

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Fourth Quarter Ended 31 December 2018

	Note	Individual Quarter			Cumulative Quarter		
		Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year To Date	Preceding Year Corresponding To Date	Changes
		31-12-2018	31-12-2017		31-12-2018	31-12-2017	
		RM	RM	%	RM	RM	%
Gross rental income		25,896,349	24,777,319	4.5	102,648,975	99,648,169	3.0
Property expenses		(1,531,521)	(1,766,591)	(13.3)	(6,039,514)	(6,441,291)	(6.2)
Net rental income	B1	24,364,828	23,010,728	5.9	96,609,461	93,206,878	3.7
Investment income		502,845	591,310	(15.0)	2,031,968	2,272,257	(10.6)
Gain in fair value adjustment		30,341,920	24,534,840	23.7	30,341,920	24,791,923	22.4
Other income		133,097	-	100.0	510,841	1,557	32,709.3
Total income		55,342,690	48,136,878	15.0	129,494,190	120,272,615	7.7
Managers' fees		(419,576)	(413,190)	1.5	(1,674,718)	(2,196,079)	(23.7)
Trustees' fees		(68,806)	(67,551)	1.9	(273,226)	(266,224)	2.6
Accretion of long term borrowings		(447,373)	(435,176)	2.8	(1,491,326)	(474,738)	214.1
Annual financing fees		(407,507)	(253,249)	60.9	(1,004,386)	(448,340)	124.0
Maintenance of properties		(724,015)	(418,861)	72.9	(1,160,893)	(746,391)	55.5
Administrative expenses		(299,238)	(767,833)	(61.0)	(1,320,900)	(1,355,631)	(2.6)
Professional fees		(118,352)	(516,571)	(77.1)	(304,503)	(707,770)	(57.0)
Withholding tax		(222,376)	(222,376)	-	(889,506)	(889,506)	-
Profit sharing expenses on financing		(7,670,504)	(6,162,580)	24.5	(29,083,070)	(27,033,850)	7.6
Total trust expenditure		(10,377,747)	(9,257,387)	12.1	(37,202,528)	(34,118,529)	9.0
Profit before taxation		44,964,943	38,879,491	15.7	92,291,662	86,154,086	7.1
Tax expense		(917,555)	(900,730)	1.9	(917,208)	(1,509,552)	(39.2)
Profit after taxation		44,047,388	37,978,761	16.0	91,374,454	84,644,534	8.0
Other comprehensive income/(expenses)							
Foreign currency translation differences for foreign operation		(5,356,427)	199,556	(2,784.2)	(5,952,492)	(2,442,000)	143.8
Total comprehensive income for the year		38,690,961	38,178,317	1.3	85,421,962	82,202,534	3.9
Profit after taxation is made up as follows:							
Realised		13,705,468	13,443,921	1.9	61,032,534	59,852,611	2.0
Unrealised		30,341,920	24,534,840	23.7	30,341,920	24,791,923	22.4
		44,047,388	37,978,761	16.0	91,374,454	84,644,534	8.0
Earnings per unit (sen) - Net		6.04	5.21	15.9	12.54	11.62	7.9

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	Unaudited As At End Of Current Quarter 31-12-2018 <u>RM</u>	Audited As at preceding year ended 31-12-2017 <u>RM</u>
ASSETS			
Non-current assets			
Investment properties	A9	1,485,726,800	1,459,703,200
Current Assets			
Trade receivables	B9	2,246,142	5,312,154
Other receivables & prepayments		1,146,478	4,460,049
Cash and bank balances		45,680,598	35,917,278
Fixed deposits with licensed banks		45,668,396	51,032,271
		<u>94,741,614</u>	<u>96,721,752</u>
TOTAL ASSETS		<u>1,580,468,414</u>	<u>1,556,424,952</u>
LIABILITIES			
Non-current liabilities			
Borrowing	B10	603,705,130	-
Deferred tax		1,963,268	3,768,348
		<u>605,668,398</u>	<u>3,768,348</u>
Current Liabilities			
Borrowing	B10	-	573,580,634
Other payables and accruals		12,797,538	55,786,148
Provision for Income Distribution		14,204,512	-
		<u>27,002,050</u>	<u>629,366,782</u>
TOTAL LIABILITIES		<u>632,670,448</u>	<u>633,135,130</u>
NET ASSETS VALUE		<u>947,797,966</u>	<u>923,289,822</u>
REPRESENTED BY:			
Unitholders' capital		731,398,126	722,398,126
Undistributed income		225,896,338	204,435,702
Foreign exchange translation reserve		(9,496,498)	(3,544,006)
TOTAL UNITHOLDERS' FUND		<u>947,797,966</u>	<u>923,289,822</u>
NUMBER OF UNITS IN CIRCULATION		<u>735,985,088</u>	<u>728,226,468</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.2878	1.2679

