

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Second Quarter Ended 30 June 2023

| Note | Individual Quarter | | | Cumulative Quarter | | |
|--|----------------------|--------------------------------------|---------------|---------------------|---|---------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Changes | Current Year | Preceding Year Corresponding Period to Date | Changes |
| | 30-06-2023 | 30-06-2022 | | 30-06-2023 | 30-06-2022 | |
| | RM | RM | % | RM | RM | % |
| | 29,391,253 | 27,312,152 | 7.6 | 59,602,630 | 54,561,963 | 9.2 |
| | (1,563,877) | (1,500,647) | 4.2 | (3,164,892) | (3,042,926) | 4.0 |
| Net rental income | 27,827,376 | 25,811,505 | 7.8 | 56,437,738 | 51,519,037 | 9.5 |
| Investment income | 373,497 | 216,348 | 72.6 | 703,750 | 378,887 | 85.7 |
| Realised loss on foreign exchange | - | - | - | - | (608) | (100) |
| Unrealised gain/(loss) on foreign exchange | 50,665 | (265,792) | (>100) | 39,014 | 18,692 | >100 |
| Other income | 133,245 | 133,242 | - | 266,245 | 266,242 | - |
| Total income | 28,384,783 | 25,895,303 | 9.6 | 57,446,747 | 52,182,250 | 10.1 |
| Managers' fees | (1,312,477) | (459,011) | >100 | (1,794,578) | (910,874) | 97.0 |
| Trustees' fees | (106,369) | (95,357) | 11.5 | (203,915) | (188,956) | 7.9 |
| Islamic financing costs | (10,097,822) | (6,290,223) | 60.5 | (20,022,356) | (12,392,943) | 61.6 |
| Maintenance of properties | (57,100) | (109,380) | (47.8) | (644,099) | (109,380) | >100 |
| Administrative expenses | (525,677) | (425,694) | 23.5 | (1,053,505) | (900,236) | 17.0 |
| Professional fees | (851,490) | (63,734) | >100 | (916,490) | (161,627) | >100 |
| Withholding tax | (111,380) | (111,380) | - | (222,760) | (222,760) | - |
| Total trust expenditure | (13,062,315) | (7,554,779) | 72.9 | (24,857,703) | (14,886,776) | 67.0 |
| Net income before taxation | 15,322,468 | 18,340,524 | (16.5) | 32,589,044 | 37,295,474 | (12.6) |
| Tax | - | - | - | - | - | - |
| Net income after taxation | 15,322,468 | 18,340,524 | (16.5) | 32,589,044 | 37,295,474 | (12.6) |
| Other comprehensive income/ (expenses) for the period | | | | | | |
| Foreign currency translation differences for foreign operation | 2,011,697 | (1,471,558) | (>100) | 1,436,448 | (1,234,713) | (>100) |
| Total comprehensive income for the period | 17,334,165 | 16,868,966 | 2.8 | 34,025,492 | 36,060,761 | (5.6) |
| Net income after taxation is made up as follows: | | | | | | |
| Realised | 14,680,594 | 17,895,365 | (18.0) | 31,367,611 | 35,854,881 | (12.5) |
| Unrealised | 641,874 | 445,159 | 44.2 | 1,221,433 | 1,440,593 | (15.2) |
| | 15,322,468 | 18,340,524 | (16.5) | 32,589,044 | 37,295,474 | (12.6) |
| Earnings per unit (sen) - Net | 1.94 | 2.49 | (22.1) | 4.13 | 5.07 | (18.5) |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements. 1

