

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Fourth Quarter Ended 31 December 2021

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year Quarter	Preceding Year Quarter	Changes
	31-12-2021	31-12-2020		31-12-2021	31-12-2020	
	RM	RM	%	RM	RM	%
	26,971,165	31,248,908	(13.7)	114,072,501	115,710,279	(1.4)
	(1,445,896)	(1,430,997)	1.0	(5,850,628)	(6,096,053)	(4.0)
Net rental income	25,525,269	29,817,911	(14.4)	108,221,873	109,614,226	(1.3)
Investment income	219,265	198,585	10.4	623,104	1,011,305	(38.4)
Gain/(Loss) on fair value adjustment	5,536,199	(47,772,461)	(>100)	5,536,199	(47,772,461)	(>100)
Realised (loss)/gain on foreign exchange	(12,772)	-	100.0	11,182	-	100.0
Unrealised gain on foreign exchange	-	450,034	(100.0)	-	736,084	(100.0)
Other income	133,028	967,523	(86.3)	532,331	1,414,273	(62.4)
Total income	31,400,989	(16,338,408)	(>100)	114,924,689	65,003,427	76.8
Managers' fees	(463,665)	(460,546)	0.7	(1,845,342)	(1,837,356)	0.4
Trustees' fees	(96,939)	(96,578)	0.4	(385,343)	(393,361)	(2.0)
Islamic financing costs	(6,291,478)	(8,711,117)	(27.8)	(28,004,770)	(35,254,090)	(20.6)
Maintenance of properties	(396,087)	-	100.0	(1,712,287)	(1,070,388)	60.0
Derecognition of past lease receivables	31,757	-	100.0	(5,806,073)	(9,801,166)	(40.8)
Unrealised gain/(loss) on foreign exchange	27,623	-	100.0	(146,339)	-	100.0
Administrative expenses	(1,545,457)	(329,692)	>100	(2,674,305)	(1,966,298)	36.0
Professional fees	(439,960)	(16,632)	>100	(892,749)	(270,677)	>100
Withholding tax	(112,574)	(118,601)	(5.1)	(675,928)	(785,731)	(14.0)
Total trust expenditure	(9,286,780)	(9,733,166)	(4.6)	(42,143,136)	(51,379,067)	(18.0)
Net income before taxation	22,114,209	(26,071,574)	(>100)	72,781,553	13,624,360	>100
Tax	768,296	(1,052,958)	(>100)	768,296	(1,052,958)	(>100)
Net income after taxation	22,882,505	(27,124,532)	(>100)	73,549,849	12,571,402	>100
Other comprehensive (expenses)/ income						
Foreign currency translation differences for foreign operation	(1,592,248)	11,173,110	(>100)	(2,487,531)	12,001,396	(>100)
Total comprehensive income/(loss) for the year	21,290,257	(15,951,422)	(>100)	71,062,318	24,572,798	>100
Net income/(loss) after taxation is made up as follows:						
Realised	16,583,680	17,354,094	(4.4)	65,218,589	56,984,413	14.5
Unrealised	6,298,825	(44,478,626)	(>100)	8,331,260	(44,413,011)	(>100)
	22,882,505	(27,124,532)	(>100)	73,549,849	12,571,402	>100
Earnings per unit (sen) - Net	3.11	(3.68)	(>100)	9.99	1.71	>100