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN NET ASSETS VALUE
For the Fourth Quarter Ended 31 December 2018

	Unitholders' Capital RM	Undistributed Income RM	Foreign Exchange RM	Total Unitholders' Fund RM
As at 1 January 2017	722,398,126	174,772,256	(1,102,006)	896,068,376
Operation for the year ended 31 December 2017				
Net income for the year	-	84,644,534	(2,442,000)	82,202,534
<i>Increase/(Decrease) in net assets resulting from operation</i>	-	84,644,534	(2,442,000)	82,202,534
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders	-	(54,981,088)	-	(54,981,088)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(54,981,088)	-	(54,981,088)
Net assets as at 31 December 2017	722,398,126	204,435,702	(3,544,006)	923,289,822
As at 1 January 2018	722,398,126	204,435,702	(3,544,006)	923,289,822
Operation for the year ended 31 December 2018				
Net income for the year	-	91,374,454	(5,952,492)	85,421,962
<i>Increase/(Decrease) in net assets resulting from operation</i>	-	91,374,454	(5,952,492)	85,421,962
Unitholders' transactions				
Placement of units	9,000,000	-	-	9,000,000
Distribution to unitholders #	-	(69,913,818)	-	(69,913,818)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	9,000,000	(69,913,818)	-	(60,913,818)
Net assets as at 31 December 2018	731,398,126	225,896,338	(9,496,498)	947,797,966

Include:

- i) Payment of the final income distribution for financial year 2017 of 3.95 sen per unit (taxable in the hands of unitholders) in respect of the period from 1 July to 31 December 2017 which was paid on 28 February 2018.
- ii) Payment of the first interim income distribution for the financial year ended 31 December 2018 of 1.75 sen per unit (of which 0.76 sen per unit is taxable and 0.99 sen per unit is non-taxable in the hands of unitholders) in respect of the period from 1 January to 31 March 2018 which was paid on 19 July 2018.
- iii) Payment of the second interim income distribution for the financial year ended 31 December 2018 of 1.95 sen per unit (of which 0.57 sen per unit is taxable and 1.38 sen per unit is non-taxable in the hands of unitholders) in respect of the period from 1 April to 30 June 2018 which was paid on 19 October 2018.
- iv) Provision of the third interim income distribution for the financial year ended 31 December 2018 of 1.93 sen per unit (taxable in the hands of unitholders) in respect of the period from 1 July to 30 September 2018 which was announced on 30 November 2018.

The Condensed Consolidated Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fourth Quarter Ended 31 December 2018