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

| | Note | Unaudited As At End Of Current Quarter 30-06-2023 RM | Audited As At Preceding Year Ended 31-12-2022 RM |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | A9 | 1,721,281,384 | 1,721,281,384 |
| Current Assets | | | |
| Trade receivables | B11 | 50,127,804 | 49,503,412 |
| Other receivables & prepayments | | 1,278,502 | 149,885 |
| Cash and bank balances | | 45,591,029 | 40,774,756 |
| Fixed deposits with licensed banks | | 35,946,529 | 55,356,398 |
| | | <u>132,943,864</u> | <u>145,784,451</u> |
| TOTAL ASSETS | | <u>1,854,225,248</u> | <u>1,867,065,835</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Islamic financing | B12 | 756,961,008 | 855,616,967 |
| Other payables | | 15,247,543 | 15,247,543 |
| Deferred tax | | 1,662,541 | 1,662,541 |
| | | <u>773,871,092</u> | <u>872,527,051</u> |
| Current Liabilities | | | |
| Other payables and accruals | | 7,770,504 | 8,604,304 |
| Provision for income distribution | | - | 14,719,701 |
| | | <u>7,770,504</u> | <u>23,324,005</u> |
| TOTAL LIABILITIES | | <u>781,641,596</u> | <u>895,851,056</u> |
| NET ASSETS VALUE | | <u>1,072,583,652</u> | <u>971,214,779</u> |
| REPRESENTED BY: | | | |
| Unitholders' capital | | 854,768,225 | 756,408,942 |
| Undistributed income | | 225,931,154 | 224,358,012 |
| Foreign exchange translation reserve | | (8,115,727) | (9,552,175) |
| TOTAL UNITHOLDERS' FUND | | <u>1,072,583,652</u> | <u>971,214,779</u> |
| NUMBER OF UNITS IN CIRCULATION | | <u>839,597,757</u> | <u>756,485,757</u> |
| NET ASSETS VALUE (NAV) PER UNIT (RM) | | | |
| - Before income distribution | | 1.2775 | 1.2839 |
| - After income distribution* | | 1.2585 | 1.2629 |

*after reflecting the proposed second interim income distribution for financial year ending 31 December 2023 of 1.90 sen per unit (2022: final income distribution for financial year ended 31 December 2022 of 2.10 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 2022 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 Second Quarter Ended 30 June 2023

| Note | Unitholders' Capital RM | Undistributed Income RM | Foreign Exchange RM | Total Unitholders' Fund RM |
|--|-------------------------------|-------------------------------|---------------------------|-------------------------------------|
| As at 1 January 2022 | 731,398,126 | 221,625,961 | (8,022,179) | 945,001,908 |
| Operation for the period ended 30 June 2022 | | | | |
| Net income for the period | - | 37,295,474 | (1,234,713) | 36,060,761 |
| <i>Increase in net assets resulting from operation</i> | - | 37,295,474 | (1,234,713) | 36,060,761 |
| Unitholders' transactions | | | | |
| Placement of units | - | - | - | - |
| Distribution to unitholders | - | (27,967,420) | - | (27,967,420) |
| Issuing expenses | - | - | - | - |
| <i>Decrease in net assets resulting from unitholders' transactions</i> | - | (27,967,420) | - | (27,967,420) |
| Net assets as at 30 June 2022 | 731,398,126 | 230,954,015 | (9,256,892) | 953,095,249 |
| As at 1 January 2023 | 756,408,942 | 224,358,012 | (9,552,175) | 971,214,779 |
| Operation for the period ended 30 June 2023 | | | | |
| Net income for the period | - | 32,589,044 | 1,436,448 | 34,025,492 |
| <i>Increase in net assets resulting from operation</i> | - | 32,589,044 | 1,436,448 | 34,025,492 |
| Unitholders' transactions | | | | |
| Placement of units | 99,734,400 | - | - | 99,734,400 |
| Distribution to unitholders # | - | (31,015,902) | - | (31,015,902) |
| Issuing expenses | (1,375,117) | - | - | (1,375,117) |
| <i>Decrease in net assets resulting from unitholders' transactions</i> | 98,359,283 | (31,015,902) | - | 67,343,381 |
| Net assets as at 30 June 2023 | 854,768,225 | 225,931,154 | (8,115,727) | 1,072,583,652 |

Include:

- (i) Payment of the final income distribution for the financial year ended 31 December 2022 of 2.10 sen per unit (of which 1.05 sen per unit is taxable and 1.05 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 October to 31 December 2022 which was paid on 28 February 2023.
- (ii) Payment of the first interim income distribution for the financial year ending 31 December 2023 of 2.00 sen per unit (of which 0.90 sen per unit is taxable and 1.10 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 January to 31 March 2023 which was paid on 12 May 2023.

