

10
years

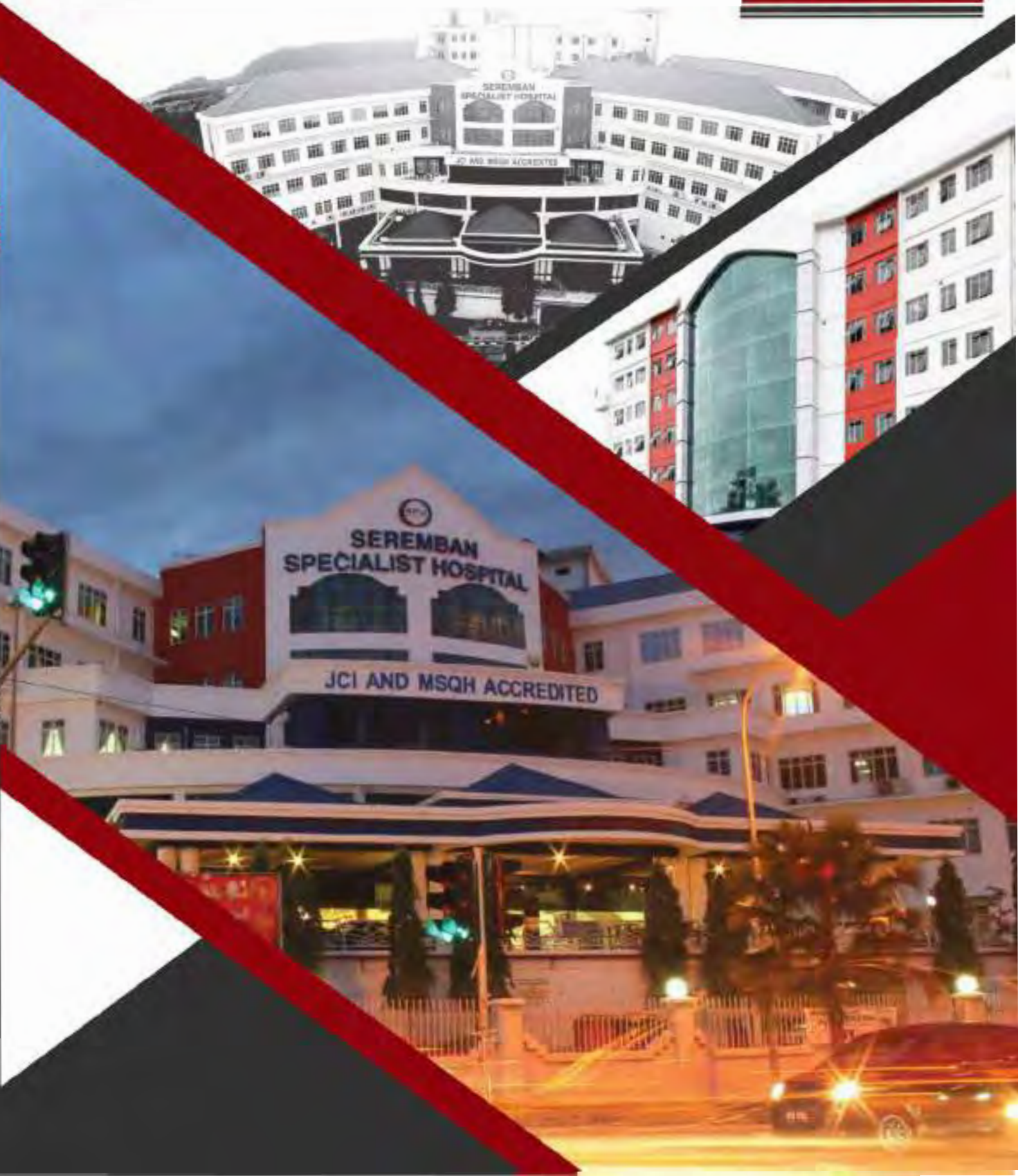
A Decade of
Pioneering the Difference

► ANNUAL



AL-AQAR HEALTHCARE REIT

REPORT
2016



▶ ANNUAL REPORT 2016



AL-AQAR HEALTHCARE REIT

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Corporate Overview

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At A Glance

1st
ISLAMIC REIT
IN THE WORLD

23
NO. OF
PROPERTIES

**RM 1.52
BILLION**
PROPERTY VALUE

100%
OCCUPANCY RATE

4.90%
DISTRIBUTION YIELD

17.04%
TOTAL RETURN

**RM1.14
BILLION**
MARKET CAPITALISATION

**RM103.84
MILLION**
GROSS REVENUE

**7.70
SEN**
DPU

**RM97.60
MILLION**
NET PROPERTY INCOME

Corporate Profile

Al-`Aqar Healthcare REIT (Al-`Aqar or the Fund) was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 10 August 2006. Marking the momentous 10th Anniversary on August 2016, Al-`Aqar has accomplished various achievements, such as, the world's first listed Islamic REIT, Asia's first Islamic Healthcare REIT and a benchmark for the development of Islamic REITs in Malaysia, as well as in the region. Established with an initial portfolio of 6 properties, Al-`Aqar has grown its portfolio to 23 properties comprising 19 hospitals and 4 healthcare-related properties in Malaysia and Australia.

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

As at 31 December 2016, Al-`Aqar asset size stood at RM1.61 billion with a market capitalisation of RM1.14 billion.



Corporate Information

Manager

Damansara REIT Managers Sdn Berhad (717704-V)

Registered Office

Level 11, Menara KOMTAR, Johor Bahru, Johor Darul Takzim.

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 Bandar Petaling Jaya, Petaling Jaya, Selangor Darul Ehsan

Tel: +603 7932 1692 / 7932 3692

Fax: +603 7932 0692

Trustee

AMANAHRAYA TRUSTEES BERHAD (766894-T)

Tingkat 2, Wisma AmanahRaya II, No. 21, Jalan Melaka, 50100 Kuala Lumpur.

Tel : (+603) 2036 5000 / 2036 5129

Fax : (+603) 2072 0320

Email : art@arb.com.my

Website: www.artrustees.com.my

Shariah Committee Members

Dato' (Dr) Hj. Nooh bin Gadot

Professor Madya Dr. Halim bin Muhammad

Professor Dr. Mohamad @ Md Som bin Sujimon

Registrar

PRO CORPORATE MANAGEMENT SERVICES

SDN BHD (349501-M)

Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000, Johor Darul Takzim.

Tel : (+607) 226 7692 / 226 7476

Fax : (+607) 222 3044

Email : infoprocorporate@jcorp.com.my

Maintenance Managers

HEALTHCARE TECHNICAL

SERVICES SDN BHD (342111-A)

No. 20-1, Jalan 65C,

Pekeliling Business Centre,

Off Jalan Pahang Barat,

53000 Kuala Lumpur.

Tel : (+603) 4021 2331

Fax : (+603) 4021 2337

IM GLOBAL PROPERTY CONSULTANTS

SDN BHD (701223-X)

Board Registration: (VE(1)0253)

No. 47-2, Second Floor, Wisma IMG,

Jalan 3/76D, Desa Pandan,

55100 Kuala Lumpur.

Tel : (+603) 9284 8884

Fax : (+603) 9281 1884

Email : info@img.com.my

Website: www.img.com.my

HEALTH FACILITY SERVICES PTY LTD

(AUSTRALIAN CO. NO. 115 728 384)

25, Clarendon Avenue, Bethania,

Qld 4205, Australia.

Tel : (+61 7) 3200 7188 / 3299 9256

Fax : (+61 7) 3200 7100

Auditor

DELOITTE PLT (LLP0010145-LCA)
Level 16, Menara LGB,
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (+603) 7610 8888
Fax : (+603) 7726 8986
Website: www.deloitte.com/my

Solicitor

ABDUL RAMAN SAAD & ASSOCIATES
Level 8, Bangunan KWSP, No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan, 50200 Kuala Lumpur.
Tel : (+603) 2032 2323
Fax : (+603) 2032 5775
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

Independent Property Valuer

CHESTON INTERNATIONAL (KL) SDN BHD (647245-W)
Suite 2A, 2nd Floor, Plaza Flamingo,
No. 2, Tasik Ampang, Jalan Hulu Kelang,
68000 Ampang, Selangor.
Tel : (+603) 4251 2599
Fax : (+603) 4251 6599 / 4253 1393
Email : cikl@chestonint.com
Website : www.chestonint.com

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Name : ALAQAR
Stock Code : 5116

Website

www.alaqar.com.my

Letter to Stakeholders

“

Al-`Aqar had over the span of a decade, ensured optimum returns on stakeholders' investment; and this, had in turn spurred the confidence of our sponsor and investors as well as the authorities

”



Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, I am honoured to present Al-`Aqar Healthcare REIT's Annual Report and audited financial statements for the financial year ended 31 December 2016.

2016 marks a decade of Al-`Aqar's journey as the first healthcare REIT in Malaysia. With an initial portfolio of 6 assets with a total value of RM466 million, Al-`Aqar has grown its portfolio to 23 assets valued at over RM1 billion today. Al-`Aqar, had, over the span of a decade, ensured optimum returns on stakeholders' investment; and this, had in turn spurred the confidence of our sponsor and investors as well as the authorities. Listed with an initial unit price of RM0.95 on 10 August 2006, Al-`Aqar closed at RM1.57 per unit on 31 December 2016, representing an appreciation in unit price of 65.26%. Our track record in maintaining stable distribution payouts and competitive yields generated by our properties have been consistent. With an average distribution per unit of about 7.70 sen over past 10 years, we always strive to record commendable return to unitholders. In addition to that, recognitions and appreciations from the investment fraternity that we have received over the past years are testimonies of our achievements.

With such consistency in performance, I am pleased to announce that Al-`Aqar has distributed 7.70 sen per unit for 2016. This translates into a distribution yield of 4.90% to investors and total payout of RM56.1 million which represents 95.7 % of Al-`Aqar's distributable net income for the year 2016. Our market capitalisation has improved from RM1.02 billion at 31 December 2015 to RM1.14 billion at 31 December 2016, an increase of 11.76%.





As we celebrate the 10th Anniversary of Al-`Aqar, I would like to express my appreciation to the esteemed members of the Board and our Shariah Committee for their support and contribution throughout the years. On behalf of the Board, I would like to express my heartfelt gratitude to Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir for her immense contribution to Al-`Aqar since inception until her resignation on 1 April 2016. The Board wishes Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir great success in her future undertakings. My heartiest welcome to Encik Wan Azman bin Ismail as the new Non-Independent Non-Executive Director of the Manager effective from 15 February 2017.

I would like to thank the unitholders, trustees, financiers, business associates, relevant authorities and all stakeholders of Al-`Aqar for their continuous support and confidence. A special acknowledgement to KPJ, for its steadfast commitment and for being the ever supportive sponsor of Al-`Aqar. Last but not least, I extend my appreciation to the management team of the fund for its relentless efforts towards excellence and optimum efficiency in ensuring that our objectives are met.

We appreciate the confidence and trust that our stakeholders have had in Al-`Aqar throughout the last 10 years. Our growth and major accomplishments would not have been possible without the support and encouragement of our valued stakeholders. With continuous support from all stakeholders, I look forward to witnessing more milestones from Al-`Aqar in the years to come.

A handwritten signature in white ink, consisting of a large, stylized 'K' followed by a horizontal line and a small flourish at the end.

DATO' KAMARUZZAMAN BIN ABU KASSIM

Chairman

Damansara REIT Managers Sdn Berhad

Salient Features

* As at 31 December 2016



Al-Aqar
Healthcare REIT

NAME OF FUND



Islamic healthcare real
estate and healthcare
related assets

CATEGORY OF FUND



Income and growth

TYPE OF FUND

At least **95%**

DISTRIBUTABLE INCOME

728,226,468 units *

FUND SIZE

100%

OCCUPANCY RATE

Minimum 6.5 sen
per annum

**DISTRIBUTION
PER UNIT**

**10
August
2006**

LISTING DATE

15 years renewable
for another 15 years

LEASE TERM

Main Market of
Bursa Malaysia
Securities Berhad

LISTING

Every
3 years

RENTAL REVIEW

ALAQAR (5116)

STOCK NAME & CODE

5 Years'

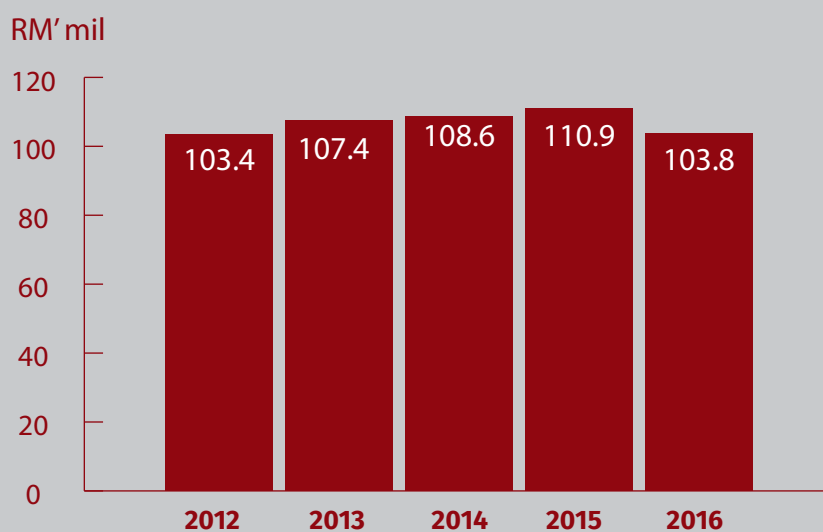
Financial Performance

		GROUP				
		2016	2015	2014	2013	2012
Gross revenue	(RM '000)	103,839	110,945	108,644	107,419	103,398
Net property income	(RM '000)	97,595	104,565	102,399	101,285	97,716
Income before tax	(RM '000)	63,986	67,912	73,148	75,825	64,289
Net income after tax - realised	(RM '000)	61,540	55,824	59,858	53,636	52,150
Net income after tax - unrealised	(RM '000)	1,527	15,125	11,445	19,612	10,612
Earnings per unit	(sen)	8.79	9.69	10.51	10.89	9.03
Investment properties	(RM '000)	1,424,360	1,521,523	1,509,996	1,483,685	1,464,010
Total asset value	(RM '000)	1,611,213	1,594,382	1,592,422	1,568,909	1,548,183
Net asset value	(RM '000)	896,068	879,826	831,543	814,894	800,128
NAV per unit - before distribution	(RM)	1.2305	1.2082	1.1944	1.1704	1.15
NAV per unit - after distribution	(RM)	1.1925	1.1829	1.1565	1.1305	1.1046

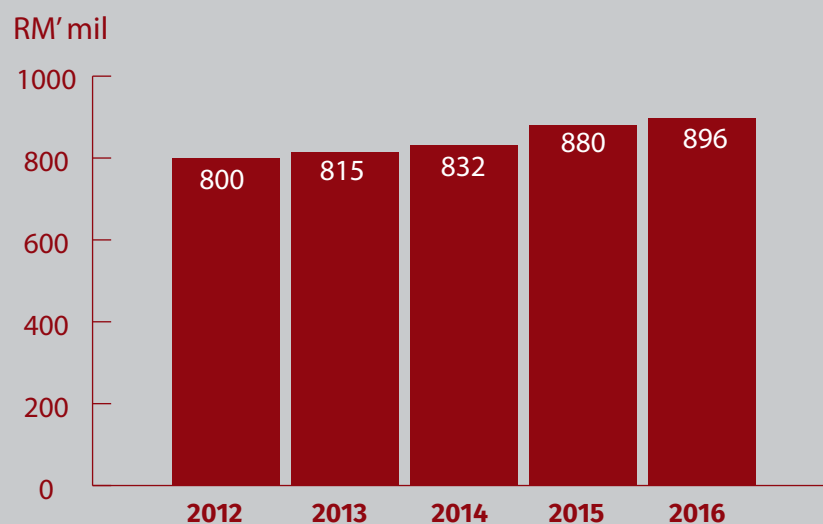
		FUND				
		2016	2015	2014	2013	2012
Gross revenue	(RM '000)	92,054	91,679	90,080	88,762	84,603
Net property income	(RM '000)	85,931	85,608	84,067	82,844	79,160
Income before tax	(RM '000)	61,434	72,658	63,561	73,726	62,527
Net income after tax - realised	(RM '000)	59,533	61,097	59,626	54,836	52,617
Net income after tax - unrealised	(RM '000)	1,899	11,562	3,935	18,890	9,910
Earnings per unit	(sen)	8.44	10.37	9.13	10.59	9.35
Investment properties	(RM '000)	1,281,800	1,378,963	1,287,496	1,268,600	1,249,710
Total asset value	(RM '000)	1,579,459	1,564,079	1,561,137	1,547,170	1,531,361
Net asset value	(RM '000)	892,120	877,512	827,519	818,612	803,369
NAV per unit - before distribution	(RM)	1.225	1.205	1.1886	1.1758	1.15
NAV per unit - after distribution	(RM)	1.1870	1.1797	1.1507	1.1359	1.1046
Market capitalisation	(RM '000)	1,143,316	1,019,517	960,793	925,981	898,132
Distribution per unit	(sen)	7.70	7.70	7.65	7.85	7.80
Annualised distribution yield	(%)	4.90	5.50	5.54	5.90	6.05



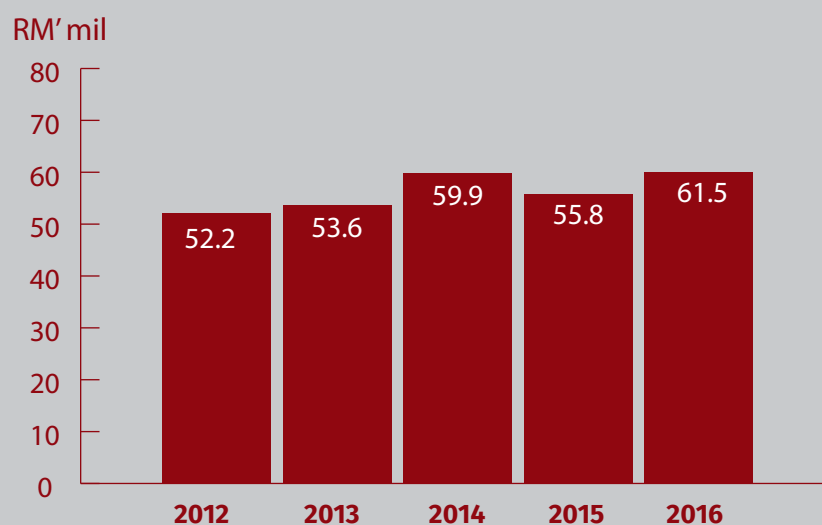
GROSS REVENUE



NET ASSET VALUE

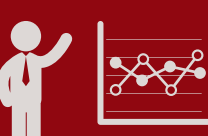


NET INCOME AFTER TAXATION (REALISED)





TRADING PERFORMANCE

DISTRIBUTION YIELD, TOTAL RETURN & DISTRIBUTION PER UNIT




NAV & TRADED PRICE

Year	NAV		Year	Traded Price	
	Highest NAV (RM)	Lowest NAV (RM)		Highest Traded Price (RM)	Lowest Traded Price (RM)
2012	1.16	1.08	2012	1.52	1.14
2013	1.18	1.09	2013	1.44	1.27
2014	1.21	1.13	2014	1.55	1.28
2015	1.21	1.17	2015	1.45	1.27
2016	1.23	1.19	2016	1.70	1.32

Corporate Milestones



2006

Listing of Al-Aqar on
Bursa Malaysia
10 August 2006



2007

Al-Aqar awarded "Deal
of the Year Awards 2006",
Islamic REITs Category by
Islamic Finance News in
Dubai.

12 March 2007

Al-Aqar awarded "Deal
of the Year Awards 2006",
Islamic REITs Category by
Islamic Finance News in
Kuala Lumpur.

28 March 2007

2008

Al-Aqar Sukuk Ijarah
Programme RM300
million awarded "Best
Islamic REIT Deal in
South East Asia" by
Alpha Southeast Asia
Magazine.

7 January 2008

Al-Aqar Capital Sdn
Bhd, 100% subsidiary
of Al-Aqar has won
the award for "Most
Innovative Deal" in the
Euromoney Islamic
Finance Awards 2008 in
London.

5 February 2008



2009

Al-Aqar Capital Sdn Bhd awarded the inaugural
deal of the year awards in the Real Estate Deal of
The Year category by the Islamic Finance News (IFN)
in Kuala Lumpur.

12 February 2009

Al-Aqar Capital Sdn Bhd awarded the RAM League
Awards 2009, Blueprint Awards, New Real Estate
Benchmark Deal Category in Kuala Lumpur.

26 June 2009



2010

Announcement to Bursa Malaysia on intention of
Al-Aqar to acquire Jeta Garden Aged Care Facility and
Jeta Garden Retirement Living in Australia.

18 September 2010

2013

1st Annual General Meeting (AGM) & Extraordinary General Meeting (EGM) of Al-Aqar in Johor Bahru.

26 April 2013



Issuance of Sukuk Ijarah of RM655 million under the First Issue of the Islamic Medium Term Notes Programmer of up to RM1.0 billion in Nominal Value.

5 May 2013 &

5 August 2013

DRMSB granted Capital Markets Services License (License no: CMSL/AO303/2013) by Securities Commission to carry out the regulated activities of fund management in relation to asset management restricted to REITs pursuant to the requirements under the CMSA.

27 June 2013



2014

Al-Aqar won IAIR Awards 4th Annual Edition 2014 (REIT) in Hong Kong.

28 February 2014

2015

Acquisition of KPJ Seremban Specialist Hospital Land was completed at a purchase consideration of RM4.25 million.

5 November 2015

Listing of 32 million new units of Al-Aqar on the Main Market of Bursa Malaysia arising from inaugural private placement exercise, raising proceeds of RM40.0 million

13 November 2015

Acquisition of the new development in KPJUC Nilai was completed at a purchase consideration of RM77.8 million

1 December 2015



Completion of disposal of Indonesia's properties, namely Rumah Sakit Medika Permata Hijau and Rumah Sakit Bumi Serpong Damai to KPJ

16 December 2015

2016

Al-Aqar won an award at The Edge-Billion Ringgit Club (BRC) & Corporate Awards 2016 for category "Highest Returns to Shareholders Over Three Years"

15 August 2016



2011

Proposed Change of Name from Al-Aqar KPJ REIT to Al-Aqar Healthcare REIT.

19 August 2011

Al-Aqar received "The Diamond EYE Award for Quality Commitment and Excellence" from Otherways Commitment and Consulting Association in Geneva, Switzerland.

28 November 2011

2012

Announcement to Bursa Malaysia on completion of 4th acquisition exercise consisting of Bandar Baru Klang Specialist, Kluang Utama Specialist Hospital, Rumah Sakit Bumi Serpong Damai and Rumah Sakit Medika Permata Hijau.

