

AMANAHRAYA ■ REIT

ANNUAL REPORT 2019





Offices

- Vista Tower, Kuala Lumpur
- Toshiba TEC, Shah Alam
- Dana 13, Petaling Jaya
- Wisma Comcorp, Shah Alam
- Contraves, Cyberjaya
- Block A & B, South City Plaza, Seri Kembangan

Education

- SEGi University, Kota Damansara
- HELP University, Jalan Semantan
- SEGi College, Subang Jaya

Industrial

- RHF Stone Factory, Nusajaya

Hospitality

- Holiday Villa, Langkawi
- Ex-Holiday Villa, Alor Setar

Retail

- Selayang Mall, Selayang



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CORPORATE DIRECTORY



MANAGER

AmanahRaya-Kenedix REIT Manager
Sdn. Bhd.
200901013113 (856167-A)
(Incorporated in Malaysia)

MANAGER'S REGISTERED OFFICE

Level 11, Wisma AmanahRaya
No. 2, Jalan Ampang
50508 Kuala Lumpur
Tel. No. : 03 2075 7388
Fax No. : 03 2078 8187

PRINCIPAL PLACE OF BUSINESS

Level 2, Wisma AmanahRaya
No. 2, Jalan Ampang
50508 Kuala Lumpur
Tel. No. : 03 2078 0898
Fax No. : 03 2026 6446

BOARD OF DIRECTORS OF THE MANAGER

Independent Non-Executive Directors

Mahadzir bin Azizan
(Chairman)

Dato' Anthony @ Firdauz bin Bujang

Dato' Haji Che Pee bin Samsudin

Zulazman bin Zulkifli

Non-Independent Non-Executive Directors

Adenan bin Md Yusof

Ahmad Suhaimi bin Endut

Akihiro Nakao
(Resigned w.e.f. 15 January 2020)

Michio Izawa

Keisuke Ogawa
(Appointed w.e.f. 15 January 2020)

AUDIT COMMITTEE

Dato' Haji Che Pee bin Samsudin (*Chairman*)

Zulazman bin Zulkifli

Akihiro Nakao
(Resigned w.e.f. 15 January 2020)

Keisuke Ogawa
(Appointed w.e.f. 15 January 2020)

INVESTMENT COMMITTEE

Dato' Anthony @ Firdauz bin Bujang
(*Chairman*)

Adenan bin Md Yusof

Michio Izawa

Zulazman bin Zulkifli

TENDER COMMITTEE

Dato' Anthony @ Firdauz bin Bujang
(*Chairman*)

Ahmad Suhaimi bin Endut

Michio Izawa



CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES OF THE MANAGER

Jerry Jesudian s/o Joseph Alexander
(MAICSA 7019735)

Leong Shiak Wan
(MAICSA 7012855)

Rizana binti Ahmad Rithauddeen
(LS 0009663)

MANAGEMENT TEAM

Kusuma Dewi binti Abd Aziz
Head of Investment/
Acting Chief Executive Officer
(Resigned w.e.f. 13 January 2020)

Isyam bin Ishak
Accountant

Mahathir bin Mohamad Supian
Head of Property Management
(Resigned w.e.f. 18 April 2019)

Roslin bin Zainuddin
Head of Property Management
(Appointed w.e.f. 15 July 2019)

Firdaus bin Musa
Head of Legal & Compliance

TRUSTEE

Pacific Trustees Berhad
199401031319 (317001-A)
Unit A-9-8, 9th Floor
Megan Avenue 1
No. 189, Jalan Tun Razak
Off Persiaran Hampshire
50400 Kuala Lumpur
Tel. No. : 03-21668830
Fax No. : 03-21663830

REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share
Registrars Sdn. Bhd.)
199601006647 (378993-D)
11th Floor
Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel. No. : 03-78904700
Fax No. : 03-78904670

PROPERTY MANAGERS

Knight Frank Property Management
Sdn. Bhd.
201601040834 (1211775-H)
Suite 13B, Level 13, Vista Tower
The Intermark, 348 Jalan Tun Razak
50400 Kuala Lumpur
Tel. No. : 03-21613566
Fax No. : 03-21621408

Nawawi Tie Leung Property Consultants
Sdn. Bhd.
200201011415 (579078-V)
Suite 34.01, Level 34
Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Tel. No. : 03-21617228
Fax No. : 03-21611633

Henry Butcher Malaysia (Mont Kiara)
Sdn. Bhd.
201501023493 (1148822-P)
Unit D4-3-3 & 3A, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Tel. No. : 03-62053330
Fax No. : N/A

Hartamas Asset Management Sdn. Bhd.
201001021285 (905055-U)
Unit 13-08, Level 13
Block A, Menara Prima, Jalan PJU 1/37
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No. : 03-78395555
Fax No. : 03-78395566

AUDITOR

KPMG PLT
(LLP0010081-LCA & AF0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel. No. : 03-77213388
Fax No. : 03-77213399

FINANCIERS

Affin Bank Berhad
197501003274 (25046-T)
Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. No. : 03-20559000
Fax No. : 03-20261415

Public Bank Berhad
196501000672 (6463-H)
Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur
Tel. No. : 03-21766341
Fax No. : 03-21639917

BURSA MALAYSIA STOCK CODE

ARREIT 5127
(Listed on the Main Board on 26 February
2007)



ABOUT AMANAHRAYA REIT



ABOUT AMANAHRAYA REIT

AmanahRaya Real Estate Investment Trust ("ARREIT") was established pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed") between AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") and CIMB Islamic Trustee Berhad ("the Trustee"). The Trust Deed is regulated by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Supplementary Deed to effect the change of trustee of AmanahRaya REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 21 May 2019 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 21 May 2019 and 24 May 2019 respectively. Collectively, the Trust Deed and the Supplementary Deed dated 13 May 2019 are known as the Restated Deed, which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively. ARREIT is classified as a real estate investment fund and was listed on the Bursa Malaysia Securities Berhad on 26 February 2007.

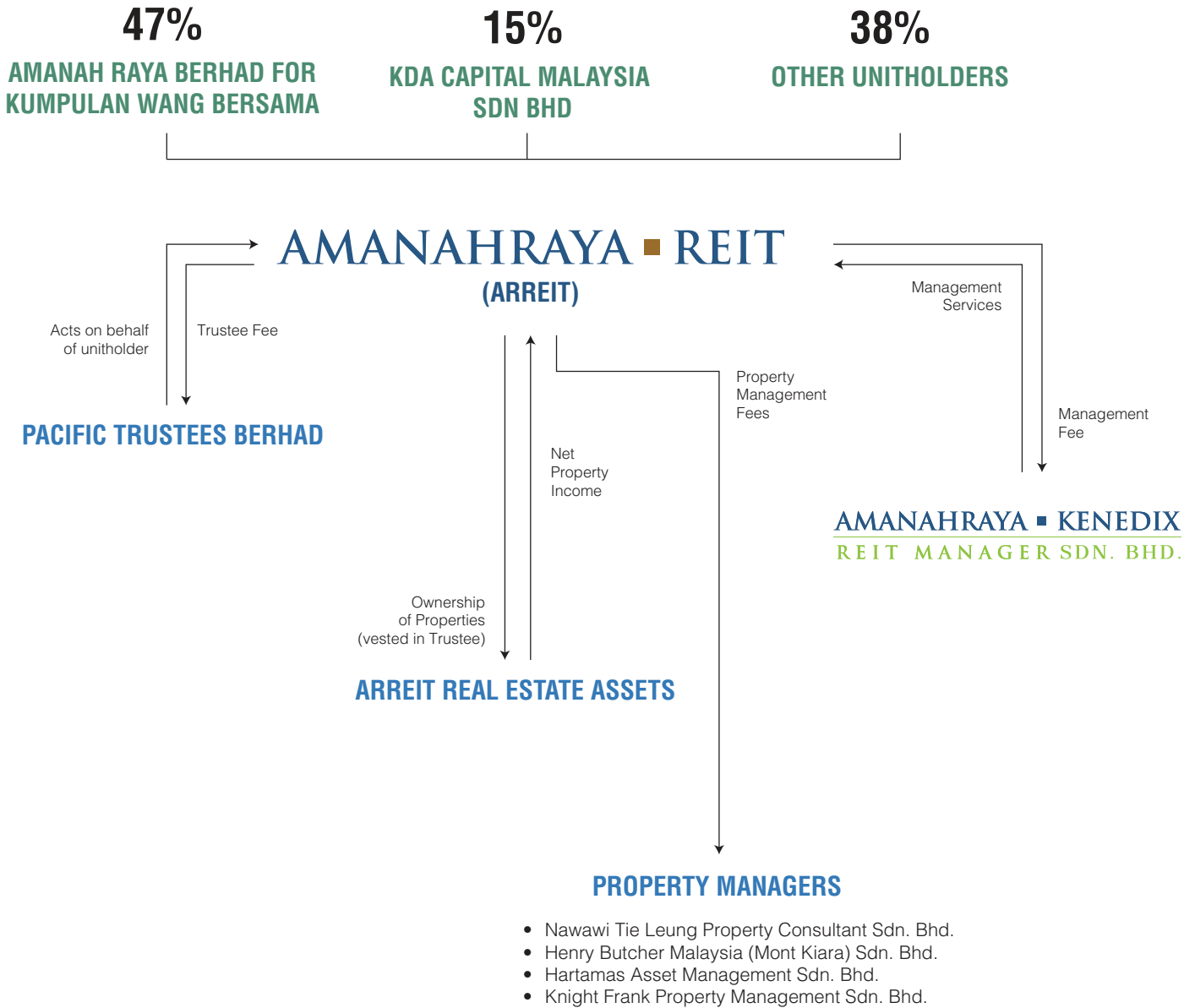
ABOUT AMANAHRAYA-KENEDIX REIT MANAGER SDN. BHD.

AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("Manager"), (License No: CMSL/A0309/2013) is a jointly owned entity by Amanah Raya Berhad and KDA Capital Malaysia Sdn. Bhd. ("KDA Capital"). The Manager was formed on 8 May 2009 and took over the management of ARREIT from AmanahRaya Investment Management Sdn. Bhd. on 27 August 2009. Kenedix Asia Pte. Ltd. via KDA Capital became the first Japanese firm to invest in a Malaysian REIT with the acquisition of 15% of the units of ARREIT. KDA Capital also bought 49% of the shares of the Manager at RM7 per share with Amanah Raya Berhad maintaining the controlling stake of 51% of the shares of the Manager.

The Manager is principally responsible for the management of ARREIT investment strategies to meet its investment objectives. Its primary investment objective is to provide and administer ARREIT on behalf of the unitholders in accordance with the Restated Deed dated 10 January 2020 and Guideline issued by the Securities Commission and Bursa Malaysia Securities Berhad. The Manager's main role is to ensure stable and sustainable return to ARREIT unitholders.