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 2022 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Second Quarter Ended 30 June 2023

| | To Date | |
|---|---------------|--------------|
| | 30-06-2023 | 30-06-2022 |
| | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 32,589,044 | 37,295,474 |
| Adjustment for: | | |
| Islamic financing costs | 20,022,356 | 12,392,943 |
| Unrealised gain on foreign exchange | (39,014) | (18,692) |
| Unbilled rental income | (1,182,419) | (1,421,901) |
| Loss on disposal of investment property | - | 93,800 |
| Investment revenue | (703,750) | (378,887) |
| Operating profit before working capital changes | 50,686,217 | 47,962,737 |
| Changes in working capital: | | |
| Increase in receivables and prepayments | (570,590) | (6,875,143) |
| Decrease in other payables and accruals | (15,451,758) | (583,074) |
| Cash generated from operations | 34,663,869 | 40,504,520 |
| Taxes | - | - |
| Net cash generated from operating activities | 34,663,869 | 40,504,520 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Income received on investment | 703,750 | 378,887 |
| Proceeds from disposal of investment property | - | 200,700 |
| Net cash generated from investing activities | 703,750 | 579,587 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Distribution paid | (31,015,902) | (26,722,922) |
| Repayment of Islamic financing | (100,000,000) | - |
| Proceeds from issuance of units | 98,359,283 | - |
| Islamic financing costs paid | (18,780,061) | (11,779,336) |
| Net cash used in financing activities | (51,436,680) | (38,502,258) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (16,069,061) | 2,581,849 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 1,475,465 | (1,216,021) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 96,092,012 | 89,803,086 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 81,498,416 | 91,168,914 |
| DEPOSITS, CASH AND BANK BALANCES | | |
| Cash and bank balances | 45,591,029 | 48,155,722 |
| Fixed deposits with licensed banks | 35,946,529 | 43,051,623 |
| | 81,537,558 | 91,207,345 |
| Less: Islamic fixed deposits with licensed banks with maturity period of more than 3 months | (39,142) | (38,431) |
| CASH AND CASH EQUIVALENTS | 81,498,416 | 91,168,914 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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 2022.

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 2022.

The Group has applied the following standards and amendments for the first time for the financial period beginning 1 January 2023:

- MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates

The standards and interpretations that are issued but not yet effective are disclosed below:

- Amendment to MFRS 16 : Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendment to MFRS 101 : Non-current Liabilities with Covenants (effective 1 January 2024)
- Amendment to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Deferred)

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 2022 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

On 27 April 2023, Al-'Aqar has fully redeemed its RM100.0 million of Revolving Credit-i mainly via proceeds from the private placement (kindly refer note B12).

A7. INCOME DISTRIBUTION

The first interim income distribution for the financial year ending 31 December 2023 of 2.00 sen per unit (of which 0.90 sen per unit is taxable and 1.10 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 January to 31 March 2023, which was announced on 3 April 2023 has been paid on 12 May 2023.

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 June 2023 | | | |
| Gross rental income | 56,741 | 2,862 | 59,603 |
| Property expenses | (3,133) | (32) | (3,165) |
| Net rental income | 53,608 | 2,830 | 56,438 |
| Investment income | 704 | - | 704 |
| Unrealised gain on foreign exchange | 39 | - | 39 |
| Other income | 266 | - | 266 |
| Total income | 54,617 | 2,830 | 57,447 |
| Trust expenditure | (24,193) | (665) | (24,858) |
| Net income before taxation | 30,424 | 2,165 | 32,589 |
| Tax | - | - | - |
| Net income after taxation | 30,424 | 2,165 | 32,589 |
| Total assets | 1,722,186 | 132,039 | 1,854,225 |
| Total liabilities | 781,433 | 209 | 781,642 |
| | Malaysia RM'000 | Australia RM'000 | Total RM'000 |
| Period Ended 30 June 2022 | | | |
| Gross rental income | 51,698 | 2,864 | 54,562 |
| Property expenses | (3,011) | (32) | (3,043) |
| Net rental income | 48,687 | 2,832 | 51,519 |
| Investment income | 379 | - | 379 |
| Realised loss on foreign exchange | (1) | - | (1) |
| Unrealised gain on foreign exchange | 19 | - | 19 |
| Other income | 266 | - | 266 |
| Total income | 49,350 | 2,832 | 52,182 |
| Trust expenditure | (14,557) | (330) | (14,887) |
| Net income before taxation | 34,793 | 2,502 | 37,295 |
| Tax | - | - | - |
| Net income after taxation | 34,793 | 2,502 | 37,295 |
| Total assets | 1,545,890 | 128,211 | 1,674,101 |
| Total liabilities | 720,432 | 574 | 721,006 |

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

Al-'Aqar had entered into a Memorandum of Extension of lease agreements with the subsidiaries of KPJ to extend the lease of five properties owned by Al-'Aqar, namely Kedah Medical Centre, KPJ Kajang Specialist Hospital, KPJ Perdana Specialist Hospital, KPJ Sentosa KL Specialist Hospital and Kuantan Care & Wellness Centre.

