

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Fourth Quarter Ended 31 December 2022

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31-12-2022	31-12-2021		31-12-2022	31-12-2021	
	RM	RM	%	RM	RM	%
	28,257,035	26,971,165	4.8	110,238,667	114,072,501	(3.4)
	(1,496,311)	(1,445,896)	3.5	(6,039,653)	(5,850,628)	3.2
Net rental income	26,760,724	25,525,269	4.8	104,199,014	108,221,873	(3.7)
Investment income	316,728	219,265	44.5	922,748	623,104	48.1
(Loss)/gain on fair value adjustment	(11,258,551)	5,536,199	(>100)	(11,258,551)	5,536,199	(>100)
Realised (loss)/gain on foreign exchange	-	(12,772)	(100.0)	(56,000)	11,182	(>100)
Unrealised (loss)/gain on foreign exchange	(13,018)	27,623	(>100)	(16,585)	(146,339)	(88.7)
Other income	606,181	133,028	>100	1,005,423	532,331	88.9
Total income	16,412,064	31,428,612	(47.8)	94,796,049	114,778,350	(17.4)
Managers' fees	(480,340)	(463,665)	3.6	(1,851,471)	(1,845,342)	0.3
Trustees' fees	(96,142)	(96,939)	(0.8)	(380,770)	(385,343)	(1.2)
Islamic financing costs	(8,130,873)	(6,291,478)	29.2	(27,598,039)	(28,004,770)	(1.5)
Maintenance of properties	(1,411,160)	(396,087)	>100	(1,865,540)	(1,712,287)	9.0
Derecognition of past lease receivables	-	31,757	(100.0)	-	(5,806,073)	(100.0)
Administrative expenses	(393,376)	(1,545,457)	(74.6)	(1,610,694)	(2,674,305)	(39.8)
Professional fees	(666,917)	(439,960)	51.6	(1,008,481)	(892,749)	13.0
Withholding tax	(111,380)	(112,574)	(1.1)	(445,520)	(675,928)	(34.1)
Total trust expenditure	(11,290,188)	(9,314,403)	21.2	(34,760,515)	(41,996,797)	(17.2)
Net income before taxation	5,121,876	22,114,209	(76.8)	60,035,534	72,781,553	(17.5)
Tax	103,325	768,296	(86.6)	103,325	768,296	(86.6)
Net income after taxation	5,225,201	22,882,505	(77.2)	60,138,859	73,549,849	(18.2)
Other comprehensive expenses						
Foreign currency translation differences for foreign operation	(43,838)	(1,592,248)	(97.3)	(1,529,996)	(2,487,531)	(38.5)
Total comprehensive income for the year	5,181,363	21,290,257	(75.7)	58,608,863	71,062,318	(17.5)
Net income after taxation is made up as follows:						
Realised	14,981,391	16,583,680	(9.7)	67,765,765	65,218,589	3.9
Unrealised	(9,756,190)	6,298,825	(>100)	(7,626,906)	8,331,260	(>100)
	5,225,201	22,882,505	(77.2)	60,138,859	73,549,849	(18.2)
Earnings per unit (sen) - Net	0.71	3.11	(77.2)	8.17	9.99	(18.2)

