

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Third Quarter Ended 30 September 2022

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year Corresponding Period to Date	Changes
	30-09-2022	30-09-2021		30-09-2022	30-09-2021	
	RM	RM	%	RM	RM	%
	27,419,669	28,671,007	(4.4)	81,981,632	87,101,336	(5.9)
	(1,500,416)	(1,493,192)	0.5	(4,543,342)	(4,404,732)	3.1
Net rental income	25,919,253	27,177,815	(4.6)	77,438,290	82,696,604	(6.4)
Investment income	227,133	148,127	53.3	606,020	403,839	50.1
Realised gain on foreign exchange	608	-	100.0	-	23,954	(100.0)
Unrealised loss on foreign exchange	(22,259)	(223,046)	(90.0)	(3,567)	(173,962)	(98.0)
Other income	133,000	133,000	-	399,242	399,303	(0.02)
Total income	26,257,735	27,235,896	(3.6)	78,439,985	83,349,738	(5.9)
Managers' fees	(460,257)	(462,715)	(0.5)	(1,371,131)	(1,381,677)	(0.8)
Trustees' fees	(95,672)	(96,584)	(0.9)	(284,628)	(288,404)	(1.3)
Islamic financing costs	(7,074,223)	(5,996,255)	18.0	(19,467,166)	(21,713,292)	(10.3)
Maintenance of properties	(345,000)	-	100.0	(454,380)	(1,316,200)	(65.5)
Derecognition of past lease receivables	-	(4,697,396)	(100.0)	-	(5,837,830)	(100.0)
Realised loss on foreign exchange	(56,000)	-	-	(56,000)	-	100.0
Administrative expenses	(317,082)	(346,963)	(8.6)	(1,217,318)	(1,128,848)	7.8
Professional fees	(179,937)	(143,365)	25.5	(341,564)	(452,789)	(24.6)
Withholding tax	(111,380)	(207,551)	(46.4)	(334,140)	(563,354)	(40.7)
Total trust expenditure	(8,639,551)	(11,950,829)	(27.7)	(23,526,327)	(32,682,394)	(28.0)
Net income before taxation	17,618,184	15,285,067	15.3	54,913,658	50,667,344	8.4
Tax	-	-	-	-	-	-
Net income after taxation	17,618,184	15,285,067	15.3	54,913,658	50,667,344	8.4
Other comprehensive income						
Foreign currency translation differences for foreign operation	(251,445)	(1,053,405)	(76.1)	(1,486,158)	(895,283)	66.0
Total comprehensive income for the period	17,366,739	14,231,662	22.0	53,427,500	49,772,061	7.3
Net income after taxation is made up as follows:						
Realised	16,929,493	14,772,648	14.6	52,784,374	48,634,909	8.5
Unrealised	688,691	512,419	34.4	2,129,284	2,032,435	4.8
	17,618,184	15,285,067	15.3	54,913,658	50,667,344	8.4
Earnings per unit (sen) - Net	2.39	2.07	15.9	7.46	6.88	8.6

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2022

	Note	Unaudited As At End Of Current Quarter 30-09-2022 RM	Audited As At Preceding Year Ended 31-12-2021 RM
ASSETS			
Non-current assets			
Investment properties	A9	1,537,915,898	1,538,210,398
Current Assets			
Trade receivables	B11	45,744,269	36,106,493
Other receivables & prepayments		11,910,673	574,587
Cash and bank balances		49,108,936	49,337,838
Fixed deposits with licensed banks		33,145,768	40,503,678
		<u>139,909,646</u>	<u>126,522,596</u>
TOTAL ASSETS		<u>1,677,825,544</u>	<u>1,664,732,994</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B12	684,761,530	683,876,967
Other payables		13,455,134	13,475,204
Deferred tax		1,765,866	1,765,866
		<u>699,982,530</u>	<u>699,118,037</u>
Current Liabilities			
Other payables and accruals		7,381,019	5,893,348
Provision for income distribution		14,719,701	14,719,701
		<u>22,100,720</u>	<u>20,613,049</u>
TOTAL LIABILITIES		<u>722,083,250</u>	<u>719,731,086</u>
NET ASSETS VALUE		<u>955,742,294</u>	<u>945,001,908</u>
REPRESENTED BY:			
Unitholders' capital		731,398,126	731,398,126
Undistributed income		233,852,505	221,625,961
Foreign exchange translation reserve		(9,508,337)	(8,022,179)
TOTAL UNITHOLDERS' FUND		<u>955,742,294</u>	<u>945,001,908</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		1.2986	1.2840
- After income distribution*		1.2786	1.2660