	To Date	
	31-12-2018	31-12-2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	92,291,662	86,154,086
Adjustment for:		
Profit sharing expenses on Islamic financing	30,087,456	27,482,190
Accreation of long term Islamic financing	1,491,326	474,738
Gain on fair value adjustment of investment properties	(30,341,920)	(24,791,923)
Investment revenue	(2,031,968)	(2,272,257)
Operating profit before working capital changes	91,496,556	87,046,834
Changes in working capital:		
Decrease in receivables and prepayments	3,908,932	5,679,692
(Decrease)/Increase in other payables and accruals	(39,843,444)	142,959
Cash generated from operations	55,562,044	92,869,485
Taxes refund	2,391,525	-
Taxes paid	-	(3,000,000)
Net cash generated from operating activities	57,953,569	89,869,485
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	(2,858,080)	(13,645,160)
Income received from investment	2,115,978	2,262,636
Proceeds from disposal of investment property	-	100,000,000
Net cash (used in)/generated from investing activities	(742,102)	88,617,476
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(55,709,306)	(54,981,088)
Increase in restricted cash	(665,782)	(611,784)
Proceed from issuance of units	9,000,000	-
Profit sharing expenses on Islamic financing	(32,223,403)	(30,238,338)
Transaction cost paid	(2,280,586)	-
Net proceeds/(repayment) from islamic financing	29,900,000	(80,000,000)
Net cash used in financing activities	(51,979,077)	(165,831,210)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,232,390	12,655,751
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,498,727)	(119,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	68,999,400	56,463,520
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	72,733,063	68,999,400
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	45,680,598	35,917,278
Fixed deposits with licensed banks	45,668,396	51,032,271
	91,348,994	86,949,549
Less: Restricted cash	(18,615,931)	(17,950,149)
CASH AND CASH EQUIVALENTS	72,733,063	68,999,400

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2018

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31 December 2017.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'.
- MFRS 15 'Revenue from Contracts with Customers (and the related Clarifications)'.
- Amendments to MFRS 2 'Classification and Measurement of Share-based Payment Transactions'.
- Amendments to MFRS 140 'Transfer of Investment Property'.
- Amendments to MFRSs 'Annual Improvements to MFRSs 2014–2016 Cycle'.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.

The adoption of these new MFRSs, amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and had no significant effect on the financial performance or position of the Group except for the adoption of MFRS 9 and MFRS 15.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards:

- MFRS 16 'Leases'¹.
- Amendments to MFRS 3 'Definition of a Business'².
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'¹.
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'².
- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'³.
- Amendments to MFRSs 'Annual Improvements to MFRSs 2015 - 2017 Cycle'¹.
- IC Interpretation 23 'Uncertainty over Income Tax Payments'¹.
- MFRSs 'Amendments to References to the Conceptual Framework in MFRS Standards'².

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted.

The abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements of Al-'Aqar Healthcare REIT for the financial year ended 31 December 2017 was not subject to any audit qualification.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

The business operations of Al-'Aqar Healthcare REIT are not affected by any material seasonal or cyclical factors.

A4. UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no unusual items affecting the financial statements of Al-'Aqar Healthcare REIT for the current quarter.

A5. CHANGES IN ACCOUNTING ESTIMATES

i. Adoption of MFRS 15 'Revenue from Contracts with Customers'

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

There were no material financial impacts to the statements of financial position and the statements of comprehensive income of the Group arising from the adoption of MFRS 15.

ii. Adoption of MFRS 9 'Financial Instruments'

The accounting policies were changed to reflect the application of MFRS 9 from the beginning of the first MFRS reporting period. MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. The cumulative effects of the changes are recognised in the statements of financial position as at the beginning of the first MFRS reporting period, which is on 1 January 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 139 and MFRS 9 at the date of initial application, 1 January 2018.

	Measurement category		Carrying amount	
	Under MFRS 139	Under MFRS 9	Original RM'000	New RM'000
<u>Financial assets</u>				
Trade receivables	Loans and receivables	Amortised cost	5,312	5,312
Other receivables	Loans and receivables	Amortised cost	541	541
Cash and bank balances	Loans and receivables	Amortised cost	35,917	35,917
Fixed deposits with licensed banks	Loans and receivables	Amortised cost	51,032	51,032
<u>Financial liabilities</u>				
Other payables and accruals	Other financial liabilities	Amortised cost	55,786	55,786
Borrowing	Other financial liabilities	Amortised cost	573,581	573,581

A5. CHANGES IN ACCOUNTING ESTIMATES (CONT'D)

Impairment of financial assets

Until 31 December 2017, the Group assessed the impairment of loans and receivables based on the incurred impairment loss model.

From 1 January 2018, the Group apply the expected credit loss ("ECL") model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVTOCI.