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	Unaudited As At End Of Current Quarter 31-12-2021 <u>RM</u>	Audited As at preceding year ended 31-12-2020 <u>RM</u>
ASSETS			
Non-current assets			
Investment properties	A9	1,538,210,398	1,534,501,049
Trade receivables	B11	-	5,373,102
		<u>1,538,210,398</u>	<u>1,539,874,151</u>
Current Assets			
Trade receivables	B11	36,106,493	25,280,289
Other receivables & prepayments		574,587	159,066
Cash and bank balances		49,337,838	46,396,739
Fixed deposits with licensed banks		40,503,678	36,276,092
		<u>126,522,596</u>	<u>108,112,186</u>
TOTAL ASSETS		<u>1,664,732,994</u>	<u>1,647,986,337</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B12	683,876,967	109,069,690
Other payables		13,475,204	9,521,423
Deferred tax		1,765,866	2,534,162
		<u>699,118,037</u>	<u>121,125,275</u>
Current Liabilities			
Islamic financing	B12	-	574,517,565
Other payables and accruals		5,893,348	8,853,336
Provision for income distribution		14,719,701	-
		<u>20,613,049</u>	<u>583,370,901</u>
TOTAL LIABILITIES		<u>719,731,086</u>	<u>704,496,176</u>
NET ASSETS VALUE		<u>945,001,908</u>	<u>943,490,161</u>
REPRESENTED BY:			
Unitholders' capital		731,398,126	731,398,126
Undistributed income		221,625,961	217,626,683
Foreign exchange translation reserve		(8,022,179)	(5,534,648)
TOTAL UNITHOLDERS' FUND		<u>945,001,908</u>	<u>943,490,161</u>
NUMBER OF UNITS IN CIRCULATION		<u>735,985,088</u>	<u>735,985,088</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)			
- Before income distribution		1.2840	1.2819
- After income distribution*		1.2660	1.2474

*after reflecting the proposed final income distribution of 1.80 sen per unit (2020: 3.45 sen per unit).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 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 2021

Note	Unitholders' Capital	Undistributed Income	Foreign Exchange	Total Unitholders' Fund
	RM	RM	RM	RM
As at 1 January 2020	731,398,126	244,651,258	(17,536,044)	958,513,340
Operation for the year ended 31 December 2020				
Net income for the year	-	12,571,402	12,001,396	24,572,798
<i>Increase in net assets resulting from operation</i>	-	12,571,402	12,001,396	24,572,798
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders	-	(39,595,977)	-	(39,595,977)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(39,595,977)	-	(39,595,977)
Net assets as at 31 December 2020	731,398,126	217,626,683	(5,534,648)	943,490,161
As at 1 January 2021	731,398,126	217,626,683	(5,534,648)	943,490,161
Operation for the year ended 31 December 2021				
Net income for the year	-	73,549,849	(2,487,531)	71,062,318
<i>Increase in net assets resulting from operation</i>	-	73,549,849	(2,487,531)	71,062,318
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders #	-	(69,550,571)	-	(69,550,571)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(69,550,571)	-	(69,550,571)
Net assets as at 31 December 2021	731,398,126	221,625,961	(8,022,179)	945,001,908

Include:

- i) Payment of the final income distribution for financial year 2020 of 3.45 sen per unit (of which 1.84 sen per unit is taxable and 1.61 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 31 December 2020 which was paid on 26 February 2021.
- ii) Payment of the first interim income distribution for the financial year ended 31 December 2021 of 2.00 sen per unit (of which 0.92 sen per unit is taxable and 1.08 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 January to 31 March 2021 which was paid on 16 July 2021.
- iii) Payment of the second interim income distribution for the financial year ended 31 December 2021 of 2.00 sen per unit (of which 0.85 sen per unit is taxable and 1.15 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 April to 30 June 2021 which was paid on 22 October 2021.
- iii) Provision of the third interim income distribution for the financial year ended 31 December 2021 of 2.00 sen per unit (of which 0.78 sen per unit is taxable and 1.22 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2021 which was announced on 26 November 2021.