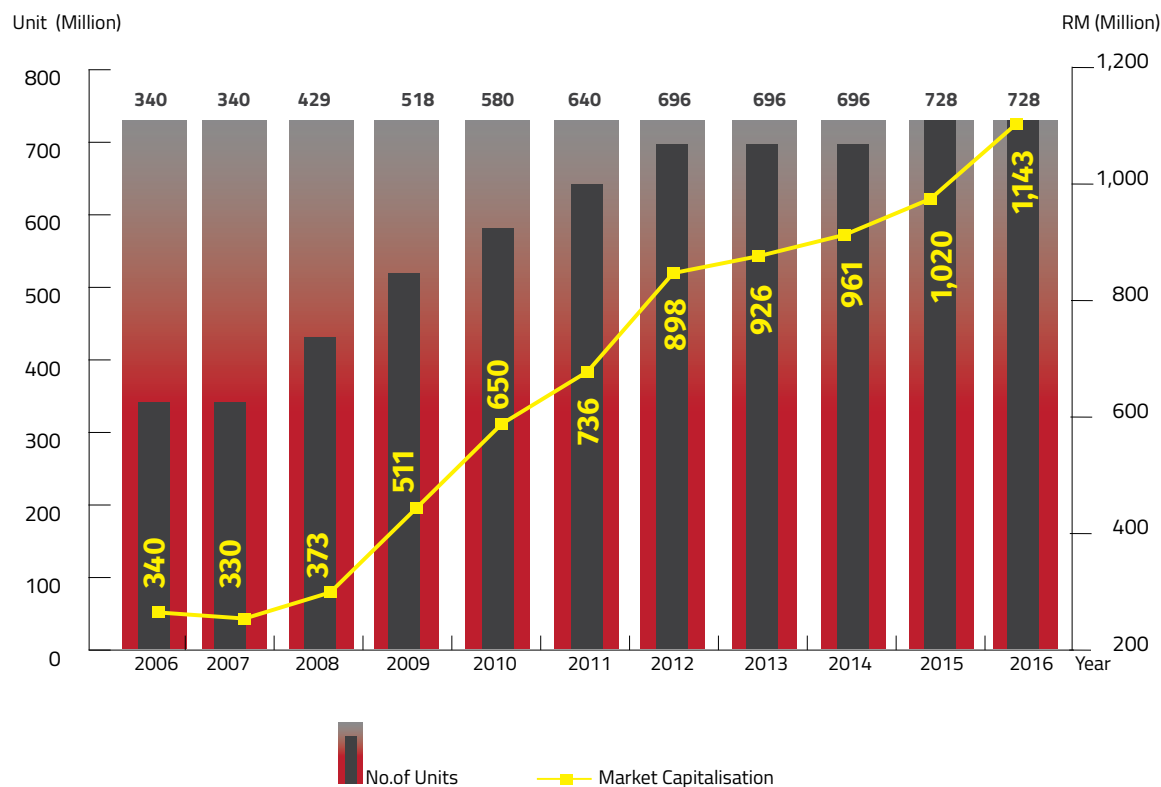
27 June 2012



Trading Performance

Month	Lowest Traded Price (RM per unit)	Highest Traded Price (RM per unit)	Closing Market Price (RM per unit)	Average Trading Volume (‘000 units)	Market Capitalisation (RM ‘000)
Jan	1.32	1.41	1.40	11,511	1,019,518
Feb	1.40	1.49	1.48	5,945	1,077,776
Mar	1.42	1.57	1.52	19,183	1,106,905
Apr	1.50	1.53	1.53	5,812	1,114,187
May	1.52	1.55	1.55	3,299	1,128,752
Jun	1.53	1.58	1.56	4,716	1,136,034
Jul	1.54	1.56	1.56	2,784	1,136,034
Aug	1.60	1.70	1.70	1,724	1,237,986
Sep	1.70	1.51	1.51	10,620	1,099,623
Oct	1.54	1.60	1.54	9,772	1,121,470
Nov	1.54	1.64	1.64	7,845	1,194,292
Dec	1.50	1.64	1.57	23,138	1,143,316

Market Capitalisation And Unit In Circulation Since Inception



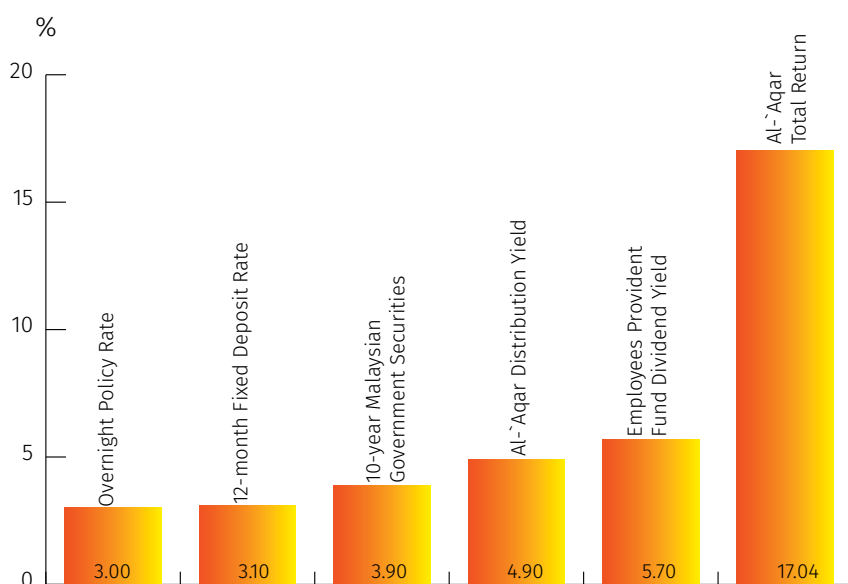
Monthly Trading Performance



Closing Unit Price and Nav Per Unit

Year	Unit Price	NAV per Unit
2006	1.00	1.02
2007	0.97	1.03
2008	0.94	1.03
2009	0.99	1.04
2010	1.12	1.07
2011	1.15	1.12
2012	1.29	1.15
2013	1.33	1.18
2014	1.38	1.19
2015	1.40	1.21
2016	1.57	1.23

Comparative Yield As At 31 December 2016



Analysis of Unit Holdings

UNIT HOLDINGS STATISTICS AS AT 30 DECEMBER 2016 (As Per Record of Depositor)

Break down of Unit holdings

Size of Unit holdings	No. of Unitholders	%	No. of Units	%
Less than 100	356	12.41	15,232	-
100 – 1000	1,073	37.40	523,142	0.07
1,001 – 10,000	898	31.30	4,114,836	0.57
10,001 – 100,000	386	13.45	13,037,918	1.79
100,001 to less than 5% of Issued Capital	152	5.30	440,800,512	60.53
5% and above of Issued Capital	4	0.14	269,734,828	37.04
TOTAL	2,869	100.00	728,226,468	100.00

Top Thirty Securities Account Holders

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

Name	No. of Units	%
1 Kumpulan Wang Persaraan (Diperbadankan)	87,080,300	11.96
2 Lembaga Tabung Haji	75,822,656	10.41
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	65,814,338	9.04
4 Pusat Pakar Tawakal Sdn Bhd	41,017,534	5.63
5 Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	4.96
6 HSBC Noms (T) Sdn Bhd - A/C Selangor Medical Centres Sdn Bhd (355-300641-089)	35,000,000	4.81
7 AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	30,406,900	4.18
8 Seremban Specialist Hospital Sdn Bhd	23,731,000	3.26
9 Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	2.89
10 Jeta Gardens (QLD) Pty Ltd	19,784,468	2.72
11 Medical Associates Sdn Bhd	19,055,000	2.62
12 Waqaf An-Nur Corporation Berhad	18,199,870	2.50
13 Sentosa Medical Centre Sdn Bhd	15,653,000	2.15
14 Kedah Medical Centre Sdn Bhd	15,000,000	2.06
15 Pusat Pakar Tawakal Sdn Bhd	13,631,000	1.87
16 AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	12,248,500	1.68
17 Johor Specialist Hospital Sdn Bhd	12,203,000	1.68
18 Puteri Specialist Hospital (Johor) Sdn Bhd	12,000,000	1.65
19 Pusat Pakar Darul Naim Sdn Bhd	11,789,000	1.62
20 AmanahRaya Trustees Berhad - A/C Amanah Saham Didik	10,046,000	1.38
21 Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	9,604,998	1.32
22 AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.16
23 Permodalan Nasional Berhad	6,500,000	0.89
24 Citigroup Noms (T) Sdn Bhd - A/C Exempt An for AIA Bhd.	5,612,200	0.77
25 AmanahRaya Trustees Berhad - A/C Public Strategic Smallcap Fund	5,577,900	0.77
26 Citigroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (Life Par FD)	5,553,394	0.76
27 AmanahRaya Trustees Berhad - A/C AS 1Malaysia	5,178,930	0.71
28 Kuantan Specialist Hospital Sdn Bhd	5,000,000	0.69
29 AmanahRaya Trustees Berhad - A/C PB Smallcap Growth Fund	4,545,700	0.62
30 Kajang Specialist Hospital Sdn. Bhd.	4,487,000	0.62

Substantial Unitholders

Name	Direct		Indirect	
	No. of Units	%	No. of Units	%
1 Kumpulan Wang Persaraan (Diperbadankan) Citigroup Noms (T) Sdn Bhd 87,080,300				
- A/C Kumpulan Wang Persaraan (Diperbadankan) - 3 a/cs 2,853,900	89,934,200	12.35	-	-
2 Lembaga Tabung Haji	75,822,656	10.41	-	-
3 Pusat Pakar Tawakal Sdn Bhd - 2 a/cs	71,389,800	9.80	-	-
4 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board - 2 a/cs	68,902,938	9.46	-	-

Analysis Of Unitholders

	No. of Holders	%	No. of Units	%
Malaysian - Bumiputra	827	28.82	542,261,614	74.46
- Others	1,966	68.53	160,694,792	22.07
Foreigners	76	2.65	25,270,062	3.47
TOTAL	2,869	100.00	728,226,468	100.00

Unit Analysis As At 30 December 2016

UNITHOLDERS	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holders	No. of Units	Holders	No. of Units	Holders	No. of Units	Holders	No. of Units
Government Bodies	2	6,000	2	6,000	-	-	-	-
Finance	30	258,606,858	28	255,718,358	2	2,888,500	-	-
Investment Trust	6	192,500	5	22,500	1	170,000	-	-
Nominees	491	166,739,730	304	22,488,622	160	141,029,723	27	3,221,385
Companies	71	280,234,926	51	259,908,438	18	456,720	2	19,869,768
Clubs / Associations	1	895,400	1	895,400	-	-	-	-
Co - Operatives	7	1,680,250	5	1,500,650	2	179,600	-	-
Individuals	2,261	19,870,804	431	1,721,646	1,783	15,970,249	47	2,178,909
Total	2,869	728,226,468	827	542,261,614	1,966	160,694,792	76	25,270,062
%	100.00	100.00	28.82	74.46	68.53	22.07	2.65	3.47

Awards & Recognitions

2014

IAIR Awards

Best Company for
Leadership - Malaysia

2016

**The Edge-Billion Ringgit Club
(BRC) & Corporate Awards**

Highest Returns to Shareholders
Over Three Years

2011

**Otherways Commitment &
Consulting Awards**

The Diamond EYE Award for
Quality Commitment and
Excellence

2008

Islamic Finance News

Real Estate Deal of the Year

2009

RAM League Awards

New Real Estate
Benchmark Deal

2007

**Euromoney Islamic
Finance Awards**

Most Innovative Deal

2006

Islamic Finance News

Deal of the Year Awards – Islamic
Category

2007

**Alpha Southeast
Asia Awards**

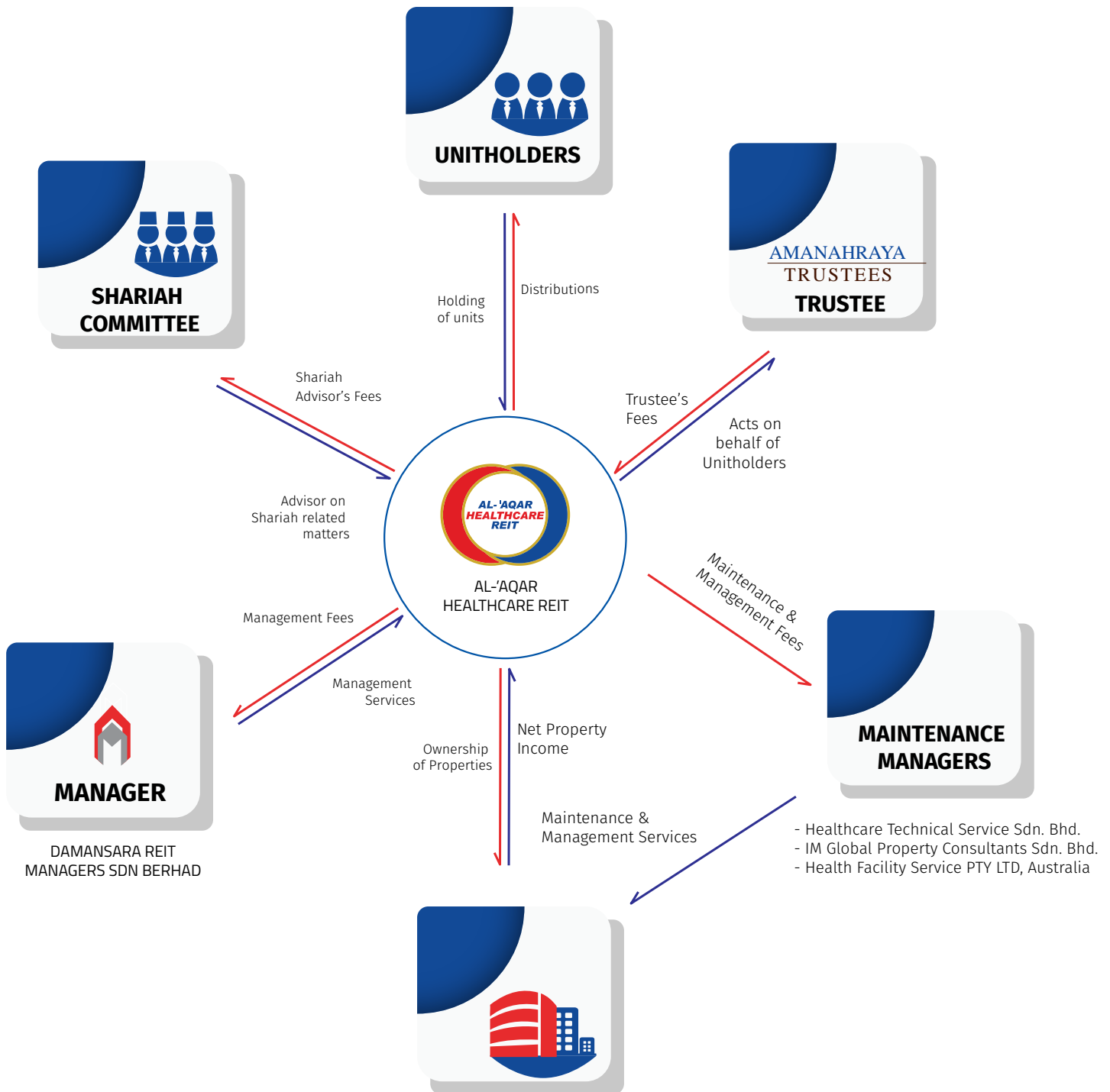
Best Islamic REIT
Deal in South-east
Asia

Key Drivers

02

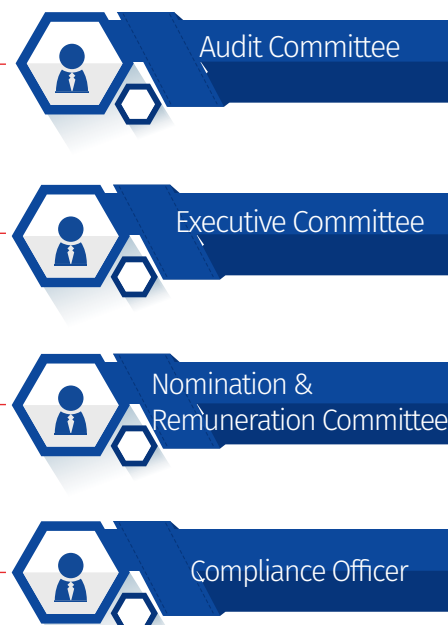
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Trust Structure



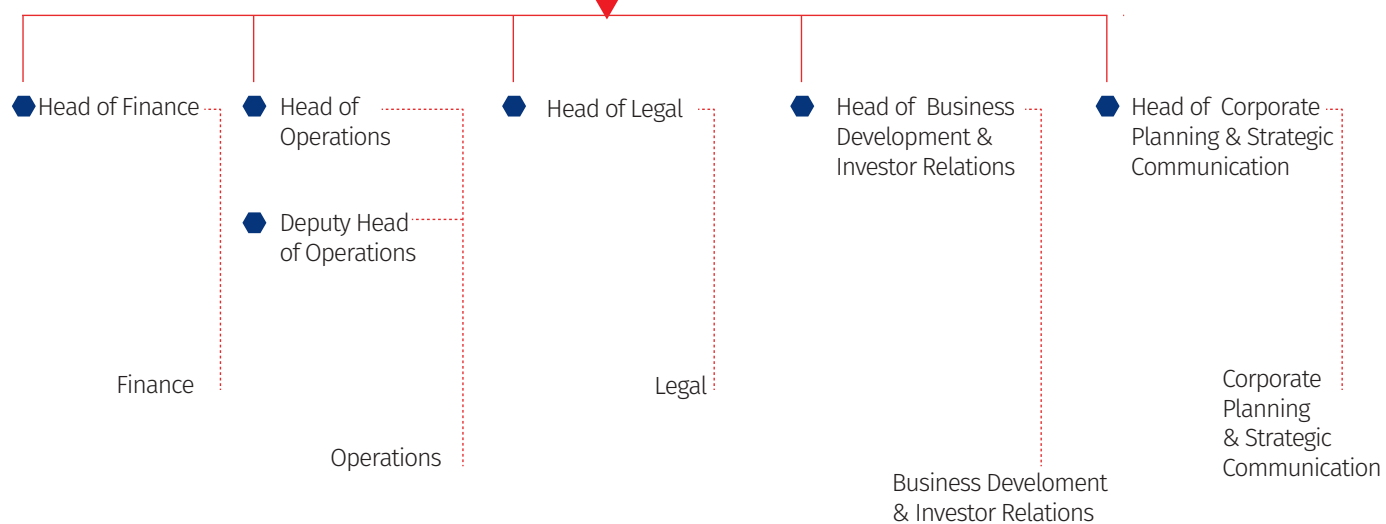
Organisation Structure

BOARD OF DIRECTORS



Chief Executive Officer

Deputy General Manager



The Board of Directors



From right to left

ZAINAH BINTI MUSTAFA

DR. MOHD HAFETZ BIN AHMAD

DATO' MANI A/L USILAPPAN

From left to right

LUKMAN BIN HJ. ABU BAKAR

DATO' AMIRUDDIN BIN ABDUL SATAR

MOHD YUSOF BIN AHMAD

WAN AZMAN BIN ISMAIL
(appointed w.e.f. 15 February 2017)



Company Secretaries



**HANA BINTI AB
RAHIM @ ALI**
(MAICSA 7064336)



















**ROHAYA
BINTI JAAFAR**
(LS 0008376)



YUSAINI BIN HJ. SIDEK

DATO' KAMARUZZAMAN BIN ABU KASSIM

 Chairman  Member

		Board of Directors	Audit Committee	Executive Committee	Nomination & Remuneration Committee
1.	DATO' KAMARUZZAMAN BIN ABU KASSIM				
2.	YUSAINI BIN HJ. SIDEK				
3.	ZAINAH BINTI MUSTAFA				
4.	DR. MOHD HAFETZ BIN AHMAD				
5.	DATO' MANI A/L USILAPPAN				
6.	LUKMAN BIN HJ. ABU BAKAR				
7.	DATO' AMIRUDDIN BIN ABDUL SATAR				
8.	MOHD YUSOF BIN AHMAD				
9.	WAN AZMAN BIN ISMAIL (appointed w.e.f. 15 February 2017)				

Dato' Kamaruzzaman bin Abu Kassim
 Malaysian, Male, Aged 53

Dato' Kamaruzzaman bin Abu Kassim is the Chairman and Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as Director on 12 January 2007 and as Chairman on 12 January 2011. He is currently the President & Chief Executive of JCorp with effect from 1 December 2010.

Dato' Kamaruzzaman graduated with a Bachelor of Commerce (Accountancy) from University of Wollongong, New South Wales, Australia in 1987.

Dato' Kamaruzzaman is also the Chairman of KPJ Healthcare Berhad. He is also the Chairman and/or Director of several companies within the JCorp Group which includes, amongst others, Kulim (Malaysia) Berhad, Johor Land (JLand), QSR Brands Berhad and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's corporate social responsibility programmes.

Dato' Kamaruzzaman embarked his career as an Audit Assistant with Messrs K.E Chan & Associates in May 1988 and later joined Messrs Pricewaterhouse Coopers (formerly known as Messrs Coopers & Lybrand) in 1989. In December 1992, he joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999. He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and was later appointed as the Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Yusaini bin Hj. Sidek
 Malaysian, Male, Aged 49

Yusaini bin Hj. Sidek is the Managing Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his current role on 1 February 2013. Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of Damansara Assets Sdn Bhd (DASB) having been appointed on 1 December 2012 and the Vice President, Commercial Property, Property Division of JCorp since May 2015.

Yusaini graduated with a Master of Business Administration, with specialisation in International Business from University of Southern Queensland, Australia in 2010. He also holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

Yusaini has approximately 25 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly-owned subsidiary of Low Yatt Group of Companies. During his tenure with the aforementioned companies,

amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management. In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of Johor Corporation as a Senior Manager until 2005 managing the properties under (DASB) in Kuala Lumpur prior to his appointment at DRMSB. Yusaini has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA. In January 2015, he was appointed as the Vice Chairman of the Malaysian REIT Managers Association (MRMA), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of AL-Aqar. He has no personal interest in any business arrangement involving AL-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Zainah binti Mustafa
Malaysian, Female, Aged 62

Zainah binti Mustafa is the Independent Non-Executive Director of the Manager. She was appointed to the Board and as the Chairman of the Manager's Audit Committee on 16 February 2007.

Zainah graduated from Institut Teknologi MARA (presently Universiti Teknologi MARA) in 1977. She obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976. She is now a Fellow of ACCA.

In 1977, she started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad. She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.

Zainah is also presently the Independent Non-Executive Director of KPJ and Damansara Realty Berhad and sits on the Board of various companies within the JCorp Group.

Other than as disclosed, she does not have any family relationship with any director and/or major unitholders of AL-Aqar. She has no personal interest in any business arrangement involving AL-Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. She attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Dr. Mohd Hafetz bin Ahmad
Malaysian, Male, Aged 67

Dr. Mohd Hafetz bin Ahmad is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006.

Dr. Mohd Hafetz obtained his Medical Degree from University Malaya in 1975. He did his housemanship in Hospital Sultanah Aminah, Johor Bahru, Johor and continued as Medical Officer in the same hospital. In 1978, he did his specialist training in Obstetrics and Gynaecology at the University Hospital, Kuala Lumpur. Thereafter, he served as a Trainee Lecturer and then as a Lecturer at the Department of Obstetrics and Gynaecology, University Malaya.

Dr. Mohd Hafetz joined Johor Specialist Hospital (JSH) in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994-2014).

Dr. Mohd Hafetz was the President of the Obstetrical and Gynaecological Society of Malaysia (OGSM) from 2004 to 2005 and he also served as a council member of the OGSM from 2003 to 2006. He is a member of the Malaysian Medical Association, Malaysian Menopause Society and Persatuan Perubatan Islam Malaysia. In 2011, he was awarded Johan Mangku Negara (JMN) by DYMM Yang Di Pertuan Agong.

Dr. Mohd Hafetz presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee. Previously, he was an Independent Non-Executive Director of Johor Land Berhad, Sindora Berhad, Waqaf An-Nur Corporation and was a Director of KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ University College.

Dr. Mohd Hafetz has no directorships in other public companies in Malaysia.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended 3 Board Meetings held during the financial year ended 31 December 2016.

Dato' Mani a/l Usilappan Malaysian, Male, Aged 67

Dato' Mani a/l Usilappan is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 1 November 2010.

Dato' Mani is a Chartered Surveyor of 38 years, having passed the final examination of the Royal Institution of Chartered Surveyors (RICS) in 1976. He holds a Masters in Property Development from Southbank University London with Distinction in 1992.

Dato' Mani served 9 years as Deputy Director General and subsequently retired as Director General of the Valuation and Property Services Department, Ministry of Finance, Government of Malaysia in 2006. He was a past president of the Royal Institution of Surveyors Malaysia and also a council member of Persatuan Penilai Swasta. He was a former President of the Board of Valuers, Appraisers and Estate Agents. He is currently Managing Director of VPC Alliance Kajang and act as a property consultant.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Lukman bin Hj. Abu Bakar Malaysian, Male, Aged 58

Lukman bin Hj. Abu Bakar is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 12 January 2007 and as a member of the audit committee on 18 August 2010.

Lukman graduated with a Bachelor of Urban and Regional Planning (Hons) from the Universiti Teknologi Malaysia in 1982. He also holds a Post Graduate Diploma (Housing, Building and Planning) from Institute for Housing Studies, Rotterdam, Holland in 1985.

Upon graduation, he joined JCorp as a Town Planning Officer. He had held various positions in the JCorp Group before he was promoted as the Deputy Manager of JCorp in 1989. In 1992, he was appointed as the Manager cum Deputy Secretary of Pasir Gudang Local Authority (now known as Pasir Gudang Municipal Council). In 1993, he joined Sindora Berhad as the Deputy General Manager and was promoted as the General Manager in 1995. On 1 January 2006, he was appointed as the Senior General Manager of JCorp. On 1 July 2008, the Pasir Gudang Local Authority was upgraded as a full-fledged Municipal Council. Concurrently, he was appointed as its first President and served until 31 August 2009 when the Council was handed over to the administration of the State Government of Johor. Thereafter, he was promoted as a Senior Vice President in JCorp on 1 September 2009.