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 31 December 2022

	Note	Unaudited As At End Of Current Quarter 31-12-2022 RM	Audited As At Preceding Year Ended 31-12-2021 RM
ASSETS			
Non-current assets			
Investment properties	A9	1,721,281,384	1,538,210,398
Current Assets			
Trade receivables	B11	49,503,412	36,106,493
Other receivables & prepayments		149,885	574,587
Cash and bank balances		40,774,756	49,337,838
Fixed deposits with licensed banks		55,356,398	40,503,678
		<u>145,784,451</u>	<u>126,522,596</u>
TOTAL ASSETS		<u>1,867,065,835</u>	<u>1,664,732,994</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B12	855,616,967	683,876,967
Other payables		15,247,543	13,475,204
Deferred tax		1,662,541	1,765,866
		<u>872,527,051</u>	<u>699,118,037</u>
Current Liabilities			
Other payables and accruals		8,604,304	5,893,348
Provision for income distribution		14,719,701	14,719,701
		<u>23,324,005</u>	<u>20,613,049</u>
TOTAL LIABILITIES		<u>895,851,056</u>	<u>719,731,086</u>
NET ASSETS VALUE		<u>971,214,779</u>	<u>945,001,908</u>
REPRESENTED BY:			
Unitholders' capital		756,408,942	731,398,126
Undistributed income		224,358,012	221,625,961
Foreign exchange translation reserve		(9,552,175)	(8,022,179)
TOTAL UNITHOLDERS' FUND		<u>971,214,779</u>	<u>945,001,908</u>
NUMBER OF UNITS IN CIRCULATION		<u>756,485,757</u>	<u>735,985,088</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)			
- Before income distribution		1.2839	1.2840
- After income distribution*		1.2629	1.2660

*after reflecting the proposed final income distribution for financial year ended 31 December 2022 of 2.10 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 Fourth Quarter Ended 31 December 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 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
As at 1 January 2022	731,398,126	221,625,961	(8,022,179)	945,001,908
Operation for the year ended 31 December 2022				
Net income for the year	-	60,138,859	(1,529,996)	58,608,863
<i>Increase in net assets resulting from operation</i>	-	60,138,859	(1,529,996)	58,608,863
Unitholders' transactions				
Placement of units	25,010,816	-	-	25,010,816
Distribution to unitholders #	-	(57,406,808)	-	(57,406,808)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	25,010,816	(57,406,808)	-	(32,395,992)
Net assets as at 31 December 2022	756,408,942	224,358,012	(9,552,175)	971,214,779

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 ended 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) Payment of the second interim income distribution for the financial year ended 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 paid on 11 October 2022.
- (iv) Provision of the third interim income distribution for the financial year ended 31 December 2022 of 2.00 sen per unit (of which 0.96 sen per unit is taxable and 1.04 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2022 which was announced on 25 November 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 Fourth Quarter Ended 31 December 2022

	To Date	
	31-12-2022	31-12-2021
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	60,035,534	72,781,553
Adjustment for:		
Islamic financing costs	27,598,039	28,004,770
Interest accretion of tenant deposits	359,332	1,018,526
Amortisation of deferred income	(406,923)	(347,829)
Derecognition of past lease receivables	-	5,806,073
Loss/(Gain) on fair value adjustment of investment properties	11,258,551	(5,536,199)
Unrealised loss on foreign exchange	16,585	146,339
Unbilled rental income	(3,497,314)	(2,843,801)
Loss on disposal of investment properties	93,800	-
Investment revenue	(922,748)	(623,104)
Operating profit before working capital changes	94,534,856	98,406,328
Changes in working capital:		
Increase in receivables and prepayments	(9,461,748)	(8,778,192)
Increase/(Decrease) in other payables and accruals	3,797,903	(1,047,592)
Cash generated from operations	88,871,011	88,580,544
Taxes	-	-
Net cash generated from operating activities	88,871,011	88,580,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Income received on investment	908,882	569,429
Net proceed from disposal of investment property	200,700	-
Acquisition of investment properties	(166,989,184)	-
Enhancement to investment properties	(3,655,737)	-
Net cash (used in)/generated from investing activities	(169,535,339)	569,429
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(57,406,808)	(54,830,869)
Islamic financing costs paid	(27,125,056)	(31,344,371)
Net proceeds from Islamic financing	172,000,000	5,000,000
Net cash generated from/(used in) financing activities	87,468,136	(81,175,240)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,803,808	7,974,733
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(514,881)	(807,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	89,803,085	82,635,372
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	96,092,012	89,803,085
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	40,774,756	49,337,838
Fixed deposits with licensed banks	55,356,398	40,503,678
	96,131,154	89,841,516
Less: Islamic fixed deposits with licensed banks with maturity period of more than 3 months	(39,142)	(38,431)
CASH AND CASH EQUIVALENTS	96,092,012	89,803,085

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 Fourth Quarter Ended 31 December 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.