From the assessment above, the Group deem that no retrospective adjustment is required. As a consequence, it is not necessary to provide an additional statement of financial position as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

A6. ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

On 30 November 2018, Al-'Aqar Healthcare REIT obtained an Islamic financing facility ("Murabahah Tawarruq") amounting to RM29.9 million from Ambank Islamic Berhad ("Ambank") to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38.9 million. The transaction costs incurred for the Murabahah Tawarruq was RM0.2 million.

The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month. The Murabahah Tawarruq bears an effective profit rate of 1.50% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Murabahah Tawarruq during the year is 5.54%. There is no specific financial covenant associated with the Murabahah Tawarruq.

On 20 December 2018, Al-'Aqar Healthcare REIT through its subsidiary, Al-'Aqar Capital Sdn Bhd re-rated unrated Class C IMTNs of RM112.0 million in nominal value of Issue 2, redeemed and re-issued rated Class A IMTNs of RM75.0 million in nominal value and rated Class B IMTNs of RM37.0 million in nominal value (collectively "Issue 2 - Tranche 2"). The facility is repayable in 5 semi-annual instalments of RM2.6 million (cost of financing only) each commencing in May 2019 with a final instalment of RM114.6 million (principal and last semi-annual cost of financing).

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

A7. INCOME DISTRIBUTION

The third interim income distribution for the financial year ended 31 December 2018 of 1.93 sen per unit (of which is taxable in the hands of unitholders) in respect of the period from 1 July to 30 September 2018, which was announced on 30 November 2018 has been paid on 14 January 2019.

A8. SEGMENTAL REPORTING

a. Primary reporting segment - Geographical segments

Al-'Aqar Healthcare REIT operates in two principal geographical areas as follows:

	Malaysia RM'000	Australia RM'000	Total RM'000
Year Ended 31 December 2018			
Gross rental income	91,097	11,552	102,649
Property expenses	(5,935)	(105)	(6,040)
Net rental income	85,162	11,447	96,609
Investment income	2,032	-	2,032
Gain in fair value adjustment	30,342	-	30,342
Other income	511	-	511
Total income	118,047	11,447	129,494
Trust expenditure	(37,004)	(199)	(37,203)
Profit before taxation	81,043	11,248	92,291
Tax expense	1	(918)	(917)
Profit after taxation	81,044	10,330	91,374
Total assets	1,426,215	154,253	1,580,468
Total liabilities	630,408	2,262	632,670
Year Ended 31 December 2017			
Gross rental income	88,550	11,098	99,648
Property expenses	(5,962)	(479)	(6,441)
Net rental income	82,588	10,619	93,207
Investment income	2,272	-	2,272
Gain in fair value adjustment	24,535	257	24,792
Other income	2	-	2
Total income	109,397	10,876	120,273
Trust expenditure	(33,856)	(262)	(34,118)
Profit before taxation	75,541	10,614	86,155
Tax expense	(600)	(910)	(1,510)
Profit after taxation	74,941	9,704	84,645
Total assets	1,403,870	152,555	1,556,425
Total liabilities	629,083	4,052	633,135

b. Secondary reporting segment - Business segments

Al-'Aqar Healthcare REIT operates within the healthcare industry and accordingly, the segmental reporting by business segment was not prepared.

A9. VALUATION OF INVESTMENT PROPERTIES

During the current quarter, a valuation exercise was undertaken for all twenty-two (22) properties of Al-'Aqar Group pursuant to FRS 140 and Clause 10.03 of the Securities Commission's REIT Guidelines. The valuation has resulted in a surplus of RM30,341,920 and has been incorporated into the financial statements of Al-'Aqar Healthcare REIT as at 31 December 2018. The details of the said valuation carried out are tabled as follows:

	Description of Property	Location	Date of Valuation	2018 Fair Value RM
1	Ampang Puteri Specialist Hospital	Ampang	31 December 2018	135,000,000
2	Damansara Specialist Hospital	Damansara	31 December 2018	131,000,000
3	KPJ Johor Specialist Hospital	Johor Bahru	31 December 2018	120,000,000
4	KPJ Ipoh Specialist Hospital	Ipoh	31 October 2018	76,100,000
5	Puteri Specialist Hospital	Johor Bahru	31 December 2018	42,000,000
6	KPJ Selangor Specialist Hospital	Shah Alam	31 December 2018	80,000,000
7	Kedah Medical Centre	Alor Setar	31 December 2018	52,000,000
8	KPJ Perdana Specialist Hospital	Kota Bharu	29 October 2018	45,000,000
9	KPJ Kuantan Dialysis Centre	Kuantan	16 November 2018	20,500,000
10	Sentosa Medical Centre	Kuala Lumpur	31 October 2018	30,000,000
11	KPJ Kajang Specialist Hospital	Kajang	30 October 2018	50,600,000
12	Taiping Medical Centre	Taiping	31 December 2018	10,000,000
13	Damai Specialist Hospital	Kota Kinabalu	31 December 2018	15,100,000
14	KPJ College Bukit Mertajam	Bukit Mertajam	31 December 2018	16,200,000
15	Tawakal Health Centre	Kuala Lumpur	1 November 2018	48,400,000
16	KPJ Healthcare University College, Nilai	Seremban	1 November 2018	105,400,000
17	KPJ Seremban Specialist Hospital	Seremban	15 November 2018	69,500,000
18	KPJ Penang Specialist Hospital	Bukit Mertajam	31 December 2018	63,000,000
19	KPJ Tawakkal Specialist Hospital	Kuala Lumpur	30 October 2018	135,200,000
20	KPJ Klang Specialist Hospital	Klang	5 November 2018	103,300,000
21	Kluang Utama Specialist Hospital	Kluang	31 December 2018	5,000,000
22	Jeta Garden Aged Care Facility and Retirement Village	Queensland	7 December 2018	132,426,800
				<u>1,485,726,800</u>

A10. SUBSEQUENT MATERIAL EVENTS

On 30 January 2019, the Manager, after consultation with the Trustee had announced a final income distribution of 2.07 sen per unit totaling RM15,234,891 for financial year ended 31 December 2018. The final income distribution will be paid on 28 February 2019 and has not been included as a liability in the financial statements.

A11. CHANGES IN THE COMPOSITION OF THE TRUST

The movement of the component of Al-'Aqar Healthcare REIT during the current quarter is as follows:

	Number of Units	RM
Balance as at 1 January 2018	728,226,468	722,398,126
Issue of new Units	7,758,620	9,000,000
At end of year	<u>735,985,088</u>	<u>731,398,126</u>

On 29 November 2018, Al-'Aqar Healthcare REIT had announced that the settlement of the KPJUC Balance Purchase Consideration was completed following the payment of the RM29.9 million KPJUC Deferred Cash Consideration and allotment of 7,758,620 Al-'Aqar Units to KPJUC. 7,758,620 Al-'Aqar Units, being the KPJUC Deferred Consideration Units, was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 30 November 2018.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A13. SIGNIFICANT RELATED PARTY TRANSACTION

Parties are considered to be related to the Group and the Fund if the Group and 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 Group and the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Fund derives all its rental income from related parties.

Significant related party transactions are as follows:

	The Group		The Fund	
	31-12-2018 RM	31-12-2017 RM	31-12-2018 RM	31-12-2017 RM
Manager's fee	1,674,718	2,196,079	1,674,718	2,196,079
Maintenance fee	162,600	-	162,600	-
Registrar fee	65,382	91,686	65,382	91,686
Secretarial fee	7,100	7,070	-	-
Other income	(487,667)	-	(487,667)	-
Purchase of investment property	-	13,000,000	-	13,000,000
Professional fee	-	400,000	-	400,000

Other income relates to the compensation received from Selangor Medical Centre Sdn Bhd for loss of opportunity and annual loss of potential income due to the deferment for the transfer of a Physician Consultant Building to the Group and the Fund.