Lukman presently is the Managing Director of Johor Land Berhad since 1 January 2010 and the Senior Vice President / Chief Executive of Property Division of JCorp since 1 January 2011. He is also Chairman and director of a few other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended 2 Board Meetings held during the financial year ended 31 December 2016.

Dato' Amiruddin bin Abdul Satar Malaysian, Male, Aged 53

Dato' Amiruddin bin Abdul Satar is the Non-Independent Non-Executive Director of the Al-`Aqar. He was appointed to the Board on 21 January 2016.

Dato' Amiruddin Abdul Satar is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013.

An alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010, Dato' Amiruddin is also a member of the Association of Chartered Certified Accountants (ACCA).

Dato' Amiruddin gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country.

He contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he is currently its Vice President.

Dato' Amiruddin also holds directorships in several large and reputable organisations in the country.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He has not been convicted for any offences. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Mohd Yusof bin Ahmad
 Malaysian, Male, Aged 49

Mohd Yusof bin Ahmad is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 4 February 2014.

Mohd Yusof graduated with a Bachelor in Surveying (Property Management) from Universiti Teknologi Malaysia in 1992.

Upon graduation, he gained experience as a Valuation Executive in Sailan & Co and KGV Lambert Smith Hampton. In 1993, he joined JLand as an Executive and later served as Valuation Executive at the Department in 1995.

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is Currently the General Manager of Special Projects (JB Urban Redelopment) of JLand since his appointment on 1 Jun 2015. He is also the General Manager, Special Projects (Property Division) of JCorp since 1 May 2015.

Mohd Yusof presently sits on the board of various companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Wan Azman bin Ismail *(appointed with effect from 15 February 2017)*
 Malaysian, Male, Aged 53

Wan Azman bin Ismail is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 15 February 2017.

He graduated with BA (Hons) in Accounting and Financial Analysis, University of Newcastle upon Tyne, United Kingdom in 1988. He started his career under the Corporate Finance Division of Perwira Affin Merchant Bank Berhad from September 1990 to March 1996. He later joined the Corporate Finance Division of BSN Merchant Bank Berhad in March 1999 to July 1999. He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad (DBhd) in January 2001. He resigned as the Managing Director of DBhd on 6 June 2014. Later, in June 2014, he joined JCorp as Vice President.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

The Shariah Committee

From right to left

DATO' (DR) HAJI NOOH BIN GADOT (Chairman)

PROFESSOR MADYA DR. AB. HALIM BIN MUHAMMAD

PROFESSOR DR. MOHAMAD @ MD. SOM BIN SUJIMON



Dato' (Dr) Haji Nooh bin Gadot
Malaysian, Male, Aged 71

Dato' (Dr) Haji Nooh bin Gadot was appointed as the Chairman and Member of Shariah Committee of Al-`Aqar since 22 June 2006. Currently, Dato' (Dr) Haji Nooh is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor).

Dato' (Dr) Haji Nooh graduated from the Al-Azhar University in Egypt with a Bachelor in Islamic Law and Shariah Islamiah. He obtained his tertiary Islamic education from Maahad Institution in Johor majoring in As-Syahadah Al-Thanawiyyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyyah Al-Arabiyyah – AsSyahadah Al-Ibtidaiyyah, Segamat and Islamic Primary School State of Johor Special Class. On 22 April 2012, he obtained the Ijazah Kehormat Sarjana Sastera (Master of Art) from Asia e University.

In addition to his official studies, Dato' (Dr) Haji Nooh attended a course on Managing Fatwa Darul Iffa in Ministry of Justice of Egypt under the supervision of State Mufti of Egypt, Al-Ustaz Al-Kabeer Dr. Syed Muhammad Tantawi and courses on Management and Administration of Wakaf organised by Egypt Wakaf Authority.

Before his appointment as Mufti of Johor from year 1999, Dato' (Dr) Haji Nooh was appointed as Vice Mufti of Johor and Chief Assistant Director, Department of Administration of Shariah Law (Chief Kadi). His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer, Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He compulsorily 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). Currently, he holds various positions which includes amongst others, the Board Member of Waqaf An-Nur Corporation Berhad, Board Member of Kolej Pengajian Islam Johor (MARSAH), Vice Chairman of Pengawalan dan Perlesenan Pencetakan Teks Al-Qur'an Kementerian Dalam Negeri, Board Member of Yayasan Dakwah Islamiah Malaysia, Shariah Committee of QSR Brands and KFC Holdings, Shariah Committee of Jabatan Kemajuan Islam Malaysia (JAKIM), Shariah Committee of Permodalan Nasional Berhad (PNB), Board Member of Infaq Lil-Waqaf Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA), Shariah Committee of NCB Holdings Bhd, Joint Chairman of Institut Ahli Sunnah Waljamaah Johor (IASWJ), Primary Consultant of Shariah Advisory Panel of Koperasi Permodalan Melayu Negeri Johor (KPMNJ), Board Member of Maij Urus Sdn. Bhd., Shariah Advisor of Fly Johore Sdn. Bhd., Committee Member of Selection and Service of Yayasan Dakwah Islamiah Malaysia (YADIM), Panel Pemikir Fatwa Jabatan Kemajuan Islam Malaysia (JAKIM), Advisory Member of Word Halal Summit (Shapers M'sia Sdn. Bhd.), Board of Trustee Member of Yayasan Wakaf Anak Yatim Malaysia (YAWATIM), Advisory Panel of Pameran Kenali & Cintai Rasulullah (PKCR) and Advisory Committee Hajj Member of Tabung Haji Malaysia.

Since year 2001 until now, Dato' (Dr) Haji Nooh is active in presenting his proposals and working papers in various issues related to religion that brings into effect the social and spiritual life of the communities. He was conferred the prestigious award Ma'al Hijrah from the State of Johor in year 2009, award Tokoh Dakwah Sempena Sambutan Jubli Emas dan Sempena Anugerah Kecemerlangan Maahad Johor and prestigious award of Maulidur Rasul National Award for the year 1434H/2013M as well as Pingat Bakti Setia (Anugerah Menteri Dalam Negeri) in conjunction with the celebration of 224th Prison Day. Apart from that, Dato' (Dr) Haji Nooh also awarded with Pingat Sultan Ibrahim Pangkat Kedua (P.S.I II), Honorary Doctorate Award (Human Development) from Universiti Tun Hussien Onn (UTHM) and Senior Citizens' Special Award in conjunction with the celebration of 2015 National Senior Citizens and Children's Day from Ministry of Social Welfare. He is also a recipient of Tokoh Agama PERKIM.

Dato' (Dr) Haji Nooh bin Gadot is currently Director of Universiti Tun Hussein Onn (UTHM), Chairman of The Teaching and Advancement of Islam Studies, a member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment as well as Planning and Development units. He is also a member of various committees within the Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education.

Professor Madya Dr .Ab. Halim bin Muhammad
Malaysian, Male, Aged 72

Professor Madya Dr. Ab. Halim bin Muhammad was appointed on 22 June 2006 as the Shariah Committee Member of Al-`Aqar.

He obtained his Bachelor in Shariah from Al-Azhar University in Egypt in 1972 and subsequently obtained his PhD in Shariah from St. Andrews, University of Scotland in 1977.

He began his career with Universiti Kebangsaan Malaysia as the Head of Department of Quran and Sunnah, Faculty of Islamic Studies and Lecturer at Faculty of Law Universiti Kebangsaan Malaysia.

He has served as Shariah Advisor and Shariah committee member at several corporate organisations such as Tabung Haji, Bank Negara Malaysia, Dewan Bahasa dan Pustaka, Takaful Nasional and Terengganu Trust Fund as well as financial institutions namely, Bank Muamalat Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad, RHB Bank Berhad and Bank Pembangunan Malaysia Berhad.

At present, he is the Shariah committee member of Bank Muamalat Malaysia Berhad, ANGKASA and Terengganu Trust Fund.

Professor Dr. Mohamad @ Md. Som bin Sujimon
Malaysian, Male, Aged 63

Professor Dr. Mohamad @ Md. Som bin Sujimon was appointed on 20 May 2013 as the Shariah Committee Member of Al-`Aqar.

He graduated from University of Al-Azhar, Egypt with a Bachelor of Honours from the Faculty of Islamic Jurisprudence and Law in 1979. He obtained his Master of Arts in Teaching from Mississippi State University, United States of America in 1982 and completed PhD in Islamic and Middle Eastern Studies at the Faculty of Arts in University of Edinburgh, Scotland, United Kingdom in 1997.

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983-1986 and later migrated to Brunei Darussalam whereby he was part of the team which founded three (3) institutions, namely Universiti Brunei Darussalam (UBD), Universiti Islam Sultan Syarif Ali (UNISSA) and Kolej Universiti Perguruan Ugama Seri Begawan.

In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as an Associate Professor at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddin. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

He was a Senior Researcher at the International Shariah Research Academy and is currently the Chief Executive Officer of Kolej Pengajian Islam Johor and member of the Shariah committee for HSBC Amanah Takaful. In December 2013, he was appointed as the Chairman for the Shariah Board of Brisbane Islamic Investment Fund, an Australian regulated Islamic investment fund and Islamic finance business custodians which deals with manufacturing and services, energy and resources, real estate, solar and clean energy and livestock.

The Management

Yusaini bin Hj. Sidek

Malaysian, Male, Aged 49

Yusaini bin Hj. Sidek is currently the Managing Director of the Manager. His profile is detailed in The Board of Directors' profile on page 30.

Shahril Zairis bin Ramli

Malaysian, Male, Aged 47

Shahril Zairis bin Ramli is currently the Deputy General Manager of the Manager. He joined the Manager in July 2012. He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined DBhd and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. He is the holder of Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He has a Bachelor of Arts in Banking and Finance from Bangor University and a Diploma in Investment Analysis from Universiti Teknologi Mara.

He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Sr. Roslan bin Manap

Malaysian, Male, Aged 49

Sr. Roslan bin Manap is currently the Head of Operations of the Manager. He joined the Manager in February 2016. He graduated with a Master of Land Administration and Development from Universiti Teknologi Malaysia. He also holds a Bachelor's Degree in Property Management from Universiti Teknologi MARA. Prior to joining the Manager, he was with UEM Edgenta Berhad (formerly known as Faber Group Berhad) as Head of Land Administration and Property Management. He has over 25 years' experience in real estate. His experience include Property Management / Valuation, Property Development and Land Law in the Private and Public Sectors. He is also a member of Royal Institution of Surveyors Malaysia (RISM) and Malaysian Association of Professional Property Managers.

He does not hold directorships in any other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Roziyah binti Abu Bakar

Malaysian, Female, Aged 49

Roziyah binti Abu Bakar is currently Head of Corporate Planning and Strategic Communication at Damansara REIT Managers Sdn Bhd. She completed her Masters in Business Administration, Henley Business School, University of Reading in 2008 and has a Degree in International Relations, Faculty of Political Science from The University of British Columbia, Canada. She started her career at JCorp in 1995 and has various experience in the areas of corporate planning, business development and education.

She does not hold directorships in other public companies in Malaysia. She does not have any family relationship with any Directors and/or major unitholders of Al-`Aqar nor does she have any conflict of interests with Al-`Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Suhaimi bin Saad

Malaysian, Male, Aged 47

Suhaimi bin Saad is currently the Deputy Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experience in property management and planning and has been working in the property

management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-Aqar's portfolio. He has obtained a Capital Markets Services Representatives' License for REIT from the SC as a Licensed Representative.

He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Aqar nor does he have any conflict of interests with Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Hamim bin Mohamad Malaysian, Male, Aged 40

Hamim bin Mohamad is currently the Head of Compliance and Legal of the Manager. He joined the Manager in July 2014. He graduated with a Bachelor's Degree in Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Maybank Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He is primarily in charge of all legal matters of the Manager and ensures the business and activities of the Manager are in compliance with the relevant laws and guidelines. He obtained approval from the SC as the Compliance Officer of the Manager in September 2014.

He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Aqar nor does he have any conflict of interests with Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Sahrin bin Munir Malaysian, Male, Aged 35

Sahrin bin Munir is currently the Head of Business Development and Investor Relations of the Manager. He joined the Manager in May 2013. He graduated with a Bachelor of Management (Technology) from Universiti Teknologi Malaysia in 2004. He started his career with DBhd in 2006. In 2008, he joined a venture capital management company, Pembangunan Ekuiti Sdn Bhd as Investment Analyst overseeing small and medium enterprises from various industries involved in, amongst others, oil and gas, manufacturing, services and trading. He then joined FELDA as Investment Officer in 2011. He is primarily in charge to develop investment strategies and grow the Fund's portfolio through strategic acquisitions. He is also responsible to implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community.

He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Aqar nor does he have any conflict of interests with Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Muhammad Ikhwan bin Muhammad Hanapi Malaysian, Male, Aged 30

Muhammad Ikhwan bin Muhammad Hanapi is currently the Head of Finance of the Manager. He is primarily in charge of the accounting and financial matters of the Manager. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within three (3) years with the Firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He joined the Manager in October 2011 as an Accountant and was promoted to Senior Accountant on 1 January 2016. He is currently a member of the Malaysian Institute of Accountant (MIA) and a Fellow member of the Association of Chartered Certified Accountants (ACCA).

He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Aqar nor does he have any conflict of interests with Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Sustainability of Performance

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Management Discussion & Analysis

FINANCIAL REVIEW

KEY FINANCIALS	FY2016 RM'000	FY2015 RM'000	GROWTH %
The Group			
Gross revenue	103,839	110,945	(6.4)
Net Property Income	97,595	104,565	(6.7)
Profit for the year (realised)	61,540	55,824	10.2
EPU (realised) (sen)	8.45	7.67	10.2
The Fund			
Income available for distribution	58,597	55,186	6.2
DPU (sen)	7.70	7.70	-

AL-`Aqar recorded a revenue of RM103.8 million in FY2016, lower of 6.4% as compared to RM110.9 million in FY2015. Net property income (NPI) also decreased by 6.7% to RM97.6 million from RM104.6 million in FY2015. The decrease was mainly due to the disposal of Indonesian properties in December last year.

PROFIT FOR THE YEAR

Profit for the year was RM63.1 million (FY2015: RM70.9 million) comprising realised profit of RM61.5 million (FY2015: RM55.8 million) and unrealised profit of RM1.5 million (FY2015: RM15.1 million).

Realised profit grew 10.2% or RM5.7 million in FY2016 mainly due to realisation of foreign exchange loss differences from disposal of subsidiaries of RM3.5 million in FY2015 and a higher in professional fees expenses of RM2 million in FY2015 compared to FY2016.

The unrealised profit of RM1.5 million mainly comprising fair value adjustment was lower than RM13.6 million which was affected by lower valuation of Selesa Tower in FY2016.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2016 of the Fund was RM58.5 million. This was derived from the net realised income of the Fund of RM59.5 million less the capital expenditures paid from operating cash during the year of approximately RM1 million. The Fund had distributed an interim income distribution of 3.90 sen per unit amounting to approximately RM28.4 million on 13 October 2016.

On 27 January 2017, the Manager has declared a final income distribution of 3.80 sen per unit totalling RM27.7 million. The said distribution was paid on 28 February 2017.

Total income distribution for FY2016 is 7.70 sen per unit totalling RM56.1 million, which represents 95.7% of the income available for distribution.

CONTRIBUTION BY SEGMENT

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

REVENUE CONTRIBUTION

	FY2016 RM'000	FY2015 RM'000
Malaysia	92,054	91,679
Australia	11,785	11,592
Indonesia	-	7,674

NPI CONTRIBUTION

	FY2016 RM'000	FY2015 RM'000
Malaysia	85,932	85,608
Australia	11,663	11,462
Indonesia	-	7,495

Malaysian Segment

The Malaysia segment, as the key contributor, contributed 88.7% (FY2015: 82.6%) and 88% (FY2015: 81.9%) in terms of revenue and NPI respectively. The Malaysia segment's revenue grew by 0.4% to RM92.1 million in FY2016 from RM91.7 million in FY2015. NPI grew 0.04% from RM85.6 million to RM85.9 million. The growth in revenue and NPI were mainly contributed by yearly increment of rental income.

Australian Segment

The Australia segment's contribution to Al-`Aqar's revenue and NPI remained largely unchanged in FY2016 at 11.3% and 12% respectively. Revenue and NPI contribution increased 1.7% (from RM11.6 million to RM11.8 million) and 1.7% (from RM11.5 million to RM11.7 million) respectively.

STATEMENT OF FINANCIAL POSITION

Al-`Aqar's total asset value stood at RM1.61 billion as at 31 December 2016 compared to RM1.59 billion in the previous year. The increase of RM17 million was mainly due to increase in current assets of the Group of RM15 million and gain on fair value RM1.8 million over the properties.

Total borrowings remained largely unchanged to RM653.8 million from RM653.7 million. Total unitholders'

funds was at RM896.1 million, an increase of RM16.2 million as compared to FY2015.

STATEMENT OF CASH FLOW

Operating activities

Net cash generated for operating activities was RM88.1 million in FY2016 which was lower than RM99.9 million in FY2015. The lower amount generated in FY2016 was mainly attributed to the loss of rental income from Indonesian properties.

Investing activities

Al-`Aqar utilised RM0.6 million for investing activities during the financial year compared to RM35.6 million in

the preceding year. The higher amount in the previous year was mainly due to proceeds from disposal of subsidiaries.

Financing activities

Al-`Aqar utilised RM78.4 million for financing activities during the financial year compared to RM140.8 million in the preceding year. The higher amount recorded in the previous year was related to settlement of Ijarah financing of RM80 million.

As at 31 December 2016 cash and cash equivalent was RM56.4 million, an increase of RM10.1 million from RM46.3 million (FY2015).

PERFORMANCE BENCHMARK

	Performance Benchmark	FY2016	FY2015	Commentary
i.	Management expense ratio (%)	0.27	0.35	Management expenses ratio of 0.27% reduced by 22.9% due to corporate exercise of disposal and acquisitions in FY2015
ii.	Total return (%)	17.04	6.9	Total return for the financial year has 17.04% increased by 1.5x due to higher closing price of RM1.57 compared to RM1.40 in FY2015
iii.	Average annual total return (5 years) (%)	12.09	10.58	The 5-year average annual total return increased due to higher closing price in FY2016
iv.	Average annual total return (3 years) (%)	11.09	8.17	The 3-year average annual total return increased due to higher closing price in FY2016
v.	Distribution yield (%)	4.90	5.50	Distribution yield has dropped marginally from 5.5% in FY2015 to 4.9% due to higher closing price of RM1.57 compared to RM1.40 in FY2015.
vi.	NAV per Unit (after income distribution) (RM)	1.1925	1.1829	NAV per unit recorded an increase of 0.8% arising from the profit recorded for the year 2016 RM64 million and payment of final income distribution FY 2015 RM18.4 million and interim income distribution FY 2016 RM28.4 million.

Notes:

- The ratio of expenses incurred in operating Al-`Aqar of RM2.4 million (FY2015: RM2.9 million) to the weighted average of NAV of Al-`Aqar of RM808.8 million (FY2015: 830.8 million).
- Total return represents the change in unit price during the year plus distribution yield for the year.
- Average annual total return is the sum of the return rates of Al-`Aqar over a given numbers of years divided by that number of years.
- Average annual total return is the sum of the return rates of Al-`Aqar over a given numbers of years divided by that number of years.
- Based on DPU of 7.70 sen (FY2015: DPU of 7.70 sen) divided by its closing price as at 31 December 2016 of RM1.57 (31 December 2015: RM1.40)
- Net asset value of Al-`Aqar is determined by deducting the value of all Al-`Aqar's liabilities from the total asset value, divided by total issued units.

FAIR VALUE OF PORTFOLIO PROPERTIES

As at 31 December 2016, the value of Al-`Aqar's properties was RM1.524 billion compared to RM1.521 billion as at 31 December 2015. The net fair value gain was RM1.9 million.

	2016 RM'000
Investment properties	
At 1 January	1,521,523
Addition/Enhancements	937
Reclassification as asset held-for-sale	(100,000)
Gain on fair value of investment properties	1,900
At 31 December	1,424,360
Asset classified as held-for-sale	100,000
Total portfolio properties	1,524,360

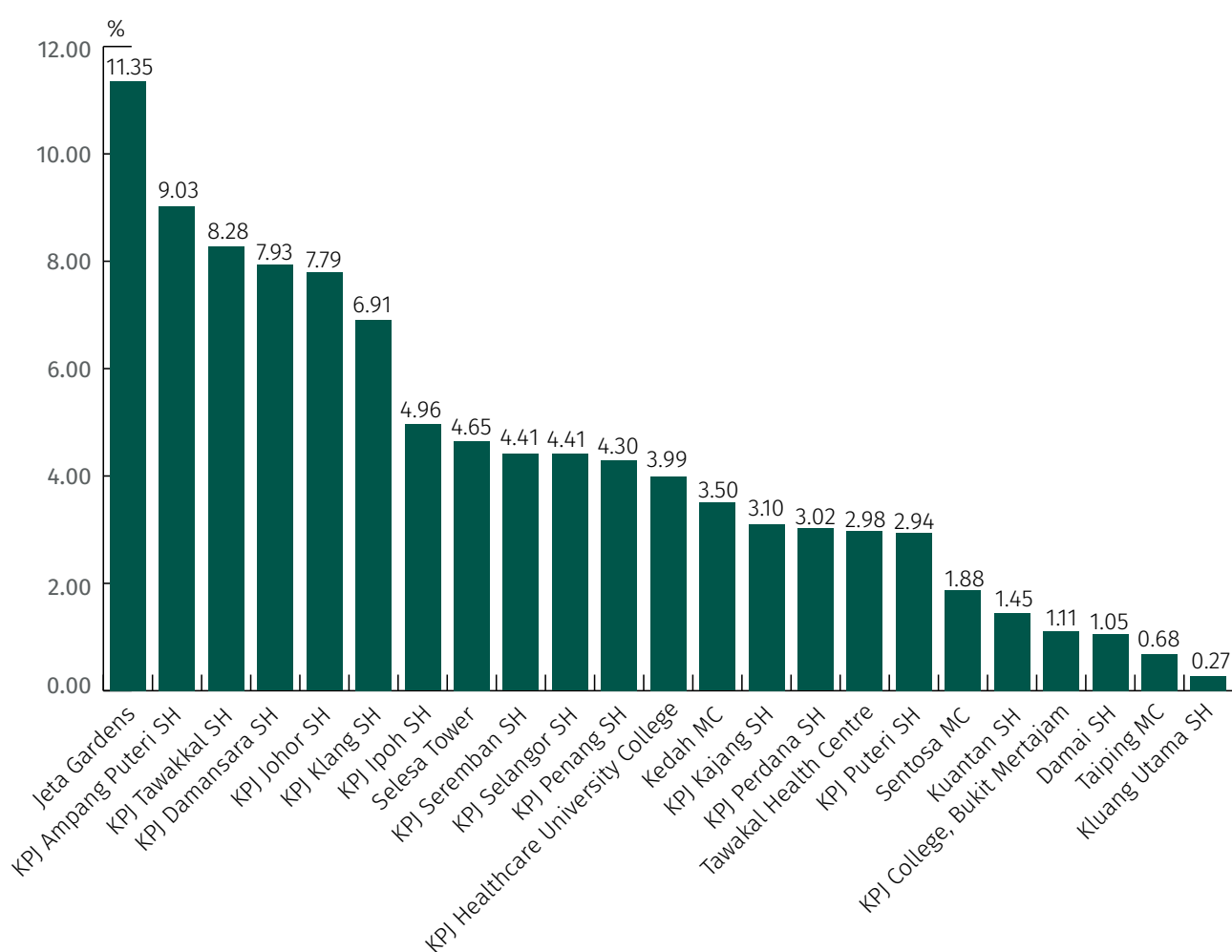
Property	2016 Fair Value (RM '000)	2015 Fair Value (RM '000)
Malaysia		
KPJ Ampang Puteri Specialist Hospital	132,000	132,000
KPJ Damansara Specialist Hospital	117,000	116,000
KPJ Johor Specialist Hospital	114,000	114,000
KPJ Selangor Specialist Hospital	65,500	64,500
KPJ Puteri Specialist Hospital	43,000	43,000
KPJ Ipoh Specialist Hospital	72,900	72,500
KPJ Perdana Specialist Hospital	45,000	44,500
Kuantan Specialist Hospital	21,700	21,700
KPJ Kajang Specialist Hospital	46,200	46,100
Kedah Medical Centre	51,700	51,600
Sentosa Medical Centre	28,700	28,700
KPJ Seremban Specialist Hospital	66,300	66,000
Taiping Medical Centre	10,000	9,900
KPJ Healthcare University College, Nilai	99,400	98,363
KPJ Tawakkal Specialist Hospital	123,000	123,000
Damai Specialist Hospital	15,200	15,200
Tawakkal Health Centre	44,700	44,700
KPJ International College, Bukit Mertajam	16,200	16,200
KPJ Penang Specialist Hospital	63,500	63,200
Selesa Tower*	100,000	103,500
Kluang Utama Specialist Hospital	4,300	4,300
KPJ Klang Specialist Hospital	101,500	100,000
	1,381,800	1,378,963
Australia		
Jeta Gardens Aged Care Facility and Retirement Village	142,560	142,560
	142,560	142,560
TOTAL PORTFOLIO	1,524,360	1,521,523

*In the process of disposal



ANNUAL LEASE CONTRIBUTION

Al-Aqar's properties comprises 19 hospitals and 4 healthcare related properties in Malaysia and Australia. Properties with high market value are also the major contributors in terms of lease contributions as depicted in the following chart.





