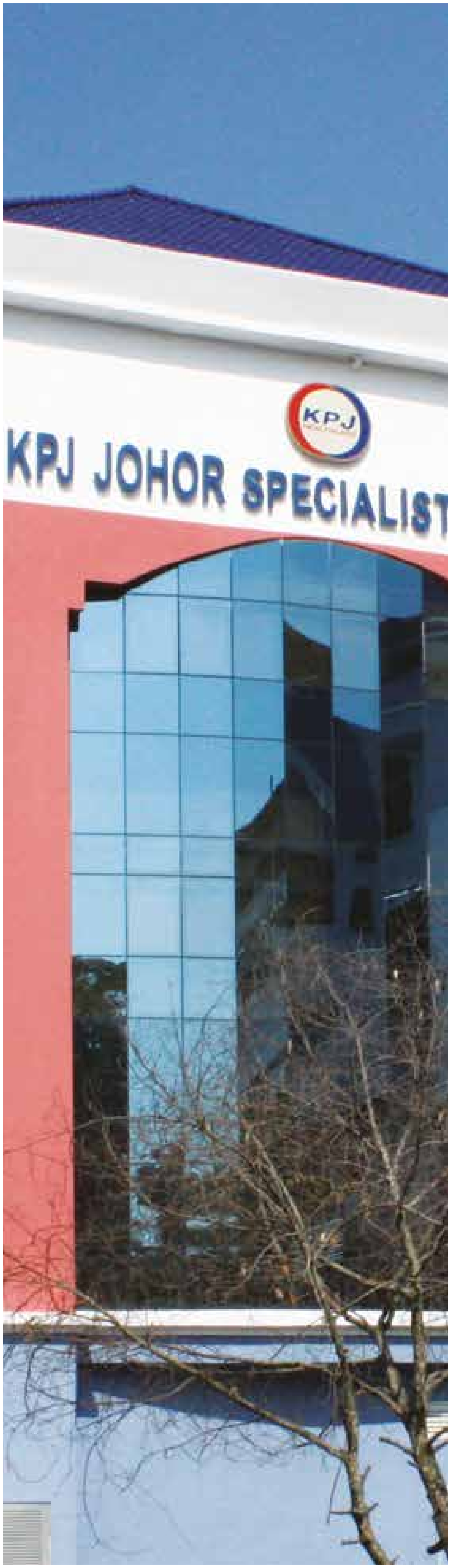
PERCENTAGE OF SUPPLIERS ASSESSED FOR ENVIRONMENTAL IMPACT IN FY2023



PERCENTAGE OF NEW SUPPLIERS SCREENED USING ENVIRONMENTAL CRITERIA IN FY2023



(Source: Business Development)



STRONG SOCIAL RELATIONSHIPS

By proactively addressing the social issues that are important to our tenants and employees, Al-'Aqar REIT is uniquely positioned to encourage lasting positive social impact, as the Manager of the physical environment hosting communities where people work and live.

- Tenant Satisfaction
- Occupational Health and Safety
- Labour Practices and Standards
- Diversity and Inclusion
- Community Enrichment

- Employees received a total of **920** training hours
- Recorded **zero fatalities** across the Fund
- Invested a total of **RM8,700** on CSR

STRONG SOCIAL RELATIONSHIPS

TENANT SATISFACTION

On an annual basis, our tenants engage in a Performance Evaluation Survey of the services facilitated by the Property or Maintenance Manager. They are invited to rank their satisfaction on a scale of one to five, where one signifies "very unsatisfactory" and five denotes "very satisfactory". The evaluation encompasses categories such as professionalism and management team, service quality and communication effectiveness.

The Manager also engages with the hospitals through diverse communication channels, enriching our understanding of their perspectives, expectations and behaviour. A notable platform is the biannual Property Management Meeting, a formal setting where the Maintenance Manager addresses concerns raised by tenants and issues pertaining to tenant-property owner relationships. Tenants are encouraged to express their honest opinions regarding the Property or Maintenance Manager to ensure a transparent and collaborative relationship. This year, meetings were held on 10 May and 2 August, 2023.

Furthermore, the designated Maintenance Manager is mandated to conduct an annual building inspection. Subsequent to the inspection, a detailed report is submitted to the tenant who is obligated to address the provided comments. Designed to offer constructive recommendations to the hospitals, these inspections ensure the Fund's assets are consistently well-maintained, guaranteeing that the building and equipment are kept in optimal and safe condition.

This audit is performed on the following physical assets and environmental services.

- Air conditioning and ventilation
- Firefighting systems
- Water supply systems
- Lifts
- Staff and manpower
- Preventive planned maintenance master programme
- Statutory requirements and licence status

OUR PERFORMANCE

This year, the overall results of the Performance Evaluation were very satisfactory at 84%.

(Source: Operations)

OCCUPATIONAL HEALTH AND SAFETY

As a healthcare REIT, the safety and well-being of our people and tenants are prime priority, deeply ingrained in our Occupational Safety and Health ("OSH") strategy. We are driven to cultivate safe and healthy workplace environments, minimising the risk of accidents and ensuring the overall security of our premises and properties.

OUR APPROACH

Our OSH strategy propels our efforts to inculcate a culture that advocates accident prevention, safety and risk management throughout the REIT operations. This is further augmented by the tenant's OSH culture which combine for greater awareness and transparency.

We implemented a stringent OSHA Guideline at our headquarters to uphold OSH practices in every aspect of our operations. Furthermore, we established an Emergency Response Team at individual properties.

STRONG SOCIAL RELATIONSHIPS

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

OUR APPROACH (CONT'D)

Inspections are routinely conducted by an appointed Safety and Health Officer ("HSO") at each KPJ Hospital every two or three years. Additionally, a designated HSO is assigned at our headquarters under the purview of the Manager.

HSO RESPONSIBILITIES

- 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.

The Fund remains the impetus behind the advancement of an OSH-centric culture throughout our REIT operations. To fortify health and safety measures, fire drills and emergency evacuation procedures were systematically executed across our properties in FY2023. These fire drills were organised by the Joint Management Bodies ("JMB") of our headquarters, with tenants given advanced notice of the emergency and evacuation procedures through physical notice.

OUR PERFORMANCE

In FY2023, two employees underwent training on health and safety standards, mirroring the efforts of two employees in the previous year. This underscores our consistent dedication to maintaining a safe working environment.

	FY2021	FY2022	FY2023
Number of Work-related Fatalities	0	0	0
Number of Lost-Time Injuries	0	2	1
Total Number of Hours Worked	0	52,000	50,000
Lost Time Incident Rate	-	7.69	4.00

(Source: Corporate Services & Property Manager)

LABOUR PRACTICES AND STANDARDS

Organisational growth and progression are intrinsically tied to the productivity of our employees. As a responsible employer, the Fund is a strong proponent of upholding human rights and prioritising employee well-being. Through focusing on the needs of our employees, we foster high performance and innovation, making for a resilient and prosperous organisation.

STRONG SOCIAL RELATIONSHIPS

LABOUR PRACTICES AND STANDARDS (CONT'D)

OUR APPROACH

Human Rights and Labour Standards

The Fund is cognisant of the potential social impacts that may arise over the course of our day-to-day REIT activities and business partnerships. Consequently, we proactively address human rights issues, maintaining a steadfast zero-tolerance stance against modern slavery and child labour within the REIT and our supply chains. The Fund also abides by the Malaysian Labour Laws, including the Employment Act 1955, and expects those collaborating with us or working on our behalf to comply with these regulations. Thus, we carefully balance safeguarding human rights values with generating mutual stakeholder benefits. In FY2023, we conducted a training programme on workplace sexual harassment to raise awareness, inform employees about reporting procedures and foster mutual respect among the workforce. Posters were displayed across the workplace to serve as visual aids, reinforcing a respectful and inclusive work environment.

Prior to implementing significant operational changes, employees receive an advanced notice of a minimum of two to four weeks. This communication ensures that employees have sufficient time to adapt and prepare for the upcoming changes.

Human Capital Development

At Al-'Aqar REIT, our human capital development strategy revolves around building employee capacity, implementing succession planning, encouraging leadership development and maintaining effective performance management. This strategy is implanted at every level, with the Manager collaborating closely with our leaders, operation teams and business managers to drive our growth strategy and meet constantly evolving workforce expectations.

By providing opportunities for employees to develop both their technical and personal skills, we prepare them for future roles, ensuring the Fund cultivates and retains talent over the long term. To further contribute to their personal development and skill management, the Manager utilises regular performance reviews for our employees with defined performance metrics. Performance reviews ensure employee career satisfaction and serve as motivational incentives for staff to perform efficiently and productively. Furthermore, we conducted an employee survey to gather valuable insights, aiding us in making informed decisions to improve employee satisfaction, enhance engagement, and bolster overall organisational effectiveness.

ESG TRAINING PROGRAMMES CONDUCTED IN FY2023

- Roundtable Discussion- Understanding ESG & How to Integrate into Business Practice
- ESG, Stakeholder Capitalism and Sustainable and Responsible Investment (SRI)
- Bursa Malaysia's enhanced sustainability reporting requirements
- IFRS S1 and S2 : Beyond compliance
- SIRIM ESG SEMINAR 2023 - Driving ESG to Advance the Nation
- Green House Gas (GHG) Training Assessment - Scope 1, 2 & 3
- Bursa Malaysia Advancing Malaysian PLCs' ESG Journey- FTSE 4Good Rating and Centralised Sustainability Intelligence (CSI) Platform

STRONG SOCIAL RELATIONSHIPS

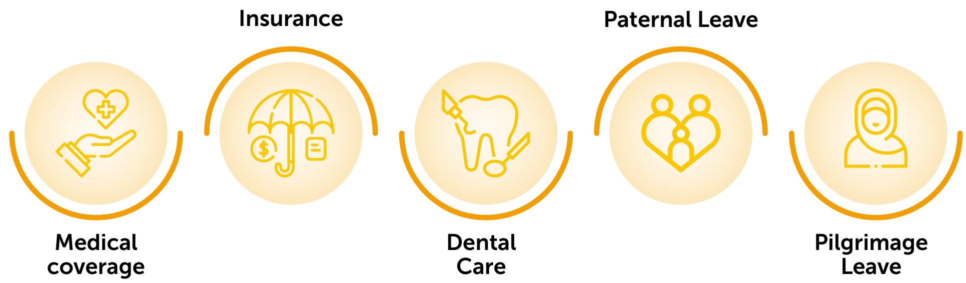
LABOUR PRACTICES AND STANDARDS (CONT'D)

OUR APPROACH (CONT'D)

Human Capital Development (Cont'd)

The Manager is also dedicated to comprehensively addressing worker needs, providing an attractive, holistic remuneration package designed to enhance their quality of life and their financial stability, supporting a productive workforce.

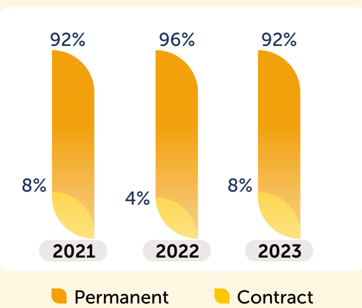
BENEFITS PROVIDED



OUR PERFORMANCE

In FY2023, 92% of our workforce held permanent positions, indicating stability and commitment within the REIT. In addition, the Manager recorded three turnovers in this reporting year, resulting from one voluntary resignation and two retirements.

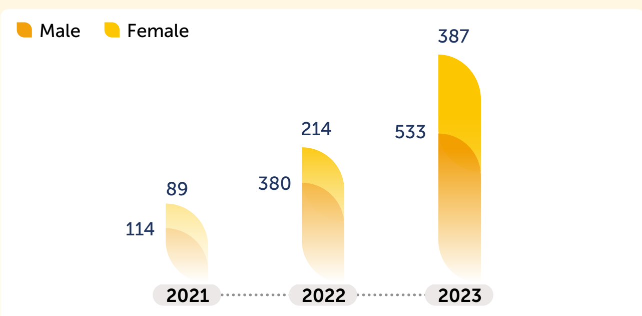
PERCENTAGE OF PERMANENT AND CONTRACT EMPLOYEES



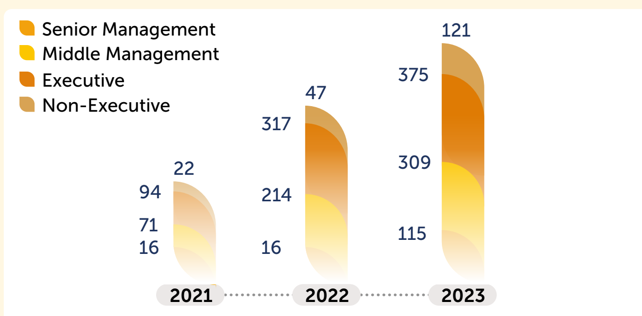
TURNOVER BY EMPLOYEE CATEGORY	FY2021	FY2022	FY2023	REMARKS
Senior Management	0	1	0	No Contract Renewal
Management	1	0	0	Separation Scheme
Executive	2	1	1	Voluntary Resignations
Non-Executive	1	0	2	2021: Voluntary Resignation 2023: Retirement
Total	4	2	3	
Turnover Rate	15%	8%	12%	

In FY2023, we continue working to equip our workers with essential skillsets that keep them competitive and adaptable in constantly evolving business environments, with a total of 919.5 hours of training provided to employees. In addition, 100% of our employees received performance reviews this year.

TOTAL TRAINING HOURS BY GENDER



TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY

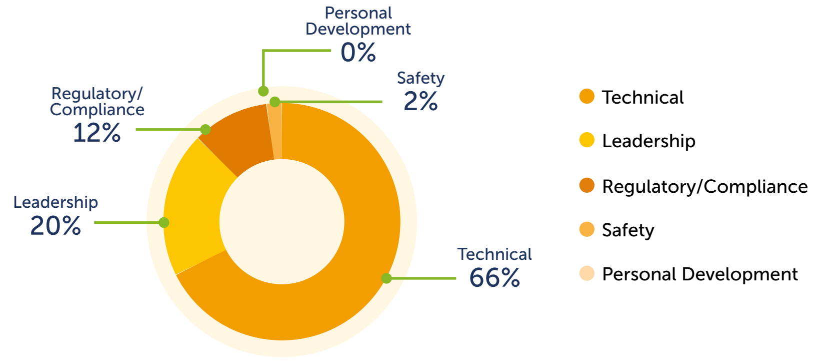


STRONG SOCIAL RELATIONSHIPS

LABOUR PRACTICES AND STANDARDS (CONT'D)

OUR PERFORMANCE (CONT'D)

TYPE OF TRAINING PROGRAMMES CONDUCTED IN FY2023



As of FY2023, there have been no complaints regarding human rights violations.

(Source: Corporate Services)

DIVERSITY AND INCLUSION

Workforce diversity is a source of varying skills, mindsets and experiences, enriching our grasp on stakeholder expectations and providing us with a competitive advantage among REITs. Recognising this, the Manager is committed to cultivating a culture of equal access to opportunities where every individual can fully realise their potential, propelling the Fund's collective innovative capabilities.

OUR APPROACH

We persist in developing an inclusive workplace environment that ensures merit-based career advancement opportunities and promotes employee collaboration to harness the inventiveness of our workforce. The success of this endeavour hinges on strengthening mutual respect and understanding among employees. Therefore, Al-'Aqar REIT actively respects and values each employee, encouraging them to report any instance of discrimination to the Human Resource department which promptly addresses such issues.

Moreover, gender diversity remains a focal point of our business strategy, and we steadily work towards supplementing women's representation among our leadership. Aligning with the Malaysian Code of Corporate Governance ("MCCG"), our objective is to achieve a minimum of 30% women directors.

STRONG SOCIAL RELATIONSHIPS

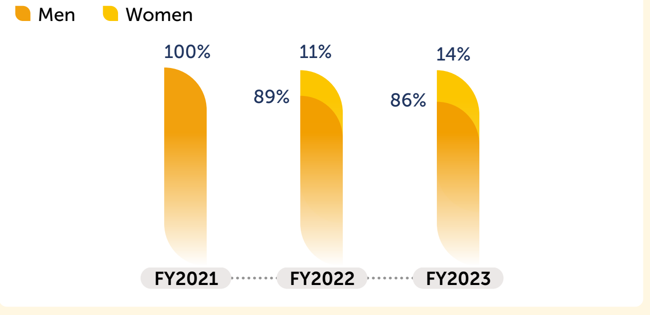
DIVERSITY AND INCLUSION (CONT'D)

OUR PERFORMANCE

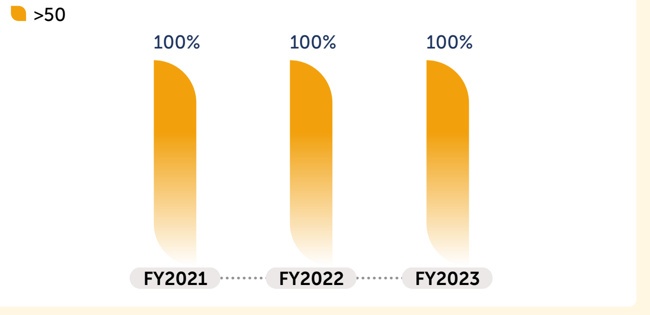
i. Board Composition

The Manager promotes gender diversity within the Board, emphasising its importance in ensuring adherence to the recommendations set forth by the MCCG in the future.

PERCENTAGE OF DIRECTORS BY GENDER



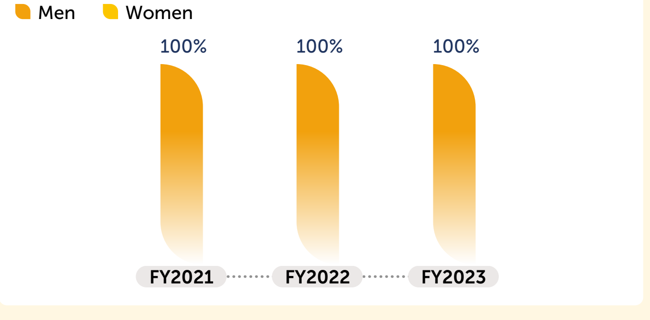
PERCENTAGE OF DIRECTORS BY AGE



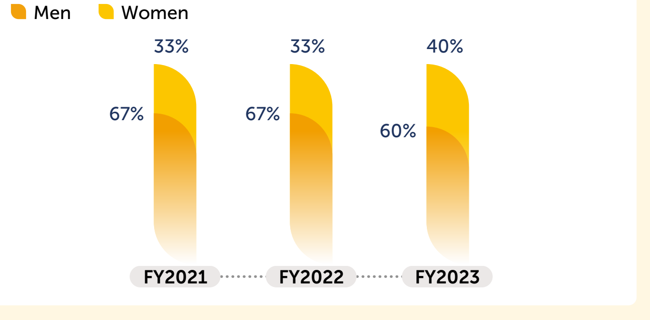
ii. Workforce Diversity

In FY2023, our total workforce comprised 25 employees, with a distribution of 60% men and 40% women, highlighting a balanced gender representation within the organisation.

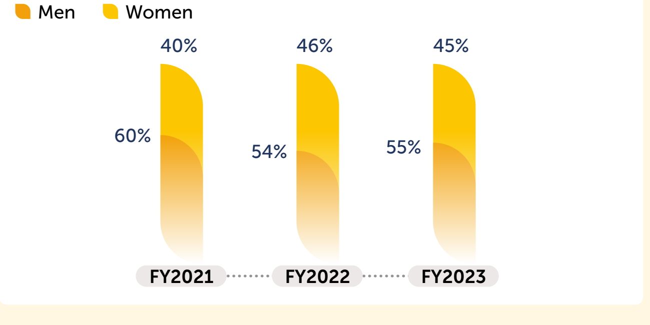
SENIOR MANAGEMENT BY GENDER



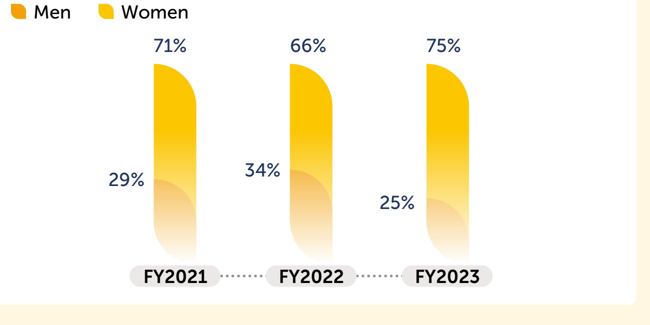
MANAGEMENT BY GENDER



EXECUTIVE BY GENDER



NON-EXECUTIVE BY GENDER

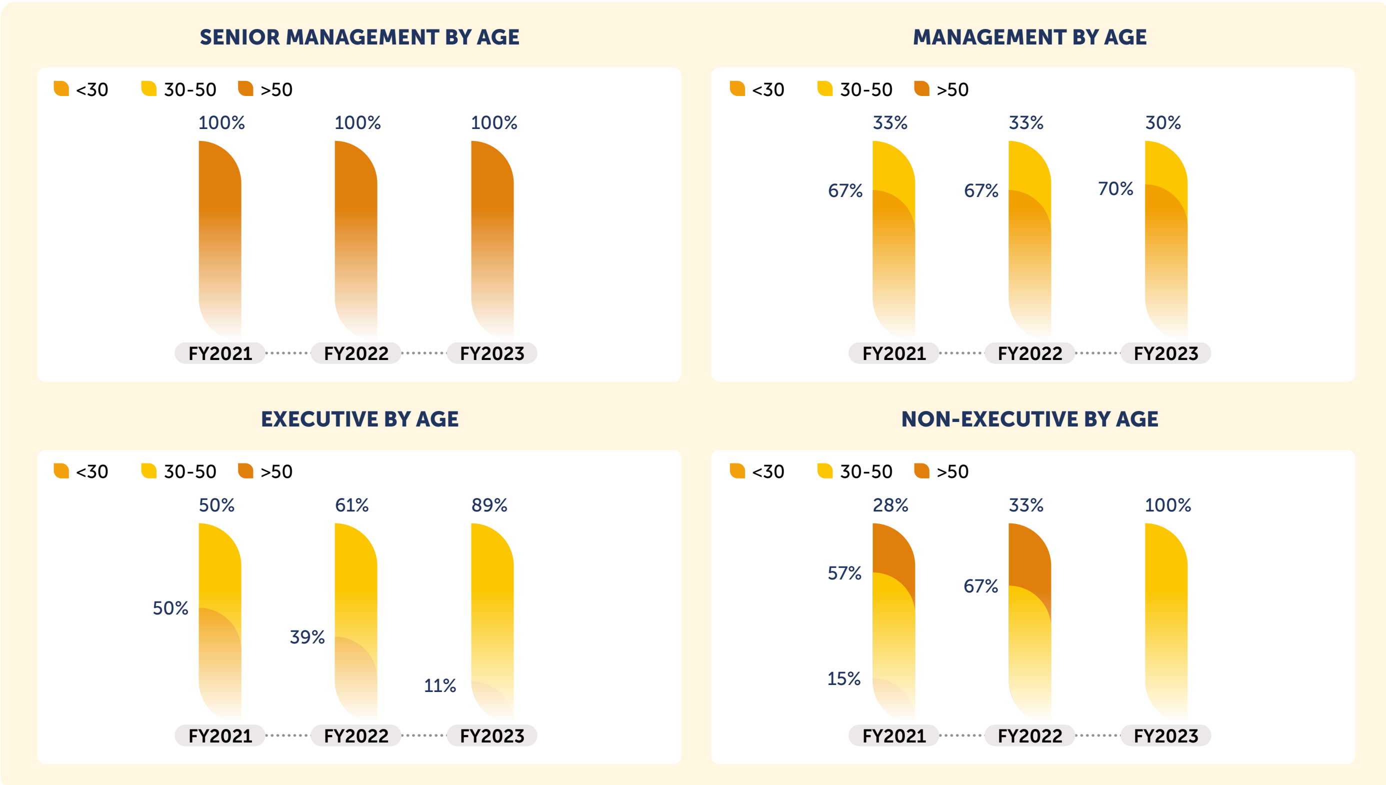


STRONG SOCIAL RELATIONSHIPS

DIVERSITY AND INCLUSION (CONT'D)

OUR PERFORMANCE (CONT'D)

ii. Workforce Diversity (Cont'd)



(Source: Corporate Services)

COMMUNITY ENRICHMENT

Our advocacy for individual development and human rights extends beyond our properties and workforce to the communities we serve. The Manager strives to engage in social responsibility initiatives that go beyond securing our social license to operate, facilitating meaningful connections through tailored initiatives that address the socioeconomic needs of our community.

OUR APPROACH

Although the Manager does not engage in CSR activities at the property level, it actively participates in independent initiatives at the DRMSB/ HQ level. In FY2023, the headquarters implemented two CSR programmes, laying the foundation for ongoing improvement in the coming years. Specifically, we made donations to the Sai Pandian Orphanage Home and organised a prayer event with the community.

RM8,700

was invested in the community in FY2023.