New and amended MFRS that are 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)

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

Standards and interpretations that have been issued but not yet effective

- 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 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (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)
- 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 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

On 23 December 2022, Al-'Aqar Healthcare REIT obtained Islamic financing facilities ("Commodity Murabahah") amounting to RM172.0 million from CIMB Islamic Bank Berhad. The Commodity Murabahah comprises of Revolving Credit - i (RC-i) amounting to RM100.0 million and Term Financing - i (TF-i) amounting to RM72.0 million to part finance the acquisitions of TMC Health New Building, Seremban New Building and Pasir Gudang Property and to pay related cost for the acquisitions. The Commodity Murabahah are payable over a period of 60 months from the date of first disbursement and bears an effective profit rate of 1.20% per annum above the bank's Cost of Funds.

A7. INCOME DISTRIBUTION

The third interim income distribution for the financial year ended 31 December 2022 of 2.00 sen per unit (of which 0.96 sen per unit is taxable and 1.04 sen per unit is non-taxable in the hands of unit holders) in respect of the period from 1 July to 30 September 2022, which was announced on 25 November 2022 has been paid on 6 January 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
Year Ended 31 December 2022			
Gross rental income	104,588	5,651	110,239
Property expenses	<u>(5,978)</u>	<u>(62)</u>	<u>(6,040)</u>
Net rental income	98,610	5,589	104,199
Investment income	923	-	923
Loss on fair value adjustment	(11,259)	-	(11,259)
Realised loss on foreign exchange	(56)	-	(56)
Unrealised loss on foreign exchange	(16)	-	(16)
Other income	1,005	-	1,005
Total income	<u>89,207</u>	<u>5,589</u>	<u>94,796</u>
Trust expenditure	<u>(34,258)</u>	<u>(502)</u>	<u>(34,760)</u>
Net income before taxation	54,949	5,087	60,036
Tax	103	-	103
Net income after taxation	<u>55,052</u>	<u>5,087</u>	<u>60,139</u>
Total assets	<u>1,738,000</u>	<u>129,066</u>	<u>1,867,066</u>
Total liabilities	<u>895,642</u>	<u>209</u>	<u>895,851</u>
Year Ended 31 December 2021			
Gross rental income	104,246	9,827	114,073
Property expenses	<u>(5,841)</u>	<u>(10)</u>	<u>(5,851)</u>
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	<u>105,107</u>	<u>9,817</u>	<u>114,924</u>
Trust expenditure	<u>(39,955)</u>	<u>(2,188)</u>	<u>(42,143)</u>
Net income before taxation	65,152	7,629	72,781
Tax	768	-	768
Net income after taxation	<u>65,920</u>	<u>7,629</u>	<u>73,549</u>
Total assets	<u>1,539,094</u>	<u>125,639</u>	<u>1,664,733</u>
Total liabilities	<u>719,379</u>	<u>352</u>	<u>719,731</u>