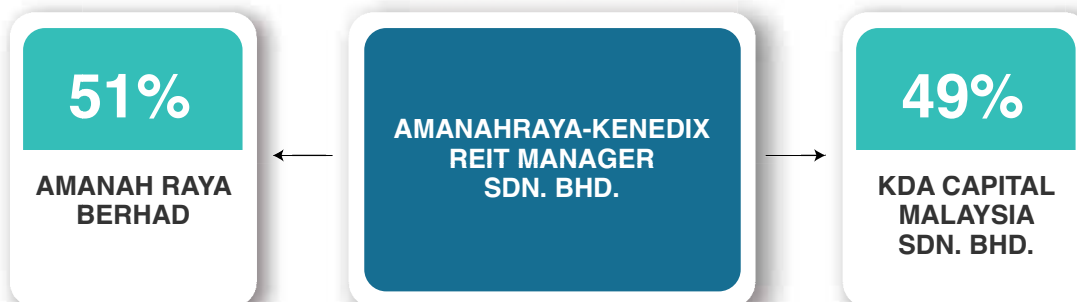


AMANAHRAYA REIT STRUCTURE

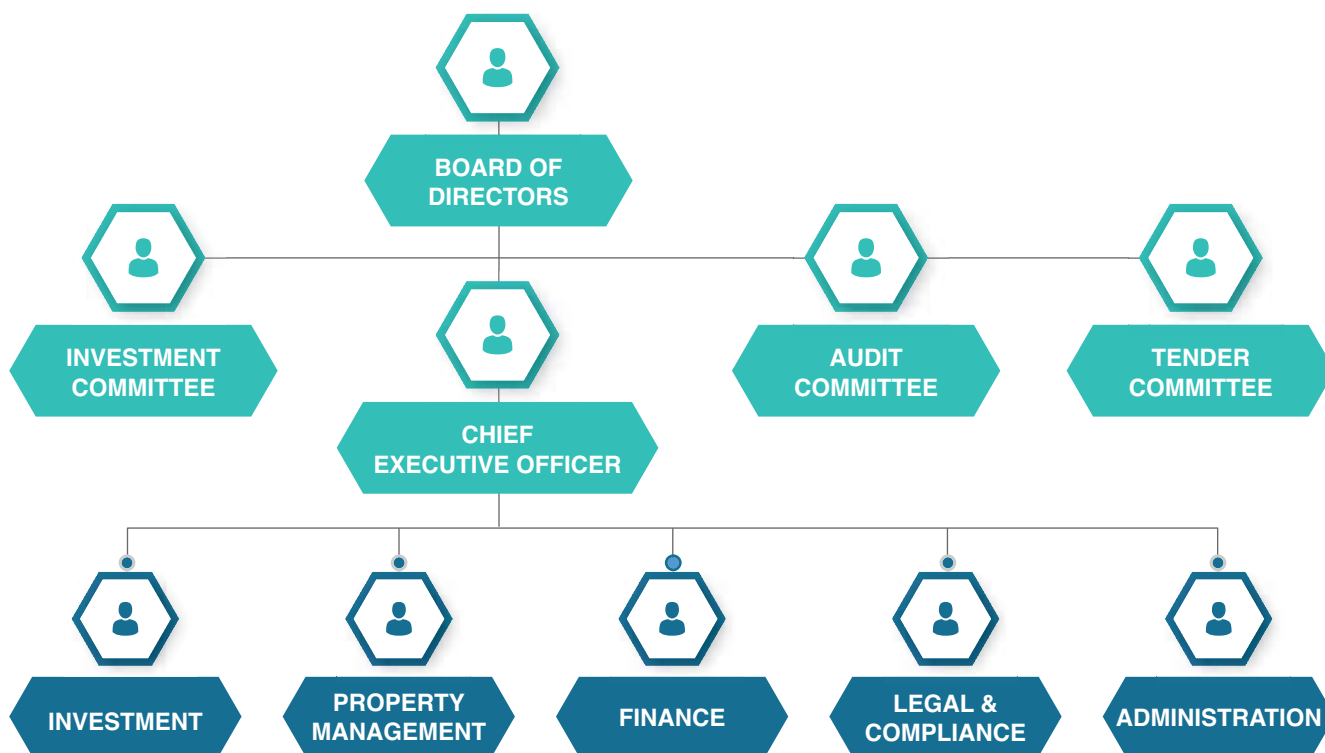




MANAGER'S STRUCTURE



ORGANISATION CHART





SALIENT FEATURES OF AMANAHRAYA REIT

Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Duration of Fund/ Termination Date	The earlier of: - the occurrence of any termination events set out under the provisions of the Trust Deed 80 years after 20 October 2006 or until such further period as the law may permit
Approved Fund Size	573,219,858
Investment Objective	To provide unitholders with stable and growth potential returns over a long term period
Performance Benchmark	- Management expense ratio - Total returns - Average annual return - Distribution yield - Net asset value (NAV)
Distribution Policy	- Quarterly income distribution - Distribution of at least 90% (or such other percentage as determined by the Manager in its absolute discretion)
Revaluation Policy	The investment properties shall be revalued annually by the registered independent valuers
Financial Year End	31 December
Listing	Main Market of Bursa Malaysia Securities Berhad
Stock Name	ARREIT
Stock Code	5127
Date of Listing	26 February 2007
Initial Public Offering Price	- RM0.895 - retail - RM0.94 - institutional



FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2019



TOTAL ASSET VALUE

RM1.472B



TRADING VOLUME (UNITS)
(OCT-DEC 2019)

192,989



HIGHEST PRICE (2019)

RM0.87

LOWEST PRICE (2019)

RM0.73



**OFFICE,
EDUCATION,
INDUSTRIAL,
HOSPITALITY
AND RETAIL**



GEARING RATIO

43.81%



DPU 2019

6.200 SEN PER UNIT



NET ASSET VALUE ("NAV") PER UNIT

1.3548



PRICE AS AT 31 DECEMBER 2019

RM0.74

PER UNIT



TOTAL NUMBER OF
PROPERTIES

13 PROPERTIES



TOTAL UNIT ISSUED

573,219,858



SUBSTANTIAL UNITHOLDERS

- AMANAH RAYA BERHAD FOR KUMPULAN WANG BERSAMA (47.31%)
- KDA CAPITAL MALAYSIA SDN. BHD. (15%)
- PERBADANAN KEMAJUAN NEGERI SELANGOR (5.65%)



MARKET CAPITALIZATION

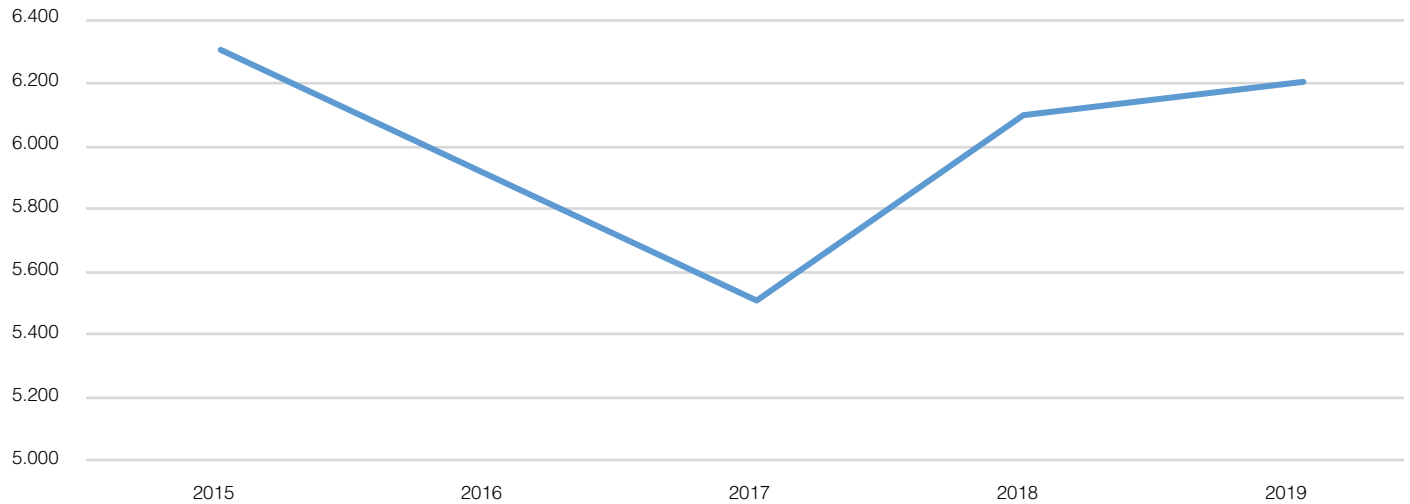
RM424,182,695



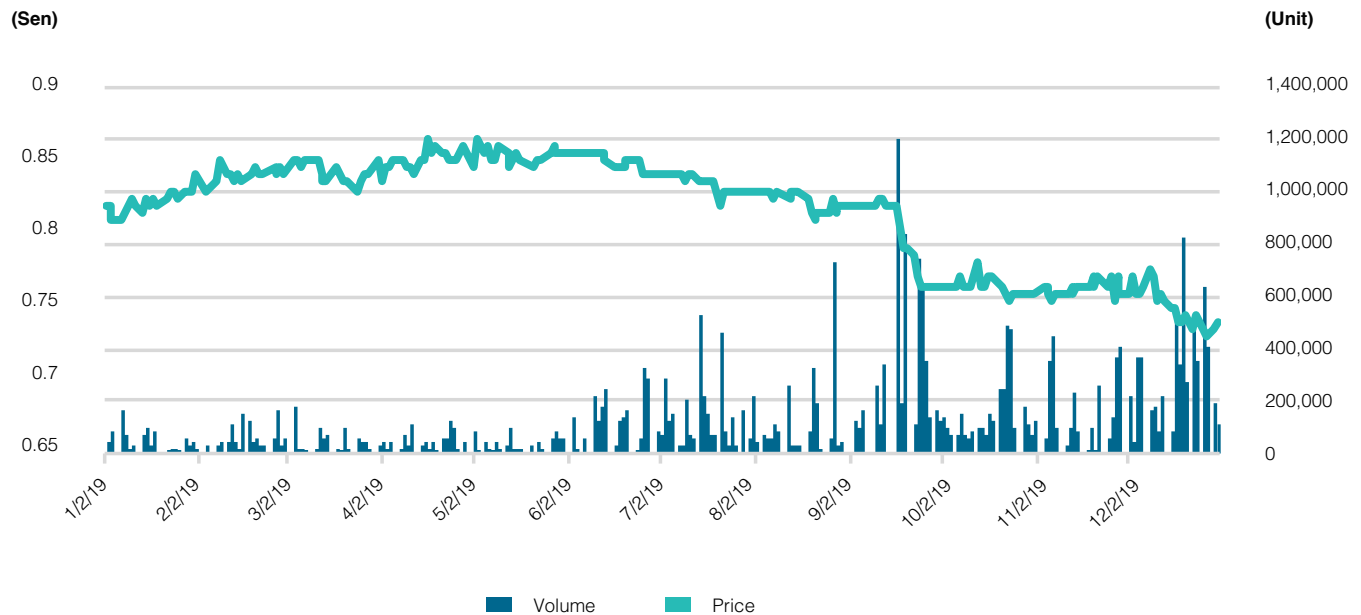
FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2019 (CONT'D)