*after reflecting the proposed third interim income distribution for financial year ending 31 December 2022 of 2.00 sen per unit (2021: final income distribution for financial year ended 31 December 2021 of 1.80 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 2021 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 Third Quarter Ended 30 September 2022

Note	Unitholders' Capital RM	Undistributed Income RM	Foreign Exchange RM	Total Unitholders' Fund RM
As at 1 January 2021	731,398,126	217,626,683	(5,534,648)	943,490,161
Operation for the period ended 30 September 2021				
Net income for the period	-	50,667,344	(895,283)	49,772,061
<i>Increase in net assets resulting from operation</i>	-	50,667,344	(895,283)	49,772,061
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders	-	(54,830,875)	-	(54,830,875)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(54,830,875)	-	(54,830,875)
Net assets as at 30 September 2021	731,398,126	213,463,152	(6,429,931)	938,431,347
As at 1 January 2022	731,398,126	221,625,961	(8,022,179)	945,001,908
Operation for the period ended 30 September 2022				
Net income for the period	-	54,913,658	(1,486,158)	53,427,500
<i>Increase in net assets resulting from operation</i>	-	54,913,658	(1,486,158)	53,427,500
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders #	-	(42,687,114)	-	(42,687,114)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(42,687,114)	-	(42,687,114)
Net assets as at 30 September 2022	731,398,126	233,852,505	(9,508,337)	955,742,294

Include:

- (i) Payment of the final income distribution for the financial year ended 31 December 2021 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 which was paid on 28 February 2022.
- (ii) Payment of the first interim income distribution for the financial year ending 31 December 2022 of 2.00 sen per unit (of which 1.21 sen per unit is taxable and 0.79 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 January to 31 March 2022 which was paid on 8 July 2022.
- (iii) Provision of the second interim income distribution for the financial year ending 31 December 2022 of 2.00 sen per unit (of which 0.91 sen per unit is taxable and 1.09 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 April to 30 June 2022 which was announced on 26 August 2022.

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 2021 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Third Quarter Ended 30 September 2022

	To Date	
	30-09-2022	30-09-2021
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	54,913,658	50,667,344
Adjustment for:		
Islamic financing costs	19,467,166	21,713,292
Unrealised loss on foreign exchange	3,567	173,962
Unbilled rental income	(2,132,851)	(2,206,397)
Loss on disposal	93,800	-
Investment revenue	(606,020)	(403,839)
Derecognition of past lease receivables	-	5,837,830
Operating profit before working capital changes	<u>71,739,320</u>	<u>75,782,192</u>
Changes in working capital:		
Increase in receivables and prepayments	(18,841,011)	(6,916,993)
Decrease in other payables and accruals	(13,595,537)	(1,949,136)
Cash generated from operations	<u>39,302,772</u>	<u>66,916,063</u>
Taxes	-	-
Net cash generated from operating activities	<u>39,302,772</u>	<u>66,916,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income received from investment	606,020	403,839
Proceed from the disposal	200,700	-
Net cash generated from investing activities	<u>806,720</u>	<u>403,839</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(27,967,412)	(40,111,173)
(Increase)/decrease in restricted cash	(711,853)	14,624,059
Islamic financing costs paid	(18,239,167)	(25,126,050)
Net proceeds from islamic financing	-	5,000,000
Net cash used in financing activities	<u>(46,918,432)</u>	<u>(45,613,164)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,808,940)	21,706,738
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,489,725)	(1,069,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	82,955,755	61,149,116
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>74,657,090</u>	<u>81,786,609</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	49,108,936	43,780,346
Fixed deposits with licensed banks	33,145,768	44,905,919
	<u>82,254,704</u>	<u>88,686,265</u>
Less: Restricted cash	(7,597,614)	(6,899,656)
CASH AND CASH EQUIVALENTS	<u>74,657,090</u>	<u>81,786,609</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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 2021.

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 2021.

Standards that have been issued but not yet effective

- 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 2021 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 second interim income distribution for the financial year ending 31 December 2022 of 2.00 sen per unit (of which 0.91 sen per unit is taxable and 1.09 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 April to 30 June 2022, which was announced on 26 August 2022 has been paid on 11 October 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
Period Ended 30 September 2022			
Gross rental income	77,680	4,302	81,982
Property expenses	(4,496)	(47)	(4,543)
Net rental income	73,184	4,255	77,439
Investment income	606	-	606
Unrealised loss on foreign exchange	(4)	-	(4)
Other income	399	-	399
Total income	74,185	4,255	78,440
Trust expenditure	(23,192)	(334)	(23,526)
Net income before taxation	50,993	3,921	54,914
Tax	-	-	-
Net income after taxation	50,993	3,921	54,914
Total assets	1,548,617	129,209	1,677,826
Total liabilities	721,501	582	722,083

