



AL-AQAR HEALTHCARE REIT

2018 ANNUAL REPORT



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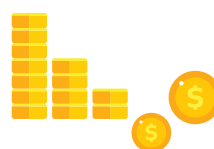
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2018 HIGHLIGHTS

**22**NO. OF
PROPERTIES**5.88%**DISTRIBUTION
YIELD**100%**OCCUPANCY
RATE**RM1.48**
billionPROPERTY
VALUE**RM102.6**
millionGROSS
REVENUE**RM96.6**
millionNET PROPERTY
INCOME**RM0.96**
billionMARKET
CAPITALISATION**7.70**
sen

DPU

OBJECTIVE, POLICY AND STRATEGIES

Objective

To provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions and the net asset value per unit

Policy

To diversify its Shariah-compliant real estate portfolio by property and location, primarily be focused on investing in healthcare related real estates and to look for opportunities that provide attractive returns

Operating Strategy



To continue enhancing the performance of the properties by increasing yields and returns from the properties through a combination of meeting needs of the tenants, maintaining the quality and physical conditions of the properties and minimising interruptions in rental income and operational costs

Capital Management Strategy

To optimise capital structure and cost of capital within the financing limits prescribed by REIT Guidelines and intend to use a combination of debt and REIT units to fund future acquisitions and improvement works of the properties

Acquisition Strategy

To increase cash flow and enhance unit value through selective acquisitions

CORPORATE PROFILE

Al-`Aqar Healthcare REIT (Al-`Aqar or the Fund) was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 10 August 2006. Established with an initial portfolio of 6 properties, Al-`Aqar has grown its portfolio to currently 22 properties comprising 19 hospitals and 3 healthcare related properties in Malaysia and Australia.

Al-`Aqar is managed by Damansara REIT Managers Sdn Berhad (DRMSB or the Manager), a wholly-owned subsidiary of Johor Corporation Group (JCorp Group) and supported by KPJ Healthcare Berhad (KPJ).

As at 31 December 2018, Al-`Aqar's property values stood at RM1.48 billion with a market capitalisation of RM0.96 billion.



CORPORATE INFORMATION



MANAGER

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

Registered Office:

Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor
Tel : (+607) 226 7692 / 226 7476
Fax : (+607) 222 3044

Principal Place of Business:

Unit 1-19-02, Level 19, Block 1
V SQUARE, Jalan Utara
46200 Petaling Jaya, Selangor
Tel : (+603) 7932 1692 / 7932 3692
Fax : (+603) 7932 0692

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : ALAQAR
Stock Code : 5116

WEBSITE

www.alaqar.com.my

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD (766894-T)

Tingkat 2, Wisma AMANAHRAYA II
No. 21, Jalan Melaka
50100 Kuala Lumpur
Tel : (+603) 2036 5000 / 2036 5129
Fax : (+603) 2072 0320
Email : art@arb.com.my
Website : www.artrustees.com.my

SHARIAH COMMITTEE MEMBERS

Dato' (Dr) Haji Nooh bin Gadot

Professor Madya Dr. Ab. Halim bin Muhammad

Professor Dr. Mohamad @ Md Som bin Sujimon

REGISTRAR

Johor Corporation

Level 16, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru, Johor
Tel : (+607) 219 5064
Fax : (+607) 223 3175

AUDITOR

DELOITTE PLT (LLP0010145-LCA)

Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (+603) 7610 8888
Fax : (+603) 7726 8986
Website : www.deloitte.com/my

SOLICITOR

ABDUL RAMAN SAAD & ASSOCIATES

C-2-1, Pacific Place Commercial Centre
Jalan PJU 1A/4, Ara Damansara
47301 Petaling Jaya, Selangor
Tel : (+603) 7859 9229
Fax : (+603) 7734 5777
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

CORPORATE INFORMATION



MAINTENANCE MANAGER

HEALTHCARE TECHNICAL SERVICES SDN BHD (342111-A)

No. 20-1, Jalan 65C
Pekeliling Business Centre
Off Jalan Pahang Barat
53000 Kuala Lumpur
Tel : (+603) 4021 2331
Fax : (+603) 4021 2337

IM GLOBAL PROPERTY CONSULTANTS SDN BHD (701223-X)

Board Registration No: (VE(1)0253)
No. 47-2, Second Floor, Wisma IMG
Jalan 3/76D, Desa Pandan
55100 Kuala Lumpur
Tel : (+603) 9284 8884
Fax : (+603) 9281 1884
Email : info@img.com.my
Website : www.img.com.my

HEALTH FACILITY SERVICES PTY LTD (AUSTRALIAN CO. NO. 115 728 384)

25, Clarendon Avenue
Bethania Qld 4205
Australia
Tel : (+617) 3200 7188 / 3299 9256 (Direct)
Fax : (+617) 3200 7100

INDEPENDENT PROPERTY VALUER

CHESTON INTERNATIONAL (KL) SDN BHD (647245-W)

Suite 2A, 2nd Floor, Plaza Flamingo
No. 2, Tasik Ampang, Jalan Hulu Kelang
68000 Ampang, Selangor
Tel : (+603) 4251 2599
Fax : (+603) 4251 6599
Email : cikl@chestonint.com
Website : www.chestonint.com

KNIGHT FRANK MALAYSIA SDN BHD (585479-A)

Suite 10.01, Level 10 Centrepont South
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (+603) 2289 9688
Fax : (+603) 2289 9788

HENRY BUTCHER MALAYSIA SDN BHD (160636-P)

25, Jalan Yap Ah Shak,
50300 Kuala Lumpur
Tel : (+603) 2694 2212
Fax : (+603) 2694 5543
Email : admin@henrybutcher.com.my
Website : www.henrybutcher.com.my

LETTER TO **STAKEHOLDERS**



DATO' KAMARUZZAMAN BIN ABU KASSIM
Chairman
Damansara REIT Managers Sdn Berhad

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager (the Board), I am honoured to present Al-'Aqar Healthcare REIT's Annual Report and Audited Financial Statements for the financial year ended 31 December 2018.



DPU

7.70
sen



DISTRIBUTION YIELD

5.88%



TOTAL PAYOUT

RM56.4
million

99% of Al-'Aqar
Distributable Income

LETTER TO STAKEHOLDERS

There is no doubt that Malaysian real estate investment trusts (M-REITs) were some of the top performers in the local equity market. However, despite often seen as defensive investments, the M-REITs also did not escape unscathed following the prolonged slowdown in the global economic condition and the moderate Malaysian economy. The dividend yield of the 18 Bursa Malaysia-listed REITs averaged 5.95% currently, rendering the yield spread of M-REITs an unexciting 1.88% over the 10-year Malaysian Government Securities (MGS) yield of 4.07%. MGS is a typical benchmark to compare returns against the riskier REITs. M-REITs had also faced the effect of occupancy risk from the shrinking demand and oversupply in certain property subsectors namely retail, commercial and industrial. However, Al-`Aqar which is less dependent on the cyclical nature of property market has been able to withstand the uncertainties surrounding the industry.

On the healthcare front, Malaysia, as one of Asia's most recognised developing countries, has immense potential in medical tourism. With a score of 95 out of 100, Malaysia ranked first in the Best Healthcare in the World category of the 2019 International Living Annual Global Retirement Index. Demand for healthcare services will continuously expand in the future due to the projected demographic shifts, among which are the increase in aging population, life expectancy and lifestyle diseases. The prospect looks healthy in view of KPJ continuously acquiring and developing its hospitals and therefore – promising the healthy outlook for Al-`Aqar.

Amidst challenging environment, Al-`Aqar remains confident in delivering sustainable returns to the unitholders. We have worked hard towards strengthening our unitholders value by making improvement to key financial metrics that is resulting into improved performance of the overall portfolio. We remain committed to our efforts to conceptualise innovative operating strategies in order to ensure Al-`Aqar's properties continue to operate at optimal levels and to boosts rental. Prudent financial, risk management, and proactive asset management will continue to be key priorities.

Year 2018 marked the liberalisation of the M-REIT industry with the amendments of REITs Guidelines and corresponding updates on the Main Market Listing Requirements of Bursa Malaysia particularly to the permissible list of activities. We applaud the moves as M-REIT players stand to benefit by taking the lead in the planning of future assets in the pipeline which in return will deliver a potentially higher return on investment compared to the normal acquisition. The amendments would help the growth of Al-`Aqar particularly on the development of greenfield healthcare assets by KPJ with expectation that the projects are completed within the budget and timeline, allowing quicker injection of the assets into Al-`Aqar.

With such consistency in performance, I am pleased to announce that Al-`Aqar has distributed 7.70 sen per unit for FY2018, maintaining the DPU as in FY2017. This translates into a distribution yield of 5.88% to investors and total payout of RM56.4 million which represents 99% of Al-`Aqar distributable income for the year 2018. This clearly underlines Al-`Aqar's defensive qualities by providing consistent return to unitholders and high-income distribution payment policy.

On this note, I would like to express my heartfelt gratitude to the Board members for their valuable guidance and steering the management team to strive for excellence and to the Shariah committee for their wisdom towards the success of Al-`Aqar. Our achievement will not be attainable without the support and commitments of employees of the Manager who have been tirelessly strive for excellence and breakthrough.

I would also like to extend my appreciation to our valued stakeholders – unitholders, trustee, financiers, business partners and relevant authorities for the continuous support and confidence in Al-`Aqar. Special acknowledgement to KPJ for being Al-`Aqar ever supportive sponsor.

With continuous support and faith from all stakeholders, we look forward to witnessing more milestones from Al-`Aqar in the year to come, and to continue working with the industry as it reaps further growth.



DATO' KAMARUZZAMAN BIN ABU KASSIM
Chairman
Damansara REIT Managers Sdn Berhad

SALIENT FEATURES

NAME OF FUND Al-Aqar
Healthcare REIT

CATEGORY OF FUND Islamic healthcare
real estate and
healthcare related assets

TYPE OF FUND Income and growth

DISTRIBUTION POLICY At least 95% of distributable income

FUND SIZE 735,985,088 units

OCCUPANCY RATE 100%

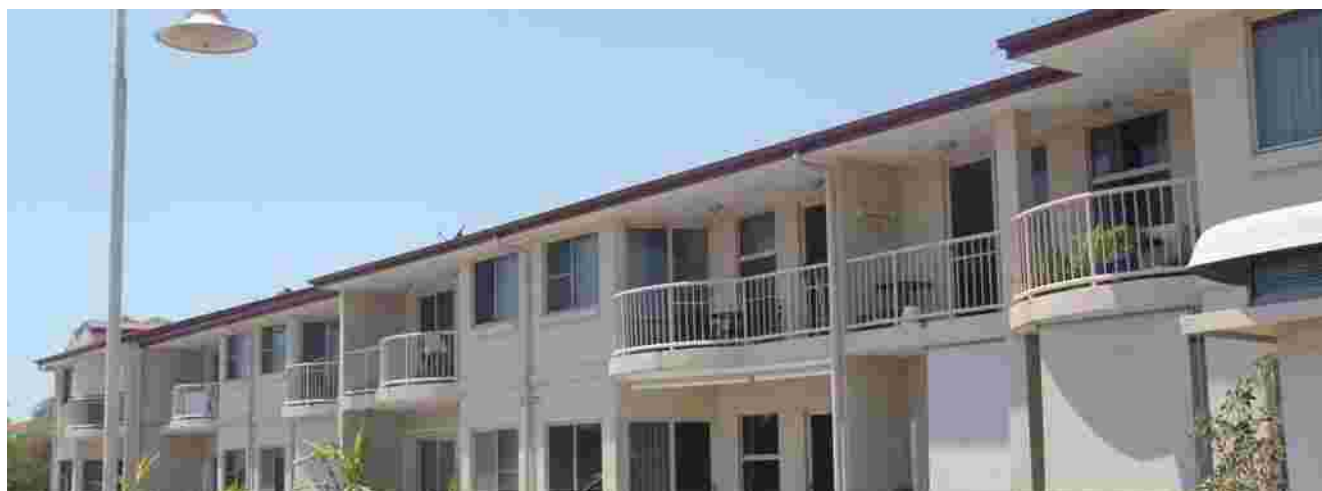
LISTING DATE 10 August 2006

LEASE TERM 15 years
renewable for
another 15 years

LISTING Main Market of
Bursa Malaysia
Securities Berhad

RENTAL REVIEW Every 3 years

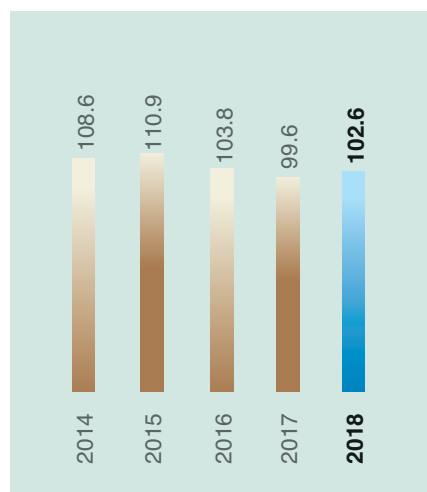
STOCK NAME & CODE ALAQAR (5116)



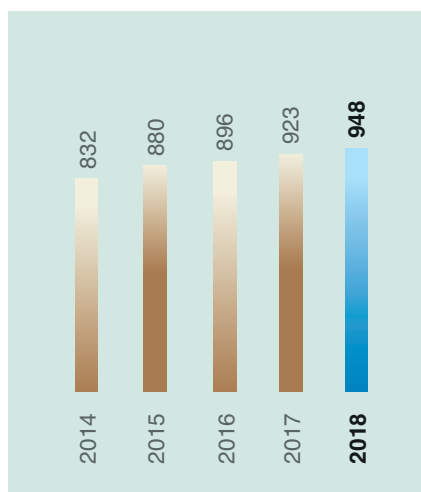
5 YEARS' FINANCIAL PERFORMANCE

GROUP	2014	2015	2016	2017	2018
Gross revenue (RM'000)	108,644	110,945	103,839	99,648	102,649
Net property income (RM'000)	102,399	104,565	97,595	93,207	96,609
Income before tax (RM'000)	73,148	67,912	63,986	86,154	92,292
Net income after tax - realised (RM'000)	59,858	55,824	61,540	59,852	61,032
- unrealised (RM'000)	11,445	15,125	1,527	22,350	30,342
Earnings per unit (sen)	10.51	9.69	8.79	11.83	12.66
Investment properties (RM'000)	1,509,996	1,521,523	1,424,360	1,459,703	1,485,727
Total asset value (RM'000)	1,592,422	1,594,382	1,611,213	1,556,425	1,580,468
Net asset value (RM'000)	831,543	879,826	896,068	923,290	947,798
NAV per unit - before distribution (RM)	1.1944	1.2082	1.2305	1.2679	1.2878
- after distribution (RM)	1.1565	1.1829	1.1925	1.2284	1.2671
FUND	2014	2015	2016	2017	2018
Gross revenue (RM'000)	90,080	91,679	92,054	88,550	91,097
Net property income (RM'000)	84,067	85,608	85,931	82,588	85,162
Income before tax (RM'000)	63,561	72,658	61,434	84,511	83,112
Net income after tax - realised (RM'000)	59,626	61,097	59,533	59,367	59,770
- unrealised (RM'000)	3,935	11,562	1,899	24,535	23,342
Earnings per unit (sen)	9.13	10.37	8.44	11.61	11.29
Investment properties (RM'000)	1,287,496	1,378,963	1,281,800	1,320,100	1,353,300
Total asset value (RM'000)	1,561,137	1,564,079	1,579,459	1,525,031	1,551,718
Net asset value (RM'000)	827,519	877,512	892,120	921,041	943,239
NAV per unit - before distribution (RM)	1.1886	1.2050	1.2251	1.2648	1.2816
- after distribution (RM)	1.1507	1.1797	1.1870	1.2255	1.2609
Market Capitalisation (RM'000)	960,793	1,019,517	1,143,316	1,041,364	964,140
Distribution Per Unit (sen)	7.65	7.70	7.70	7.70	7.70
Annualised Distribution Yield (%)	5.54	5.50	4.90	5.38	5.88

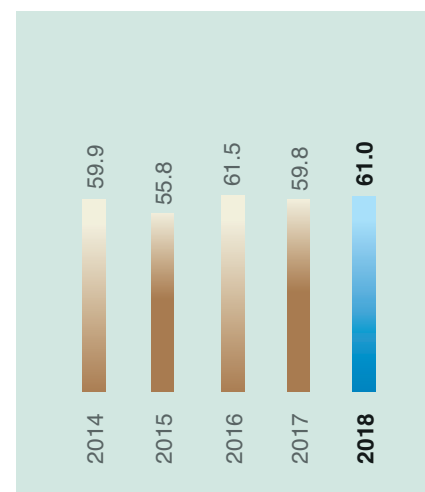
GROSS REVENUE
(RM' mil)



NET ASSET VALUE
(RM' mil)

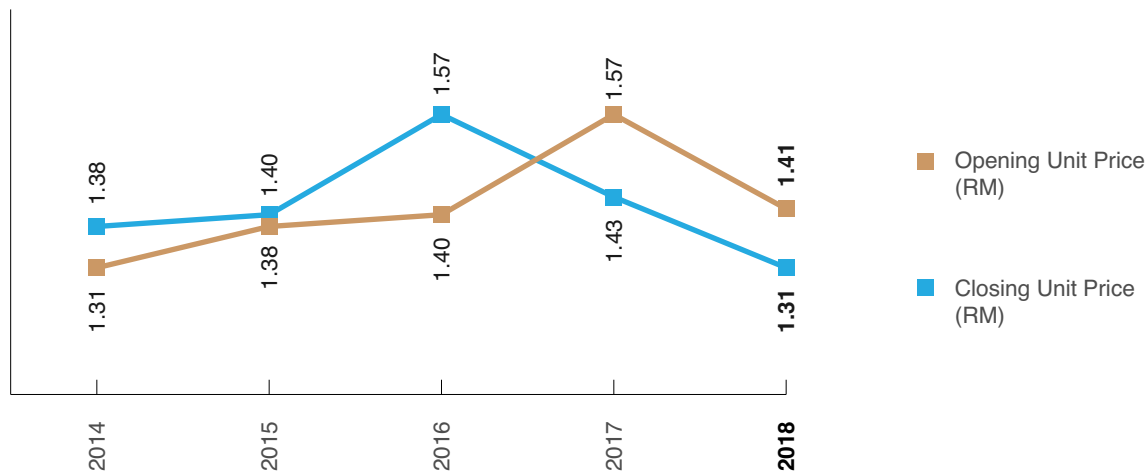


NET INCOME AFTER TAXATION (REALISED)
(RM' mil)