“

The portfolio maintained 100% committed occupancy, with a positive rental increment.

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OPERATION REVIEW

The Manager's continuous active asset management ensured the strong operational performance in FY2016. The portfolio maintained 100% committed occupancy, with a positive rental increment.

The Manager constantly strives to maintain the existing properties as attractive operating assets for the business of its tenants and to sustain continuous strong business relationships with the tenants since 2006.



ASSET ENHANCEMENT INITIATIVES

Optimisation of stakeholder value is the core focus and prime objective of Al-`Aqar and one of them is via asset enhancement strategy. We aim to improve our performance through constantly upgrading our properties and services. Since listing, the Manager has devoted substantial efforts to implement asset enhancement initiatives with the aim to develop our properties to their full potential.

COMPLETED

Al-`Aqar has completed Asset Enhancement Initiatives worth RM592,403 during financial year ended 31 December 2016. The asset enhancement activities are set out below:

BUILDING	PROJECT	COST (RM)
KPJ Damansara Specialist Hospital	1) Total replacement of flat roof water proofing	125,000
	2) Total replacement of incoming water piping	30,000
KPJ Selangor Specialist Hospital	1) Total replacement of existing metal deck rooftop level 2	150,043
	2) Total replacement 1 AHU unit at Level 3	42,000
Damai Specialist Hospital	1) Total replacement of 30kva central UPS	79,860
	2) Total replacement of water proofing and gutter	16,000
KPJIC Bukit Mertajam	1) Total replacement of existing metal deck roof	90,000
Kluang Utama Specialist Hospital	1) External repainting	59,500
TOTAL		592,403

ONGOING

The ongoing Asset Enhancement Initiatives which was planned in 2016 and is expected to be completed in FY2017 amounting to approximately RM3.3 million. The ongoing asset enhancement activities are set out below:

BUILDING	PROJECT	COST (RM)
KPJ Selangor Specialist Hospital	Proposed total replacement of flat roof water proofing	75,000
Kedah Medical Centre	1) Proposed Total Replacement Of Central UPS	380,000
	2) Structural Repair and Strengthening Works at Kedah Medical Centre	183,420
KPJ Ipoh Specialist Hospital	Proposed Total Replacement Air Compressor System	250,000
KPJ Kajang Specialist Hospital	Proposed To Install additional 1 New Units Lift	2,400,000
TOTAL		3,288,420

RENTAL RENEWALS

The percentage of properties due for renewal is at a manageable level. For FY2016 a total of 7 tenancies representing 30.4% of the total 23 properties had been renewed.

LEASE EXPIRY PROFILE AND LEASE STRUCTURE

Al-`Aqar has a well-spread lease expiry profile as shown in the following table.

YEAR	NO. OF PROPERTIES	PERCENTAGE OF TOTAL PROPERTIES
FY 2017	6	26.1%
FY2018	15	65.2%
FY2019	1	4.3%

Note: Excluding Selesa Tower which is in the process of being disposed

Under the lease arrangement, the contractual lease term is 15 years with an option to renew for a further 15 years. The contractual lease term is divided into 5 rental term of 3 years which shall be renewed upon expiry of each rental term. Based on the Manager's records, the lessees have continuously committed to their rental obligations.

BUSINESS REVIEW

Al-`Aqar has 22 properties in Malaysia comprising 19 hospitals and 3 healthcare-related properties. It represents 90.6% of the total property value and contributes 89% and 88% to the revenue and net rental income of Al-`Aqar respectively.

Jeta Gardens Aged Care & Retirement Village in Australia is the sole foreign asset owned by Al-`Aqar. The property represents 9.4% of the total property value and contributes 11% and 12% to the revenue and net rental income of Al-`Aqar respectively.

Challenges

The slight decline in total revenue as a result of the disposal of 2 properties in Indonesia in 2015 was somehow cushioned by the income contribution from the newly acquired buildings of KPJUC Nilai in the same year. The new buildings of KPJUC Nilai was acquired on a deferred consideration basis and therefore, the full income from the new buildings has yet to be fully reflected and will only be so, upon such time the balance deferred consideration is released to the lessee.

Despite the above, Al-`Aqar is in a healthy position to be able to consistently maintain the level of income distribution which was consistently distributed like in the past.

On 11 November 2016, a sale and purchase agreement was entered into between the Trustee, Amanah Raya Trustee (ART) and Optimum Impress Sdn Bhd for the sale of Selesa Tower for a disposal consideration of RM1000 million to be satisfied in cash. The sale consideration of RM100 million, upon completion will enable Al-`Aqar to register a gross gain of about RM13 million from its original cost of investment of RM87 million which was made in 2009.

The disposal will also enable Al-`Aqar to realise the value of its investment in Selesa Tower and to utilise the proceeds for repayment of bank borrowings, working capital and/or future acquisition(s). Barring any unforeseen circumstances, the disposal exercise is expected to be completed in the second quarter of 2017.

Growth Strategy via Acquisitions

The Manager and KPJ have mapped out plans to inject funds into under expansion as well as new hospitals built by KPJ between 2018 to 2022. The timing of the injections will take into account, inter-alia, the Investment Tax Allowance (ITA) enjoy by KPJ Group for expansion projects and new hospitals.

The Manager is also on the lookout for healthcare-related assets owned by third parties. These assets may not necessarily hospital type of assets, but would be within the healthcare sector such as wellness centres, pharmaceuticals and care centres for the elderly. The strategy will provide an alternative growth platform to AL-`Aqar without being over-reliant on the acquisition of assets from KPJ's asset pipelines.

Prospects

Given the challenges in the economy, the Manager expects that earnings will remain stable and resilient compared to other REITs in the market. The Manager also expects that AL-`Aqar will grow organically from rental renewals and annual escalation as well as acquisitions. The Manager is mapping out plans with KPJ in the planning and execution of assets injection into AL-`Aqar in the immediate and long term.



GEARING RATIOS

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

	2016	2015
Total borrowings (RM'mil)	653.80	653.71
Total assets value (RM'mil)	1,611,213	1,594,382
Total borrowings to total asset value ratio	40.06%	41.0%

ISLAMIC FINANCING: SUKUK IJARAH

In 2013, the Manager via its special purpose vehicle, Al-`Aqar Capital Sdn Bhd has established a 15-year Islamic Medium Term Notes Sukuk Ijarah of up to RM1.0 billion in nominal value in FY2013. The successful issuance of RM655 million 5-year Sukuk under Issue 1 was issued via the First Tranche of RM374 million and the Second Tranche of RM281 million. The profit rates for the sukuk are all on fixed rate basis thus insulating Al-`Aqar from any adverse movement in the interest rate and volatility in the economy. The average profit rate of the Sukuk is about 4.7% per annum.

On April 2016, RAM Ratings has reaffirmed the respective AAA/Stable and AA2/Stable ratings of RM272 million Class A and RM55 million Class B Sukuk Ijarah, premised on the underlying properties' stable rental income given the long-term lease arrangements with KPJ Healthcare Berhad (KPJ Group or the Group) and also expects the business plans (i.e. new developments and land title exercises) relating to some of the properties under expansion to be managed prudently and in stages, to preserve the integrity of the transaction structure. The resultant loan-to-value and debt service coverage ratios continue to commensurate with the respective ratings.

RAM also highlighted that the above is exposed to significant single-counterparty risk as all the operators of the Properties are subsidiaries of KPJ. In this regard, the KPJ's vested interest in the REIT and the strategic importance of the properties to KPJ's operations provide an incentive to ensure the transaction's continued performance and the servicing of the lease.

The Issue 1 under the above sukuk programme will come due in middle 2018 and the Manager will take early preparation and steps to ensure that the profit rate upon the refinancing will obtain favourable profit rate.

CAPITAL MANAGEMENT

The Manager meticulously has managed Al-`Aqar's capital in order to ensure that return to unitholders are maximised through the optimisation of the debt and equity balance and at the same time reviews the capital structure of the Al-`Aqar on a regular basis to ensure that the SC Guidelines are complied with.



RISK MANAGEMENT

The Manager acknowledged that managing risk is a fundamental concern and the ability to identify risk as well as to adapt to the ever-changing fast paced business environment are among the critical success factors for the organisation. The Manager places importance on risk management and is committed to maintaining effective risk management practices as an integral process in achieving Al-`Aqar's business objectives. The Manager, with the assistance of Crowe Horwath has adopted Enterprise Risk Management (ERM) practices that enables it to continuously identify, assess, treat and manage risks that affect Al-`Aqar in achieving its objectives within the defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

KEY RISKS FACTORS

RISK	EXPLANATION ON RISK	MITIGATION PLAN
Acquisition & Investment Risk	Risk that assets are not yield accretive and distort existing portfolio which is healthcare focused or difficulty in acquiring quality assets.	All investment proposals will be assessed thoroughly based on the approved investment criteria. The proposals will be evaluated by the Executive Committee (EXCO) prior to recommendation to the Board and subsequently, due diligence will be undertaken by the appointed professionals.
Valuation Risk	Risk that assets are not yield accretive and distort existing portfolio in acquiring quality assets.	The Manager will appoint a professional property valuer to determine the fair and reasonableness of the value of the assets to be acquired.
Financing & Refinancing Risk	Risk that funding will not be available from banks or debt capital market to meet requirements when due.	Given the stable income from the assets portfolio, the Manager does not foresee any risk associated with inability to procure financing. However, the Manager will take all the steps in ensuring the borrowing rates and any cost related to the financing are kept at optimal level so that the return to unitholders are maximised.
Liquidity Risk	Risk that funds are inadequate to meet obligations.	The Manager will continuously monitor the rental income, operational cost of the assets as well as borrowing cost and related costs are within the annual budgeted plan.
Profit Rate Risk	Risk that adverse movements in floating profit rates will affect financial performance.	<p>Currently, Al-`Aqar's borrowing is on fixed basis and as such, will not be subject to any adverse movement in profit rate.</p> <p>The Manager will make early preparation for the refinancing exercise of current Al-`Aqar Sukuk which will be due in second quarter of 2018.</p>

RISK	EXPLANATION ON RISK	MITIGATION PLAN
Business / Market Risk	Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration.	<p>Given the established healthcare business of the tenants which is defensive in nature as well as the strategic location of the properties, the Manager is of the view that AL-`Aqar is not highly susceptible to business and market risk.</p> <p>The Manager will appoint professional property managers with proven track record as their specialised expertise for the particular property type and their knowledge of the market can help maximise property performance while reducing risk of management pitfalls and operating costs.</p>
Tenant Concentration Risk	Risk that revenue of AL-`Aqar is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties.	The Manager has a designated long term lease Agreement (15 + 15 years & renewal of tenancy every 3 years) to ensure performance each property is guaranteed.
Currency Risk	Risk that AL-`Aqar is exposed to foreign currency exchange rate fluctuations.	The rental income for the property in Australia is fixed in Ringgit Malaysia. About 70% of the rental is remitted back to Malaysia and the remaining 30% is utilised to bear expenses in Australia. As such, AL-`Aqar is not subject to the risk of fluctuation of exchange rate.
Compliance Risk	Risk that AL-`Aqar fails to comply with applicable laws and regulations.	The Manager has a designated compliance officer who is responsible for ensuring that all relevant laws, guidelines, and regulations are duly complied with.
Human Capital Risk	Risk that the Manager fails to attract and retain competent staff force to manage its portfolio and to execute its strategies for sustainable growth.	The Manager to promote work-life balance with current working hour, to facilitate staff as reasonable as possible and also to provide satisfying benefits by considering the market standard of HR practise.

Investor & Public Relations

At Al-`Aqar, investor relations activities are focused on increasing awareness in the investment community via an open dialogue with all stakeholders, namely unitholders, analysts, media, potential investors and the general public. Our aim is to enable market participants to form a realistic opinion of the company's profitability, strategic positioning and the associated opportunities and risks.

4th Annual General Meeting

The Manager convened the 4th Annual General Meeting (AGM) of Al-`Aqar on 31 March 2016 to seek the unitholders' approval amongst others, for the following resolutions:

- Proposed to Allot and Issue New Units
- Proposed Increase in the Existing Approved Fund Size



4th Annual General Meeting

Analysts & Investors Briefing

The Manager has always engaged with local and foreign analysts as well as investors and potential investors to keep them abreast of the latest development of Al-Aqar. The briefings were organised periodically either through one-on-one meetings, conference calls or roadshows. Property tours were also organised based on request for better appreciation of the quality of our assets.

Date	Audience	Mode of communication
7 March 2016	Group of analysts and fund managers	Group Presentation
6 April 2016	B&I Capital AG and AllianceDBS Research Sdn Bhd	One-on-one meeting
17 May 2016	Sumitomo Mitsui Asset Management Co Ltd	One-on-one meeting
2 June 2016	MIDF Amanah Investment Bank Berhad	One-on-one meeting
25 July 2016	Group of analysts and fund managers	Group Presentation



CIMB Malaysia REITs Corporate Day 2016

CIMB Malaysia REITs Corporate Day 2016

The Manager participated in the CIMB Malaysia REITs Corporate Day 2016 which was held on 26 July 2016 at Aloft Hotel, Kuala Lumpur. The corporate day attracted more than 60 investment professionals and institutional investors who wished to hear first-hand, the views of senior corporate representatives and experts from the REITs sector.



Products@Bursa Workshop 2016

Products@Bursa Workshop 2016

The Managing Director/CEO of the Manager participated as speaker at the Products @ Bursa Workshop 2016, a CPE Accredited product-centric educational programme initiated by Bursa Malaysia. The objective is to educate and equip Dealer's Representatives with in-depth trading strategies and portfolio management skills in Bursa Malaysia's alternative investment products as well as sharing of knowledge to fellow industry practitioners, investing community and the public.

Media Relations

Media has an important role in providing information which is key to an efficient market operation and thus plays a critical role in all aspects of business, commerce and industry. The Manager is aware of the important role played by the media in shaping the present and future image of the Fund and always opens its door to interact with media at all times.

Date	Conference/Workshop	Topic
6 August 2016	Products@Bursa Workshop 2016 (Johor Bahru)	A Defensive Investment In Volatile Times



CHIEF 2016 – Career, Halal, Innovation and Entrepreneurship Festival on 27th to 29th November 2016 at UiTM Puncak Alam, Selangor

Exhibitions

The Manager is committed to increase awareness on Al-`Aqar among public and local investors. Participation in the various exhibitions aimed at exposing the variety of investments and include awareness of the public about the legitimate investment products in Malaysia. This is a great channel to communicate with investors as the exhibitions were attended by government institutions and NGOs as well as the mass public.

EVENT	DATE	VENUE
Johor Corporation Day & MOU Signing Between Johor Corporation & UiTM Selangor	7 & 8 March 2016	Dewan Berlian, UiTM Puncak Alam, Selangor
Karnival JCorp - Kembara Mahkota Johor	14 – 17 May 2016	Dataran Bandaraya Johor Bahru
CHIEF 2016 – Career, Halal, Innovation, Entrepreneurship Festival	27 – 29 September 2016	Dewan Berlian, UiTM Puncak Alam, Selangor
UM – JCorp Carnival	2 – 3 November 2016	Dewan Tunku Canselor, Universiti Malaya



MRMA Engagement Session with Investors and Analysts

Malaysian REIT Managers Association (MRMA)

Al-`Aqar is an active member of the Malaysian REIT Managers Association since 2009. The Manager took the opportunity to attend the quarterly meetings and the annual general meeting of MRMA to exchange views with other members and plan concerted efforts to promote M-REITs industry to both domestic and foreign investors.

Research Coverage

During the financial year, Al-`Aqar was covered by the following research houses:

Research House	Date of Report	Recommendation	Target Price
KAF Seagroatt & Campbell Securities	26 July 2016	Buy	RM1.80
KAF Seagroatt & Campbell Securities	23 August 2016	Buy	RM1.80
KAF Seagroatt & Campbell Securities	14 November 2016	Buy	RM1.80
KAF Seagroatt & Campbell Securities	29 November 2016	Buy	RM1.80
MIDF Amanah Investment Bank Berhad	15 June 2016	Not Rated	RM1.55
Kenanga Investment Bank Berhad	5 December 2016	Not Rated	RM1.55

Analyst Research

Research by eSurgence

14 December 2016

Al-Aqar Healthcare REIT
Fairly Valued For Now
By Marie Yee | marieyee@esurgence.com.my

Investment Thesis

AL-AQAR's recent disposal of Salutan Tower has strengthened its balance sheet, allowing financing for future asset acquisitions of up to RM500m from FY16 onwards. AL-AQAR has joined the large cap MREITs club (which also earned this year while the healthcare REITs and healthcare REITs have been the lowest of our investable MREITs). FY16, given a yield of 5.1% & 4.4%, Real Estate with a fair value of RM1.55 (target FY17E yield of 5.1%).

Recent disposal of Salutan Tower strengthened the balance sheet and paved the way for future asset acquisition opportunities. AL-AQAR recently disposed of Salutan Tower (FY16E) for RM100m, over gain on disposal of RM11.1m, compared to FY17E. There will be a loss of 0.6% to FY16E, but the disposal will help lower the debt-to-equity ratio (D/E) from 0.8% to 0.7% of the proceeds will be used to pay down borrowings, leaving a net gain of RM1.1m. The disposal of Salutan Tower is expected to be completed by FY17E, and the proceeds will be used to pay down borrowings. The disposal of Salutan Tower is expected to be completed by FY17E, and the proceeds will be used to pay down borrowings.

Strong position for asset acquisitions from FY16 onwards. AL-AQAR has a strong position for asset acquisitions from FY16 onwards. AL-AQAR has a strong position for asset acquisitions from FY16 onwards. AL-AQAR has a strong position for asset acquisitions from FY16 onwards.

Forecast earnings of RM500-600m in FY16-FY17. We expect the forecast earnings of RM500-600m in FY16-FY17. We expect the forecast earnings of RM500-600m in FY16-FY17.

Not Rated with Fair Value of RM1.55. The stock has joined the investable MREITs club. The stock has joined the investable MREITs club. The stock has joined the investable MREITs club.

MIDF RESEARCH

15 June 2016 | Corporate Update

Al-Aqar Healthcare REIT
The only healthcare REIT in Malaysia**NON-RATED**
Fair Value: RM1.55

INVESTMENT HIGHLIGHTS

- The only healthcare REIT in Malaysia
- Completed assets acquisitions and disposals in FY15
- Stable earnings as we forecast FY16 earnings to grow 8% to RM60.2m
- Fair Value of RM1.55 based on DDM Model

The only healthcare REIT in Malaysia, Al-Aqar Healthcare REIT (Al-Aqar) was listed in 18 August 2006, being the world's first listed Healthcare REIT and is the only healthcare REIT in Malaysia. Al-Aqar is supported by its sponsor - KPJ Healthcare Berhad. As at Dec 2015, there are 23 assets under portfolio which comprises 19 hospitals and 4 healthcare related properties, bringing total asset size to RM3.5b. In terms of geographical exposure, 22 out of the 23 assets are located in Malaysia while the remaining one asset is located in Australia.

Completed assets acquisitions and disposals in FY15. Al-Aqar has completed disposal of its two Indonesian properties to KPJ Healthcare in 14 December 2015, namely Rumah Sakit Medika Permata Hijau and Rumah Sakit Bumi Serpong Damai. Proceed from the disposal which amounted to around RM500m was earmarked to pay down borrowings of Al-Aqar. Meanwhile, Al-Aqar acquired a freehold land adjacent to KPJ Seremban Specialist Hospital and building adjacent to KPJ Healthcare University College in Negeri Sembilan. The acquisitions were partly funded by private placement of Al-Aqar which had raised proceeds of RM20m. Full series of corporate exercises, gearing of Al-Aqar was reduced to 0.4x in FY15.

Stable earnings. FY15 core net profit (excluding fair value gain on properties) came in lower at RM55.8m (-0.7%pts) despite higher expense (+2.7%pts), mainly attributed to realized FX loss from disposal of subsidiaries of RM3.5m. Looking ahead, we forecast FY16 revenue to ease marginally as earnings contribution from newly acquired asset is insufficient to compensate loss of income from its Indonesian properties. However, we estimate Al-Aqar to register core net profit of RM60m (+0.9%pts), mainly driven by stable rental revision of +2% per annum and lower financing cost following the redemption of its RM500m Special loan facility in Dec 2015. Hence, we are estimating a higher distribution per unit (DPU) of 7.50m in FY16 against DPU of 7.30m in FY15.

Non-rated with Fair Value of RM1.55. Based on Multi Stage Dividend Discount Model (Required rate of return: 7.3%, Perpetual growth rate: 2.2%), Al-Aqar's distribution yield of 4.7% is below peer's average of 4.87%, however we think that the valuation premium is justified given it is the only healthcare REIT in Malaysia while downside risk is kept limited by stable rental revision of +2% per annum.

MIDF RESEARCH is a unit of MIDF AMANAH INVESTMENT BANK

Kindly refer to the last page of this publication for important disclosures

RETURN STATS	
Price (14 June 2016)	RM1.53
Fair Value	RM1.55
Expected Share Price Return	+1.3%
Expected Dividend Yield	+4.7%
Expected Total Return	+6.0%

STOCK INFO	
KLCI	1026.31
Bursa / Bloomberg	SI16/AQAR.MK
Board / Sector	Healthcare
Special Complaint	Yes
Issued shares (m)	728.23
Per Value (RM)	1.09
Market cap. (RMm)	1,114.38
Price over NA	1.27
52-wk price Range	RM1.26 - RM1.58
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.06m
3-mth Avg Daily Value	RM6.56m
Major Shareholders	
Xinh Corp	46.30%
Leong Cheong Hui	9.90%
KAPF	9.23%
BNF	7.80%

Equity | Malaysia | Real Estate Investment Trust

Flashnote

20 July 2016

Buy

Price: RM1.55

Target price: RM1.60

Analyst: Marie Yee

Accounting Rate: RM1.55

Al-Aqar Healthcare REIT
Poised for medium-term growth

Financial Highlights

Year to Dec (RMm)	2014	2015	2016F	2017F	2018F
Revenue	100.0	100.0	100.7	100.0	100.0
Normalized profit	60.0	60.0	60.0	60.0	60.0
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Al-Aqar Healthcare REIT
3Q16 in line

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Market Report Summary

1. ECONOMIC OVERVIEW

The global economy continued to grow at a moderate pace. Economic activity in major advanced economies has improved but remains moderate. In Asia, growth has been supported by domestic demand amid persistent weakness in the external sector. Looking ahead, the baseline estimate is for global growth to improve slightly in 2017. The prospect of a shift towards progressive use of fiscal policy in the developed economies could lead to a more balanced policy environment that would support growth going forward.

The domestic economy continued to expand in the third quarter of 2016, driven mainly by private sector activity with some support from net exports. Going forward, private sector activity will remain the key driver of growth. Private consumption is expected to be sustained by continued wage and employment growth, with additional support from Government measures to increase disposable income. Investment activity, although moderate, will be supported by on-going infrastructure investments and capital expenditure in the manufacturing and services sectors. Overall, the domestic economy remains on track to expand as projected in 2016 and 2017.

The ringgit, along with most emerging market currencies, has experienced sharp adjustments and significant volatility due to continuing uncertainties in global economic and policy environment, and geopolitical developments. These factors could result in periods of volatility in the regional financial and foreign exchange markets. In this regard, Bank Negara Malaysia will continue to provide liquidity to ensure the orderly functioning of the domestic foreign exchange market. At the current level of the OPR, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy.