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 2020 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 2021

	To Date	
	31-12-2021	31-12-2020
	<u>RM</u>	<u>RM</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	72,781,553	13,624,360
Adjustment for:		
Islamic financing costs	28,004,770	35,254,090
Interest accretion on tenant deposits	1,018,526	140,228
Amortisation of deferred income	(347,829)	(972,751)
Derecognition of past lease receivables	5,806,073	9,801,166
(Gain)/Loss on fair value adjustment	(5,536,199)	47,772,461
Unrealised loss/(gain) on foreign exchange	146,339	(736,084)
Unbilled rental income	(2,843,801)	(2,843,801)
Investment revenue	(623,104)	(1,011,305)
Operating profit before working capital changes	<u>98,406,328</u>	<u>101,028,364</u>
Changes in working capital:		
Increase in receivables and prepayments	(8,778,192)	(21,013,136)
(Decrease)/increase in other payables and accruals	(1,047,592)	2,610,999
Cash generated from operations	<u>88,580,544</u>	<u>82,626,227</u>
Taxes	-	-
Net cash generated from operating activities	<u>88,580,544</u>	<u>82,626,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	-	(2,400,000)
Income received from investment	570,401	1,038,738
Net cash generated from/(used in) investing activities	<u>570,401</u>	<u>(1,361,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(54,830,869)	(54,021,285)
Decrease/(Increase) in restricted cash	14,637,954	(1,245,005)
Islamic financing costs paid	(31,344,371)	(35,124,881)
Net proceeds from islamic financing	5,000,000	94,050
Net cash used in financing activities	<u>(66,537,286)</u>	<u>(90,297,121)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22,613,659	(9,032,156)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(807,020)	2,706,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	61,149,116	67,475,106
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>82,955,755</u>	<u>61,149,116</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	49,337,838	46,396,739
Fixed deposits with licensed banks	40,503,678	36,276,092
	<u>89,841,516</u>	<u>82,672,831</u>
Less: Restricted cash	(6,885,761)	(21,523,715)
CASH AND CASH EQUIVALENTS	<u>82,955,755</u>	<u>61,149,116</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 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 2021

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 Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standard (MFRS) 134 and International Financial Reporting Standards.

The interim financial report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2020.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent Audited Financial Statements for the financial year ended 31 December 2020.

New and amended MFRS that are effective

- Amendments to MFRS 16: Covid-19-Related Rent Concessions (effective 1 June 2020)
- Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2 (effective 1 January 2021)

The adoption of the above new and amended MFRS did not have any significant financial impact to the Group.

Standards that have been issued but not yet effective

- Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)
- Annual improvements to MFRS Standards 2018 - 2020 (effective 1 January 2022)
- Amendments to MFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- MFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to MFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information (effective 1 January 2023)
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to MFRS 101: Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to MFRS 108: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)

The Group did not early adopt these new standards.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements of Al-'Aqar Healthcare REIT for the financial year ended 31 December 2020 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

There were no changes in accounting estimates arising from the adoption of the new and revised MFRSs, that have had a material effect in the current quarter.

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

There were no issuances, cancellations, repurchases and repayment of debt and equity securities being made in the current quarter.

A7. INCOME DISTRIBUTION

The third interim income distribution for the financial year ended 31 December 2021 of 2.00 sen per unit (of which 0.78 sen per unit is taxable and 1.22 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2021, which was announced on 26 November 2021 has been paid on 20 January 2022.

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 2021			
Gross rental income	104,246	9,827	114,073
Property expenses	(5,841)	(10)	(5,851)
Net rental income	98,405	9,817	108,222
Investment income	623	-	623
Gain on fair value adjustment	5,536	-	5,536
Realised gain on foreign exchange	11	-	11
Other income	532	-	532
Total income	105,107	9,817	114,924
Trust expenditure	(39,955)	(2,188)	(42,143)
Net income before taxation	65,152	7,629	72,781
Tax	768	-	768
Net income after taxation	65,920	7,629	73,549
Total assets	1,539,094	125,639	1,664,733
Total liabilities	719,379	352	719,731