Via a Memorandum of Extension dated 24 February 2023, the initial 15-year contractual lease period under the Principal Lease Agreements which expired on 28 February 2023 has been extended by two months commencing from 1 March 2023 until 30 April 2023 ("Extended Contractual Term"), with a right to extend for a further period of two months after the expiry of the Extended Contractual Term.

Subsequently, via a Supplemental Memorandum of Extension dated 26 June 2023, the Extended Contractual Term has been extended for a further period of two months from 1 May 2023 until 30 June 2023, with a right to extend for a further period of three months until 30 September 2023.

The contractual lease is expected to be renewed by 1 October 2023, subject to Al-'Aqar unitholders approval tentatively scheduled on 25 August 2023.

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 |
|----------------------|--------------------|--------------------|
| As at 1 January 2023 | 756,485,757 | 756,408,942 |
| Issue of new Units | 83,112,000 | 99,734,400 |
| As at 30 June 2023 | <u>839,597,757</u> | <u>856,143,342</u> |

On 20 April 2023, Al-'Aqar Healthcare REIT had announced that the private placement has been completed following the listing and quotation of 83,112,000 new Units on the Main Market of Bursa Malaysia Securities Berhad.

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 | |
|------------------------|------------------|------------------|------------------|------------------|
| | 30-06-2023 RM | 30-06-2022 RM | 30-06-2023 RM | 30-06-2022 RM |
| Manager's fee | 1,794,578 | 910,874 | 1,794,578 | 910,874 |
| Maintenance fee | 601,520 | 570,240 | 601,520 | 570,240 |
| Miscellaneous expenses | 43,976 | 34,592 | 43,976 | 34,592 |
| Other income | (266,000) | (266,000) | (266,000) | (266,000) |

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 Second Quarter Ended 30 June 2023

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 30.06.2023 RM'000 | Preceding Year Corresponding Quarter 30.06.2022 RM'000 | Changes % | Current Year To Date 30.06.2023 RM'000 | Preceding Year Corresponding Period To Date 30.06.2022 RM'000 | Changes % |
| Net rental income | | | | | | |
| Malaysia | 26,414 | 24,388 | 8.3 | 53,608 | 48,687 | 10.1 |
| Australia | 1,414 | 1,423 | (0.6) | 2,830 | 2,832 | (0.1) |
| Total | 27,828 | 25,811 | 7.8 | 56,438 | 51,519 | 9.5 |
| Net income before taxation | | | | | | |
| Malaysia | 14,416 | 16,970 | (15.1) | 30,424 | 34,793 | (12.6) |
| Australia | 906 | 1,370 | (33.9) | 2,165 | 2,502 | (13.5) |
| Total | 15,322 | 18,340 | (16.5) | 32,589 | 37,295 | (12.6) |

(a) Review of Individual Quarter Results

Malaysia segment

The Malaysia segment contributed RM26.4 million of net rental income for the current quarter ended 30 June 2023, represented an increase of RM2.0 million or 8.3% from RM24.4 million, recorded in the preceding year's corresponding quarter. The increase was mainly contributed by income from TMC Health (New Building), KPJ Seremban Specialist Hospital (New Building) and KPJ Pasir Gudang Specialist Hospital, which was acquired in December 2022.

The Malaysia segment recorded net income before taxation of RM14.4 million for the current quarter, which is RM2.6 million or 15.1% lower than preceding year corresponding quarter of RM17.0 million. The decrease was mainly due to higher financing cost of RM1.8 million in relation drawdown of additional Islamic financing in December 2022 as well as due to increase 100 basis point in OPR from 2.00% to 3.00% of RM2.0 million. The decrease was also due to revision in management fee and higher professional fees incurred during the current quarter.

Australia segment

The net rental income of the Australia segment for the current quarter ended 30 June 2023 was largely unchanged at RM1.4 million, as compared to preceding year's corresponding quarter.

The Australia segment recorded net income before taxation of RM0.9 million for the current quarter, which is lower of RM0.5 million than preceding year corresponding quarter of RM1.4 million due to higher professional fees incurred during the current quarter.