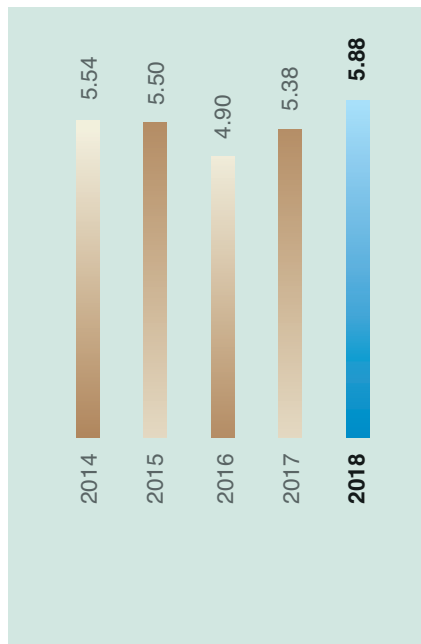


5 YEARS' FINANCIAL PERFORMANCE

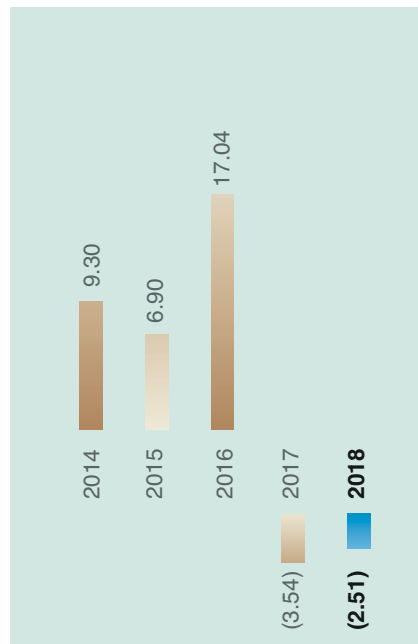
TRADING PERFORMANCE



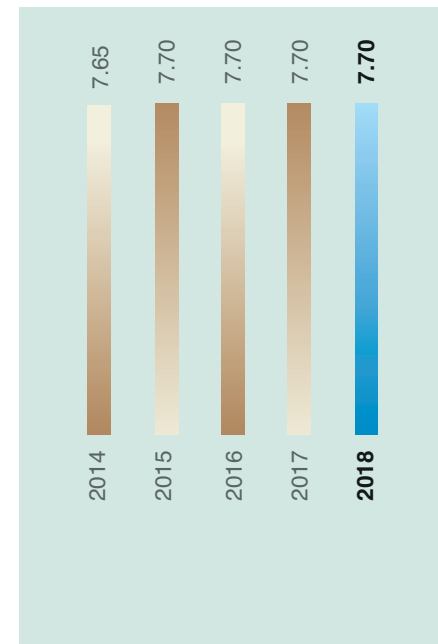
DISTRIBUTION YIELD (%)



ANNUAL TOTAL RETURN (%)



DISTRIBUTION PER UNIT (sen)



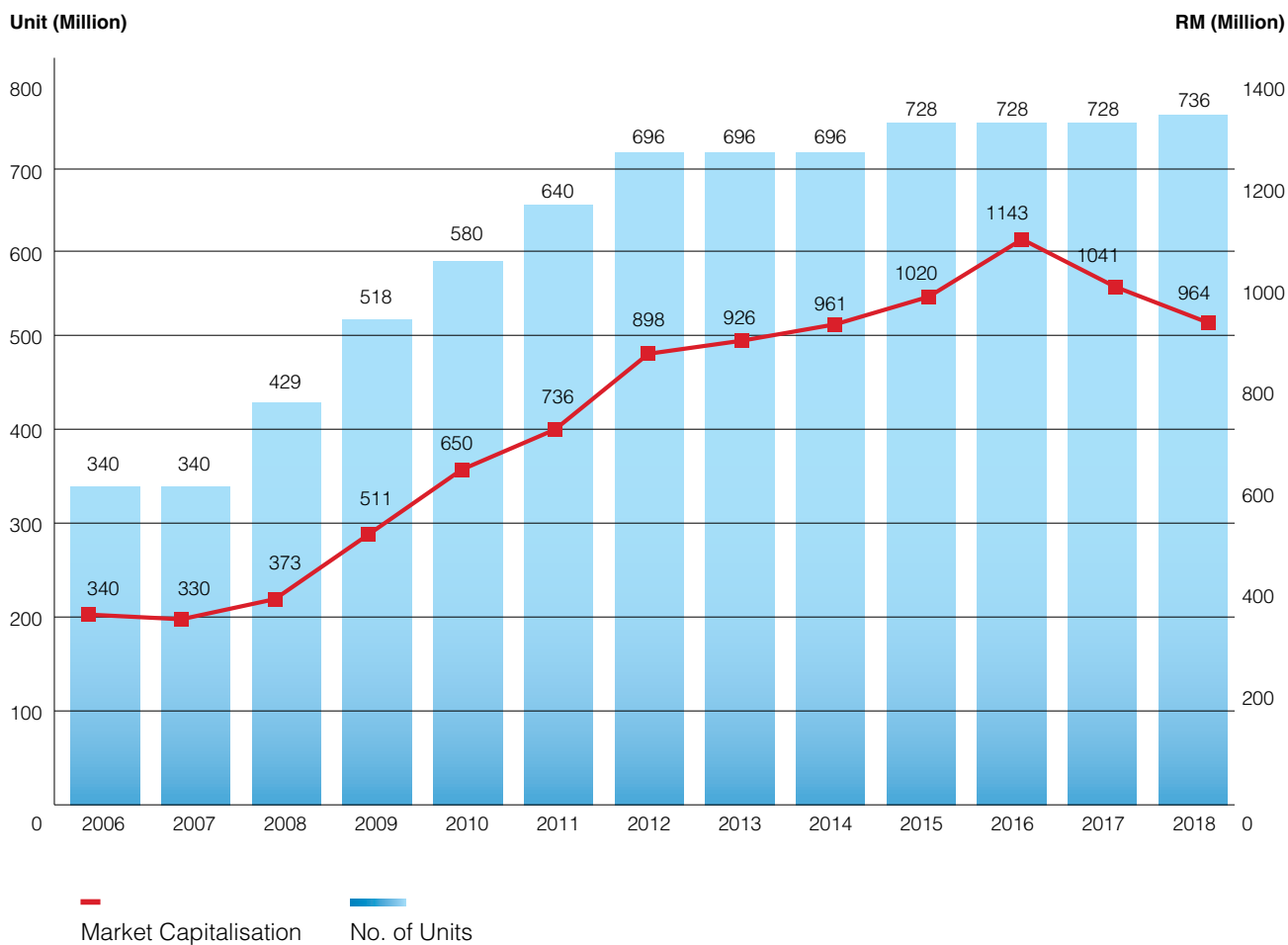
NAV & TRADED PRICE

Year	Highest NAV (RM)	Lowest NAV (RM)	Highest Traded Price (RM)	Lowest Traded Price (RM)
2014	1.21	1.13	1.55	1.28
2015	1.21	1.17	1.45	1.27
2016	1.23	1.19	1.70	1.32
2017	1.26	1.19	1.67	1.35
2018	1.26	1.23	1.41	1.08

TRADING PERFORMANCE

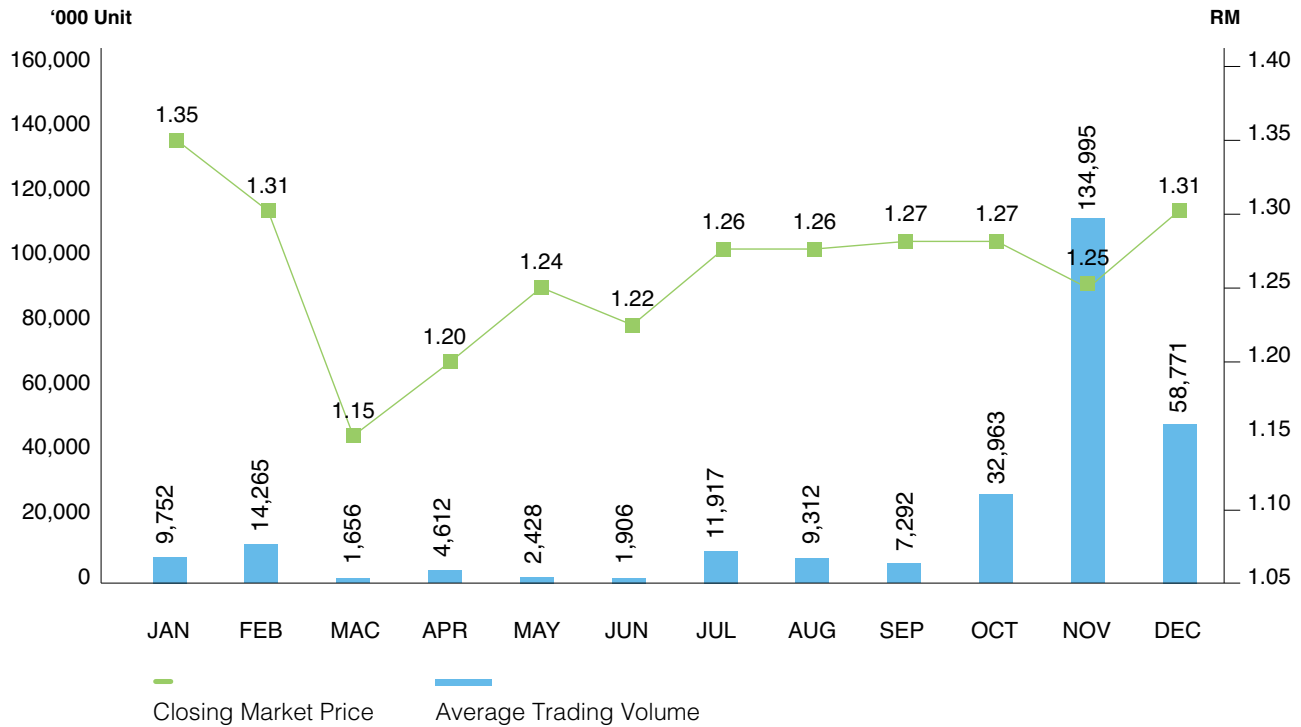
Month	Lowest Traded Price (RM per unit)	Highest Traded Price (RM per unit)	Closing Market Price (RM per unit)	Average Trading Volume (‘000 units)	Market Capitalisation (RM'000)
January	1.31	1.41	1.35	9,752,000	983,105,573
February	1.29	1.38	1.31	14,265,000	953,976,673
March	1.12	1.32	1.15	1,656,000	837,460,438
April	1.08	1.25	1.20	4,612	873,871,761
May	1.19	1.27	1.24	2,428	903,000,820
June	1.22	1.32	1.22	1,906	888,436,290
July	1.23	1.30	1.26	10,495	917,565,349
August	1.23	1.31	1.26	17,750	917,565,349
September	1.23	1.30	1.27	11,917	924,847,614
October	1.23	1.29	1.27	32,963	924,847,614
November	1.24	1.29	1.25	134,995	919,981,360
December	1.24	1.31	1.31	58,771	964,140,465

MARKET CAPITALISATION AND UNIT IN CIRCULATION SINCE INCEPTION



TRADING PERFORMANCE

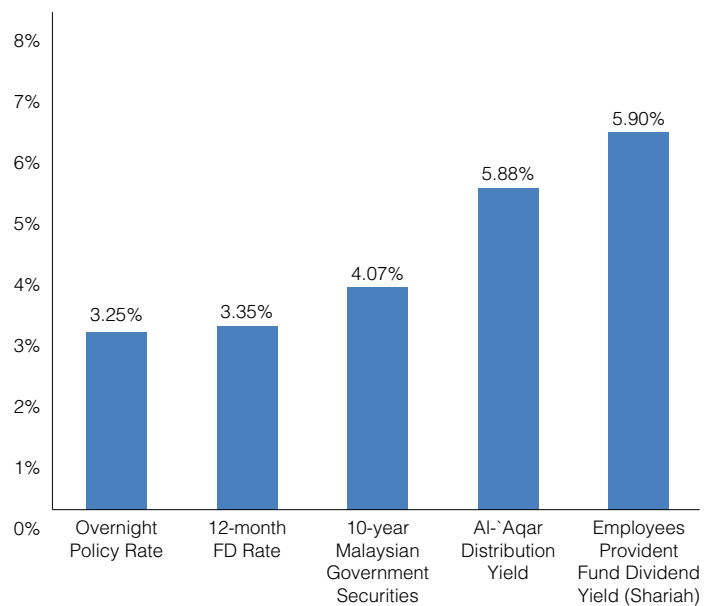
MONTHLY TRADING PERFORMANCE



CLOSING UNIT PRICE AND NAV PER UNIT

	Unit Price (RM)	NAV per Unit (RM)
2006	1.00	1.02
2007	0.97	1.03
2008	0.94	1.03
2009	0.99	1.04
2010	1.12	1.07
2011	1.15	1.12
2012	1.29	1.15
2013	1.33	1.18
2014	1.38	1.19
2015	1.40	1.21
2016	1.57	1.23
2017	1.43	1.26
2018	1.31	1.24

COMPARATIVE YIELD FY2018



Sources : Bank Negara Malaysia, Maybank, DRMSB and Employees Provident Fund

ANALYSIS OF UNIT HOLDINGS

UNITHOLDINGS STATISTICS AS AT 31 DECEMBER 2018
(As Per Record of Depositor)

Break down of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	349	11.82	14,572	-
100 – 1000	1,086	36.76	524,874	0.07
1,001 – 10,000	962	32.57	4,340,471	0.59
10,001 – 100,000	416	14.08	14,175,768	1.93
100,001 to less than 5% of Issued Capital	136	4.60	403,968,775	54.89
5% and above of Issued Capital	5	0.17	312,960,628	42.52
TOTAL	2,954	100.00	735,985,088	100.00

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

Name	No. of Units	%
1 Lembaga Tabung Haji	102,098,656	13.87
2 Kumpulan Wang Persaraan (Diperbadankan)	64,531,000	8.77
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	59,313,438	8.06
4 AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	46,000,000	6.25
5 Pusat Pakar Tawakal Sdn Bhd	41,017,534	5.57
6 Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	4.91
7 HSBC Noms (T) Sdn Bhd - A/C Selangor Specialist Hospital Sdn. Bhd. (355-300641-089)	35,000,000	4.76
8 Seremban Specialist Hospital Sdn Bhd	23,731,000	3.22
9 Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	2.86
10 Medical Associates Sdn Bhd	19,055,000	2.59
11 Waqaf An-Nur Corporation Berhad	18,199,870	2.47
12 Sentosa Medical Centre Sdn Bhd	15,653,000	2.13
13 Kedah Medical Centre Sdn Bhd	15,000,000	2.04
14 Permodalan Nasional Berhad	14,546,000	1.98
15 Pusat Pakar Tawakal Sdn Bhd	13,631,000	1.85
16 Valuecap Sdn Bhd	13,427,100	1.82
17 AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	12,248,500	1.66
18 Johor Specialist Hospital Sdn Bhd	12,203,000	1.66
19 Puteri Specialist Hospital (Johor) Sdn Bhd	12,000,000	1.63
20 Perdana Specialist Hospital Sdn Bhd	11,789,000	1.60
21 AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,414,572	1.14
22 KPJ Healthcare University College Sdn.Bhd.	7,758,620	1.05
23 AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	7,329,000	1.00
24 Jeta Gardens (QLD) Pty Ltd	7,047,544	0.96
25 AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia 3	6,405,630	0.87
26 AmanahRaya Trustees Berhad - A/C Public Strategic Smallcap Fund	6,075,500	0.83
27 Citigroup Noms (T) Sdn Bhd - A/C MCIS Insurance Berhad (Life Par FD)	5,553,394	0.75
28 Kuantan Specialist Hospital Sdn Bhd	5,000,000	0.68
29 AmanahRaya Trustees Berhad - A/C PB Smallcap Growth Fund	4,545,700	0.62
30 Kajang Specialist Hospital Sdn. Bhd.	4,487,000	0.61

ANALYSIS OF UNIT HOLDINGS

UNITHOLDINGS STATISTICS AS AT 31 DECEMBER 2018
(As Per Record of Depositor)

Substantial Unitholders (5% and above)

Unitholders	Direct Interest		Deemed Interest	
	No. of Units	%	No. of Units	%
Johor Corporation	-	-	294,496,716 ⁽ⁱ⁾	40.01
KPJ Healthcare Berhad	-	-	276,122,627 ⁽ⁱⁱ⁾	37.92
Lembaga Tabung Haji	103,344,456	14.04	-	-
Kumpulan Wang Persaraan (Diperbadankan)	65,727,000	8.93	-	-
Employees Provident Fund	61,565,838	8.37	-	-
Pusat Pakar Tawakal Sdn Bhd	54,648,534	7.43	-	-
Amanah Saham Bumiputera	46,000,000	6.25	-	-

Notes:

(i) Deemed interested by virtue of its interest in KPJ Healthcare Berhad under Section 8 of the Companies Act 2016

(ii) Deemed interested by virtue of its interest as several Unitholders of Al-'Aqar are part of the KPJ Group of Companies

Analysis Of Unitholders

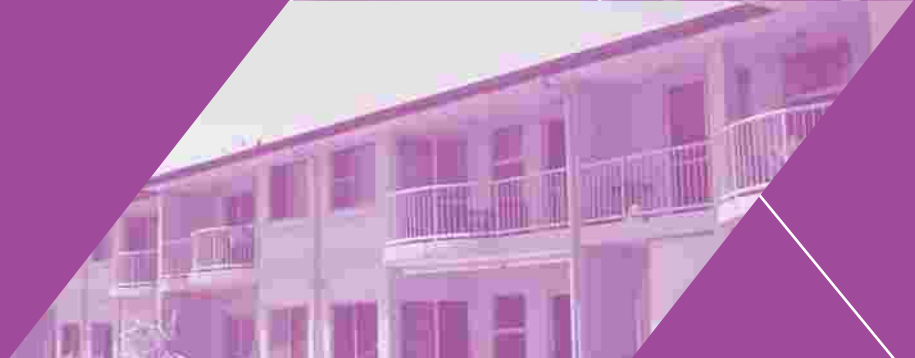
	No. of Unitholders	%	No. of Units	%
Malaysian - Bumiputra	906	30.67	582,185,261	79.10
- Non-Bumiputra	1,968	66.62	143,541,739	19.50
Foreigners	80	2.71	10,258,088	1.40
TOTAL	2,954	100.00	735,985,088	100.00

Unit Analysis as at 31 December 2018

ROD	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit
Government Bodies	2	6,000	2	6,000	-	-	-	-
Finance	26	296,485,382	26	296,485,382	-	-	-	-
Investment Trust	5	186,500	4	16,500	1	170,000	-	-
Nominees	520	137,737,402	365	12,332,164	130	124,043,853	25	1,361,385
Companies	82	276,835,912	60	269,156,848	20	546,220	2	7,132,844
Clubs / Association	1	895,400	1	895,400	-	-	-	-
Co - Operatives	7	1,680,250	5	1,500,650	2	179,600	-	-
Individuals	2,311	22,158,242	443	1,792,317	1,815	18,602,066	53	1,763,859
Total	2,954	735,985,088	906	582,185,261	1,968	143,541,739	80	10,258,088
%	100.00	100.00	30.67	79.10	66.62	19.50	2.71	1.40