DISTRIBUTION PER UNIT (SEN)



ARREIT VOLUME VS PRICE



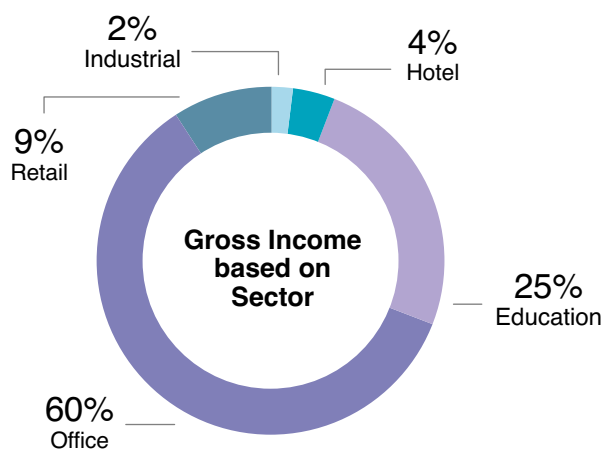
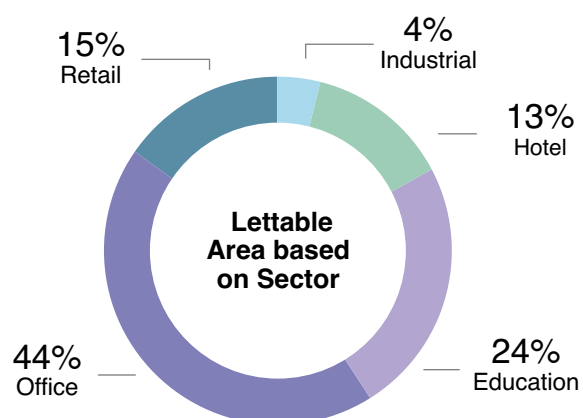
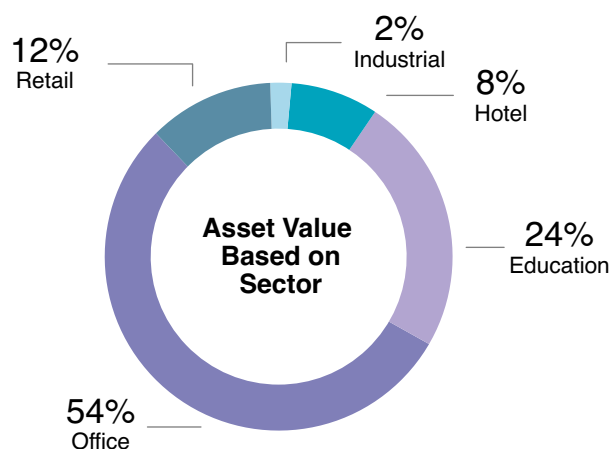


ASSET UNDER MANAGEMENT

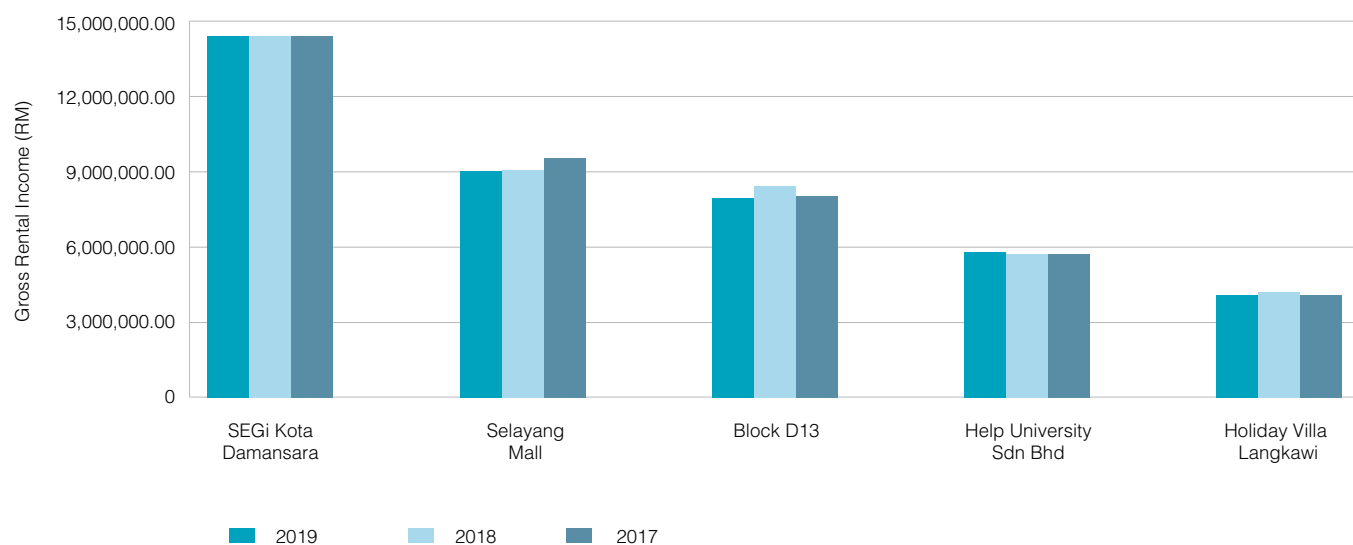
Real Estate(s)	Location	Type of Building	Cost of Acquisition (RM'000)	Appreciation in Value (RM'000)	Occupancy (approximate)	Unexpired Lease / Tenancy Period	Investment in Real Estate Value (RM'000)(a)	Value over Total Asset Value (a/b)
Hospitality								
Ex-Holiday Villa Alor Setar	Alor Setar, Kedah	Hotel	31,000	-3,700	Vacant	Vacant	27,300	1.85%
Holiday Villa Langkawi	Langkawi, Kedah	Resort Hotel	59,536	24,464	100%	6.50 yrs	84,000	5.71%
Higher Education Building								
SEGi College, Subang Jaya	Subang Jaya, Selangor	Higher Education Building	52,500	21,000	100%	1.40 yrs	73,500	4.99%
SEGi University, Kota Damansara	Petaling Jaya, Selangor	Higher Education Building	146,063	39,937	100%	8.00 yrs	186,000	12.64%
HELP University, Jalan Semantan	Damansara Heights, Kuala Lumpur	Higher Education Building	53,946	21,554	100%	19.70 yrs	75,500	5.13%
Office Building								
Block A & B, South City Plaza	Seri Kembangan, Selangor	Office Building	18,300	-9,800	50%	1.00 yrs	8,500	0.58%
Toshiba TEC	Glenmarie, Shah Alam	Office Building	32,143	57	100%	2.40 yrs	32,200	2.19%
Wisma Comcorp	Glenmarie, Shah Alam	Office Building	30,000	7,000	100%	9.90 yrs	37,000	2.51%
Dana13, Dana 1 Commercial Centre	Petaling Jaya, Selangor	Office Building	99,373	23,127	60%	Multiple Period	122,500	8.32%
Vista Tower	The Intermark, Kuala Lumpur	Office Building	456,194	68,806	68%	Multiple Period	525,000	35.67%
Contraves	Cyberjaya, Selangor	Office Building	40,233	1,767	100%	1.30 yrs	42,000	2.85%
Industrial								
RHF Stone Factory	Nusajaya, Johor	Industrial Factory	24,217	1,783	100%	8.60 yrs	26,000	1.77%
Retail								
Selayang Mall	Selayang, Selangor	Retail Mall	132,608	35,392	100%	0.40 yrs	168,000	11.41%
Real Estate-Related Assets							1,407,500	95.63%
Cash and security deposits							58,289	3.96%
Others (Trade and Other Receivables)							6,066	0.41%
Total Asset Value (RM'000) (b)							1,471,855	100.00%



PROPERTY PORTFOLIO



AMANAHRAYA REIT: TOP TENANTS





OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT





OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Vista Tower, The Intermark,
348, Jalan Tun Razak,
50400 Kuala Lumpur



Title Details

Lot No. 20000, Seksyen 43 held
under Title No. Geran 75638,
Bandar Kuala Lumpur,
State of Wilayah Persekutuan
Kuala Lumpur



Property type

Office tower

Vista Tower, Kuala Lumpur

Location

The property is located within The Intermark development at Jalan Tun Razak. The Intermark is located approximately 1.3 kilometres north east of Kuala Lumpur City Centre.

Description

A sixty three (63) office tower with three (3) basement levels B1 to B3 identified as Vista Tower together with 917 car park bays which forms part of the integrated commercial development known as The Intermark, Kuala Lumpur.

Age of property

Approximately 25 years

Tenure

Freehold

Total Land Area

228,948 sq.ft.

Gross Built-up Area

776,196 sq.ft.

Net lettable area

551,874 sq. ft.

Existing use

Office Building

Parking spaces

917 car park bays on the basement level identified as B1 to B3.

Date of acquisition

16th January 2018

Cost of acquisition

RM455,000,000.00

Valuation as at December 2019

RM525,000,000.00

Valuer

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

Carrying Amount

RM525,000,000.00

Occupancy rates

68%

Property Manager

Knight Frank Property Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

SEGi University (Malaysia Main Campus), No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor



Title Details

H.S. (D) 255765, P.T. 12171, Pekan Baru Sungai Buloh, District of Petaling, State of Selangor



Property type

Education



SEGi University, Kota Damansara

Location

SEGi University is located within a new development known as Taman Sains Selangor 1, an emerging high-technology industry estate in Kota Damansara. Kota Damansara is an integrated self-contained township developed by Selangor State Development Corporation (PKNS) located approximately 25 kilometres to the west of Kuala Lumpur city centre.

Description

An institutional complex comprising of 1 block of 7-storey administrative building and one block of 5-storey academic building

Age of property

Approximately 13 years

Tenure

Leasehold for 99 years

Unexpired lease

89 years

Lease period

5+5 years commencing from January 2018

Land Area

425,389 sq.ft.