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM53.6 million of net rental income for the period ended 30 June 2023, represented an increase of RM4.9 million or 10.1% from RM48.7 million, recorded in the preceding period. The increase was mainly contributed by income from TMC Health (New Building), KPJ Seremban Specialist Hospital (New Building) and KPJ Pasir Gudang Specialist Hospital, which was acquired in December 2022 as mentioned earlier.

The Malaysia segment recorded net income before taxation of RM30.4 million for the period ended 30 June 2023, which is RM4.4 million or 12.6% lower than preceding period of RM34.8 million. The decrease was mainly due to higher financing cost of RM3.8 million in relation drawdown of additional Islamic financing in December 2022 as well as due to increase 100 basis point in OPR from 2.00% to 3.00% of RM3.8 million. The decrease was also due to revision in management fee of RM0.9 million, higher professional fees of RM0.6 million, as well as higher replacement and repainting cost of RM0.5 million incurred during the current quarter.

Australia segment

The net rental income of the Australia segment for the period ended 30 June 2023 was largely unchanged at RM2.8 million, as compared to preceding year's corresponding period.

The Australia segment recorded net income before taxation of RM2.2 million for the period ended 30 June 2023, which is RM0.3 million lower than preceding period of RM2.5 million. The decrease was mainly due to higher professional fees incurred as mentioned earlier.

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

| | Current Quarter ended 30.06.2023 RM'000 | Immediate Preceding Quarter ended 31.03.2023 RM'000 | Changes % |
|----------------------------|--|--|----------------------|
| Net rental income | 27,828 | 28,610 | (2.73) |
| Net income before taxation | 15,322 | 17,267 | (11.26) |

Al-Aqar Healthcare REIT recorded a net income before taxation of RM15.3 million as compared to RM17.3 million in the preceding quarter. This was mainly due to revision in management fee as well as higher professional fees recorded during the current quarter.

B3. CHANGES IN NET ASSET VALUE

| | As at 30-06-2023 RM'000 | As at 31-03-2023 RM'000 |
|-------------------------|--|--|
| Net asset value ("NAV") | 1,072,584 | 972,020 |
| NAV per unit (RM) | 1.2775 | 1.2849 |

The NAV as at 30 June 2023 was higher by RM100.6 million as compared to the immediate preceding quarter, as a result of net issuance of new Units of RM98.4 million and total comprehensive income of RM17.3 million and income distribution of RM15.1 million recognised during the current quarter.

B4. PROSPECTS

The global economy continues to expand, driven by resilient domestic demand supported by strong labour market conditions. Global growth, however, remains weighed down by persistent core inflation and higher interest rates. While China's reopening remains supportive of the global economy, its pace of recovery has slowed in recent months. Globally, headline inflation continued to moderate, but core inflation remains above historical averages. For most central banks, the monetary policy stance is likely to remain tight. The growth outlook remains subject to downside risks, mainly from a slower momentum in major economies, higher-than-anticipated inflation outturns, an escalation of geopolitical tensions, and a sharp tightening in financial market conditions.

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%). The moderation in core inflation (2Q 2023: 3.4%; 1Q 2023: 3.9%) was largely contributed by selected services.

With the challenging global environment, the Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects. Tourist arrivals are expected to continue rising, which would support tourism-related activities. For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook are subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

KPJ Group, being the sponsor of Al-'Aqar, continues to achieved better than expected results for Quarter 1, 2023, benefiting from the continued resurgence in overall healthcare services. In the first quarter, the KPJ Group's Bed Occupancy Rate soared to 70%, the highest after pandemic. KPJ Group also remain optimistic on the growth potential of the health tourism segment with more tourist arrivals expected in 2023, though they anticipate a gradual stabilisation of the upturn in the domestic market. The Group's focus remains on initiatives aimed at enhancing efficiency, operationalising additional capacity introduced in 2022, and increasing revenue intensity by providing specialised services.

Hence, the Manager does not expect any disruption to the earning of Al-'Aqar as the Fund earning is underpinned by the long-term lease arrangements with KPJ Group. In addition, the lease renewal of five KPJ Group hospitals and future potential injection of KPJ properties will be able to contribute positively to the future earnings of Al-'Aqar.