73

people benefited from the CSR programme.

(Source: Corporate Services)

ENVIRONMENTAL STEWARDSHIP

Given the direct financial impact environmental concerns have on our business performance, we remain steadfast in integrating sustainable practices into our REIT operations. The Manager handles issues pertaining to waste management, climate change, and the use of energy and water, understanding the potential impact of our practices within our built environment.

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

- Energy, Emissions and Climate Resilience
- Waste and Effluent Management
- Water Consumption

- Total energy consumption reduced by **5%**
- Recorded a **5%** reduction in Scope 3 emissions

ENVIRONMENTAL STEWARDSHIP

ENERGY, EMISSIONS AND CLIMATE RESILIENCE

Over the years, climate change has steadily exerted worsening pressure on the global environment and economy. As such, taking immediate action to address this climate emergency has become more important than ever. Backed by climate science and in support of the global Climate Change Agenda such as Net-Zero by 2050, Al-'Aqar works to promote initiatives that support our transition to a low-carbon economy.

OUR APPROACH

Aligning with KPJ's targets to source 10% of energy from renewable sources and reduce GHG emissions by 25% by the year 2025, the Management has initiated preparations for a rooftop solar PV project. This initiative will involve installations at five KPJ hospitals during the pilot phase.

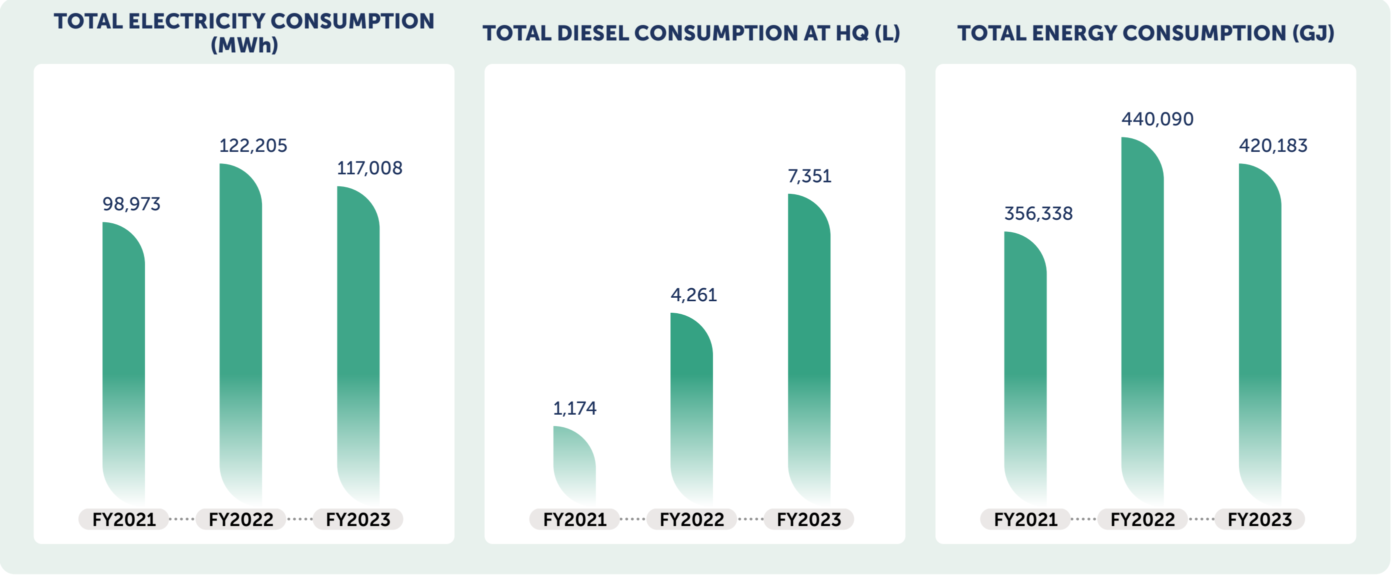
To effectively manage our carbon emissions, the REIT continues to monitor our GHG emissions, tracking the progress of our initiatives and pinpointing opportunities to minimise emissions. This year, we recorded Scope 1, Scope 2 and Scope 3 emissions.

The Fund remains committed to a flexible and remote working arrangement, contributing to lower occupancy rates at our offices. In alignment with our energy efficiency goals, unoccupied office areas undergo energy-saving measures, with lights and air-conditioning systems switched off.

OUR PERFORMANCE

i. Energy Management

In FY2023, the Fund's total energy consumption constituting diesel and procured electricity from the national grid amounted to 420,183 GJ, reflecting a 5% reduction compared to the previous year. This decrease can be attributed to a slight reduction in electricity consumption.



(Source: Operations, Maintenance Manager)

ENVIRONMENTAL STEWARDSHIP

ENERGY, EMISSIONS AND CLIMATE RESILIENCE (CONT'D)

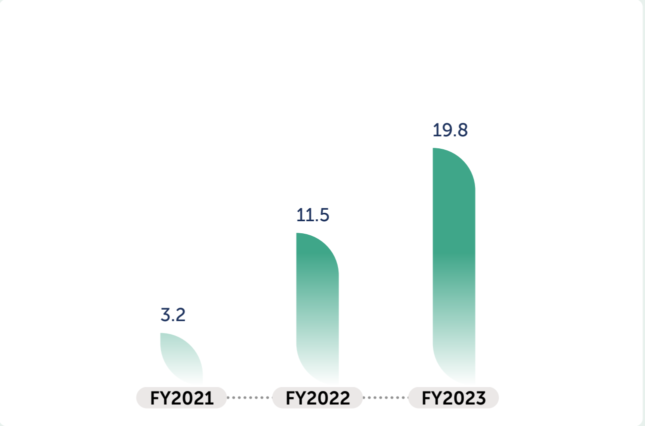
OUR PERFORMANCE (CONT'D)

ii. GHG Emissions

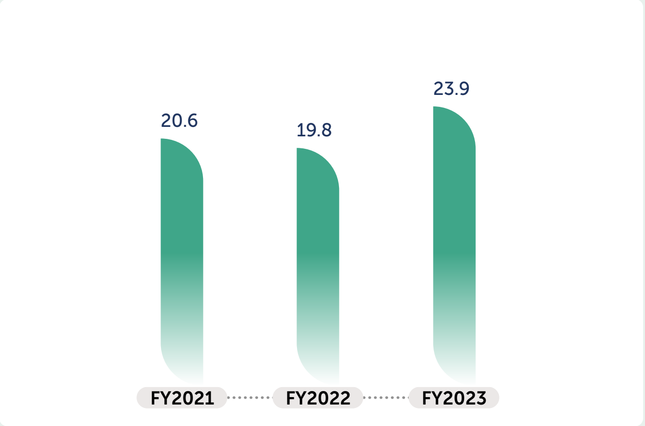
Emissions associated with Scope 1 are a result of diesel fuel consumed to power our company vehicles. Scope 2 emissions are indirect emissions arising from our consumption of grid energy. For Scope 3, it encompasses indirect emissions generated from our leased assets and business travel.

The Manager recorded a total of 91,214 tCO_2e, reflecting a 5% decrease from FY2022. The Fund's Scope 1 emissions increased by 73% to 19.8 tCO_2e, while Scope 2 emissions rose by 21% to 23.9 tCO_2e. Additionally, Scope 3 emissions experienced a slight decrease of 5%.

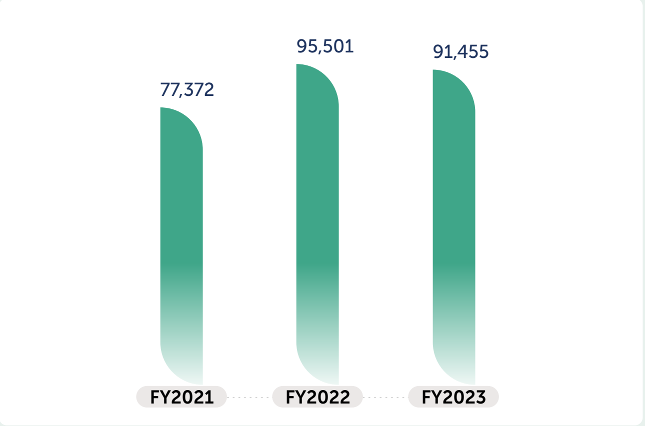
SCOPE 1 GHG EMISSIONS (tCO_2e)



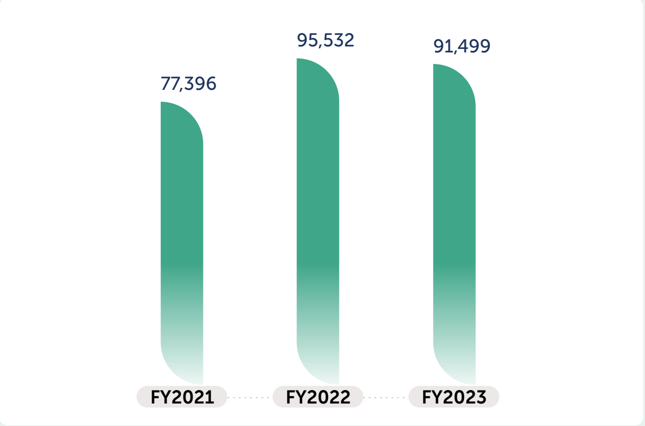
SCOPE 2 GHG EMISSIONS (tCO_2e)



SCOPE 3 GHG EMISSIONS (tCO_2e)



TOTAL GHG EMISSIONS (tCO_2e)



Note: Scope 3 emissions were calculated based on business travels, the electricity consumption of our leased assets, and the treatment of their effluents. Business travel emissions included those from the transportation of employees for business-related activities in cars and motorcycles not owned or controlled by Al-'Aqar in FY2023 only.

(Source: Corporate Services and Maintenance Manager)

ENVIRONMENTAL STEWARDSHIP

WASTE AND EFFLUENT MANAGEMENT

As a healthcare REIT, the Manager is conversant of the potential hazards arising from waste generated by medical institutions. Hospitals manage medical waste, including proper identification, labelling, storage and transportation. Comprised of pathogenic wastes, clinical wastes or quarantined materials, SW404 is treated in compliance with DOE guidelines, while non-clinical waste is disposed of at licensed facilities. Implementing stringent waste management practices is imperative to safeguard against both environmental and health risks for the community at large.

OUR APPROACH

While we do not monitor the waste generated within the Fund's property portfolio or HQ, the Manager is committed to upholding waste management practices in alignment with relevant regulations. In particular, the Maintenance Manager ensures that each hospital conducts waste management procedures in adherence to the standards set within the Environmental Quality Act 1974, the National Water Services Commission Act 2006 (ACT 654) and the Water Services Industry Act 2006.

The Manager is strategically planning to integrate AI-based Reverse Vending Technology across eight KPJ hospitals, an innovative vending machine that is equipped to accept both PET bottles and aluminium cans through a unified chute.

WATER CONSUMPTION

Water is fundamental to sustaining life and supporting human health, and its management is becoming increasingly significant as global populations grow and climate patterns shift. Efficient water management is important to alleviate water scarcity concerns and is essential for guaranteeing a sustainable future.

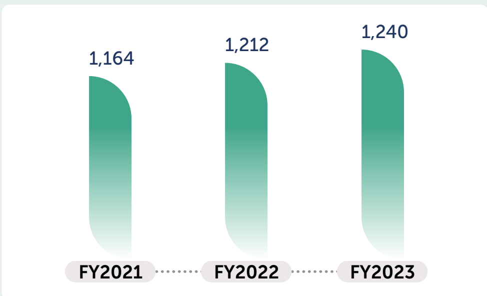
OUR APPROACH

The Fund's headquarters is situated in an office space that is not directly controlled by the Manager. Hence, our water consumption is only included in our monthly rental fees. Acknowledging the emerging risks of water scarcity and our commitment to addressing this issue, the Fund continues to actively promote heightened awareness of responsible water use to minimise wastage of this vital resource.

OUR PERFORMANCE

The quantity of water consumption at the headquarters is not actively monitored, but we track the water consumption of 22 leased healthcare buildings. In FY2023, the recorded water consumption was 1,236 megaliters, showing a slight increase of 2% from the previous year.

TOTAL WATER CONSUMPTION (ML)



Note: The total water consumption is inclusive of buildings owned by Al-'Aqar

(Source: Operation Department, Maintenance Manager)

MOVING AHEAD

"In the face of accelerating climate change,

Al-'Aqar remains resolute and focused on advancing our sustainability journey. Our commitment is evident through our promotion of sustainable practices and vigilant management of ESG risks and opportunities in our REIT operations. As we continue our sustainability journey, it is our intention to fortify our ESG performance to foster positive economic growth and deliver value to our stakeholders in the years ahead."

PERFORMANCE DATA TABLE

ROBUST CORPORATE GOVERNANCE

INDICATOR	UNIT	FY2021	FY2022	FY2023
Corporate Governance and Anti-Corruption				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
• Management	%	0	100	100
• Non-Management	%	0	95	93
Bursa C1(b) Percentage of operations assessed for corruption related risks	%	N/A	N/A	100
Bursa C1(c) Confirmed incidents of corruption and actions taken	Number	0	0	0
Data Privacy and Cybersecurity				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy or losses of customer data	Number	0	0	0

SUSTAINABLE TRUST FUND

INDICATOR	UNIT	FY2021	FY2022	FY2023
Supply Chain Management				
Bursa C7(a) Proportion of spending on local suppliers	%	100	100	100
Sector Specified (REITs) S6(a) - Percentage of new suppliers that were screened using environmental criteria	%	-	-	50
Sector Specified (REITs) S6(b) - Percentage of suppliers assessed for environmental impacts	%	-	-	61

STRONG SOCIAL RELATIONSHIPS

INDICATOR	UNIT	FY2021	FY2022	FY2023
Occupational Health and Safety				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	-	7.69	4.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	2	2
Labour Practices and Standards				
Bursa C6(a) Total hours of training by employee category				
• Senior Management	Hours	16	16	115
• Middle Management	Hours	71	214	309
• Executive	Hours	94	317	375
• Non-Executive	Hours	22	47	121
Bursa C6(c) Total number of employee turnover by employee category				

PERFORMANCE DATA TABLE

STRONG SOCIAL RELATIONSHIPS (CONT'D)

INDICATOR	UNIT	FY2021	FY2022	FY2023
• Senior Management	Number	0	1	0
• Management	Number	1	0	0
• Executive	Number	2	1	1
• Non-Executive	Number	1	0	2
Bursa C6(d) Number of substantiated complaints concerning human rights violation	Number	0	0	0
Diversity and Inclusion				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Gender group by employee category				
• Senior Management (Men)	%	100	100	100
• Senior Management (Women)	%	0	0	0
• Management (Men)	%	67	67	60
• Management (Women)	%	33	33	40
• Executive (Men)	%	60	54	55
• Executive (Women)	%	40	46	45
• Non-Executive (Men)	%	29	34	25
• Non-Executive (Women)	%	71	66	75
Age group by employee category				
• Senior Management (<30)	%	0	0	0
• Senior Management (30-50)	%	0	0	0
• Senior Management (>50)	%	100	100	100
• Management (<30)	%	0	0	0
• Management (30-50)	%	67	67	70
• Management (>50)	%	33	33	30
• Executive (<30)	%	50	39	11
• Executive (30-50)	%	50	61	89
• Executive (>50)	%	0	0	0
• Non-Executive (<30)	%	15	0	0
• Non-Executive (30-50)	%	57	67	100
• Non-Executive (>50)	%	28	33	0
Bursa C3(b) Percentage of directors by gender and age				
Men	%	100	89	86
Women	%	0	11	14
<30	%	0	0	0
30-50	%	0	0	0

PERFORMANCE DATA TABLE

STRONG SOCIAL RELATIONSHIPS (CONT'D)

INDICATOR	UNIT	FY2021	FY2022	FY2023
>50	%	100	100	100
Bursa C6(b) Percentage of employees that are contractors or temporary staff	%	8	4	8
Community Enrichment				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM	-	-	8,700
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	-	73

ENVIRONMENTAL STEWARDSHIP

INDICATOR	UNIT	FY2021	FY2022	FY2023
Energy, Emissions and Climate Resilience				
Bursa C4(a) Total energy consumption	GJ	356,338	440,090	420,183
Bursa C11(a) Scope 1 emissions in tonnes of CO_2e	tCO_2e	3.2	11.5	19.8
Bursa C11(b) Scope 2 emissions in tonnes of CO_2e	tCO_2e	20.6	19.8	23.9
Bursa C11(c) Scope 3 emissions in tonnes of CO_2e (business travel and employee commuting)	tCO_2e	77,372	95,501	91,455
Waste Management				
Bursa C10(a) Total waste generated	Metric tonnes	-	-	-
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	-	-	-
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	-	-	-
Water Consumption				
Bursa C9(a) Total volume of water used	ML	1,164	1,212	1,236

GRI CONTENT INDEX

Statement of use	Al-`Aqar Healthcare REIT has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 2: General Disclosures 2021	2-1 Organisational details	41
	2-2 Entities included in the organisation's sustainability reporting	42
	2-3 Reporting period, frequency and contact point	42
	2-5 External assurance	42
	2-6 Activities, value chain and other business relationships	41, 42
	2-7 Employees	70-71
	2-8 Workers who are not employees	68
	2-9 Governance structure and composition	48
	2-10 Nomination and selection of the highest governance body	48
	2-11 Chair of the highest governance body	48
	2-12 Role of the highest governance body in overseeing the management of impacts	48
	2-13 Delegation of responsibility for managing impacts	48
	2-14 Role of the highest governance body in sustainability reporting	48
	2-16 Communication of critical concerns	57
	2-25 Processes to remediate negative impacts	57
	2-26 Mechanisms for seeking advice and raising concerns	57
	2-27 Compliance with laws and regulations	57
	2-29 Approach to stakeholder engagement	49-50
GRI 3: Material Topics 2021	3-1 Process to determine material topics	51
	3-2 List of material topics	51
	3-3 Management of material topics	*Throughout*
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	54-55
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	62-63
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	57-58
	205-2 Communication and training about anti-corruption policies and procedures	57
	205-3 Confirmed incidents of corruption and actions taken	57-58
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	73
	302-2 Energy consumption outside of the organisation	73
	302-4 Reduction of energy consumption	73

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	75
	303-2 Management of water discharge-related impacts	75
	303-4 Water discharge	75
	303-5 Water consumption	75
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	74
	305-2 Energy indirect (Scope 2) GHG emissions	74
	305-3 Other indirect (Scope 3) GHG emissions	74
	305-5 Reduction of GHG emissions	74
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	74
	306-2 Management of significant waste-related impacts	74
	306-4 Waste diverted from disposal	74
	306-5 Waste directed to disposal	74
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	68
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	68
	401-3 Parental leave	68
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	65-66
	403-2 Hazard identification, risk assessment, and incident investigation	65-66
	403-3 Occupational health services	65-66
	403-4 Worker participation, consultation, and communication on occupational health and safety	65-66
	403-5 Worker training on occupational health and safety	66
	403-6 Promotion of worker health	65
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65
	403-9 Work-related injuries	66
	403-10 Work-related ill health	66
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	68
	404-2 Programmes for upgrading employee skills and transition assistance programs	68-69
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	70-71
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	69

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	71
	413-2 Operations with significant actual and potential negative impacts on local communities	62
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	60

TCFD CONTENT INDEX

TCFD RECOMMENDATION	REFERENCES/ LOCATION
Governance	Sustainability Statement FY2023, Page 54
Strategy	Sustainability Statement FY2023, Page 54 to 55
Risk Management	Sustainability Statement FY2023, Page 55
Metrics and Targets	Sustainability Statement FY2023, Page 55

04 Corporate Governance

THE BOARD OF DIRECTORS

Dato' Haji Mohd Redza Shah Bin Abdul Wahid
Chairman, Independent Non-Executive Director

Abdullah Bin Abu Samah
Independent Non-Executive Director

Datuk Hashim Bin Wahir
Independent Non-Executive Director

BOARD AT A GLANCE

Chairman ● Member ○

	Board of Directors	Board Audit and Risk Committee	Board Investment Committee	Board Nomination and Remuneration Committee	Board Sustainability Committee
1 Dato' Haji Mohd Redza Shah bin Abdul Wahid	●				
2 Abdullah bin Abu Samah	○	●	○	○	
3 Datuk Hashim bin Wahir	○		○	●	○
4 Lailatul Azma binti Abdullah	○	○			●
5 Datuk Sr Akmal bin Ahmad	○	○			
6 Shamsul Anuar bin Abdul Majid	○		●	○	
7 Ng Yan Chuan	○		○		○

THE BOARD OF DIRECTORS

Lailatul Azma Binti Abdullah
Independent Non-Executive Director

Datuk Sr Akmal Bin Ahmad
Non-Independent Non-Executive Director

Shamsul Anuar Bin Abdul Majid
Non-Independent Non-Executive Director

Ng Yan Chuan
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Nuraliza Binti Abd. Rahman
(MAICSA 7067934)

Rohaya Binti Jaafar
(LS0008376)

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 2023.

THE BOARD OF DIRECTORS

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID

Chairman
Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
61

GENDER:
MALE

DATE OF APPOINTMENT:
14 FEBRUARY 2020

NUMBER OF MEETINGS ATTENDED:
10/10

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 in 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:

1. JCorp Corporate Stewardship Forum
2. Mandatory Accreditation Programme Part II: Leading for Impact (LIP)

THE BOARD OF DIRECTORS

ABDULLAH BIN ABU SAMAH
Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
59

GENDER:
MALE

DATE OF APPOINTMENT:
10 March 2021

NUMBER OF MEETINGS ATTENDED:
10/10

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
- Johor Plantations Group Berhad

COURSE ATTENDED:
1. MIA International Accountants Conference 2023
2. JCorp Corporate Stewardship Forum
3. A Delicate Balance - Board & Management Relationship

THE BOARD OF DIRECTORS

DATUK HASHIM BIN WAHIR
Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
67

GENDER:
MALE

DATE OF APPOINTMENT:
24 JANUARY 2022

NUMBER OF MEETINGS ATTENDED:
10/10

COMMITTEE MEMBER:
- Chairman, Board Nomination and Remuneration Committee
- Member, Board Investment Committee
- Member, Board Sustainability 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
- **Capital Markets Services Representatives License Holder**

WORKING EXPERIENCE:
Present Appointment
Nil

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

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

COURSE ATTENDED:
1. Mandatory Accreditation Programme Part II: Leading for Impact
2. Cybersecurity and Data Privacy
3. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

LAILATUL AZMA BINTI ABDULLAH
Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
51

GENDER:
FEMALE

DATE OF APPOINTMENT:
16 DECEMBER 2022

NUMBER OF MEETINGS ATTENDED:
10/10

COMMITTEE MEMBER:
- Chairman, Board Sustainability Committee
- Member, Board Audit and Risk Committee

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, Specialised 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. Contracts Manager, GCS Sdn Bhd (1997)
9. Quantity Surveyor, Project Executive, Davis, Langdon & Seah Malaysia (JUBM Sdn Bhd) (1995)

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

COURSE ATTENDED:
1. Mandatory Accreditation Programme Part II: Leading for Impact
2. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

DATUK Sr AKMAL BIN AHMAD

Non-Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
58

GENDER:
MALE

DATE OF APPOINTMENT:
21 JANUARY 2021

NUMBER OF MEETINGS ATTENDED:
9/10

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

1. Director, Real Estate and Infrastructure Division, Johor Corporation
2. Group Executive Chairman, Damansara Holdings Berhad

Past Experiences

1. Executive Director, JLand Group Sdn Bhd (2022)
2. Group Managing Director, Johor Land Berhad (2020)
3. Chief Operating Officer, Iskandar Investment Berhad (2020)
4. Chief Executive Officer, Iskandar Development Management Services Sdn Bhd (IIB subsidiary) (2018)
5. Chief Development Officer, Iskandar Investment Berhad (2016)
6. Director of Operations, Iskandar Development Management Services Sdn Bhd (2013)
7. General Manager, Nusajaya Development Sdn Bhd (UEM Land Berhad subsidiary) (2007)
8. Project Manager 1, (Prince Court Medical Centre Project) KLCC Projeks Sdn Bhd (2007)
9. Project Manager, (University Technology of Petronas Development) KLCC Projeks Sdn Bhd (2003)
10. Project Manager, (Petronas Twin Towers Fit-Out) KLCC Projeks Sdn Bhd (1999)
11. Contract Management Executive, KLCC Projeks Sdn Bhd (1993)

OTHER DIRECTORSHIP:

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

COURSE ATTENDED:

1. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

SHAMSUL ANUAR BIN ABDUL MAJID

Non-Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
53

GENDER:
MALE

DATE OF APPOINTMENT:
24 AUGUST 2020

NUMBER OF MEETINGS ATTENDED:
10/10

COMMITTEE MEMBER:

- Chairman, Board Investment Committee
- Member, Board Nomination and Remuneration 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
2. **Public Companies**
   - QSR Brands (M) Holdings Berhad
   - Kulim (M) Berhad
   - Johor Plantations Group Berhad

COURSE ATTENDED:

1. JCorp Corporate Stewardship Forum
2. Driving Strategic innovation: Leading Complex Initiatives for Impact from The Wharton School, University of Pennsylvania
3. Affin Conference Series 2023 - Malaysia 2023: A New Investment Chapter
4. JCorp Corporate Stewardship Forum
5. Johor Conversations: A Sustainable Johor Rooted in Resilience
6. Johor Conversations: Onwards to a Citizen-Centric, Sustainable and Inclusive Johor
7. PwC New Partner Experience: Voice of the Client
8. Asia-Pacific Climate Week 2023
9. Affin Hwang State of The Nation & Spotlight On Johor Conference

THE BOARD OF DIRECTORS

NG YAN CHUAN

Non-Independent Non-Executive Director

NATIONALITY:
MALAYSIAN

AGE:
60

GENDER:
MALE

DATE OF APPOINTMENT:
16 DECEMBER 2022

NUMBER OF MEETINGS ATTENDED:
9/10

COMMITTEE MEMBER:

- Member, Board Investment Committee
- Member, Board Sustainability Committee

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, Johor Corporation

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:

1. JCorp Corporate Stewardship Forum

THE SHARIAH COMMITTEE

DATO' DR. HAJI NOOH BIN GADOT

Chairman, Shariah Committee

NATIONALITY:
MALAYSIAN

AGE:
78

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.