Gross Floor Area

577,031 sq.ft.

Net lettable area

337,710 sq.ft.

Existing use

A university campus under the brand name of SEGi

Parking spaces

334 car parking bays and 1,031 motorcycle parking bays

Date of acquisition

28th December 2007

Cost of acquisition

RM145,000,000.00

Valuation as at December 2019

RM186,000,000.00

Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

Carrying Amount

RM186,000,000.00

Master Lessee

SEG International Bhd

Occupancy rates

100%

Net Rental (per month)

RM1,196,250.00

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Lot 384451, Jalan SU 9,
Taman Selayang Utama,
68100 Batu Caves, Selangor
Darul Ehsan



Title Details

Lot 38451 held under Title No.
PM 11660, Town of Selayang,
District of Gombak, State of
Selangor



Property type

Shopping Mall



Selayang Mall, Selayang

Location

The property is located within Taman Selayang Utama, a medium-sized housing scheme.

Generally, the neighbourhood comprises of a mixture of residential and commercial developments. Prominent landmarks in the neighbourhood include Selayang General Hospital, Forest Reserve Institute of Malaysia (FRIM), Selayang Municipal Council (MPS) and Gombak District Land Office.

Description

4-storey retail space with 6-storey car park

Age of property

Approximately 23 years

Tenure

Leasehold for 99 years

Unexpired lease

60 years

Tenancy period

3+3+3 years commencing from June 2017

Land Area

175,742 sq.ft.

Gross Floor Area

868,305 sq.ft

Net lettable area

371,413 sq.ft.

Existing use

A neighbourhood shopping complex under the brand name of Selayang Mall

Parking spaces

900 parking bays

Date of acquisition

7th May 2010

Cost of acquisition

RM128,165,000.00

Valuation as at December 2019

RM168,000,000.00

Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

Carrying Amount

RM168,000,000.00

Master Lessee

Seal Management Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM747,629.17

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Dana 13, Dana 1 Commercial Centre, Jalan PJU 1A/46, Off Jalan Lapangan Terbang Subang, 47301 Petaling Jaya, Selangor Darul Ehsan



Title Details

Developed on the Parent Lot 59214, Mukim of Damansara, District of Petaling, State of Selangor, held under Master Title No. PN 8024



Property type

Office building



Dana 13, Dana 1 Commercial Centre, Petaling Jaya

Location

The property is located within Dana 1 Commercial Centre, a newly completed commercial development which comprises of 152 units of two to five storey shop offices and a 13 storey stratified office building with basement car park level as well as a serviced apartment block, about 35 kilometres south-west of Kuala Lumpur city centre.

Description

A 13-storey stratified office building which forms part of Dana 1 Commercial Centre

Age of property

Approximately 10 years

Tenure

Leasehold for 99 years

Unexpired lease period

78 years

Gross Floor Area

333,439 sq.ft.

Net lettable area

268,850 sq.ft.

Existing use

Office Block with MSC status

Parking spaces

The property has been allocated with 300 bays within Dana 1 Commercial Centre

Date of acquisition

7th May 2010

Cost of acquisition

RM99,120,000.00

Valuation as at December 2019

RM122,500,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM122,500,000.00

Occupancy rates

60%

Property Manager

Hartamas Asset Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

HELP University, No. 15, Jalan Sri Semantan 1, Damansara Heights, 50490 Kuala Lumpur



Title Details

H.S. (D) 83465, P.T. 6 and P.N. 46441, Lot 36622, both in Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur



Property type

Education



HELP University, Jalan Semantan

Location

HELP University is located in the commercial corner of Damansara Heights approximately 4 kilometres to the south-west of Kuala Lumpur city centre.

Description

A 5-storey purpose-built office building with 6 lower ground levels inclusive of a 4-level car park

Age of property

Approximately 20 years

Tenure

Leasehold for 99 years

Unexpired lease

- 1) HSD 83465 - 53 years
- 2) PN 46441 - 53 years

Lease period

25 years commencing from September 2014

Total Land Area

35,387 sq.ft.

Gross Floor Area

170,000 sq.ft.

Net lettable area

125,227 sq.ft.

Existing use

A higher learning institution and training centre under the brandname of Help University

Parking spaces

261 parking bays

Date of acquisition

26 February 2007

Cost of acquisition

RM53,000,000.00

Valuation as at December 2019

RM75,500,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM75,500,000.00

Master Lessee

Help University Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM413,249.00

Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Lot 1698, Pantai Tengah,
Mukim Kedawang, 07000
Langkawi, Kedah Darul Aman



Title Details

H.S. (M) 2100, Lot 2504,
Mukim of Kedawang, H.S. (M)
667, P.T. 107, Town of Padang
Mat Sirat, H.S. (M) 668, P.T.
108, Town of Padang Mat
Sirat, all in District of
Langkawi, Kedah Darul Aman



Property type

Resort Hotel



Holiday Villa, Langkawi

Location

The property is located along one of the most popular beach known as Pantai Tengah. Langkawi International Airport is located 6 km to the north of the property.

Langkawi is one of the premier tourist destinations in Malaysia mainly due to its duty free zone status, beautiful beaches and historical sites.

Description

A purpose-built 4-star resort hotel with 238-rooms and swimming pool and spa facilities

Age of property

Approximately 28 years

Tenure

Freehold

Lease period

5+5 years commencing from July 2016

Total Land Area

427,672 sq.ft.

Gross Floor Area

183,190 sq.ft.

Net lettable area

Not Applicable

Existing use

A hotel under the brand name of Hotel Holiday Villa

Parking spaces

55 parking bays

Date of acquisition

26th February 2007

Cost of acquisition

RM55,000,000.00

Valuation as at December 2019

RM84,000,000.00

Valuer

Rahim & Co. International Sdn. Bhd.

Carrying Amount

RM84,000,000.00

Master Lessee

Langkawi Holiday Villa Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM333,441.00

Property Manager

Hartamas Asset Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

SEGi College, Persiaran
Kewajipan USJ 1, 47600
Subang Jaya,
Selangor Darul Ehsan



Title Details

Geran 313189, Lot No.13,
Pekan Subang Jaya,
District of Petaling Jaya,
Selangor



Property type

Hotel



SEGi College, Subang Jaya

Location

The property is located within the Commercial Business Districts of Subang Jaya in USJ 1. Subang Jaya is an integrated mixed development, comprising residential, commercial and industrial developments located about 15 kilometres to south-west of Kuala Lumpur city centre.

Description

A 12-storey purpose-built commercial building with 3 basement car park levels

Age of property

Approximately 13 years

Tenure

Freehold

Lease period

15 years commencing from May 2006

Land Area

61,042 sq.ft.

Gross Floor Area

280,575 sq.ft.

Net lettable area

131,387 sq.ft.

Existing use

A higher learning institution and training centre under the brand name of SEGi College

Parking spaces

206 parking bays and 400 motorcycle parking bays

Date of acquisition

26th February 2007

Cost of acquisition

RM52,500,000.00

Valuation as at December 2019

RM73,500,000.00

Valuer

IPC Island Property Consultants Sdn. Bhd.

Carrying Amount

RM73,500,000.00

Master Lessee

SEG International Berhad

Occupancy rates

100%

Net Rental (per month)

RM342,125.00

Property Manager

Hartamas Asset Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

No. 37, Jalan Pelukis
U1/46, Section U1, Temasya
Industrial Park, Glenmarie,
40150 Shah Alam,
Selangor Darul Ehsan



Title Details

Lot 52802 held under Title No.
GRN 86648, Town of
Glenmarie, District of Petaling,
State of Selangor



Property type

Office building



Wisma Comcorp, Shah Alam

Location

The property is located within Temasya Industrial Park in Glenmarie, Shah Alam. Glenmarie is located about 1.5 kilometres to the north-west of Subang Jaya town centre and about 8 kilometres to the east of Shah Alam city centre.

Description

A free standing five (5) storey workshop cum office building with a single level basement car park

Age of property

Approximately 14 years

Tenure

Freehold

Lease period

15 years commencing from November 2014

Total Land Area

55,090 sq.ft.

Gross Built-up Area

116,473 sq.ft.

Net lettable area

74,550 sq.ft.

Existing use

Workshop cum office

Parking spaces

65 parking bays provided in the basement and within the compound of the site

Date of acquisition

23rd April 2014

Cost of acquisition

RM30,000,000.00

Valuation as at December 2019

RM37,000,000.00

Valuer

Rahim & Co. International Sdn. Bhd.

Carrying Amount

RM37,000,000.00

Master Lessee

Comintel Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM206,250.00

Property Manager

Hartamas Asset Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Block 3502, Enterprise Building 2 (EB2), Jalan Teknokrat 5, Cyber 5, 63000 Cyberjaya, Selangor



Title Details

Lot No. PT 12072 held under Title No. HSD 7061, Mukim of Dengkil, District of Sepang, State of Selangor



Property type

Office building



Contraves Building, Cyberjaya

Location

The property is located within Cyber 5 in Cyberjaya, Selangor. Cyberjaya is located about 35 kilometres to the south-west of Kuala Lumpur city centre and about 5 kilometres to the north east of Putrajaya.

Description

A four storey purpose-built office building with one (1) basement level.

Age of property

Approximately 19 years

Tenure

Freehold

Tenancy period

3+3 years commencing from April 2018

Total Land Area

89,470 sq.ft.

Gross Built-up Area

93,804 sq.ft.

Net lettable area

75,014 sq.ft.

Existing use

Office Building

Parking spaces

113 numbers covered car park on the basement level and 64 numbers uncovered car parks on the ground floor.

Date of acquisition

16th June 2016

Cost of acquisition

RM40,000,000.00

Valuation as at December 2019

RM42,000,000.00

Valuer

IPC Island Property Consultants Sdn. Bhd.

Carrying Amount

RM42,000,000.00

Master Lessee

Contraves Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM311,308.00

Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

No. 4, Jalan Saudagar U1/16,
Hicom Glenmarie,
40150 Shah Alam,
Selangor Darul Ehsan



Title Details

Lot 61725 held under Title No.
GRN 215122, Town of
Glenmarie, District of Petaling,
State of Selangor



Property type

Office building



Toshiba TEC, Shah Alam

Location

The property is located within HICOM Glenmarie Industrial Park in Shah Alam, Selangor. HICOM Glenmarie Industrial Park is located about 4.0 kilometres to the north-west of Subang Jaya town centre and about 14 kilometres to the south-west of Petaling Jaya city centre.

Description

A four story office building cum warehouse.

Age of property

Approximately 15 years

Tenure

Freehold

Lease period

6 years commencing from May 2016

Total Land Area

67,371 sq.ft.

