

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Second Quarter Ended 30 June 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding To Date
		30-06-2017	30-06-2016	30-06-2017	30-06-2016
		RM	RM	RM	RM
Gross rental income		24,943,578	26,551,972	49,847,641	52,967,219
Property expenses		(1,486,615)	(1,539,711)	(3,007,438)	(3,083,343)
Net rental income	B1	23,456,963	25,012,261	46,840,203	49,883,876
Investment income		497,361	376,111	851,299	688,044
Gain in fair value adjustment		257,083	-	257,083	-
Other income		-	10	-	15,233
Total income		24,211,407	25,388,382	47,948,585	50,587,153
Managers' fees		(935,350)	(434,158)	(1,368,775)	(865,437)
Trustees' fees		(66,635)	(66,422)	(132,222)	(131,666)
Accretion of long term borrowings		-	(118,684)	(39,562)	(237,369)
Annual financing fees		(51,582)	(173,875)	(117,718)	(347,750)
Maintenance of properties		(44,340)	-	(185,980)	-
Administrative expenses		(143,820)	(174,828)	(267,658)	(299,926)
Professional fees		(38,500)	(38,573)	(44,136)	(66,906)
Withholding tax		(222,376)	(222,376)	(444,753)	(444,753)
Profit sharing expenses on financing		(7,698,077)	(7,698,077)	(15,311,559)	(15,396,153)
Total trust expenditure		(9,200,680)	(8,926,993)	(17,912,363)	(17,789,960)
Profit before taxation		15,010,727	16,461,389	30,036,222	32,797,193
Tax expense		(608,822)	-	(608,822)	-
Profit after taxation		14,401,905	16,461,389	29,427,400	32,797,193
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operation		(1,971,297)	224,150	(1,939,491)	(251,678)
Total comprehensive income for the period/year		12,430,608	16,685,539	27,487,909	32,545,515
Profit after taxation is made up as follows:					
Realised		14,144,822	16,461,389	29,170,317	32,797,193
Unrealised		257,083	-	257,083	-
		14,401,905	16,461,389	29,427,400	32,797,193
Earnings per unit (sen) - Net		1.98	2.26	4.04	4.50

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	Note	Unaudited As At End Of Current Quarter 30-06-2017	Audited As at preceding year ended 31-12-2016
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,422,112,260	1,424,360,000
Current Assets			
Trade receivables		13,149,913	11,249,567
Other receivables & prepayments		12,692,483	1,801,529
Cash and bank balances		58,793,459	26,451,032
Fixed deposits with licensed banks		109,638,214	47,350,853
		194,274,069	86,852,981
Asset classified as held for sale		-	100,000,000
TOTAL ASSETS		1,616,386,329	1,611,212,981
LIABILITIES			
Non-current liabilities			
Borrowing	B9	654,742,082	653,802,142
Deferred tax		3,889,939	3,750,228
		658,632,021	657,552,370
Current Liabilities			
Other payables and accruals		61,861,477	57,583,091
Taxation		9,144	9,144
		61,870,621	57,592,235
TOTAL LIABILITIES		720,502,642	715,144,605
NET ASSETS VALUE		895,883,687	896,068,376
REPRESENTED BY:			
Unitholders' capital		722,398,126	722,398,126
Undistributed income		176,527,058	174,772,256
Foreign exchange translation reserve		(3,041,497)	(1,102,006)
TOTAL UNITHOLDERS' FUND		895,883,687	896,068,376
NUMBER OF UNITS IN CIRCULATION		728,226,468	728,226,468
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.2302	1.2305

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN NET ASSETS VALUE
For the Second Quarter Ended 30 June 2017

	Unitholders' Capital RM	Undistributed Income RM	Foreign Exchange RM	Total Unitholders' Fund RM
As at 1 January 2016	722,398,126	158,156,897	(729,420)	879,825,603
Operation for the period ended 30 June 2016				
Net income for the period	-	32,797,193	(251,678)	32,545,515
<i>Increase/(Decrease) in net assets resulting from operation</i>	-	32,797,193	(251,678)	32,545,515
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders	-	(18,424,122)	-	(18,424,122)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(18,424,122)	-	(18,424,122)
Net assets as at 30 June 2016	722,398,126	172,529,968	(981,098)	893,946,996
As at 1 January 2017	722,398,126	174,772,256	(1,102,006)	896,068,376
Operation for the period ended 30 June 2017				
Net income for the period	-	29,427,400	(1,939,491)	27,487,909
<i>Increase/(Decrease) in net assets resulting from operation</i>	-	29,427,400	(1,939,491)	27,487,909
Unitholders' transactions				
Placement of units	-	-	-	-
Distribution to unitholders #	-	(27,672,598)	-	(27,672,598)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(27,672,598)	-	(27,672,598)
Net assets as at 30 June 2017	722,398,126	176,527,058	(3,041,497)	895,883,687

Includes the payment of the final income distribution for financial year 2016 (of which 1.19 sen per unit is taxable and 2.61 sen per unit is non taxable in the hands of unitholders) in respect of the period from 1 July to 31 December 2016 of 3.80 sen per unit which was paid on 28 February 2017.