(Extracted from: Official website of Bank Negara Malaysia, Monetary Policy Statement 23 November 2016)

2. MALAYSIAN REIT

The 10-year MGS yield has ranged 3.47%-4.22% from Jan to Nov 2016, due to less-favourable macroeconomic factors such as weakening of the MYR (-4% YTD) and suppressed crude oil prices (remaining below USD60/bbl). The 10-year MGS yield then spiked up in mid-Nov 2016 post the US elections on expectation of reflationary fiscal policies pressuring US Fed rate hikes. It subsequently settled at 4.12% on 14 Dec, which was 65bps above 2016's low of 3.47% on 16 Aug. Consequently, yield spread between the 10-year MGS yield vs. M-REIT's 1-year forward net DPU yield narrowed by 29bps to 104bps on 14 Dec 2016, from 133bps end-2015, and also averaged 133bps in 2016 YTD. This is amid a 1%-15% rise in unit prices of M-REITs for the YTD. It is believed that M-REITs' unit price outperformance was supported by their solid fundamentals and resilient earnings and dividend distributions.

Across the sector, it is forecasted an average 2017 core EPU growth of 4.7% YoY (2016E: +4.4% YoY) driven by sustained positive rental reversions and occupancy rates. Maybank Fixed Income Research team forecasts tapering of the 10-year MGS yields to 4.00% and 3.90% by end-1Q17 and end-2Q17 respectively, which would mean yield spreads expanding again to 115bps and 125bps (based on sector's 1-year forward net yield of 5.2%).

It is expected attributes of M-REITs to remain favourable in 2017 with positive rental reversions to drive income growth amid sustained occupancy rates. This, together with strong domestic liquidity seeking absolute yields (M-REITs' average net yield of 5.2% for 2017 is still above the government bond yields), and a continuous cautious tone in investing amid the external headwinds, will continue to drive M-REITs' outperformance.

(Extracted from: Research report 2017: Outlook & lookouts by Maybank IB Research, 19 Dec 2016)

3. HEALTHCARE IN MALAYSIA

Malaysia, as one of Asia's most recognised developing countries, has risen to its immense potential as a preferred healthcare travel destination for the world. Healthcare in Malaysia is an attractive proposition, offering world-class quality healthcare, which is easily accessible and competitively affordable, for patients' peace of mind.

Global demand for healthcare services is expected to continuously expand in the future due to projected demographic shifts, among which are the increase in aging population, life expectancy and lifestyle diseases.

Malaysia offers top-quality healthcare services, thanks to stringent regulations and standards for safety and quality set by the Ministry of Health Malaysia (MOH), benchmarked against the highest standards in the world. In addition, Malaysian healthcare professionals are highly skilled and receive training from renowned institutions around the world, operating in state-of-the art facilities.

Recently, Malaysia was crowned 'Medical Travel Destination of the Year' for the second consecutive year at the International Medical Travel Journal's Medical Travel Awards 2016. The country's successes on the global healthcare travel stage was also recognised as '2016 Frost & Sullivan Asia Pacific Travel Council of the Year – Medical Tourism' at the 2016 Frost & Sullivan Asia Pacific Healthcare and Tourism Awards, and 'Best Country in the World for Healthcare' by International Living's Annual Global Retirement Index 2016, among many others.

These awards are testament to the dedication and commitment towards excellence by the country's healthcare players. With top-notch private hospitals, ambulatory care centres and other private healthcare facilities providing top quality, safe and effective treatments in comfortable surroundings with ease of access and affordable prices, Malaysia has certainly become the preferred destination for medical tourists seeking healthcare treatment abroad, particularly in South-East Asia.

(Extracted from: Official website of Malaysian Investment Development Authority)

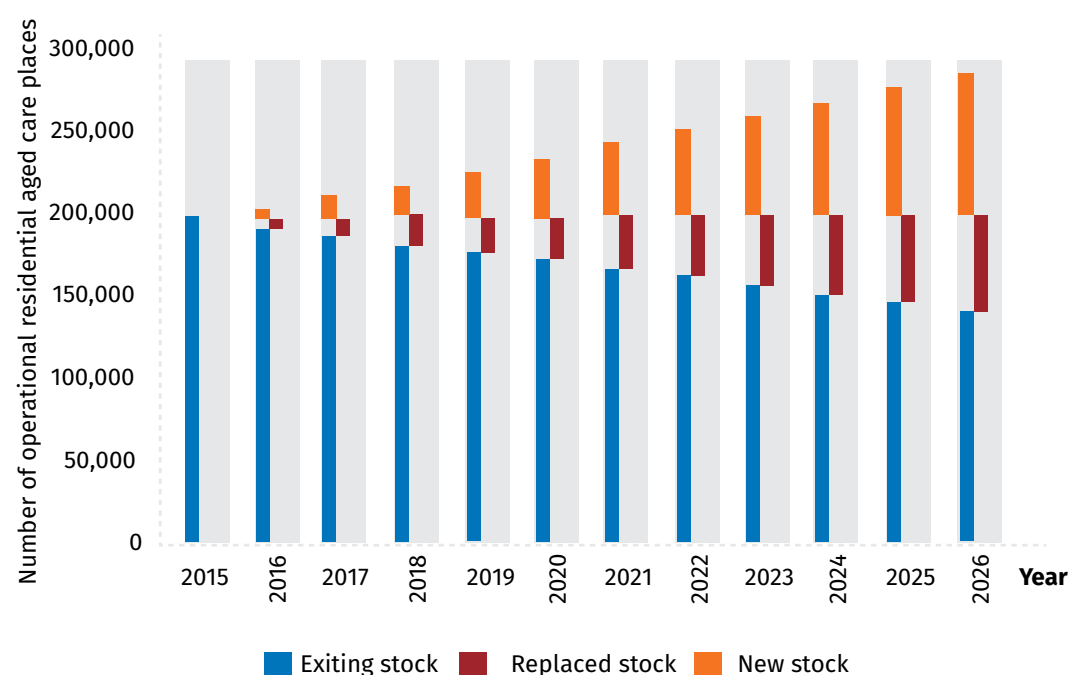
4. AUSTRALIA

The aged care sector in Australia provides services to 1.3 million Australians and generates annual revenues totalling \$20 billion. The sector makes a significant contribution to the Australian economy, representing 0.9 per cent of Gross Domestic Product (GDP).

The sector is heavily dependent on taxpayer funding, receiving \$15.2 billion in Commonwealth funding in 2014-15, an increase of 7.1 per cent from the previous year (\$14.2 billion). Given the level of taxpayer funding, objective and thorough analysis of the funding and financing of the sector is of central importance to aged care consumers, providers and to the Australian community.

The residential aged care target ratio of 78 places per 1,000 people aged 70 years and over by 2021-22 means the Australian Government is aiming to achieve one operational residential care place for every 13 people aged 70 years and over. If the sector is to meet this target, there will need to be significant growth in the supply of places as the baby boomer cohort reaches 70 years old. This implies that the challenge of ensuring there is sufficient residential aged care supply to meet demand arising from the baby boomer generation is likely to be more significant in 10-15 years time than over the next decade. Increased investment activity now and in future years is necessary to meet this challenge given the lead time in building and commissioning homes.

Number of operational residential aged care places required in the next decade 2015-2026



(Extracted from: Aged Care Financing Authority Report July 2016)

Portfolio Details

22 PROPERTIES (MALAYSIA)

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
 KPJ DAMANSARA SPECIALIST HOSPITAL
 KPJ JOHOR SPECIALIST HOSPITAL
 KPJ PUTERI SPECIALIST HOSPITAL
 KPJ SELANGOR SPECIALIST HOSPITAL
 KPJ IPOH SPECIALIST HOSPITAL
 KPJ PERDANA SPECIALIST HOSPITAL
 KUANTAN SPECIALIST HOSPITAL
 SENTOSA MEDICAL CENTRE
 KPJ KAJANG SPECIALIST HOSPITAL
 KEDAH MEDICAL CENTRE
 DAMAI SPECIALIST HOSPITAL
 KPJ PENANG SPECIALIST HOSPITAL
 TAWAKKAL HEALTH CENTRE
 KPJ TAWAKKAL SPECIALIST HOSPITAL
 KPJ SEREMBAN SPECIALIST HOSPITAL
 TAIPING MEDICAL CENTRE
 KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI
 SELESA TOWER
 KPJ INTERNATIONAL COLLEGE, PENANG
 KLUANG UTAMA SPECIALIST HOSPITAL
 KPJ KLANG SPECIALIST HOSPITAL

1 PROPERTY (AUSTRALIA)

JETA GARDENS

KPJ AMPANG PUTERI SPECIALIST HOSPITAL



Location

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

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn Bhd

Description

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

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-Aqar

Land Area

233,254 sq.ft.

Gross Floor Area

384,729 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

P.T. No. 25119 held under Title No. H.S. (M) 26550, Mukim Empang, District of Hulu Langat, State of Selangor. Leasehold expiring in year 2089.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ DAMANSARA SPECIALIST HOSPITAL



Location

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

Lessee/Asset Operator

Damansara Specialist Hospital Sdn Bhd

Description

A six (6) storey purpose built hospital building with a basement level (inclusive of approximately one and a half (1½) levels of shell floors) together with open car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

179,860 sq.ft.

Gross Floor Area

445,114 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

P.T. No. 1856 held under Title No. H.S. (D) 146423, Mukim Sungai Buloh, District of Petaling, State of Selangor.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ JOHOR SPECIALIST HOSPITAL



Location

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

Lessee/Asset Operator

Johor Specialist Hospital Sdn Bhd

Description

A six (6) level with mezzanine floor main hospital building, a four (4) level physician consulting building together with two (2) level basement car parks and open car parks.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

217,800 sq.ft.

Gross Floor Area

477,234 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

PTB No. 12319 held under Title No. H.S. (D) 420217, Town and District of Johor Bahru, State of Johor.
Leasehold expiring in year 2079.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ PUTERI SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn Bhd

Description

A six (6) storey purpose built private hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

104,109 sq.ft.

Gross Floor Area

118,019 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

Lot No. PTB 24134, held under Title No. HSD 535599, Town and District of Johor Bahru, State of Johor. Leasehold expiring in year 2053.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ SELANGOR SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Selangor Specialist Hospital Sdn Bhd

Description

A six (6) storey main specialist centre building together with a basement and a six storey carpark block together with a basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

204,342 sq.ft.

Gross Floor Area

212,612 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

P.T. No. 2 Section 20 held under Title No. H.S. (D) 112884, Town of Shah Alam, District of Petaling, State of Selangor. Leasehold expiring in year 2096.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ IPOH SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn Bhd

Description

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

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

142,116 sq.ft.

Gross Floor Area

348,166 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2018 and renewal on 1 January 2019.

Title

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

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad

KPJ PERDANA SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Perdana Specialist Hospital Sdn Bhd

Description

A five (5) storey purpose built private specialist hospital with a sub-basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

87,802 sq.ft.

Gross Floor Area

147,541 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 28 February 2017 and renewal on 1 March 2017.

Title

Lot No. 657 Seksyen 14 held under Title No. PN 4133, Bandar and Jajahan of Kota Bharu, State of Kelantan. Leasehold expiring in year 2064.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KUANTAN SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Kuantan Specialist Hospital Sdn Bhd

Description

A purpose built private specialist hospital [comprising three (3) storey Block A and a five (5) storey annexe Block B] and an open car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

72,101 sq.ft.

Gross Floor Area

72,201 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 28 February 2017 and renewal on 1 March 2017.

Title

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

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

SENTOSA MEDICAL CENTRE**Location**

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

Lessee/Asset Operator

Sentosa Medical Centre Sdn Bhd

Description

A seven (7) storey purpose private specialist hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

23,659 sq.ft.

Gross Floor Area

115,331 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 28 February 2017 and renewal on 1 March 2017.

Title

Lot No. 671, Section 47 held under Title No. GRN 43923, Town of Kuala Lumpur, District of Kuala Lumpur.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ KAJANG SPECIALIST HOSPITAL**Location**

Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan.

Lessee/Asset Operator

Kajang Specialist Hospital Sdn Bhd

Description

A seven (7) storey purpose built private specialist hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

68,932 sq.ft.

Gross Floor Area

191,144 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 28 February 2017 and renewal on 1 March 2017.

Title

Lot No. 42997, Section 9 held under Title No. GM 2494, Mukim of Kajang, District of Hulu Langat, Selangor. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KEDAH MEDICAL CENTRE**Location**

Pumpong, 05250 Alor Setar, Kedah Darul Aman.

Lessee/Asset Operator

Kedah Medical Centre Sdn Bhd

Description

A ten (10) storey purpose built private specialist hospital (inclusive of one (1) shell floor) with a three (3) storey annexe block.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

83,195 sq.ft.

Gross Floor Area

215,881 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 28 February 2017 and renewal on 1 March 2017.

Title

P.T. No. 35 held under Title No. H.S. (D) 21030, Bandar Alor Merah and P.T. No. 1280 held under Title No. H.S. (M) 10923, Bandar Alor Setar, all in District of Kota Setar, State of Kedah. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

DAMAI SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Kota Kinabalu Specialist Hospital Sdn Bhd

Description

A five (5) storey purpose built private specialist hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

42,286 sq.ft.

Gross Floor Area

39,966 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 11 June 2018 and renewal on 12 June 2018.

Title

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

Leasehold expiring in year 2073.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ PENANG SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Penang Specialist Hospital Sdn Bhd

Description

A five (5) storey main hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

217,802 sq.ft.

Gross Floor Area

182,82400 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2018 and renewal on 14 October 2018.

Title

P.T. No. 799 held under Title No. H.S. (M) 375, Mukim 07, District of Seberang Perai Tengah, State of Pulau

Pinang.

Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

TAWAKKAL HEALTH CENTRE**Location**

No. 202A, Jalan Pahang, 53200 Kuala Lumpur.

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn Bhd

Description

Twenty one (21) contiguous parcels of terraced commercial plots erected with a block of newly refurbished four (4) storey private hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

30,44532 sq.ft.

Gross Floor Area

119,925 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 14 May 2018 and renewal on 15 May 2018.

Title

Lot Nos. 78 to 91,98 to 102 and 124 to 125 held under Title Nos. GRN 4412 to GRN 4425, GRN 4432 to GRN 4436 and PN 6271 to PN 6272 respectively, all in Section 85A, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. Interest In Perpetuity, in respect of all the title with the exception of Lots 124 and 125 conveying 99-years leasehold interest expiring on 25 July 2077.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ TAWAKKAL SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn Bhd

Description

A seven (7) storey purpose built specialist hospital with a single storey podium as the main lobby and a three (3) level elevated car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

89,168 sq.ft.

Gross Floor Area

333,514 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 July 2019 and renewal on 6 July 2019.

Title

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

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ SEREMBAN SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Seremban Specialist Hospital Sdn Bhd

Description

A purpose-built private specialist hospital comprising of a five (5) storey hospital building with a basement level.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

302,597 sq.ft.

Gross Floor Area

182,012 sq.ft (EB)
-Nil (VL)

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2018 and renewal on 14 October 2018.

Title

Lot Nos. 1752, 17523 and 50459 (section 2) held under Titles Nos. GRN 51612, 51630 and 263269 respectively, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan.
Freehold.

Lot No. 24007 held under Titles No. PN 25974 respectively, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan.
Leasehold expiring in year 2103.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

TAIPING MEDICAL CENTRE**Location**

No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak.

Lessee/Asset Operator

Taiping Medical Centre Sdn Bhd

Description

A purpose-built private specialist hospital building comprising a four (4) storey main hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

38,254 sq.ft.

Gross Floor Area

39,516 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 30 April 2018 and renewal on 1 May 2018.

Title

Lot Nos. 3102 to 3107 and P.T. No. 1106 held under Title Nos. PN 235465 to PN 235468 PN, 235470, PN 235471 and H.S. (D) 2094/89 respectively all in Bandar Taiping, District of Larut & Matang, State of Perak.
Leasehold expiring in year 2088.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI**Location**

PT 17010, Persiaran Seriemas, Kota Seriemas,
71800 Nilai, Negeri Sembilan.

Lessee/Asset Operator

Puteri Nursing College Sdn Bhd

Description

A private nursing and health sciences college comprising an administrative and academic blocks, a block of students' hostel block and car parks. (EB)

A private of commercial land partly erected with an eight (8) storey academic block and two (2) TNB substations and parcel of residential land partly erected with an eleven and a half (11½) storey apartment block (student's hostel) and refuse storage chamber. (NB)

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

983,928 sq.ft.

Gross Floor Area

455,191 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 30 April 2018 and renewal on 1 May 2018. (EB)

Expiry on 30 November 2018 and renewal on
1 December 2018. (NB)

Title

Lot No. 33002 and P.T. No. 7 held under Title Nos. GRN 211809 and H.S. (D) 189780 respectively, Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan. Freehold. (EB)

PT. No. 8 (New Lot 33653) and Lot No. 33003 held under Title Nos. HS (D) 189781 and Grant 211810 respectively, Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan. Freehold. (NB)

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad. (EB)

-Nil (NB)

EB : Existing Building

NB : New Building

SELESA TOWER**Location**

Hotel Selesa and Metropolis Tower (Selesa Tower), Jalan Dato' Abdullah Tahir/ Jalan Tebrau, 80300 Johor Bahru. Johor Darul Takzim.

Lessee/Asset Operator

Hotel Selesa (JB) Sdn Bhd

Description

A Three (3)-star rating hotel known as Hotel Selesa and office block known as Metropolis Tower (Selesa Hotel) together with basement/elevated car parks.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

55,507 sq.ft.

Gross Floor Area

720,493 sq.ft.

Tenancy/Lease Expiry & Renewal

Month To Month Basis

Title

PTB No. 19109 held under Title No. H.S. (D) 180798, Town and District of Johor Bahru, State of Johor. Freehold.

Encumbrances

-NIL

KPJ INTERNATIONAL COLLEGE, PENANG**Location**

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

Lessee/Asset Operator

Puteri Nursing College Sdn Bhd

Description

A six (6) storey purpose built private specialist hospital building known as Bukit Mertajam Specialist Hospital and two (2) parcels of development land.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

129,995 sq.ft.

Gross Floor Area

42,989 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2018 and renewal on 14 October 2018.

Title

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

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KLUANG UTAMA SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn Bhd

Description

6 units of 3-storey shop-offices renovated into a private hospital known as Kluang Utama Specialist Hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-`Aqar

Land Area

10,607 sq.ft.

Gross Floor Area

31,837 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 January 2018 and renewal on 6 January 2018.

Title

PTB No. 9468 – PTB No. 9473 held under Title Nos. H.S. (D) 44911 – H.S. (D) 44916, all in Town and District of Kluang, State of Johor.
Leasehold expiring in year 2100.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

KPJ KLANG SPECIALIST HOSPITAL**Location**

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

Lessee/Asset Operator

Bandar Baru Klang Specialist Hospital Sdn Bhd

Description

A purpose built private hospital comprising a six (6)
storey main building with two (2) levels of basement car
park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-Aqar

Land Area

117,391 sq.ft.

Gross Floor Area

391,358 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 25 June 2018 and renewal on 26 June 2018.

Title

Lot No. 31870 held under Title No. PM 648, Mukim of
Kapar, District of Klang, State of Selangor.
Leasehold expiring in year 2093.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank
Trustees Berhad.

JETA GARDENS AGED CARE & RETIREMENT VILLAGE**Location**

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

Lessee/Asset Operator

Jeta Gardens (QLD) Pty Ltd

Description

Three (3) contiguous parcels of residential land erected
with two (2) storey aged care building comprising
106 rooms (108-bed) aged care facility, 23 units
of independent villas and 32 independent living
apartment units.

Registered Proprietor

Al-Aqar Australia Pty Ltd

Land Area

1,287,14309 sq.ft.

Gross Floor Area

80,02967 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 1 November 2017 and renewal on 2 November
2017.

Title

Lots 2, 3 and 4 held under Title References 50855908,
50855909 and 50855910 respectively, all within Parish of
Moffatt, Country of Ward, Local Government of Logan.

Encumbrances

Free of any mortgage but subject to subleases and
easements

Foundations of Corporate Governance

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Board Charter

1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-`Aqar's business and is unreservedly committed to applying the principles necessary to ensure that the following principles of good governance is practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Al-`Aqar.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.
- This Board Charter shall constitute, and form, an integral part of each Director's duties and responsibilities.

2. OBJECTIVE

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Al-`Aqar.

In pursuit of the ideals in this Board Charter, the intention is to exceed minimum legal requirements with due consideration to recognise standards of best practices locally and internationally.

3. THE BOARD

3.1 Role

The key roles of the Board are to:

- a) Guide the corporate strategies and directions of the Manager (including acquisition and divestment of Authorised Investment);
- b) Oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- c) Set the guidelines for internal controls;
- d) Ensure compliance with the Relevant Laws and Requirements;
- e) Determine and approve the distribution amounts to Unitholders and payment of the Management Fee; and
- f) Evaluate and approve the acquisition and divestment of properties.

3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- 1) 1 Non-Independent Non-Executive Chairman
- 2) 4 Non-Independent Non-Executives Directors
- 3) 3 Independent Non-Executive Directors
- 4) 1 Managing Director / Non-Independent Director

Recommendation of 3.5 of the MCGG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise of a majority of Independent Directors. Although the Manager is yet to be in line with Recommendation 3.5, the Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

3.3 Appointments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee.

New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Al-`Aqar.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

3.4 Directors' Training

In addition to the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia Securities Berhad (Bursa Securities), Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors.

The Board is also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

3.5 Board Meetings and Supply of Information

The Board meets regularly at least once every quarter to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Al-`Aqar against the approved budget. When necessary, the Board meets at a special meeting to review and approve acquisitions or disposals for recommendation to the trustee of Al-`Aqar or any other issues requiring the immediate attention of the Board.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

4.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) Leading the Board in setting the values and standards of Al-`Aqar;

- b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- c) Ensuring the provision of accurate, timely and clear information to Directors;
- d) Ensuring effective communication with unitholders and relevant stakeholders; and
- e) Ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

4.2 Chief Executive Officer (CEO)

- 4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-`Aqar.
- 4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.
- 4.2.3 All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

5. COMMITTEES

In carrying its functions, the Board is supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

5.1 Audit Committee

A. Membership

- (i) The members of the Committee shall be appointed by the Board and shall consist of not less than 3 members.

- (ii) All members must be Non-Executive Directors.
- (iii) All members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Main Market Listing Requirements.
- (iv) The Chairman of the Committee, elected from amongst the Audit Committee members shall be an Independent Director.
- (v) No alternate Director of the Board shall be appointed as a member of the Committee.

B. Purposes

- (i) To ensure transparency, integrity and accountability in the Fund's activities so as to safeguard the rights and interests of the Unitholders;
- (ii) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve the Fund's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Fund's reported financial results; and
- (iv) To maintain open lines of communication between the Board and the External Auditors.

C. Duties and Responsibilities

The objective of the Audit Committee is to assist the Board of Directors of the Manager in fulfilling its fiduciary responsibilities relating to corporate governance, internal controls, financial and accounting records

and policies as well as financial reporting practices of Al-`Aqar. The Audit Committee's responsibilities include:

- (i) To review the quarterly and year-end financial statements of the Fund prior to the approval by the Board of Directors of the Manager;
- (ii) To provide an independent assessment of the adequacy and effectiveness of risk management functions;
- (iii) To review the internal audit programme, the results of the internal audit process or investigation undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;
- (iv) To review with external auditors the audit plan, scope of audit and audit reports; and
- (v) To review any related party transactions and conflict of interest situation that may arise.

D. Meetings

A minimum of 4 meetings shall be planned during the financial year and the quorum for the meeting shall be 2 members. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present. Reports of the Committee meeting shall be tabled by the Audit Committee Chairman at the Board of Directors meeting.

5.2 Executive Committee

The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

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

- Making recommendations to the Board on all acquisitions, investments and disposals;
- Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-`Aqar units;
- Making recommendations to the Board on financial budgets; and
- Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to Board members, where applicable.

5.3 Nomination and Remuneration Committee

The main responsibilities for the Nomination function is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance Executive Directors and Independent Non-Executive Directors whilst the main responsibilities for the Remuneration function is establishing, reviewing and recommending to the Board, the remuneration packages of Chief Executive Officer/Managing Director and reviewing his performance against the goals and objectives set.

6. REMUNERATION POLICIES

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Managing Director is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

7. FINANCIAL REPORTING

7.1 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Al-`Aqar's Deed.