Gross Built-up Area

76,186 sq.ft.

Net lettable area

62,474 sq.ft.

Existing use

Office

Parking spaces

Available within the compound of the property.

Date of acquisition

25th March 2016

Cost of acquisition

RM32,000,000.00

Valuation as at December 2019

RM32,200,000.00

Valuer

IPC Island Property Consultants
Sdn. Bhd.

Carrying Amount

RM32,200,000.00

Master Lessee

Toshiba Tec Malaysia Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM173,333.33

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

No. 11, Jalan Bioteknologi 3,
Kawasan Perindustrian SILC,
79200 Nusajaya, Johor



Title Details

Lot PTD 6861 held under Title
No. HSD 479596, Mukim of
Jelutong, District of Johor
Bahru, State of Johor



Property type

Industrial



RHF Stone Factory, Nusajaya

Location

The property is located within Southern Industries and Logistic Clusters (SILC) in Nusajaya, Johor. Nusajaya is located about 30 kilometres to the south-west of Johor Bahru city centre and about 4 kilometres to the north of Gelang Patah town centre.

Description

A single storey factory annexed with three storey office building

Age of property

Approximately 7 years

Tenure

Freehold

Lease period

9+3 years commencing from March 2019

Total Land Area

130,724 sq.ft.

Gross Built-up Area

107,666 sq.ft.

Net lettable area

95,035 sq.ft.

Existing use

Factory

Parking spaces

Available within the compound of the property.

Date of acquisition

20th April 2016

Cost of acquisition

RM24,000,000.00

Valuation as at December 2019

RM26,000,000.00

Valuer

IPC Island Property Consultants
Sdn. Bhd.

Carrying Amount

RM26,000,000.00

Master Lessee

RHF Stone Sdn. Bhd.

Occupancy rates

100%

Net Rental (per month)

RM123,545.50

Property Manager

Hartamas Asset Management Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah Darul Aman



Title Details

Held under Master Title H.S. (D) 21920, P.T. 6282, H.S. (D) 21921, P.T. 6283, H.S. (D) 21922, P.T. 6284, all in Town of Alor Setar, District of Kota Setar, State of Kedah Darul Aman



Property type

Hotel



Ex-Holiday Villa, Alor Setar

Location

The property is located within the Central Business District of Alor Setar where several government and commercial buildings are located, including Majlis Bandaraya Alor Setar, Bangunan KWSP, Bangunan Simpanan Nasional, Menara Sentosa and Universiti Tun Abdul Razak.

Alor Setar is the capital city of Kedah and one of the region's oldest cities. It is a distribution center for manufacturing and agricultural products such as rice. Alor Setar is also the royal town of the Kedah State.

Description

A 21-storey hotel with 156-rooms with sub-basement level within a development also known as City Plaza

Age of property

Approximately 24 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

Approximately 88 years (Master Title)

Tenancy period

-

Gross Floor Area

150,000 sq.ft.

Existing use

Vacant since July 2018

Date of acquisition

26th February 2007

Cost of acquisition

RM31,000,000.00

Valuation as at December 2019

RM27,300,000.00

Valuer

IPC Island Property Consultants Sdn. Bhd.

Carrying Amount

RM27,300,000.00

Master Lessee

Vacant since June 2018

Occupancy rates

Vacant

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT (CONT'D)



Address

Block A & B, South City Plaza,
Persiaran Serdang Perdana,
Taman Serdang Perdana,
Section 1, 43300 Seri
Kembangan, Selangor



Title Details

P.T. No. 520 held under Title
No. H.S. (D) 226742, Pekan of
Serdang, District of Petaling,
State of Selangor



Property type

Office building



Block A & B, South City Plaza, Seri Kembangan

Location

The property is located within a commercial development known as South City Plaza which comprises of retail complex, office block and hotel cum service apartments. Seri Kembangan is located about 15 kilometres to the south of Kuala Lumpur city centre.

Description

Two (2) blocks (Block A and Block B) of 5 ½-storey purpose-built commercial buildings

Age of property

Approximately 14 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

74 years

Tenancy period

2 years commencing from January 2018 (Block B)

Gross Floor Area

Not applicable

Net lettable area

66,606 sq.ft.

Existing use

Block A is currently vacant and Block B is currently used as an office

Parking spaces

The property shares the usage of 1,766 parking bays with the developer and owner of the individual units within the South City development

Date of acquisition

26th February 2007

Cost of acquisition

RM18,300,000.00

Valuation as at December 2019

RM9,300,000.00

Valuer

IPC Island Property Consultants
Sdn. Bhd.

Carrying Amount

RM8,500,000.00

Master Lessee

Block A - Vacant
Block B - Paramount Vintage Sdn. Bhd.

Occupancy rates

50%

Net Rental (per month)

RM48,514.22

Property Manager

Hartamas Asset Management Sdn. Bhd..



THE INTERMARK





MESSAGE FROM THE CHAIRMAN



MAHADZIR BIN AZIZAN

Dear Unitholders,

On behalf of the Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“AKRM”), the Manager of AmanahRaya Real Estate Investment Trust (“ARREIT”), it is my pleasure and privilege to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2019.

For the year 2019, I am pleased to report that ARREIT delivered a satisfactory financial performance amidst challenging market conditions. Despite these challenges, the Board remained focused in strengthening our operations and improving our margins.

PROPERTY & ECONOMIC OVERVIEW

During the year under review, overall property and economic market remained stable despite 2019 being a challenging year for Malaysia’s property market. The office market within the Klang Valley will continue to experience oversupply situation without any significant and favourable movement in demand segment. Nevertheless, ARREIT remains resilient to maintain its sustainable financial condition largely due to its diversified property portfolio.

Even through a challenging economic climate, ARREIT managed to improve its distribution per unit to 6.2 sen in 2019 as compared to 6.1 sen in the year before and at the same time grow the portfolio’s NAV per unit to RM1.355 from RM1.352 in 2018. Our growth continued in our net property income where we recorded RM80.66 million against RM79.57 million in 2018 due primarily to the increase in rental income from our key property Vista Tower.

CHANGE OF TRUSTEE

In May 2019, ARREIT became one of the few Real Estate Investment Trusts in Malaysia that has successfully undertaken the change of trustee exercise. On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) have entered into a Supplementary Deed to effect the change of trustee from the Retiring Trustee to the New Trustee. The change became effective from 21 May 2019 upon registration and lodgement of the Supplementary Deed with the Securities Commission on 21 May 2019 and 24 May 2019 respectively.

The Board would like to take this opportunity to thank the Retiring Trustee for its unwavering support to ARREIT and wish for a long and successful business relationship between ARREIT and the New Trustee.



MESSAGE FROM THE CHAIRMAN (CONT'D)



LOOKING AHEAD FOR 2020

The Board remains resolute that the Manager will continue to deliver sustainable financial performance and measured growth while we remain vigilant of our anticipation that the economic environment to continue to be unpredictable and volatile nature. On a positive note, Malaysia is estimated to achieve a stronger and more sustainable gross domestic product growth of 4.4% and 4.5% by the International Monetary Fund and the World Bank respectively in 2020.

Our strong performance in the year under review shall not cause us to become complacent in facing the coming financial year 2020. We are looking forward to the coming financial year where we strive to continue delivering sustainable financial performance, as we have been year after year, with the support of the Board that remains committed to ensure sustainable performance, with good governance, effective engagement with stakeholders, adherence to compliance requirements and sound operational strengths.

MOVING FORWARD

AKRM, as the Manager of ARREIT, is actively endeavouring to acquire new properties that are able to provide accretive yields over a long-term period. We believe that the opportunity to acquire such properties is more promising moving forward as rental rates and capital values consolidate in a downward trajectory. Although we anticipate a more challenging environment in the year 2020, we will continue to push forward in meeting our objective to increase the fund size to RM3 billion within the next 3 to 5 years.

CHANGES IN THE BOARDROOM

It is with great honour and pleasure to continue carrying the torch as the Chairman of the Board from Dato' Sri Ikmal Hisham bin Abdul Aziz. I sincerely believe that the Board and the team at AKRM are able to make great strides and elevate ARREIT to greater heights.

During the year, both Dato' Haji Che Pee bin Samsudin and Dato' Anthony @ Firdaus bin Bujang took over as the Chairman of the Audit Committee and Chairman of the Investment Committee respectively effective from 11 February 2019. On behalf of the Board, I would like to congratulate both of them on their appointment.

I am also pleased to welcome Mr. Zulazman bin Zulkifli and Mr. Keisuke Ogawa who were appointed as Independent Non-Executive Director and Non-Independent Non-Executive Director on 11 February 2019 and 15 January 2020 respectively.

Last but not least, I wish to extend my heartfelt appreciation to former Board Member, Mr. Akihiro Nakao and former Investment Committee Member, Tuan Syed Elias bin Abd Rahman Alhabshi for their invaluable contributions and achievements during their tenure with ARREIT.

APPRECIATION

I wish to take this opportunity to express my sincere gratitude to members of the Board, Audit Committee Members, Investment Committee Members and the Management for their continued dedication and commitment in delivering another strong and committed effort for our unitholders. Rest assured that ARREIT's focus remains unchanged with top priority given to delivering value to our unitholders and stakeholders.

I would like to thank all our unitholders, stakeholders, employees and business partners for their unwavering support and confidence in 2019.

MAHADZIR BIN AZIZAN

Chairman



PROFILE OF THE BOARD OF DIRECTORS



MAHADZIR BIN AZIZAN
Independent
Non-Executive Chairman

Nationality / Age / Gender:

Malaysian / 71 / Male

Date of Appointment:

- 5 April 2016 (Independent, Non-Executive Director)
- 11 February 2019 (Chairman, Board of Director)

Present Directorship:

Listed Company

- ECM Libra Financial Group Berhad
- RCE Capital Berhad
- Syarikat Takaful Malaysia Keluarga Berhad

Other Public Companies

- Syarikat Takaful Am Berhad

Board Committee Membership:

Nil

Working Experience and Occupation:

Mahadzir has more than forty (40) years of experience in corporate legal matters and has held key positions both in the private and public sector. After graduation, he joined the Judicial and Legal Service of the Malaysian Government as a Deputy Public Prosecutor and Federal Counsel and subsequently ventured into the private sector and served Malaysian International Shipping Corporation (MISC) and Island & Peninsular Berhad, the property arm of Permodalan Nasional Berhad (PNB) for twenty-four (24) years. Whilst in the private sector, he also served as Ahli Majlis MARA, director of Amanah Raya Berhad and Tabung Haji group of companies as well as various other directorships in government-linked companies.

He also sits on the Board of ECM Libra Financial Group Berhad, Syarikat Takaful Malaysia Keluarga Berhad and RCE Capital Berhad.