PRESENT APPOINTMENT:

- Chairman, Shariah Committee, Al-Salām Real Estate Investment Trust
- Chairman, 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:
MALAYSIAN

AGE:
79

GENDER:
MALE

DATE OF APPOINTMENT:
22 JUNE 2006

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

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

WORKING EXPERIENCE:

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.

PRESENT APPOINTMENT

- Shariah Committee, Al-Salām Real Estate Investment Trust
- Committe, Jamaah Ulama Majlis Istiadat Agama Islam dan Adat Istiadat Melayu Kelantan

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.

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

Irma Namira graduated with Bachelor of 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 2023.

THE MANAGEMENT TEAM

YM RAJA NAZIRIN SHAH BIN RAJA MOHAMAD

Chief Executive Officer

NATIONALITY : **MALAYSIAN** | AGE : **60** | GENDER : **MALE** | DATE OF APPOINTMENT : **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 • **Capital Market Services Representatives License Holder**
DIRECTORSHIP:	Nil
WORKING EXPERIENCE:	• Chief Executive Officer and Executive Director, 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

SHAHRIL ZAIRIS BIN RAMLI

General Manager

NATIONALITY : **MALAYSIAN** AGE : **54** GENDER : **MALE** DATE OF APPOINTMENT : **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 • Oversee and implement Sustainability programme

ROZIAH BINTI ABU BAKAR

Head of Compliance and Risk Management

NATIONALITY : **MALAYSIAN** AGE : **56** GENDER : **FEMALE** DATE OF APPOINTMENT : **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 : **MALAYSIAN** AGE : **54** GENDER : **MALE** DATE OF APPOINTMENT : **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 • Oversee and implement Sustainability programme

HAMIM BIN MOHAMAD

Head of Corporate Services

NATIONALITY : **MALAYSIAN** AGE : **47** GENDER : **MALE** DATE OF APPOINTMENT : **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 : **MALAYSIAN** AGE : **38** GENDER : **MALE** DATE OF APPOINTMENT : **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 : **MALAYSIAN** AGE : **42** GENDER : **MALE** DATE OF APPOINTMENT : **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 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the Malaysian Code on Corporate Governance ("MCCG") as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review.

INTRODUCTION

- This Corporate Governance Overview Statement ("CG Statement") sets out the principal features of the Group's corporate governance approach, a summary of corporate governance practices during the year under review as well as key focus areas and future priorities concerning corporate governance.

- The Board is committed to ensuring that a strong governance framework operates throughout the Group, recognising that good corporate governance is a vital component to support management in their delivery of the Group's strategic objectives and to operate a sustainable business for the benefit of all stakeholders. The process of identifying, developing, and maintaining high standards of corporate governance is ongoing and dynamic, to reflect changes in the Group and its business, the composition of the Board, and developments in corporate governance.

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

    - Principle A: Board Leadership and Effectiveness;
    - Principle B: Effective Audit and Risk Management; and
    - Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

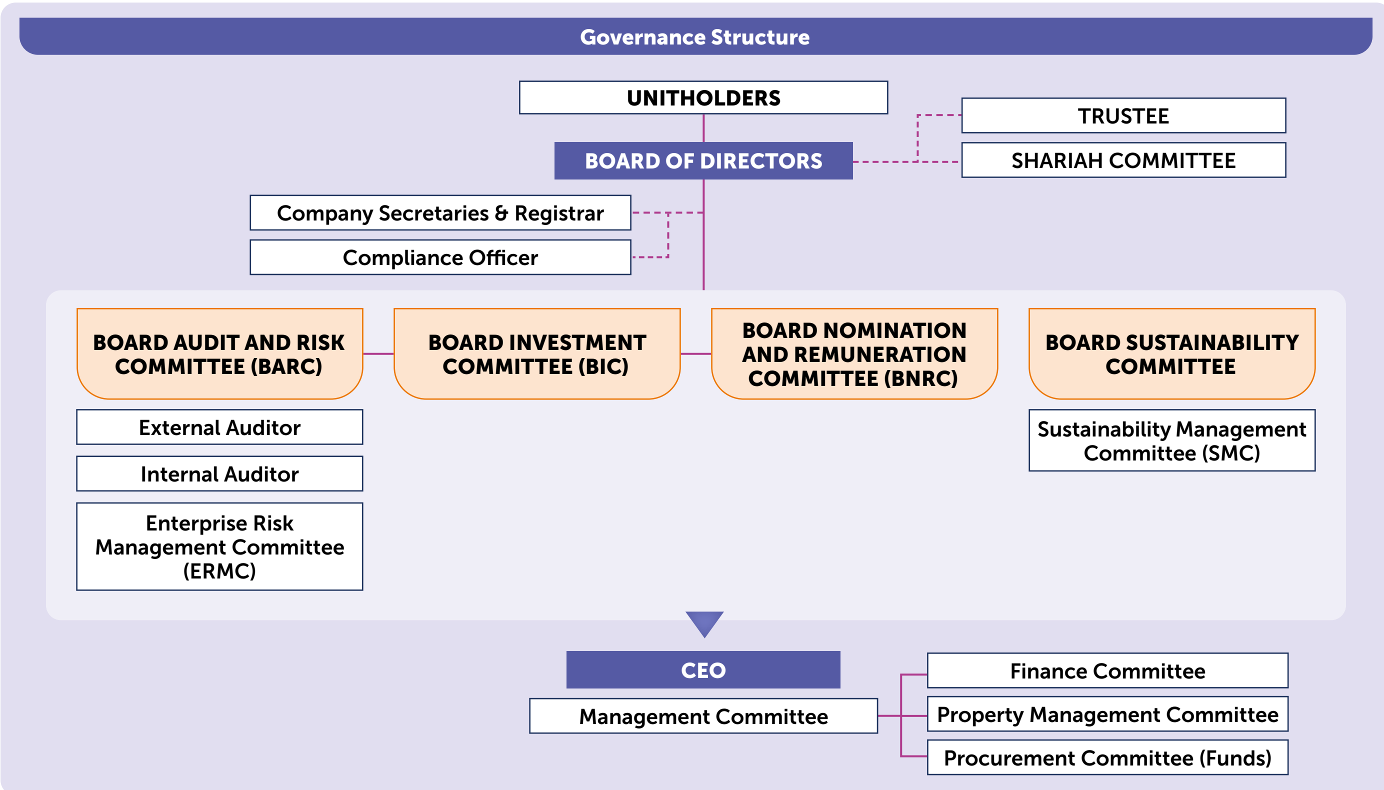
To ensure compliance with the most recent applicable Corporate Governance and regulatory obligations, the Board regularly reviews its governance procedures and processes. Throughout the year in review, all the provisions of the MCCG 2021 save for Practices 8.1 (detailed disclosure on a named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind and other emoluments) and 8.2 (disclosure of senior management's remuneration).

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 Corporate Governance Overview Statement should also be read in tandem with the other statements in the Sustainability Statement namely, the Statement on Risk Management and Internal Control, Audit and Risk Committee Report, and Sustainability Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE STRUCTURE

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:



The main purpose of a governance structure is to address the central issues revolving the four components of the governance operating model summarised below:

Components	Subcomponents	Description
STRUCTURE	• Committee structure and charters • Organisational design and reporting lines • Control and support function roles	• Outlines board and management committee structures, mandates, membership and charters • Establishes design of governance framework • Delineates organisational structure, reporting lines and relationships • Highlights roles and independence of control and support functions from business owners
OVERSIGHT RESPONSIBILITIES	• Committee (s) authorities and responsibilities • Management accountability and authority • Board oversight and responsibilities • Reporting, escalation, and veto rights	• Outlines the type of committees (board and management) and associated responsibilities • Specifies functional accountabilities for day-to-day management of business practices across the enterprise • Delineates board and management approved policies supporting delegation of authority (decision rights) including reporting, escalation and veto rights

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE STRUCTURE (CONT'D)

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: (Cont'd)

Components	Subcomponents	Description
TALENT & CULTURE	• Business and operating principles • Core belief and risk culture • Leadership development and talent programmes performance • Management and incentives	• Aligns governance with operating and business principles • Articulates core beliefs and foundation for culture • Highlights characteristics of risk culture • Outlines leadership succession, assessment, and development responsibilities • Aligns performance management, approach, measures and responsibilities to compensation and incentive plans
INFRASTRUCTURE	• Policies and Procedures	• Establishes design and content of policy manual and associated procedures • Outlines type and frequency of internal reporting and communications • Define scorecards, measures, and metrics to track performance • Aligns technology and governance requirements

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

Board Leadership and Management

The Board is led by an Independent Non-Executive Director and comprised of 4 other Independent Non-Executive Directors and 4 Non-Independent Non-Executive Directors. The Directors have a balance and depth of skills, experience, independence and knowledge of the Real Estate/ Property industry and the REIT business model, which enables them to discharge their respective duties and responsibilities effectively. Each Director and Senior Management were assessed for compliance with the Policy on Fit & Proper Criteria, their performance, and effectiveness. Should any of them are found no longer fit and proper or is underperforming, the BNRC will take corrective measures to manage such event accordingly.

The board is collectively responsible for the long-term success of a company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, it is imperative for the board to govern and set the strategic direction of the company while exercising oversight on management. It also plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the company. The Board is also responsible for the governance and management of the company. To ensure the effective discharge of its functions, the Board undertakes the following responsibilities:

1. To review, challenge and approve the annual corporate plan, which includes the overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management.
2. To oversee the conduct of the businesses and to determine whether the businesses are being properly managed.
3. To review and identify new areas of improvements that promote high standards of corporate governance and compliance culture within the Company.
4. To identify principal risks and ensuring the implementation of appropriate internal controls and mitigation risks to effectively monitor and manage these risks.
5. To review and realign key policies adopted in keeping abreast of new opportunities and potential challenges affecting the sustainability of the Company.
6. To implement succession planning of the Chairmanship of the Board and key management positions that involve appointing, training, fixing the remuneration of, and where appropriate.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Board Leadership and Management (Cont'd)

7. To oversee the development and implementation of an investor relations and communications policy of the Company.
8. To review the adequacy and the integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.
9. Together with management takes responsibility to review the ESG strategies, management processes, initiatives, target and performance of the Funds with regards to ESG risks and opportunities.

The Directors are also able to take independent professional advice in the furtherance of their duties as necessary.

Number of Meetings and Board Attendance in 2023

During the year, there was 100% eligible attendance at all meetings at Board Committees of the Board and Committees. A total of 9 meeting were held in 2023, the attendance of each Director at Board Committees can be found at the Board Nomination and Remuneration Committee, Board Audit & Risk Committee, Board Investment Committee, and Board Sustainability Committee Reports on pages 113, 118, 125, and 128, respectively.

Similarly, all highlights of matters reviewed, deliberated and approved by the Board Committees during FY 2023 can be found on the same sections mentioned above.

Separation of Duties between the Chairman and the Chief Executive Officer

The primary responsibility of the Chair is to lead and guide the Board so that it can discharge its duties effectively. The Chair is responsible for promoting best practice in corporate governance and for overseeing the development, adoption, delivery and communication of an effective corporate governance model for the Company. The Board collectively develops and determines the Group's purpose, strategy and overall commercial objectives whilst ensuring adoption of policies and procedures that it considers appropriate having regard to its size and activities.

The CEO holds the principal responsibilities of reporting, clarifying, communicating, implementing and recommending key strategic and operational matters and proposals to the Board for approval as well as implementation policies and strategies and managing the business at an operational level, aimed at promoting a long-term value for the unitholders and stakeholders alike.

The respective roles of the Chairman and CEO are clearly defined and documented in the Board Charter to promote accountability and facilitate division of responsibilities between them and to further ensure a balance of power and authority, with no one individual having unfettered powers of decision.

Company Secretary

The Company Secretary, advises the Board and reports directly to the Chair on corporate governance matters, supports the Chair in the effective functioning of the Board and its Committees and facilitates the receipt by the Board of high-quality information in a timely manner. She also advises the Board on compliance and governance matters, helping to make sure that Board procedures and applicable rules and regulations are observed. Annual evaluation of the Group Secretaries based on the above roles will be carried out by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board Committees

The Committees for Audit and Risk, Remuneration and Nominations, Investment and Sustainability initiatives were established with delegated and clearly defined powers. The terms of reference for the Committees are reviewed annually.

The Chairman is not a member of any Board Committees.

During the year, the terms of reference for all the Committees were reviewed and the Board was satisfied they remain fit for purpose. Each Committee's terms of reference can be found at www.alaqar.com.my.

Board Evaluation

The Board conducts an annual Board Effectiveness Evaluation (BEE) on individual Directors's performance and the senior management team. This is to reinforce the Board's commitment towards the highest level of performance by their directors when fulfilling their responsibilities to stakeholders, and the continuous strive for excellence in governance. The BEE Report was tabled at the BNRC meeting on 22 November 2023. Summary of the report can be found on page 116 to 117.

Competencies and Skill Set

Members of the Board and the Senior Management are expected to possess the relevant knowledge, skills, competencies, functional and management experience, characteristics and mind-set to contribute effectively to the Board, as specified in the Fit and Proper Policy of the Company. Guidelines for the skill set of the Directors is summarised as below:

AREAS	COMPETENCIES
Knowledge and Understanding of the Business/ Industrial Strategies	• Experience in planning and developing corporate strategies for growth, assessing business performance, investment and financial decisions • Operates or has relevant industry experience in operating businesses • Competent and skillfull in financial aspects of running a business including the ability to read, analyse and interpret financial statements
Corporate Governance, Risk Management and Internal Controls	• Working knowledge on duties and responsibilities of the Board, Board Committees and Directors • Hands-on experience in the fields of governance, risks and controls • Ability to understand, interpret and effectively apply legislative and regulatory changes • Knowledge on legal, regulatory and business requirements in other countries/ regions in which the company operates

The Fit and Proper Assessment

The Board, through the BNRC, assessed competencies of the Directors, in accordance with the REIT Manager's Fit and Proper Policy on Key Responsible Persons as well as Declaration by Independent Directors on an annual basis.

Managing Conflict of Interest

The REIT Manager's policy requires that directors, officers and employees avoid any conflict between their own interests and the interests of the Group in dealing with suppliers, customers and other third parties, and in the conduct of their personal affairs, including transactions in securities of DRMSB, any affiliated or any non-affiliated organisation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Managing Conflict of Interest (Cont'd)

A member of the Board who directly or indirectly has by himself, his spouse or children, any interest in any matter under discussion by the Board shall disclose to the Board the existence of such interest and nature thereof. As such, a disclosure shall be recorded in the minutes of the Board, and after the disclosure:

(a) the member shall not take part nor be present in any deliberation or decision of the Board;
(b) the Director shall be disregarded for the purpose of constituting a quorum of the Board relating to the matter; and
(c) no act or proceedings of the Board shall be invalidated on the ground that any member of the Board has contravened the provisions of this section.

Continuing Education and Development

Directors play a critical role in guiding the strategy and operations of organisations, therefore, on-going education and development ensures that Directors are kept up-to-date on emerging trends, best practices, and regulatory requirements. Trainings and presentations attended and delivered by the Directors are specified in the Directors profiles on pages 86 to 92.

Board Remuneration

The Board acknowledges that MCCG 2021 emphasises that Directors' remuneration, which is well structured, clearly linked to the strategic objectives of a company, and rewards contribution to the long-term success of the company is important in promoting business stability and growth.

The REIT Manager has in place policies and procedures regarding remuneration and aims to set remuneration at level that is sufficient to attract, motivate, and retain the Directors needed to achieve the Company's long-term objectives, taking into consideration all relevant factors including the complexity of the Company's business and its performance, the skills and experience of the relevant Director and his or her responsibilities, contribution and commitment to the Company.

The Board Nomination and Remuneration policy is responsible to recommend and ensure the administration of a fair and transparent procedure for setting policy on the remuneration of directors and senior management. The remuneration packages are also designed on the basis of the directors' senior management's merit, qualification, and competence while having regard to the company's operating results, individual performance, and comparable market statistics.

As such, the Board complies with the remuneration policy set by the Johor Corporation Group of Companies.

Practice 8.1 of the MCCG 2021 requires a disclosure on directors' remuneration, where "*detailed disclosure on a named basis for the remuneration of individual directors and the remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind, and other emoluments*". The REIT Manager explained that the Board's nomination, and appointment remuneration is undertaken by the REIT Manager, a private company in the Johor Corporation Group, and not by the REIT. The appointment, re-appointment, and remuneration of a director of the Company are not subject to the approval by the unitholders of the listed funds. As such in this instance, the required disclosure does not apply to the REIT.

Senior Management Remuneration

The REIT Manager also adopts the DRMSB's Employee Salary Scheme as a guiding principle to provide a competitive level of total compensation to attract and retain qualified and competent staff. It is also driven primarily based on performance as specified in its Performance Management Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Senior Management Remuneration (Cont'd)

With regard to application of Practice 8.2 which requires disclosure *"on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments"*, the Board is of the view that such disclosure is not applicable and mandatory because the REIT Manager is not a listed entity; and the senior management's remuneration is paid by the REIT Manager.

Nevertheless, the Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the REIT's performance as it is benchmarked against the market. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmarking.

Driving Sustainability

The Board Sustainability Committee (BSC) together with Senior Management takes responsibility for the governance of sustainability in setting the company's sustainability strategies, priorities, and targets.

Further, the Board is cognizant of the philosophy promoted by MCCG 2021, effective board leadership and oversight also require the integration of sustainability considerations in corporate strategy, governance and decision-making. As ESG is gaining importance, the BSC has been mandated with oversight functions on ESG including climate change risk.

The REIT Manager has established the Sustainability Management Committee (SMC) at the management level, which is led by the CEO and comprises the management team of the REIT Manager, the Property Manager, and its counterparts. The SMC is dedicated to managing sustainability strategically, including the integration of sustainability considerations in the operations.

Further, the advocating sustainability initiatives have been embedded in the performance evaluations of the Board and senior Management in line with Practice 4.4 of the MCCG 2021. The Board also ensures that they stay abreast with and understand the sustainability issues, hence all Directors are required to attend the Mandatory Sustainability Onboarding Programme for Directors of PLCs by the end of 2024.

Gender Diversity and Inclusion

The company has long understood the importance of diversity and inclusion. The commitment to diversity is embedded in our Sustainability Policy that sets out DRMSB's values. The composition and quality of the Board should be in keeping with the size and its investment portfolio, business direction, and status as the REIT Manager of two listed Funds. A diverse Board with a range of views enhances decision-making, which is beneficial to the Manager's/ Fund's long-term success in the interests of the stakeholders.

To date, the REIT Manager's Board composition comprises one female Director, Ms Lailatul Azma Abdullah who was appointed as Independent Non-Executive Director on 16 December 2022. In this respect, the Board has complied with Bursa Malaysia's requirement to have at least one woman director by 2023.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

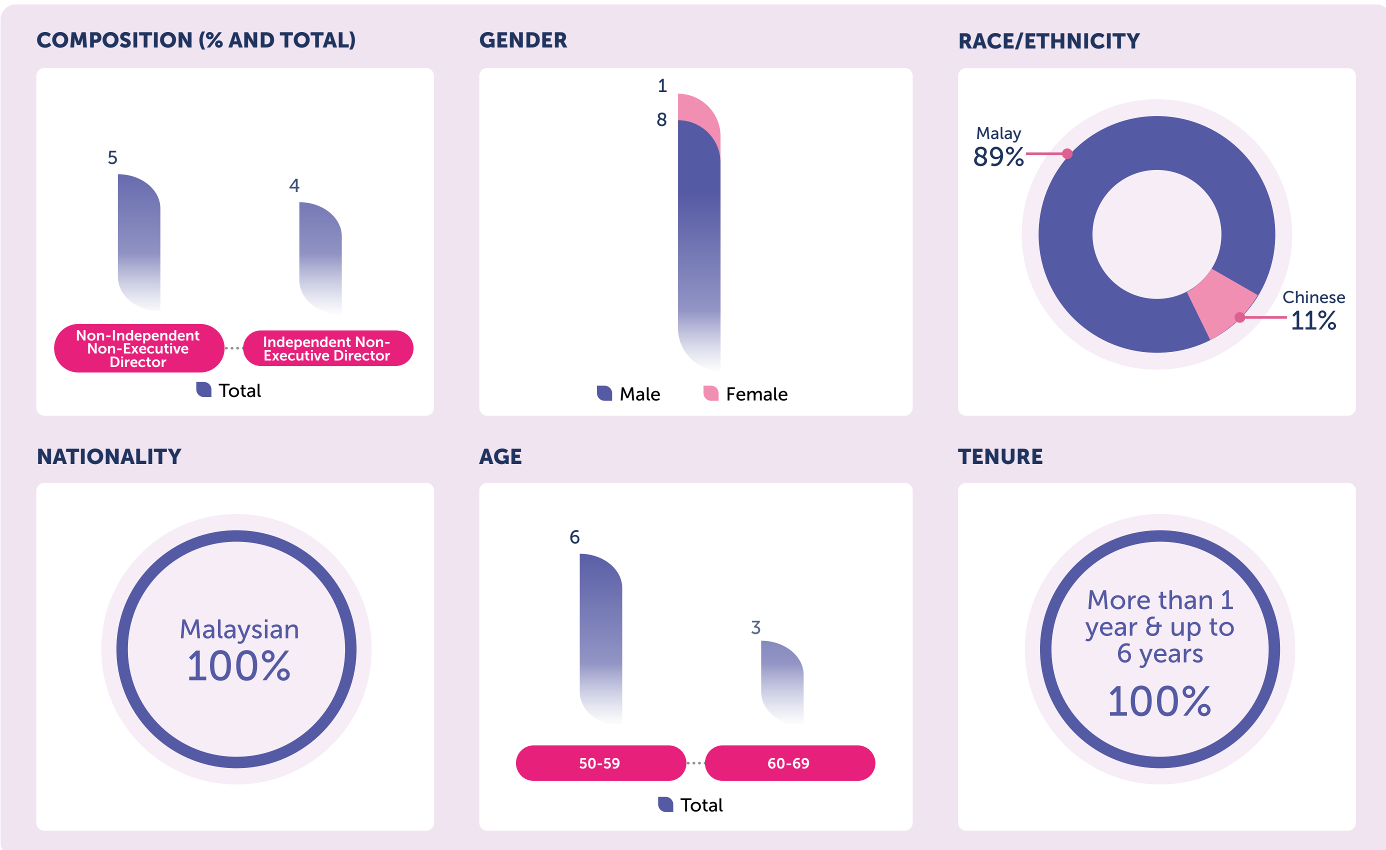
Gender Diversity and Inclusion (Cont'd)

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board Nomination and Remuneration Committee ("BNRC") reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition, BNRC will consider the benefits of all aspects of diversity to maintain an appropriate range and balance of skills, experience, and background on the Board and with due regard for the benefits of diversity on the Board. It also oversees the conduct of the annual assessment of Board effectiveness. As part of the annual performance evaluation of the effectiveness of the Board, Board Committees, and individual Directors, the BNRC will consider the balance of skills, experience, independence, and knowledge on the Board and the diverse representation of the Board.

The Board takes cognizant of the Main Market Listing Requirement which requires the promotion of greater diversity and inclusivity in Board Composition; and currently, one female Director is already on Board. The Board is also aware that Clause G5.9 of the MCCG 2021 states that *"All boards should comprise at least 30% women directors"*. The BNRC has identified and shortlisted the candidates to fill in the position and is currently in the final stage of selecting and recommending the appropriate candidates to Board and the Shareholders for their ultimate approval. It is expected that the 30% target will be met by 2026.

As such, with respect to Practice 5.9 of the MCCG, the REIT Manager's Departs from the Practice. 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 judgment.