2 DRIVING FORCE

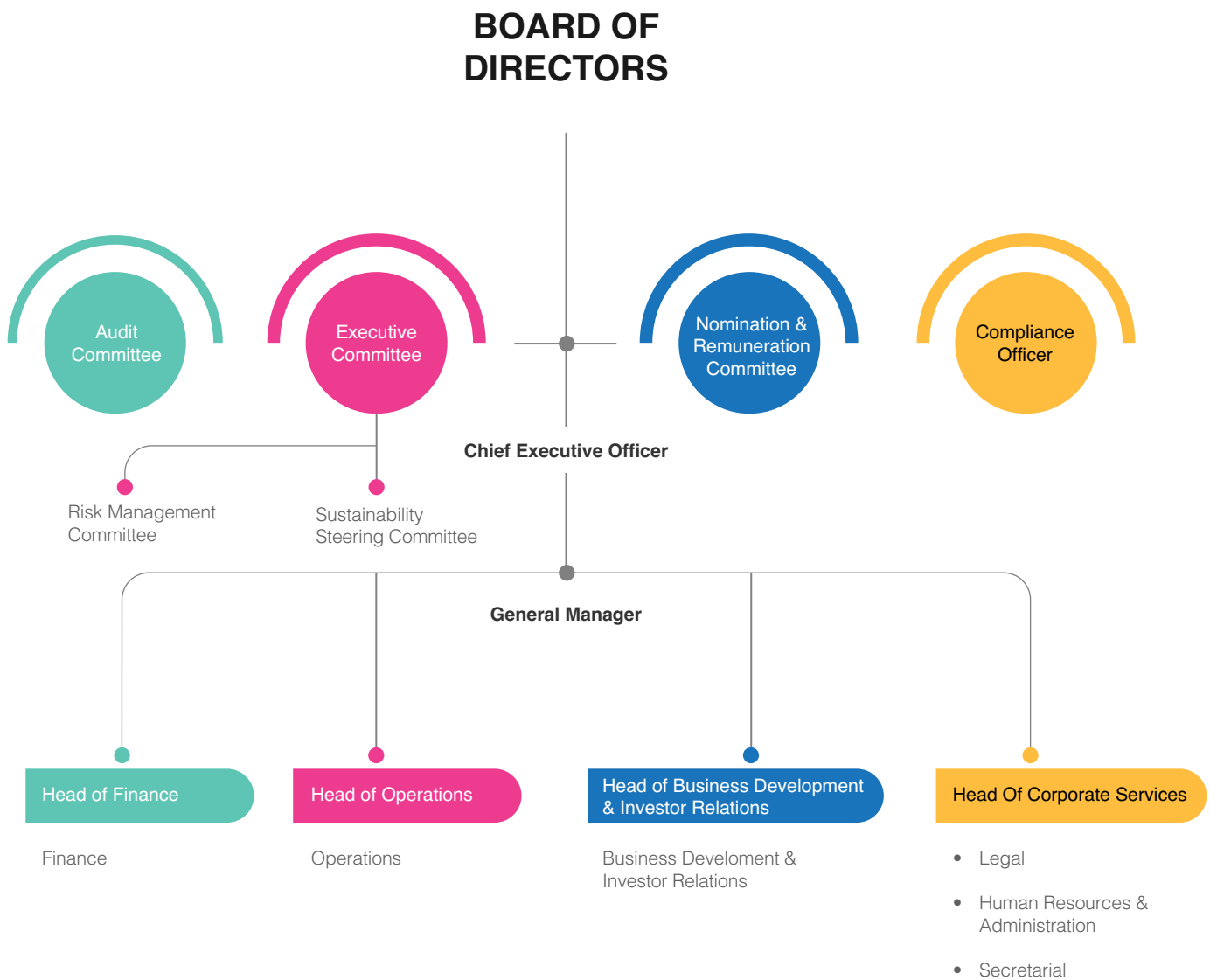
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TRUST STRUCTURE



ORGANISATION STRUCTURE



THE BOARD OF DIRECTORS PROFILE

1

DATO' KAMARUZZAMAN BIN ABU KASSIM

Malaysian, Male, Aged 55

Chairman and Non-Independent Non Executive Director

Nomination & Remuneration Committee - Chairman

Dato' Kamaruzzaman bin Abu Kassim is the Chairman and Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as Director on 12 January 2007 and as Chairman on 12 January 2011. He is currently the President and Chief Executive of JCorp with effect from 1 December 2010.

He graduated with a Bachelor of Commerce (Accountancy) from University of Wollongong, New South Wales, Australia in 1987.

He embarked his career as an Audit Assistant with Messrs K.E Chan & Associates in May 1988 and later joined Messrs Pricewaterhouse Coopers (formerly known as Messrs Coopers & Lybrand) in 1989. In December 1992, he joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Executive in the Corporate Finance Department and was later promoted to General Manager in 1999. He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and was later appointed as Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

He is also the Chairman of KPJ Healthcare Berhad, and E.A. Technique (M) Berhad, companies under JCorp Group listed on the Main Market of Bursa Malaysia Securities Berhad. Further, he is also the Chairman and/or Director of several companies within the JCorp Group, including Kulim (Malaysia) Berhad, Johor Land Berhad (JLand), QSR Brands (M) Holdings Berhad (QSR), Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's corporate social responsibility programmes and Yayasan Johor Corporation, a foundation that manages and administer funds for education and charitable purposes.

He is actively involved in the administration and development of national sports. He is a National Sports Council (MSN), Board Member and the President of the Malaysian Sailing Association and the President of the Johor Sailing Association. In addition, he is also the Patron of the Johor Clay Target Shooting Association and Vice President II of the Johor Football Association.

In education sector, he is the Administrative Board Member of the Malaysian-American Commission on Educational Exchange (MACEE), under the Ministry of Education Malaysia since July 2013. In addition, he is also the Professor of Adjunct at the International Institute of Public Policy & Management (INPUMA), University of Malaya since 2016.

Other than as disclosed, he does not have any family relationship with any directors and/or major Unitholders of Al-Aqar. He has no personal interest in any business arrangement involving Al-Aqar and has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2018.

1



THE BOARD OF DIRECTORS PROFILE

2

WAN AZMAN BIN ISMAIL

Malaysian, Male, aged 55

Non-Independent Executive Director

Wan Azman bin Ismail is the Executive Director cum Chief Executive Officer of the Manager. He was appointed to the Board as Non-Independent Non-Executive Director on 15 February 2017 and subsequently assumed his current role since 27 March 2017.

He graduated with a BA (Hons) in Accounting and Financial Analysis, University of Newcastle upon Tyne, United Kingdom in 1988. He started his career under the Corporate Finance Division of Perwira Affin Merchant Bank Berhad from September 1990 to March 1996. He later joined the Corporate Finance Division of BSN Merchant Bank Berhad on March 1999 to July 1999.

He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad (DBhd) in January 2001. He was appointed as the Managing Director of DBhd on 1 February 2011 and later redesignated as Director. He resigned as a Director of DBhd on 21 September 2018.

Starting June 2014, he served JCorp as Vice President Strategic Development Department prior to joining the Manager. He has obtained a Capital Markets Services Representatives Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA.

Other than as disclosed, he does not have any family relationship with any director and/ or major Unitholders of Al-`Aqar. He has no personal interest in any business arrangement involving Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

3

ZAINAH BINTI MUSTAFA

Malaysian, Female, aged 64

Independent Non
Executive Director

Executive Committee
- Member

Audit Committee
- Chairman

Nomination & Remuneration
Committee - Member

Zainah binti Mustafa is the Independent Non-Executive Director of the Manager. She was appointed to the Board and as the Chairman of the Audit Committee on 16 February 2007.

She is currently a Fellow Member of the Association of Certified Chartered Accountants (ACCA). She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October 2002. She started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad in 1997 after graduating from Institut Teknologi MARA (presently Universiti Teknologi MARA).

Other than as disclosed, she does not have any family relationship with any director and/or major Unitholders of Al-`Aqar. She has no personal interest in any business arrangement involving Al-`Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

She attended all 5 Board Meetings held during the financial year ended 31 December 2018.

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THE BOARD OF DIRECTORS PROFILE

4

DR. MOHD HAFETZ BIN AHMAD

Malaysian, Male, aged 69

Independent Non
Executive Director

Executive Committee
- Member

Audit Committee
- Member

Nomination & Remuneration
Committee - Member

Dr. Mohd Hafetz bin Ahmad is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006 and as the member of the Audit Committee on 25 April 2016.

He obtained his Medical Degree from University Malaysia in 1975. He did his housemanship in Hospital Sultanah Aminah, Johor Bahru, Johor and continued as Medical Officer in the same hospital. In 1978, he did his specialist training in Obstetrics and Gynaecology at the University Hospital, Kuala Lumpur. Thereafter, he served as a Trainee Lecturer and then as a Lecturer at the Department of Obstetrics and Gynaecology, University Malaya.

He joined Johor Specialist Hospital (JSH) in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994 - 2014). He is now the Medical Director of KPJ Bandar Dato' Onn Specialist Hospital, since 1 January 2019.

He was the President of the Obstetrical and Gynaecological Society of Malaysia (OGSM) from 2004 to 2005 and he also served as a council member of the OGSM from 2003 to 2006. He is a member of the Malaysian Medical Association, Malaysian Menopause Society and Persatuan Perubatan Islam Malaysia. In 2011, he was awarded Johan Mangku Negara (JMN) by DYMM Yang Di Pertuan Agong.

He presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee. Previously, he was an Independent Non-Executive Director of JLand, Sindora Berhad, Waqaf AnNur Corporation and was a Director of KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ University College. Dr. Mohd Hafetz has no directorships in other public companies in Malaysia.

Other than as disclosed, he does not have any family relationship with any director and/or major Unitholders of Al-Aqar. He has no personal interest in any business arrangement involving Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

5

DATO' DR. RAHAH BINTI ISMAIL

Malaysian, Female, aged 62

Independent Non Executive Director

Dato' Dr. Rahah binti Ismail is the Independent Non-Executive Director of the Manager. She was appointed to the Board on 5 October 2017.

She is a valuer both by training and profession. She holds a doctoral degree in Housing Development and Finance, a master degree in Urban Land Appraisal and a bachelor degree in Surveying (Property Management).

She had previously served the Department of Valuation and Property Services, Ministry of Finance Malaysia, holding several key positions including Deputy Director General of Valuation (Technical), Director of Valuation and Property Services in the states of Johor and Selangor, Director of Inspen and Head of Research at Inspen and retired from the service on August 2017 as the Director General of Valuation. Currently she is an independent property consultant.

She had also served as the President of the Board of Valuers, Appraisers and Estate Agents. Prior to her appointment as the President of the Board of Valuers, Appraisers and Estate Agents, she is the Chair for the Valuation Practice Committee and the Test of Professional Competency Committee of the Board.

She is also involved in professional bodies like the Royal Institution of Surveyors Malaysia, Royal Institution of Chartered Surveyor where her contributions led to the recognition and award as the Fellow of the Royal Institution of Surveyors Malaysia and Fellow of the Royal Institute of Chartered Surveyors. She has also served ASEAN Valuers Association as the Vice President and President of the AVA Malaysia. Currently she is in the AVA Governing Council.

She is a keen researcher and her main area of interest is the area of property development, property market and housing and has presented locally as well as internationally. Other than as disclosed, she does not have any family relationship with any director and/or major Unitholders of Al-Aqar. She has no personal interest in any business arrangement involving Al-Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

She attended all 5 Board Meeting held during the financial year ended 31 December 2018.

THE BOARD OF DIRECTORS PROFILE

6

LUKMAN BIN HJ. ABU BAKAR

Malaysian, Male, aged 60

Non-Independent Executive Committee
Non Executive Director - Chairman

Audit Committee
- Member

Lukman bin Hj. Abu Bakar, is a Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 12 January 2007 and as a member of the Audit Committee on 18 August 2010.

He graduated with a Bachelor of Urban and Regional Planning (Hons) from the University Teknologi Malaysia in 1982. He also holds a Post Graduate Diploma (Housing, Building and Planning) from Institute for Housing Studies, Rotterdam, Holland in 1985.

Upon graduation, he joined JCorp as a Town Planning Officer. He had held various positions in the JCorp Group before he was promoted as the Deputy Manager of JCorp in 1989. In 1992, he was appointed as the Manager cum Deputy Secretary of Pasir Gudang Local Authority (currently known as Pasir Gudang Municipal Council). In 1993, he joined Sindora Berhad as the Deputy General Manager and was promoted as the General Manager in 1995. On 1 January 2006, he was appointed as the Senior General Manager of JCorp. On 1 July 2008, the Pasir Gudang Local Authority was upgraded as a full-fledged Municipal Council. Concurrently, he was appointed as its first President and served until 31 August 2009 when the Council was handed over to the administration of the State Government of Johor. Thereafter, he was promoted as a Senior Vice President in JCorp on 1 September 2009.

He presently is the Managing Director of JLand since 1 January 2010 and the Senior Vice President/Chief Executive of Property Division of JCorp since 1 January 2011. He is also Chairman and director of a few other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-Aqar. He has no personal interest in any business arrangement involving Al-Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He has attended all 5 Board Meetings held during the financial year ended 31 December 2018.

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THE BOARD OF DIRECTORS PROFILE

7

YUSAINI BIN HJ. SIDEK

Malaysian, Male, aged 51

Non-Independent Non Executive Director

Yusaini bin Hj. Sidek is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his role as Managing Director of the Manager on February 2013 until 19 April 2017.

Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of Damansara Assets Sdn Bhd (DASB) having been appointed on 1 December 2012 and the Vice President, Commercial Property, Property Division of JCorp since May 2015.

He graduated with a Master of Business Administration, with specialisation in International Business from University of Southern Queensland, Australia in 2010. He also holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

He has approximately 28 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly-owned subsidiary of Low Yatt Group of Companies. During his

tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management. In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of JCorp as a Senior Manager until 2005 managing the properties under DASB in Kuala Lumpur prior to his appointment at DRMSB. He is a Registered Property Manager (PM1207) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA). Yusaini has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA. In January 2015, he was appointed as the Vice Chairman for year 2015 to 2016 of the Malaysian REIT Managers Association (MRMA), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

Other than as disclosed, he does not have any family relationship with any director and/or major Unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

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THE BOARD OF DIRECTORS PROFILE

8

DATO' AMIRUDDIN BIN ABDUL SATAR

Malaysian, Male, aged 55

Non-Independent Non Executive Director

Dato' Amiruddin bin Abdul Satar is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 21 January 2016.

He is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013. An alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010. He is also the Malaysia Advisory Committee Member of the Association of Chartered Certified Accountants.

He gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country.

He contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM) as the Vice President.

Other than as disclosed, he does not have any family relationship with any directors and/or major Unitholders of Al-'Aqar. He has no personal interest in any business arrangements involving Al-'Aqar and has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

9

MOHD YUSOF BIN AHMAD

Malaysian, Male, aged 51

Non-Independent Non Executive Director

Mohd Yusof bin Ahmad is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 4 February 2014.

He graduated with a Bachelor in Surveying (Property Management) from Universiti Teknologi Malaysia in 1992. Upon graduation, he gained experience as a Valuation Executive in Sailan & Co and KGV Lambert Smith Hampton. In 1993, he joined JLand as an Executive and later served as Valuation Executive at the Planning Department in 1995.

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently the Senior General Manager of Special Projects (JB Urban Redevelopment) of JLand appointed on 3 May 2018. He is also the General Manager, Special Projects (Property Division) of JCorp since 1 May 2015 and also special assistant to JCorp's President and Chief Executive Officer in Yayasan Sultan Ibrahim Johor. He presently sits on the board of various companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholders of Al-'Aqar. He has no personal interest in any business arrangement involving Al-'Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2018.

COMPANY SECRETARIES



JAMALLUDIN BIN KALAM

LS 0002710



ROHAYA BINTI JAAFAR

LS 0008376

THE SHARIAH COMMITTEE PROFILE

1

DATO' (DR) HAJI NOOH BIN GADOT

Malaysian Male, Aged 73

Dato' (Dr) Haji Nooh bin Gadot, was appointed as the Chairman and Member of Shariah Committee of Al-`Aqar since 22 June 2006.

He graduated from the Al-Azhar University in Egypt with a Bachelor in Islamic Law and Shariah Islamiah. He obtained his tertiary Islamic education from Maahad Institution in Johor majoring in As-Syahadah Al-Thanawiyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyyah Al-Arabiyyah –AsSyahadah Al-Ibtidaiyyah, Segamat and Islamic Primary School State of Johor Special Class. On 22 April 2012, he obtained the Ijazah Kehormat Sarjana Sastera (Master of Art) from Asia e University.

Currently, he is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor). He retired as Mufti of Johor in November 2002 and continued his service until 13 November 2008 and now remains as the Advisor to the Islamic Religious Council (Johor). He was appointed as Federal Supreme Committee of Islamic Affairs Strengthening Management on 9 August 2018. His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He also presently sits on the board and member of various companies within the JCorp Group as well as other companies, council, institutions and organization in Malaysia.

He is currently Director of Universiti Tun Hussein Onn (UTHM), Chairman of The Teaching and Advancement of Islam Studies, a member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment as well as Planning and Development units. He is also a member of various committees within the Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education.

2

PROFESSOR MADYA DR. AB. HALIM BIN MUHAMMAD

Malaysian Male, Aged 74

Professor Madya Dr. Ab. Halim bin Muhammad was appointed on 22 June 2006 as a Shariah Committee Member of Al-`Aqar.

He obtained his Bachelor in Shariah from Al-Azhar University in Egypt in 1972 and subsequently obtained his PhD in Shariah from St. Andrews, University of Scotland in 1977. He began his career with Universiti Kebangsaan Malaysia as the Head of Department of Quran and Sunnah, Faculty of Islamic Studies and Lecturer at Faculty of Law Universiti Kebangsaan Malaysia.

He has served as Shariah Advisor and Shariah committee member at several corporate organisation such as Tabung Haji, Bank Negara Malaysia, Dewan Bahasa dan Pustaka, Takaful Nasional and Terengganu Trust Fund as well as financial institutions namely, Bank Muamalat Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad, RHB Bank Berhad and Bank Pembangunan Malaysia Berhad.

At present, he is the Shariah committee member of Bank Muamalat Malaysia Berhad, Terengganu Trust Fund, Amanah Saham Darul Iman and Kelantan Ulama Council.

THE SHARIAH COMMITTEE PROFILE

3

PROFESSOR DR. MOHAMAD @ MD. SOM BIN SUJIMON

Malaysian Male, Aged 65

Professor Dr. Mohamad @ Md. Som bin Sujimon, was appointed on 20 May 2013 as a Shariah Committee Member of Al-`Aqar.

He graduated from University of Al-Azhar, Egypt with a Bachelor of Honours from the Faculty of Islamic Jurisprudence and Law in 1979. He obtained his Master of Arts in Teaching from Mississippi State University, United States of America in 1982 and completed PhD in Islamic and Middle Eastern Studies at the Faculty of Arts in University of Edinburgh, Scotland, United Kingdom in 1997.

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983-1986 and later migrated to Brunei Darussalam whereby he was part of the team which founded 3 institutions, namely Universiti Brunei Darussalam (UBD), Universiti Islam Sultan Syarif Ali (UNISSA) and Kolej Universiti Perguruan Ugama Seri Begawan.

In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddien. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

He was a Senior Researcher at the International Shariah Research Academy and is currently the Chief Executive Officer of Kolej Pengajian Islam Johor and member of the Shariah committee for HSBC Amanah Takaful and also member of Shariah Committee for Hong Leong Islamic Bank Berhad. In December 2013, he was appointed as the Chairman for the Shariah Board of Brisbane Islamic Investment Fund, an Australian regulated Islamic investment fund and Islamic finance business custodians which deals with manufacturing and services, energy and resources, real estate, solar and clean energy and live stocks. He is then being appointed as Shariah Advisor for Taupo Islamic Centre Auckland, New Zealand since 2016 until present. Recently he was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej Universiti Islam Antarabangsa Selangor (KUIS).