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-four (24) 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	2022 Fair Value RM
1	KPJ Ampang Puteri Specialist Hospital	Ampang	31 December 2022	137,000,000
2	KPJ Damansara Specialist Hospital	Damansara	31 December 2022	138,000,000
3	KPJ Johor Specialist Hospital	Johor Bahru	31 December 2022	122,000,000
4	KPJ Ipoh Specialist Hospital	Ipoh	31 December 2022	89,000,000
5	KPJ Puteri Specialist Hospital	Johor Bahru	31 December 2022	40,000,000
6	KPJ Selangor Specialist Hospital	Shah Alam	31 December 2022	84,000,000
7	Kedah Medical Centre	Alor Setar	31 December 2022	53,000,000
8	KPJ Perdana Specialist Hospital	Kota Bharu	31 December 2022	42,000,000
9	Kuantan Wellness Centre	Kuantan	31 December 2022	16,500,000
10	KPJ Sentosa KL Medical Centre	Kuala Lumpur	31 December 2022	31,000,000
11	KPJ Kajang Specialist Hospital	Kajang	31 December 2022	52,000,000
12	Taiping Medical Centre	Taiping	31 December 2022	22,500,000
13	Damai Wellness Centre	Kota Kinabalu	31 December 2022	12,000,000
14	KPJ International College, Penang	Bukit Mertajam	31 December 2022	14,100,000
15	Tawakkal Health Centre	Kuala Lumpur	31 December 2022	47,400,000
16	KPJ Healthcare University College, Nilai	Seremban	31 December 2022	102,000,000
17	KPJ Seremban Specialist Hospital	Seremban	31 December 2022	160,000,000
18	KPJ Penang Specialist Hospital	Bukit Mertajam	31 December 2022	65,000,000
19	KPJ Tawakkal Specialist Hospital	Kuala Lumpur	31 December 2022	139,000,000
20	KPJ Klang Specialist Hospital	Klang	31 December 2022	104,000,000
21	KPJ Haemodialysis Kluang	Kluang	31 December 2022	4,700,000
22	KPJ Batu Pahat Specialist Hospital	Batu Pahat	31 December 2022	80,000,000
23	KPJ Pasir Gudang Specialist Hospital	Pasir Gudang	31 December 2022	90,000,000
24	Jeta Garden Aged Care and Retirement Village	Queensland	31 December 2022	85,266,300
	Based on valuation reports			1,730,466,300
	Less: Accrued unbilled rental income			(9,184,916)
				<u>1,721,281,384</u>

A10. SUBSEQUENT MATERIAL EVENTS

Al-'Aqar had on 24 February 2023 entered into 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.

The initial 15-year contractual lease period under the Principal Lease Agreements which will expire on 28 February 2023 has been extended by a further term of two months commencing from 1 March 2023 and expiring on 30 April 2023 ("Extended Contractual Term"), with a right to extend for a further two months after the expiry of the Extended Contractual Term. The contractual lease is expected to be renewed by 1 July 2023, subject to Al-'Aqar unitholders approval tentatively scheduled in June 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
Balance as at 1 January 2022	735,985,088	731,398,126
Issue of new Units	20,500,669	25,010,816
At end of year	<u>756,485,757</u>	<u>756,408,942</u>

On 23 December 2022, Al-'Aqar Healthcare REIT had announced that the settlement of the Pasir Gudang Property purchase consideration was completed following the payment of the RM67,989,184 cash consideration and allotment of 20,500,669 Al-'Aqar Units to Pasir Gudang Specialist Hospital ("PGSH"). 20,500,669 Al-'Aqar Units, being the PGSH consideration Units, was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 27 December 2022.

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	
	31-12-2022 RM	31-12-2021 RM	31-12-2022 RM	31-12-2021 RM
Manager's fee	1,851,471	1,845,342	1,851,471	1,845,342
Maintenance fee	1,098,480	1,010,176	1,098,480	1,010,176
Miscellaneous expenses	34,592	85,733	34,592	85,733
Other income	532,000	532,000	532,000	532,000
Purchase of investment properties	192,000,000	-	192,000,000	-

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 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 31.12.2022 RM'000	Preceding Year Corresponding Quarter 31.12.2021 RM'000	Changes %	Current Year To Date 31.12.2022 RM'000	Preceding Year To Date 31.12.2021 RM'000	Changes %
Net rental income						
Malaysia	25,426	24,242	4.9	98,610	98,405	0.2
Australia	1,334	1,284	3.9	5,589	9,817	(43.1)
Total	26,760	25,526	4.8	104,199	108,222	(3.7)
Net income before taxation						
Malaysia	3,956	21,318	(81.4)	54,949	65,152	(15.7)
Australia	1,166	796	46.5	5,087	7,629	(33.3)
Total	5,122	22,114	(76.8)	60,036	72,781	(17.5)