Academic/ Professional Qualifications:

- Barrister-at-Law from the Honourable Society of Lincoln's Inn, London, United Kingdom
- Called to the English Bar in 1978

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



ADENAN BIN MD YUSOF
Non-Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 56 / Male

Date of Appointment:

- 30 September 2016 (Non-Independent, Non-Executive Director)
- 31 March 2017 (Member, Investment Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Amanah Raya Berhad
- AmanahRaya Trustees Berhad

Board Committee Membership:

- Member, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Upon obtaining his Bachelor, Adenan worked for two (2) of the largest architectural practices in the United States. During his tenure at Harry Weese and Associates as well as Lohan Associates, he gained valuable experience in the development of various building types from residential to 5 star hotels and office buildings. Thereafter, in 1993, he joined KLCC Berhad and worked on the prestigious Petronas Twin Towers project.

Adenan later joined Amanah Capital Partners Berhad in 1995 and was responsible in overseeing all property investments under Amanah Capital Group. Subsequently, in 2003, Adenan moved to KUB Malaysia Berhad as General Manager and was later seconded to KUB Realty Sdn. Bhd, the property arm of KUB.

In 2008, Adenan joined Terengganu Incorporated as the Group General Manager to head its property investment division and was tasked in drafting a strategic plan for its property investment. Prior to his return to Amanah Raya Berhad, he was the Senior Vice President of Special Projects at UDA Holdings Berhad.

Adenan was appointed as the Group Managing Director of Amanah Raya Berhad since September 2016.

Academic/ Professional Qualifications:

- Bachelor of Architecture from Illinois Institute of Technology Chicago, Illinois, USA
- Holds a Capital Market Services Representative's License since July 2013

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Group Managing Director at Amanah Raya Berhad
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



AHMAD SUHAIMI BIN ENDUT

Non-Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 52 / Male

Date of Appointment:

- 20 October 2014 (Non-Independent, Non-Executive Director)
- 24 August 2016 (Member, Tender Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Amanah Raya Berhad
- AmanahRaya Trustees Berhad

Board Committee Membership:

- Member, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Ahmad Suhaimi began his career with private company in 1992 before joining the Diplomatic and Administrative Science in 1995 as an Assistant Director of Industries Division in the Ministry of International Trade and Industry of Malaysia (MITI). He continued his service with the Ministry of Finance in 2003 and held various positions in several departments/divisions including Accountant General Department, Strategic Financial Management Division, Office of the Secretary General of Treasury, Investment, MOF (Inc) and Privatisation Division, Secretariat to the Tax Review Panel and Housing Loan Division. He is currently the Under Secretary of the Public Asset Management Division, Ministry of Finance.

He presently sits on the Board of Port Tanjung Pelepas Sdn. Bhd. and Syarikat Perumahan Pegawai Kerajaan Sdn. Bhd..

Academic/ Professional Qualifications:

- Bachelor of Science in Business Administration from University of Missouri St. Louis, USA
- Master in Business Administration from University of Sheffield, United Kingdom

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Nominee of the Ministry of Finance of Malaysia, which is a major shareholder of Amanah Raya Berhad
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



MICHIO IZAWA

Non-Independent
Non-Executive Director

Nationality / Age / Gender:

Japanese / 49 / Male

Date of Appointment:

- 13 March 2017 (Non-Independent Non-Executive, Director)
- 13 March 2017 (Member, Investment Committee)
- 23 January 2018 (Member, Tender Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

- Member, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Member, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Michio Izawa currently serving as Chief Executive Officer and President of Kenedix Asia Pte. Ltd. effective January 2020. Previously, Mr Michio served as Chief Investment Officer and Director of Kenedix Asia Pte. Ltd. from May 2015 until December 2019. Michio Izawa also served as Chief Representative of Kenedix, Inc. Singapore Representative Office from January 2015. He was previously Senior Manager of Corporate Planning Department at Kenedix, Inc. from November 2014.

Before joining Kenedix, Inc., he served as Representative in Japan at CarVal Investors Pte. Ltd., (CarVal) between August 2012 and March 2014. He was also Managing Director of Global Credit Strategies Group and Real Estate Group at CarVal from January 2009 where he was responsible for the investment in distressed asset portfolios and real estate in Japan. Between September 2006 and December 2008, he was Director of Global Credit Strategies Group at CarVal Tokyo Branch and served as Investment Manager of Reorganization Group at Cargill Investment Japan Co., Ltd. Between January 1996 and December 2000, he served as Capital Market Trader of Financial Service Division at Cargill Japan Ltd. Before joining Cargill, he served in the International Department at Cosmo Oil. Co. Ltd. from April 1994.

Academic/ Professional Qualifications:

- B.A. in Economics from the Keio University, Tokyo, Japan
- Chartered Member of the Securities Analysts Association of Japan ("CMA")

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Executive Director at Kenedix Asia Pte. Ltd. and KDA Capital Malaysia Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



KEISUKE OGAWA
Non-Independent
Non-Executive Director

Nationality / Age / Gender:

Japanese / 43 / Male

Date of Appointment:

- 15 January 2020 (Non-Independent, Non-Executive Director)
- 15 January 2020 (Member, Audit Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

- Member, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Keisuke Ogawa started his career in April 2001 as Real Estate Developer in Cosmos Initia Co. Ltd. (formerly known as Recruit Cosmos Co. Ltd.). On March 2004 until December 2007, he joined Fund Creation Co. Ltd as Senior Manager and involved in work fields related with Business Development, Asset Management and Investment. Keisuke Ogawa continued his career with LaSalle Investment Management as Associate Director from January 2008 to October 2011.

In November 2011, Keisuke Ogawa joined Kenedix Inc as a Senior Manager for a period of two (2) years. On October 2013, Keisuke Ogawa was promoted to be the Head of Strategic Investment Division in Kenedix Inc. Presently, Keisuke Ogawa has been serving as Executive Director of Kenedix Asia Pte. Ltd. since December 2019.

Academic/ Professional Qualifications:

- Bachelor of Architecture and Civil Engineering, Kobe University, Japan
- Certified Master of ARES (The Association for Real Estate Securitization)

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Executive Director at Kenedix Asia Pte. Ltd. and KDA Capital Malaysia Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



DATO' HAJI CHE PEE BIN SAMUDIN
Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 63 / Male

Date of Appointment:

- 23 August 2011 (Non-Independent, Non-Executive Director)
- 22 December 2017 (Redesignated as an Independent, Non-Executive Director)
- 11 February 2019 (Chairman, Audit Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Amanah Raya Berhad

Board Committee Membership:

- Chairman, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Dato' Haji Che Pee began his career as an Accountant in the government sector since 1982. His extensive experience includes serving at various government departments including Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department and Perbendaharaan State of Kedah as the State Treasurer for nine (9) years.

Previously, Dato' Haji Che Pee was appointed as Board Member of Kumpulan Wang Persaraan (Diperbadankan) (KWAP) from 1 March 2016 until October 2017. Presently, he is an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad since 29 March 2018.

Dato' Haji Che Pee was also the Accountant General of Malaysia from January 2015 to October 2017.

Academic/ Professional Qualifications:

- Bachelor in Accounting (Hons.)
- Member of Chartered Accountant (CA) of the Malaysian Institute of Accountants (MIA)
- Member of Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), and Chartered Institute of Public Finance & Accountancy (CIPFA)

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



**DATO' ANTHONY @
FIRDAUZ BIN
BUJANG**
Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 61 / Male

Date of Appointment:

- 26 May 2014 (Independent, Non-Executive Director)
- 24 August 2016 (Chairman, Tender Committee)
- 11 February 2019 (Chairman, Investment Committee)

Present Directorship:

Listed Company

- Petra Energy Berhad

Other Public Companies

- Nil

Board Committee Membership:

- Chairman, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Chairman, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Dato' Anthony started his career in 1983 as an Accountant in Bank Utama Malaysia Berhad, Kuching Branch. Subsequently, he joined Shell Malaysia Bhd, Sarawak in year 1988 and held various positions such as Secretary and Advisor to Major Tender Board and Head of General Contracts, Commercial Services. Dato' Anthony continued his career with Shell Gabon, Republic of Gabon and West Africa as Head, Strategy and Planning, Commercial Services Unit in 1994 for a period of two (2) years.

In 1996, Dato' Anthony joined Eastbourne Services Sdn. Bhd. as Chief Executive Officer for a period of four (4) years. He then joined TV3 in 2000 and served in various capacities including director of operations during his tenure there. Subsequently, Dato' Anthony was appointed as Chief Executive Officer of NTV7 in 2008. Prior to joining Petra Energy Berhad in 2012, he was the Group CEO of NSTP Bhd.

Dato' Anthony presently sits on the Board of One Medicare Sdn. Bhd., all subsidiaries of Petra Energy Berhad and is also Director of the associate companies of Petra Energy Berhad. He is currently the Executive Director and Group Chief Executive Officer of Petra Energy Berhad.

Academic/ Professional Qualifications:

- Higher Professional Diploma in Management from University of Cambridge
- Degree in Economics Business Administration from University Malaya
- Media Strategies Executive Certificate from Harvard Business School
- Executive Master of Business Administration, majoring in International Marketing from University of Berne, Switzerland

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



**ZULAZMAN BIN
ZULKIFLI**
Independent
Non-Executive
Director

Nationality / Age / Gender:

Malaysian / 52 / Male

Date of Appointment:

- 11 February 2019 (Independent, Non-Executive Director)
- 11 February 2019 (Member, Audit Committee)
- 11 February 2019 (Member, Investment Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

- Member, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Member, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Working Experience and Occupation:

Zulazman is Director, Origination, MIDF Amanah Investment Bank Bhd and formerly Group Executive Director of Apex Equity Holdings Bhd concurrently Non-Executive Chairman of JF Apex Securities Bhd. He is an Investment Banker, Stockbroker, Member of the Royal Institution of Chartered Surveyors, Member of the Institute of Corporate Directors and Individual Member of FIABCI Malaysia Chapter. He has over 25 years of stockbroking and property experience. His foray into property was through a joint venture with UEM Land Holdings Sdn. Bhd. (now UEM Sunrise Bhd) and AMP Capital Investors of Australia.

Throughout his career in Malaysia, Zulazman was also a Dealing Member and a Licensed Dealers Representative of the Kuala Lumpur Stock Exchange and Bursa Malaysia, a Licensed Investment Advisor with the Securities Commission, a Registered Responsible Person with the Securities Commission for a Venture Capital Management Corporation while in Australia he was an ASIC licensed Investment Advisor. He has held various positions in financial services at Academia Capital, DH Flinders, Kuala Lumpur City Securities (now Alliance Investment Bank), CIMB Securities (now CIMB Investment Bank), ShareTech Securities, Jardine Fleming, Arab-Malaysian Securities (now AmlInvestment Bank) in Malaysia, Cazenove & Co and as an Intern in Property Equities at UBS Philips & Drew in the UK.