7.2 External Auditors

The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

- b) The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- c) The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- d) In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-`Aqar is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

8. RISKS MANAGEMENT

8.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

8.2 Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions which it (including its Directors, executive officers and employees) may encounter in managing Al-`Aqar:-

- a) Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;

8.3 Related Party Transactions

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

- a) Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- b) Carried out at arm's length basis;
- c) In the best interest of unitholders;
- d) Adequately disclosed to unitholders;
- e) Consented by the Trustee; and
- f) Consistent with the investment objectives and strategies of Al-`Aqar .

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an

interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

8.4 Internal Audit

The Internal Audit function is outsourced and underpinned by Crowe Horwath Governance Sdn Bhd effective from 12 January 2017. The primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

9. ANNUAL GENERAL MEETING (AGM)

The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

The Chairman encourages active participation by the unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

10. COMMUNICATION AND INVESTOR RELATIONS

The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting unitholders' interests.

The Manager communicates information on Al-`Aqar to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Al-`Aqar requiring disclosure under the Listing Requirements of Bursa Securities.

Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Al-`Aqar
- Al-`Aqar's website at www.alaqar.com.my

With the majority of units in Al-`Aqar held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Al-`Aqar's significant developments and its medium to long term strategies. Al-`Aqar also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

In addition to ensuring that the published Annual Report is available to all unitholders and quarterly results announced to Bursa Securities, Al-`Aqar has established a website at www.alaqar.com.my from which investors and unitholders can access for information.

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

11. COMPANY SECRETARY

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is accountable to the Board on all governance matters.

The Company Secretary must keep abreast of, and inform the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.

Corporate Governance Statement

The Board of Directors of the Manager (the Board) recognises the value of good corporate governance and prioritises in ensuring that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing unitholders' value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager has been guided by the measures set out in the Guidelines on Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and recommendations of the Malaysian Code on Corporate Governance 2012.

THE MANAGER'S ROLE

In accordance with the Deed, the Manager is appointed to manage the assets and administer the funds of Al-`Aqar. Its primary objective is to provide the unitholders with long term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-`Aqar's units.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013 as required under the new licensing regime for REIT Managers which took effect from 28 December 2012. Its 3 licensed representatives, namely Yusaini Hj. Sidek, Shahril Zairis Ramli and Suhaimi Saad have respectively been issued with a Capital Markets Services Representatives License (CMSRL).

Al-`Aqar is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-

to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Al-`Aqar.

The Manager is required to ensure that the business and operations of Al-`Aqar are carried and conducted in a proper, diligent and efficient manner, and in accordance with the acceptable business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete control in managing the Fund (including all assets and liabilities of Al-`Aqar) for the benefits of the Unitholders.

The Manager's main functions, amongst others, are as follows:

- **Investment Strategy**
Formulate and implement Al-`Aqar's investment strategy.
- **Acquisition and Divestment**
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-`Aqar's existing investments.
- **Asset Management**
Supervise and oversee the management of Al-`Aqar's properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrear control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximise the income of Al-`Aqar.

- **Risk Management**
Identifying principal risks of Al-`Aqar and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- **Financing**
Formulate plans for equity and debt financing for Al-`Aqar's funding requirements with the objective of optimising the capital structure and cost of capital.
- **Accounting Records**
Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-`Aqar.
- **Investor Relations**
Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.
- **Compliance Management**
Supervise all regulatory filings on behalf of Al-`Aqar, and ensure that Al-`Aqar is in compliance with the applicable provisions of the Securities Commission Act, SC REIT Guidelines, Bursa Securities Listing Requirements, Trust Deed and all relevant contracts.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. ESTABLISH CLEAR ROLES & RESPONSIBILITIES AND STRENGTHENING COMPOSITION

1.1 Board Structure, Composition and Balance

The composition of the Board of Directors is as follows:

- a) 1 Non-Independent Non-Executive Chairman
- b) 4 Non-Independent Non-Executive Directors
- c) 3 Independent Non-Executive Directors
- d) 1 Managing Director/Non-Independent Director

Recommendation 3.5 of the MCGG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise of a majority of Independent Directors. Although the Manager is yet to be in line with Recommendation 3.5, the Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

1.2 Board Duties and Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCGG 2012, the Board assumes the following responsibilities:

- **Reviewing and adopting a strategic plan for the Fund**
The strategic and business plan for the period 2017 – 2021 was tabled, discussed and approved by the Board at its meeting on 17 November 2016. Additionally, on an ongoing basis as need arises, the Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.
- **Overseeing the conduct and overall management of the Manager and management of the assets of Al-`Aqar**
The Board is responsible to oversee and review the Fund's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed and appropriate consultation will be sought if necessary. Where and when

available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Risk Management Report will be tabled on a periodic basis in the Board meeting to review the Fund's risks.

- **Succession planning**

The Board will deliberate on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to senior management positions are of sufficient calibre.

- **Overseeing the development and implementation of a Unitholder communications policy for the Fund**

The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments. Details of investors' activities are disclosed on page 58 of this Annual Report.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund**

The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

Audit Committee

The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Lukman Hj. Abu Bakar and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit Committee, attendance of meetings and discharging of functions and duties are set out on page 94 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

Executive Committee

The Executive Committee is chaired by Lukman Hj. Abu Bakar and has 2 other members, Zainah Mustafa and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Dato' Kamaruzzaman Abu Kassim as Chairman, Zainah Mustafa and Dr. Hafetz Ahmad. The main responsibilities for the Nomination function is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Directors and Independent Non-Executive Directors whilst the main responsibilities for the Remuneration function is establishing, reviewing and recommending to the Board, the remuneration packages of Chief Executive Officer/Managing Director and reviewing his performance against the goals and objectives set.

1.3 Committees

In carrying out its functions, the Board is

1.4 Access to Information and Advice

Prior to each board meeting, the Board Report will be circulated to all Directors so that each Director has ample time to peruse and review it for further deliberation at the Board meeting. The Board Report includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Progress report on risk management
- Executive Committee and Audit Committee report

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary. All minutes will be confirmed prior to the meetings.

1.5 Company Secretary

The Company Secretary and/or her assistants attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.6 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with the Trust Deed and all legislation, rules and guidelines particularly the SC REIT Guidelines and Bursa Malaysia Listing Requirements which applicable to Al-`Aqar.

2. REINFORCING INDEPENDENCE

The Manager is led and overseen by experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board. The Board currently has nine Directors comprising five (5) non-independent members, three (3) independent members and one (1) Managing Director. This is in compliance with the requirements of Para 3.06 of REIT Guidelines which states that at least one-third of the Board is independent.

There is a clear segregation of roles and responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of Al-`Aqar.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The Managing Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.

3. FOSTERING COMMITMENT

During the year ended 31 December 2016, the Board convened four meetings and all Directors have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2016 are set out below:

	39th BOD	40th BOD	41st BOD	42nd BOD
	31.03.2016	19.05.2016	16.08.2016	17.11.2016
Dato' Kamaruzzaman bin Abu Kassim	/	/	/	/
Yusaini bin Hj. Sidek	/	/	/	/
Zainah binti Mustafa	/	/	/	/
Dr. Mohd Hafetz bin Ahmad	x	/	/	/
Dato' Mani a/l Usilappan	/	/	/	/
Lukman bin Abu Bakar	/	x	/	x
Dato' Amiruddin bin Abdul Satar	/	/	/	/
Mohd Yusof Ahmad	/	/	/	/

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.

4. UPHOLD INTEGRITY IN FINANCIAL REPORTING

4.1 Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements, annual report and quarterly announcements to Unitholders, the Board aims to present a balanced and understandable assessment of Al-`Aqar's financial position, performance and prospects.

The Directors have taken the necessary steps to ensure that Al-`Aqar has complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgement and estimates.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by Al-`Aqar.

4.2 Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-`Aqar's general meeting and are available to answer any questions from unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

The appointment of external auditors, who may be nominated by the Manager, is approved by the Trustee. The auditors appointed must be independent of the Manager and the Trustee. The remuneration of the auditors must be approved by the Trustee.

5. RECOGNISE AND MANAGE RISKS

5.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

5.2 Conflict of Interest

Save for the Directors' interests in Al-`Aqar (as disclosed under Statement of Interest

of Directors of the Manager) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions which it (including its Directors, executive officers and employees) may encounter in managing Al-`Aqar:-

- Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;
- The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-`Aqar is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

5.3 Related Party Transactions

In dealing with any related party transaction, it is the Manager's policy that all related party transactions carried out by or on behalf of Al-`Aqar should be conducted as follows:-

- Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- Carried out at arm's length basis;
- In the best interest of unitholders;
- Adequately disclosed to unitholders;
- Consented by the Trustee; and
- Consistent with the investment objectives and strategies of Al-`Aqar.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

5.4 Material Contracts

There were no material contracts entered by Al-`Aqar that involved the Directors of the Manager or substantial Unitholders of Al-`Aqar during the financial year under review.

5.5 Internal Audit

The Internal Audit function is outsourced and undertaken by Crowe Horwath Governance Sdn Bhd effective from 12 January 2017. The primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

6. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

6.1 Corporate Disclosure Policy

Al-`Aqar has in place procedures for compliance with the Listing Requirements of Bursa Securities and ensures that all material information must be announced immediately to Bursa Securities.

6.2 Leverage on Information Technology

A website: www.alaqar.com.my is maintained to create greater awareness of Al-`Aqar activities, performance and other relevant information among the stakeholders and general public. The website has all information with reference to material information of quarterly and annual result announcements, changes to shareholding and press releases are published concurrently with Bursa Malaysia website.

its 4th Annual General Meeting to seek the Unitholders' approval for amongst others:-

- Proposed to allot and issue new units
- Proposed increase in the existing approved fund size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.

7. STRENGTHEN RELATIONSHIP WITH THE UNITHOLDERS

7.1 Communication and Investor Relations

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-`Aqar. Such information is communicated through the annual report, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

As part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting Unitholders' interests.

Details of the investor and public relations programs undertaken by the Manager are set out on page 58 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-`Aqar at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made. All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with.

The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-`Aqar and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-`Aqar to prevent and detect fraud and other irregularities.

7.2 4th Annual General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders. The Manager had on 31 March 2016 convened

Audit Committee Report

Recognising that an audit committee plays an important role in corporate governance, the Board of the Manager had established an Audit Committee to ensure that the interests of the unitholders of Al-`Aqar are protected and prioritised. The Audit Committee holds an important function, which is to assist the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Al-`Aqar.

COMPOSITION

For the financial year ended 31 December 2016, the Audit Committee comprised 3 Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

Zainah binti Mustafa
Chairman/Independent Non-Executive Director

Lukman bin Abu Bakar
Member/Non-Independent Non-Executive Director

Dr. Hafetz bin Ahmad (*appointed w.e.f. 25 April 2016*)
Member/Independent Non-Executive Director

Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir (*resigned w.e.f. 1 April 2016*)
Member/Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member	No. of meetings attended
Zainah binti Mustafa	4 out of 4
Lukman bin Abu Bakar	3 out of 4
Dr. Hafetz bin Ahmad	3 out of 3
Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir	1 out of 1

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2016, the Audit Committee met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows :-

1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (b) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, Internal Auditors as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- (c) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (d) The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Al-`Aqar .

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management register which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Al-`Aqar .
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of internal audit function as well as the performance of the Internal Auditors against the audit plan.

(ii) External Audit

- (a) On 8 November 2016, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2016. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
 - Carried out in compliance with the REIT Guidelines and the Deed;
 - Carried out on an arm's length basis and under normal commercial terms;
 - Carried out in the best interest of the unitholders;
 - Abstention from voting at Board Meetings for interested parties;
 - Adequately disclosed to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer at the board meetings.

Statement On Risk Management & Internal Control

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle 6 of the Malaysian Code on Corporate Governance.

The Board continually reviews the adequacy and effectiveness of the Manager's risk management and internal control system which has been embedded in all aspects of the Manager's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Manager's risk appetite. It is to be noted that the Manager's risk management system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. As such, the systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Manager.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Board, Board Committees and management are the main platform by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management teams. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

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

RISK MANAGEMENT FRAMEWORK

The Manager adopts an Enterprise Risk Management (ERM) practices that enables it to continuously identify, assess, treat and manage risks that affect Al-`Aqar in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

INTERNAL CONTROL

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

- The Board has in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- The Board approved annual budgets and business plans prepared by each property.
- Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operating, financial and human resources matters.
- Regular management meetings involving the review of the operations and financial performance of each property.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit carried out by the outsourced internal auditor approved by the Audit Committee.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.

Financial Reports

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HOSPITAL PAKAR
MEMPANG PUTERI

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), the Manager of **AL-`AQAR HEALTHCARE REIT** (the "Fund"), have pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2016.

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

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

For the financial year ended 31 December 2016, the Fund is expected to declare a total income distribution of 7.70 sen per unit, which is in line with the objective of providing the unitholders with a steady stream of income.

THE MANAGER AND ITS PRINCIPAL ACTIVITY

The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a subsidiary of Johor Corporation. The principal activity of the Manager is management of 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 has real estate and real estate-related assets with income and growth type of fund.

(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 75% of the Fund's total assets shall be invested in Syariah-compliant real estate, single-purpose companies which are Syariah-compliant, Syariah-compliant real estate-related assets or liquid assets;
- (b) at least 50% of the Fund's total assets must be invested in Syariah-compliant real estate or single-purpose companies which are Syariah-compliant; and
- (c) the remaining 25% of the Fund's total assets may be invested in other Syariah-compliant assets (such as Syariah-compliant real estate-related assets, Syariah-compliant non-real estate-related assets or Islamic asset-backed securities).

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

MANAGER'S INVESTMENT STRATEGIES AND POLICIES (CONTINUED)

(ii) Diversification

The Fund will seek to diversify its Syariah-compliant real estate portfolio by property and location type. The Fund will primarily be focused on investing in real estates which are primarily used for healthcare purposes and will continue to look for opportunities that will provide attractive returns.

(iii) Leverage

The Fund will be able to leverage on its financing to make the permitted investments. Leveraging on its financing will enable the returns to unitholders to increase.

DIRECTORS OF THE MANAGER

The Directors who served on the Board of Damansara REIT Managers Sdn Berhad (the "Manager"), since date of the last report and at the date of this report are:

Dato' Kamaruzzaman bin Abu Kassim
Yusaini bin Sidek
Zainah binti Mustafa
Dr Mohd Hafetz bin Ahmad
Lukman bin Abu Bakar
Dato' Mani a/l Usilappan
Mohd Yusof bin Ahmad
Dato' Amiruddin bin Abdul Satar
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir (Resigned on 1 April 2016)

DIRECTORS' 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 is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager) by reason of a contract made by the Manager or the Fund or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' unitholdings of the Fund, the interests of Directors of the Manager in office at the end of the financial year are as follows:

The Manager's Directors and shareholders	Number Of Units In The Fund			
	As of 01.01.2016/ Date of appointment	Acquired	Sold	As of 31.12.2016
Dato' Kamaruzzaman bin Abu Kassim				
- Direct	10,000	-	-	10,000
Dr Mohd Hafetz bin Ahmad				
- Direct	2,400	-	-	2,400
- Indirect	230	-	-	230
Dato' Amiruddin bin Abdul Satar				
- Indirect	910	-	-	910

Save as disclosed above, none of the other Directors of the Manager in office at the end of the financial year had any interest in shares in the Fund or its related corporations during and at the end of the financial year.

MANAGER'S REMUNERATION

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive from the Fund:

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

SOFT COMMISSION

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

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year ended 31 December 2016.

MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

OTHER INFORMATION

- (a) Before the statements of profit or loss and other comprehensive income and the 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 allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values 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 of any bad debts or to make any allowance for doubtful debts in respect of the statements of financial position of the Group and of the Fund; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (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 its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

**MANAGER'S REPORT FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016 (CONTINUED)****SIGNIFICANT EVENT**

The details of significant event is disclosed in Note 28 to the Financial Statements.

AUDITORS

The auditors, Messrs. Deloitte PLT, have indicated their willingness to continue in office.

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

**DATO' KAMARUZZAMAN BIN ABU KASSIM**

Kuala Lumpur,
26 January 2017

**YUSAINI BIN SIDEK**

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

Report on the Financial Statements

Opinion

We have audited the financial statements of **AL-`AQAR HEALTHCARE REIT** ("the Fund"), which comprise the statements of financial position of the Group and of the Fund as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 172.

In our opinion, the accompanying financial statements of the Group and of the Fund give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the said By-Laws and the IESBA Code.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

Key Audit Matter (Continued)

Key audit matter	Our audit performed and responses thereon
<p>Valuation of investment properties</p> <p>Investment properties of the Group and of the Fund as at 31 December 2016 amounting to RM1,424.3 million and RM1,281.8 million respectively (2015: RM1,521.5 million and RM1,378.9 million respectively) are the most quantitatively material account balance in the financial statements. Further, the investment properties are measured at fair value which inherently is subject to significant valuation estimates.</p> <p>The fair values of the Group's and the Fund's investment properties, as determined by a firm of independent valuers, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check.</p> <p>The accounting policies for valuation of investment properties are set out in Note 3 to the Financial Statements and the type investment properties of the Group and of the Fund have been disclosed in Note 11 to the Financial Statements.</p>	<p>We assessed the appropriateness of the independent valuers' scope of work and evaluated whether the independent valuers had sufficient expertise and resources to competently perform the said valuation of the Group's and the Fund's investment properties.</p> <p>We obtained the source information provided by the Manager of the Fund to the independent valuers to challenge the significant estimates included by the independent valuers in their valuation models, namely the capitalisation rate and estimated net market rent of the Group's and Fund's investment properties.</p> <p>We have also assessed the adequacy and appropriateness of the disclosures on valuation methodology and estimation made in the financial statements.</p> <p>Based on our procedures, we believe that the method used to determine the fair value of investment properties is appropriate and adequate disclosures have been made in the financial statements.</p>

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 2016 Annual Report of the Group and of the Fund but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the 2016 Annual Report of the Group and of the Fund and, in doing so, consider whether the 2016 Annual Report of the Group and of the Fund is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

Responsibilities of the Manager and Trustee for the Financial Statements

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

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

The Manager of the Fund responsibilities include overseeing the Group's and the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Fund of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

Other Reporting Responsibilities

The supplementary information set out in Note 29 to the financial statements on page 173 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Manager of the Fund is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the unitholders of the Group and of the Fund, as a body, in accordance with Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)



SITI HAJAR BINTI OSMAN
Partner - 3061/04/17 (J)
Chartered Accountant

26 January 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group		The Fund	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	5	103,839,133	110,945,391	92,054,526	91,679,392
Property expenses	6	(6,244,340)	(6,379,923)	(6,123,004)	(6,071,286)
Gross profit		97,594,793	104,565,468	85,931,522	85,608,106
Investments revenue	7	1,542,599	1,522,895	10,437,663	15,323,171
Other income		27,233	971,751	27,233	5,169,367
Gain on fair value adjustment of investment properties	11	1,899,958	11,621,672	1,899,958	11,561,672
Total income		101,064,583	118,681,786	98,296,376	117,662,316
Expenditure:					
Finance costs:					
Islamic financing		32,147,732	38,404,419	-	6,313,448
Amounts due to subsidiaries		-	-	32,131,733	32,047,139
Manager's fees		1,738,665	2,126,099	1,738,665	2,126,099
Professional fees		277,634	2,199,746	256,591	1,709,648
Stamp duties		-	193,218	-	193,218
Valuation fees		452,075	659,090	452,075	659,090
Trustee's fees		264,310	249,407	264,310	249,407
Maintenance of property		599,810	25,440	599,810	25,440
Printing expenses		91,409	127,062	89,210	123,150
Secretarial fee		3,423	56,344	-	42,808
Securities Commission's fees		100	100	100	100
Registrar's fee		65,845	76,383	65,845	76,383
Audit fees		115,474	151,745	70,000	75,000
Tax agent's fee		9,200	78,635	9,200	13,450
Administration expenses		412,263	1,109,139	284,582	451,421
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		889,506	1,792,234	889,506	889,506
Syariah adviser's fee		6,000	3,600	6,000	3,600
Realised foreign exchange loss from disposal of subsidiaries		-	3,512,464	-	-
Total expenditure		(37,078,446)	(50,770,125)	(36,862,627)	(45,003,907)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	The Group		The Fund	
		2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax		63,986,137	67,911,661	61,433,749	72,658,409
Income tax expense	8	(545,831)	(466,073)	-	-
Profit for the financial year		63,440,306	67,445,588	61,433,749	72,658,409
Other comprehensive income, net of tax					
Foreign currency translation		(372,586)	3,503,517	-	-
Total comprehensive income for the financial year		63,067,720	70,949,105	61,433,749	72,658,409
Profit for the year attributable to:					
Owners of the Fund		63,440,306	67,445,588	61,433,749	72,658,409
Total comprehensive income for the financial year attributable to:					
Owners of the Fund		63,067,720	70,949,105	61,433,749	72,658,409
Total comprehensive income for the financial year is made up as follows:					
Realised		61,540,348	55,823,916	59,533,791	61,096,737
Unrealised		1,527,372	15,125,189	1,899,958	11,561,672
		63,067,720	70,949,105	61,433,749	72,658,409

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	The Group		The Fund	
		2016 RM	2015 RM	2016 RM	2015 RM
Earnings per unit (sen):	9				
Gross		8.79	9.69	8.44	10.37
Net		8.71	9.63	8.44	10.37
Net income distributions	10	46,824,947	62,381,885	46,824,947	62,381,885
Income distribution per unit (sen):					
Gross		6.43	8.57	6.43	8.57
Net		6.43	8.57	6.43	8.57

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		The Group		The Fund	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Assets					
Non-current assets					
Investment properties	11	1,424,360,000	1,521,523,040	1,281,800,000	1,378,963,040
Investment in subsidiaries	12	-	-	42,492,186	42,492,186
Amounts due from a subsidiary	21	-	-	99,147,701	99,157,716
Total non-current assets		1,424,360,000	1,521,523,040	1,423,439,887	1,520,612,942
Current assets					
Trade receivables	13	11,249,567	7,715,299	9,702,214	5,352,073
Other receivables and prepaid expenses	13	1,801,529	2,072,321	1,757,156	1,909,906
Fixed deposits with licensed banks	14	47,350,853	36,706,886	30,011,507	20,000,000
Cash and bank balances	14	26,451,032	26,364,600	14,548,853	16,203,597
		86,852,981	72,859,106	56,019,730	43,465,576
Asset classified as held-for-sale	15	100,000,000	-	100,000,000	-
Total current assets		186,852,981	72,859,106	156,019,730	43,465,576
Total assets		1,611,212,981	1,594,382,146	1,579,459,617	1,564,078,518
Current liabilities					
Other payables and accrued expenses	16	50,118,810	49,730,258	40,705,636	40,929,394
Amount due to a subsidiary	21	-	-	1,534,213	-
Tax liabilities		9,144	9,144	-	-
Total current liabilities		50,127,954	49,739,402	42,239,849	40,929,394

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

		The Group		The Fund	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non-current liabilities					
Deferred tax liabilities	17	3,750,228	3,014,620	-	-
Other payables	16	7,464,281	8,089,118	7,464,281	8,089,118
Amount due to a subsidiary	21	-	-	637,635,132	637,548,453
Islamic financing	18	653,802,142	653,713,403	-	-
Total non-current liabilities		665,016,651	664,817,141	645,099,413	645,637,571
Total liabilities		715,144,605	714,556,543	687,339,262	686,566,965
Net asset value		896,068,376	879,825,603	892,120,355	877,511,553
Unitholders' fund					
Unitholders' capital	19	722,398,126	722,398,126	722,398,126	722,398,126
Undistributed income		174,772,256	158,156,897	169,722,229	155,113,427
Foreign exchange reserve		(1,102,006)	(729,420)	-	-
Total unitholders' fund		896,068,376	879,825,603	892,120,355	877,511,553
Number of units in circulation	19	728,226,468	728,226,468	728,226,468	728,226,468
Net asset value per unit (ex-distribution)		1.23	1.21	1.23	1.20

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

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Group	Unitholders' Capital RM	Undistributed Income RM	Foreign Exchange Reserve RM	Total RM
As of 1 January 2015	682,682,499	153,093,194	(4,232,937)	831,542,756
Issuance of new units during the year (Note 19)	39,715,627	-	-	39,715,627
Total comprehensive income for the year	-	67,445,588	3,503,517	70,949,105
Unitholders' transactions:				
Distributions to unitholders (Note 10)	-	(62,381,885)	-	(62,381,885)
As of 31 December 2015	722,398,126	158,156,897	(729,420)	879,825,603
As of 1 January 2016	722,398,126	158,156,897	(729,420)	879,825,603
Total comprehensive income for the year (Note 19)	-	63,440,306	(372,586)	63,067,720
Unitholders' transactions:				
Distributions to unitholders (Note 10)	-	(46,824,947)	-	(46,824,947)
As of 31 December 2016	722,398,126	174,772,256	(1,102,006)	896,068,376