	Malaysia RM'000	Australia RM'000	Total RM'000
Year Ended 31 December 2020			
Gross rental income	103,918	11,792	115,710
Property expenses	(5,944)	(152)	(6,096)
Net rental income	97,974	11,640	109,614
Investment income	1,011	-	1,011
Loss on fair value adjustment	(5,424)	(42,348)	(47,772)
Unrealised gain on foreign exchange	736	-	736
Other income	1,414	-	1,414
Total income	95,711	(30,708)	65,003
Trust expenditure	(49,537)	(1,842)	(51,379)
Net income before taxation	46,174	(32,550)	13,624
Tax	(2,534)	1,481	(1,053)
Net income after taxation	43,640	(31,069)	12,571
Total assets	1,526,820	121,166	1,647,986
Total liabilities	704,152	344	704,496

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-three (23) properties of Al-Aqar Group pursuant to MFRS 140 and Clause 10.03 of the Securities Commission's REIT Guidelines. The details of the said valuation carried out are tabled as follows:

	Description of Property	Location	Date of Valuation	2021 Fair Value RM
1	KPJ Ampang Puteri Specialist Hospital	Ampang	31 December 2021	137,000,000
2	KPJ Damansara Specialist Hospital	Damansara	31 December 2021	138,000,000
3	KPJ Johor Specialist Hospital	Johor Bahru	31 December 2021	122,000,000
4	KPJ Ipoh Specialist Hospital	Ipoh	31 December 2021	89,000,000
5	KPJ Puteri Specialist Hospital	Johor Bahru	31 December 2021	40,000,000
6	KPJ Selangor Specialist Hospital	Shah Alam	31 December 2021	84,000,000
7	Kedah Medical Centre	Alor Setar	31 December 2021	52,500,000
8	KPJ Perdana Specialist Hospital	Kota Bharu	31 December 2021	42,000,000
9	Kuantan Wellness Centre	Kuantan	31 December 2021	16,800,000
10	KPJ Sentosa KL Medical Centre	Kuala Lumpur	31 December 2021	31,000,000
11	KPJ Kajang Specialist Hospital	Kajang	31 December 2021	52,000,000
12	Taiping Medical Centre	Taiping	31 December 2021	10,000,000
13	Damai Wellness Centre	Kota Kinabalu	31 December 2021	11,000,000
14	KPJ International College, Penang	Bukit Mertajam	31 December 2021	14,600,000
15	Tawakkal Health Centre	Kuala Lumpur	31 December 2021	48,000,000
16	KPJ Healthcare University College, Nilai	Seremban	31 December 2021	102,000,000
17	KPJ Seremban Specialist Hospital	Seremban	31 December 2021	75,000,000
18	KPJ Penang Specialist Hospital	Bukit Mertajam	31 December 2021	65,000,000
19	KPJ Tawakkal Specialist Hospital	Kuala Lumpur	31 December 2021	139,000,000
20	KPJ Klang Specialist Hospital	Klang	31 December 2021	104,000,000
21	KPJ Haemodialysis Kluang	Kluang	31 December 2021	4,700,000
22	KPJ Batu Pahat Specialist Hospital	Batu Pahat	31 December 2021	80,000,000
23	Jeta Garden Aged Care and Retirement Village	Queensland	31 December 2021	86,298,000
	Based on valuation reports			1,543,898,000
	Less: Accrued unbilled rental income			(5,687,602)
				<u>1,538,210,398</u>
				The Group
				31-12-2021
				RM
	At 1 January			1,534,501,049
	Fair value adjustments			5,536,199
	Accrued unbilled rental income			5,687,602
	Foreign exchange differences			(1,826,850)
	At 31 December			<u>1,543,898,000</u>

A10. SUBSEQUENT MATERIAL EVENTS

On 27 January 2022, the Manager, after consultation with the Trustee had announced the final income distribution of 1.80 sen per unit of which 1.08 sen per unit is taxable and 0.72 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 October to 31 December 2021. The final income distribution will be paid on 28 February 2022.