Academic/ Professional Qualifications:

- BSc (Hons) Property Valuation & Finance from City, University of London
- DipLang, Spanish Language from Madrid Complutense University
- Member, Royal Institution of Chartered Surveyors
- Individual Member, FIABCI Malaysia Chapter

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019



PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

Family Relationship with any Director and/or Substantial Unitholder

None of the Directors of the Manager has any family relationship with any other Directors or Substantial Unitholders.

Conflict of Interest

Save for the following, none of the Directors of AmanahRaya REIT has conflict of interest during the financial year under review.

- Adenan bin Md Yusof is the Group Managing Director of Amanah Raya Berhad.
- Ahmad Suhaimi bin Endut is the Nominee of the Ministry of Finance of Malaysia, which is a major shareholder of Amanah Raya Berhad.
- Michio Izawa and Keisuke Ogawa are the representative of Kenedix Asia Pte. Ltd.

Convictions for Offences

None of the Directors have been convicted for offences within the past ten (10) years.

Attendance at Board of Director's Meetings

The Board comprises of eight (8) directors, of which four (4) are Independent Non-Executive and four (4) are Non-Independent Non-Executive.

During the financial year, the Board met nine (9) times, five (5) of which were special board meetings. The number of meetings attended by each Director are as follows:-

Directors	Number of Board meetings held during Directors' tenure in office	Number of meetings attended by Directors
Mahadzir bin Azizan	9	9
Dato' Anthony @ Firdaus Bin Bujang	9	7
Dato' Haji Che Pee bin Samsudin	9	5
Adenan bin Md Yusof	9	9
Ahmad Suhaimi Bin Endut	9	6
Zulazman bin Zulkifli	8	8
Akihiro Nakao (Resigned w.e.f 15 January 2020)	9	7
Michio Izawa	9	7
Keisuke Ogawa (Appointed w.e.f 15 January 2020)	Not Applicable	Not Applicable



PROFILE OF INVESTMENT COMMITTEE MEMBERS

INVESTMENT COMMITTEE

Dato' Anthony @ Firdauz bin Bujang (Chairman)
(please refer to page 33 for profile)

Michio Izawa
(please refer to page 31 for profile)

Adenan bin Md Yusof
(please refer to page 30 for profile)

Zulazman bin Zulkifli
(please refer to page 33 for profile)

Conflict of Interest

Save for the following, no conflict of interest has arisen between the Investment Committee Members and AmanahRaya REIT during the financial year under review.

- Adenan bin Md Yusof is the Group Managing Director of Amanah Raya Berhad.
- Michio Izawa is the representative of Kenedix Asia Pte. Ltd.

Convictions for Offences

None of the Investment Committee Members have been convicted for offences within the past ten (10) years.

Attendance at Investment Committee Meetings

The Investment Committee currently comprises of two (2) Independent members.

During the financial year, no Investment Committee meeting was held as no investment was made by ARREIT.



CORPORATE CALENDAR 2019

7th Annual General Meeting 2019

The Annual General Meeting (“AGM”) of AmanahRaya Real Estate Investment Trust (“AmanahRaya REIT”) was held on 30 April 2019 at Sheraton Imperial Hotel, Kuala Lumpur. During the AGM, the Management presented the achievements of AmanahRaya REIT for the year 2018 to all the Unitholders.



Change of Trustee

Pacific Trustees Berhad was appointed as Trustee for AmanahRaya Real Estate Investment Trust replacing the Retiring Trustee, CIMB Islamic Trustee Berhad with effect from 21 May 2019.



Malayan Tiger Run 2019



The Malayan Tiger Run 2019 was held on 28 July 2019 and the event took place at Putrajaya. The Malayan Tiger Run is supported by the Ministry of Water, Land and Natural Resources and the Department of Wildlife and National Parks, Peninsular Malaysia. This event is in support of tiger conservation efforts in our country. The objective is to bring together people who are ready to be a voice for our Malayan tigers through an educational and fun sporting event. WWF-Malaysia aims to raise greater awareness on the critical state of Malayan tigers in the country and encourage more people to make a stand and speak up in support of on-going tiger conservation efforts.



CORPORATE CALENDAR 2019 (CONT'D)

Geosite Cleaning Programme, Mangrove Sanctuary, Kilim, Langkawi



AmanahRaya-Kenedix REIT Manager has chosen to carry out our Corporate Social Responsibility activity at the mangrove sanctuary in Kilim, Pulau Langkawi on 15 September 2019.

The CSR programme was in collaboration with the Langkawi Development Authority, Lembaga Pembangunan Langkawi (LADA) and the Langkawi Research Center, Pusat Penyelidikan Langkawi (PPL). Among the activities carried out during the program included seeding and planting of mangroves in the Bakau Sanctuary as well as cleaning around the Kilim River Tourism Pier area. We were also given the opportunity to visit the UNESCO Global Geopark Langkawi Discovery Center, a new geo-tourism product on Langkawi Island.

Program Ziarah Kasih Amanah Raya



Amanah Raya Berhad including its subsidiaries ("ARB Group") carried out a Corporate Social Responsibility activity at Kampung Baru Desa Jemapoh, Kuala Pilah, Negeri Sembilan on 23 November 2019. The team from ARB Group joined forces with the villagers to clean up the local environment.



THE MANAGEMENT TEAM

ROSLIN ZAINUDDIN

Head of Property Management Department

Date of Appointment

15 July 2019

Academic/Professional Qualification/Membership(s)

- Bachelor of Engineering - Electrical (Power), Universiti Teknologi Mara
- Registered Property Manager with Board of Valuers, Appraisers and Estate Agents Malaysia (BOVEA)
- Registered Property Manager with Malaysian Institute of Property and Facilities Manager (MIPFM)
- Registered Building Manager with Building Management Association of Malaysia (BMAM)

Working Experience

Roslin, a Malaysian aged 47, joined AKRM as the Head of Property and Facilities Management in July 2019.

He is responsible for the management of all properties in ARREIT which includes the building and maintenance management as well as asset enhancement initiatives. He works closely with the Head of Investment on valuation matters regarding existing and new properties.

Roslin has extensive experience in the property & facilities management where he has spent more than 20 years in the industry. Prior to joining AKRM, he was under the employment of Glomac Berhad where his last position was Assistant General Manager Property & Facilities Management.

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 AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

ISYAM ISHAK

Head of Finance Department

Date of Appointment

1 July 2015

Academic/Professional Qualification/Membership(s)

- Bachelor of Accountancy (Hons.), Universiti Teknologi Mara
- Member of the Malaysian Institute of Accountants

Working Experience

Isyam, a Malaysian aged 44, joined AKRM in July 2015 as an Accountant in the Finance Department and was subsequently promoted to Head of the Finance Department in November 2018.

He is responsible for financial reporting, capital management and treasury of AKRM and ARREIT. He has more than ten years of related working experience prior to joining AKRM. His last position was as an Accountant with a Medical Laboratory services provider, wholly owned by KPJ Healthcare Berhad, responsible for the preparation of financial and management reports of the company.

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 AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

FIRDAUS MUSA

Head of Legal & Compliance Department

Date of Appointment

2 May 2017

Academic/Professional Qualification/Membership(s)

- Bachelor of Laws (LL.B) (Hons.), University of Malaya
- Master of Laws (LLM.), University of Surrey

Working Experience

Firdaus, a Malaysian aged 38, joined AKRM as the Head of Legal & Compliance Department on 2 May 2017. Upon graduation in 2007, he immediately commenced his pupillage and subsequently practised at an established law firm in Kuala Lumpur, handling general litigation matters with particular involvement in industrial relations and employment law. Prior to joining AKRM, he was attached to a fund management agency advising on its operations legal affairs. He is also the Manager's compliance officer, reporting directly to the Board of Directors of AKRM, and responsible to provide guidance to ensure that all regulatory and compliance matters of ARREIT and AKRM are adhered to.

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 AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.



MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd., the Manager of AmanahRaya Real Estate Investment Trust ("ARREIT") is pleased to present the Annual Report of ARREIT and the Audited Financial Statements of ARREIT for the financial period ended 31 December 2019.

ABOUT ARREIT AND AMANAHRAYA-KENEDIX REIT MANAGER SDN. BHD.

ARREIT was established pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed") between AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") and CIMB Islamic Trustee Berhad ("the Trustee"). The Trust Deed is regulated by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Supplementary Deed to effect the change of trustee of AmanahRaya REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 21 May 2019 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 21 May 2019 and 24 May 2019 respectively. Collectively, the Trust Deed and the Supplementary Deed dated 13 May 2019 are known as the Restated Deed, which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively. ARREIT is classified as a real estate investment fund and was listed on the Bursa Malaysia Securities Berhad on 26 February 2007.

AKRM as the Manager of ARREIT acts in accordance with the Restated Deed and guidelines imposed by the Securities Commission and Bursa Malaysia Securities Berhad. AKRM is also the holder of Capital Markets Services Licence, with its Director and Principal Officer holding the Capital Markets Services Representative's Licence under the Capital Markets and Services Act 2007. As the Manager, AKRM's primary responsibility is to deliver stable, steady and sustainable returns to the unitholders of ARREIT.

INVESTMENT STRATEGIES AND POLICIES

The Manager's investment strategy seeks to acquire properties that are able to provide strong, continuous and sustainable returns with stable growth potential in terms of rental yield and capital values. The acquisition and assessment of properties follows a stringent policy involving site visits, financial analysis, preliminary technical and legal due diligence, risk assessment and market studies before being proposed to the Investment Committee and Board of Directors for their endorsement. The criteria for investment include the following:

Location

The location is evaluated based on its proximity within established Central Business District, industrial zones, populated areas as well as accessibility to and from major roads, highways and public transportation systems such as LRT, buses, etc.

Price and Rental Yield

Rental yields in relation to the value is a key criterion. As such, the Manager closely looks at net rental yields of above 6% depending on the quality or condition of the property being considered, location and type of properties. New acquisitions must be able to deliver accretive yields and capital growth that translate to strong and sustainable returns to the Unitholders.

Quality Properties

The Manager strives towards acquiring high quality properties that are in a good tenantable condition. A technical due diligence exercise, which includes examining the condition of mechanical and electrical equipment and structural components are conducted by the Manager's appointed consultants prior to completing any acquisition. All properties acquired must also comply with the requirements and guidelines set by relevant authorities.