	Malaysia RM'000	Australia RM'000	Total RM'000
Period Ended 30 September 2021			
Gross rental income	78,521	8,580	87,101
Property expenses	(4,358)	(47)	(4,405)
Net rental income	74,163	8,533	82,696
Investment income	404	-	404
Realised gain on foreign exchange	24	-	24
Unrealised loss on foreign exchange	(174)	-	(174)
Other income	399	-	399
Total income	74,816	8,533	83,349
Trust expenditure	(30,982)	(1,700)	(32,682)
Net income before taxation	43,834	6,833	50,667
Tax	-	-	-
Net income after taxation	43,834	6,833	50,667
Total assets	1,530,604	126,681	1,657,285
Total liabilities	718,592	262	718,854

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

There was no valuation of property being made in the current quarter.

A10. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events to the current quarter under review up to the date of this Interim Financial Report.

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

There were no contingent liabilities or contingent assets to be disclosed in the current quarter.

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	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
	RM	RM	RM	RM
Manager's fee	1,371,131	1,381,677	1,371,131	1,381,677
Maintenance fee	834,360	757,632	834,360	757,632
Miscellaneous expenses	34,592	18,895	34,592	18,895
Other income	(399,000)	(399,000)	(399,000)	(399,000)

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 Third Quarter Ended 30 September 2022

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 30.09.2022 RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Changes %	Current Year To Date 30.09.2022 RM'000	Preceding Year Corresponding Period To Date 30.09.2021 RM'000	Changes %
Net rental income						
Malaysia	24,497	24,324	0.7	73,184	74,163	(1.3)
Australia	1,423	2,853	(50.1)	4,255	8,533	(50.1)
Total	25,920	27,177	(4.6)	77,439	82,696	(6.4)
Net income before taxation						
Malaysia	16,200	12,725	27.3	50,993	43,834	16.3
Australia	1,419	2,560	(44.6)	3,921	6,833	(42.6)
Total	17,619	15,285	15.3	54,914	50,667	8.4

(a) Review of Individual Quarter Results

Malaysia segment

The Malaysia segment contributed RM24.5 million of net rental income for the current quarter ended 30 September 2022, represented a slightly increase of RM0.2 million or 0.7% from RM24.3 million, recorded in the preceding year's corresponding quarter. The increase was mainly due to annual increment on rental income.

The Malaysia segment recorded net income before taxation of RM16.2 million for the current quarter, which is RM3.5 million or 27.3% higher than preceding year corresponding quarter of RM12.7 million. The increase was mainly due to Covid-19 rental support granted to tenants in the preceding year's corresponding quarter.

Australia segment

The Australia segment contributed RM1.4 million of net rental income for the current quarter ended 30 September 2022, represented a decrease of RM1.4 million or 50.1% from RM2.8 million, recorded in the preceding year's corresponding quarter. The decrease was mainly due to rent review exercise effective from 2 October 2021.

The Australia segment recorded net income before taxation of RM1.4 million for the current quarter, which is RM1.1 million lower than preceding year corresponding quarter of RM2.5 million. The decrease was mainly due to rent review as mentioned earlier.

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM73.2 million of net rental income for the period ended 30 September 2022, represented a decrease of RM1.0 million or 1.3% from RM74.2 million, recorded in the preceding period. 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 RM51.0 million for the period ended 30 September 2022, which is RM7.2 million or 16.3% higher than preceding period of RM43.8 million. The increase was mainly due to Covid-19 rental support granted to tenants in the preceding period as well as saving from refinancing exercise.

Australia segment

Net rental income of the Australia segment for the period ended 30 September 2022, represented a decrease of RM4.3 million or 50.1% from RM8.5 million, recorded in the preceding period. The decrease was mainly due to rent review exercise effective from 2 October 2021.

The Australia segment recorded net income before taxation of RM3.9 million for the period ended 30 September 2022, which is RM2.9 million lower than preceding period of RM6.8 million. The decrease was mainly due to rent review as mentioned earlier.

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

	Current Quarter ended 30.09.2022 RM'000	Immediate Preceding Quarter ended 30.06.2022 RM'000	Changes %
Net rental income	25,920	25,811	0.42
Net income before taxation	17,619	18,340	(3.93)

AI-Aqar Healthcare REIT recorded a lower net income before taxation of RM17.6 million as compared to RM18.3 million in the preceding quarter. During the current quarter, Bank Negara Malaysia has raised the overnight policy rate by an additional 50 basis points in July and September 2022.