A11. CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes in the composition of Al-Aqar Healthcare REIT for the current quarter.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

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	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
	RM	RM	RM	RM
Manager's fee	1,845,342	1,837,356	1,845,342	1,837,356
Maintenance fee	1,010,176	1,012,400	1,010,176	1,012,400
Miscellaneous expenses	85,733	59,982	85,733	59,982
Other income	(532,000)	(532,000)	(532,000)	(532,000)

Other income relates to the compensation received from Selangor Medical Centre Sdn Bhd for loss of opportunity and annual loss of potential income due to the deferment for the transfer of a Physician Consultant Building to the 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 2021

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31.12.2021 RM'000	Preceding Year Corresponding Quarter 31.12.2020 RM'000	Changes %	Current Year To Date 31.12.2021 RM'000	Preceding Year To Date 31.12.2020 RM'000	Changes %
Net rental income						
Malaysia	24,242	26,726	(9.3)	98,405	97,974	0.4
Australia	1,284	3,092	(58.5)	9,817	11,640	(15.7)
Total	<u>25,526</u>	<u>29,818</u>	(14.4)	<u>108,222</u>	<u>109,614</u>	(1.3)
Net income/(loss) before taxation						
Malaysia	21,318	13,250	60.9	65,152	46,174	41.1
Australia	796	(39,322)	(>100)	7,629	(32,550)	(>100)
Total	<u>22,114</u>	<u>(26,072)</u>	(>100)	<u>72,781</u>	<u>13,624</u>	>100

(a) Review of Individual Quarter Results

Malaysia segment

The Malaysia segment contributed RM24.2 million of net rental income for the current quarter ended 31 December 2021, represented a decrease of RM2.5 million or 9.3% from RM26.7 million, recorded in the preceding year's corresponding quarter. The decrease was mainly due to renewal of 15-year lease of 6 properties at lower rate of 5.75% on 29 June 2021.

The Malaysia segment recorded net income before taxation of RM21.3 million for the current quarter, which is RM8.1 million or 60.9% higher than preceding year corresponding quarter of RM13.2 million. The increase was mainly due to gain on fair value adjustment recorded of RM5.5 million as well as saving from refinancing exercise of RM2.4 million.

Australia segment

The Australia segment contributed RM1.2 million of net rental income for the current quarter ended 31 December 2021, represented a decrease of RM1.8 million or 58.5% from RM3.1 million, recorded in the preceding year's corresponding quarter. The decrease was mainly due to rental rate revision on 2nd October 2021.

The Australia segment recorded net income before taxation of RM0.8 million for the current quarter, which is RM40.1 million higher than net loss before taxation preceding year corresponding quarter of RM39.3 million. The increase was mainly due to loss on fair value adjustment of investment properties of RM42.3 million recorded in the preceding year corresponding quarter.

B1. REVIEW OF PERFORMANCE (CONT'D)

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM98.4 million of net rental income for the year ended 31 December 2021, represented an increase of RM0.4 million or 0.4% from RM98.0 million, recorded in the preceding year. The increase was mainly due to annual increment on rental income.

The Malaysia segment recorded net income before taxation of RM65.1 million for the year ended 31 December 2021, represented an increase of RM18.9 million or 41.1% mainly due to lower Islamic financing costs of RM7.2 million, gain on fair value adjustment recorded of RM5.5 million as well as lower Covid-19 rental support of RM4.0 million.

Australia segment

The Australia segment contributed RM9.8 million of net rental income for the current year ended 31 December 2021, represented a decrease of RM1.8 million or 15.7% from RM11.6 million, recorded in the preceding year. The decrease was mainly due to rental rate revision on 2nd October 2021 as mentioned earlier.

The Australia segment recorded net income before taxation of RM7.6 million for the year ended 31 December 2021, which is RM40.2 million higher than net loss before taxation preceding year of RM32.5 million. The increase was mainly due to loss on fair value adjustment of investment properties of RM42.3 million recorded in the preceding year.

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

	Current Quarter ended 31.12.2021 RM'000	Immediate Preceding Quarter ended 30.09.2021 RM'000	Changes %
Net rental income	25,526	27,177	(6.07)
Net income before taxation	22,114	15,285	44.68

Al-Aqar Healthcare REIT recorded a higher net income before taxation of RM22.1 million as compared to RM15.3 million in the preceding quarter. This was mainly due to gain on fair value adjustment of investment properties of RM5.5 million recorded in the current quarter.