As at 31 December 2023, the Board composition and diversity is depicted below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Independence of External Auditors

The External Auditors play an essential role to the shareholders by enhancing the reliability of the financial statements and giving such reliability assurance to users of these financial statements. The Board Audit and Risk Committee (BARC) manages the relationship with the External Auditors on behalf of the Board. The BARC reviews and considers the re-appointment, remuneration and annually assessed the independence and objectivity of the external auditors during the year and before any appointment of the external auditors. The evaluation process involving the track record and prior performance of the external auditor's centres around the areas below:

- The competency, audit quality, and resource capacity of the external auditor in relation to the audit;
- Quality of the audit process, scope and planning;
- Effectiveness of the audit communications;
- Auditors' independence and objectivity;
- The nature and extent of the non-audit services rendered and appropriateness of the level of fees;
- Written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement following the terms of all relevant professional and regulatory requirements

The results of these assessments formed the basis of the BARC's appointment of External Auditors. The assessment takes into account the feedback from the Head of Finance of the REIT Manager, focusing on a range of factors that are considered relevant to audit quality.

The BARC meets with the External Auditors regularly to discuss their audit plans and audit findings in relation to the financial statements. Private sessions between the BARC and the External Auditors were held without the presence of Management at least twice a year to discuss any other matters the external auditors may wish to highlight and to ensure that there were no restrictions in the scope and performance of their audit activities.

In addition, the External Auditors are invited to attend the Annual General Meeting and be available to answer unitholders' inquiries on the conduct of the statutory audit and preparation of their audit report. The External Auditors have confirmed their independence and that no circumstances and relationship create threats to their independence and that the ethical requirements have been complied with.

The BARC was satisfied with the independence of the present external auditor based on the quality of audit, performance, competency, and sufficiency of the resources that the Internal Auditor provided to the Fund.

Internal Audit Function

The REIT Manager has entered into an outsourcing arrangement with PKF Risk Management Sdn Bhd (PKF) to carry out its internal audit function. To preserve the independence and objectivity of Internal Auditor, the PKF reports functionally to the BARC and administratively to the CEO and Compliance & Risk Department and is independent of the business activities or operations of the REIT Manager.

PKF's authority, scope, and responsibilities are governed by its Audit Charter which is approved by the BARC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Internal Audit Function (Cont'd)

PKF serves as an important source of reasonable assurance and advice for the BARC concerning areas of weaknesses or deficiencies in internal control processes to facilitate appropriate remedial improvements by the Management. PKF also carries out investigative audits where required.

The appointed internal auditor independently and objectively reviews the effectiveness of the internal control structures over the Group activities focusing on high-risk areas as determined using a risk-based approach. All high-risk activities in each auditable area are audited annually following the BARC-approved Internal Audit Plan.

The audit reports which provide the findings and results of the audit conducted are discussed with the Management and presented to the BARC for review and deliberation. Key control issues, significant risks, and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable.

The BARC executes its oversight function by reviewing and deliberating on the audit issues, audit recommendations as well as Management's responses to these recommendations. Where appropriate and applicable, the BARC directed the Management to take cognizance of the issues raised and established necessary steps to strengthen the system of internal control based on PKF's recommendations.

To ensure effective management and independence of BARC, the BARC is empowered by its TOR to:

(a) Convene meetings with the Internal Auditor without the attendance of any executive, whenever deemed necessary.
(b) Approve, then inform the Board of the appointment of the Internal Auditor; and
(c) Review and assess the performance of the Internal Auditor.

The BARC is satisfied that the PKF has been effective and able to discharge its duties and responsibilities.

Risk Management

Risk management remains the responsibility of the Board. The BARC has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management system. Risk management is reviewed at the BARC and the Board meetings as part of the formal Board process. The Board has identified and evaluated the significant risks faced by the REIT in delivering its strategy. Details of the principal risks identified are set out in the MDNA on pages 34 to 37 of the 2023 Annual Report. The BARC meets quarterly specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and the progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board.

The Enterprise Risk Management Committee (ERMC) supports the BARC in implementing, monitoring, and assessing the mitigation actions of the identified risks.

The Board is satisfied that the BARC has demonstrated an appropriate level of vigilance and diligence towards, among others, the detection of any financial anomalies or irregularities in the financial statement. The full details of the BARC activities in 2023 are elaborated in the Annual Report on pages 118 to 124.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Stakeholders Engagement

The Board seeks to engage with all stakeholders to maintain a mutual understanding of objectives between them and the Company and to manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors.

The REIT's business model also relies on developing and maintaining strong relationships with the REIT's unitholders, the REIT Managers shareholders, employees, third party service providers, contractors, suppliers and regulatory authorities.

The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business. Stakeholder engagement and feedback is taken seriously throughout the company. As such the Annual General meeting functions as the main platform for all stakeholders to interact and communicate effectively with respect to financial and operation performance, strategic direction of the REIT, and long-term strategies.

The AGM notice was dispatched to shareholders not less than twenty-eight (28) days before the AGM. Shareholders were given ample time to consider the resolutions that will be discussed at Annual General.

Open communication is made with all the Group companies and employees. DRMSB places considerable value on open communication and the involvement of employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the REIT and the REIT Manager. This is achieved through formal and informal meetings, information available on the Company's website, and annual and semi-annual town halls held a fixed intervals.

The Group also engages with regulators and government agencies, for example in response to consultations or proposals and new projects ventures. Examples of the engagement initiatives are shown in the table below:

STAKEHOLDERS	ENGAGEMENT AND INITIATIVES
Investment Community (Unitholders, Analysts, Fund Managers)	• Statutory announcement • Annual General Meeting • Roadshow • Investors and analysts briefing • Corporate website • Social media
Media	• Media interview • Media release and press statements • Corporate website • Social media
Government, local authorities and regulators	• Engagement meeting • Consultation papers • Engagement through MRMA • Maintain rapport with local authorities

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Stakeholders Engagement (Cont'd)

The Group also engages with regulators and government agencies, for example in response to consultations or proposals and new projects ventures. Examples of the engagement initiatives are shown in the table below: (Cont'd)

STAKEHOLDERS	ENGAGEMENT AND INITIATIVES
Tenants and lessees	• Periodic meetings • Surveys and feedbacks • Rental support programme • Marketing support and promotional activities
Suppliers and contractors	• Supplier ESG Assessments • Procurement Committee and Tender interview • Supplier evaluation and audit
Employees	• Townhalls • Employee engagement dialogue • Climate Surveys • 360 degrees performance appraisal • Flexible work arrangement • Upskilling and reskilling programmes
Communities	• Customers' surveys • CSR programme

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FUTURE TARGETS & PRIORITIES

Realising the increasing strategic importance of Sustainability and and developing talent toward building future leaders to ensure business continuity in the long run, the REIT Manager has set the following targets:

1. Driving Sustainability: Enhancing and implementation of ESG/Sustainability initiatives

ESG (Environmental, Social, Governance)

Environment

- Renewable energy
- Energy efficiency
- Sustainable waste management
- Clean transportation
- Green buildings
- Affordable housing
- Employment generation/SME

Social

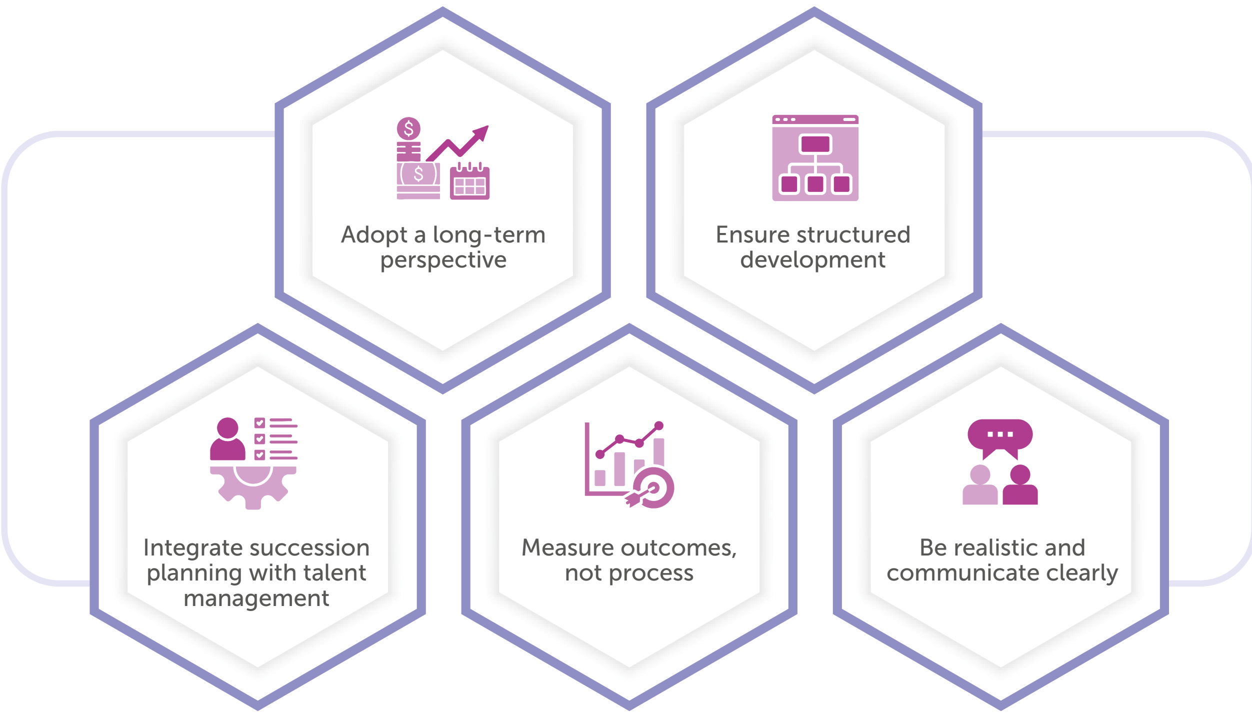
- Occupational Safety and Health Committee
- Diversity and equal opportunity
- Talent attraction and development
- Promote work-life balance
- Corporate Social Responsibilities

Governance

- High business ethics and integrity
- Anti Money Laundering Counter Financing of Terrorism Framework
- Enterprise Risk Management
- Anti Bribery and Corruption Programme
- Code of conduct
- Whistleblowing Programme

2. Succession Planning: Develop a comprehensive succession planning for Senior Management

SUCCESSION PLANNING BEST PRACTICES



BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

The establishment of the Board Nomination and Remuneration Committee ("BNRC") is mandated for listed issuers under Bursa Malaysia's Main Market Listing Requirements. 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 (Resigned w.e.f 5 July 2023)
Abdullah bin Abu Samah (Member)	Independent Non-Executive Director	10 March 2021
Shamsul Anuar bin Abdul Majid (Member)	Non-Independent Non-Executive Director	Appointed w.e.f 5 July 2023

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

MEETINGS HELD DURING FY 2023

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.

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 2023 (CONT'D)

During the financial year, the meetings held are as follows:-

BNRC Members	16/01/2023	01/06/2023 (special)	23/08/2023	22/11/2023
Datuk Hashim bin Wahir	✓	✓	✓	✓
Dato' Wan Kamaruzaman bin Wan Ahmad	✓	✓	N/A	N/A
Abdullah bin Abu Samah	✓	✓	✓	✓
Shamsul Anuar bin Abdul Majid	N/A	N/A	✓	✓

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:***

  a) Recommend to the Board the policy for the remuneration of the Company's Directors;

  b) Determine the total individual remuneration package of the CEO/Executive Director, including bonuses, share-based incentive awards, and other elements of their remuneration;

  c) Determine and recommend the Key Performance Indicators and/or performance score-card for the CEO and the Company;

  d) 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***

  a) 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.

  b) 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 that 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 organise, 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 30% female presence on the Board 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, authorise 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 BNRC IN FY 2023

In 2023, 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 four (4) meetings to consider the significant matters and report the results to the Board of Directors that can be summarised as follows:

a) Establishment of Key Performance Indicators (KPIs) of the Company as well as the CEO based on the approved strategic planning;

b) Review of the Company's organisation structure that can support the growth and target of the Fund;

c) Review of the Board/Board's Committees composition and establishment of the Board Sustainability Committee;

d) Compliance with the requirement in relation to gender diversity (woman director) on the Board;

e) Review of the performance evaluation on the Board of Directors;

f) Succession planning of the company secretary; and

g) Review of the Company's employees' satisfaction survey.

In this regard, the BNRC has performed its duties independently in accordance with good corporate governance principles and ensuring transparency to 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 2023, 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:

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.

CONCLUSION

During the financial year 2023, 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 2024.

THE BOARD AUDIT AND RISK COMMITTEE REPORT

The Board Audit and Risk Committee ("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 Board of Directors ("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 both the organisation's 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 Main Market Listing Requirement ("MMLR"), the composition of the BARC is as follows:

Members

1. Abdullah bin Abu Samah
   Chairman/Independent Non-Executive Director

2. Dato' Sr Akmal bin Ahmad
   Non-Independent Non-Executive Director

3. Lailatul Azma Binti Abdullah
   Independent Non-Executive Director *(appointed on 5 July 2023)*

4. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director *(resigned on 5 July 2023)*

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

On 5 July 2023, Dato' Wan Kamaruzaman bin Wan Ahmad resigned from being a members of the BARC.

Lailatul Azma binti Abdullah, an independent non-executive Director was appointed as a member of the BARC effective 5 July 2023.

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 fulfil the requirements as prescribed in the Listing Requirement.

The Board of Directors, via the Board Nomination and Remuneration Committee ("BNRC"), annually reviews the terms of office and performance of the BARC and its members through an effectiveness evaluation exercise. The BNRC assessed the BARC's performance for the financial year ended 31 December 2023 and was satisfied that the BARC and its members have discharged their functions, duties, and responsibilities in accordance with the BARC's Terms of Reference.

THE BOARD AUDIT AND RISK COMMITTEE REPORT

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

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

The BARC held four (4) regular meetings during the financial year ended 31 December 2023 which were attended by all members.

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

NO	BARC Members	Date of Meetings			
		2 Feb 2023	18 May 2023	17 Aug 2023	16 Nov 2023
1	Abdullah bin Abu Samah	✓	✓	✓	✓
2	Datuk Sr Akmal Bin Ahmad	✓	✓	✓	✓
3	Lailatul Azma Binti Abdullah (Effective on 5 July 2023)	N/A	N/A	✓	✓
4	Dato' Wan Kamaruzaman Bin Wan Ahmad	✓	✓	N/A	N/A

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 FINANCIAL YEAR

The BARC shall meet at least 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 were 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 2023 in the discharge of its functions and duties:-

Overseeing Financial Reporting

(a) At the meeting held on 2 February 2023, the External Auditors presented to the BARC the results of the FYE2022 audit conducted on Al-`Aqar Healthcare REIT where significant audit matters listed below are discussed:

i. Valuation of investment properties
ii. Expected credit losses of trade receivables
iii. Going concern considerations and compliance with loan covenants

THE BOARD AUDIT AND RISK COMMITTEE REPORT

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

Overseeing Financial Reporting (Cont'd)

(b) Reviewed the audited financial statements of Al-`Aqar Healthcare REIT 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 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.

(c) Reviewed at every quarterly meeting held in FYE2023, 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.

(d) 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.

(e) 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.

(f) Kept abreast on the application of the new accounting standards, i.e. Malaysian Financial Reporting Standards ("MFRS").

(g) 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 FYE2023.

DESCRIPTION	EFFECTIVE FOR ANNUAL PERIOD 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: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023

External Audit

(a) Reviewed and discussed with External Auditors on 16 November 2023 the audit planning memorandum for FYE2023 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 REIT; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

THE BOARD AUDIT AND RISK COMMITTEE REPORT

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

External Audit (Cont'd)

(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.

(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 2023 amounted to RM330,000.

(g) Met with the External Auditors without executive Board members and Management on 2 February 2023 and 16 November 2023 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 SORMIC which had been reviewed by the External Auditors is set out on pages 131 to 144 of this Annual Report.

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 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) Discussions with the Compliance & Risk Department, to provide assurance of the soundness of internal control systems and activities of the REIT and the REIT Manager.

THE BOARD AUDIT AND RISK COMMITTEE REPORT

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

Internal Audit (Cont'd)

(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 Statement on Risk Management and Internal Control ("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 REIT'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 REIT's assets.

Risk Management and Internal Control

(a) Reviewed quarterly top risk profiles which covers Strategic, Finance, Operational and Compliance Risks and deliberated on the significant threats and opportunities, including status and adequacy of mitigation strategies.

(b) Discussed the improvements to the Enterprise Risk Management framework and process to ensure proactive and holistic risk identification, and monitoring of mitigation actions to reduce risk impact to an acceptable level.

(c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2023.

(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) Ensured 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 131 to 144 (SORMIC of this Annual Report). Details in respect of the principal risks and uncertainties are set out on pages 24 to 37 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.

THE BOARD AUDIT AND RISK COMMITTEE REPORT

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

Compliance

(a) Monitored and reviewed the status and outcomes of the Quarterly Compliance Report which seeks 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 noncompliance.

(b) Deliberated on the results of compliance cases and directed Management to implement and/or enhance controls to prevent recurrence, including conducting education programmes to increase awareness.

(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 a 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 Related Party Transactions ("RPT") and Recurrent RPT of a Revenue or Trading Nature ("RRPT") & 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 REIT/ unitholders, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders, and recommended the same for approval of the Board.

(b) Reviewed the annual Shareholders' Mandate in relation to recurrent related party transactions of a revenue or trading nature for Shareholders' 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 REIT with related parties ("RRPTs").

(c) Ensured 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 Manager 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 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.

Other Activities

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

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

THE BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	2 Feb 2023	18 May 2023	17 Aug 2023	16 Nov 2023
Financial Reporting				
Full year results (2022)	✓			
Interim results	✓	✓	✓	✓
Consideration of new accounting standards	✓			
Internal audit				
Internal audit plan	✓			
Internal audit reports	✓	✓	✓	✓
Internal audit effectiveness and independence	✓			
External audit				
External audit plan				✓
External audit reports (FYE 2022)	✓			
External audit effectiveness and independence		✓		
Risk				
Risk Registers	✓	✓	✓	✓
RRPT				
Quarterly Review	✓	✓	✓	✓
Annual Report				
Review of SORMIC and BARC Report	✓			
Other Matters				
Internal Control, Regulatory, Compliance Activities / Issues	✓	✓	✓	✓
Business Continuity Management	✓	✓		✓

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 REIT 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. Shamsul Anuar bin Abdul Majid
   Chairman/Non-Independent Non-Executive Director
   (Appointed as Chairman w.e.f. 5 January 2024)

2. Abdullah bin Abu Samah
   Independent Non-Executive Director

3. Ng Yan Chuan
   Non-Independent Non-Executive Director
   (Appointed w.e.f. 4 September 2023)

4. Datuk Hashim bin Wahir
   Independent Non-Executive Director
   (Appointed w.e.f. 5 January 2024)

5. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director
   (Resigned w.e.f. 5 January 2024)

SECRETARIES

1. Nuraliza Abd binti Rahman
2. Rohaya binti Jaafar

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 Board Nomination and Remuneration Committee ("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 2023 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 one (1) special BIC meetings during the financial year ended 31 December 2023 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				
	15 Feb 2023	18 May 2023	16 Aug 2023	19 Sep 2023 (Special)	16 Nov 2023
1 Dato' Wan Kamaruzaman bin Wan Ahmad	✓	✓	✓	✓	✓
2 Shamsul Anuar bin Abdul Majid	✓	✓	✓	✓	✓
3 Abdullah bin Abu Samah	✓	✓	✓	✓	✓
4 Ng Yan Chuan *(Appointed w.e.f 9 September 2023)*	N/A	N/A	N/A	✓	✓

TERMS OF REFERENCE

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

Objectives

(a) Making recommendations to the Board on all acquisitions, investments and disposals;
(b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
(c) Reporting and recommending to the Board any corporate exercise, including the issuance of new REIT units; and
(d) 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:

(a) Reviewing all proposals regarding investments, dispositions, financings (and other relevant transactions) (strategic transactions);
(b) To make recommendations on any other matters to the Board;
(c) To review and monitor approved strategic transactions or other matters;
(d) 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.

(e) Carrying out other duties as may be determined from time to time by the Board.

BOARD INVESTMENT COMMITTEE REPORT

MATTERS DISCUSSED BY THE BIC IN THE FY 2023

The BIC has undertaken the role of reviewing, recommending and monitoring to the Board pertaining to all proposals including strategic transactions i.e., 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.

The following are key matters discussed by the BIC during the FY 2023:

INVESTMENT (ACQUISITION & DISPOSAL)

The BIC has reviewed proposals of proposed acquisitions of shariah-compliant real estate 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. Properties to be acquired are expected to at least maintain or enhance the earnings of the REIT fund.

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 maximise 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 respective 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 do not meet certain criteria set beforehand and may require to be recapitalised to achieve portfolio optimisation 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 respective relevant industries.

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	15 Feb 2023	18 May 2023	16 Aug 2023	19 Sep 2023 (Special)	16 Nov 2023
Investment	✓	✓	✓		✓
Asset Management	✓	✓	✓	✓	✓
Capital Management	✓	✓	✓	✓	✓
Portfolio Monitoring	✓	✓	✓		✓

BOARD SUSTAINABILITY COMMITTEE REPORT

The Board, set up the Board Sustainability Committee ("BSC") in August 2023 to enable greater focus and in-depth discussions at the highest level on material sustainability and climate-related matters that have been identified within the Real Estate & Infrastructure Division ("REID") of JCorp. The setting up of the BSC will enable the REIT Manager to embed sustainability elements within the REIT's core functions and to ensure coherence in making sustainability a key consideration in setting the REIT's strategic direction and making business decisions. Prior to 2023, the Board of DRMSB had direct oversight of sustainability matters.

The primary role of the BSC is to assist the Board in driving the REIT's sustainability and climate-related agenda and providing oversight of material Environmental, Social and Governance ("ESG") matters across the Group's business strategies, operations, and decision-making process.

Apart from the BSC, the BARC also deals with sustainability-related issues. The roles that they play are detailed out below:

Board Sustainability Committee	Board Audit and Risk Committee
• Oversees the development and implementation of strategies including sustainability strategies. • Also oversees the business plans and key initiatives having regard to sustainability considerations, in line with the MCCG.	• Oversee the risk management framework and policies, which includes keeping abreast with new or emerging trends, as well as reviewing, monitoring and assessing the control effectiveness of the key risks such as sustainability- and climate-related risks. • Also oversees the Compliance, Business Continuity Management ("BCM"), and Integrity and governance functions.

COMPOSITION

The Board Sustainability Committee composition is as shown below:

Members

1. Lailatul Azma binti Abdullah
   Chairman/Independent Non-Executive Director

2. Datuk Hashim bin Wahir
   Independent Non-Executive Director

3. Ng Yan Chuan
   Non-Independent Non-Executive Director

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

All members have extensive leadership experience and a strong understanding of sustainability matters. Lailatul Azma binti Abdullah and Datuk Hashim bin Wahir have both completed the Mandatory Accreditation Programme Part II: Leading for Impact (LIP), which aims to provide directors with the foundation to address sustainability risks and opportunities effectively and exert better oversight over companies' material sustainability matters. Ng Yan Chuan is set to complete the above training in 2024.

The BSC members were appointed by the Board. The Board elected a chairman who is an independent director and who is not the Chairman of the Board.

BOARD SUSTAINABILITY COMMITTEE REPORT

COMPOSITION (CONT'D)

The Board via the BNRC and the Chairman of the BSC herself, annually reviews the terms of office and performance of the BSC and its members through an effectiveness evaluation exercise. The BNRC assessed the BSC's performance for the financial year ended 31 December 2023 and was satisfied that the BSC and its members have discharged their functions, duties, and responsibilities under the BSC's Terms of Reference.

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

The BSC shall meet at least four times annually or such other intervals as the Committee shall decide, of which one-third of the attendance of the committee present shall form a quorum.

The BSC held two regular meetings during the financial year ended 31 December 2023 which were attended by all members. During the financial year, the details of attendance are as follows:

No	BSC Members	17 Aug 2023	15 Nov 2023
1	Lailatul Azma binti Abdullah	first meeting ✓	✓
2	Datuk Hashim bin Wahir	✓	✓
3	Ng Yan Chuan	✓	✓

Terms of Reference

The duties and responsibilities of the BSC 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

Following our strategic planning cycle, the REIT conducts a comprehensive materiality analysis every three years, to identify, understand and prioritise the economic, environmental, and social matters that are significant to our business and stakeholders. The materiality assessment approach represents a core component of the sustainability management process as it helps to align business strategies, performance management, and reporting.

The BSC also carries out an annual pulse check on the material matters to ensure the issues identified reflect evolving stakeholder priorities and value/impact creation potential, as well as anticipate relevant megatrends. The latest comprehensive materiality assessment was conducted in the year under review.