B3. CHANGES IN NET ASSET VALUE

	As at 30-09-2022 RM'000	As at 30-06-2022 RM'000
Net asset value ("NAV")	955,742	953,095
NAV per unit (RM)	1.2986	1.2950

The NAV as at 30 September 2022 was higher by RM2.6 million as compared to the immediate preceding quarter, as a result of total comprehensive income of RM17.3 million and income distribution of RM14.7 million recognised during the current quarter.

B4. PROSPECTS

The global economy continues to be weighed down by rising cost pressures, tighter global financial conditions, and strict Covid containment measures in China. These factors more than offset the support from positive labour market conditions, and the full reopening of most economies and international borders. Inflationary pressures were more persistent than expected due to strong demand, tight labour markets, and elevated commodity prices, despite improvements in global supply chain conditions. Consequently, many central banks are expected to continue raising interest rates to manage inflationary pressures. In particular, continued aggressive adjustments in US interest rates and expectations of a higher terminal rate in the US, have contributed to a persistently strong US dollar environment. This has resulted in higher volatility in financial markets, affecting other major and emerging market currencies, including the ringgit. Going forward, the global growth outlook will continue to face headwinds from tighter financial conditions amid elevated inflation in major economies and the domestic challenges in China.

The Malaysian economic activity strengthened further in the third quarter, driven primarily by robust domestic demand. Going forward, despite the challenging global environment, domestic demand will remain the key driver of growth. Nevertheless, external demand is expected to moderate following softening global growth. Despite bouts of heightened volatility in the global financial and foreign exchange markets, these developments are not expected to derail Malaysia's growth. Domestic liquidity remains sufficient, with continued orderly functioning of the financial and foreign exchange markets.

Against the backdrop of continued positive growth prospects for the Malaysian economy, the Monetary Policy Committee of Bank Negara Malaysia ("BNM") decided to further adjust the degree of monetary accommodation to 2.75%. The monetary policy decisions will continue to depend on evolving conditions and their implications on the overall outlook to domestic inflation and growth. In line with earlier assessments, headline inflation is likely to have peaked in 3Q 2022 and is expected to moderate thereafter, albeit remaining elevated. Underlying inflation, as measured by core inflation, is projected to average closer to the upper end of the 2.0% - 3.0% forecast range in 2022, having averaged 2.7% year-to-date, given some demand-driven price pressures amid the high-cost environment.

With BNM expecting the National Gross Domestic Product to expand between 5.3% to 6.3% this year, as compared to 3.1% in 2021, and continued emphasize on healthcare spending by the Malaysian government, it is expected for the healthcare industry to continue to be central in the economic recovery. In the first half of 2022, Al-'Aqar main sponsor, KPJ Group has recorded inpatient visits and BOR increased by 51% and 40%, respectively. Thus, this resulted in an increase in both revenue and EBITDA of 10% and 28%, respectively, compared to the same corresponding preceding financial period. KPJ Group is expecting continued growth in demand for healthcare services, on the back of rising mental and physical healthcare awareness as well as the shifting healthcare focus from hospitalizations towards preventive care. A resurgence in elective medical procedures and recovery of the health tourism sector is also expected to bode well for KPJ Group in the current year.

Moving into 2023, headline and core inflation are expected to remain elevated amid both demand and cost pressures, as well as any changes to domestic policy measures. The extent of upward pressures to inflation will remain partly contained by existing price controls, subsidies, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook in 2023 is tilted to the upside and continues to be subject to domestic policy measures on subsidies, as well as global commodity price developments and prolonged supply-related disruptions.

The Manager has taken into consideration the increased in OPR in managing both the existing asset portfolio and the potential acquisition announced on 2 September 2022. Thus, it is expected that there will be no significant disruption to the earnings of Al-'Aqar as the fund's earnings are underpinned by the long-term lease arrangements with the KPJ Group and future potential acquisition plan. In addition, the proposed acquisition of KPJ properties announced on 2 September 2022 (expected to be completed by end 2022) will be able contribute positively to the future earnings of Al-'Aqar.