(a) Review of Individual Quarter Results

Malaysia segment

The Malaysia segment contributed RM25.4 million of net rental income for the current quarter ended 31 December 2022, represented an increase of RM1.2 million or 4.9% from RM24.2 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 RM4.0 million for the current quarter, which is RM17.3 million or 81.4% lower than preceding year corresponding quarter of RM21.3 million. The decrease was mainly due to loss on fair value adjustment of investment properties of RM11.3 million recorded in the current quarter as compared to gain on fair value of RM5.5 million recorded in the preceding year corresponding quarter.

Australia segment

The net rental income of the Australia segment for the current quarter ended 31 December 2022 was largely unchanged at RM1.3 million, as compared to preceding year's corresponding quarter.

The Australia segment recorded net income before taxation of RM1.1 million for the current quarter, which is slightly higher of RM0.4 million than preceding year corresponding quarter of RM0.8 million.

(b) Review of Cumulative Quarter Results

Malaysia segment

The Malaysia segment contributed RM98.6 million of net rental income for the year ended 31 December 2022, represented an increase of RM0.2 million or 0.2% from RM98.4 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 RM54.9 million for the year ended 31 December 2022, which is RM10.2 million or 15.7% lower than preceding year of RM65.1 million. The decrease was mainly due to loss on fair value adjustment of investment properties of RM11.3 million as compared to gain on fair value of RM5.5 million recorded. In addition, there was no provision on Covid-19 rental support recognised during the year as compared to last year, Covid-19 was granted to tenants amounting of RM4.5 million.

Australia segment

Net rental income of the Australia segment for the year ended 31 December 2022, represented a decrease of RM4.2 million or 43.1% from RM9.8 million, recorded in the preceding year. The decrease was mainly due to rent review exercise effective from 2 October 2021.

The Australia segment recorded net income before taxation of RM5.1 million for the year ended 31 December 2022, which is RM2.5 million lower than preceding year of RM7.6 million. The decrease was mainly due to rent review as mentioned earlier as well as Covid-19 rental support granted of RM1.3 million in 2021.

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

	Current Quarter ended 31.12.2022 RM'000	Immediate Preceding Quarter ended 30.09.2022 RM'000	Changes %
Net rental income	26,760	25,920	3.24
Net income before taxation	5,122	17,619	(70.93)

Al-Aqar Healthcare REIT recorded a lower net income before taxation of RM5.1 million as compared to RM17.6 million in the preceding quarter. This was mainly due to fair value loss from the annual revaluation of investment properties of RM11.3 million recorded during the current quarter.

B3. CHANGES IN NET ASSET VALUE

	As at 31-12-2022 RM'000	As at 30-09-2022 RM'000
Net asset value ("NAV")	971,215	955,742
NAV per unit (RM)	1.2839	1.2986

The NAV as at 31 December 2022 was higher by RM15.5 million as compared to the immediate preceding quarter, as a result of issuance of new Units of RM25.0 million and total comprehensive income of RM5.2 million and income distribution of RM14.7 million recognised during the current quarter.

B4. PROSPECTS

The global economy continues to be weighed down by elevated cost pressures, higher interest rates, and COVID-19-related disruptions in China. These factors more than offset the support from positive labour market conditions, and the full reopening of economies and international borders. Headline inflation moderated slightly from high levels in recent months. However, core inflation remains above historical averages. Central banks are expected to continue raising interest rates, albeit at a slower pace, to manage inflationary pressures. This will continue to pose headwinds to the global growth outlook. On the other hand, growth in China is expected to improve once the current COVID-19 wave subsides. The growth outlook remains subject to downside risks, including an escalation of geopolitical tensions, weaker-than-expected growth expectations in major economies, and a sharp tightening in financial market conditions.