In summary, the BSC has carried out the following work during the financial year ended 31 December 2023 in the discharge of its functions and duties:

1. Discussed the assessment of Common and Sector Specific Material Sustainability Matters as per requirements under the Bursa's Sustainability Reporting Guide and monitor and track the ESG initiatives under the identified categories.

BOARD SUSTAINABILITY COMMITTEE REPORT

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR

In summary, the BSC has carried out the following work during the financial year ended 31 December 2023 in the discharge of its functions and duties (Cont'd):

2. Reviewed and evaluated ESG-related risk including climate change risks via assessment of environmental, economic, and social impact by monitoring the use of resources, waste management, and biodiversity impacts (if any) in its acquisition, AEI, expansion and upgrading of existing assets, selection of tenants and vendors, etc.

3. Monitored Health and safety including the physical and mental well-being of the employees, part-time employees, and contractors as well as the security of the Company's assets.

4. Reviewed policies including ethnic and gender diversity (as per the Company's policy on diversity and inclusion) at the workplace and Boardroom.

5. Supported a healthy working environment by promoting a work-life balance and mental health.

6. Encouraged giving-back programmes to communities including community volunteerism and charitable donations.

7. Ensured ethical business conduct via enforcement of policies such as Code of Business Ethics, Anti-Bribery and Corruption, Whistleblowing and No Gift & Entertainment.

8. Ensured that sustainable developments including the use of environmentally responsible materials in the Company's development projects and the incorporation of sustainable practices throughout the lifecycle of a property.

9. Monitored and track the ESG initiatives in Supply Chain Management System and processes.

10. Evaluated and endorsed proposals on ESG initiatives for the Board's approval.

11. Reviewed the Sustainability Statement, for inclusion in the Annual Report.

Summary of Matters Discussed by the BSC during the Year under Review

ITEMS DISCUSSED	16 AUG 2023	15 NOV 2023
Review of Sustainability Policy/Framework	✓	
Status Updates on Materiality Matters	✓	✓
Strategic Planning: ESG Roadmap and Action Plan	✓	✓
GBI certification of properties/buildings	✓	✓
Implementation of the Green Lease Programme		✓
ESG Compliance with Company Policies and Statutory Requirements	✓	✓
ESG Training Needs and Competency Enhancements	✓	✓

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Highlights

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 Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities and taking into consideration the recommendations of the MCCG 2021.

This Statement was prepared in compliance with Recommendation 6.1 states that the board should establish a sound framework to manage risk, which among others, also outlines the role of the Board, the CEO, and the CFO in:

- Determining the company's level of risk tolerance and actively identifying,
- Assessment and monitoring key business risks to safeguard shareholders' investments and the company's assets;
- Demonstrating commitment towards to articulating, implementing, and reviewing the company's internal control system;
- Implementing periodic testing of the effectiveness and efficiency of the internal control procedures and
- Processes must be conducted to ensure that the system is viable and robust; and
- The board should disclose in the annual report the main features of the company's risk
- Management framework and internal control system.

The Board is satisfied that the REIT Manager:

- Has applied all processes for identifying, evaluating, and managing the significant risks faced by the company in its achievement of objectives and strategies;
- Has reviewed the risk management and internal control system and confirmed that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review;
- Has undertaken a review of the adequacy and effectiveness of the risk management and internal control system;

The board confirmed that it has received assurance from the CEO and the Head of Finance on whether the company'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.

BOARD'S RESPONSIBILITIES

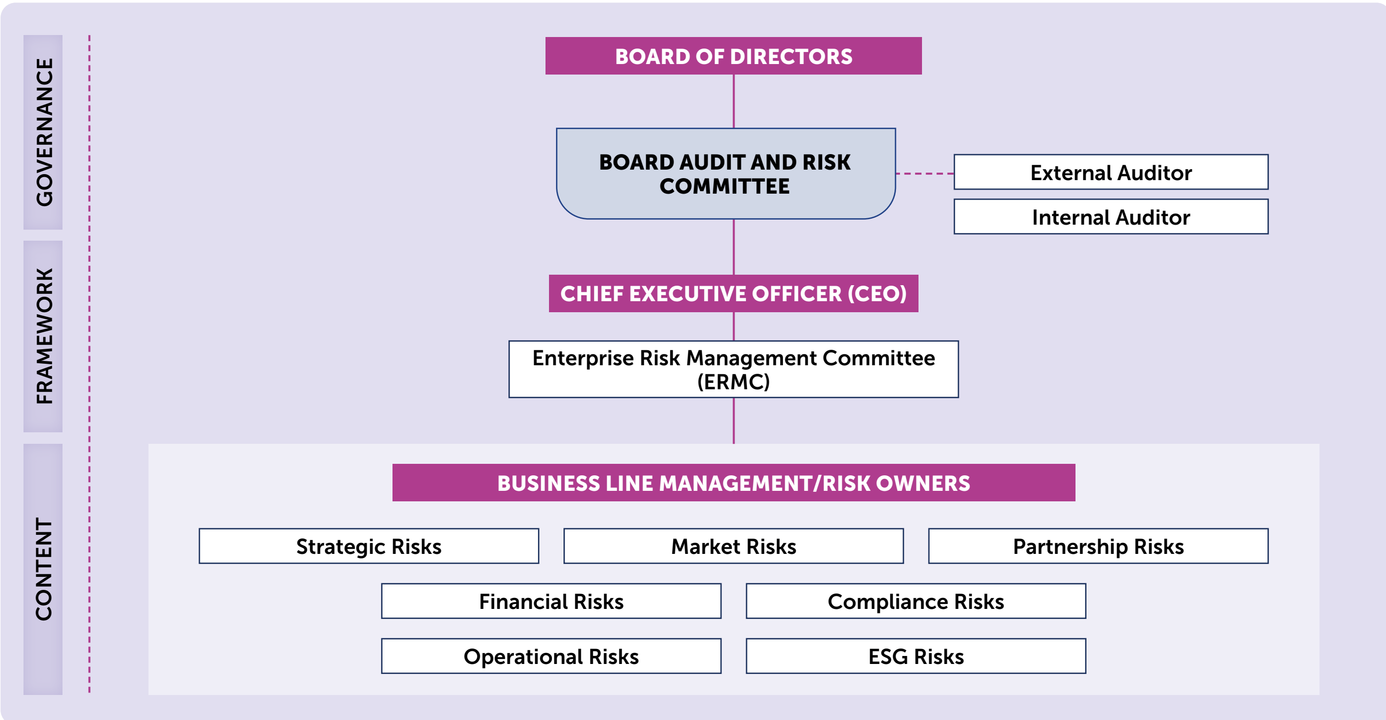
The board of directors and senior management practices risk management as an integral part of objective setting and optimisation of performance. To achieve a sound system of risk management and internal control, the board and management ensure that the risk management and control framework is embedded into the culture, core processes, and structures of the company. The framework is designed to be responsive to changes in the business environment, focussed on effective risk oversight and setting the tone and culture towards effective risk management and internal control.

The Board's approach towards overseeing the Group's risk management framework and internal control systems is by designing the REIT's risk appetite within the acceptable level of tolerance set by the Board and Management, rather than eliminating totally the risks of failure, in order to achieve the goals and objectives in generating potential returns to unitholders and ensuring a stellar financial performance of the REIT.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

THE GOVERNANCE STRUCTURE

The Governance Structure for the Risk Management and Internal Control is depicted below:



The governance structure dictates the segregation of the roles and responsibilities of the Board, BARC, the ERMC and other key personnel; which 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	• 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

Internal Audit	
Responsibilities	• Provide independent assurance design and effectiveness on an organisation's risk management, governance and internal control processes are operating effectively. • Assurance about design and effectiveness
Process	Perform risk-based internal audit and independent reporting to Management and BARC

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

ERMC/ Compliance & Risk Management Department

Responsibilities	• 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	Monitors the consistent enforcement of ERM policy, reviews and endorses risk parameters, risk appetite, risk profile, and treatment options and risk action plans.

Business Line Management/ Risk Owners

Responsibilities	• The Senior Management is 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 Board also carries out an annual assessment of risk management and internal control on all significant aspects of risks and internal control of the REIT in its Strategic Planning report, particularly on:

- The nature and extent of significant risks, in the current and upcoming years;
- The company's ability to respond to changes in its business and the external environment;
- The work of its internal audit and risk management (where applicable) units and other assurance providers;
- The incidence of significant control failings or weaknesses that were identified at any time and their impact on the company's performance or condition (financial or otherwise);
- Any events that impacted the achievement of objectives that were not anticipated by management; and
- The adequacy and effectiveness of the risk management and internal control policies as a whole.

RISK MANAGEMENT

Board Audit and Risk Committee (BARC)

The review of the effectiveness of risk management and internal control is carried out at least quarterly. The board delegates its role in the review process to the Audit and Risk Committee (BARC), which is chaired by an Independent Director who is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The board as a whole, is committed and responsible for the execution of the delegated role of the BARC primarily related to the outcome of the review and disclosure of key risks and internal control.

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 risk-based Corporate Governance practices. The Terms of Reference (ToR) and main duties of the BARC about risk management are detailed on the website at www.alaqar.com.my.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT (CONT'D)

Board Audit and Risk Committee (BARC) (Cont'd)

The main responsibilities of the BARC are (Cont'd):

- 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 with the Board Investment Committee, after deliberation with the Management also sets the risk appetite parameters revolving around key risk areas: Strategic, Finance, Operations, Compliance, Market, Partnerships, and ESG (Environmental, Social, and Governance) Risks.

The Enterprise Risk Management Committee

The Enterprise Risk Management Committee (ERMC) supports the BARC in carrying out its oversight role. The ERMC ensures implementation and compliance with the Enterprise Risk Management Frameworks, enterprise risk management programmes, and monitoring of risk mitigation performance. The ERMC also sets the strict direction for risk roles, responsibilities, and risk reporting structures within the organisation.

The ERMC meeting, is chaired by the Chief Executive Officer (CEO) and comprise of respective head of departments and/or Risk Owners. The function of the ERMC 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.

The discussions relating to risk management, and risk profiles are carried out through the ERMC which sits every quarter. Apart from focusing on risk management and external/internal audit matters, the ERMC also monitors Business Continuity Management Issues and Whistle-blowing channels. To ensure transparency and objectivity concerning whistle-blowing and fraud detection, all reports will be channelled directly to the Integrity Officer and the Chairman of the BARC.

The ERMC and the BARC, when reviewing the management reports, assesses the following:

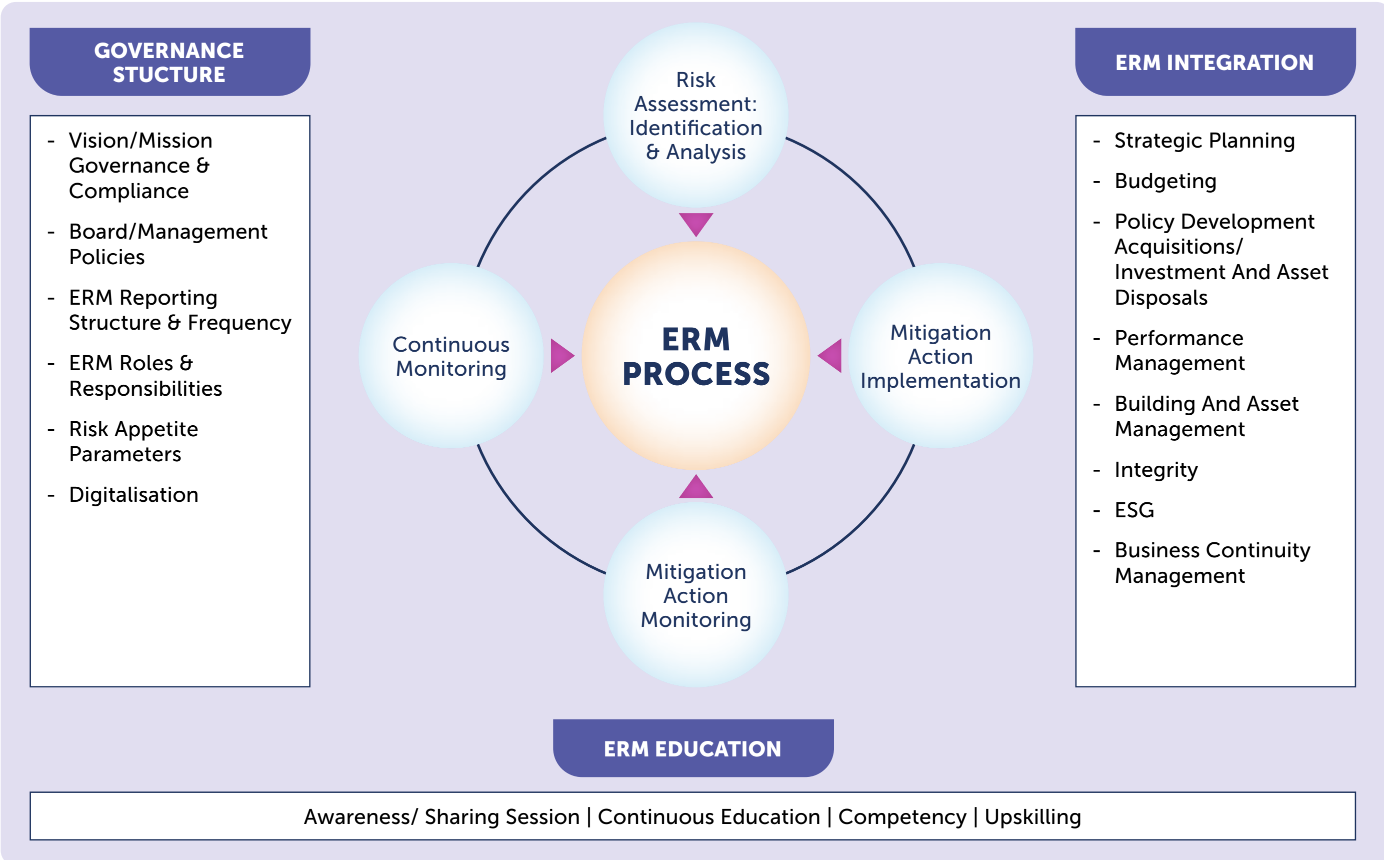
- Consider what the significant risks are and assess how they have been identified, evaluated and managed;
- Assess the effectiveness of the related system of internal control in managing the significant risks, having regard in particular to any significant failings or weaknesses in internal control that have been reported;
- Consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses;
- Consider whether early warning indicators are in place to alert management of potential risk events and whether these indicators have been effectively communicated throughout the company;
- Assess whether management's processes provide reasonable assurance that significant risks which impact the company's strategies and objectives are within levels appropriate to the company's business and approved by the board.
- Consider whether the findings indicate a need for more extensive monitoring of the system of risk management and internal control; and
- Evaluate the possibility of emerging risks likely to happen in the future and the need to put in place the appropriate controls.

The ERMC makes periodic reports to both the BARC risk management issues/ mitigation actions undertaken to keep the BARC apprised and advised of all aspects of the enterprise risk management, and significant risks and risk trends.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management (ERM) Framework

The framework was designed towards a sound system of risk management and internal control which are responsive to changes in the business environment, industrial trends, and the governance eco-system.



The objectives of ERM Framework are to ensure:

- A common and consistent approach for the management of risks is adopted within DRMSB;
- The management of risk contributes to the quality of performance and continuous improvement of DRMSB businesses, its operations, and delivery of services and products; and
- All significant risks are identified, evaluated, managed, and reported in a timely manner.

The above objectives will be achieved via:-

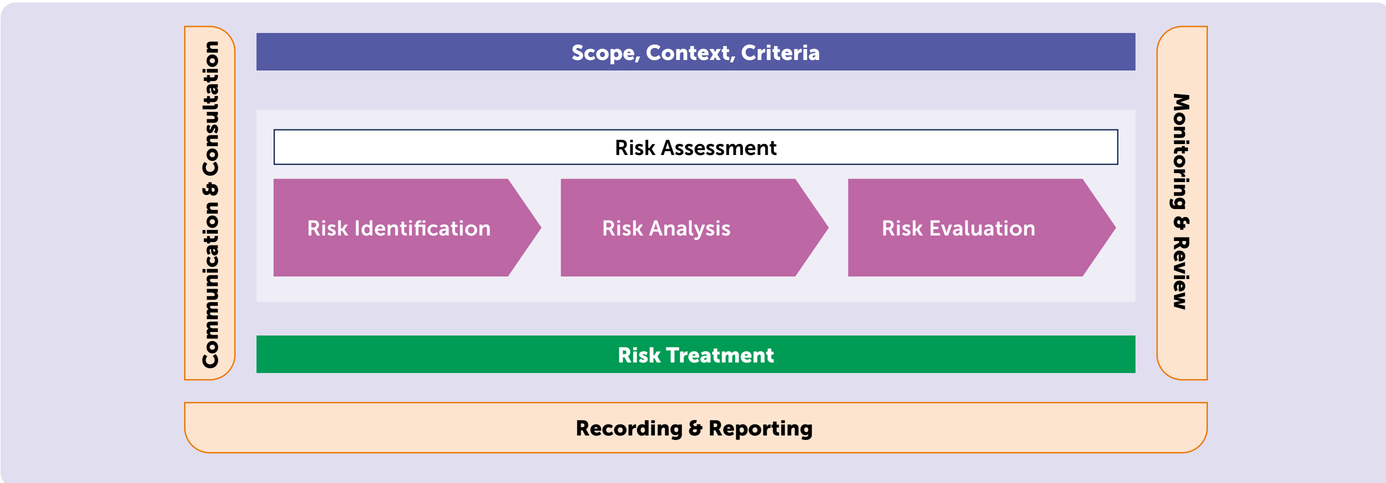
- Periodic reporting to the BARC/ Board on risk management activities and keep the Board apprised and advised of all aspects of ERM and significant individual risks and risk trends;
- Provision of adequate and suitable resources, including tool(s) and manpower to ensure the ERM framework and system are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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management (ERM) Framework (Cont'd)

The ERM Framework is communicated, integrated, and cascaded to all levels each plays its role in in managing risks concerning business processes in the areas of Strategic Planning, Budgeting, Policy Development, Acquisitions/ Investment and Asset Disposals, Performance Management, Building and Asset Management, Integrity, ESG and Business Continuity Management.

The diagramme below shows the process to be undertaken in preparing a Risk Profile:



The processes involved in the ERM are summarise below:

Risk Identification	:	Finding, recognising, and describing the risks that could affect the achievement of an organisation's objectives. uring the risk identification process, it is important to identify the risks associated with not pursuing an opportunity.
Risk Analysis	:	Risk shall be analysed and assessed to determine the Risk Rating. The risk analysis should start with determining the root causes/sources of risk, assessing the likelihood and impact to produce a Gross Risk Rating (the risk rated before any preventive/ recovery measures are implemented)
Risk Evaluation	:	Risk evaluation involves the exercise of determining the existing key controls on the identified risk, defining the existing Control Effectiveness and the likelihood and impact of producing the Residual Risk Rating. All risk profiles will be rated based on 2 parameters: Likelihood (that the risk will occur X the impact that it has on the business. Ratings of the risks will be tabulated to produce a heat map
The Risk Action Plan/ Mitigation Plan	:	The risk Mitigation Plan identifies the parties responsible and the timeline for the plan implementation
Monitoring Risk Mitigation Performance	:	Risk monitoring, review, and reporting shall be performed periodically. The frequency of reporting is summarised as per table below

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management (ERM) Framework (Cont'd)

Risk Reporting Frequency

Reporting Party	Reporting To	Frequency of Reporting	Reports to Be Submitted
BARC	BOD	Quarterly	• "Very High" Risk Profile • Status of Mitigation Plan • Project Risk • Special Risk Report on need basis
ERMC	CEO/ ED, BARC	Quarterly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates • Special Risk Reports (when required)
Risk Owners	ERMC	Monthly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates (when required) • Special Risk Reports (when required)
Co-Owners	Risk Owners	Monthly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates (when required) • Special Risk Reports (when required)

The ERM process evaluation is undertaken by the ERMC 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.

In ensuring that there is consistency in the methods used in managing risks throughout the organisation, both at the strategic and operational levels risk appetites were pre-determined to ascertain that the risk management efforts are aligned with the REIT's business objectives.

An expansion of risk appetite parameters and mitigation actions that relates to assets acquisitions/ disposals, joint ventures, business diversification and other corporate exercises deliberated and taken into consideration by the Management and the Board Investment Committee and the Board when recommending and approving the proposals.

While Management team members are accountable for risk management in their particular portfolios, responsibility for good risk management rests with every staff member.

Risk Owners are required to identify and effectively manage risk related to their core departmental activities. This is done to achieve an appropriate balance between realising opportunities for gains while minimising losses to the REIT.

INTERNAL CONTROL SYSTEMS

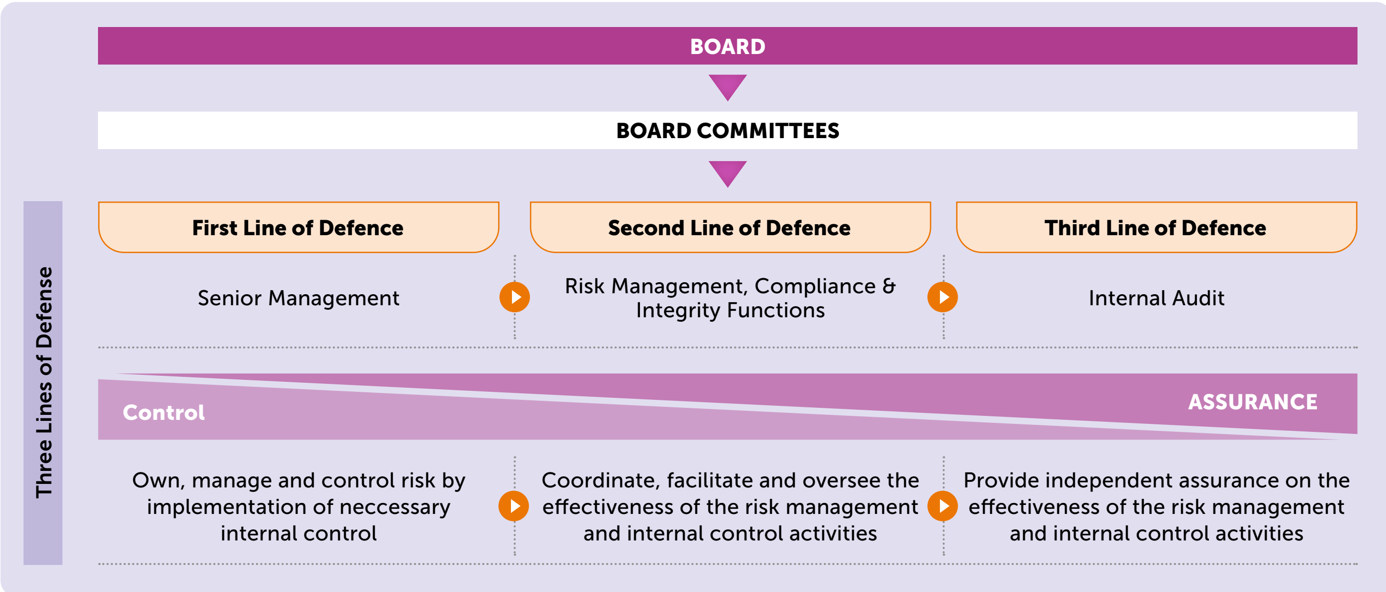
The Board and Management are committed to maintaining an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance with regulatory guidelines. The internal control policy is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

INTERNAL CONTROL SYSTEMS (CONT'D)

The REIT Managers' practice of strong internal control is guided by the model of "Three Lines of Defence" as shown below:



1st Level of Defence: Business Line Management
- The Senior Management, who are also Head of Departments and members of the ERMC forms the 1st line of defence, primarily responsible for managing processes.
- They are also responsible for controlling risks by using business control and compliance frameworks, implementing internal control processes, and adequate control

2nd Level of Defence: Risk Management
- Responsible for setting ERM Frameworks
- Independent reporting to management and BARC
- Advisor to 1st line

3rd Level of Defence: Internal Audit
- Assurance about design and effectiveness
- Reporting to Management and BARC
- Advisory role to improve process

Key Features of Internal Control

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

(a) Organisation Structure and Reporting Lines

The organisation structure and delegation of responsibilities are communicated across all levels, from the Board to the project/ risk owners in the organisation which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Key Features of Internal Control (Cont'd)

The key elements and/or features of the internal control system established for maintaining strong corporate governance are as follows (Cont'd):

(a) Organisation Structure and Reporting Lines (Cont'd)

The Board and Board Committees are supported operationally by the Management Committee headed by the CEO. The Management Committee meeting (MCM) convenes on a fortnightly basis to discuss on strategic business plans, ongoing operational matters and the REIT's financial performance hence has oversight of the REIT's operations and maintenance of effective control. In addition, 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.