B3. CHANGES IN NET ASSET VALUE

	As at 31-12-2021 RM'000	As at 30-09-2021 RM'000
Net asset value ("NAV")	945,002	938,431
NAV per unit (RM)	1.2840	1.2751

The NAV as at 31 December 2021 was higher by RM6.6 million as compared to the immediate preceding quarter, as a result of total comprehensive income of RM21.3 million and income distribution of RM14.7 million recognised during the current quarter.

B4. PROSPECTS

The global economy continues to recover, supported by manufacturing and trade activity. Labour market conditions have also improved in many countries. However, several countries reintroduced measures to curb ongoing COVID-19 resurgences, causing some moderation in the pace of recovery in domestic activity, especially services. Inflation remains elevated in a number of countries, driven by both supply and demand factors. Going forward, continued progress in vaccination coverage, advancements in vaccine efficacy, and the availability of anti-viral treatments will allow for better management of the pandemic, hence supporting global growth prospects.

For Malaysia, the latest high-frequency indicators show that economic activity rebounded in the fourth quarter, in line with the relaxation of containment measures. Looking ahead, growth is expected to gain further momentum in 2022. This will be driven by the expansion in global demand and higher private sector expenditure amid improvements in the labour market and continued policy support.

In 2021, KPJ Group has recorded 10% increase in their total revenue compared against corresponding preceding period. This was mainly due to active collaboration with the public healthcare sector to treat COVID-19 patients, higher COVID-19 screening, laboratory testing, and vaccination services. However, higher fixed costs and the incremental cost for Standard Operating Procedure compliance has resulted to lower KPJ Group's EBITDA performance. As a long-term business partner, Al-Aqar has granted the rental support initiative. However, it is expected not to be common in the long term and will be compensated by the borrowing cost savings initiative.

In addition to greater relaxation of restrictions and better economic conditions, KPJ Group also anticipating a pick-up in healthcare demand at KPJ Group facilities, from pent up demand which has been accumulating over time. With the pandemic situation more under control, KPJ Group reported to see the return of demand for non-urgent but necessary procedures in their system. The public-private partnership with government that has picked up considerably since the middle of 2021 is expected to continue further into 2022, due to large backlog of patients remaining within the public hospital system. While there remain risks such as Omicron or other variants that may appear over time, KPJ Group is positive that high vaccination rates, booster programmes and greater experience in managing the pandemic will lead to reduce KPJ Group's risk disruption in 2022.

The 2022 budget presented on 29 October 2021 is also expected to help the country recover from the effects of the pandemic and set it on the right path towards long-term growth. The Manager also does not expect any significant disruption to the earning of Al-Aqar as the Fund earning is underpinned by the long-term lease arrangements with the KPJ Group.

Sources:

- 1 KPJ Healthcare Quarter 4, 2021 Performance Review & Prospect, 18 February 2022
- 2 Bank Negara Monetary Policy Statement, 20 January 2022
- 3 KPJ Healthcare Berhad News (PMD's Message), 1 January 2022
- 4 Press citations by the Ministry of Finance Malaysia, 30 October 2021

B5. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the current quarter.

B6. TAX

	The Group		The Fund	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
	RM	RM	RM	RM
Tax expense				
- Income Tax	(768,296)	1,052,958	(768,296)	2,534,162
	<u>(768,296)</u>	<u>1,052,958</u>	<u>(768,296)</u>	<u>2,534,162</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 is required to be provided in the financial statements.

Deferred tax liability has been provided for the investment properties at 10% which reflects the expected manner of recovery of the investment properties i.e. recovered through sale.