The Malaysian economy grew slower in the fourth quarter of 2022 as support from the stimulus measures and low base effect waned. At 7.0 percent, the growth was still above the long-term average of 5.1 percent. Private sector activity remained the key driver of growth, supported by private consumption and investment. The continued growth in private consumption was mainly driven by improving labour market conditions. Meanwhile, overall export growth moderated in line with the weaker external demand. This was partly offset by the resilient performance in exports of electrical and electronic products and higher tourism activities. Overall, the Malaysian economy expanded by 8.7 percent in 2022. For 2023, the Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment. Domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects. The services and manufacturing sectors will also continue to support growth. Meanwhile, the slowdown in exports following weaker global demand would be partially cushioned by higher tourism activity. The balance of risks remains tilted to the downside, mainly from weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions.

Headline inflation has averaged 3.4 percent for the period January-November 2022. As projected, headline inflation peaked in quarter 3, 2022, while underlying inflation, as measured by core inflation, has averaged 2.9 percent up to November 2022. Over the course of 2023, headline and core inflation are expected to moderate but remain at elevated levels amid lingering demand and cost pressures. Existing price controls and fuel subsidies, and the remaining spare capacity in the economy, will continue to partly contain the extent of upward pressures to inflation. The balance of risk to the inflation outlook is tilted to the upside and remains highly subject to any changes to domestic policy on subsidies and price controls, as well as global commodity price developments.

KPJ Group, being the sponsor of Al-'Aqar, in 2022 has delivered sterling performance and results as the transition into endemicity and re-opening of international borders has contributed positively to the increase in economic activities. The Group has seen a resurgence in overall healthcare services throughout its network of hospitals. The current year results show that the Group has exceeded its pre-pandemic performance.

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 (expected to be completed by end June 2023) will be able to contribute positively to the future earnings of Al-'Aqar.

Sources:

- 1 Bank Negara Announcement: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022, 10 February 2023
- 2 KPJ Healthcare Quarter 4, 2022 Performance Review & Prospect, 17 February 2023
- 3 Bank Negara Monetary Policy Statement, 19 January 2023

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

During the current quarter, the Group issued 20.5 million new units at an issue price of RM1.22 per unit amounting to RM25.0 million. The issuance was to part finance the acquisition of Pasir Gudang Property on 28 December 2022.

B6. TAX

	The Group		The Fund	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	RM	RM	RM	RM
Tax expense				
- Income Tax	(103,325)	(768,296)	(103,325)	(768,296)
	<u>(103,325)</u>	<u>(768,296)</u>	<u>(103,325)</u>	<u>(768,296)</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 31-12-2022 RM'000	Preceding Year Corresponding Quarter 31-12-2021 RM'000	Current Year To Date 31-12-2022 RM'000	Preceding Year Corresponding Year To Date 31-12-2021 RM'000
Net rental income	26,761	25,525	104,199	108,222
Investment income	317	219	923	623
Realised (loss)/gain on foreign exchange	-	(13)	(56)	11
Other income	605	133	1,005	532
Interest accretion on tenant deposit	359	1,018	359	1,018
Less: Amortisation of deferred income	(407)	(347)	(407)	(347)
Less: Unbilled rental income	(1,364)	(638)	(3,497)	(2,844)
	<u>26,271</u>	<u>25,897</u>	<u>102,526</u>	<u>107,215</u>
Less: Expenses	(11,290)	(9,315)	(34,761)	(41,997)
Realised/Distributable income for the year	14,981	16,582	67,765	65,218
Previous year's undistributed realised income	<u>58,185</u>	<u>46,226</u>	<u>49,562</u>	<u>41,751</u>
Total realised income available for distribution	<u>73,166</u>	<u>62,808</u>	<u>117,327</u>	<u>106,969</u>
Less: Income to be distributed for the quarter/year	<u>(15,886)</u>	<u>(13,248)</u>	<u>(60,046)</u>	<u>(57,407)</u>
Balance undistributed income realised income	<u><u>57,280</u></u>	<u><u>49,560</u></u>	<u><u>57,281</u></u>	<u><u>49,562</u></u>
Distribution per unit (sen)	2.10	1.80	8.10	7.80