Sources:

- 1 Bank Negara Monetary Policy Statement, 6 July 2023
- 2 Economic and Financial Developments in Malaysia in the Second Quarter of 2023, 18 August 2023
- 3 KPJ Healthcare Berhad Quarter 1, 2023 Performance Review & Prospect, 30 May 2023

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

A total proceed of RM99.7 million was raised from the issuance of 83.1 million new placement units pursuant to the placement exercise completed in April 2023. The net proceeds from private placement was used to redeem outstanding amount under a revolving credit facility.

B6. TAX

| | The Group | | The Fund | |
|--------------|------------|------------|------------|------------|
| | 30-06-2023 | 30-06-2022 | 30-06-2023 | 30-06-2022 |
| | 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 Year Quarter 30-06-2023 RM'000 | Preceding Year Corresponding Quarter 30-06-2022 RM'000 | Current Year To Date 30-06-2023 RM'000 | Preceding Year Corresponding Year To Date 30-06-2022 RM'000 |
|--|---|---|---|--|
| Net rental income | 27,828 | 25,812 | 56,438 | 51,519 |
| Investment income | 374 | 216 | 704 | 379 |
| Other income | 133 | 133 | 266 | 265 |
| Less: Unbilled rental income | (591) | (711) | (1,182) | (1,422) |
| | <u>27,744</u> | <u>25,450</u> | <u>56,226</u> | <u>50,741</u> |
| Less: Expenses | (13,063) | (7,555) | (24,858) | (14,887) |
| Realised/Distributable income for the period | 14,681 | 17,895 | 31,368 | 35,854 |
| Previous year's undistributed realised income | <u>58,838</u> | <u>52,802</u> | <u>57,281</u> | <u>49,562</u> |
| Total realised income available for distribution | <u>73,519</u> | <u>70,697</u> | <u>88,649</u> | <u>85,416</u> |
| Less: Income to be distributed for the quarter/period | <u>(15,952)</u> | <u>(14,720)</u> | <u>(31,082)</u> | <u>(29,440)</u> |
| Balance undistributed income realised income | <u><u>57,567</u></u> | <u><u>55,977</u></u> | <u><u>57,567</u></u> | <u><u>55,976</u></u> |
| Distribution per unit (sen) | 1.90 | 2.00 | 3.90 | 4.00 |

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

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

B11. TRADE RECEIVABLES

| | The Group | |
|------------------------|--|--|
| | As at 30-06-2023 RM'000 | As at 30-06-2022 RM'000 |
| Current | | |
| Trade receivables | 39,760 | 36,050 |
| Unbilled rental income | 10,367 | 7,109 |
| | <u><u>50,127</u></u> | <u><u>43,159</u></u> |

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 30-06-2023 RM'000 | As at 30-06-2022 RM'000 |
| 0-30 days | 2,845 | 4,476 |
| 31-60 days | 2,759 | 2,131 |
| 61-90 days | 2,631 | 2,125 |
| More than 90 days | 31,525 | 27,318 |
| | <u>39,760</u> | <u>36,050</u> |

Out of the total trade receivables of RM39.8 million, RM29.8 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 30-06-2023 RM'000 | As at 30-06-2022 RM'000 |
| <u>Non-current</u> | | |
| <u>Secured</u> | | |
| Commodity Murabahah Term Financing ("CMTF 1") | 79,802 | 79,670 |
| Commodity Murabahah Term Financing ("CMTF 2") | 29,799 | 29,719 |
| Commodity Murabahah Term Financing ("CMTF 3 Tranche 1") | 278,284 | 277,705 |
| Commodity Murabahah Term Financing ("CMTF 3 Tranche 2") | 297,761 | 297,313 |
| Commodity Murabahah Term Financing ("CMTF 4 - Term Financing-i") | 71,315 | - |
| | <u>756,961</u> | <u>684,407</u> |

On 27 April 2023, Al-Aqar Healthcare REIT has fully redeemed its RM100.0 million of Revolving Credit-i mainly via proceeds from the private placements.

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 30-06-2023 | Immediate Preceding Quarter ended 31-03-2023 |
|---|---|---|
| Number of units in issue - units | 839,597,757 | 756,485,757 |
| Earning per unit (EPU) - sen | 1.94 | 2.28 |
| Net income distribution to unitholders - RM'000 | 15,952 | 15,130 |
| Distribution per unit (DPU) - sen | 1.90 | 2.00 |
| Net Asset Value (NAV) - RM'000 | 1,072,584 | 972,020 |
| NAV per unit - RM | 1.2775 | 1.2849 |
| Market Value Per Unit - RM | 1.2700 | 1.3300 |