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

The Fund	Unitholders' Capital RM	Undistributed Income RM	Total RM
As of 1 January 2015	682,682,499	144,836,903	827,519,402
Issuance of new units during the year (Note 19)	39,715,627	-	39,715,627
Total comprehensive income for the year	-	72,658,409	72,658,409
Unitholders' transactions:			
Distributions to unitholders (Note 10)	-	(62,381,885)	(62,381,885)
As of 31 December 2015	<u>722,398,126</u>	<u>155,113,427</u>	<u>877,511,553</u>
As of 1 January 2016	722,398,126	155,113,427	877,511,553
Total comprehensive income for the year	-	61,433,749	61,433,749
Unitholders' transactions:			
Distributions to unitholders (Note 10)	-	(46,824,947)	(46,824,947)
As of 31 December 2016	<u>722,398,126</u>	<u>169,722,229</u>	<u>892,120,355</u>

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	63,986,137	67,911,661	61,433,749	72,658,409
Adjustments for:				
Finance costs	32,147,732	38,404,419	32,131,733	38,360,587
Investment revenue	(1,542,599)	(1,522,895)	(10,437,663)	(15,323,171)
Realised foreign exchange loss from disposal of subsidiaries	-	3,512,464	-	-
Gain on disposal of subsidiaries	-	(969,380)	-	(5,166,996)
Gain on fair value adjustment of investment properties	(1,899,958)	(11,621,672)	(1,899,958)	(11,561,672)
Operating Income Before Working Capital Changes	92,691,312	95,714,597	81,227,861	78,967,157
Changes in working capital:				
Trade receivables	(3,534,268)	(645,334)	(4,350,141)	(1,266,615)
Other receivables and prepaid expenses	270,792	5,785,432	152,750	5,503,079
Other payables and accrued expenses	(1,284,581)	(486,446)	(848,595)	(405,554)
Net Changes In Working Capital	(4,548,057)	4,653,652	(5,045,986)	3,830,910
Cash Flows Generated From Operating Activities	88,143,255	100,368,249	76,181,875	82,798,067
Taxes paid	-	(466,073)	-	-
Net Cash From Operating Activities	88,143,255	99,902,176	76,181,875	82,798,067

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		The Group		The Fund	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Income received on investment		1,542,599	1,522,895	1,542,599	1,479,390
Profit sharing from advances to subsidiaries		-	-	8,915,094	14,181,418
Net proceed from disposal of subsidiaries	12(iv)	-	80,675,610	-	83,854,443
Additions to investment properties (Note)		(937,002)	(46,601,368)	(937,002)	(46,601,368)
Net Cash From Investing Activities		605,597	35,597,137	9,520,691	52,913,883
CASH FLOWS USED IN FINANCING ACTIVITIES					
Finance costs paid		(31,010,697)	(37,595,919)	(31,039,010)	(38,360,587)
Income distributions		(46,824,947)	(62,381,885)	(46,824,947)	(62,381,885)
Increase in amount due to a subsidiary		-	-	518,154	-
Increase in restricted cash		(631,377)	(610,909)	-	-
Repayment of Islamic financing		-	(79,948,681)	-	(79,948,681)
Net proceed from issuance of units		-	39,715,627	-	39,715,627
Net Cash Used In Financing Activities		(78,467,021)	(140,821,767)	(77,345,803)	(140,975,526)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	The Group		The Fund	
		2016 RM	2015 RM	2016 RM	2015 RM
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		10,281,831	(5,322,454)	8,356,763	(5,263,576)
Effects of changes in exchange rates		(182,809)	(8,947)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		46,394,498	51,695,899	36,203,597	41,467,173
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	56,463,520	46,364,498	44,560,360	36,203,597

Note: Additions/Enhancement by the Group and the Fund during the financial year through the following:

Payment by cash	937,002	46,601,368	937,002	46,601,368
Amount owing to a related company	-	38,900,000	-	38,900,000
	937,002	85,501,368	937,002	85,501,368

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

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****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 Bhd. Pursuant to the Principal Trust Deed, the Fund entered into a Supplemental Trust Deed dated 14 May 2010 with Amanah Raya Bhd and AmanahRaya Trustees Bhd ("the Trustee") for the retirement of Amanah Raya Bhd from acting as a Trustee and for the appointment of AmanahRaya Trustees Bhd as the new Trustee for the Fund. On 31 July 2013, the Manager and the Trustee entered into a Restated Trust Deed ("the Deed"). The Fund is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts ("the SC Guidelines") and Islamic Real Estate Investment Trusts, 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 has 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.

The principal activity of the Group and the Fund is to invest in syariah-compliant properties with the primary objective of providing unitholders with stable distribution and potential for sustainable long term growth of such distribution and capital appreciation.

The registered office of the Manager is located at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The principal place of business of the Manager is located at Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

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

(i) Maintenance and management fee

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

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1. CORPORATE INFORMATION (CONTINUED)

(ii) Manager's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive the following fees from the Fund:

- (a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;

The Manager's fees for the current financial year is RM1,738,665 (2015: RM2,126,099).

- (b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and

The acquisition fee to the Manager during the current financial year is RM NIL (2015: RM42,500).

- (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 Management during the current financial year is RM NIL (2015: RM400,000).

(iii) Trustee's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Trustee is entitled to receive a fee of up to 0.03% 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 2016 of RM264,310 (2015: RM249,407) is determined based on 0.03% (2013: 0.03%) of the monthly net asset value.

The financial statement of the Group and the Fund were authorised by the Board of Directors of the Managers for issuance on 26 January 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the SC Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)****2.1 Adoption of New and Revised Malaysian Financial Reporting Standards**

In the current financial year, the Group and the Fund adopted all the revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2016:

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRSs	Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and the Fund.

2.2 Standards and Amendments in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new and revised Standards and Amendments relevant to the Group and the Fund which were in issue but not yet effective and not early adopted by the Group and the Fund are as listed below:

MFRS 9	Financial Instruments ²
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ²
MFRS 16	Leases ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to MFRS 107	Disclosure Initiative ¹
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle ^{1 or 2}

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- ⁴ Effective date deferred to a date to be determined and announced by MASB.

The Manager anticipates that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and the Fund when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Fund in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)****2.2 Standards and Amendments in issue but not yet effective (continued)****MFRS 9 Financial Instruments (continued)**

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager is currently assessing the impact on adoption of MFRS 9 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group and the Fund complete a detailed review.

MFRS 15 Revenue from Contracts with Customers

In May 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Manager is currently assessing the impact on adoption of MFRS 15 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Fund complete a detailed review.

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 Leases and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measure at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under the MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by MFRS 16.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)****2.2 Standards and Amendments in issue but not yet effective (continued)****MFRS 16 Leases (continued)**

The Manager is currently assessing the impact on adoption of MFRS 16 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Fund complete a detailed review.

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

The amendments should be applied prospectively and comparative information is not required for earlier periods presented. Except for providing the requisite disclosures, the Manager does not anticipate that the application of the amendments will have a material impact on the Group's and the Fund's financial statements.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 provide clarification on the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. In addition, the amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments should be applied retrospectively with specific transitional relief. The Manager does not anticipate that the application of the amendments will have a material impact on the Group's and the Fund's financial statements.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Fund have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration in exchange for assets.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Fund's voting rights and potential voting rights.

Subsidiaries are consolidated when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Basis of consolidation (Continued)**

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to undistributed income. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business Combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Fund's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (Continued)

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

3.3 Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Group's and the Fund's functional currency.

(ii) Foreign currency translations

Transactions in foreign currencies are measured in the respective functional currencies of the Fund and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Foreign Currencies (continued)****(iii) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

3.4 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group or the Fund holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

3.5 Non-current assets held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments - initial recognition and subsequent measurement

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, on initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statements of profit or loss and other comprehensive income. The Group and the Fund have not designated any financial assets at fair value through profit or loss during the years ended 31 December 2016 and 2015.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.6 Financial instruments - initial recognition and subsequent measurement (continued)****Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit ("EPR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in profit or loss as profit income. The losses arising from impairment are recognised in profit or loss as finance costs for loans and as cost of sales or other operating expenses for receivables.

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 (i.e. removed from the Group's and the Fund's statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- 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 (a) the Group and the Fund have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Fund have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Fund have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate 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 asset is recognised to the extent of the Group's and the Fund's continuing involvement in the asset. 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.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

(b) Impairment of financial assets

The Group and the Fund assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Fund first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Fund determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EPR. If a loan has a variable profit rate, the discount rate for measuring any impairment loss is the current EPR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.6 Financial instruments - initial recognition and subsequent measurement (continued)****(c) Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Fund's financial liabilities include other payables, amount due to a subsidiary and Islamic financing.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Fund that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group and the Fund have not designated any financial liability as at fair value through profit or loss during the years ended 31 December 2016 and 2015.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

(c) Financial liabilities (continued)

Other financial liabilities

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

Financing and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the EPR method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EPR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in profit or loss as finance costs.

Derecognition

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

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and other short-term, highly liquid investments with from the date of acquisition and are readily convertible to cash and which are subject to an insignificant risk of changes in value.

3.8 Provisions

Provisions are recognised when the Group or the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at 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.

3.9 Leases**(i) As lessee**

Finance leases, which transfer to the Group or the Fund substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group or the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (continued)

(ii) As lessor

Leases where the Group or the Fund retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Rental income

Revenue from rental of investment properties are recognised on an accrual basis.

(ii) Investment revenue

Investment revenue, which comprise income earned from Islamic fixed deposit placements, are recognised on an accrual basis based on effective profit rate.

3.11 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

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

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.11 Income taxes (continued)**

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the 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 other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Income taxes (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

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 unit holders within two months from the end of the financial year.

3.12 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 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.13 Share capital and share 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' units are recorded at the proceeds received, net of direct attributable transactions costs and are classified as equity. Distributions on Unitholders' units are recognised in equity in the period in which they are declared.

3.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of profit expense and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.15 Current versus non-current classification**

The Group and the Fund present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is classified as current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when it is:

- (i) expected to be settled in the normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.16 Fair value measurement

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

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

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Group and the Fund.

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

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

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

For the purpose of fair value disclosures, the Group and the Fund have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Group's and of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the 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.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Fund's accounting policies, the Manager is of the opinion that there are no instances of application of judgment which are expected to have a significant effect on the amounts recognised in the financial statements and consolidated financial statements.

4.2 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.

Fair value of investment properties

The fair value of the Group's and the Fund's investment properties has been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd, an independent valuer not related to the Fund, in accordance with Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair value was determined based on capitalisation of net income method ("investment method") as the primary valuation method with comparison and cost methodologies as a secondary check. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. The valuers have considered the results of the above methods in their valuation and applied professional judgment in the determination of the fair value of the Group's and the Fund's investment properties. Further details are disclosed in Note 11.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5. REVENUE

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Rental income from:				
KPJ Ampang Puteri Specialist Hospital	9,372,000	9,602,892	9,372,000	9,602,892
KPJ Damansara Specialist Hospital	8,236,000	8,169,845	8,236,000	8,169,845
Selesa Tower	4,830,924	7,246,386	4,830,924	7,246,386
KPJ Johor Specialist Hospital	8,094,000	8,221,553	8,094,000	8,221,553
KPJ Ipoh Specialist Hospital	5,147,500	5,133,854	5,147,500	5,133,854
KPJ Selangor Specialist Hospital	4,579,500	4,616,775	4,579,500	4,616,775
KPJ Penang Specialist Hospital	4,463,717	4,376,809	4,463,717	4,376,809
KPJ Tawakkal Specialist Hospital	8,601,913	8,592,156	8,601,913	8,592,156
KPJ Seremban Specialist Hospital	4,581,370	4,267,266	4,581,370	4,267,266
Kedah Medical Centre	3,631,574	3,560,367	3,631,574	3,560,367
KPJ Perdana Specialist Hospital	3,137,962	3,076,433	3,137,962	3,076,433
KPJ Kajang Specialist Hospital	3,222,581	3,159,393	3,222,581	3,159,393
Tawakkal Health Centre	3,098,598	3,042,935	3,098,598	3,042,935
Puteri Specialist Hospital	3,053,000	3,093,091	3,053,000	3,093,091
Sentosa Medical Centre	1,953,293	1,914,993	1,953,293	1,914,993
Kuantan Specialist Hospital	1,501,991	1,472,540	1,501,991	1,472,540
KPJ Healthcare University College, Nilai	4,143,276	1,592,018	4,143,276	1,592,018
KPJ College, Bukit Mertajam	1,155,147	1,107,296	1,155,147	1,107,296
Kota Kinabalu Specialist Hospital	1,091,131	1,088,788	1,091,131	1,088,788
Taiping Medical Centre	705,077	699,014	705,077	699,014
Kluang Utama Specialist Hospital	280,999	275,730	280,999	275,730
KPJ Klang Specialist Hospital	7,172,973	7,369,258	7,172,973	7,369,258
Rumah Sakit Bumi Serpong Damai	-	5,402,377	-	-
Rumah Sakit Medika Permata Hijau	-	2,271,854	-	-
Jeta Gardens Aged Care Facility and Retirement Village	11,784,607	11,591,768	-	-
	103,839,133	110,945,391	92,054,526	91,679,392

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6. PROPERTY EXPENSES

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Assessment	3,147,023	3,185,324	3,147,023	3,006,361
Takaful coverage	1,448,734	1,572,695	1,448,734	1,572,695
Maintenance fee	1,213,669	1,239,984	1,092,333	1,110,310
Quit rent	434,914	381,920	434,914	381,920
	6,244,340	6,379,923	6,123,004	6,071,286

7. INVESTMENTS REVENUE

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Income from Islamic fixed deposits placements	1,542,599	1,522,895	1,542,599	1,479,390
Profit sharing on advances:				
Australia	-	-	8,895,064	8,895,064
Indonesia	-	-	-	4,948,717
	1,542,599	1,522,895	10,437,663	15,323,171

8. INCOME TAX

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Estimated current tax payable:				
Foreign income tax	-	767,417	-	-
Deferred tax (Note 17)	545,831	(301,344)	-	-
	545,831	466,073	-	-

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. INCOME TAX (CONTINUED)

Reconciliation between tax expense and accounting profit

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

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit before tax	63,986,137	67,911,661	61,433,749	72,658,409
Tax at Malaysian statutory tax rate of 24% (2014: 25%)	15,356,673	16,977,915	14,744,100	18,164,602
Different tax rates in other countries	334,924	1,993,467	-	-
Adjustments :				
Non-deductible expenses	3,411,042	2,668,567	2,406,374	2,637,660
Income not subject to tax	(5,370,339)	(8,083,290)	(4,948,843)	(8,013,019)
Income exempted from tax	(13,186,469)	(13,090,586)	(12,201,631)	(12,789,243)
Income tax expenses	545,831	466,073	-	-

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 unit holder, 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 or deferred tax is required to be provided in the financial statements.

9. EARNINGS PER UNIT

The gross and net earnings per unit, which are calculated based on the profit before tax and profit for the financial year of the Group and of the Fund, respectively, divided by the weighted average number of units in circulation as of 31 December 2016 and 2015, are as follows:

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. EARNINGS PER UNIT (CONTINUED)

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Earnings attributable to unitholders:				
Profit before tax	63,986,137	67,911,661	61,433,749	72,658,409
Profit for the financial year	63,440,306	67,445,588	61,433,749	72,658,409
Weighted average number of units	728,226,468	700,522,358	728,226,468	700,522,358
Gross earnings per unit (sen)	8.79	9.69	8.44	10.37
Net earnings per unit (sen)	8.71	9.63	8.44	10.37

10. NET INCOME DISTRIBUTIONS

For the financial year ended 31 December 2016 and 2015, the Manager, with the approval of the Trustee, has declared the following distributions:

	The Group and the Fund	
	2016 RM	2015 RM
Final distribution 2015 - 2.53 sen per unit (2014: 3.79 sen)	18,424,122	26,386,983
Interim distribution 2016 - 3.90 sen per unit (2015: 5.17 sen)	28,400,825	35,994,902
	46,824,947	62,381,885

The Manager is proposing a final income distribution of 3.80 sen per unit totaling RM27,672,606 for the financial year ended 31 December 2016. The final distribution is subject to the approval of the Trustee and has not been included as a liability in the financial statements.

The total distributions (including proposed final distribution) for the financial year ended 31 December 2016 amount to RM56,073,431 (2015: RM54,419,032). Total distribution is 7.70 sen per unit (2015: 7.47 sen per unit).

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. NET INCOME DISTRIBUTIONS (CONTINUED)

Distribution to unitholders is derived from the following sources:

	The Fund	
	2016	2015
	RM	RM
Net rental income	85,931,522	85,608,106
Investment revenue	10,437,663	15,323,171
Other income	27,233	5,169,367
	96,396,418	106,100,644
Less: Expenses	(36,862,627)	(45,003,907)
	59,533,791	61,096,737
Less: Undistributed income	(31,132,966)	(25,101,835)
	28,400,825	35,994,902

11. INVESTMENT PROPERTIES

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	1,521,523,040	1,509,996,083	1,378,963,040	1,287,496,083
Addition / Enhancements	937,002	85,501,368	937,002	85,501,368
Reclassification as asset held-for-sale	(100,000,000)	-	(100,000,000)	-
Gain on fair value of investment properties	1,899,958	11,621,672	1,899,958	11,561,672
Disposal of subsidiaries	-	(80,000,000)	-	-
Deferred lease income	-	(5,596,083)	-	(5,596,083)
At 31 December	1,424,360,000	1,521,523,040	1,281,800,000	1,378,963,040
Land and buildings at fair value	1,424,360,000	1,521,523,040	1,281,800,000	1,378,963,040

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****11. INVESTMENT PROPERTIES (CONTINUED)**Fair value measurement of the Fund's investment properties

The fair values of the Group's and the Fund's investment properties as at 31 December have been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd ("Cheston"), an independent valuer not related to the Group and the Fund. Messrs. Cheston are registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Group's and of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair values were determined based on the capitalisation of net income 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, insurance, repairs and maintenance and management, 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.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. INVESTMENT PROPERTIES (CONTINUED)

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

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 valuer in applying the net income method above are the capitalisation rates of 6.25% to 8.0% (2015: 6.25% to 8.0%) based on reversionary yields on the Group's and the Fund's investment properties. The valuer had adopted market corroborated capitalisation rates, which is the most frequently adopted methodology by the property industry in Malaysia and in Australia, based on information pertaining to recent comparable sales which are publicly available, adjusted for the location, quality and characteristics of the investment properties.

A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fair value at 31 December	1,424,360,000	1,521,523,040	1,281,800,000	1,378,963,040

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. INVESTMENT PROPERTIES (CONTINUED)

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

The Group and the Fund

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease
KPJ Ampang Puteri Specialist Hospital #	Leasehold	99	73
KPJ Damansara Specialist Hospital #	Freehold	-	-
KPJ Johor Specialist Hospital #	Leasehold	99	63
KPJ Ipoh Specialist Hospital #	Leasehold	999	878
Puteri Specialist Hospital #	Leasehold	99	39
KPJ Selangor Specialist Hospital #	Leasehold	99	80
Kedah Medical Centre #	Freehold	-	-
KPJ Perdana Specialist Hospital #	Leasehold	66	48
Kuantan Specialist Hospital #	Freehold	-	-
Sentosa Medical Centre #	Freehold	-	-
KPJ Kajang Specialist Hospital #	Freehold	-	-
Taiping Medical Centre #	Leasehold	99	72
Damai Specialist Hospital #	Leasehold	99	57
KPJ College, Bukit Mertajam #	Freehold	-	-
Tawakkal Health Centre #	Leasehold	99	61
Selesa Tower ^^	Freehold	-	-
KPJ Healthcare University College, Nilai #	Freehold	-	-
KPJ Seremban Specialist Hospital #	Leasehold	99	87
KPJ Penang Specialist Hospital #	Freehold	-	-
KPJ Tawakkal Specialist Hospital #	Freehold	-	-
Kluang Utama Specialist Hospital #	Leasehold	99	84
KPJ Klang Specialist Hospital #	Leasehold	99	77

Total for the Fund

AL-AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Location	Date of valuation	2015 Fair Value RM	2016 Fair Value RM	Fair Value Hierarchy
Ampang	19 September 2016	132,000,000	132,000,000	3
Damansara	27 September 2016	116,000,000	117,000,000	3
Johor Bahru	26 September 2016	114,000,000	114,000,000	3
Ipoh	19 September 2016	72,500,000	72,900,000	3
Johor Bahru	28 September 2016	43,000,000	43,000,000	3
Shah Alam	21 September 2016	64,500,000	65,500,000	3
Alor Setar	19 September 2016	51,600,000	51,700,000	3
Kota Bharu	30 September 2016	44,500,000	45,000,000	3
Kuantan	29 September 2016	21,700,000	21,700,000	3
Kuala Lumpur	22 September 2016	28,700,000	28,700,000	3
Kajang	29 September 2016	46,100,000	46,200,000	3
Taiping	22 September 2016	9,900,000	10,000,000	3
Kota Kinabalu	27 September 2016	15,200,000	15,200,000	3
Bukit Mertajam	23 September 2016	16,200,000	16,200,000	3
Kuala Lumpur	21 September 2016	44,700,000	44,700,000	3
Johor Bahru	2 August 2016	103,500,000	-	3
Seremban	27 September 2016	98,363,040	99,400,000	3
Seremban	13 October 2016	66,000,000	66,300,000	3
Bukit Mertajam	23 September 2016	63,200,000	63,500,000	3
Kuala Lumpur	21 September 2016	123,000,000	123,000,000	3
Kluang	26 September 2016	4,300,000	4,300,000	3
Klang	21 September 2016	100,000,000	101,500,000	3
		<u>1,378,963,040</u>	<u>1,281,800,000</u>	

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****11. INVESTMENT PROPERTIES (CONTINUED)****The Group (Continued)**

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease
Jeta Garden Aged Care Facility and Retirement Village	Freehold	-	-
Total for the Group			

The investment properties amounting to RM1,281,800,000 (2015: RM1,275,463,040) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by a subsidiary company as disclosed in Note 18.

^^ Reclassified to assets classified as held for sale.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Location	Date of valuation	2015 Fair Value	2016 Fair Value	Fair Value Hierarchy
		RM	RM	
Queensland	25 October 2016	142,560,000	142,560,000	3
		<u>1,521,523,040</u>	<u>1,424,360,000</u>	

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. INVESTMENT IN SUBSIDIARIES

	The Fund	
	2016 RM	2015 RM
Unquoted shares, at costs	42,492,186	42,492,186

The details of subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activity
		2016	2015	
		%	%	
Al-`Aqar Capital Sdn Bhd ⁽ⁱ⁾	Malaysia	100	100	Special-purpose company for the purpose of raising Islamic Financing for the Fund
Al-`Aqar Australia Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100	Special-purpose company for the purpose of acquisition of Australian property for the Fund

i. Audited by Deloitte PLT, Malaysia

ii. Audited by a firm other than Deloitte PLT

In 2015, the Fund had entered into a share sale agreement dated 31 March 2015 with Kumpulan Perubatan (Johor) Sdn. Bhd. to dispose of its subsidiaries namely Crossborder Hall (M) Sdn. Bhd. and Crossborder Aim (M) Sdn. Bhd. at disposal price of RM5,167,000 and contributed gain on disposal of RM5,166,996.

i. Consideration received

	The Group	
	2016 RM	2015 RM
Consideration received in cash and cash equivalent	-	80,675,610
Total consideration received	-	80,675,610

	The Fund	
	2016 RM	2015 RM
Consideration received in cash and cash equivalent	-	5,167,000
Repayment of advances	-	78,687,443
Total consideration received	-	83,854,443

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(ii) Analysis of assets and liabilities over which control was lost

	The Group	
	2016	2015
	RM	RM
<u>Current asset</u>		
Cash and cash equivalents	-	3,178,833
Trade and other receivables	-	4,426,728
<u>Non-current assets</u>		
Investment properties	-	80,000,000
<u>Current liabilities</u>		
Payables	-	83,407,941
Net assets disposed of	-	4,197,620

(iii) Gain on disposal of subsidiaries

	The Group	
	2016	2015
	RM	RM
Consideration received	-	80,675,610
Net assets disposed of	-	(4,197,620)
Repayment of advances	-	(78,687,443)
Cash and cash equivalent balances disposed of	-	3,178,833
Gain on disposal	-	969,380

(iv) Net cash inflow on disposal of subsidiaries

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Consideration received in cash and cash equivalents	-	83,854,443	-	83,854,443
Less: Cash and cash equivalent balances disposed of	-	(3,178,833)	-	-
	-	80,675,610	-	83,854,443

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables	11,249,567	7,715,299	9,702,214	5,352,073

Trade receivables comprise rental receivable from lessees.