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

B10. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)**Proposed Acquisitions and Leases (Cont'd)**

- (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 of TMC New Building and Seremban New Building to be satisfied by fully cash consideration of RM99.0 mil. For acquisition of Pasir Gudang Property to be satisfied by combination of cash of RM68.0 mil and the issuance of 20.5 mil new Al-Aqar Units at an issue price of RM1.22 per Unit.

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. Subsequently, Al-Aqar had obtained approval from the Unitholders at the Extraordinary General Meeting (fully virtual) of Al-Aqar held on 13 December 2022.

The Proposed Acquisitions and Leases has been completed on 23 December 2022 and the Consideration Units have been issued and allotted on even date, in accordance with the terms of the SPA.

Proposed Private Placement

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. Subsequently, Al-Aqar had obtained approval from the Unitholders at the Extraordinary General Meeting (fully virtual) of Al-Aqar held on 13 December 2022.

B11. TRADE RECEIVABLES

	The Group	
	As at	As at
	31-12-2022	31-12-2021
	RM'000	RM'000
<u>Current</u>		
Trade receivables	40,318	30,418
Unbilled rental income	9,185	5,688
	49,503	36,106

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
	31-12-2022	31-12-2021
	RM'000	RM'000
0-30 days	8,645	3,124
31-60 days	1,630	2,709
61-90 days	245	1,950
More than 90 days	29,798	22,635
	40,318	30,418

Out of the total trade receivables of RM40.3 million, RM25.8 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	As at
	31-12-2022	31-12-2021
	RM'000	RM'000
<u>Non-current</u>		
<u>Secured</u>		
Commodity Murabahah Term Financing ("CMTF 1")	79,736	79,604
Commodity Murabahah Term Financing ("CMTF 2")	29,759	29,678
Commodity Murabahah Term Financing ("CMTF 3 Tranche 1")	278,038	277,463
Commodity Murabahah Term Financing ("CMTF 3 Tranche 2")	297,583	297,132
Commodity Murabahah Term Financing ("CMTF 4 - Revolving Credit-i")	99,262	-
Commodity Murabahah Term Financing ("CMTF 4 - Term Financing-i")	71,238	-
	855,616	683,877

On 23 December 2022, Al-'Aqar Healthcare REIT obtained Islamic financing facilities ("Commodity Murabahah") amounting to RM172.0 million from CIMB Islamic Bank Berhad. The Commodity Murabahah comprises of Revolving Credit - i (RC-i) amounting to RM100.0 mil and Term Financing - i (TF-i) amounting to RM72.0 mil to part finance the acquisition of TMC Health New Building, Seremban New Building and Pasir Gudang Property and to pay related cost for the acquisitions. RC-i and TF-i are payable over 60 months from the date of first disbursement and bear a profit rate of 1.20% per annum above the bank's Cost of Funds.

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 31-12-2022	Immediate Preceding Quarter ended 30-09-2022
Number of units in issue - units	756,485,757	735,985,088
Earning per unit (EPU) - sen	0.71	2.39
Net income distribution to unitholders - RM'000	15,886	14,720
Distribution per unit (DPU) - sen	2.10	2.00
Net Asset Value (NAV) - RM'000	971,215	955,742
NAV per unit - RM	1.2839	1.2986
Market Value Per Unit - RM	1.2200	1.1800

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 2022 and of its financial performance and cash flows for the year then ended.