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2018

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000	Changes %	Current Year To Date 31.12.2018 RM'000	Preceding Year Corresponding To Date 31.12.2017 RM'000	Changes %
Net rental income						
Malaysia	21,417	20,857	2.7	85,162	82,588	3.1
Australia	2,947	2,154	36.8	11,447	10,619	7.8
Total net rental income	<u>24,364</u>	<u>23,011</u>	5.9	<u>96,609</u>	<u>93,207</u>	3.6
Profit before taxation						
Malaysia	42,135	36,736	14.7	81,043	75,541	7.3
Australia	2,829	2,144	31.9	11,248	10,614	6.0
Total profit before taxation	<u>44,964</u>	<u>38,880</u>	15.6	<u>92,291</u>	<u>86,155</u>	7.1
Profit after taxation						
Malaysia	42,135	36,745	14.7	81,044	74,941	8.1
Australia	1,911	1,234	54.9	10,330	9,704	6.5
Total profit after taxation	<u>44,046</u>	<u>37,979</u>	16.0	<u>91,374</u>	<u>84,645</u>	7.9

(a) Review of Current Quarter Results

Malaysia segment

The Malaysia segment contributed RM21.4 million of net rental income for the current quarter ended 31 December 2018, represented an increase of RM0.6 million or 2.7%. The net rental income was higher due to annual increment on rental income and new rental income contributed from car park block at KPJ Selangor Specialist Hospital, which was acquired in December 2017.

Australia segment

The Australia segment contributed RM2.9 million of net rental income for the current quarter ended 31 December 2018, represented an increase of RM0.8 million or 36.8%. The net rental income was higher due to lower property expenses.

Profit before taxation

Al-'Aqar Healthcare REIT's profit before taxation for the current quarter ended 31 December 2018 stood at RM44.9 million, which is RM6.0 million or 15.6% increase from the preceding corresponding quarter's of RM38.9 million. The increase was mainly due to recognition in change in fair value gains on investment properties of RM30.3 million against the preceding year's quarter fair value gains of RM24.5 million.

B1. REVIEW OF PERFORMANCE (CONT'D)

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM85.2 million of net rental income for the year ended 31 December 2018 represented an increase of RM2.6 million or 3.1% from RM82.6 million, recorded in the previous corresponding year. The increase was mainly due to annual increment on rental income and new rental income contributed from car park block at KPJ Selangor Specialist Hospital, which was acquired in December 2017 as mentioned in Note B1 (a) above.

Australia segment

The Australia segment contributed RM11.4 million of net rental income for the year ended 31 December 2018. This represented an increase of RM0.8 million or 7.8% from RM10.6 million, recorded in the previous corresponding year. The increase was mainly due to lower property expenses as mentioned in Note B1 (a) above.

Profit before taxation

Al-'Aqar Healthcare REIT's profit before taxation for the year ended 31 December 2018 was maintained at RM92.3 million, which is RM6.2 million or 7.1% higher than previous corresponding year of RM86.1 million. The increase were mainly due to higher fair value gains on investment properties and new rental income contributed from car park block at KPJ Selangor as mentioned in Note B1 (b) above but partially offset by higher financing cost due to refinancing exercise recorded during the year.

B2. MATERIAL CHANGES IN PROFIT BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 31.12.2018 RM'000	Immediate Preceding Quarter ended 30.09.2018 RM'000	Changes %
Net rental income	24,364	24,080	1.18
Profit before taxation	44,964	15,140	196.99
Profit after taxation	44,046	15,140	190.92

Al-'Aqar Healthcare REIT recorded a higher profit before tax of RM44.9 million as compared to RM15.4 million in the preceding quarter. This was mainly due to fair value gains on investment properties of RM30.3 million recorded in the current quarter.

B3. PROSPECTS

Prospect for the Malaysian healthcare industry will continue to remain positive in view of stronger private healthcare consumption and improvement in healthcare affordability.

With private healthcare facilities providing top quality, safe and effective treatments in comfortable surroundings with ease of access and affordable prices, Malaysia has become the preferred destination for medical tourists seeking quality healthcare treatments abroad at competitive prices.

On 20 December 2018, Al-'Aqar Healthcare REIT, through its subsidiary, Al-'Aqar Capital Sdn Bhd has successfully redeemed RM112.0 million of Class C of Issue 2 Tranche 1 of Sukuk Ijarah. Subsequently, issuance of RM112.0 million of Class A and Class B Sukuk Ijarah under Issue 2 Tranche 2 took place. Despite the slightly higher borrowing cost, the Fund is expected to maintain its current level of Distribution Per Unit in year 2019.