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THE MANAGEMENT

WAN AZMAN BIN ISMAIL

Malaysian, Male, Aged 55

Wan Azman bin Ismail is currently the Executive Director cum Chief Executive Officer of the Manager. His profile is detailed in the Board of Directors' profile.

SHAHRLIL ZAIRIS BIN RAMLI

Malaysian, Male, Aged 49

Shahril Zairis bin Ramli, is currently the General Manager of the Manager. He joined the Manager in July 2012.

He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined DBhd and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. He is the holder of Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He has a Bachelor of Arts in Banking and Finance from Bangor University and a Diploma in Investment Analysis from Universiti Teknologi Mara.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

ROZIAH BINTI ABU BAKAR

Malaysian, Female, Aged 51

Roziah Abu Bakar, is currently the Head of Compliance and Risk Management of the Manager. She completed her Masters in Business Administration, Henley Business School, University of Reading in 2008 and has a Degree in International Relations, Faculty of Political Science from The University of British Columbia, Canada. She started her career at JCorp in 1995 and has various experiences in the areas of corporate planning, business development and education. She obtained approval from the SC as the Compliance Officer of the Manager in June 2017. She is a certified Enterprise Risk Advisor from the Institute of Enterprise Risk Practitioners.

Other than as disclosed, she does not hold directorships in other public companies in Malaysia. She does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does she have any conflict of interests with Al-`Aqar. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

SUHAIMI BIN SAAD

Malaysian, Male, Aged 49

Suhaimi bin Saad, is currently the Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experiences in property management and planning and has been working in the property management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-`Aqar's portfolio. He has obtained a Capital Markets Services Representatives' License for REIT from the SC as a Licensed Representative. He is also a Registered Property Manager (PM1311) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA).

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

THE MANAGEMENT

HAMIM BIN MOHAMAD

Malaysian, Male, Aged 42

Hamim bin Mohamad, is currently the Head of Corporate Services. He joined the Manager in July 2014. He graduated with a Bachelor's Degree in Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Mayban Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He was the Compliance Officer of the Manager from September 2014 until June 2017.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

Malaysian, Male, Aged 33

Muhammad Ikhwan bin Muhammad Hanapi, is currently the Head of Finance of the Manager. He is primarily in charge of the accounting and financial matters of the Manager. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within 3 years with the Firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He joined the Manager in October 2011 as an Accountant and was promoted to Senior Accountant on 1 January 2016. He is currently a member of the Malaysian Institute of Accountant (MIA) and a Fellow member of the Association of Chartered Certified Accountants (ACCA).

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

AHMAD RIDHWAN BIN AHMAD RADZI, MRICS

Malaysian, Male, Aged 37

Ahmad Ridhwan bin Ahmad Radzi, is currently the Head of Business Development and Investor Relations for Al-`Aqar of the Manager. He earned his postgraduate from Heriot-Watt University in Real Estate Investment & Finance and Bachelor's Degree in Landscape Architecture from University Putra Malaysia. He is a member of the Royal Institute of Chartered Surveyors. He joined the Manager in January 2019. Before joining the Manager, Ridhwan was Investment Manager in Malayan Banking Berhad. Prior to that, he was attached to a number of international real estate consultancy firms including CBRE and JLL, where he gained exposure in real estate valuation, research, transaction management, strategic advisory and investments. He is primarily in charge to develop investment strategies and grow the Fund's portfolio through strategic acquisitions. He is also responsible to implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community.

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-`Aqar nor does he have any conflict of interests with Al-`Aqar. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

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MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

KEY FINANCIALS	FY2017 RM'000	FY2018 RM'000	GROWTH %
The Group			
Gross revenue	99,648	102,649	3.0
Net Property Income (NPI)	93,207	96,609	3.6
Profit for the year (realised)	59,852	61,032	2.0
EPU (realised) (sen)	8.22	8.37	1.8
The Fund			
Income available for distribution	58,427	56,912	(2.6)
DPU (sen)	7.70	7.70	-

PROFIT FOR THE YEAR

Profit for the year was RM85.4 million (FY2017: RM82.2 million) comprising realised profit of RM61.0 million (FY2017: RM59.8 million) and unrealised profit of RM24.4 million (FY2017: RM22.3 million).

Realised profit increased 2.0% or RM1.2 million in FY2018 mainly due to new rental income contributed from car park block at KPJ Selangor Specialist Hospital, which was acquired in December 2017 as well as modest rental revision for 2018 but partially offset by higher financing cost due to refinancing exercise.

The unrealised profit of RM24.4 million mainly relates to fair value gains on investment properties, which was higher by RM2.0 million. The higher fair value gain for the year was mainly attributable to those properties namely KPJ Damansara Specialist Hospital, KPJ Tawakkal Specialist Hospital, KPJ Healthcare University College, Nilai, KPJ Johor Specialist Hospital and KPJ Ipoh Specialist Hospital.

REALISED PROFIT INCREASED 2.0% OR RM1.2 MILLION IN FY2018 MAINLY DUE TO NEW RENTAL INCOME CONTRIBUTED FROM CAR PARK BLOCK AT KPJ SELANGOR SPECIALIST HOSPITAL, WHICH WAS ACQUIRED IN DECEMBER 2017 AS WELL AS MODEST RENTAL REVISION FOR 2018 BUT PARTIALLY OFFSET BY HIGHER FINANCING COST DUE TO REFINANCING EXERCISE.

INCOME AVAILABLE FOR DISTRIBUTION

Total income available for distribution for FY2018 of the Fund was RM56.9 million. This was derived from net realised income of RM59.7 million, less capital expenditures incurred during the year of RM2.8 million.

The Fund had distributed interim income distributions of 5.63 sen per unit amounting to approximately RM41.2 million for the period from 1 January to 30 September 2018.

On 30 January 2019, the Fund declared a final income distribution of 2.07 sen per unit totalling RM15.2 million for the period from 1 October to 31 December 2018. The said distribution was paid on 28 February 2019.

Total distribution per unit ("DPU") for FY2018 is 7.70 sen per unit totalling RM56.4 million, which represents 99% of the income available for distribution.

CONTRIBUTION BY SEGMENT

The Group has a single operating segment. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has two reportable segments as follows:

- I. Malaysia
- II. Australia

MANAGEMENT DISCUSSION & ANALYSIS

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

REVENUE CONTRIBUTION

	FY2017 RM'000	FY2018 RM'000
Malaysia	88,550	91,097
Australia	11,098	11,552

NPI CONTRIBUTION

	FY2017 RM'000	FY2018 RM'000
Malaysia	82,588	85,162
Australia	10,619	11,447

Malaysian Segment

The Malaysia segment, as the key contributor, contributed 88.7% (FY2017: 88.9%) and 88.1% (FY2017: 88.6%) in terms of revenue and NPI respectively. The Malaysia segment's revenue increased by 2.9% to RM91.1 million in FY2018 from RM88.5 million in FY2017. NPI increased 3.1% from RM82.6 million to RM85.2 million. The increase in revenue and NPI were mainly due to the increment on annual rental income and new rental income contributed from car park block at KPJ Selangor Specialist Hospital, which was acquired in December 2017.

Australian Segment

The Australia segment's contribution to Al-Aqar's revenue and NPI remained largely unchanged in FY2018 at 11.3% and 11.9% respectively. Revenue and NPI contribution increased 4.1% (from RM11.1 million to RM11.5 million) and 7.8% (from RM10.6 million to RM11.4 million) respectively.

STATEMENT OF FINANCIAL POSITION

With regards to its financial position, there is a minimal increase of 1.3% in its total assets from RM1.56 billion to RM1.58 billion.

The settlement of the KPJUC Balance Purchase Consideration was completed on 29 November 2018 following the payment of the RM29.9 million KPJUC Deferred Cash Consideration and allotment of 7,758,620 Al-Aqar Units to KPJUC. This resulted in total unitholders' fund increasing to RM947.8 million or 2.6% higher as compared to the immediate preceding year of RM923.3 million.

STATEMENT OF CASH FLOW

Operating Activities

Net cash generated from operating activities was RM57.9 million in FY2018 which was lower than RM89.9 million in FY2017. Lower amount in FY2018 was mainly due to settlement of deferred consideration owing to KPJUC Nilai amounting to RM38.9 million made during the year.

Investing Activities

Al-Aqar used RM0.7 million for investing activities during the financial year mainly due to payment of the land amalgamation fee of RM2.8 million for KPJ Seremban, which converted its land from leasehold to freehold and offset by income received on investment of RM2.1 million.

Financing Activities

Al-Aqar utilised RM51.9 million for financing activities during the financial year compared to RM165.8 million in the preceding year. On 4 May 2018, Al-Aqar successfully refinanced the IMTNs Issue 1 via an issuance of RM575 million in nominal value of IMTNs under Issue 2. Total finance costs paid were higher as compared to the preceding year, mainly due to higher rates upon completion of the refinancing exercise.

On 29 November 2018, Al-Aqar obtained an Islamic financing amounting to RM29.9 million and issued 7,758,620 new units at an issue price of RM1.16 per unit amounting to RM9.0 million to settle the KPJUC Balance Purchase Consideration as mentioned earlier.

As at 31 December 2018, cash and cash equivalent was RM72.7 million, an increase of RM3.7 million from RM69.0 million (FY2017).



MANAGEMENT DISCUSSION & ANALYSIS

PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK		FY2017	FY2018	COMMENTARY
i.	Management expense ratio (%)	0.32	0.34	Management expenses ratio of 0.34% increased by 6% due to corporate exercise in FY2018.
ii.	Total return (%)	(3.54)	(2.51)	Total return for the financial year remained negative due to lower closing price of RM1.31 compared to RM1.43 in FY2017.
iii.	Average annual total return (5 years) (%)	7.60	5.44	The 5-year average annual total return decreased due to lower closing price in FY2018.
iv.	Average annual total return (3 years) (%)	6.80	3.66	The 3-year average annual total return decreased due to lower closing price in FY2018.
v.	Distribution yield (%)	5.38	5.88	Distribution yield has increased from 5.38% to 5.88% due to lower closing price of RM1.31 compared to RM1.43 in FY2017, as DPU remained the same at 7.70 sen.
vi.	NAV per Unit	1.2284	1.2878	NAV per unit recorded an increase of 2.6% arising from the profit recorded for the year 2018 (RM85.4 million), issuance of new units (RM9.0 million) and payment of final income distribution FY2017 (RM28.7 million) and interim income distributions FY2018 (RM41.2 million)

Notes:

- The ratio of expenses incurred in operating Al-`Aqar of RM3.1 million (FY2017: RM2.8 million) to the weighted average of NAV of Al-`Aqar of RM912.4 million (FY2017: RM887.2 million).
- Total return represents the change in unit price during the year plus distribution yield for the year.
- Average annual total return is the sum of the return rates of Al-`Aqar over a given numbers of years divided by that number of years.
- Average annual total return is the sum of the return rates of Al-`Aqar over a given numbers of years divided by that number of years.
- Based on DPU of 7.70 sen (FY2017: DPU of 7.70 sen) divided by its closing price as at 31 December 2018 of RM1.31 (31 December 2017: RM1.43).
- Net asset value of Al-`Aqar is determined by deducting the value of all Al-`Aqar's liabilities from the total asset value, divided by total issued units.

MANAGEMENT DISCUSSION & ANALYSIS

FAIR VALUE OF PORTFOLIO PROPERTIES

As at 31 December 2018, the value of Al-Aqar's properties was RM1.48 billion compared to RM1.46 billion as at 31 December 2017. The fair value gain recorded was RM30.3 million.

	2017 RM'000	2018 RM'000
Investment properties		
At 1 January	1,424,360	1,459,703
Addition	13,259	-
Enhancements	506	2,858
Effect of foreign currency exchange differences	(3,214)	(7,176)
Gain on fair value of investment properties	24,792	30,342
Total portfolio properties as at 31 December	1,459,703	1,485,727

Property	2017 Fair Value RM '000	2018 Fair Value RM '000
Malaysia		
KPJ Ampang Puteri Specialist Hospital	135,000	135,000
KPJ Damansara Specialist Hospital	121,700	131,000
KPJ Johor Specialist Hospital	116,800	120,000
KPJ Selangor Specialist Hospital	80,800	80,000
KPJ Puteri Specialist Hospital	43,000	42,000
KPJ Ipoh Specialist Hospital	73,000	76,100
KPJ Perdana Specialist Hospital	45,000	45,000
Kuantan Wellness Centre	21,700	20,500
KPJ Kajang Specialist Hospital	48,400	50,600
Kedah Medical Centre	51,700	52,000
Sentosa Medical Centre	30,000	30,000
KPJ Seremban Specialist Hospital	66,300	69,500
Taiping Medical Centre	10,000	10,000
KPJ Healthcare University College, Nilai	100,600	105,400
KPJ Tawakkal Specialist Hospital	127,900	135,200
Damai Wellness Centre	15,200	15,100
Tawakkal Health Centre	47,000	48,400
KPJ International College, Penang	16,200	16,200
KPJ Penang Specialist Hospital	64,000	63,000
Kluang Utama Specialist Hospital	4,300	5,000
KPJ Klang Specialist Hospital	101,500	103,300
	1,320,100	1,353,300
Australia		
Jeta Gardens Aged Care and Retirement Village*	139,603	132,427
	139,603	132,427
TOTAL PORTFOLIO	1,459,703	1,485,727

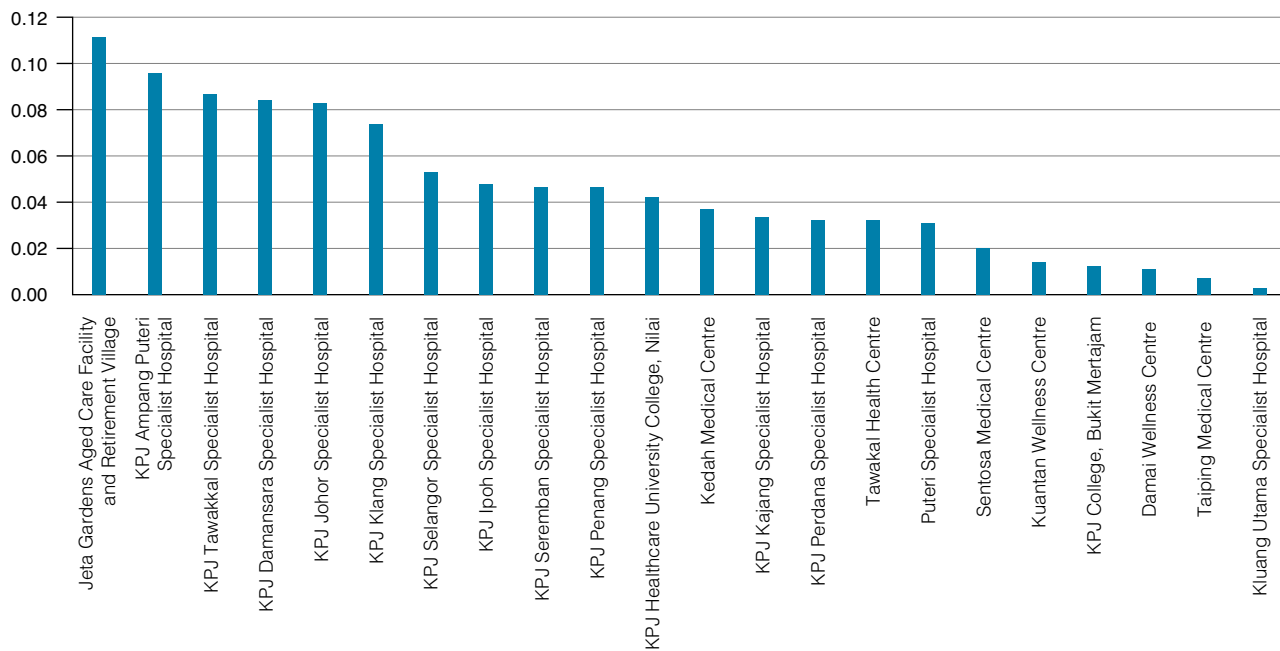
* The property was valued at AUD44 million in both FY2017 and FY2018, and translated using the exchange rate at the date of valuation.

MANAGEMENT DISCUSSION & ANALYSIS

ANNUAL LEASE CONTRIBUTION

Al-Aqar's properties comprise 19 hospitals and 3 healthcare related properties in Malaysia and Australia. Properties with high market value are also the major contributors in terms of lease contributions as depicted in the following chart.

RM 'million



MANAGEMENT DISCUSSION & ANALYSIS

Operations Review

THE PORTFOLIO MAINTAINED 100% COMMITTED OCCUPANCY, WITH A POSITIVE RENTAL INCREMENT.

The Manager is focused on active asset management and acquisition growth strategy in order to provide regular and stable distributions to unitholders and ensure capital growth and improved returns from its property portfolio.

Despite the challenging operating environment, the Manager's active asset management continued the strong operational performance into FY2018. The portfolio maintained 100% committed occupancy, with a positive rental increment.

The Manager constantly strives to maintain the existing properties as attractive operating assets for the business of its tenants and to sustain continuous strong business relationships with the tenants since 2006.

ASSET ENHANCEMENT INITIATIVES

Optimisation of stakeholder value is the core focus and prime objective of Al-Aqar. This is achieved via asset enhancement strategy. We aim to improve our performance through constantly upgrading our properties and services. Since listing, the Manager has devoted substantial efforts to implement asset enhancement initiatives with the aim to develop our properties to their full potential. The Manager expects to implement asset enhancement initiatives worth up to RM9.9 million.

CATEGORY	AMOUNT (RM)
Completed	
- Civil and structural	170,000
- Mechanical and Electrical	398,320
- Repainting	3,113,000
Sub Total	3,681,320
Ongoing	
- Repainting	290,000
- Civil and structural	-
- Mechanical and Electrical	2,630,000
- Expansion	3,307,200
Sub Total	6,227,200
TOTAL	9,908,520

RENTAL RENEWALS

Under the lease arrangement, the contractual lease term is 15 years with an option to renew for a further 15 years. The contractual lease term is divided into 5 rental term of 3 years which shall be renewed upon expiry of each rental term. Based on the Manager's records, the lessees have continuously committed to their rental obligations.

RENTAL REVIEW

Al-Aqar has a well-spread rental review as shown in the following table:

Year	No. of Properties	% of Total Properties
FY2019	1	4.55%
FY2020	6	27.27%
FY2021	14	63.63%
FY2024	1	4.55%

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

For the year under review, Al-`Aqar had registered moderate increase in revenue growth of 3% to RM102.6 million from RM 99.6 million in 2017. This was attributable to income derived from the KPJ Selangor Specialist Hospital's car park lease rental of RM0.93 million as well as modest rental revisions for 2018.

As at 31 December 2018, Al-`Aqar has 21 properties in Malaysia comprising 19 hospitals and 2 healthcare-related properties. It represents 91% of the total property value and contributes 88.7% and 88% to the revenue and net rental income of Al-`Aqar respectively.

Jeta Gardens Aged Care & Retirement Village in Australia is the sole foreign asset owned by Al-`Aqar. The property represents 9.0% of the total property value and contributes 11.3% and 12% to the revenue and net rental income of Al-`Aqar respectively.

Challenges

The healthcare sector is witnessing continuous rapid technological advancement posing both challenges and opportunities to players within this market segment. Emerging megatrends in healthcare offerings such as mobile health and personalised treatment may shift the way traditional healthcare providers operate within the near future. Additionally, the expectation of continuous improvements in quality and standards of healthcare services is driving the increase in competitive intensity amongst incumbent operators, notwithstanding new entries of more players into the space.