(b) Internal Audit

To ensure an independent and objective assurance of the adequacy and effectiveness of the internal control system, the REIT Manager outsources the internal audit function of the REIT to an independent professional consulting firm, Messrs. PKF Risk Management Sdn Bhd ("PKF"). PKF adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit assignments by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

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 staff who are qualified in the areas of 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.

Audit reviews and engagements are carried out based on a risk-based annual internal audit plan approved by the BARC. PKF executes the audit engagements with regard to risk exposures, compliance with policies and procedures, relevant laws and regulations, and against best practices. PKF then provides the BARC with periodic reports, highlighting observations, recommendations and action plans to improve the organisation's internal control system. In addition special reviews and scope extensions were also undertaken as required by the BARC and management.

(c) The Standard Operating Procedures

The Standard Operating Procedures with specified roles and responsibilities in the reporting structure incorporate the elements of checks and balances which are aligned to the business and compliance requirements.

(d) Policies & Frameworks

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 following policies and frameworks in the year under review:

- The Limit of Authority (LOA) Manual: The policy was reviewed by the Management and tabled & approved by the Board of Directors on 18th April 2023.

- ERM Policy & Framework: The policy was reviewed by the Management and tabled to the BARC on 17th August 2023 and approved by the Board of Directors on 1st June 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Key Features of Internal Control (Cont'd)

The key elements and/or features of the internal control system established for maintaining strong corporate governance are as follows (Cont'd):

(d) Policies & Frameworks (Cont'd)

The Manager has revised the following policies and frameworks in the year under review (Cont'd):

- Procurement Policy: The policy was reviewed by the Management and tabled to the BARC on 16th November 2023 and approved by the Board of Directors on 30th November 2023

- Investment Policy: The policy was reviewed by the Management and tabled to the BARC on 16th November 2023 and approved by the Board of Directors on the 1st of December 2022

(e) Digitalisation

ICT Policy & Compliance

The REIT Manager adheres to JCorp Group policy and adopts the JCorp digitalisation and IT strategy, approach and digital maturity roadmap. The Internal ICT audit and system are monitored reviewed yearly to ensure compliance and standard operating policy and procedures

Business Continuity Management & Disaster Recovery Plan

The annual testing on data recovery is undertaken annually, and the results are monitored and presented by the appointed outsourced service provider at the Management Committee Meeting and the BARC. Risk-related issues, if any would be escalated to the Board and the regulatory bodies immediately.

Cybersecurity & Awareness

As part of prevention activity, the JCOrp Group has conducted an overall assessment, i.e. penetration test, on the ICT systems (hardware and software) and from the results with recommendations, measures have taken place to proactively monitor, prevent, contain and recover from vulnerabilities. ICT awareness campaign was also implemented through education and announcements, to make business users cautious about hackers.

(f) Monitoring of Operational Performance and Financial Targets

Strategic Planning and Mid-year Review

The Strategic Planning and Mid-year Review are prepared by the Manager on an annual basis and tabled to a special Board meeting for approval. Analysis and reporting of variances against budget are presented to the Board and the Trustee quarterly, which form part of the monitoring mechanism and mitigation of any risk/ fallback from the financial targets.

Financial Monitoring, Reporting and Reviewing

Quarterly and annual financial statements containing key financial results as well as operational performance results of the REIT are prepared and reported to the BARC and the Board. Mandatory announcements on key corporate exercises and financial results were made on time in the year under review.

At the Management level, monthly coordination meetings on finance matters including credit collection and financial statements are diligently conducted to monitor, mitigate and carry out appropriate actions taken.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Key Features of Internal Control (Cont'd)

The key elements and/or features of the internal control system established for maintaining strong corporate governance are as follows (Cont'd):

(f) Monitoring of Operational Performance and Financial Targets (Cont'd)

Engagement with the Stakeholders

Quarterly meetings with the Trustee are carried out to discuss the operational and financial performance of the REIT and the properties. During the year under review, two (2) meetings with the Trustee were carried out on 30 March 2023 & 9 November 2023.

Timely company briefings with analysts are conducted to apprise the shareholders, stakeholders and general public of the REIT's performance while promoting transparency and open discussion. During the year under review, thirteen (13) company briefings were carried out on the following dates: 16 January, 27 February, 9 March, 26 May, 22 August, 25 August, 2-3 June, 23 October, 24 October, 25 October, 27 October, 31 October 2023.

(g) Human Capital and Talent Management

Governance & Reporting Structure

The HR Department reports every quarter to the REID Group Chief Human Development Officer, who holds a strategic function in ensuring that human capital and talent management plans are aligned with the Business. The REID Group is responsible for the formulation, implementation, monitoring, and review of the overall human resources strategy. The scope covers from entire employee life cycle from Talent Acquisition, Performance Management, Talent Development and drives Organisational change in building organisational capabilities.

Reward & Recognition

Establishing a clear system on how to measure employees' performance is key in sustaining a business model based on a "exponential growth agenda". The company uses a Key Performance Indicator ("KPI") system as part of the Performance Management System ("PMS") which starts with an Annual Planning cycle. The KPI System embeds the culture of accountability with KPIs scoring distributed across individuals / functions and organisation's achievement.

The 360 degrees performance appraisal are currently in practice to provides each employee the opportunity to give performance feedback on his or her supervisor's or manager' and peers.

Succession planning

Leadership Development is a key priority and the company follows a strategic framework that feeds into the Succession Planning process. Succession Planning is done for key roles and it's a partnership discussion between the REID Group Human Resource, the Board Nomination and Remuneration, the CEO, and the Head of Departments.

To ensure competency among the successors, a fit and proper policy is enforced as a guide for directors, director candidates, Shariah Adviser(s), CEO/ Principal Officers, and CMSRL holders as well as future leaders at the organisation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Key Features of Internal Control (Cont'd)

The key elements and/or features of the internal control system established for maintaining strong corporate governance are as follows (Cont'd):

(g) Human Capital and Talent Management (Cont'd)

Employee Safety & Health

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 approved the document archiving in November 2023 to eliminate the hazard from overload office space. This is a continuous program to ensure workplace condition remain practical. Following 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.

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 REIT's operations.

(h) Outsourcing Functions to Third-Party Service Providers

The REIT Manager entered into a few outsourcing arrangements that involved entrusting specific tasks, functions, or processes to external partners or third-party service providers. The objectives of these arrangements are to leverage the benefit from the partner's expertise infrastructure and economies of scale to improve cost efficiency to enable the organisation to focus more on core operations.

To mitigate the risks that these arrangements have on the company's performance the REIT Manager has set up the following controls:

Fit & Proper

- Ensure that the service providers are professionally qualified to carry out the services

- Carry out due diligence exercises which include background checks on the service providers, which may include background checks on the person or entity, a document verification process, or conducting interviews with the person to be appointed to undertake the key role in providing the services.

- Undertake an ESG compliance assessment on the potential service providers to ensure that there in no environmental risks in the service providers' activities

- Require the service provider to sign a vendor Integrity Pledge to ensure compliance to policies relating to Anti-Bribery & Anti Corruption, No-Gift, No Entertainment and Whistle-blowing Policy. This is a part and parcel to combat bribery and corruption in an organisation.

- Ensure that the service providers comply with other governance requirements such as undertaking data privacy protection as part of the contract terms. This aligns with the REIT's pledge to enforce its Personal Data Protection (PDP) Policy in providing assurance to its data owners – tenants, directors, and employees that their personal data will be safeguarded and protected by the REIT. In addition, the company also requires service providers to take cognizant of the Anti-Money Laundering and Anti-Terrorism Financing Policy and all applicable laws to commensurate with the nature of the ompany's businesses and activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Key Features of Internal Control (Cont'd)

The key elements and/or features of the internal control system established for maintaining strong corporate governance are as follows (Cont'd):

(h) Outsourcing Functions to Third-Party Service Providers (Cont'd)

Quality Assurance and Managing Performance

- Conduct an annual performance assessment on the service providers and tabling the result to the Management Committee and the Board

- In addition, the 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, two (2) meetings with the Maintenance Manager were carried out on 10 May, & 2 August 2023.

BOARD COMMENTARY AND OPINION

For the financial year under review, the Board has received written assurance from the CEO, the Head of Finance that the REIT's enterprise risk management and internal control systems in all material aspects, are operating adequately and effectively. There were no material control failures or adverse compliance events that directly resulted in any material loss to the Group.

Taking into consideration the information and assurance given by the CEO and the Head of Finance, the Board is satisfied that the enterprise risk management and internal control systems in place for the year under review and up to the date of approval of this Statement are sound and effective to safeguard the interest of all shareholders, the REIT's assets and other stakeholders.

The following oversight mechanisms and information have been compiled for the Board's 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.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

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 alaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

They have reported to the Boards that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, following 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 22 Feb 2024.

ADDITIONAL COMPLIANCE INFORMATION

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

Sanctions of Penalties

There was no public sanction or penalty imposed on the Manager during FY2023.

Status of Utilisation Proceeds Raised From Corporate Proposal

For information, please refer to page 216.

Audit and Non-Audit Fees

For information, please refer to page 170.

Disclosure in Relation to the Unitholders Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

At an Annual General Meeting held on 18 April 2023, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2023 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 3 Mar 2023 (LPD) to 31 Dec 2023 (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 total of 43.38% direct and 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. The Interested Directors (save for Dato' Haji Mohd Redza Shah Bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group. Dato' Haji Mohd Redza Shah Bin Abdul Wahid and Shamsul Anuar Bin Abdul Majid are the Directors of DRMSB and also Directors of KPJ.	39,084	57,202
	• Advisory for, nter-alia, renovation and/ or upgrade of any refurbishment work to be undertaken at the hospitals; and property management fee		841	1,202
JCorp	Registrar expenses	JCorp (via KPJ) is the major unitholder of Al-'Aqar. The Manager is also indirectly wholly owned by JCorp. The Interested Directors (save for Dato' Haji Mohd Redza Shah Bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group.	98	107
Aggregate Value of Transactions			**40,023**	**58,511**

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 2023.

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 was no Shariah non-compliant rental for the financial year ended 31 December 2023; and

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

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

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

TRUSTEE'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023. 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
27 February 2024

05

Other Information

ANALYSIS OF UNITHOLDINGS

UNITHOLDINGS STATISTICS AS OF 29 DECEMBER 2023 AS PER RECORD OF DEPOSITOR

UNIT ISSUED : 839,597,757 UNITS

BREAK DOWN OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	HOLDERS	%	UNITS	%
Less Than 100	371	7.00	14,748	-
100 – 1000	1,800	33.98	923,256	0.11
1,001 – 10,000	2,092	39.49	9,756,427	1.16
10,001 – 100,000	856	16.16	26,335,695	3.14
100,001 to Less Than 5% of Issued Capital	174	3.29	475,589,900	56.65
5% and Above of Issued Capital	4	0.08	326,977,731	38.94
TOTAL	**5,297**	**100.00**	**839,597,757**	**100.00**

TOP THIRTY SECURITIES ACCOUNT HOLDERS
(WITHOUT AGGREGATING THE SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME DEPOSITOR)

	NAME	UNITS	%
1	Lembaga Tabung Haji	112,098,656	13.35
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	105,651,075	12.58
3	Kumpulan Wang Persaraan (Diperbadankan)	63,228,000	7.53
4	Amanahraya Trustees Berhad - A/C Amanah Saham Bumiputera	46,000,000	5.48
5	Pusat Pakar Tawakal Sdn Bhd	41,017,534	4.89
6	Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	4.30
7	HSBC Noms (T) Sdn Bhd - A/C Pledged Securities Account for Selangor Specialist Hospital Sdn Bhd (355-300641-089)	35,000,000	4.17
8	KPJ Healthcare Berhad	28,259,289	3.37
9	Seremban Specialist Hospital Sdn Bhd	23,731,000	2.83
10	Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	2.50
11	Medical Associates Sdn Bhd	19,055,000	2.27
12	Waqaf An-Nur Corporation Berhad	18,251,870	2.17
13	Amanahraya Trustees Berhad - A/C Amanah Saham Malaysia 3	16,857,430	2.01
14	Sentosa Medical Centre Sdn Bhd	15,653,000	1.86
15	Kedah Medical Centre Sdn Bhd	15,000,000	1.79
16	Pusat Pakar Tawakal Sdn Bhd	13,631,000	1.62
17	Amanahraya Trustees Berhad - A/C Public Islamic Opportunities Fund	13,496,300	1.61
18	Cartaban Noms (T) Sdn Bhd - A/C Pbtb For Takafulink Dana Ekuiti	12,600,000	1.50
19	Johor Specialist Hospital Sdn Bhd	12,203,000	1.45
20	Puteri Specialist Hospital (Johor) Sdn Bhd	12,000,000	1.43
21	Perdana Specialist Hospital Sdn Bhd	11,789,000	1.40
22	Amanahraya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	11,749,800	1.40
23	Amanahraya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.00
24	Db (Malaysia) Nom (T) Sendirian Berhad - A/C Lembaga Tabung Haji (Al-Wara\')	8,040,000	0.96
25	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (Asianislamic)	5,767,400	0.69

ANALYSIS OF UNITHOLDINGS

TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONT'D)
(WITHOUT AGGREGATING THE SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME DEPOSITOR)

	NAME	UNITS	%
26	Cartaban Noms (T) Sdn Bhd - A/C PAMB For Prulink Dana Unggul	5,500,000	0.66
27	Kuantan Specialist Hospital Sdn Bhd	5,000,000	0.60
28	Kajang Specialist Hospital Sdn Bhd	4,487,000	0.53
29	Ong Ah How @ Ong Beng Hwa	4,207,077	0.50
30	Amanahraya Trustees Berhad - A/C Jeta Gardens (Qld) Pty Ltd	3,786,924	0.45

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

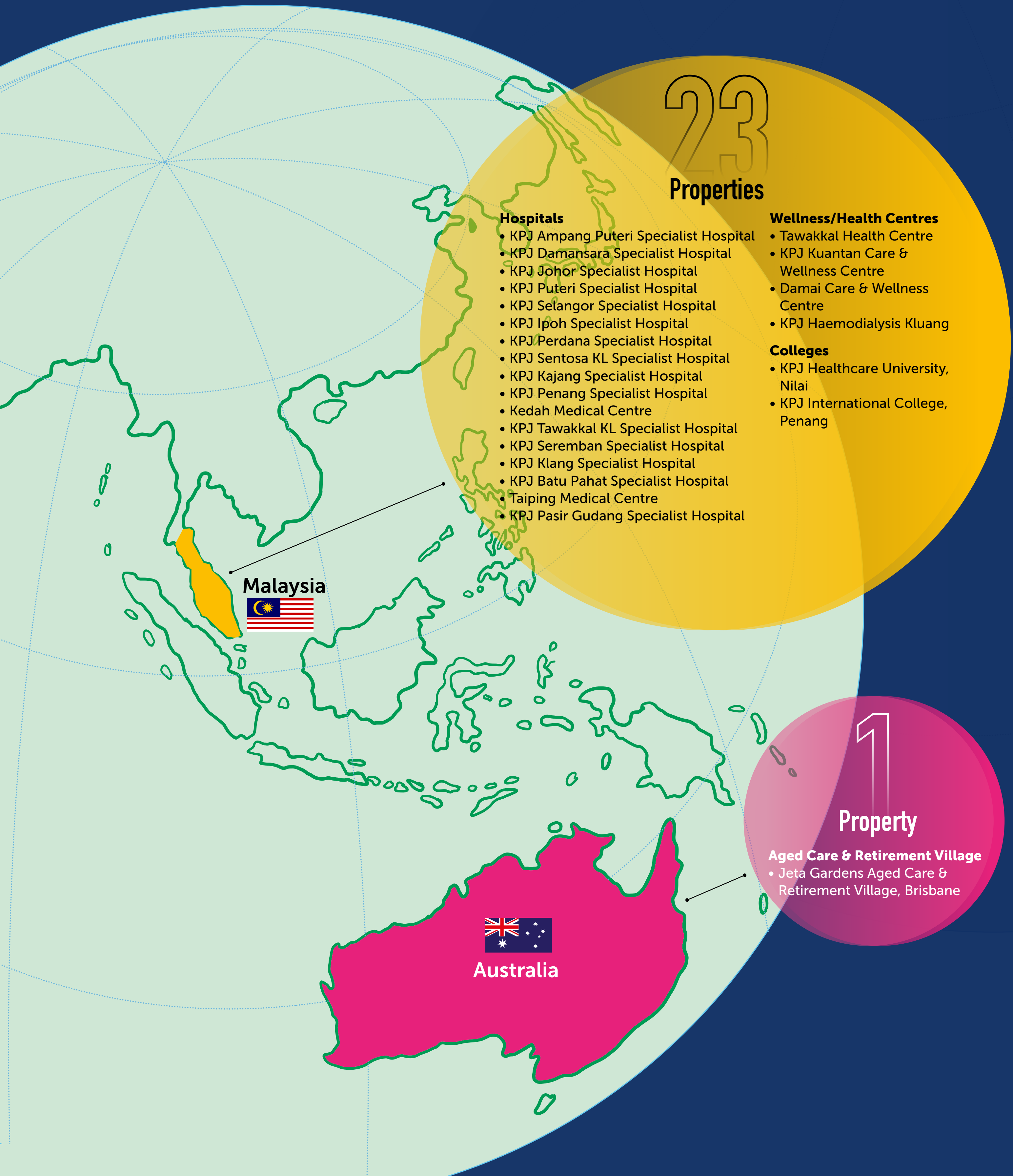
		DIRECT		INDIRECT	
		UNITS	%	UNITS	%
1	Johor Corporation	-	-	289,748,971	38.10
2	KPJ Healthcare Berhad	28,259,289	3.37	261,316,463	31.12
3	Lembaga Tabung Haji	123,571,856	14.72	-	-
4	A/C Employees Provident Fund Board - 3 a/cs	113,258,438	13.49	-	
5	Kumpulan Wang Persaraan (Diperbadankan)	65,296,400	7.78	-	
6	Pusat Pakar Tawakal Sdn.Bhd.	54,648,534	6.51	-	-
7	A/C Amanah Saham Bumiputera	46,000,000	5.48	-	-

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

UNIT ANALYSIS AS OF 29 DECEMBER 2023

	TOTAL		BUMIPUTRA		NON-BUMIPUTRA		FOREIGN	
	HOLDERS	UNITS	HOLDERS	UNITS	HOLDERS	UNITS	HOLDERS	UNITS
Government Bodies	1	3,000	1	3,000	-	-	-	-
Finance	19	278,818,282	15	251,378,886	3	23,652,472	1	3,786,924
Investment Trust	6	214,500	4	16,500	2	198,000	-	-
Nominees	1,388	217,446,550	280	154,337,918	1,063	59,835,097	45	3,273,535
Private Limited Company								
- Retail Body Corporates	52	240,751,338	19	237,811,258	33	2,940,080	-	-
- Insti-Body Corporate	-	-	-	-	-	-	-	-
Limited Company								
- Retail Body Corporates	20	49,868,759	19	47,988,759	-	-	1	1,880,000
- 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	607,550	5	507,950	2	99,600	-	-
Individual	3,795	49,093,378	862	4,318,958	2,877	42,655,621	56	2,118,799
Total	**5,297**	**839,597,757**	**1,213**	**699,154,629**	**3,981**	**129,383,870**	**103**	**11,059,258**
%	**100.00**	**100.00**	**22.90**	**83.27**	**75.16**	**15.41**	**1.94**	**1.32**

LIST OF PROPERTIES



LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Ampang Puteri Specialist Hospital

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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
65 years

Age of Building
28 years

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

LAND AREA
233,162 sq. ft.

GROSS FLOOR AREA
390,848 sq. ft.

KPJ Damansara Specialist Hospital

Asset Value
RM140,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Rawang Specialist Hospital Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
26 years

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

LAND AREA
180,521 sq.ft.

GROSS FLOOR AREA
445,114 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Johor Specialist Hospital

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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
55 years

Age of Building
42 years

LAND AREA
217,800 sq.ft.

GROSS FLOOR AREA
477,974 sq.ft.

KPJ Puteri Specialist Hospital

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 Sdn Bhd

Land Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
30 years

Age of Building
37 years

LAND AREA
104,109 sq.ft.

GROSS FLOOR AREA
134,098 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Selangor Specialist Hospital

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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
73 years

Age of Building
27 years

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

LAND AREA
204,342 sq.ft.

GROSS FLOOR AREA
314,844 sq.ft.

KPJ Ipoh Specialist Hospital

Asset Value
RM90,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Ipoh Specialist Hospital Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
Old Wing : 31 Years
New Wing : 16 Years

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

LAND AREA
142,116 sq.ft.

GROSS FLOOR AREA
382,865 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Perdana Specialist Hospital

Asset Value
RM40,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Perdana Specialist Hospital Sdn Bhd

Land Tenure
Leasehold

Lease Period
66 years

Remaining Lease Period
Lot No.657 : 40
Lot No.PT 705 : 58

Age of Building
22 years

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

LAND AREA
94,281 sq.ft.

GROSS FLOOR AREA
146,686 sq.ft.

KPJ Sentosa KL Specialist Hospital

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 Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
25 years

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

LAND AREA
23,659 sq.ft.

GROSS FLOOR AREA
91,762 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Kajang Specialist Hospital

Asset Value
RM57,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Kajang Specialist Hospital Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
18 years

Jalan Cheras, 43000 Kajang, Selangor.

LAND AREA
68,932 sq.ft.

GROSS FLOOR AREA
191,142 sq.ft.

Kedah Medical Centre

Asset Value
RM60,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Kedah Medical Centre Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
19 years

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

LAND AREA
83,183 sq.ft.

GROSS FLOOR AREA
215,851 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Penang Specialist Hospital

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 Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
15 years

LAND AREA
190,930 sq.ft.

GROSS FLOOR AREA
180,109 sq.ft.

KPJ Tawakkal KL Specialist Hospital

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 Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
14 years

LAND AREA
89,168 sq.ft.

GROSS FLOOR AREA
344,983 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Seremban Specialist Hospital

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
Seremban Specialist Hospital Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
1. Existing building : 19 years
2. New building : 5 years

LAND AREA
241,865 sq.ft.

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

Taiping Medical Centre

1. Existing buidling - 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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
65 years

Age of Building
1. Existing building : 22 years
2. New building : 5 years

LAND AREA
47,845 sq.ft.

GROSS FLOOR AREA
1. Existing buidling - 40,256 sq.ft.
2. New building - 31,513 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Klang Specialist Hospital

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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
69 years

Age of Building
12 years

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

LAND AREA
117,391 sq.ft.

GROSS FLOOR AREA
353,494 sq.ft.

KPJ Batu Pahat Specialist Hospital

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 Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
4 years

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

LAND AREA
217,813 sq.ft.

GROSS FLOOR AREA
173,645 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Pasir Gudang Specialist Hospital

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 Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
85 years

Age of Building
11 years

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

LAND AREA
141,481 sq.ft.

GROSS FLOOR AREA
203,280 sq.ft.

Damai Care & Wellness Centre

Asset Value
RM12,000,000

Encumbrances
Nil

Lessee/Asset Operator
Kota Kinabalu Wellness Sdn Bhd

Land Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
50 years

Age of Building
15 years

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

LAND AREA
33,988 sq.ft.

GROSS FLOOR AREA
44,639 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Kuantan Care & Wellness Centre

Asset Value
RM16,000,000

Encumbrances
Nil

Lessee/Asset Operator
Kuantan Wellness Centre Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
37 years

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

LAND AREA
72,323 sq.ft.

GROSS FLOOR AREA
69,060 sq.ft.

Tawakkal Health Centre

Asset Value
RM46,000,000

Encumbrances
Charged by AmanahRaya Trustees Berhad to Maybank Investment Bank Berhad

Lessee/Asset Operator
Pusat Pakar Tawakkal Sdn Bhd

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. 54 years
ii. 89 years
iii.-

Age of Building
40 years

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

LAND AREA
30,557 sq.ft.

GROSS FLOOR AREA
121,700 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ Haemodialysis Kluang

Asset Value
RM4,800,000

Encumbrances
Nil

Lessee/Asset Operator
Pusat Pakar Kluang Utama Sdn Bhd

Land Tenure
Leasehold

Lease Period
99 years

Remaining Lease Period
77 years

Age of Building
23 years

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

LAND AREA
10,607 sq.ft.

GROSS FLOOR AREA
31,437 sq.ft.

KPJ Healthcare University, Nilai

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 Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
1. Existing Building: 18 years
2. New Building: 9 years

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

LAND AREA
983,820 sq.ft.

GROSS FLOOR AREA
447,823 sq.ft.

LIST OF PROPERTIES

● HOSPITALS ● WELLNESS/HEALTH CENTRES ● COLLEGES ● AGED CARE & RETIREMENT VILLAGE

KPJ International College, Penang

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

Asset Value
RM14,000,000

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

Lessee/Asset Operator
KPJ Healthcare University College Sdn Bhd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
38 years

LAND AREA
126,239 sq.ft.

GROSS FLOOR AREA
42,989 sq.ft.