The credit period granted by the Group and the Fund on rental receivable from lessees ranges from 30 to 60 days (2015: 30 to 60 days).

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

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
0-30 days	965,108	2,214,538	470,425	1,832,796
31-60 days	1,523,095	1,250,996	470,425	862,114
61-90 days	-	1,026,362	-	640,097
More than 90 days	8,761,364	3,223,403	8,761,364	2,017,066
	11,249,567	7,715,299	9,702,214	5,352,073

The Group and the Fund have not recognised any allowance for doubtful debts as the Group and the Fund hold tenant deposits as disclosed in Note 16 as credit enhancement and the amounts are considered recoverable.

Other receivables and prepaid expenses consist of:

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other receivables	152,630	186,883	108,257	24,468
Prepaid expenses	1,648,899	1,885,438	1,648,899	1,885,438
	1,801,529	2,072,321	1,757,156	1,909,906
Less: Prepaid expenses	(1,648,899)	(1,885,438)	(1,648,899)	(1,885,438)
Add: Trade receivables	11,249,567	7,715,299	9,702,214	5,352,073
Add: Amounts owing by subsidiaries	-	-	99,147,701	99,157,716
Add: Cash and bank balances	73,801,885	63,071,486	44,560,360	36,203,567
Total loans and receivables	85,204,082	70,973,668	153,518,532	140,737,854

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. CASH AND CASH EQUIVALENT

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

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances	26,451,032	26,364,600	14,548,853	16,203,597
Fixed deposits with licensed banks	47,350,853	36,706,886	30,011,507	20,000,000
	73,801,885	63,071,486	44,560,360	36,203,597
Less: Restricted cash	(17,338,365)	(16,706,988)	-	-
	<u>56,463,520</u>	<u>46,364,498</u>	<u>44,560,360</u>	<u>36,203,597</u>

Fixed deposits with licensed banks earn profit at rates between 2.95% to 3.90% (2015: 3.55% to 3.75%) per annum and have maturity periods of between 30 to 90 days (2015: 30 to 90 days).

Included in fixed deposits with licensed banks of the Group are deposits amounting to RM17,338,365 (2015: RM16,706,988) which are placed as reserve for repayment of finance costs on long-term Islamic financing and hence, are not available for general use.

15. ASSET CLASSIFIED AS HELD-FOR-SALE

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
At beginning of year	-	-	-	-
Reclassified from investment properties	100,000,000	-	100,000,000	-
At end of year	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>	<u>-</u>

On 11 November 2016, Al-`Aqar Healthcare REIT represented by its trustee, AmanahRaya Trustees Berhad ("Trustee" or "Vendor"), entered into a sale and purchase agreement with Optimum Impress Sdn Bhd ("OISB" or "Purchaser") to dispose of a freehold land erected with an integrated commercial development comprising a twenty-seven (27) storey hotel ("Hotel Selesa") and a thirty-one (31) storey office block ("Metropolis Tower") with basement and elevated car parks (collectively, referred to as "Selesa Tower") ("SPA") for a disposal consideration of RM100 million. The sale is expected to be completed in the second quarter of 2017.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

16. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Non-current:				
Other payables - Tenant deposits received	7,464,281	8,089,118	7,464,281	8,089,118
Current:				
Amount owing to the Trustee	22,319	22,009	22,319	22,009
Amount owing to the Manager	145,433	144,278	145,433	144,278
Amount owing to a related company	38,900,000	38,900,000	38,900,000	38,900,000
Other payables	1,177,154	1,361,479	987,255	1,044,710
Accrued expenses	9,873,904	9,302,492	650,629	818,397
	50,118,810	49,730,258	40,705,636	40,929,394
Add : Amount due to a subsidiary	-	-	639,169,345	637,548,453
Add : Islamic financing	653,802,142	653,713,403	-	-
Total financial liabilities carried at amortised cost	703,920,952	703,443,661	679,874,981	678,477,847

Amount owing to a related company represents outstanding balance in relation to an investment property in prior years. The amount is unsecured, interest free and repayable on demand.

17. DEFERRED TAX LIABILITIES

	The Group	
	2016	2015
	RM	RM
At beginning of year	3,014,620	3,044,013
Transfer to/(from) profit or loss (Note 8)	545,831	(301,344)
Foreign currency translation difference	189,777	271,951
At end of year	3,750,228	3,014,620

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

17. DEFERRED TAX LIABILITIES (CONTINUED)

	The Group	
	2016	2015
	RM	RM
Deferred tax liabilities (before offsetting)		
Temporary differences arising from revaluation of investment property	6,359,287	6,478,517
Offsetting	(2,609,059)	(3,463,897)
Deferred tax liabilities (after offsetting)	3,750,228	3,014,620
Deferred tax assets (before offsetting)		
Temporary differences arising from:		
Accrued expenses	13,234	6,918
Unrealised foreign exchange loss	44,518	1,014,534
Unused tax losses	2,551,307	2,442,445
	2,609,059	3,463,897
Offsetting	(2,609,059)	(3,463,897)
Deferred tax assets (after offsetting)	-	-

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

18. ISLAMIC FINANCING

	The Group	
	2016	2015
	RM	RM
Non-current:		
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")	653,802,142	653,713,403

Sukuk Ijarah

In the previous financial year, the subsidiary had undertaken a Islamic financing facility comprising IMTNs of up to RM1.0 billion in nominal value. The subsidiary had issued RM655,000,000 in nominal value of IMTNs.

As at the reporting date, the financing facility, which is secured against the investment properties totaling RM1,281,800,000 (2015: RM1,275,463,040) as mentioned in Note 11, comprises the following tranches at nominal value:

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. ISLAMIC FINANCING (CONTINUED)

Tranche	The Group Nominal value		Profit rate (%)
	2016 RM	2015 RM	
Non-current			
<u>Issued on 6 May 2013</u>			
Class A IMTN	104,000,000	104,000,000	4.19
Class B IMTN	21,000,000	21,000,000	4.53
Class C IMTN	249,000,000	249,000,000	5.00 - 5.20
Total ⁽ⁱ⁾	374,000,000	374,000,000	
<u>Issued on 5 August 2013</u>			
Class A IMTN	168,000,000	168,000,000	4.35
Class B IMTN	34,000,000	34,000,000	4.70
Class C IMTN	79,000,000	79,000,000	5.00 - 5.20
Total ⁽ⁱⁱ⁾	281,000,000	281,000,000	
	655,000,000	655,000,000	

- (i) On 6 May 2013, the Fund issued through special purpose company namely Al-`Aqar Capital Sdn Bhd RM374,000,000 in nominal value of Islamic Medium Term Notes under a Sukuk Ijarah Programme. The facility is repayable in 9 equal semi-annual instalments of RM8,979,450 (cost of financing only) each commencing in November 2014 with final installment of RM382,979,450 (principal and last semi-annual cost of financing).
- (ii) On 5 August 2013, the Fund through its special purpose vehicle namely Al-`Aqar Capital Sdn Bhd issued RM281,000,000 in nominal value of Islamic Medium Term Notes under a Sukuk Ijarah Programme. The facility is repayable in 9 equal semi-annual instalments of RM6,459,000 (cost of financing only) each commencing in February 2015 with final instalment of RM284,238,348 (principal and last semi-annual cost of financing).

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

19. UNITHOLDERS' CAPITAL

	2016		2015	
	No. of Units	RM	No. of Units	RM
The Group and the Fund				
Balance at beginning of year	728,226,468	722,398,126	696,226,468	682,682,499
Issue of new units	-	-	32,000,000	40,000,000
Listing expenses	-	-	-	(284,373)
Balance at end of year	728,226,468	722,398,126	728,226,468	722,398,126

In 2015, the Fund had issued 32,000,000 new units at an issuance price of RM1.25 per unit with capitalised listing expenses of RM284,373.

Details of units held by the Manager's directors and shareholders, 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 2016 based on the Record of Depositors are as follows:

	2016		2015	
	No. of Units	RM	No. of Units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	85,798,198	71,389,800	99,945,720
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	56,700,968	49,141,000	68,797,400
Selangor Medical Centre Sdn Bhd	35,000,000	54,950,000	35,000,000	49,000,000
Jeta Gardens (Qld) Pty Ltd	21,013,739	32,991,570	25,284,468	35,398,255
Seremban Specialist Hospital Sdn Bhd	23,731,000	37,257,670	23,731,000	33,223,400
Ampang Puteri Specialist Hospital Sdn Bhd	19,784,468	31,061,615	21,013,739	29,419,235
Medical Associates Sdn Bhd	19,055,000	29,916,350	19,055,000	26,677,000
Sentosa Medical Centre Sdn Bhd	15,653,000	24,575,210	15,653,000	21,914,200
Damansara Specialist Hospital Sdn Bhd	-	-	15,233,000	21,326,200
Kedah Medical Centre Sdn Bhd	15,000,000	23,550,000	15,000,000	21,000,000
Johor Specialist Hospital Sdn Bhd	12,203,000	19,158,710	12,203,000	17,084,200
Puteri Specialist Hospital Sdn Bhd	12,000,000	18,840,000	12,000,000	16,800,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	18,508,730	11,789,000	16,504,600
Kuantan Specialist Hospital Sdn Bhd	5,000,000	7,850,000	5,000,000	7,000,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	7,044,590	4,487,000	6,281,800
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	5,495,000	3,500,000	4,900,000
Taiping Medical Centre Sdn Bhd	3,334,000	5,234,380	3,334,000	4,667,600
Johor Ventures Sdn Bhd	173,219	271,954	173,219	242,507

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

20. MANAGEMENT EXPENSE RATIO ("MER")

	The Fund	
	2016	2015
	%	%
MER	0.27	0.35

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 administrative 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 ("REIT") which use a different basis of calculation may not be an accurate comparison.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Fund if the Fund has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Fund derives all its rental income as disclosed in Note 5 from related parties.

Significant related party transactions other than those disclosed in Note 5 are as follows:

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Management fee	1,738,665	2,126,099	1,738,665	2,126,099
Registrar fee	65,845	76,382	65,845	76,382
Secretarial fee	2,640	42,807	-	42,807

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due from a subsidiary represents unsecured advances given from the proceeds raised from Islamic financing to subsidiary and issuance of new units in previous years for the purpose of purchase of an investment property in Australia.

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary. The finance costs and repayment terms of the unsecured advances mirror the finance costs and repayment terms of the Islamic financing of Sukuk Ijarah raised by the said subsidiary as disclosed in Note 18.

Amount due to a subsidiary represents payment received from the tenant of an investment property in Australia which belongs to the subsidiary.

22. COMMITMENTS

Operating leases - as lessor

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

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Less than one year	100,064,683	106,336,486	88,609,111	94,744,717
Between one and five years	451,002,709	433,658,924	392,190,455	386,596,344
	551,067,392	539,995,410	480,799,566	481,341,061

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Fund.

Except as detailed in the following table, the Manager considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values and categorised under level 2 of fair value hierarchy.

		2016		2015	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
The Group Financial Liability					
Islamic financing					
- non-current	18	653,802,142	661,029,518	653,713,403	643,966,057
The Fund Financial Liability					
Amount due to a subsidiary					
- non-current	18	637,635,132	661,029,518	637,548,453	643,966,057

The fair values of non-current Islamic financing are estimated using discounted cash flow analysis based on current equivalent profit rate of 4.71% (2015: 4.93%) per annum for similar type of instruments.

24. 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 and financing rate risk.

The Group and the Fund have taken measures to minimise their exposure to risks associated with their financing, investing and operating activities and operates 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:

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Fund's exposure to credit risk arises primarily from trade and other receivables. The receivables are monitored on an ongoing basis through the Group's and the Fund's management reporting procedures.

Exposure to credit risk

At the reporting date, 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 and other receivables is disclosed in Note 13.

Credit risk concentration profile

The Group and the Fund determine concentrations of credit risk by monitoring individual profile of its trade receivables on an ongoing basis. The Group and the Fund have significant concentration of credit risk from a single tenant (2015: single tenant), which constitute approximately 90% (2015: 72%).

Financial assets that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 13.

(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.

Financial assets

The following table details the Group's and the Fund's expected contractual maturity for its non-derivative financial assets:

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Financial assets (continue)

	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
2016					
The Group					
Non-profit bearing :					
Trade receivables	-	11,249,567	-	-	11,249,567
Other receivables	-	152,630	-	-	152,630
Cash and bank balances	-	26,451,032	-	-	26,451,032
Fixed profit rate instruments	3.43	47,350,853	-	-	47,350,853
Total undiscounted financial assets		85,204,082	-	-	85,204,082
The Fund					
Non-profit bearing :	-				
Amounts due from subsidiary	-	-	-	99,147,701	99,147,701
Trade receivables	-	9,702,214	-	-	9,702,214
Other receivables	-	108,257	-	-	108,257
Cash and bank balances	-	14,548,853	-	-	14,548,853
Fixed profit rate instruments	3.43	30,011,507	-	-	30,011,507
Total undiscounted financial assets		54,370,831	-	99,147,701	153,518,532

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Financial assets (continue)

	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
2015					
The Group					
Non-profit bearing :					
Trade receivables	-	7,715,299	-	-	7,715,299
Other receivables	-	186,883	-	-	186,883
Cash and bank balances	-	26,364,600	-	-	26,364,600
Fixed profit rate instruments	3.65	36,706,886	-	-	36,706,886
Total undiscounted financial assets		70,973,668	-	-	70,973,668
The Fund					
Non-profit bearing:					
Amounts due from subsidiary		-	-	99,157,716	99,157,716
Trade receivables	-	5,352,073	-	-	5,352,073
Other receivables	-	24,468	-	-	24,468
Cash and bank balances	-	16,203,597	-	-	16,203,597
Fixed profit rate instruments	3.65	20,000,000	-	-	20,000,000
Total undiscounted financial assets		41,580,138	-	99,157,716	140,737,854

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Financial liabilities

The following table details the Group's and the Fund's expected contractual maturity for its non-derivative financial liabilities:

	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
2016					
The Group					
Non-profit bearing :					
Other payables and accrued expenses	-	50,118,810	-	7,464,281	57,583,091
Profit bearing:					
Islamic financing	4.71	-	653,802,142	-	653,802,142
Total undiscounted financial liabilities		50,118,810	653,802,142	7,464,281	711,385,233
The Fund					
Non-profit bearing:					
Other payables and accrued expenses	-	40,705,636	-	7,464,281	48,169,917
Amount due to a subsidiary	-	1,534,213	637,635,132	-	639,169,345
Total undiscounted financial liabilities		42,239,849	637,635,132	7,464,281	687,339,262
2015					
The Group					
Non-profit bearing :					
Other payables and accrued expenses	-	49,730,258	-	8,089,118	57,819,376
Profit bearing:					
Islamic financing	4.93	-	653,713,403	-	653,713,403
Total undiscounted financial liabilities		49,730,258	653,713,403	8,089,118	711,532,779
The Fund					
Non-profit bearing:					
Other payables and accrued expenses	-	40,929,394	-	8,089,118	49,018,512
Amount due to a subsidiary	-	-	637,548,453	-	637,548,453
Total undiscounted financial liabilities		40,929,394	637,548,453	8,089,118	686,566,965

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Financing Rate Risk Management

Financing rate risk is the risk that the fair value or future cash flows of the Group's and of the Fund's financial instruments will fluctuate because of changes in the market financing rates.

The Group and the Fund manage their financing rate exposure by maintaining a fixed rate of borrowings. As at 31 December 2016, approximately NIL% (2015: 5.6%) of the Group's financial liabilities are variable financing rate instruments. 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.

Financing rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financing rates on the Group's variable rate profit bearing borrowings. The analysis is prepared assuming the amount of variable rate profit bearing borrowings outstanding as at the reporting date was outstanding for the whole year. A 25 basis point increase or decrease is used for the analysis and this represents management's assessment of reasonable possible change in financing rate. As at 31 December 2016, the Group and the Fund no longer have floating rate borrowings.

If financing rates had been 25 basis point higher/lower and all other variables were held constant, the Group's net profit/total comprehensive income for the year would decrease/increase by RM NIL (2015: RM99,936). The assumed movement in basis points for financing rate sensitivity analysis is based on the currently observable market environment.

25. 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 three reportable segments as follows:

- (i) Malaysia
- (ii) Indonesia
- (iii) 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.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

25. SEGMENT REPORTING (CONTINUED)

The Group's segmental information is as follows:

	Malaysia RM	Indonesia RM	Australia RM	Total RM
31 December 2016				
Rental	92,054,526	-	11,784,607	103,839,133
Property expenses	(6,123,004)	-	(121,336)	(6,244,340)
Net property income	85,931,522	-	11,663,271	97,594,793
Investment income	1,542,599	-	-	1,542,599
Other income	27,233	-	-	27,233
Gain on fair value	1,899,958	-	-	1,899,958
Total income	89,401,312	-	11,663,271	101,064,583
Expenditure	(4,797,518)	-	(133,196)	(4,930,714)
Operating profit	84,603,794	-	11,530,075	96,133,869
Financing costs	(32,147,732)	-	-	(32,147,732)
Profit before tax	52,456,062	-	11,530,075	63,986,137
Income tax expense	-	-	(545,831)	(545,831)
Profit after tax	52,456,062	-	10,984,244	63,440,306
Total assets	1,462,327,845	-	148,885,136	1,611,212,981
Total liabilities	711,086,959	-	4,057,646	715,144,605

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

25. SEGMENT REPORTING (CONTINUED)

	Malaysia RM	Indonesia RM	Australia RM	Total RM
31 December 2015				
Rental	91,679,392	7,674,231	11,591,768	110,945,391
Property expenses	(6,071,286)	(178,963)	(129,674)	(6,379,923)
Net property income	85,608,106	7,495,268	11,462,094	104,565,468
Investment income	1,479,390	43,505	-	1,522,895
Other income	971,751	-	-	971,751
Gain on fair value	11,561,672	-	60,000	11,621,672
Total income	99,620,919	7,538,773	11,522,094	118,681,786
Expenditure	(10,280,100)	(1,970,288)	(115,318)	(12,365,706)
Operating profit	89,340,819	5,568,485	11,406,776	106,316,080
Financing costs	(38,404,419)	-	-	(38,404,419)
Profit before tax	50,936,400	5,568,485	11,406,776	67,911,661
Income tax expense	-	(767,423)	301,350	(466,073)
Profit after tax	50,936,400	4,801,062	11,708,126	67,445,588
Total assets	1,446,278,668	-	148,103,478	1,594,382,146
Total liabilities	711,108,188	-	3,448,355	714,556,543

26. CAPITAL MANAGEMENT

The Group and the Fund manage their capital to ensure that entities in the Group and the Fund will be able to continue as going concerns while maximising the return to unitholders through the optimisation of the debt and equity balance. The Group's and the Fund's overall strategy remain unchanged from 2015.

The capital structure of the Group and of the Fund consists of net debt (borrowings as detailed in Note 18) offset by cash and cash equivalents and unitholders' fund of the Group and of the Fund (comprising unitholders' capital and undistributed income).

The Group and the Fund are subjected to externally imposed capital requirements. Therefore, the Group and the Fund are required to comply with the SC Guidelines on borrowings.

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 unit holders by way of an ordinary resolution.

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

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. CAPITAL MANAGEMENT (CONTINUED)

Gearing ratios

The Group's and the Fund's gearing ratio are calculated based on the proportion of total borrowings to the total assets value in accordance with the SC Guidelines. The gearing ratio at the end of the reporting period is as follow:

	The Group		The Fund	
	2016 RM	2015 RM	2016 RM	2015 RM
Total borrowings	653,802,142	653,713,403	637,635,132	637,548,453
Total assets value	1,611,212,981	1,594,382,146	1,579,459,617	1,564,078,518
Total borrowings to total assets value ratio	40.6%	41.0%	40.4%	40.8%

27. PORTFOLIO TURNOVER RATIO ("PTR")

	The Fund	
	2016 %	2015 %
PTR (times)	-	5.04

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.

28. SIGNIFICANT EVENT

On 11 November 2016, AL-`Aqar Healthcare REIT represented by its trustee, AmanahRaya Trustees Berhad ("Trustee" or "Vendor"), entered into a sale and purchase agreement with Optimum Impress Sdn Bhd ("OISB" or "Purchaser") to sell a freehold land erected with an integrated commercial development comprising a twenty-seven (27) storey hotel ("Hotel Selesa") and a thirty-one (31) storey office block ("Metropolis Tower") with basement and elevated car parks erected thereon (collectively, referred to as "Selesa Tower") ("SPA") for a disposal consideration of RM100 million and had announced the proposal accordingly.

AL-`AQAR HEALTHCARE REIT AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

29. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSSES

The breakdown of the undistributed income of the Group and of the Fund as at 31 December 2016 and 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guideline on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	The Group		The Fund	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total undistributed income of the Fund				
- Realised	42,348,073	27,260,086	39,373,161	26,664,317
- Unrealised	132,424,183	130,896,811	130,349,068	128,449,110
Total undistributed income	174,772,256	158,156,897	169,722,229	155,113,427

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia and is not made for any other purposes.

**STATEMENT BY THE DIRECTORS OF MANAGERS
TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT**

We, **DATO' KAMARUZZAMAN BIN ABU KASSIM** and **YUSAINI BIN SIDEK**, being two of the Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), do hereby state that, in the opinion of the Manager, the financial statements of **AL-`AQAR HEALTHCARE REIT** (the "Fund") and of its subsidiaries (the "Group") are drawn up in accordance with applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting 's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and applicable securities laws in Malaysia so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2016 and of the results and the cash flows for the year then ended. The financial statements of the Group and of the Fund also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The supplementary information set out in Note 29 on page 173, which is not part of the financial statements, is prepared in all material respect, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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



Dato' Kamaruzzaman bin Abu Kassim



Yusaini bin Sidek

Kuala Lumpur, Malaysia
26 January 2017

DECLARATION BY THE DIRECTOR OF THE MANAGER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE FUND

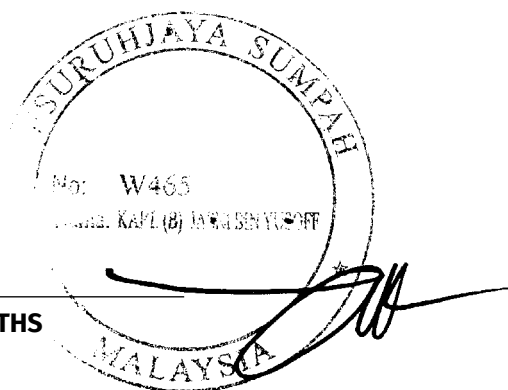
I, **YUSAINI BIN SIDEK**, being the Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") and primarily responsible for the financial management of **AL-AQAR HEALTHCARE REIT** (the "Group" and the "Fund"), do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Yusaini bin Sidek

Subscribed and solemnly declared by the abovenamed **YUSAINI BIN SIDEK** at **KUALA LUMPUR** on 26 January 2017.

Before me,



COMMISSIONER FOR OATHS

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

SHARIAH COMMITTEE REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT

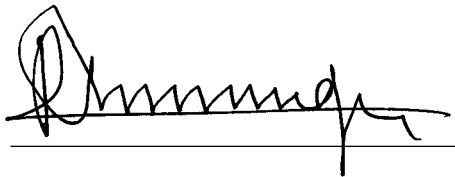
We have acted as the Shariah Adviser of **AL-`AQAR HEALTHCARE REIT** (the “Fund”). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”) and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Syariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Syariah matters for the financial year ended 31 December 2016.

In addition, we also confirm that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Rental income from investment properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and
- (b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For the Member of Shariah Committee



DATO' DR HAJI NOOH BIN GADOT
CHAIRMAN - SYARIAH COMMITTEE

26 January 2017

TRUSTEE'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016. 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 requirements;
- (b) creation of units are carried out in accordance with the Deed and other regulatory requirement; and
- (c) 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



Habsah binti Bakar
Chief Executive Officer

Kuala Lumpur, Malaysia
26 January 2017



Managed by:

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

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