Healthcare providers require technology strategies to adapt to disruptions especially from the e-commerce sector. Given KPJ's track record in ensuring service excellence whilst being one of the largest healthcare companies in Malaysia, the Fund's main tenant continues to commit to adopt new methods and acquiring capabilities to appease changing consumer demands hence being relevant despite the changes in the landscape dynamics.

The Manager is in the opinion that growth prospect for the sector domestically as well as globally over the long term is positive, underpinned by rising affluence and increasing life expectancy. The local private healthcare sector has an added catalyst in form of medical tourism, backed by its highly competitive medical charges and hospitalisation costs (against those in developed countries) and various incentives provided by the government.

Given the set of challenges, the Manager expects that earnings for Al-`Aqar will remain stable and resilient compared to other REITs in the market as the healthcare sector continues to flourish. The fund's performance will mainly be driven by organic growth from rental renewals and annual escalation as well as acquisitions, predominantly from KPJ. Notwithstanding the macroeconomic factors and changes in consumer demands, attractive industry fundamentals will continue to deliver value to Al-`Aqar's immediate and long term outlook.

Prospects

Al-`Aqar continues to attract investor interests as the REIT is on track to continue to deliver attractive returns going into the new year. As Malaysians grow in affluence and expectations on quality care becomes more of a necessity, the healthcare industry remains resilient and continues to grow in strength year after year. Increasingly, the growth in healthcare tourism bodes well for KPJ's prospect and brand acknowledgement as a destination for quality healthcare through its unwavering operational and service standards. Apart from this, the REIT is also looking into other segments of the industry to capture assets within growth areas and proven yield performance.

Additionally, the expectation of continuous improvements in quality and standards of healthcare services is driving the increase in competitive intensity amongst incumbent operators, notwithstanding new entries of more players into the space.

MANAGEMENT DISCUSSION & ANALYSIS

Capital Management

GEARING RATIOS

Al-Aqar's gearing ratios are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratios at the end of the reporting period are as follows:-

	2017 RM'000	2018 RM'000
Total borrowings (RM'mil)	573.58	603.70
Total assets value (RM'mil)	1,556,425	1,580,468
Total borrowings to total asset value ratio (%)	36.85	38.19

As at 31 December 2018, our borrowings stood at RM603.7 million, an increase of 5% as a result of the floating rate borrowing obtain by Al-Aqar during the year. The exposure of floating rate borrowing only represent RM29.9 million of the total borrowings. The total gearing correspondingly increased to 38.19%, which was below the 50% limit permitted by the SC's Guideline on REITs.

ISLAMIC FINANCING: SUKUK IJARAH

In 2013, the Group via its special purpose vehicle, Al-Aqar Capital Sdn Bhd has established a 15-year Islamic Medium Term Notes Sukuk Ijarah of up to RM1.0 billion in nominal value in FY2013. The RM655 million 5-year Sukuk under Issue 1 was issued via the First Tranche of RM374 million and the Second Tranche of RM281 million. The profit rates for the sukuk are all on fixed rate basis thus insulating Al-Aqar from any adverse movement in the financing rate and volatility in the economy.

In 2017, Al-Aqar Capital Sdn Bhd made a partial early one-off redemption of RM80 million in nominal value of unrated Class C IMTNs of Issue 1. The redemption was made by using the proceeds from the disposal of an investment property.

On 4 May 2018, Al-Aqar redeemed the outstanding IMTNs of Issue 1 of RM575 million together with the outstanding profit due on maturity and refinanced the IMTNs via an issuance of RM575 million in nominal value of IMTNs ("Issue 2"). The maturity period for Sukuk Issue 2 has shortened to 3 year compared to 5 year under Issue 1. Total financing cost paid increased following the increase in Bank Negara Malaysia Overnight Policy Rate (OPR) by 0.25% in January 2018, as well as sukuk refinanced at higher rate during the year.

The respective AAA/Stable and AA2/Stable ratings of RM295 million Class A and RM60 million Class B Sukuk Ijarah had been reaffirmed by RAM Rating Services Berhad in their annual review dated April 2018. The stable rating outlook reflect that the 19 secured properties will perform within sustainable cashflow assumption, backed by the lease agreements with KPJ Group as the hospital operator. Additionally, RAM expects the expiring long-term lease to be renewed, thereby providing adequate credit support for the respective rating assigned to the Sukuk Ijarah.

On 20 December 2018, Al-Aqar re-rated RM112 million in nominal value of unrated Class C IMTNs of Issue 2. The re-rating exercise had led to an early redemption of the Class C IMTNs of Issue 2 and an additional issuance of RM75 million in nominal value of Class A IMTNs of Issue 2 and RM37 million in nominal value of Class B IMTNs of Issue 2. The average profit rate of the Sukuk Issue 2 is about 5.11% per annum.

ISLAMIC FINANCING: MURABAHAH TAWARRUQ TERM FINANCING-I

On 30 November 2018, Al-Aqar obtained floating rate borrowing facility ("Murabahah Tawarruq") amounting to RM29.9 million to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38.9 million. The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month. The Murabahah Tawarruq bears an effective profit rate of 1.50% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Murabahah Tawarruq during the year is 5.54%.

MANAGEMENT DISCUSSION & ANALYSIS

Risk Management

THE MANAGER REALISES THE IMPORTANCE OF EFFECTIVE RISK MANAGEMENT AS IT FACILITATES INVESTORS' INVESTMENT DECISIONS-MAKING PROCESS VIA EVALUATION OF THE INFORMATION DISCLOSED BY THE MANAGER IN ORDER TO ESTABLISH LEVELS OF VARIOUS RISKS IT FACES.

Risk management has been part of the Manager's day-to-day operations in managing Al-'Aqar and the Manager is responsible to ensure consistency of operational procedures and practices within the organisation. The commitment to achieve effective risk management is ultimately driven by the Board, which in turn is implemented by the management team and extended to all employees of the Manager.

The Manager revised its Enterprise Risk Management Framework in the third quarter of 2018 with a view to ensure the effective management of potential opportunities while reducing or avoiding adverse effects.

The focus of the revised ERM remain the same as those of last year's, which include: -

- i. continuously identifying, assessing and monitoring the Fund's risks;
- ii. managing and monitoring risks assumed by the Fund's on behalf of its Unitholders; and
- iii. mitigation actions to address such risks.

Where functions are outsourced, the Fund's risk management framework must include:-

- i. performing due diligence on the nature, scope and complexity of the outsourcing to identify key risk areas and risk mitigation strategies;
- ii. conducting review of its outsourcing arrangement and identifying new risks which may arise; and
- iii. analysing the impact of the outsourcing arrangement on the overall risk profile of the Fund, and whether there are adequate measures and resources in place to mitigate the risks identified.

MANAGEMENT DISCUSSION & ANALYSIS

KEY RISKS FACTORS

RISK	RISK DESCRIPTION	MITIGATION PLAN
Acquisition & Investment Risk	Risk that assets are not yield accretive and distort existing portfolio which is healthcare focused or difficulty in acquiring quality assets.	<p>All investment proposals will be assessed thoroughly based on the approved investment criteria. The proposals will be evaluated by the Executive Committee prior to recommendation to the Board and subsequently, due diligence will be undertaken by the appointed professionals.</p> <p>In working out a win-win lease arrangement with the lessee, the Manager is aware of the fact that, in a normal industry life-cycle of a hospital, the first three years is a Start-Up period. Profit will start to register during the Growth period where the business will start to turn around and be sustainable in the long run.</p>
Valuation Risk	Risk that assets with lower Valuation will affect the Net Asset Value of the Fund.	The Manager complies with the requirement of the REIT Guidelines to ensure that property valuation is carried out every year by valuers approved by the Trustee and complies with the guidelines under the Listing Requirements. This is to determine the fair and reasonableness of the value of the assets to be acquired.
Financing & Refinancing Risk	Risk that funding will not be available from banks or debt capital market to meet requirements when due.	Given the stable income from the assets portfolio, the Manager does not foresee any risk associated with inability to procure financing. However, the Manager will comply with the requirement to keep gearing level at 50% and take all the steps in ensuring the borrowing rates and any cost related to the financing are kept at optimal level so that the return to unitholders are maximised.
Liquidity Risk	Risk that funds are inadequate to meet obligations.	The Manager will continuously monitor the rental income, operational cost of the assets as well as borrowing cost and related costs are within the annual budgeted plan.
Profit Rate Risk	Risk that adverse movements in floating profit rates will affect financial performance.	Impact of risk is minimal since currently, most of Al-Aqar's borrowing is on fixed basis and as such, will not be materially affected by adverse movement in financing rate.

MANAGEMENT DISCUSSION & ANALYSIS

RISK	RISK DESCRIPTION	MITIGATION PLAN
Business / Market Risk	Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration.	Given the established healthcare business of the tenants which is defensive in nature as well as the strategic location of the properties, the Manager is of the view that Al-`Aqar is not highly susceptible to business and market risk.
Tenant Concentration Risk	Risk that revenue of Al-`Aqar is dependent on single tenant. Termination or non-renewal of tenancy by the single tenant will negatively impact the performance of the properties.	The Manager has a designated long-term lease Agreement (15 + 15 years & renewal of tenancy every 3 years) to ensure performance each property is guaranteed.
Insurance, Uninsured Liabilities	High-profile incidents ranging from extreme weather and terrorism to cyber security risk has REITs keenly focused on potential losses. REITs worry not only that their operations will suffer, but also that they may not have adequate insurance and could face potential uninsured losses.	A revision on takaful plan is carried out on an annual basis to ensure sufficient coverage.
Cyber Security Risks	Cyber security breaches, for example, can damage a company's reputation, which is difficult to insure against.	The Manager also is drafting a Disaster Recovery Plan to ensure threats of cyber security breaches are mitigated.
Compliance Risk	Risk that Al-`Aqar fails to comply with applicable laws and regulations.	The Manager has a designated compliance officer who is responsible for ensuring that all relevant laws, guidelines, and regulations are duly complied with.
Human Capital Risk	Risk that the Manager fails to attract and retain competent staff force to manage its portfolio and to execute its strategies for sustainable growth.	The Manager to promote work-life balance with current working hour, to facilitate staff as reasonable as possible and also to provide satisfying benefits by considering the market standard of HR practise.

INVESTOR AND PUBLIC RELATIONS



6th AGM of Al-`Aqar Healthcare REIT on 19 April 2018 at Puteri Pacific Hotel, Johor Bahru



At Al-`Aqar, investor relations activities are focused on increasing awareness in the investment community via an open dialogue with all stakeholders, namely unitholders, analysts, media, potential investors and the general public. Our aim is to enable market participants to form a realistic opinion of the company's profitability, strategic positioning and the associated opportunities and risks.

6th Annual General Meeting

The Manager convened the 6th Annual General Meeting (AGM) of Al-`Aqar Healthcare REIT on 19 April 2018 to seek the unitholders' approval amongst others, for the following resolutions:

- Proposed To Allot And Issue New Units
- Proposed Increase In The Existing Approved Fund Size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.

Accessibility of Information

The accessibility for retail investors to the management of the Manager may not be easily available in comparison to institutions investors. We recognise the growing sophistication of retail investors leading to higher expectation of higher accessibility of information from this group of stakeholder. The existing communication channels for retail investors include the following:

- 1) Corporate Website & Investor Relation Portal (www.alaqar.com.my)
- 2) Annual Report
- 3) IR enquiry

INVESTOR AND PUBLIC RELATIONS



*Analyst briefing on
Al-Aqar's quarterly
result*

Analysts & Investors Briefing

The Manager has always engaged with local and foreign analysts as well as investors and potential investors to keep them abreast of the latest development of Al-Aqar. The briefings were organised periodically either thru one-on-one meetings, conference calls or roadshow. Properties tour was also organised based on request for better appreciation of the quality of our assets.

Media Relations

Media have an important role in providing information which is the key to an efficient market operation and thus plays a critical role in all aspects of business, commerce and industry. The Manager is aware of the important role played by the media in shaping the present and future image of the Fund and always opens its door to interact with media at all times.

Exhibition

The Manager is committed to increase awareness on Al-Aqar among public and local investors. Participation in the various exhibitions aimed to expose the variety of investments and include awareness of the public about the legitimate investment products in Malaysia. This is a great channel to communicate with investors as the exhibitions were attended by government institutions and NGOs as well as from the mass public.

Malaysian REIT Managers Association (MRMA)

The Manager is an active member of the Malaysian REIT Managers Association since 2009. The Manager took the opportunity attending the quarterly meetings and the annual general meeting to exchange views with other members and planning concerted efforts to promote M-REITs industry to both domestic and foreign investors.

MARKET REPORT SUMMARY

1. ECONOMIC OVERVIEW

The global economy is expected to expand 3.7% in 2019, lower than the earlier forecast of 3.9% (IMF, 2018). The downward revision reflects elevating policy uncertainties with several risks stemming to growth from escalating trade tension and outflows of capital from emerging economies. At the same time, global growth has become less synchronized with mixed developments in advanced economies while projection for emerging economies, in particular, developing Asia remains favorable.

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.9% in 2019, respectively, supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors.

In 2019, monetary policy will remain accommodative and considerations for adjustments will depend on risks surrounding the outlook for domestic growth and inflation. At the same time, the domestic financial system remains stable and intact supported by deep and liquid financial market, sound financial institutions and sustained confidence in the system. Meanwhile, the domestic equity market is projected to continue recording gains despite external headwinds. Islamic banking is expected to remain favourable given strong demand from both households and businesses for Shariah-compliant financial products and services. Towards this end, Malaysia is expected to maintain its position as a global leader in Islamic finance.

From the supply side, the services sector is expected to remain as the largest contributor, namely wholesale and retail trade, finance and insurance as well as information and communication subsectors, benefitting from steady consumer spending. The manufacturing sector is projected to register a firm growth primarily driven by continuous demand for Electrical & Electronic. Agriculture and mining sectors are expected to rebound in 2019 after recording a marginal contraction in 2018 following an increase in the production of crude palm oil and liquefied natural gas. Meanwhile, the construction sector is expected to moderate following the near completion of infrastructure projects as well as property overhang, particularly in the non-residential segment.

Malaysia's external position is projected to remain resilient in line with steady global economic and trade performances. However, exports are expected to moderate mainly due to slower global trade and investment activities. At the same time, the current account surplus is expected to narrow following widening deficits in the services and income accounts.

(Extracted from Economic Outlook 2019, Ministry of Finance Malaysia)



MARKET REPORT SUMMARY

2. MALAYSIAN REIT

The sector has faced an early dampener of 25bps overnight policy rate (OPR) hike to 3.25% on 25 Jan 2018 which would nudge up near-term's financing costs (for M-REITs with exposure to floating rate borrowings). This was followed by a short-lived, sector-wide unit price easing in Mar-Apr 2018 which believed was partly attributed to the market's expectation of two rate hikes in 2018 (including Jan 2018's).

The M-REIT's growth is estimated to be largely organic in 2019, via positive rental reversions and sustained occupancy rates while there are M-REIT's which would record full year rental income contributions from assets which were acquired/developed in 2018. It is expected 2019's acquisition pipeline to be subdued and only involving smaller size assets as anticipated major pipeline and developments would only take place from 2020 onwards.

Oversupply of retail and office space would remain as major earnings risks to M-REITs as it would generally heighten selected retail malls and office towers' occupancy risks and limiting potential positive rental reversions for expiring leases. Elsewhere, it is believed further rate hike(s) would lower M-REITs profitability (higher finance costs) and deterring acquisitions (more expensive to fund acquisitions via borrowings). Nonetheless, it is expected that the current OPR to remain at 3.25% throughout 2019 to support near-term, economic growth while our sensitivity analysis reveals that a further 25bps increase in finance costs would only lower the sector's CY19/ 20 net profit by 0.5% p.a..

(Extracted from Research Report 2019: Outlook & Lookouts by Maybank IB Research, 14 December 2018)



MARKET REPORT SUMMARY



ANALYSTS BELIEVE HEALTHCARE PROVIDERS WILL STILL MEET THE MASSES' NEEDS BY EXPANDING THEIR HOSPITAL PORTFOLIOS WHICH WOULD FURTHER ACCELERATE REVENUE GROWTH IN 2019.

3. HEALTHCARE IN MALAYSIA

Private healthcare operators in Malaysia are set to see higher earnings in 2019 on the back of rising demand for their services from medical tourists and the effects of new government policies encouraging health protection.

While growth prospects for the sector globally are positive in the long term, underpinned by an ageing population, rising affluence and increasing life expectancy, analysts noted the local private healthcare sector has added catalysts. These include competitive charges and hospitalisation costs in medical tourism, a generally English-speaking population, and various incentives from the government.

Besides raising the allocation for health services to RM29 billion in Budget 2019, the government said it will introduce a new B40 National Health Protection Fund, on a partnership basis with private insurance companies. Started on Jan 1, 2019, the scheme, among others, provides free coverage for four critical illnesses for up to RM8,000 and a maximum of 14 days of replacement income. Hospitalised patients can get an income replacement at RM50 a day for a maximum of 14 days, or RM700 a year. This announcement focuses on making healthcare services more accessible to the B40 (bottom 40%) income group, which in turn will increase the number of patients seeking treatment in private hospitals. Although there are no full details yet on how the new policy would impact healthcare companies, it could spur them to revise their prices as the scheme is believed will force private healthcare operators to drive down their prices, but the resulting volume will support them to achieve economies of scale with a slight margin compression.

MIDF Research and AmInvestment Bank maintained their "positive" and "neutral" ratings respectively on the healthcare sector for 2019. Private healthcare players may be negatively impacted by a weakening ringgit against the US dollar as costs of key inputs such as drugs, medical supplies and equipment are denominated in the greenback. On the other hand, a cheaper [ringgit] may boost Malaysia's medical tourism volume. Analysts believe healthcare providers will still meet the masses' needs by expanding their hospital portfolios which would further accelerate revenue growth in 2019.

(Extracted from official website of Malaysia Healthcare Tourism Council, Demand for Private Healthcare Remains Upbeat, 2 January 2019)

MARKET REPORT SUMMARY

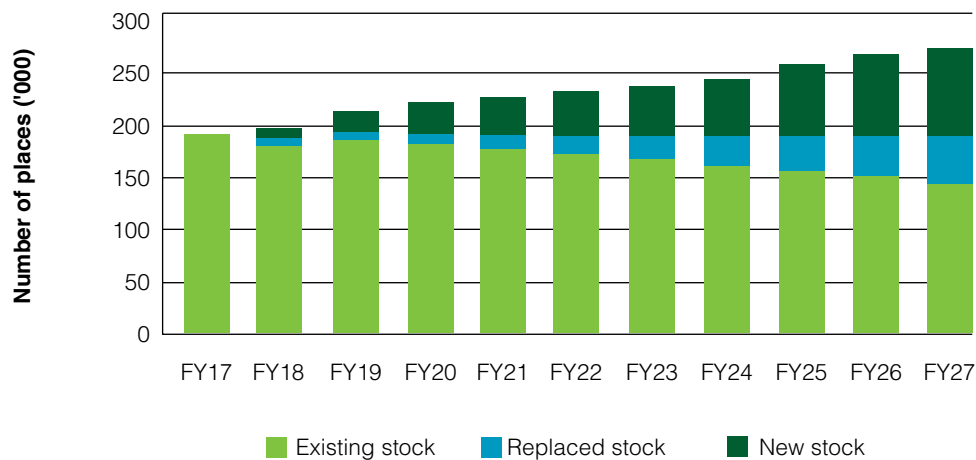
4. AUSTRALIA

The aged care sector in Australia provides services to over 1.3 million Australians and generates annual revenues totalling around \$22 billion. The sector makes a significant contribution to the Australian economy, representing 1 per cent of Gross Domestic Product. The aged care system is continuing to undergo reform so that it more effectively and efficiently supports older people to live in their homes and communities for as long as possible, and enables people to make informed decisions about their care, while remaining sustainable for taxpayers and service providers.