Jeta Gardens Aged Care and Retirement Village

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

Asset Value
AUD25,400,000/RM79,385,160

Encumbrances
Free from any mortgage but subject to subleases and easements

Lessee/Asset Operator
Jeta Gardens (QLD) Pty Ltd

Land Tenure
Freehold

Lease Period
-

Remaining Lease Period
-

Age of Building
14 years

LAND AREA
1,287,148 sq.ft.

GROSS FLOOR AREA
57,587 sq.ft.

06 Financial Statements

MANAGER'S REPORT

The Manager of Al-`Aqar Healthcare REIT (the "Fund"), Damansara REIT Managers Sdn Berhad (the "Manager") have pleasure in presenting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2023.

Results

	Group 2023 RM	Fund 2023 RM
Profit for the year	60,694,173	66,517,692

Income distributions

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

	Fund 2023 RM
In respect of the financial year ended 31 December 2022 as reported in the directors' report of that year:	
Final income distribution of 2.10 sen per unit on 756,485,757 units, paid on 24 February 2023	15,886,201
In respect of the financial year ended 31 December 2023 as reported in the directors' report of current year:	
First interim income distribution of 2.00 sen per unit on 756,485,757 units, paid on 10 May 2023	15,129,715
Second interim income distribution of 1.90 sen per unit on 839,597,757 units, paid on 27 September 2023	15,952,357
Third interim income distribution of 2.00 sen per unit on 839,597,757 units, paid on 21 December 2023	16,791,935
	63,760,208

A final interim income distribution in respect of the financial year ended 31 December 2023, of 2.00 sen per unit on 839,597,757 units amounting to an income distribution payable of RM16,791,955 will be payable on 29 February 2024.

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 2024.

The Fund and its investment objective

The Fund is a Malaysian-based real estate and investment trust, established on 28 June 2006 pursuant to the execution of a Trust Deed dated 27 June 2006 between the Manager and AmanahRaya Trustees Bhd (the "Trustee"). The Fund was listed on the Main Board of Bursa Malaysia Securities Berhad on 10 August 2006.

On 17 April 2019, at the Annual General Meeting, the unitholders of the Fund approved the proposed amendments of the Restated Trust Deed dated 31 July 2013. The Second Restated Trust Deed was executed and lodged with the Securities Commission on 25 November 2019.

MANAGER'S REPORT

The Fund and its investment objective (Cont'd)

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
Shamsul Anuar bin Abdul Majid
Datuk Sr Akmal bin Ahmad
Abdullah bin Abu Samah
Datuk Hashim bin Wahir
Ng Yan Chuan
Lailatul Azma binti Abdullah
Dato' Haji Salehuddin bin Hassan (Resigned on 9 January 2024)
Dato' Wan Kamaruzaman bin Wan Ahmad (Resigned on 5 January 2024)

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 as shown below) 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.

The directors of the Manager's benefits are as follows:

	RM
Fees	976,500

MANAGER'S REPORT

Directors of the Manager's interests

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

	<---------- Number of ordinary shares ---------->			
	At 1.1.2023	**Acquired**	**Sold**	**At 31.12.2023**
Al-Salām Real Estate Investment Trust				
Dato' Haji Salehuddin bin Hassan	9,125	-	-	9,125

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 up to 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 1.0% 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 unitholders' units

During the year, the Fund increased its issued and fully paid-up unitholders' capital from RM756,408,942 to RM854,758,225 by way of the issuance of 83,122,000 units of unitholders' capital at an issue price of RM1.20 per unit to redeem its Islamic financing facility, Revolving Credit-i of RM100,000,000.

MANAGER'S REPORT

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	195,000	170,000
- Others	330,000	330,000
	525,000	500,000
Auditors' remuneration paid to other firms		
- Statutory audit	148,000	-
Total remuneration paid to the external auditors	673,000	500,000

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 22 February 2024.

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Abdullah bin Abu Samah

Kuala Lumpur

STATEMENT BY THE DIRECTORS OF THE MANAGER AND STATUTORY DECLARATION

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 176 to 227 to 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 2023 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 22 February 2024.

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Abdullah bin Abu Samah

STATUTORY DECLARATION

I, Raja Nazirin Shah bin Raja Mohamad, being the officer 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 176 to 227 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 Raja Nazirin Shah
bin Raja Mohamad at Kuala Lumpur
in the Federal Territory on 22 February 2024

Raja Nazirin Shah bin Raja Mohamad

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 2023 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 material accounting policy information, as set out on pages 176 to 227.

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 2023, 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 2023, the carrying amount of the Group's and the Fund's investment properties is RM1,643,220,335 and RM1,632,750,245 respectively, which represents 89% 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.

In preparing the financial statements of the Group and of the Fund, the Manager is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

(Incorporated in Malaysia)

Responsibilities of the Manager and Trustee for the financial statements (Cont'd)

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.

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.

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 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

Mimie Joanna Binti Johar
03592/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2024

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Fund 2023 RM	The Fund 2022 RM
Revenue	4	121,022,481	110,238,667	115,250,328	104,587,721
Property expenses	5	(6,552,386)	(6,039,653)	(6,486,678)	(5,977,646)
Gross profit		114,470,095	104,199,014	108,763,650	98,610,075
Investment revenue	6	1,450,856	922,748	5,906,057	5,377,949
Unrealised gain on foreign exchange		55,712	-	55,712	-
Other income		731,276	1,005,423	731,276	579,833
Fair value adjustment of investment properties		(5,151,250)	(11,258,551)	8,735,161	(11,258,551)
Total income		111,556,689	94,868,634	124,191,856	93,309,306
Expenditure					
Finance costs:					
Islamic financing		36,834,869	26,169,776	36,834,869	26,169,776
Transaction cost	17	2,312,217	1,428,263	2,312,217	1,428,263
Manager's fees		4,430,769	1,851,471	4,430,769	1,851,471
Professional fees		3,298,450	1,008,481	1,031,315	946,895
Valuation fees		653,198	411,800	622,000	411,800
Directors fees		23,398	23,565	-	-
Trustee's fees		418,825	380,770	418,825	380,770
Disposal fees		-	1,004	-	1,004
Maintenance of property		958,959	1,865,540	958,959	1,865,540
Printing expenses		45,848	138,997	45,688	136,337
Secretarial fee		1,155	831	-	-
Securities Commission's fees		1,200	100	1,200	100
Audit fees					
- Current year		343,000	313,970	170,000	150,000
- Other services		330,000	10,000	330,000	10,000
Tax agent's fee		16,800	18,500	14,800	16,500
Unrealised loss on foreign exchange		-	16,585	-	16,585
Realised loss on foreign exchange		-	56,000	-	56,000
Loss on disposal of investment property		-	93,800	-	93,800
Administration expenses		874,308	583,127	673,558	337,046
Allowance for impairment loss of investment in a subsidiary	11	-	-	2,539,638	893,792
Allowance for expected credit loss on amount due from a subsidiary		-	-	6,970,806	-
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		445,520	445,520	445,520	445,520
Shariah adviser's fee		9,000	10,000	9,000	10,000
Total expenditure		51,002,516	34,833,100	57,814,164	35,226,199
Profit before tax		60,554,173	60,035,534	66,377,692	58,083,107
Tax credit	7	140,000	103,325	140,000	103,325
Profit for the year		60,694,173	60,138,859	66,517,692	58,186,432

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Fund 2023 RM	The Fund 2022 RM
Profit for the year					
Realised		63,246,350	67,765,765	64,693,902	66,707,130
Unrealised		(2,552,177)	(7,626,906)	1,823,790	(8,520,698)
		60,694,173	60,138,859	66,517,692	58,186,432
Earnings per unit (sen):	8				
Basic		7.45	8.17		
Other comprehensive income/(loss) for the year,					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):					
Foreign currency translation, representing total other comprehensive income/(loss) for the year, net of tax		5,799,430	(1,529,996)	-	-
Total comprehensive income for the year, net of tax		66,493,603	58,608,863	66,517,692	58,186,432

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Fund 2023 RM	The Fund 2022 RM
Assets					
Non-current assets					
Investment properties	10	1,643,220,335	1,721,281,384	1,632,750,245	1,636,015,084
Investment in subsidiaries	11	-	-	3	2,539,641
Amount due from a subsidiary	13	-	-	99,147,701	99,147,701
		1,643,220,335	1,721,281,384	1,731,897,949	1,737,702,426
Current assets					
Trade receivables	12	51,368,069	49,503,412	17,973,633	23,747,173
Other receivables and prepaid expenses	12	368,783	149,885	300,326	149,410
Amount due from subsidiaries	13	-	-	24,328,361	27,204,712
Cash and bank balances	14	84,326,626	96,131,154	68,368,420	78,296,458
		136,063,478	145,784,451	110,970,740	129,397,753
Assets classified as held for sale	28	76,700,031	-	12,000,000	-
		212,763,509	145,784,451	122,970,740	129,397,753
Total assets		1,855,983,844	1,867,065,835	1,854,868,689	1,867,100,179
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	18	854,758,225	756,408,942	854,758,225	756,408,942
Undistributed income		221,291,977	224,358,012	217,557,891	214,800,407
Foreign currency translation reserve		(3,752,745)	(9,552,175)	-	-
Total unitholders' fund		1,072,297,457	971,214,779	1,072,316,116	971,209,349
Non-current liabilities					
Deferred tax liability	16	1,522,541	1,662,541	1,522,541	1,662,541
Other payables	15	16,373,882	15,247,543	16,373,882	15,247,543
Islamic financing	17	677,881,184	855,616,967	677,881,184	855,616,967
		695,777,607	872,527,051	695,777,607	872,527,051

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Fund 2023 RM	The Fund 2022 RM
Current liabilities					
Other payables	15	8,040,780	23,324,005	6,906,966	23,363,779
Islamic financing	17	79,868,000	-	79,868,000	-
		87,908,780	23,324,005	86,774,966	23,363,779
Total liabilities		783,686,387	895,851,056	782,552,573	895,890,830
Total unitholders' fund and liabilities		1,855,983,844	1,867,065,835	1,854,868,689	1,867,100,179
Number of units in circulation	18	839,597,757	756,485,757	839,597,757	756,485,757
Net asset value ("NAV")					
- before income distribution		1,072,297,457	971,214,779	1,072,316,116	971,209,349
- after income distribution		1,055,505,502	955,328,578	1,055,524,161	955,323,148
NAV per unit					
- before income distribution		1.28	1.28	1.28	1.28
- after income distribution		1.26	1.26	1.26	1.26

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 2023

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Foreign currency translation reserve RM	Total unitholders' fund RM
The Group							
At 1 January 2022		731,398,126	62,809,996	158,815,965	221,625,961	(8,022,179)	945,001,908
Issuance of unitholders' capital	18	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
At 1 January 2023		756,408,942	73,168,953	151,189,059	224,358,012	(9,552,175)	971,214,779
Issuance of unitholders' capital	18	98,349,283	-	-	-	-	98,349,283
Profit/(loss) for the year		-	63,246,350	(2,552,177)	60,694,173	-	60,694,173
Other comprehensive income		-	-	-	-	5,799,430	5,799,430
Total comprehensive income/(loss)		-	63,246,350	(2,552,177)	60,694,173	5,799,430	66,493,603
Transactions with unitholders:							
Income distributions	9	-	(63,760,208)	-	(63,760,208)	-	(63,760,208)
At 31 December 2023		854,758,225	72,655,095	148,636,882	221,291,977	(3,752,745)	1,072,297,457

* Distributable

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
The Fund						
At 1 January 2022		731,398,126	60,692,459	153,328,324	214,020,783	945,418,909
Issuance of unitholders' capital	18	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
At 1 January 2023		756,408,942	69,992,781	144,807,626	214,800,407	971,209,349
Issuance of unitholders' capital	18	98,349,283	-	-	-	98,349,283
Total comprehensive income		-	64,693,902	1,823,790	66,517,692	66,517,692
Transactions with unitholders:						
Income distributions	9	-	(63,760,208)	-	(63,760,208)	(63,760,208)
At 31 December 2023		854,758,225	70,926,475	146,631,416	217,557,891	1,072,316,116

* 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 2023

	The Group		The Fund	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	60,554,173	60,035,534	66,377,692	58,083,107
Adjustments for:				
Finance costs	39,147,086	27,598,039	39,147,086	27,598,039
Investment revenue	(1,450,856)	(922,748)	(5,906,057)	(5,377,949)
Interest accretion on tenant deposits	424,563	359,332	424,563	359,332
Amortisation of deferred income	(463,085)	(406,923)	(463,085)	(406,923)
Allowance for impairment loss in investment in subsidiaries	-	-	2,539,638	893,792
Allowance for expected credit loss on amount due from a subsidiary	-	-	6,970,806	-
Fair value adjustment of investment properties	5,151,250	11,258,551	(8,735,161)	11,258,551
Unrealised (gain)/loss on foreign exchange	(55,712)	16,585	(55,712)	16,585
Loss on disposal of investment property	-	93,800	-	93,800
Unbilled rental income	(2,364,839)	(3,497,314)	(2,364,839)	(3,497,314)
Operating profit before working capital changes	100,942,580	94,534,856	97,934,931	89,021,020
Changes in working capital:				
Decrease/(Increase) in trade receivables	500,182	(9,899,605)	8,138,379	(3,957,829)
(Increase)/Decrease in other receivables and prepaid expenses	(263,046)	437,857	(195,334)	437,857
Increase/(Decrease) in other payables and accrued expenses	77,685	3,797,903	(1,095,903)	4,191,064
Net changes in working capital	314,821	(5,663,845)	6,847,142	671,092
Net cash generated from operating activities	101,257,401	88,871,011	104,782,073	89,692,112
Cash flows from investing activities				
Income received on investment	1,494,280	908,882	1,495,274	909,604
Profit sharing on advances from a subsidiary in Australia	-	-	445,520	445,520
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 generated from/(used in) investing activities	1,494,280	(169,535,339)	1,940,794	(169,089,097)
Cash flows from financing activities				
Finance costs paid on Islamic financing	(36,525,112)	(25,436,793)	(36,525,112)	(25,436,793)
Transaction costs paid	(180,000)	(1,688,263)	(180,000)	(1,688,263)
Decrease in amount due to a subsidiary	-	-	(84,774)	(33,161)
Income distributions	(78,266,014)	(57,406,808)	(78,266,014)	(57,406,808)
Repayment of Islamic financing	(100,000,000)	-	(100,000,000)	-
Net proceeds from issuance of units	98,349,283	-	98,349,283	-
Net proceeds from Islamic financing	-	172,000,000	-	172,000,000
Net cash (used in)/generated from financing activities	(116,621,843)	87,468,136	(116,706,617)	87,434,975

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	The Group		The Fund	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Net changes in cash and cash equivalents	(13,870,162)	6,803,808	(9,983,750)	8,037,990
Effects of changes in exchange rates	2,009,198	(498,296)	-	-
Effects of foreign currency translation on cash and cash equivalents	55,712	(16,585)	55,712	(16,585)
Cash and cash equivalents at beginning of year	96,092,012	89,803,085	78,296,458	70,275,053
Cash and cash equivalents at end of year (Note 14)	84,286,760	96,092,012	68,368,420	78,296,458

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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 2023

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 up to 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 RM4,430,769 (2022: RM1,851,471). 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 RMNil (2022: RM1,920,000).

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

The disposal fee to the Manager during the current financial year is RMNil (2022: RM1,004).

(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 2023 of RM418,825 (2022: RM380,770).

The financial statements of the Group and of the Fund were authorised by the board of directors of the Manager for issuance on 22 February 2024.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material 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 2023:

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: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

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

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

2.4 Material 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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement(s) with the other vote holders of the investee

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

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

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

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

Investment in subsidiaries – separate financial statements

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

(b) Functional currency

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

(i) Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(b) Functional currency (Cont'd)

(i) Transactions and balances (Cont'd)

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

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

(ii) Consolidated financial statement

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

(c) Investment properties

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

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

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

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. The fair values were determined based on the capitalisation of net income method ("investment method") and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The valuation is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(c) Investment properties (Cont'd)

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

(i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments;

(ii) In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

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

(d) Financial assets

Initial recognition and measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(d) Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(f) Financial liabilities (Cont'd)

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 bank balances

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.

For the purpuse of the consolidated statement of cash flows, cash and cash equivalents consist of cash and Islamic fixed deposits with licensed banks.

(i) Provisions

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

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

(j) Leases

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

As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(m) Taxation (Cont'd)

(i) Current income tax (Cont'd)

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(m) Taxation (Cont'd)

(ii) Deferred tax (Cont'd)

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

(n) Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment 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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

2. Basis of preparation and material accounting policies (Cont'd)

2.4 Material accounting policies (Cont'd)

(q) Fair value measurement (Cont'd)

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

(i) In the principal market for the asset or liability; or

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

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

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

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

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

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3. Significant accounting judgements and estimates

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

3. Significant accounting judgements and estimates (Cont'd)

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.

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Yield rate				
- 0.25%	42,625,400	44,340,570	39,500,000	40,900,000
+ 0.25%	(37,369,130)	(39,141,390)	(34,400,000)	(36,000,000)
Discount rate				
- 0.25%	32,925,400	29,040,570	29,800,000	25,600,000
+ 0.25%	(29,869,130)	(24,341,390)	(26,900,000)	(21,100,000)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

4. Revenue

Revenue from contract with customers comprises the following:

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Rental income				
Base rental income	118,657,642	106,741,353	112,885,489	101,090,407
Unbilled rental income	2,364,839	3,497,314	2,364,839	3,497,314
	121,022,481	110,238,667	115,250,328	104,587,721
Rental income from				
KPJ Ampang Puteri Specialist Hospital	9,300,642	9,118,277	9,300,642	9,118,277
KPJ Tawakkal KL Specialist Hospital	9,688,274	9,498,307	9,688,274	9,498,307
KPJ Damansara Specialist Hospital	7,997,367	7,840,556	7,997,367	7,840,556
KPJ Johor Specialist Hospital	8,708,244	8,537,495	8,708,244	8,537,495
KPJ Klang Specialist Hospital	7,462,760	7,185,059	7,462,760	7,185,059
KPJ Ipoh Specialist Hospital	7,227,251	7,085,540	7,227,251	7,085,540
KPJ Selangor Specialist Hospital	5,923,976	5,807,819	5,923,976	5,807,819
KPJ Penang Specialist Hospital	4,654,815	4,524,314	4,654,815	4,524,314
KPJ Seremban Specialist Hospital	10,369,976	5,259,904	10,369,976	5,259,904
KPJ Healthcare University, Nilai	6,135,060	7,580,155	6,135,060	7,580,155
Kedah Medical Centre	3,863,815	3,681,350	3,863,815	3,681,350
KPJ Perdana Specialist Hospital	3,167,487	3,254,313	3,167,487	3,254,313
KPJ Kajang Specialist Hospital	3,844,004	3,609,771	3,844,004	3,609,771
Tawakkal Health Centre	3,519,892	3,469,370	3,519,892	3,469,370
KPJ Puteri Specialist Hospital	3,021,228	2,961,988	3,021,228	2,961,988
KPJ Sentosa KL Specialist Hospital	2,072,748	2,156,594	2,072,748	2,156,594
KPJ Kuantan Care & Wellness Centre	1,390,727	1,509,354	1,390,727	1,509,354
KPJ International College, Penang	1,025,514	963,348	1,025,514	963,348
Damai Care & Wellness Centre	973,835	908,523	973,835	908,523
Taiping Medical Centre	1,596,424	767,949	1,596,424	767,949
KPJ Haemodialysis Kluang	322,780	322,372	322,780	322,372
KPJ Batu Pahat Specialist Hospital	7,633,421	8,415,988	7,633,421	8,415,988
KPJ Pasir Gudang Specialist Hospital	5,350,088	129,375	5,350,088	129,375
Jeta Gardens Aged Care & Retirement Village	5,772,153	5,650,946	-	-
	121,022,481	110,238,667	115,250,328	104,587,721

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

5. Property expenses

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Assessment	3,733,043	3,356,065	3,733,043	3,356,065
Takaful coverage	972,905	977,947	972,905	977,947
Maintenance fee	1,354,108	1,246,727	1,288,400	1,184,720
Quit rent	492,330	458,914	492,330	458,914
	6,552,386	6,039,653	6,486,678	5,977,646

6. Investment revenue

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Shariah Compliant income from Islamic fixed deposits with licensed banks	1,450,856	922,748	1,450,856	922,748
Profit sharing on advances from a subsidiary in Australia	-	-	4,455,201	4,455,201
	1,450,856	922,748	5,906,057	5,377,949

7. Tax credit

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 16)	(140,000)	(103,325)	(140,000)	(103,325)

Reconciliations of the tax credit 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	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax	60,554,173	60,035,534	66,377,692	58,083,107
Tax at the statutory tax rate of 24%	14,533,002	14,408,528	15,930,646	13,939,946
Different tax rates in other country	(564,756)	(51,484)	-	-
Deferred tax recognised at different tax rate	(140,000)	(103,325)	(140,000)	(103,325)
Non-deductible expenses	6,800,983	4,606,746	3,756,684	4,300,044
Income not subject to tax	(12,027,019)	(12,065,182)	(12,600,508)	(10,871,927)
Income exempted from tax	(8,742,210)	(6,898,608)	(7,086,822)	(7,368,063)
Tax expense for the year	(140,000)	(103,325)	(140,000)	(103,325)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

7. Tax credit (Cont'd)

Pursuant to the Section 61A of the Income Tax Act 1967 (ITA), where 90% or more of the total income of the unit trust is distributed to the unitholders, the total income of the unit trust for that year of assessment shall be exempted from tax. The Manager also expects to distribute the net income within two months from the end of each financial year and accordingly, no estimated current tax payable is required to be provided in the financial statements.

As at the date of this financial statements, the Fund has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2023 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% which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

Taxation of the Unitholders

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

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

Resident corporate investors are required to report the income distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24% (2022: 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 2023 and 2022, are as follows:

	Group	
	2023 RM	2022 RM
Earnings attributable to unitholders		
Profit for the year	60,694,173	60,138,859
Weighted average number of units	814,778,011	736,265,919
Earnings per unit (sen)	7.45	8.17

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

9. Income distributions

For the financial years ended 31 December 2023 and 2022, the Manager, with the approval of the Trustee, has declared the following income distributions:

	Group and Fund 2023 RM	Group and Fund 2022 RM
Income distributions on ordinary shares in respect of the current financial year		
First interim income distribution of 2.00 (2022: 2.00) sen per unit declared on 3 April 2023 (2022: 30 May 2022) and paid on 10 May 2023 (2022: 8 July 2022)	15,129,715	14,719,691
Second interim income distribution of 1.90 (2022: 2.00) sen per unit declared on 25 August 2023 (2022: 26 August 2022) and paid on 27 September 2023 (2022: 11 October 2022)	15,952,357	14,719,691
Third interim income distribution of 2.00 (2022: 2.00) sen per unit declared on 24 November 2023 (2022: 25 November 2022) and paid on 21 December 2023 (2022: 6 January 2023)	16,791,935	14,719,702
	47,874,007	44,159,084
Income distribution on ordinary shares in respect of the previous financial year		
Final income distribution of 2.10 (2022: 1.80) sen per unit declared on 2 February 2023 (2022: 27 January 2022) and paid on 24 February 2023 (2022: 28 February 2022)	15,886,201	13,247,724
	63,760,208	57,406,808

The Manager had declared a final income distribution of 2.00 (2022: 2.10) sen per unit totaling RM16,791,955 for the financial year ended 31 December 2023 on 24 January 2024 (2022: 2 February 2023).

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 2024.