Sources:

- 1 Bank Negara Monetary Policy Statement, 3 November & 8 September 2022
- 2 KPJ Healthcare Quarter 2, 2022 Performance Review & Prospect, 28 August 2022
- 3 Press release by Bank Negara Malaysia, 12 August 2022

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	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
	RM	RM	RM	RM
Tax expense				
- Income Tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Corresponding	To Date	Corresponding
	30-09-2022	Quarter	30-09-2022	Period To Date
	RM'000	30-09-2021	RM'000	30-09-2021
	RM'000	RM'000	RM'000	RM'000
Net rental income	25,919	27,178	77,438	82,697
Investment income	227	148	606	404
Other income	133	133	399	423
Less: Unbilled rental income	(711)	(735)	(2,133)	(2,206)
	<u>25,568</u>	<u>26,724</u>	<u>76,310</u>	<u>81,318</u>
Less: Expenses	(8,640)	(11,951)	(23,526)	(32,682)
Realised/Distributable income for the period	16,928	14,773	52,784	48,636
Previous year's undistributed realised income	<u>55,977</u>	<u>46,173</u>	<u>49,562</u>	<u>41,751</u>
Total realised income available for distribution	<u>72,905</u>	<u>60,946</u>	<u>102,346</u>	<u>90,387</u>
Less: Income to be distributed for the quarter/period	<u>(14,720)</u>	<u>(14,720)</u>	<u>(44,160)</u>	<u>(44,160)</u>
Balance undistributed income realised income	<u>58,185</u>	<u>46,226</u>	<u>58,186</u>	<u>46,227</u>
Distribution per unit (sen)	2.00	2.00	6.00	6.00

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

Proposed Acquisitions and Leases

On 2 September 2022 Al-Aqar Healthcare REIT had entered into the following agreements:

- (i) Conditional sale and purchase agreement ("SPA") with Penang Specialist Hospital Sdn Bhd ("PNG"), a subsidiary of KPJ Healthcare Bhd ("KPJ"), in relation to the Proposed Acquisition of TMC New Building ("TMC SPA") and a conditional lease agreement with PNG in relation to the Proposed Lease of TMC New Building ("TMC Lease Agreement");
- (ii) Conditional SPA with Maharani Specialist Hospital Sdn Bhd ("MSH"), a subsidiary of KPJ, in relation to the Proposed Acquisition of Seremban New Building ("Seremban SPA") and a conditional lease agreement with MSH in relation to the Proposed Lease of the Seremban New Building ("Seremban Lease Agreement"); and
- (iii) Conditional SPA with Pasir Gudang Specialist Hospital Sdn Bhd ("PGSH"), a subsidiary of KPJ, in relation to the Proposed Acquisition of Pasir Gudang Property ("Pasir Gudang SPA") and a conditional lease agreement with PGSH in relation to the Proposed Lease of the Pasir Gudang Property ("Pasir Gudang Lease Agreement").

The Proposed Acquisitions and Leases are deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements and subject to the approval of the Unitholders.

Proposed Private Placement

In addition, Al-Aqar also proposes to undertake a proposed private placement, which involves the issuance of up to 118,965,517 new units, representing up to 16.16% of the total issued units of Al-Aqar. On 20 October 2022, the listing application has been submitted to Bursa Securities.

B11. TRADE RECEIVABLES

	The Group	
	As at	As at
	30-09-2022	30-09-2021
	RM'000	RM'000
<u>Non-current</u>		
Trade receivables	-	1,319
<u>Current</u>		
Trade receivables	37,924	25,234
Unbilled rental income	7,820	5,050
	<u>45,744</u>	<u>30,284</u>

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

Unbilled rental income consist of unbilled incremental lease rental receivable from Pasir Gudang Specialist Hospital ("KPJ Batu Pahat 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	As at
	30-09-2022	30-09-2021
	RM'000	RM'000
0-30 days	3,180	2,639
31-60 days	2,902	1,030
61-90 days	1,443	641
More than 90 days	30,399	22,243
	<u>37,924</u>	<u>26,553</u>

Out of the total trade receivables of RM37.9 million, RM24.4 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	As at
	30-09-2022	30-09-2021
	RM'000	RM'000
<u>Non-current</u>		
<u>Secured</u>		
Commodity Murabahah Term Financing ("CMTF 1")	79,703	79,664
Commodity Murabahah Term Financing ("CMTF 2")	29,739	29,565
Commodity Murabahah Term Financing ("CMTF 3 Tranche 1")	277,872	277,375
Commodity Murabahah Term Financing ("CMTF 3 Tranche 2")	297,448	297,082
	684,762	683,686

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 30-09-2022	Immediate Preceding Quarter ended 30-06-2022
Number of units in issue - units	735,985,088	735,985,088
Earning per unit (EPU) - sen	2.39	2.49
Net income distribution to unitholders - RM'000	14,720	14,720
Distribution per unit (DPU) - sen	2.00	2.00
Net Asset Value (NAV) - RM'000	955,742	953,095
NAV per unit - RM	1.2986	1.2950
Market Value Per Unit - RM	1.1800	1.1900

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 30 September 2022 and of its financial performance and cash flows for the period then ended.