The Condensed Consolidated Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Second Quarter Ended 30 June 2017

	To Date	
	30-06-2017	30-06-2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	30,036,222	32,797,193
Adjustment for:		
Profit sharing expenses on Islamic financing	15,429,277	15,743,903
Accretion of long term Islamic financing	39,562	237,369
Gain on fair value adjustment of investment properties	(257,083)	-
Investment revenue	(851,299)	(688,044)
Operating profit before working capital changes	44,396,679	48,090,421
Increase in receivables and prepayments	(12,791,300)	(4,870,800)
Increase/(Decrease) in other payables and accruals	5,358,037	(343,320)
Cash generated from operations	36,963,416	42,876,301
Taxes paid	(608,822)	-
Net cash generated from operating activities	36,354,594	42,876,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	(79,860)	(624,150)
Income received from investment	851,299	688,044
Proceeds from disposal of investment property	100,000,000	-
Net cash generated from investing activities	100,771,439	63,894
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(27,672,598)	(18,424,122)
Profit sharing expenses on Islamic financing	(15,468,839)	(15,772,436)
Net cash used in financing activities	(43,141,437)	(34,196,558)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	93,984,596	8,743,637
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	645,192	(251,678)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	73,801,885	63,071,486
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	168,431,673	71,563,445

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31 December 2016.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements of Al-'Aqar Healthcare REIT for the financial year ended 31 December 2016 was not subject to any audit qualification.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

The business operations of Al-'Aqar Healthcare REIT are not affected by any material seasonal or cyclical factors.

A4. UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no unusual items affecting the financial statements of Al-'Aqar Healthcare REIT for the current quarter.

A5. CHANGES IN ACCOUNTING ESTIMATES

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

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

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

A7. INCOME DISTRIBUTION

There was no income distribution declared or paid during the quarter under review.

A8. SEGMENTAL REPORTING

No segmental reporting is required as the Al-'Aqar Healthcare REIT's activities are predominantly in one industry segment.

A9. VALUATION OF INVESTMENT PROPERTIES

During the quarter under review, a valuation exercise was undertaken for Jeta Garden Aged Care Facility and Retirement Village, Queensland of Al-'Aqar Healthcare REIT pursuant to Clause 10.02 of the Guidelines on Real Estate Investment Trusts ("Reit Guidelines") issued by the Securities Commission Malaysia ("SC"). The valuation has resulted in a surplus of RM257,083 and has been incorporated into the financial statements of Al-'Aqar Healthcare REIT as at 30 June 2017. The details of the said valuation carried out are tabled as follows:-

Description of Property	Location	Date of Valuation	Fair Value RM
Jeta Garden Aged Care Facility and Retirement Village, Queensland, Australia	Queensland	31 May 2017	140,232,400

A10. SUBSEQUENT MATERIAL EVENTS

There was no material events from the date of this report.

A11. CHANGES IN THE COMPOSITION OF THE TRUST

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

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

AL-'AQAR HEALTHCARE REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The net rental income for Al-'Aqar Healthcare REIT of RM46.8 million for the 6 months period ended 30 June 2017 represented a decrease of RM3.0 million or 6.1% from RM49.8 million, recorded in the previous corresponding period. The decrease was mainly due to disposal of Selesa Tower.

Al-'Aqar Healthcare REIT's profit before taxation for the same period stood at RM30.0 million, which is RM2.8 million or 8.4% lower than previous corresponding period of RM32.8 million. The decrease was due to as mentioned above.

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

	Current Quarter ended 30.06.2017 RM	Immediate Preceding Quarter ended 31.03.2017 RM
Profit before tax	15,010,727	15,025,495

There was no material change in profit before tax recorded in the current quarter as compared to the immediate preceding quarter.

B3. PROSPECTS

The Malaysian healthcare industry has thus far performed well, amidst a moderate growth given the higher cost of living and external economic uncertainties. Moving on to 2017, the industry is expected to remain challenging, underpinned by growing demand and awareness for proper healthcare, rising size of middle income group and medical insurance coverage, rapid ageing population and medical tourism.

Al-'Aqar Healthcare REIT has always enjoy 100% rate of occupancy and collection, having KPJ Group as the sole tenant.

The performance of Al-'Aqar Healthcare REIT is expected to remain reasonable for the next quarter, with a positive outlook in the remaining second half of 2017.

The strength of Al-'Aqar Healthcare REIT lies in the fact that its portfolio of assets has 100% rate of occupancy and the rental collection, thus minimising business risks.

B4. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the quarter under review.

B5. TAXATION

	The Group		The Fund	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
	RM	RM	RM	RM
Tax expense				
- Income Tax	-	-	-	-
- Real Property Gains Tax ("RPGT")	608,822	-	608,822	-

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 95% of its net income. The Manager also expects to distribute the net income within two months from the end of each financial year and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

The Group tax expense relates to the tax expense of foreign subsidiaries of the Fund.

B6. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

The disposal of Selesa Tower was completed on 19 June 2017 and resulted in no gain or loss since the disposal consideration and market value of the investment property at the point of disposal was RM100.0 million. There was a realisation of unrealised profit of RM12.8 million recorded upon completion of disposal. The disposal proceeds has been utilised for redemption of Sukuk of RM80.0 million on 20 July 2017.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced during the current quarter.

B9. BORROWING

	The Group	
	As at 30-06-2017	As at 30-06-2016
	RM'000	RM'000
<u>Long-term Borrowing</u>		
<u>Secured</u>		
Sukuk Ijarah of RM 1.0 billion - IMTN	654,742	653,599

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. MATERIAL LITIGATION

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

B12. SOFT COMMISSION RECEIVED

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

B13. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-06-2017	Immediate Preceding Quarter ended 31-03-2017
Number of units in issue - units	728,226,468	728,226,468
Earning per unit (EPU) - sen	1.98	2.06
Net income distribution to unitholders - RM'000	-	27,672
Distribution per unit (DPU) - sen	-	3.80
Net Asset Value (NAV) - RM'000	895,884	883,453
NAV per unit - RM	1.2302	1.2132
Market Value Per Unit - RM	1.5400	1.5500

B14. RESPONSIBILITY STATEMENT

This quarterly report was prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-'Aqar Healthcare REIT as at 30 June 2017 and of its financial performance and cash flows for the period then ended.