The sector remains heavily reliant on taxpayer funding, receiving \$17.1 billion in Commonwealth funding in 2016-17, an increase of 8.1 per cent from 2015-16. Almost 70 per cent of total funding (\$11.9 billion) was for residential care. Given the amount of taxpayer funding, objective and thorough analysis of the funding and financing of the sector is of central importance to the Government, aged care consumers and providers.

It is estimated that the residential care sector will need to build an additional 88,110 places over the next decade in order to meet the target provision ratio of 78 operational places per 1,000 people aged 70 and over. At the same time, the sector will need to rebuild a substantial proportion of its current stock. Assuming that a quarter of the current stock of buildings is rebuilt at an even rate over the next decade, it is estimated that the investment requirement of the sector over the next decade is in the order of \$54.0 billion.

Number of operational residential aged care places required in the next decade



(Extracted from Australia Sixth report on the Funding and Financing of the Aged Care Sector July 2018)

PORTFOLIO SUMMARY AND DETAILS

21 PROPERTIES (MALAYSIA)

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
KPJ DAMANSARA SPECIALIST HOSPITAL
KPJ JOHOR SPECIALIST HOSPITAL
KPJ PUTERI SPECIALIST HOSPITAL
KPJ SELANGOR SPECIALIST HOSPITAL
KPJ IPOH SPECIALIST HOSPITAL
KPJ PERDANA SPECIALIST HOSPITAL
KUANTAN WELLNESS CENTRE
SENTOSA MEDICAL CENTRE
KPJ KAJANG SPECIALIST HOSPITAL
KEDAH MEDICAL CENTRE
DAMAI WELLNESS CENTRE
KPJ PENANG SPECIALIST HOSPITAL
TAWAKKAL HEALTH CENTRE
KPJ TAWAKKAL SPECIALIST HOSPITAL
KPJ SEREMBAN SPECIALIST HOSPITAL
TAIPING MEDICAL CENTRE
KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI
KPJ INTERNATIONAL COLLEGE, PENANG
KLUANG UTAMA SPECIALIST HOSPITAL
KPJ KLANG SPECIALIST HOSPITAL

1 PROPERTY (AUSTRALIA)

JETA GARDENS AGED CARE & RETIREMENT
VILLAGE, BRISBANE

PORTFOLIO SUMMARY AND DETAILS



KPJ AMPANG PUTERI SPECIALIST HOSPITAL

Location

No. 1, Jalan Memanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan.

Lessee/Asset Operator

Ampang Puteri Specialist Hospital Sdn. Bhd.

Description

A purpose built private hospital comprising a seven (7) storey main building (NCB Block), an annexed five (5) storey specialist centre (PCB Block) both of which are with a common lower ground floor together with a part of the undeveloped portion of land currently under construction with a fifteen (15) storey private hospital building and part of the undeveloped portion of land being used as a car park area.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

233,254 sq.ft.

Gross Floor Area

390,848 sq.ft.

Tenancy/Lease expiry & renewal

Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

P.T. No. 25119 held under Title No. H.S. (M) 26550, Mukim Empang, District of Hulu Langat, State of Selangor. Leasehold expiring in year 2089.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ DAMANSARA SPECIALIST HOSPITAL

Location

No 119, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor.

Lessee/Asset Operator

Rawang Specialist Hospital Sdn. Bhd.

Description

A six (6) storey purpose- built hospital building with a basement level and an open car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

179,860 sq.ft.

Gross Floor Area

445,114 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2021 and renewal on 1 January 2022.

Title

P.T. No. 1856 held under Title No. H.S. (D) 146423, Mukim Sungai Buloh, District of Petaling, State of Selangor. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ JOHOR SPECIALIST HOSPITAL

Location

No. 39-B, Jalan Abdul Samad, 80100 Johor Bahru, Johor Darul Takzim.

Lessee/Asset Operator

Johor Specialist Hospital Sdn. Bhd.

Description

A purpose-built private hospital comprising a seven (7)-storey main building (Inpatient & Premier Block), a four (4)-storey physician consulting building (Outpatient Block), built atop a (2)-storey basement car park, a five (5)-storey Car Park Block together with a basement, and several other structure which is ancillary to the hospital operations.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

217,800 sq.ft.

Gross Floor Area

482,464 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2021 and renewal on 1 January 2022.

Title

PTB No. 12319 (now Lot 19262) held under Title No. H.S. (D) 420217, Town and District of Johor Bahru, State of Johor. Leasehold expiring in year 2079.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ PUTERI SPECIALIST HOSPITAL

Location

No. 33, Jalan Tun Abdul Razak (Susur 5), 80350 Johor Bahru, Johor Darul Takzim.

Lessee/Asset Operator

Puteri Specialist Hospital (Johor) Sdn. Bhd.

Description

A six (6) storey purpose built private hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

104,110 sq.ft.

Gross Floor Area

134,100 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

Lot No. PTB 24134, held under Title No. HSD 535599, Town and District of Johor Bahru, State of Johor. Leasehold expiring in year 2053.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ SELANGOR SPECIALIST HOSPITAL

Location

Lot 1, Jalan 20/1, Section 20, 40300 Shah Alam, Selangor Darul Ehsan.

Lessee/Asset Operator

Selangor Specialist Hospital Sdn. Bhd.

Description

A six (6)-storey purpose -built hospital building with a basement and a six (6)-storey car park block with a basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

204,341 sq.ft.

Gross Floor Area

- i) KPJ Selangor Existing Building - 212,612 sq.ft.
- ii) Car Park Block - 107,615 sq.ft

Tenancy/Lease Expiry & Renewal

Existing Building & Car park Building - Expiry on 29 June 2021 and renewal on 30 June 2021.

Title

P.T. No. 2 Section 20 held under Title No. H.S. (D) 112884, Town of Shah Alam, District of Petaling, State of Selangor. Leasehold expiring in year 2096.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ IPOH SPECIALIST HOSPITAL

Location

No.26, Jalan Raja Di Hilir, 30350 Ipoh, Perak Darul Ridzuan.

Lessee/Asset Operator

Ipoh Specialist Hospital Sdn. Bhd.

Description

A purpose built private specialist hospital comprising three (3) to four (4) storey building (Old Wing) annexed to a five (5) storey building with a basement (New Wing).

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

142,117 sq.ft.

Gross Floor Area

382,865. Sq.ft

Tenancy/Lease Expiry & Renewal

Expiry on 31 December 2021 and renewal on 1 January 2022

Title

Lot No. PT 254356 held under Title No. HS (D) 221754, Town of Ipoh (U), in District of Kinta, State of Perak. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ PERDANA SPECIALIST HOSPITAL

Location

No. PT 37 and PT 600, Jalan Bayam, Section 14, 15200 Kota Bharu, Kelantan.

Lessee/Asset Operator

Perdana Specialist Hospital Sdn. Bhd.

Description

A five (5) storey purpose built private specialist hospital with a sub-basement.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

87,802 sq.ft.

Gross Floor Area

147,542 sq. ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 657 Seksyen 14 held under Title No. PN 4133, Bandar and Jajahan of Kota Bharu, State of Kelantan.
Leasehold expiring in year 2064.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KUANTAN WELLNESS CENTER

Location

No. 51 Jalan Alor Akar, Taman Kuantan, 25250 Kuantan, Pahang.

Lessee/Asset Operator

Kuantan Wellness Center Sdn. Bhd.

Description

The building comprise two adjoining three (3) and five (5) storey blocks identified as Blocks A and B, respectively.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

72,104 sq.ft.

Gross Floor Area

67,559 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Title Nos. GM 3441, GM 3442, GM 3466, GM 2827, GM 2823, GM 3443, GM 1575, GM 6875, Lot Nos. 5885, 5886, 5888, 5889, 5890, 5891, 10747 and 10748 respectively, Mukim of Kuala Kuantan, District of Kuantan in Pahang Darul Makmur.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



SENTOSA MEDICAL CENTRE

Location

No. 36, Jalan Chemur Damai Complex, 50400 Kuala Lumpur.

Lessee/Asset Operator

Sentosa Medical Centre Sdn. Bhd.

Description

A Nine (9) storey purpose – built building with a basement carpark that is currently operating as a private specialist hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

23,659 sq.ft.

Gross Floor Area

81,213.70 sq.ft.

Tenancy/Lease expiry & renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 671, Section 47 held under Title No. GRN 43923, Town of Kuala Lumpur, District of Kuala Lumpur. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ KAJANG SPECIALIST HOSPITAL

Location

Jalan Cheras, 43000 Kajang, Selangor Darul Ehsan.

Lessee/Asset Operator

Kajang Specialist Hospital Sdn. Bhd.

Description

A seven (7) storey purpose built private specialist hospital with one (1) level of basement Car Park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

68,932 sq.ft.

Gross Floor Area

191,142 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

Lot No. 42997, Section 9 held under Title No. GM 2494, Mukim of Kajang, District of Hulu Langat, Selangor. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KEDAH MEDICAL CENTRE

Location

Nos . 175 & 175A, Jalan Pumpong, 05250 Alor Setar, Kedah Darul Aman.

Lessee/Asset Operator

Kedah Medical Centre Sdn. Bhd.

Description

A purpose -built private hospital comprising a ten (10) storey building with an annexed three (3) storey building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

83,194 sq.ft.

Gross Floor Area

215,361.19 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 29 February 2020 and renewal on 1 March 2020.

Title

P.T. No. 35 (New Lot 9527) held under Title No. H.S. (D) 21030, Bandar Alor Merah and P.T. No. 1280 (New Lot 9425) held under Title No. H.S. (M) 10923, Bandar Alor Setar, all in District of Kota Setar, State of Kedah.
Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



DAMAI WELLNESS CENTRE (PREVIOUSLY KNOWN AS KPJ DAMAI SPECIALIST HOSPITAL)

Location

Lorong Pokok Tepus 1, Off Jalan Damai, 88300 Kota Kinabalu, Sabah.

Lessee/Asset Operator

Kota Kinabalu Wellness Sdn. Bhd.

Description

A five (5) storey purpose built hospital which is in the midst of converting into a wellness and care centre.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

33,988 sq.ft.

Gross Floor Area

44,639 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 11 June 2021 and renewal on 12 June 2021.

Title

Town Lease 017548828 situated at District of Kota Kinabalu, State of Sabah.
Leasehold expiring in year 2073.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ PENANG SPECIALIST HOSPITAL

Location

No. 570, Jalan Perda Utama, Bandar Perda, 14000 Bukit Mertajam, Pulau Pinang.

Lessee/Asset Operator

Penang Specialist Hospital Sdn. Bhd.

Description

A five (5) storey main hospital building.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

217,800 sq.ft.

Gross Floor Area

180,109 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2021 and renewal on 14 October 2021.

Title

P.T. No. 799 held under Title No. H.S. (M) 375, Mukim 07, District of Seberang Perai Tengah, State of Pulau Pinang. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



TAWAKKAL HEALTH CENTRE

Location

No. 202A, Jalan Pahang, 53000 Kuala Lumpur.

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn. Bhd.

Description

A 4-storey building renovated from previously adjoining twenty one (21) terrace commercial shop offices to current state of being use a single building for the purpose of a health centre.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

30,438 sq.ft.

Gross Floor Area

122,957.53 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 14 May 2021 and renewal on 15 May 2021.

Title

- i) Freehold - Lot Nos. 78 to 91, 98 to 102
- ii) Leasehold - Lot 124 and 125 expiring in year 2077

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ TAWAKKAL SPECIALIST HOSPITAL

Location

No-1, Jalan Pahang Barat/ Jalan Sarikei, 53000 Kuala Lumpur.

Lessee/Asset Operator

Pusat Pakar Tawakal Sdn. Bhd.

Description

A 13-storey purpose – built hospital building

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

89,168 sq.ft.

Gross Floor Area

344,983.23 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 July 2019 and renewal on 6 July 2019.

Title

Lot No. 522 Section 85A held under Title No. GRN 68175, Town and District of Kuala Lumpur, Wilayah Persekutuan KL. Freehold.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ SEREMBAN SPECIALIST HOSPITAL

Location

Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan.

Lessee/Asset Operator

Seremban Specialist Hospital Sdn. Bhd.

Description

A 5 – storey purpose-built with a basement level that is currently operating as a private hospital.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT

Land Area

241,834 sq.ft.

Gross Floor Area

241,833 sq.ft.

Tenancy/Lease Expiry & Renewal

- i Existing Building - Expiry on 13 October 2024 and renewal on 14 October 2024.
- ii Land - Expiry on 13 October 2021 and renewal on 14 October 2021.

Title

Lot Nos. 17522, 17523, 50459 and 24007 & PT. No. 2466 held under Titles Nos. GRN 51612, 51630, GRN 263269 and PN 25974 respectively, Pekan Bukit Kepayang, District of Seremban, State of Negeri Sembilan.

Lot 17522, 17523 & 24007 - Freehold.

Lot 24007 – Leasehold expiring in year 2103.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



TAIPING MEDICAL CENTRE

Location

No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak.

Lessee/Asset Operator

Penang Specialist Hospital Sdn. Bhd.

Description

A four (4) -storey hospital building and a parcel of commercial land.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

47,845 sq.ft.

Gross Floor Area

40,256 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 30 April 2021 and renewal on 1 May 2021.

Title

Lot Nos. 3102 to 3107 and Lot 3140 held under Title Nos. PN 235465 to PN 235468 PN, 235470, PN 235471 and PN 361304 respectively all in Bandar Taiping, District of Larut & Matang, State of Perak.

Leasehold expiring in year 2088.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



KPJ HEALTHCARE UNIVERSITY COLLEGE, NILAI

Location

PT 17010, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan.

Lessee/Asset Operator

KPJ Healthcare University College Sdn. Bhd.

Description

A University College offering numerous health science subjects. It is divided into two (2) parcels comprises of commercial and residential area. The academic & administration block, lecture hall and cafeteria are located within the commercial area whilst the apartment block is within residential area of a development known as Kota Seriemas, Nilai.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

983,840 sq.ft.

Gross Floor Area

455,191 sq.ft.

Tenancy/Lease Expiry & Renewal

- i- KPJUC (Existing Building) - Expiry on 30 April 2021 and renewal on 1 May 2021.
- ii- KPJUC (New Building) - Expiry on 30 November 2021 and renewal 1 December 2021

Title

Lot No. 33002, Lot No. 33003, Lot 33652 and Lot 33653 held under Title Nos. GRN 211809, GRN 211810, GRN 267414 and GRN 267415 respectively, Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan. Freehold.

Encumbrances

Nil

PORTFOLIO SUMMARY AND DETAILS



KPJ INTERNATIONAL COLLEGE, PENANG

Location

No. 565, Jalan Sungai Rambai, 14000 Bukit Mertajam, Pulau Pinang.

Lessee/Asset Operator

KPJ Healthcare University College Sdn. Bhd.

Description

A purpose-built 6 storey building with a basement together with a parcel of vacant development land.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

126,216 sq.ft.

Gross Floor Area

42,989 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 13 October 2021 and renewal on 14 October 2021.

Title

Lot No.10038, (Amalgamation of former Lots 1417, 54 and 1529) and Lot 55, respectively, all in Seksyen 5, Bandar Bukit Mertajam, District of Seberang Perai Tengah, State of Pulau Pinang. Freehold.

Encumbrances

Nil



KLUANG UTAMA SPECIALIST HOSPITAL

Location

No. 1,3,5,7,9,11 Susur 1, Jalan Besar, 86000 Kluang, Johor Darul Takzim.

Lessee/Asset Operator

Pusat Pakar Kluang Utama Sdn. Bhd.

Description

Six (6) adjoining three (3)-storey terraced shop-offices (a corner and five intermediate units).

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-'Aqar Healthcare REIT.

Land Area

10,625 sq.ft.

Gross Floor Area

31,436 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 5 January 2021 and renewal on 6 January 2021.

Title

PTB No. 9468 – PTB No. 9473 held under Title Nos. H.S. (D) 44911 – H.S. (D) 44916, all in Town and District of Kluang, State of Johor. Leasehold expiring in year 2100.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.

PORTFOLIO SUMMARY AND DETAILS



KPJ KLANG SPECIALIST HOSPITAL

Location

No. 102, Persiaran Rajawati / KU 1, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan.

Lessee/Asset Operator

KPJ Klang Specialist Hospital Sdn Bhd.

Description

A six (6) storey private hospital building with two (2) levels of basement car park.

Registered Proprietor

AmanahRaya Trustees Berhad as trustee for Al-Aqar Healthcare REIT.

Land Area

117,392 sq.ft.

Gross Floor Area

353,494 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 25 June 2021 and renewal on 26 June 2021.

Title

Lot No. 31870 held under Title No. PM 648, Mukim of Kapar, District of Klang, State of Selangor.
Leasehold expiring in year 2093.

Encumbrances

Charged by AmanahRaya Trustees Berhad to Maybank Trustees Berhad.



JETA GARDENS AGED CARE & RETIREMENT VILLAGE

Location

Jeta Gardens, Aged Care and Retirement Village, 27 Clarendon Avenue, Bethania and 86 Albelt Street, Waterford, Queensland, 4205 Australia.

Lessee/Asset Operator

Jeta Gardens (QLD) Pty Ltd.

Description

An integrated aged care and retirement village consists of two (2) storey aged care building comprising 106 rooms (108 – beds) with aged care facilities, 23 units of independent living villas, 32 units of independent living apartments and additional developable land.

Registered Proprietor

Al-Aqar Australia Pty Ltd.

Land Area

1,287,143.09 sq.ft.

Gross Floor Area

121,675.24 sq.ft.

Tenancy/Lease Expiry & Renewal

Expiry on 1 November 2020 and renewal on 2 November 2020

Title

Lots 2, 3 and 4 held under Title References 50855908, 50855909 and 50855910 respectively, all within Parish of Moffatt, Country of Ward, Local Government of Logan.

Encumbrances

Nil

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SUSTAINABILITY STATEMENT

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SUSTAINABILITY STATEMENT

About This Report

Scope and Boundary

This report presents Al-`Aqar Healthcare REIT's sustainability report which has been prepared in accordance with the applicable Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") using the Bursa Malaysia Sustainability Reporting Guide 2015.

The report focuses on Al-`Aqar's core activity as a business space REIT for the period 1st January 2018 to 31st December 2018, and features selected sustainability initiatives at its property portfolio.



Our Journey Towards A Sustainable REIT

The Manager ensures that sustainability values are created economically, environmentally and socially by emphasising their core principles throughout the REIT.

Vision

To integrate sustainable business practices in the core processes of the business activities.

Mission

To drive for growth and performance whilst ensuring continuous commitment to balance the concerns of the stakeholders by protecting the environment, health and safety of the employees, customers and the global communities.