The total distributions (including proposed final income distribution) for the financial year ended 31 December 2023 amounting to RM64,665,962 (2022: RM60,045,285). Total income distribution is 7.90 (2022: 8.10) sen per unit.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

9. Income distributions (Cont'd)

Income distributions to unitholders is derived from the following sources:

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Net rental income	114,470,095	104,199,014	108,763,650	98,610,075
Investment revenue	1,450,856	922,748	5,906,057	5,377,949
Other income	731,276	1,005,423	731,276	579,833
Interest accretion on tenant deposits	424,563	359,332	424,563	359,332
Less: Amortisation of deferred income	(463,085)	(406,923)	(463,085)	(406,923)
Less: Unbilled rental income	(2,364,839)	(3,497,314)	(2,364,839)	(3,497,314)
	114,248,866	102,582,280	112,997,622	101,022,952
Less: Expenses	(51,002,516)	(34,816,515)	(48,303,720)	(34,315,822)
Realised income for the year	63,246,350	67,765,765	64,693,902	66,707,130
Undistributed income brought forward	73,182,677	62,823,720	69,992,781	60,692,459
Less: Undistributed income	(72,668,819)	(73,182,677)	(70,926,475)	(69,992,781)
	63,760,208	57,406,808	63,760,208	57,406,808

10. Investment properties

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
At 1 January	1,721,281,384	1,538,210,398	1,636,015,084	1,451,912,398
Additions	-	192,000,000	-	192,000,000
Enhancements	-	3,655,737	-	3,655,737
Disposal	-	(294,500)	-	(294,500)
Fair value adjustment	(5,151,250)	(11,258,551)	8,735,161	(11,258,551)
Transfer to assets classified as held for sale	(76,700,031)	-	(12,000,000)	-
Foreign exchange differences	3,790,232	(1,031,700)	-	-
At 31 December	1,643,220,335	1,721,281,384	1,632,750,245	1,636,015,084
Land and buildings at fair value	1,643,220,335	1,721,281,384	1,632,750,245	1,636,015,084

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

10. Investment properties (Cont'd)

The carrying amount of the investment properties for the financial years ended 31 December 2023 and 2022 is based on the market value determined based on valuations, adjusted with accrued unbilled rental income, as follows:

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Investment properties - based on valuation report	1,654,770,090	1,730,466,300	1,644,300,000	1,645,200,000
Investment properties - accrued unbilled rental income (Note 12)	(11,549,755)	(9,184,916)	(11,549,755)	(9,184,916)
	1,643,220,335	1,721,281,384	1,632,750,245	1,636,015,084

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

The fair values of the Group's and of the Fund's investment properties have been arrived at on the basis of a valuation carried out by Messrs. CBRE Valuation Pty Limited ("CBRE"), independent professional valuers not related to the Group and the Fund. Messrs. CBRE is registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Group's and of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

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

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

Fair value of investment properties is classified as Level 3.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

10. Investment properties (Cont'd)

The fair value of the investment properties are classified as Level 3 for fair value hierarchy disclosure purposes. The significant unobservable inputs applied by the independent valuers in applying the investment method above are as follows:

Significant unobservable inputs	**Inter-relationship between significant unobservable inputs and fair value measurement**
Term yield ranging from 5.50% - 9.25% (2022: 5.50% - 9.25%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.00% - 7.75% (2022: 6.00% - 7.75%)	- Higher reversionary yield rates, lower fair value
Void rate of 5.00% - 10.00% (2022: 5.00% - 10.00%)	- Higher void rate, lower fair value
Discount rate of 5.50% - 9.25% (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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	2023 Fair value RM	2022 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital ###	Leasehold	99	65	Ampang	31 December 2023	137,000,000	137,000,000	3
KPJ Damansara Specialist Hospital ###	Freehold	-	-	Damansara	31 December 2023	140,000,000	138,000,000	3
KPJ Johor Specialist Hospital ###	Leasehold	99	55	Johor Bahru	31 December 2023	122,000,000	122,000,000	3
KPJ Ipoh Specialist Hospital ###	Freehold	-	-	Ipoh	31 December 2023	90,000,000	89,000,000	3
KPJ Puteri Specialist Hospital	Leasehold	99	30	Johor Bahru	31 December 2023	40,000,000	40,000,000	3
KPJ Selangor Specialist Hospital ###	Leasehold	99	73	Shah Alam	31 December 2023	84,000,000	84,000,000	3
Kedah Medical Centre ###	Freehold	-	-	Alor Setar	31 December 2023	60,000,000	53,000,000	3
KPJ Perdana Specialist Hospital ###	Leasehold	66	40	Kota Bharu	31 December 2023	40,000,000	42,000,000	3
KPJ Kuantan Care & Wellness Centre	Freehold	-	-	Kuantan	31 December 2023	16,000,000	16,500,000	3
KPJ Sentosa KL Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2023	31,000,000	31,000,000	3
KPJ Kajang Specialist Hospital ###	Freehold	-	-	Kajang	31 December 2023	57,000,000	52,000,000	3
Taiping Medical Centre ####	Leasehold	99	65	Taiping	31 December 2023	22,500,000	22,500,000	3
Damai Care & Wellness Centre	Leasehold	99	50	Kota Kinabalu	31 December 2023	-	12,000,000	3
KPJ International College Penang ##	Freehold	-	-	Bukit Mertajam	31 December 2023	14,000,000	14,100,000	3
Tawakkal Health Centre ###	Leasehold	99	54	Kuala Lumpur	31 December 2023	46,000,000	47,400,000	3
KPJ Healthcare University, Nilai # ##	Freehold	-	-	Seremban	31 December 2023	102,000,000	102,000,000	3
KPJ Seremban Specialist Hospital ####	Freehold	-	-	Seremban	31 December 2023	160,000,000	160,000,000	3

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

10. Investment properties (Cont'd)

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

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2023 Fair value RM	2022 Fair value RM	Fair value hierarchy
KPJ Penang Specialist Hospital ###	Freehold	-	-	Bukit Mertajam	31 December 2023	65,000,000	65,000,000	3
KPJ Tawakkal KL Specialist Hospital ###	Freehold	-	-	Kuala Lumpur	31 December 2023	139,000,000	139,000,000	3
KPJ Haemodialysis Kluang	Leasehold	99	77	Kluang	31 December 2023	4,800,000	4,700,000	3
KPJ Klang Specialist Hospital ###	Leasehold	99	69	Klang	31 December 2023	104,000,000	104,000,000	3
KPJ Batu Pahat Specialist Hospital #	Freehold	-	-	Batu Pahat	31 December 2023	68,450,245	70,815,084	3
KPJ Pasir Gudang Specialist Hospital ####	Leasehold	99	85	Pasir Gudang	31 December 2023	90,000,000	90,000,000	3
Total for the Fund						1,632,750,245	1,636,015,084	
Jeta Gardens Aged Care & Retirement Village	Freehold	-	-	Queensland	31 December 2023	10,470,090	85,266,300	3
Total for the Group						1,643,220,335	1,721,281,384	

The investment properties amounting to RM110,450,245 (2022: RM112,815,084) are used to secure against Commodity Murabahah Term Financing-i ("CMTF-i") issued by the Fund as disclosed in Note 17. The amount of RM110,450,245 represents the fair value of KPJ Batu Pahat Specialist Hospital and KPJ Healthcare University, Nilai New Building (residential) amounting to RM68,450,245 (2022: RM70,815,084) and RM42,000,000 (2022: RM42,000,000) respectively.

The investment properties amounting to RM74,000,000 (2022: RM74,100,000) are used to secure against Commodity Murabahah Term Financing-II ("CMTF-ii") issued by the Fund as disclosed in Note 17. The amount of RM74,000,000 represents the fair value of KPJ International College, Penang and KPJ Healthcare University, Nilai New Building (commercial) amounting to RM14,000,000 (2022: RM14,100,000) and RM60,000,000 (2022: RM60,000,000) respectively.

The investment properties amounting to RM1,115,000,000 (2022: RM 1,103,400,000) 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 (2022: RM272,500,000) 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 - 31 DECEMBER 2023

11. Investment in subsidiaries

	Fund	
	2023 RM	2022 RM
Unquoted shares, at cost	42,492,186	42,492,186
Less: Accumulated impairment losses	(42,492,183)	(39,952,545)
Net carrying amount	3	2,539,641

The movement in the accumulated impairment losses is as follows:

	2023 RM	2022 RM
At 1 January	39,952,545	39,058,753
Allowance for impairment losses	2,539,638	893,792
At 31 December	42,492,183	39,952,545

During the financial year, the Fund conducted a review of the recoverable amount of its investment in a subsidiary and the review led to recognition of an impairment loss of RM2,539,638 (2022: RM893,792), as the recoverable amount was lower than the carrying value. The recoverable amount was determined based on the Fund's share of net assets in its subsidiary, which represents the Fund's estimation of fair value less cost to sell of its subsidiary.

Details of the subsidiaries are as follows:

			Proportion of ownership interest and voting power held by the Group	
Name of subsidiaries	Country of incorporation	Principal activities	2023 %	2022 %
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

12. Trade receivables, other receivables and prepaid expenses

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables				
Current				
Related companies	39,818,314	40,318,496	6,423,878	14,562,257
Unbilled rental income	11,549,755	9,184,916	11,549,755	9,184,916
	51,368,069	49,503,412	17,973,633	23,747,173

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

	Group		Fund	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Other receivables and prepaid expenses				
Other receivables	36,426	80,574	35,681	80,099
Prepayments	332,357	69,311	264,645	69,311
	368,783	149,885	300,326	149,410
Total trade and non-trade receivables (non-current and current)	51,736,852	49,653,297	18,273,959	23,896,583
Add: Amount due from subsidiaries	-	-	123,476,062	126,352,413
Add: Islamic fixed deposits with licensed banks	31,062,276	55,356,398	31,022,410	55,317,256
Add: Cash and bank balances	53,264,350	40,774,756	37,346,010	22,979,202
Less: Prepayments	(332,357)	(69,311)	(264,645)	(69,311)
Total financialassets at amortised costs (debt instruments)	135,731,121	145,715,140	209,853,796	228,476,143

(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 (2022: 1 to 7 days).

<u>Ageing analysis of trade receivables</u>

	Group		Fund	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
1 to 30 days past due	2,905,745	8,645,031	2,387,663	5,653,231
31 to 60 days past due	1,242,090	1,629,962	709,048	1,629,962
61 to 90 days past due	746,006	244,714	200,000	244,714
More than 90 days past due	34,924,473	29,798,789	3,127,167	7,034,350
	39,818,314	40,318,496	6,423,878	14,562,257

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

13. Amount due from subsidiaries

	Fund	
	2023 RM	2022 RM
Non-current		
Amount due from a subsidiary	99,147,701	99,147,701
Current		
Amount due from subsidiaries	32,602,186	28,507,731
	131,749,887	127,655,432
Less: Allowance for expected credit losses	(8,273,825)	(1,303,019)
	123,476,062	126,352,413

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

	Fund	
	2023 RM	2022 RM
At 1 January	1,303,019	1,303,019
Allowance for expected credit loss	6,970,806	-
At 31 December	8,273,825	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 bank balances

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Islamic fixed deposits with licensed banks	31,062,276	55,356,398	31,022,410	55,317,256
Cash and bank balances	53,264,350	40,774,756	37,346,010	22,979,202
Total cash and bank balances	84,326,626	96,131,154	68,368,420	78,296,458
Less: Islamic fixed deposits with licensed banks with maturity period of more than 3 months	(39,866)	(39,142)	-	-
Cash and cash equivalents	84,286,760	96,092,012	68,368,420	78,296,458

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

14. Cash and bank balances (Cont'd)

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	
	2023	**2022**	**2023**	**2022**
Weighted average deposit rate (%)	3.17	2.48	3.17	2.48
Average remaining maturity period	47	36	43	32

15. Other payables

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Non-current				
Tenant deposits	10,645,399	10,050,013	10,645,399	10,050,013
Deferred lease income	5,728,483	5,197,530	5,728,483	5,197,530
	16,373,882	15,247,543	16,373,882	15,247,543
Current				
Amount due to the Trustee	36,093	32,322	36,093	32,322
Amount due to the Manager	1,134,307	331,015	1,086,385	327,209
Amounts due to related companies	199,473	2,671,741	199,473	2,671,741
Other payables	298,766	436,421	298,766	301,334
Third interim income distribution payable	213,896	14,719,702	213,896	14,719,702
Other accrued expenses	6,158,245	5,132,804	5,072,353	5,311,471
	8,040,780	23,324,005	6,906,966	23,363,779
Total other payables (non-current and current)	24,414,662	38,571,548	23,280,848	38,611,322
Less: Deferred lease income	(5,728,483)	(5,197,530)	(5,728,483)	(5,197,530)
Add: Islamic financing (Note 17)	757,749,184	855,616,967	757,749,184	855,616,967
Total financial liabilities carried at amortised costs	776,435,363	888,990,985	775,301,549	889,030,759

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

16. Deferred tax liability

	Group and Fund 2023 RM	2022 RM
At 1 January	1,662,541	1,765,866
Recognised in profit or loss (Note 7)	(140,000)	(103,325)
At 31 December	1,522,541	1,662,541

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 2023	1,662,541
Recognised in profit or loss	(140,000)
At 31 December 2023	1,522,541
At 1 January 2022	1,765,866
Recognised in profit or loss	(103,325)
At 31 December 2022	1,662,541

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

17. Islamic financing

	Group and Fund 2023 RM	Group and Fund 2022 RM
Non-current		
Commodity Murabahah Term Financing-i I ("Commodity Murabahah - I")	-	80,000,000
Commodity Murabahah Term Financing-i II ("Commodity Murabahah - II")	29,994,050	29,994,050
Commodity Murabahah Term Financing-i III ("Commodity Murabahah - III")	580,000,000	580,000,000
Revolving Credit-i ("RC - I")	-	100,000,000
Term Financing-i ("TF - I")	72,000,000	72,000,000
	681,994,050	861,994,050
Less: Transaction costs	(4,112,866)	(6,377,083)
Total (non-current)	677,881,184	855,616,967
Current		
Commodity Murabahah - I	80,000,000	-
Less: Transaction costs	(132,000)	-
Total (current)	79,868,000	-
Total (non-current and current)	757,749,184	855,616,967

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% (2022: 1.25%) per annum above the bank's Cost of Funds ("COF"). As at reporting date, the profit rate for the Commodity Murabahah is 4.89% (2022: 4.50%) per annum.

The Commodity Murabahah - I was secured against the investment properties which amounting to RM110,450,245 (2022: RM112,815,084) as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

17. Islamic financing (Cont'd)

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% (2022: 1.25%) per annum above the bank's COF. As at reporting date, the profit rate for the Commodity Murabahah is 4.89% (2022: 4.50%) per annum.

The Commodity Murabahah - II was secured against the investment properties which amounting to RM74,000,000 (2022: RM74,100,000) 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% (2022: 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 4.77% and 4.85% (2022: 4.42% and 4.54%) per annum for Tranche 1 and Tranche 2 respectively.

The Commodity Murabahah - III was secured against the investment properties which amounting to RM1,115,000,000 (2022: RM 1,103,400,000) as disclosed in Note 10.

RC - I and TF - I

RC - I and TF - I 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% (2022: 1.20%) per annum above the bank's COF. The average effective profit rate for the RC - I is 4.44% (2022: 4.40%) per annum.

The RC - I had been fully repaid during the current financial year.

The TF - I bears a profit rate of 1.20% (2022: 1.20%) 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% (2022: 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 4.92% (2022: 4.40%) per annum.

The RC - I and TF - I were secured against the investment properties which amounting to RM272,500,000 (2022: RM272,500,000) as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

17. Islamic financing (Cont'd)

Changes in liabilities arising from financing activities :

	At 1 January 2023 RM	Cash flows RM	Charged to profit or loss RM	Reclassification RM	At 31 December 2023 RM
Group and Fund					
Non-current					
Commodity Murabahah - I	80,000,000	-	-	(80,000,000)	-
Commodity Murabahah - II	29,994,050	-	-	-	29,994,050
Commodity Murabahah - III	580,000,000	-	-	-	580,000,000
RC - I	100,000,000	(100,000,000)	-	-	-
TF - I	72,000,000	-	-	-	72,000,000
	861,994,050	(100,000,000)	-	(80,000,000)	681,994,050
Less: Transaction costs on Islamic financing	(6,377,083)	(180,000)	2,180,217	264,000	(4,112,866)
	855,616,967	(100,180,000)	2,180,217	(79,736,000)	677,881,184
Current					
Commodity Murabahah - I	-	-	-	80,000,000	80,000,000
Less: Transaction costs on Islamic financing	-	-	132,000	(264,000)	(132,000)
	855,616,967	(100,180,000)	2,312,217	-	757,749,184

	At 1 January 2022 RM	Cash flows RM	Charged to profit or loss RM	At 31 December 2022 RM
Group and Fund				
Non-current				
Commodity Murabahah - I	80,000,000	-	-	80,000,000
Commodity Murabahah - II	29,994,050	-	-	29,994,050
Commodity Murabahah - III	580,000,000	-	-	580,000,000
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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

18. Unitholders' capital

	2023		2022	
	No. of units	RM	No. of units	RM
Issued and fully paid-up:				
At 1 January	756,485,757	756,408,942	735,985,088	731,398,126
Issue of new units	83,112,000	98,349,283	20,500,669	25,010,816
At 31 December	839,597,757	854,758,225	756,485,757	756,408,942

During the year, the Fund increased its issued and fully paid-up unitholders' capital from RM756,408,942 to RM854,758,225 by way of the issuance of 83,122,000 units of unitholders' capital at an issue price of RM1.20 per unit to redeem its Islamic financing facility, Revolving Credit-i of RM100,000,000.

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 2023 and 31 December 2022 respectively based on the Record of Depositors are as follows:

	2023		2022	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	67,764,182	54,648,534	66,671,211
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	44,782,930	36,115,266	44,060,625
Selangor Medical Centre Sdn Bhd	35,000,000	43,400,000	35,000,000	42,700,000
KPJ Healthcare Berhad	28,259,289	35,041,518	20,500,669	25,010,816
Seremban Specialist Hospital Sdn Bhd	23,731,000	29,426,440	23,731,000	28,951,820
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	26,057,036	21,013,739	25,636,762
Medical Associates Sdn Bhd	19,055,000	23,628,200	19,055,000	23,247,100
Waqaf An-Nur Corporation Berhad	18,251,870	22,632,319	18,251,870	22,267,281
Sentosa Medical Centre Sdn Bhd	15,653,000	19,409,720	15,653,000	19,096,660
Kedah Medical Centre Sdn Bhd	15,000,000	18,600,000	15,000,000	18,300,000
Johor Specialist Hospital Sdn Bhd	12,203,000	15,131,720	12,203,000	14,887,660
Puteri Specialist Hospital Sdn Bhd	12,000,000	14,880,000	12,000,000	14,640,000
Perdana Specialist Hospital Sdn Bhd	11,789,000	14,618,360	11,789,000	14,382,580
Kuantan Specialist Hospital Sdn Bhd	5,000,000	6,200,000	5,000,000	6,100,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,563,880	4,487,000	5,474,140
Jeta Gardens (Qld) Pty Ltd	3,786,924	4,695,786	3,786,924	4,620,047
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,340,000	3,500,000	4,270,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,134,160	3,334,000	4,067,480
Johor Ventures Sdn Bhd	173,219	214,792	173,219	211,327

19. Management Expense Ratio ("MER")

	Fund	
	2023	2022
	%	%
MER	0.58	0.29

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

19. Management Expense Ratio ("MER") (Cont'd)

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

20. Significant related party transactions

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Manager's fee	4,430,769	1,851,471	4,430,769	1,851,471
Maintenance fee	1,202,160	1,098,480	1,202,160	1,098,480
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	
	2023 RM	2022 RM	2023 RM	2022 RM
Less than one year	112,680,509	112,168,484	106,837,832	106,440,368
Between one and five years	444,072,309	348,147,381	413,058,669	317,741,852
	556,752,818	460,315,865	519,896,501	424,182,220

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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.

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

The Group and the Fund determine concentrations of credit risk by monitoring individual profile of their trade receivables on an ongoing basis.

At the end of the reporting period, approximately 84% (2022: 64%) of the Group's trade receivables is related to a related company for leasing of an Australian property. The Group believes the risk of default in payment on amount due from a related company is low and both parties are in the process of finalising on the settlement of outstanding rental. Based on the recent deliberation with the related company, the Group expects the full settlement within 12 months from the end of reporting date.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

(a) Credit risk (Cont'd)

Amount due from a subsidiary

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

(b) Liquidity risk

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

<u>Analysis of financial instruments by remaining contractual maturities</u>

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 2023				
Financial liabilities				
Other payables	10,318,613	1,869,586	12,381,954	24,570,153
Islamic financing	116,478,003	760,143,749	-	876,621,752
	126,796,616	762,013,335	12,381,954	901,191,905

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

(b) Liquidity risk (Cont'd)

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

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 (Cont'd):

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Group (Cont'd)				
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
Fund				
As at 31 December 2023				
Financial liabilities				
Other payables	9,277,247	1,869,586	12,381,954	23,528,787
Islamic financing	116,478,003	760,143,749	-	876,621,752
	125,755,250	762,013,335	12,381,954	900,150,539
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

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

(c) Interest rate risk (Cont'd)

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.

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Financing rate				
- 25 bp decrease	1,816,717	2,000,651	1,816,817	2,000,749
- 25 bp increase	(1,816,717)	(2,000,651)	(1,816,817)	(2,000,749)

(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	
	2023 RM	2022 RM	2023 RM	2022 RM
Denominated in AUD				
Trade receivables	33,394,436	25,756,239	-	-
Cash and cash equivalents	17,104,759	18,926,130	1,188,288	1,132,576
Other payables	-	(133,238)	-	-
Net exposure in the statements of financial position	50,499,195	44,549,131	1,188,288	1,132,576

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

(d) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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

	Other comprehensive income			
	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
AUD				
Strengthened 5%	2,524,960	2,227,457	59,414	56,629
Weakened 5%	(2,524,960)	(2,227,457)	(59,414)	(56,629)

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

23. Segment reporting (Cont'd)

The Group's segmental information is as follows:

	Malaysia RM	Australia RM	Total RM
31 December 2023			
Gross rental	115,250,328	5,772,153	121,022,481
Property expenses	(6,486,678)	(65,708)	(6,552,386)
Net property income	108,763,650	5,706,445	114,470,095
Investment revenue	1,450,856	-	1,450,856
Other income	731,276	-	731,276
Unrealised gain on foreign exchange	55,712	-	55,712
Fair value adjustment on investment properties	8,735,161	(13,886,411)	(5,151,250)
Total income	119,736,655	(8,179,966)	111,556,689
Trust expenditure	(9,186,356)	(2,669,074)	(11,855,430)
Operating profit	110,550,299	(10,849,040)	99,701,259
Finance costs	(39,147,086)	-	(39,147,086)
Profit before tax	71,403,213	(10,849,040)	60,554,173
Tax	140,000	-	140,000
Profit after tax	71,543,213	(10,849,040)	60,694,173
Total assets	1,731,435,104	124,548,740	1,855,983,844
Total liabilities	782,552,573	1,133,814	783,686,387

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

23. Segment reporting (Cont'd)

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

	Malaysia RM	Australia RM	Total RM
31 December 2022			
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 income	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
Expenditure	(6,732,573)	(502,488)	(7,235,061)
Operating profit	82,121,532	5,512,041	87,633,573
Financing 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

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 2023

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Total borrowings	757,749,184	855,616,967	757,749,184	855,616,967
Total assets value	1,855,983,844	1,867,065,835	1,854,868,689	1,867,100,179
Total borrowings to total assets value ratio	40.83%	45.83%	40.85%	45.83%

25. Portfolio turnover ratio ("PTR")

	Group and Fund	
	2023 RM	2022 RM
PTR (times)	-	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	
	2023 RM	2022 RM	2023 RM	2022 RM
Capital expenditure - authorised but not contracted for	306,600,000	213,200,000	306,600,000	213,200,000

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

27. Significant events

(i) Proposed disposal of Jeta Gardens Aged Care Facility

On 12 December 2023, the subsidiary of the Company, Al-Aqar Australia Pty Ltd, entered into a Land Sale Contract ("LSC") with Principal Healthcare Finance Pty Ltd, for a proposed disposal of the lands and buildings of Jeta Gardens Aged Care Facility, for a cash consideration of AUD20.7 million (equivalent to approximately RM64.7 million). The completion of the LSC is conditional upon registration of the title and easement dealings at the Titles Office under the land reconfiguration exercise. The proposed disposal is expected to be completed by second half of FY2024.

(ii) Proposed disposal of Damai Wellness Centre

On 15 November 2023, the Group as represented by the Trustee, entered into a sale and purchase agreement ("SPA") with Sihat Damai Sdn Bhd ("Sihat Damai"), for a proposed disposal of Damai Wellness Centre, for a cash consideration of RM13.0 million. The Purchaser had paid a deposit of RM260,000 being 2% of the disposal consideration upon signing of the SPA. The completion of the SPA is conditional upon approval of the board of directors of the Manager, the Group and Sihat Damai being obtained, and all such other consents and approvals of the appropriate authorities. The proposed disposal is expected to complete by quarter 1 of FY2024.

28. Assets classified as held for sale

(a) On 12 December 2023, the Group has entered into a LSC with Principal Healthcare Finance Pty Ltd, as trustee for the Principal Healthcare Finance Trust to dispose the lands and buildings of Jeta Gardens Aged Care Facility for a cash consideration of AUD20.7 million (equivalent to approximately RM64.7 million).

Details on the proposed disposal are disclosed in Note 27(i).

(b) On 15 November 2023, the Group has entered into a SPA with Sihat Damai Sdn Bhd to dispose Damai Wellness Centre for a cash consideration of RM13,000k.

Details on the proposed disposal are disclosed in Note 27(ii).

The assets to be disposed pursuant to the above sale and purchase agreements are as follows:

	Jeta Gardens Aged Care Facility Note 28(a) RM	Damai Wellness Centre Note 28(b) RM	Total RM
2023			
Group			
Assets classified as held for sale			
Investment properties	64,700,031	12,000,000	76,700,031

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

28. Assets classified as held for sale (Cont'd)

The assets to be disposed pursuant to the above sale and purchase agreements are as follows (Cont'd):

	Damai Wellness Centre Note 28(b) RM
2023	
Fund	
Assets classified as held for sale	
Investment properties	12,000,000

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