B7. INCOME DISTRIBUTION

Income distributions to unitholders is derived from the following sources:

	Current Year Quarter 31-12-2021 RM'000	Preceding Year Corresponding Quarter 31-12-2020 RM'000	Current Year To Date 31-12-2021 RM'000	Preceding Year Corresponding Year To Date 31-12-2020 RM'000
Net rental income	25,525	29,818	108,222	109,614
Investment income	219	198	623	1,011
Realised (loss)/gain on foreign exchange	(13)	-	11	-
Other income	133	967	532	1,414
Interest accretion on tenant deposit	1,018	140	1,018	140
Less: Amortisation of deferred income	(347)	(972)	(347)	(972)
Less: Unbilled rental income	(638)	(2,844)	(2,844)	(2,844)
	25,897	27,307	107,215	108,363
Less: Expenses	(9,315)	(9,733)	(41,997)	(51,379)
Realised/Distributable income for the year	16,582	17,574	65,218	56,984
Previous year's undistributed realised income	46,226	49,568	41,751	34,887
Total realised income available for distribution	62,808	67,142	106,969	91,871
Less: Income to be distributed for the quarter/year	(13,248)	(25,391)	(57,407)	(50,121)
Balance undistributed income realised income	49,560	41,751	49,562	41,750
Distribution per unit (sen)	1.80	3.45	7.80	6.81

B8. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

B9. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B10. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed during the current quarter.

B11. TRADE RECEIVABLES

	The Group	
	As at 31-12-2021 RM'000	As at 31-12-2020 RM'000
<u>Non-current</u>		
Trade receivables	-	5,373
<u>Current</u>		
Trade receivables	30,418	22,436
Unbilled rental income	5,688	2,844
	36,106	25,280

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

B11. TRADE RECEIVABLES (CONT'D)

Unbilled rental income consist of unbilled incremental lease rental receivable from Pasir Gudang Specialist Hospital ("KPJ Batu Pahat Specialist Hospital"). The lease rental receivables from KPJ Batu Pahat is incremental by 10% every 3 years from the commencement date up to the term of 30 years. This rental income is recognised on straight-line basis over the lease term of 30 years.

The credit period granted by the Group on rental receivable from lessees ranges from 1 to 7 days.

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

	The Group	
	As at 31-12-2021 RM'000	As at 31-12-2020 RM'000
0-30 days	3,124	2,396
31-60 days	2,709	2,046
61-90 days	1,950	1,281
More than 90 days	22,635	22,086
	30,418	27,809

Out of the total trade receivables of RM30.4 million, RM19.8 million is related to an Australian property and both parties are in the process of finalising on the settlement of the outstanding rental.

The Group has not recognised any allowance for estimated credit loss as the Group holds tenant deposits as credit enhancement and the amounts are considered recoverable.

B12. ISLAMIC FINANCING

	The Group	
	As at 31-12-2021 RM'000	As at 31-12-2020 RM'000
<u>Non-current</u>		
<u>Secured</u>		
Commodity Murabahah Term Financing ("CMTF 1")	79,604	79,472
Commodity Murabahah Term Financing ("CMTF 2")	29,678	29,598
Commodity Murabahah Term Financing ("CMTF 3 Tranche 1")	277,463	-
Commodity Murabahah Term Financing ("CMTF 3 Tranche 2")	297,132	-
	683,877	109,070
<u>Current</u>		
<u>Secured</u>		
Sukuk Ijarah Issue 2	-	574,518
	-	574,518

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B14. MATERIAL LITIGATION

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

B15. SOFT COMMISSION RECEIVED

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

B16. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31-12-2021	Immediate Preceding Quarter ended 30-09-2021
Number of units in issue - units	735,985,088	735,985,088
Earning per unit (EPU) - sen	3.11	2.07
Net income distribution to unitholders - RM'000	13,248	14,720
Distribution per unit (DPU) - sen	1.80	2.00
Net Asset Value (NAV) - RM'000	945,002	938,431
NAV per unit - RM	1.2840	1.2751
Market Value Per Unit - RM	1.1600	1.1700

B17. 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 2021 and of its financial performance and cash flows for the year then ended.