Sustainability Strategy

Ultimately, the journey to have a sustainable REIT is highlighted in a broader perspective to ensure the commitment and focus of the Manager towards a sustainable REIT is balanced with an overall sustainability strategy.

SUSTAINABILITY STATEMENT

Corporate Governance

Enhancing Board / management accountability through transparency business decisions and compliance to Malaysian Corporate Governance Codes and financial / non-financial disclosures

MANAGEMENT ACCOUNTABILITY

The CEO, management team, executives to business unit and service providers will be explicitly accountable for achieving sustainability goals

DISCLOSURES

Disclosure of sustainability risks, opportunities, performance, goals and strategies helps build constructive relationships with key stakeholders, opens up new business opportunities, and enhance a company's social license to operate.

Economic

Strengthening income streams from all our properties to ensure optimum returns to unit holders/stakeholders

SUPPLY CHAIN

Ensure that suppliers meet the social and economic standards set by the Company; whilst ensuring that at least 75% are local companies

BUSINESS MODEL INNOVATION

The Fund will innovate its services to enhance tenants' satisfaction and in building collaborative business relationships

Social

Diversity in gender ratio and employee composition and ensuring equality in compensation package across genders

EMPLOYEES

The Fund Manager and core service providers will foster a diverse, inclusive and engaged work environment that holds sustainability considerations as a core part of recruitment, training and benefits

EXECUTIVE & EMPLOYMENT COMPENSATION

Sustainability performance results will be a core component of compensation packages and incentives plans for all executives and employees across gender.



SUSTAINABILITY STATEMENT

Governance And Accountability

As part of the Manager's initiatives to have more sustainable operations for the properties of the REIT, the Manager ensures that the Board of Directors ("BOD") and the Sustainability Steering Committee ("SSC") take ownership of their responsibilities to incorporate sustainable roles and establish a sustainable tone at the top.

Responsibilities of the BOD

- Endorses and oversees the implementation of the REIT's sustainable strategy to ensure key targets are met.
- Takes responsibility and accountability for the REIT's communication on sustainability issues to stakeholders.
- Establishes a culture of integrity by placing emphasis on communication about sustainability across the REIT.
- Endorses material sustainability matters and the governance structure.

Responsibilities of the SSC

- Develops the overarching sustainability strategy for the REIT based on material sustainability matters identified by the Sustainability Working Committee.
- Provide recommendations and improvements to the BOD on the material sustainability matters related to the REIT.
- Formulates targets and initiatives to achieve sustainability goals pledged by the REIT.
- Assesses the effectiveness of the sustainable initiatives put in place, and monitors and maintains records on these initiatives.

The BOD and SSC discuss highlights of the Fund's sustainability initiatives on a periodic basis to ensure that the goals are met through effective implementation and monitoring.



THE BOD AND SSC DISCUSS HIGHLIGHTS OF THE FUND'S SUSTAINABILITY INITIATIVES ON A PERIODIC BASIS TO ENSURE THAT THE GOALS ARE MET THROUGH EFFECTIVE IMPLEMENTATION AND MONITORING.

SUSTAINABILITY STATEMENT

Engaging Stakeholders

Engaging with the stakeholders is part of the Manager's key agendas for having a sustainability-focused REIT to understand the concerns of the primary stakeholders and be receptive towards the input received. The table below shows the key stakeholders and the methods of engagement by the Manager on behalf of the REIT.

Stakeholders	Areas of Concern	Methods of Engagement
Employees	<ul style="list-style-type: none"> • Career Development • Staff Safety & Well-being • Employee Benefits 	<ul style="list-style-type: none"> • Performance Appraisal
Property Managers	<ul style="list-style-type: none"> • Marketing & Financial Performance • Tenants & Occupancy • Facility Management • Administration & Risk Management 	<ul style="list-style-type: none"> • Contract Agreements • Evaluation & Performance Reviews
Regulatory Agencies & Statutory Bodies	<ul style="list-style-type: none"> • Labour Practices • Environmental Management & Compliance 	<ul style="list-style-type: none"> • Regular inspections
Investors	<ul style="list-style-type: none"> • Corporate Financial Performance • Corporate Governance • Safety & Security • Investor Relationship Management 	<ul style="list-style-type: none"> • Annual General Meeting • Corporate Website • Investor Feedback Management
Tenants (Hospitals)	<ul style="list-style-type: none"> • Safety & Security • Business Activities & Ethics 	<ul style="list-style-type: none"> • Contract Agreements • Tenant Surveys • Joint Community Programmes
Suppliers	<ul style="list-style-type: none"> • Transparent Procurement Process 	<ul style="list-style-type: none"> • Evaluation & Performance Reviews
Non-Governmental Organisations ("NGOs")	<ul style="list-style-type: none"> • Social Contribution • Environmental Impact 	<ul style="list-style-type: none"> • Community Events

SUSTAINABILITY STATEMENT

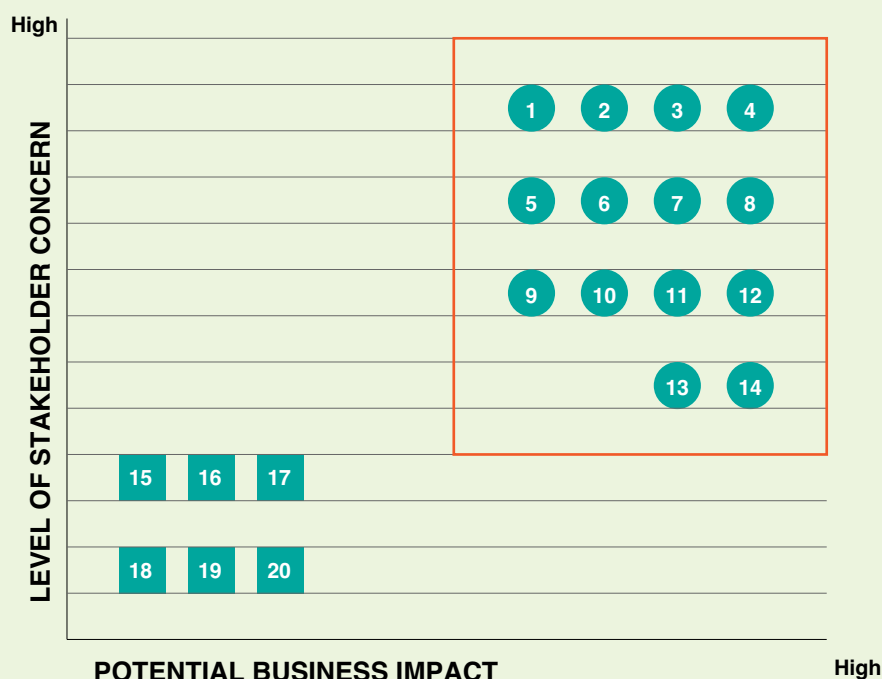
Materiality Assessment

A materiality assessment is vital in identifying and prioritising sustainability matters that may be influential in determining the direction of REIT operations by the Manager. The sustainability matters are identified from an Environment, Economic, Social and Governance (“EESG”) perspective.

To ensure that the material sustainable matters remain substantial for this financial year, a similar survey consisting of the material issues identified in 2017 was assessed by the team comprising of the key personnel of the Manager and the guidance of an external consultant on behalf of the REIT. Overall, the team re-categorised the sustainability matters to ensure broader coverage and identified new matters to be prioritised. The results of the materiality review are reflected in the matrix below:-

The sustainability matters are identified from an **Environment, Economic, Social and Governance (“EESG”)** perspective.

Overall, the team re-categorised the sustainability matters to ensure broader coverage and identified **new matters to be prioritised**.



High importance to the Manager and Fund.

SUSTAINABILITY STATEMENT

Materiality Assessment (Cont'd)

No	Material EESG matters
1	Procurement Practices (Value Chain)
2	Community Investment
3	Occupational Health & Safety
4	Regulatory Compliance
5	Risk Management
6	Corporate Governance
7	Water Management
8	Waste & Effluent Management
9	Energy Management
10	Labour Practices
11	Production & Services Responsibility
12	Supply Chain
13	Human Rights
14	Diversity
15	Financial Performance
16	Indirect Economic Impact
17	Anti-Corruption
18	Anti-Competitive Behaviour
19	Land Remediation, Contaminations or Degradation
20	Emissions

SUSTAINABILITY STATEMENT

Sustainability Pillars

To withhold the core principles of the REIT for sustainability, the Manager established three key sustainability pillars. Listed below are the key sustainability pillars that are vital in ensuring that the actions taken by the Manager on behalf of the REIT support the overall sustainability objectives.



Governance

Standard Operating Procedures

The Manager has in place standard operating procedures to govern the day-to-day processes to implement the best management practices for the REIT.

Enterprise-wide Risk Management (“ERM”)

On an annual basis, the Manager regularly reviews the risks that are significant to the operations and takes the necessary actions to mitigate the risks as part of the ERM exercise.

In Quarter 4 of 2018, the Manager conducted a validation exercise on the controls for 3 High impact risks identified that were relevant to the Financial, Operational and Strategic perspectives.

Whistleblowing Management

Any stakeholders to the Manager may raise their concerns for any inappropriate matters through the Manager’s existing whistleblowing channel.

To date, there were no whistleblowing incidents reported through the available channels to the Manager.

SUSTAINABILITY STATEMENT

Governance (Cont'd)

Other Committees

Apart from the BOD and SSC, the Manager has in place various committees to ensure continuous governance in the overall operations such as:-

Committee	Objectives
Audit Committee	Review issues on accounting policies and presentation of external financial reporting and ensure an objective and professional relationship is maintained with the appointed auditors.
Executive Committee	Oversees the day-to-day activities of the Board on behalf of the Board and provide the necessary recommendations in relation to the REIT, review management reports and forward summary reports to all Board members.
Remuneration & Nomination Committee	Ensure that remuneration arrangements support the strategic aims of a business and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.
Risk Management Committee	Ensure that risk management is part of the Manager's day-to-day operations and ensure consistency of operational procedures and practices within the organisation to ensure effective risk management.

The relevant committees discuss matters of the REIT on a periodic basis in relation to the objectives of the establishment of these committees. Ultimately, updates relevant to the REIT will be reviewed by the Executive Committee and reported to the BOD on a timely basis.

People

Employee Profile

The employees of the Manager that assist in managing the Fund consist of qualified individuals with the relevant expertise in the investment practices.

The Manager strives for a culture that respects and balances the diversity of our employees to create equal opportunities for all employees regardless of the demographic status.

To date, the breakdown of employees is as follows:-

Entity	Management	Executive	Non-Executive	Total
DRMSB	9	13	7	29

Entity	Male	Female	Total
DRMSB	17	12	29

The Manager of the REIT strives to ensure that the recruitment of employees are based on their skill sets without any preference on gender or age distribution.

SUSTAINABILITY STATEMENT

People (Cont'd)

Employee Training

In addition, the Manager emphasises on personal development to enhance the knowledge base of their employees. The table below shows the training hours achieved in 2017 and 2018:-

Entity	2017 (hours)	2018 (hours)
DRMSB	152	703

Employee Turnover Rate

The Manager takes strenuous effort to maintain a reasonable turnover rate by keeping the employees contented at all times. The table below shows the turnover rates for the year 2018:-

Entity	2017 Turnover rate (%)	2018 Turnover rate (%)
DRMSB	0	7.27

Employee Welfare & Rights

The Manager strives to ensure that the employees maintain a satisfactory physical and mental well-being. The Manager firmly believes in ensuring the physical and mental well-being of the employees to strive for continuous growth. With that, the Manager provides allowances, retirement provisions, healthcare benefits, disability and insurance coverage and medical compensation. The Manager conducts annual employee appraisals and also encourages the employees to provide feedback during the review. Ultimately, the Manager has a Code of Conduct & Business Ethics Policy to ensure the employees are properly guided.

Occupational Health & Safety

The Manager aims to provide a safe environment for the employees to work in and protect the health of the stakeholders of the properties. The Manager ensures that KPJ complies with the mandatory legal requirements pertaining to occupational health and safety.

Partner

Tenant Management

As the sole tenant of the REIT is KPJ, the Manager ensures that tenant satisfaction is maintained at a satisfactory level for the respective KPJ hospitals. On a periodic basis, the Manager ensures that the engaged Maintenance Manager conducts a satisfaction survey on behalf of the Manager and the REIT to address any concerns raised by the hospitals.

For 2018, the Manager is pleased to announce that 87% of the hospitals reported that they had a satisfying tenancy to-date.

Building Audits & Maintenance

To ensure the assets of the REIT are maintained well at all times, the Manager ensures that the engaged Maintenance Manager conducts periodic audits and provide constructive recommendations to the hospitals where necessary.

On a periodic basis, the hospitals will also perform preventive maintenance to ensure the assets relevant to the properties of the Fund are well-maintained.

5

ESSENCE OF CORPORATE GOVERNANCE

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BOARD CHARTER

1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-`Aqar business and is committed to apply and ensure that the following principles of good governance is practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Al-`Aqar.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

2. OBJECTIVE

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Al-`Aqar.

3. THE BOARD

3.1 Role

The key roles of the Board are to:

- a) Guide the corporate strategies and directions of the Manager (including acquisition and divestment of Authorised Investment);
- b) Oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- c) Set the guidelines for internal controls;
- d) Ensure compliance with the Relevant Laws and Requirements;
- e) Determine and approve the distribution amounts to Unitholders and payment of the Management Fee; and
- f) Evaluate and approve the acquisition and divestment of Authorised Investment.

3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- 1) 1 Non-Independent Non-Executive Chairman
- 2) 4 Non-Independent Non-Executive Directors
- 3) 3 Independent Non-Executive Directors
- 4) 1 Non-Independent Executive Director

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 30% of independent directors and therefore yet to be in line with Practice 4.1. The Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

Practice 4.5 of the MCCG 2017 also states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the current market capitalisation position of RM0.96 billion, Al-`Aqar is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby the current female directors' composition in the Board stands at 22%.

3.3 Appointments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee.

New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Al-`Aqar.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

3.4 Directors' Training

In addition to the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia, Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors.

BOARD CHARTER

The Board is also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

3.5 Board Meetings and Supply of Information

The Board meets regularly at least once every quarter to discuss and approve, among others, the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Al-`Aqar against the approved budget. When necessary, the Board meets at a special meeting to review and approve acquisitions or disposals for recommendation to the trustee of Al-`Aqar or any other issues requiring the immediate attention of the Board.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

4.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) Leading the Board in setting the values and standards of Al-`Aqar;
- b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- c) Ensuring the provision of accurate, timely and clear information to Directors;
- d) Ensuring effective communication with unitholders and relevant stakeholders; and
- e) Ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

4.2 Chief Executive Officer (CEO)

- 4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-`Aqar.
- 4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.
- 4.2.3 All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

5. COMMITTEES

In carrying its functions, the Board is supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

5.1 Audit Committee (AC)

A. Membership

- (i) The members of the AC shall be appointed by the Board and shall consist of not less than 3 members.
- (ii) All members must be Non-Executive Directors.
- (iii) All members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Main Market Listing Requirements.
- (iv) The Chairman of the AC, elected from amongst the AC members shall be an Independent Director.
- (v) No alternate Director of the Board shall be appointed as a member of the AC.

BOARD CHARTER

B. Purposes

- (i) To ensure transparency, integrity and accountability in the Fund's activities so as to safeguard the rights and interests of the Unitholders;
- (ii) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve the Fund's business efficiency, the quality of the account and audit function and strengthen public confidence in the Fund's reported financial results; and
- (iv) To maintain open lines of communication between the Board and Auditors.

C. Duties and Responsibilities

The objective of the AC is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, internal controls, financial and accounting records and policies as well as financial reporting practices of Al-`Aqar. The AC's responsibilities include:

- (i) To review the quarterly and year-end financial statements of the Fund prior to the approval by the Board;
- (ii) To provide an independent assessment of the adequacy and effectiveness of risk management functions;
- (iii) To review the internal audit programme, the results of the internal audit undertaken and ensure that appropriate action is taken on any internal audit issues;
- (iv) To review with external auditors the audit plan, scope of audit and audit reports; and
- (v) To review any related party transactions and conflict of interest situation that may arise.

D. Meetings

A minimum of 4 meetings shall be planned during the financial year and the quorum for the meeting shall be 2 members. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present. Reports of the AC meeting shall be tabled by the AC's Chairman at the Board of Directors meeting.

5.2 Executive Committee (EC)

The EC meets on a scheduled basis at least 4 times a year. The minutes of the EC meetings are tabled to the Board for notification and further action by the Board, where necessary.

This EC oversees the activities of the Manager and Al-`Aqar on behalf of the Board which includes:

- (a) Making recommendations to the Board on all acquisitions, investments and disposals;
- (b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- (c) Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-`Aqar units;
- (d) Making recommendations to the Board on financial budgets; and
- (e) Forwarding summary reports on activities undertaken by the Manager and minutes of EC meetings to Board members, where applicable.

5.3 Nomination and Remuneration Committee (NRC)

A. Membership

- (i) The NRC shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors.
- (ii) The members and the Chairperson shall be appointed by the Board.
- (iii) The appointment of members terminates when the member ceases to be a director of the Company.
- (iv) The NRC shall have no executive powers.
- (v) In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their members to chair the meeting.

B. Purposes

• Nomination

- (i) Identify and recommend candidates for Board directorship.
- (ii) Recommend directors to fill the seats on Board Committee.
- (iii) Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director.
- (iv) Ensure an appropriate framework and plan for Board succession.
- (v) Assess the quality of performance and training needs are addressed.

BOARD CHARTER

• Remuneration

- (i) Provide assistance to the Board in determining the remuneration of Executive Directors, Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that executive directors and applicable senior management of the Company:
 - are fairly rewarded for their individual contribution to overall performance;
 - are compensated reasonably in light of the Company's objectives; and
 - are compensated similar to other companies.
- (ii) Review the Executive Director's and/or Managing Director's performance against the goals and objectives set.

6. REMUNERATION POLICIES

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

7. FINANCIAL REPORTING

7.1 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Al-`Aqar's Deed.

7.2 External Auditors

The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

8. RISKS MANAGEMENT

8.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

8.2 Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions which it (including its Directors, executive officers and employees) may encounter in managing Al-`Aqar:-

- a) Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;
- b) The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- c) The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- d) In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-`Aqar is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

BOARD CHARTER

8.3 Related Party Transactions

In dealing with any related party transaction, all related party transactions carried out by or on behalf of Al-`Aqar should be conducted as follows:-

- a) Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- b) Carried out at arm's length basis;
- c) In the best interest of unitholders;
- d) Adequately disclosed to unitholders;
- e) Consented by the Trustee; and
- f) Consistent with the investment objectives and strategies of Al-`Aqar.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

8.4 Internal Audit

The Internal Audit function is outsourced to and undertaken by Crowe Horwath Governance Sdn Bhd. However, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

The Manager communicates information on Al-`Aqar to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Al-`Aqar requiring disclosure under the Listing Requirements of Bursa Securities. Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/ overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Al-`Aqar.
- Al-`Aqar's website at www.alaqar.com.my

With the majority of units in Al-`Aqar held by institutional investors, the Manager considers meetings with local and foreign fund managers as an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Al-`Aqar's significant developments and its medium to long term strategies.

In addition to ensuring that the published Annual Report and quarterly results announced to Bursa Securities are available to all unitholders, Al-`Aqar has established a website at www.alaqar.com.my from which investors and unitholders can access for information.