B4. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

During the current quarter, the Group issued 7,758,620 new units at an issue price of RM1.16 per unit amounting to RM9.0 million. The issuance was to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38.9 million.

B5. TAXATION

	The Group		The Fund	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	RM	RM	RM	RM
Tax expense				
- Income Tax	917,555	900,730	-	-
- Real Property Gains Tax ("RPGT")	(347)	608,822	(347)	608,822
	<u>917,208</u>	<u>1,509,552</u>	<u>(347)</u>	<u>608,822</u>

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 95% of its distributable income. 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.

B6. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during the current quarter.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the current quarter.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced during the current quarter.

B9. TRADE RECEIVABLES

	The Group	
	As at 31-12-2018	As at 31-12-2017
	RM'000	RM'000
Trade receivables	<u>2,246</u>	<u>5,312</u>

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group on rental receivable from lessees ranges from 30 to 60 days (2017: 30 to 60 days).

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

	The Group	
	As at 31-12-2018	As at 31-12-2017
	RM'000	RM'000
0-30 days	1,798	1,075
31-60 days	448	1,057
61-90 days	-	1,003
More than 90 days	-	2,177
	<u>2,246</u>	<u>5,312</u>

The Group estimate the loss allowance on trade receivables at the end of the reporting period at an amount equal to lifetime expected credit losses. None of the trade receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the trade receivables operate, together with the value of collateral held over these trade receivables, the Group considers that no trade receivables is impaired.

B10. BORROWING

	The Group	
	As at 31-12-2018 RM'000	As at 31-12-2017 RM'000
<u>Non-current</u>		
<u>Secured</u>		
Sukuk Ijarah - Islamic Medium Term Notes ('IMTN')	574,021	-
<u>Non-Secured</u>		
Murabahah Tawarruq Term Financing - i ("Murabahah Tawarruq")	29,684	-
	603,705	-
<u>Current</u>		
<u>Secured</u>		
Sukuk Ijarah - Islamic Medium Term Notes ('IMTN')	-	573,581

Sukuk Ijarah

On 4th May 2018, Al-'Aqar Healthcare REIT, through its subsidiary, Al-'Aqar Capital Sdn. Bhd., redeemed the outstanding IMTNs of Issue 1 of RM575.0 million together with the outstanding profit due on maturity and refinanced the IMTNs via an issuance of RM575.0 million in nominal value of IMTNs ("Issue 2").

On 20th December 2018, Al-'Aqar Healthcare REIT, through its subsidiary, Al-'Aqar Capital Sdn. Bhd., re-rated RM112.0 in nominal value of unrated Class C IMTNs of Issue 2. The re-rating exercise had led to an early redemption of the Class C IMTNs of Issue 2 and an additional issuance of RM75.0 million in nominal value of Class A IMTNs of Issue 2 and RM37.0 million in nominal value of Class B IMTNs of Issue 2.

Murabahah Tawarruq Term Financing- i

On 30 November 2018, Al-'Aqar Healthcare REIT obtained an Islamic financing facility ("Murabahah Tawarruq") amounting to RM29.9 million from Ambank Islamic Berhad to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38.9 million. The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month.

B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

For the current quarter, the Group does not have any off balance sheet financial instruments.

B12. MATERIAL LITIGATION

There was no material litigation as at the date of the current quarter.

B13. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the current quarter.

B14. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31-12-2018	Immediate Preceding Quarter ended 30-09-2018
Number of units in issue - units	735,985,088	728,226,468
Earning per unit (EPU) - sen	6.04	2.08
Net income distribution to unitholders - RM'000	14,205	14,200
Distribution per unit (DPU) - sen	1.93	1.95
Net Asset Value (NAV) - RM'000	947,798	914,312
NAV per unit - RM	1.2878	1.2555
Market Value Per Unit - RM	1.3100	1.2700

B15. RESPONSIBILITY STATEMENT

This quarterly report was prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-'Aqar Healthcare REIT as at 31 December 2018 and of its financial performance and cash flows for the period then ended.