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

9. ANNUAL GENERAL MEETING (AGM)

The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

The Chairman encourages active participation by the unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

10. COMMUNICATION AND INVESTOR RELATIONS

The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting unitholders' interests.

11. COMPANY SECRETARY

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is accountable to the Board on all governance matters and must keep abreast of, and inform the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Manager recognises the value of good corporate governance and prioritises in ensuring that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing unitholders' value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager is guided by the measures set out in the Guidelines on Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and guidance of the new Malaysian Code on Corporate Governance 2017.

THE MANAGER'S ROLE

In accordance with the Deed, the Manager is appointed to manage the assets and administer the Fund. Its primary objective is to provide the unitholders with long-term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-`Aqar's units.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013 as required under the new licensing regime for REIT Managers which took effect from 28 December 2012. Two of the Board members, namely Wan Azman bin Ismail (eCMSRL/B7253/2017) and Yusaini bin Sidek (CMSRL/B3780/2013) as well as two of the employees, namely Shahril Zairis bin Ramli (CMSRL/B3781/2013) and Suhaimi bin Saad (CMSRL/B3782/2013) have respectively been issued with a Capital Markets Services Representatives License (CMSRL).

Al-`Aqar is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Al-`Aqar.

The Manager is required to ensure that the business and operations of Al-`Aqar are carried and conducted in a proper, diligent and efficient manner, and in accordance with the acceptable business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete control in managing the Fund (including all assets and liabilities of Al-`Aqar) for the benefits of the Unitholders.

The Manager's main functions, amongst others, are as follows:

- **Investment Strategy**
Formulate and implement Al-`Aqar's investment strategy.
- **Acquisition and Divestment**
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-`Aqar's existing investments.
- **Asset Management**
Supervise and oversee the management of Al-`Aqar's properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrears control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximising the income of Al-`Aqar.
- **Risk Management**
Determine the level of risk tolerance and actively identify, assess and monitor the principal risks of Al-`Aqar and ensuring the implementation of appropriate risk management framework to mitigate and manage these risks.

CORPORATE GOVERNANCE STATEMENT

- **Financing**
Formulate plans for equity and debt financing for Al-`Aqar's funding requirements with the objective of optimising the capital structure and cost of capital.
- **Accounting Records**
Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-`Aqar.
- **Investor Relations**
Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.
- **Compliance Management**
Supervise all regulatory filings on behalf of Al-`Aqar, and ensure that Al-`Aqar is in compliance with the applicable provisions of the Securities Commission Act, SC REIT Guidelines, Bursa Securities Listing Requirements, Trust Deed and all relevant contracts.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCCG 2017, the Board assumes, inter alia, the following responsibilities:

- **Reviewing and adopting a strategic plan for the Fund**

The strategic and business plan for the period 2019 – 2023 was tabled, discussed and approved by the Board at its meeting on 30 November 2018. Additionally, on an ongoing basis as need arises, the Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans. The Board will ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

- **Overseeing the conduct and overall management of the Manager and the business of Al-`Aqar**

The Board is responsible to oversee, supervise and review the Fund's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational and financial matters will be discussed and appropriate consultation will be sought if necessary. Where and when available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board will set the risk appetite within which the Board expects the Manager to operate and ensure there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Risk Management Report will be tabled on a quarterly basis in the Board meeting to review the Fund's risks.

- **Succession planning**

The Board will deliberate on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to the Board and senior management positions are of sufficient calibre.

CORPORATE GOVERNANCE STATEMENT

- **Effective communication with stakeholders**

The Board will ensure that there is an effective communication with stakeholders. The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments. Details of investors' activities are disclosed on page 42 of this Annual Report.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund**

The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

Access to Information and Advice

Prior to each board meeting, the Board Report will be circulated to all Directors so that each Director has ample time to peruse and review them for further deliberation at the Board meeting. The Board Report includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Progress report on risk management
- Executive Committee and Audit Committee report

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary.

Company Secretary

The Manager's Joint Company Secretary attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.2 Board Composition

Board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board should include the right group of people with an appropriate mix of skills, knowledge, experience and independent elements that fit the objectives and strategic goals. The right board composition will ensure sufficient diversity and independence to avert groupthink or blind spots in the decision-making processes. It also enables the board to be better equipped to respond to challenges that may arise and deliver value.

The composition of the Board of Directors is as follows:

- 1 Non-Independent Non-Executive Chairman
- 4 Non-Independent Non-Executive Directors
- 3 Independent Non-Executive Directors
- 1 Non-Independent Executive Director

CORPORATE GOVERNANCE STATEMENT

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 30% of independent directors and therefore yet to be in line with Practice 4.1. The Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

Practice 4.5 of the MCCG 2017 also states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the market capitalisation position as at 31 December 2018 of RM0.96 billion, Al-Aqar is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby the current female directors' composition in the Board of Al-Aqar stands at 22%.

During the year ended 31 December 2018, the Board members convened 5 meetings and all Directors have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2018 are set out below:

	47 th BOD 21.02.2018	Special BOD 19.04.2018	48 th BOD 06.06.2018	49 th BOD 13.08.2018	50 th BOD 30.11.2018
Dato' Kamaruzzaman bin Abu Kassim	/	/	X	/	/
Wan Azman bin Ismail	/	/	/	/	/
Zainah binti Mustafa	/	/	/	/	/
Dr. Hafetz bin Ahmad	/	/	/	/	/
Lukman bin Abu Bakar	/	/	/	/	/
Yusaini bin Hj. Sidek	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar	/	/	/	/	/
Mohd Yusof bin Ahmad	/	/	/	X	/

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.

1.3 Remuneration

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

An effective Audit Committee will bring transparency, focus and independent judgment needed to oversee the financial reporting process. The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Lukman Hj. Abu Bakar and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out on page 82 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for notification and further action by the Board, where necessary.

CORPORATE GOVERNANCE STATEMENT

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements, annual report and quarterly announcements to Unitholders, the Board aims to present a balanced and understandable assessment of Al-`Aqar's financial position, performance and prospects.

The Board has taken the necessary steps to ensure that Al-`Aqar had complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgement and estimates.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by Al-`Aqar.

Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-`Aqar's general meeting and are available to answer any questions from unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

2.2 Risk Management and Internal Control Framework

The Manager is led and overseen by experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board.

There is a clear segregation of roles and responsibilities between the Chairman and the Executive Director to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of Al-`Aqar.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.

CORPORATE GOVERNANCE STATEMENT

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 Communication with Stakeholders

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-`Aqar. Such information is communicated through the annual report, the Fund's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

As part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting Unitholders' interests.

Details of the investor and public relations programs undertaken by the Manager are set out on page 42 of this Annual Report.

3.2 Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders. The Manager had on 19 April 2018 convened its 6th Annual General Meeting to seek the Unitholders' approval for amongst others:-

- Proposed to allot and issue new units
- Proposed increase in the existing approved fund size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.

DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-`Aqar at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made.

All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with. The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-`Aqar and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-`Aqar to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

The audit committee plays a major role in corporate governance regarding the organisation's direction, control, and accountability. As a representative of the board of directors and main part of the corporate governance mechanism, the audit committee is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management. The audit committee will be ensuring independence to the internal and external auditors which give results to true and fair financial reporting that will meet the expectation of and protect the interests of all the stakeholders and mainly shareholders.

COMPOSITION

For the financial year ended 31 December 2018, the Audit Committee comprised of 3 (three) Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

1. Zainah binti Mustafa
Chairman/Independent Non-Executive Director
2. Lukman bin Hj. Abu Bakar
Member/Non-Independent Non-Executive Director
3. Dr. Mohd Hafetz bin Ahmad
Member/Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member	No of meetings attended
Zainah binti Mustafa Chairman/Independent Non-Executive Director	4 out of 4
Lukman bin Hj. Abu Bakar Member/Non-Independent Non-Executive Director	4 out of 4
Dr. Mohd Hafetz bin Ahmad Member/Independent Non-Executive Director	4 out of 4

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2018, the Audit Committee has met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows: -

1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (b) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- (c) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (d) The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Al-'Aqar.

AUDIT COMMITTEE REPORT

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Al-`Aqar.
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of Internal Audit Function as well as the performance of the Internal Auditors against the audit plan.

(ii) External Audit

- (a) On 13 November 2018, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2018. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
 - Carried out in compliance with the REIT Guidelines and the Deed;
 - Carried out on an arms' length basis and under normal commercial terms;
 - Carried out in the best interest of the Unitholders;
 - Abstention from voting at Board Meetings for interested parties;
 - Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practises as set out in the Board's Statement on Risk Management and Internal Control made in compliance with the Principle B of Malaysia Code of Corporate Governance 2017 and Chapter 15.09 of the Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

In 2018, the BOD has approved the Enterprise Risk Management ("ERM") Framework, which takes effect starting 1 August 2018.

The ERM Framework outlines the following aspects of Risk Management:-

- ERM Policy Statement of Damansara REIT Managers Sdn Berhad;
- Organisational Structure and Assigned Roles and Responsibilities;
- The Executive Roles and Responsibilities of the Board, Risk Management Committee, Risk Owners of Damansara REIT Managers Sdn Berhad and Internal Audit; and
- Risk Management Approach : Risk Analysis Methods and Risk Appetite.

ERM POLICY STATEMENT OF DAMANSARA REIT MANAGERS SDN BERHAD

DRMSB recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, operational and compliance level. DRMSB has done this by developing / adopting risk management framework that determines the process and identifies tools for realising its objectives. Not only does it wish to minimise its risk but also maximises its opportunities. It enhances DRMSB's capability to respond timely to the changing environment and its ability to make better decisions.

Risk Registers are developed and subject to regular review by the Executive Committee and reported to the BOD.

The Board has a stewardship responsibility to understand these risks, provide guidance on dealing with these risks and to ensure risks are managed proactively, in a structured and consistent manner.

The objectives of the policy statement are to ensure:-

- a common and consistent approach for management of risks is adopted within DRMSB;
- the management of risk contributes to the quality of performance and continuous improvement of DRMSB businesses, its operations and delivery of services and products; and
- all significant risks are identified, evaluated, managed and reported in a timely manner to the Executive Committee and the BOD.

The policies of the Board for ERM are:-

- **To integrate risk management into the culture, business activities and decision making processes.**

Risk management concept, thinking and initiatives must be embedded in the day-to-day business operations and decision-making process. Risks that can be managed through embedded, routine systems and processes should be so managed and monitored. Where risks cannot be so managed, they must be subject to individualised risk management techniques appropriate to a particular risk.

- **To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.**

As far as reasonably possible, risks must be identified, analysed and dealt with by Management proactively based on their experience, industry knowledge and information available from the market place. DRMSB must not experience any crystallisation of major risk unexpected by the Board. However, this does not mean risk will not transpire, but there are comprehensive plans put in place to respond timely and address the risk impact.

- **To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.**

In dealing with risks, the Board understands that it is not always possible, cost effective or desirable to manage or eliminate risk all together. A cost-benefit approach is needed where the returns must commensurate with the risks taken and reduce cost of risk controls.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **Risk assessment reporting**

To require that all papers that are submitted to the Board by Management relating to strategy, key project approval, significant action or investment must include a detailed risk assessment report.

- **To implement a robust and sustainable ERM framework that is aligned with DRMSB's vision and mission, and in accordance with best practices.**

The Board recognises that a structured and consistent ERM framework is instrumental for DRMSB to deploy its operational strategy effectively.

These policies will be achieved via:-

- Periodic reporting to the Board on risk management activities and keep the Board apprised and advised of all aspects of ERM and significant individual risks and risk trends;
- Provision of adequate and suitable resources, including tool(s) and manpower to ensure the ERM framework and system are operating effectively;
- Provision of adequate education and communication to ensure staff comprehend the requirements, benefits, and their role and responsibilities for risk management; and
- Maintaining documented risk information (via risk registers and risk action plans) and procedures for the control of risks.
- Organisational Structure and Assigned Roles and Responsibilities.

RISK MANAGEMENT STRUCTURE

The Risk Management Structure is designed to ensure effective communication, consultation and education in risk management are necessary to achieve a successful integration of the risk processes into the business and to provide reports, which may be conveyed in full, to the Audit Committee, as part of the half-yearly Risk Report.

DRMSB's ERM Risk Reporting Structure



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

THE EXECUTIVE ROLES AND RESPONSIBILITIES OF THE BOARD, RISK MANAGEMENT COMMITTEE, RISK OWNER AND INTERNAL AUDIT

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the Unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle B – Effective Audit and Risk Management of the Malaysian Code on Corporate Governance 2017.

Specific roles and responsibilities for risk management are summarised as follows:-

ROLES	PRINCIPAL RESPONSIBILITIES FOR ERM
BOARD OF DIRECTORS	<ol style="list-style-type: none"> 1. Adopt the ERM Policy; 2. Articulate and provide direction on risk appetite, organisational control environment and risk culture; 3. Final decision on risk parameters, risk appetite, risk profiles, risk treatment options, and risk action plans; 4. Assess and keep abreast with key risk indicators; and 5. Monitor the overall ERM framework's performance and implementation effectiveness.
EXECUTIVE COMMITTEE (EXCO)	<ol style="list-style-type: none"> 1. Provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; 2. Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by risk owners; and 3. Provide an independent view on specific risk and control issues, the state of internal controls, trends and events.
RISK MANAGEMENT COMMITTEE	<ol style="list-style-type: none"> 1. Assist the Board in establishing and maintaining effective policies and guidelines to ensure proper management of risks to which the company/Fund is exposed to and to take appropriate and timely action to manage such risks; 2. Review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators; and 3. Communicate requirements of the ERM Policy to staff and ensure continuous enhancement of ERM. 4. Formulate and implement ERM mechanism to accomplish requirements of the ERM policy; 5. Discuss, rank and debate risk ratings, control effectiveness, risk treatment and action plans identified by risk owner; and 6. Ensure that the ERM reports prepared are submitted to Board of Directors in a timely manner, and special risk report / flash reports are submitted in the event of any risk(s) that required urgent attention.
RISK MANAGEMENT DEPARTMENT	<ol style="list-style-type: none"> 1. Continuously communicate, evaluate and improve the ERM Policy and ERM mechanism; 2. Facilitate the risk assessment, implementation of risk action plan and key risk indicators process; 3. Prepare risk parameters, risk appetite, monitoring of risk action plans and provide independent review on key risk indicators; 4. Provide independent input on risk assessment (risk types and risk ratings), and action plans comprehensiveness; 5. Conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure the Group's risk management effectiveness; 6. Prepare and report to the RMC in a timely manner, and ensure special risk report / flash report is prepared in the event of any risk(s) that required urgent attention; and 7. Lead the ERM educational programmes, and continuous sharing insights into risk and market trends with risk owner.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

ROLES	PRINCIPAL RESPONSIBILITIES FOR ERM
RISK OWNERS	<ol style="list-style-type: none"> 1. Identification and assessment of risks, implementation and monitoring of risk action plans and key risk indicators; 2. Prepare and report to the Risk Officer on a timely manner and timely preparation of flash reports in the event of any risk(s) that required urgent attention; and 3. Maintain highest alert on both internal and external activities or circumstances that may have adverse risk impacts and consequences.
RISK CO-OWNERS	<ol style="list-style-type: none"> 1. Provide support to Risk Officer on key risks identified and to assist in the implementation of risk action plans and key risk indicators thereof; and 2. Engage and discuss with Risk Officer on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
STAFF	<ol style="list-style-type: none"> 1. Provide assistance to Risk Officer and / or Risk Co-owners on key risks identified and to support the implementation of risk action plans and key risk indicators; and 2. Engage and discuss with Risk Officer and / or Risk Co-owners on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
INTERNAL AUDIT	<ol style="list-style-type: none"> 1. Assist the Risk Management Committee and the Audit Committee in reviewing the effectiveness of ERM and internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Board, Board Committees and management are the main platform by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management teams. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance, internal controls and compliance with regulatory requirements.

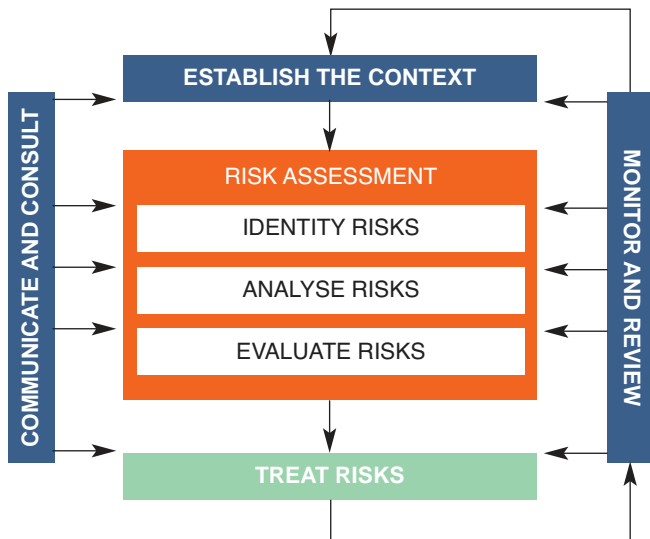
RISK MANAGEMENT FRAMEWORK APPROACH: RISK ANALYSIS METHODS AND RISK APPETITE

The Manager adopts ERM practices that enable it to continuously identify, assess, treat and manage risks that affect Al-`Aqar in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The approach is summarised as below:



DRMSB's environment is constantly changing and hence needs to continually monitor and review its risks and the effectiveness of its management of risk over time.

The period of risk review will be determined by the risk rating, with higher rated risks and associated controls/risk mitigation strategies reviewed more often.

Risk monitoring and review will:-

- ensure risks appropriately reflect the reality of the DRMSB's operating environment;
- involve the review of risk ratings (likelihood & Impact);
- involve a review of the adequacy and effectiveness of existing risk controls / treatment plans and recommend changes to treatment priorities & timeframes;
- identify emerging or new risks; and
- include consideration of the appropriate "responsible person(s)" for ongoing monitoring and review of risks.

Additionally, monitoring and measuring includes evaluation of the risk awareness culture and the risk management framework, and assessment of the extent to which risk management tasks are aligned, suitable, adequate, and effective way of achieving established objectives.

This will enable the **internal audit function to periodically review the effectiveness of the risk management function** and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

When the need arises, the Manager will review the risk management framework and risk management process which involves the review of risk management policy and plans as well as risks, risk categories, risk treatments, controls, residual risks, and risk assessment process.

Based on results of monitoring and reviews, decisions should be made on how the risk management program can be improved. These decisions should lead to improvements in the organisation's management of risk and its risk management culture.

INTERNAL CONTROL

The following key elements embody the current internal control system adopted by the Manager:-

- a) The Board has put in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- b) The Board approved annual budgets and business plans prepared by each property.
- c) Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- d) Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operations, financial and human resources matters.
- e) Regular management meetings involving the review of the operations and financial performance of each property with Property Managers and the Trustee.
- f) The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- g) The internal audit reviews carried out by the outsourced internal auditor based on the risk-based internal audit plan approved by the Audit Committee.
- h) A systematic performance appraisal system for all levels of staff.
- i) The Code of Ethics is to be implemented in 2019 to mitigate Integrity Risks
- j) The Management has also reviewed its Standard Operating Procedure ("SOP") for the Manager and the funds, across all departments
- k) Relevant training provided to staff across all functions to maintain a high level of competency and capability.