Diversified Portfolio

ARREIT's strength lies in the diversity of its portfolio. Diversification allows the Manager to cushion the impact of any adverse condition in a particular sector or locality. ARREIT will continue to adopt this strategy while focusing on four main commercial sectors namely industrial, retail, office and education.

Covenant's strength

Covenant strength which mainly focuses on tenant profiling is important to mitigate the risk of rental default especially in a single tenancy arrangement. In addition, the Manager will conduct a due diligence exercise on the financial strength of the prospective tenants and its operations. The risk of rental default is also mitigated by having security deposits of up to 6 months.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW

FUND'S PERFORMANCE

In 2019, ARREIT recorded a net property income of RM79.67 million against RM79.01 million in the previous year. The increase was mainly contributed by the increase in rental income from Vista Tower, The Intermark and lower property expenses incurred. Total property expenses decreased to RM16.21 million from RM17.67 million in 2018 mainly due to reduction of repair and refurbishment costs. In terms of realised income, ARREIT recorded RM37.14 million, a decrease of 2.2% as compared to the previous year. The decrease was mainly due to the gain of RM3 million from the disposal of Silver Bird Factory in 2018. ARREIT expenses managed to decrease by 5.5% due to interest savings as a result of a part settlement of a term loan amounting to RM25.99 million. Following the annual revaluation exercise, ARREIT recognised a gain from fair value adjustments of the investment properties amounting to RM3.12 million in comparison to RM49.15 million in 2018. The significant increase in fair value adjustments in 2018 is due to the acquisition of Vista Tower, The Intermark. Consequently, the overall net realised income decreased to RM37.14 million from RM37.97 million in the previous year.

Review of Performance

	2019	2018	2017	2016	2015
Total Asset Value (RM)	1,471,855,117	1,499,264,735	1,526,616,881	1,040,293,296	1,101,373,044
Total Net Asset Value (RM)	776,591,192	775,213,754	728,290,587	686,061,728	681,539,846
Units in Circulation (units)	573,219,858	573,219,858	573,219,858	573,219,858	573,219,858
Net Asset Value Per unit (RM)	1.355	1.352	1.271	1.197	1.189
Highest Net Asset Value Per Unit (RM)	1.364	1.397	1.271	1.197	1.189
Lowest Net Asset Value Per Unit (RM)	1.354	1.352	1.197	1.187	1.140
Market Price per unit (RM) as at 31 December	0.74	0.82	0.91	0.92	0.87
Highest Traded Price for the Twelve Months Period (RM)	0.87	0.92	0.97	0.97	0.93
Lowest Traded Price for the Twelve Months Period (RM)	0.73	0.82	0.91	0.86	0.79

Results of ARREIT's Performance

Total Gross Rental Income	95,877,818	96,684,553	60,417,996	57,385,743	61,607,065
Total Property Expenses	16,210,440	(17,673,739)	(7,236,581)	(4,083,964)	(3,805,673)
Net Property Income (NPI)	80,665,650	79,570,299	53,799,270	53,301,779	57,801,392
Interest and Other Income	1,186,194	1,428,555	1,379,529	2,083,066	3,137,275
Total Non-Property Expenses	(42,985,977)	(45,473,626)	(22,910,639)	(20,051,656)	(24,315,689)
Realised Earnings	37,136,577	37,965,743	31,650,305	35,333,189	36,622,978
Changes in Fair Value of Investment Properties	3,116,979	49,148,296	42,603,621	5,207,986	23,059,600
Earnings Before Taxation	35,494,133	81,250,462	74,253,926	40,541,175	59,682,578
Taxation*	NIL	NIL	NIL	NIL	NIL
Earnings After Taxation	35,494,133	81,250,462	74,253,926	40,541,175	59,682,578
Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised)	6.19	14.17	12.95	7.07	10.41
EPU Yield (%) (Based on Closing Market Price)	8.36	17.28	14.23	7.68	11.97
Distribution Per Unit (DPU) (sen)	6.200	6.100	5.503	5.899	6.305
Distribution Yield (%)	8.38	7.44	6.05	6.41	7.25
MER (%)	1.35	1.20	1.10	1.07	1.08
Annual Total Return (%)**	7.73	7.23	5.81	6.46	7.24
Annual Total Return (3 years) (%)	6.92	6.50	6.50	6.97	7.43
Annual Total Return (5 years) (%)	6.89	6.79	6.91	7.57	8.70

* ARREIT distributed at least 90% of the realised and distributable income and thus, its total income for the year is exempted from tax pursuant to Section 61A (1) of the Income Tax Act 1967.

** Based on movement in weighted average unit price & actual gross income distribution.

Note:

The unit price of ARREIT is largely determined by market factors. Therefore, past performance is not necessarily indicative of future performance and that unit prices and investment returns may fluctuate



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Income Distribution

During the period under review, ARREIT made the following income distributions:

First Interim	Second Interim	Third Interim	Fourth Final	Total
1.5000	1.5000	1.5000	1.7000	6.2000

For 2019, ARREIT distributed a total income of RM35.54 million or 6.20 sen, which was higher than 2018's income distribution of 6.10 sen. The fourth and final income distribution of RM9.74 million has been declared at 1.70 sen per unit payable on 3 April 2020. The analysis of income distribution is as follows:

	2019	2018	2017	2016	2015
Income distribution per unit (sen)					
First interim income distribution	1.5000	1.3545	1.4266	1.5643	1.400
Second interim income distribution	1.5000	1.9394	1.3365	1.4863	1.590
Third interim income distribution	1.5000	1.3545	1.3992	1.4245	1.507
Proposed fourth and final income distribution	1.7000	1.4516	1.3404	1.4243	1.808
	6.2000	6.1000	5.5027	5.899	6.305

Net Asset Value

Net Asset Value (NAV) as at 31 December 2019 stood at RM1.355 per unit.

The net asset value of ARREIT since 2015 is tabulated as follows:

	2019	2018	2017	2016	2015
Total net asset value ("NAV") RM:					
Before provision for income distributions	1.355	1.352	1.271	1.197	1.189
After provision for income distributions	1.323	1.324	1.257	1.183	1.156

Units in Issue

As at 31 December 2019, the total number of units issued was 573,219,858.

Gearing Level

As at 31 December 2019, ARREIT's total debt was RM644.84 million with a gearing ratio of 43.81%.

	2019	2018	2017	2016	2015
Gearing ratio (%)	43.81	44.72	49.99	30.29	33.07

Other Performance Benchmarks

	2019	2018	2017	2016	2015
Total returns (%) ¹	7.73	7.23	5.81	6.46	7.24
Asset Portfolio Turnover (times) ²	0.02	0.35	-	0.03	0.05
Management Expense Ratio ("MER") % ³	1.35	1.20	1.10	1.07	1.08

1. Total return is calculated based on the actual gross income distribution and the net change in the weighted average market price for the financial year, over the weighted average market price of the ARREIT for the respective year.
2. Asset Portfolio Turnover is based on the average of total acquisitions and total disposals of investment in ARREIT for the financial year ended 31 December 2019 to the average net asset value for the financial year calculated on a daily basis.
3. The calculation of MER is based on the total expenses incurred by ARREIT, including Manager's fee, Trustee's fee, audit fees, tax agent's fee and administrative expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ASSET DISPOSAL

Disposal of AIC Factory, Shah Alam

ARREIT entered into a Sale and Purchase Agreement with Wah Kong Marketing Sdn. Bhd. to dispose AIC Factory located in Shah Alam, Selangor for a disposal consideration of RM26.8 million. Lot 1 & Lot 3 have been vacant since September 2016 and September 2018, respectively. Notwithstanding all efforts to market the property for rental, the property failed to attract potential tenants chiefly due to its outdated layout and design. The proceeds were utilised to pare down the existing borrowings from Affin Bank Berhad. The disposal was completed on 26 June 2019.

Disposal of Gurun Automotive Warehouse, Gurun

ARREIT entered into a Sale and Purchase Agreement with Hoi Huat Holdings Sdn. Bhd. to dispose Gurun Automotive Warehouse located in Gurun, Kedah for a disposal consideration of RM8.8 million. The property has been vacant for over a year and was put up for sale in view of its low marketability, location and the lack of market demand. The proceeds were utilised to pare down the existing borrowings from Affin Bank Berhad. The disposal was completed on 16 December 2019.

OPERATIONAL REVIEW

PROPERTY MANAGEMENT

The Property Management Department is responsible for the management of all properties in ARREIT's portfolio with the objective of preserving values of all properties and ensuring maximum tenancy. This is done through comprehensive maintenance programs. Periodic inspections are carried out on a quarterly basis by the appointed Property Managers. In 2019, total property expenses incurred was RM16.21 million including statutory payments and insurances.

Asset Enhancement Initiatives

In 2019, the Manager awarded a total contract sum of RM3.34 million for various projects. Major projects include refurbishment of the Lower Ground Floor of Selayang Mall to house AEON Maxvalu Prime Supermarket (RM1.83 million) and refurbishment of cold-water piping system at Vista Tower (RM1.51mil). During the year, several smaller AEI works were also conducted such as repair of air conditioners and façade repainting at Help University. In addition, Solar PV System was also installed at SEGi University as part of its green initiatives towards the environment.

Occupancy

Occupancy rate for ARREIT's portfolio of properties are tabulated as follows:

Property	Net Lettable Area (sqft)	Type	Occupancy Rate
Industrial			
RHF Stone Factory	95,035	Single tenant	100%
Hospitality			
Holiday Villa Langkawi	183,190	Single tenant	100%
Education			
SEGi University	337,710	Single tenant	100%
SEGi College	131,387	Single tenant	100%
HELP University	125,227	Single tenant	100%



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Property	Net Lettable Area (sqft)	Type	Occupancy Rate
Office			
Vista Tower	551,874	Multi tenant	68%
Dana 13	268,850	Multi tenant	60%
Contraves	75,014	Single tenant	100%
Block A & B, South City Plaza	66,606	Single tenant	50%
Wisma Comcorp	74,550	Single tenant	100%
Toshiba TEC	62,474	Single tenant	100%
Shopping Mall			
Selayang Mall	371,413	Single tenant	100%

Weighted Average Lease Expiry ("WALE")

ARREIT's portfolio comprises of short to long term leases. As at year end, the overall portfolio's WALE was 4.43 years, an improvement from 2018's WALE of 4.09 years. The improvement was due to the extension of leases mainly at Vista Tower.

CAPITAL MANAGEMENT

The Manager adopted a prudent capital management strategy and strives towards reducing its gearing level. In addition to the above, the Manager has also complied with the provisions of the Restated Deed and all applicable rules and guidelines prescribed by the Securities Commission in financing ARREIT. As at 31 December 2019, ARREIT achieved a gearing level of 43.81% of the total asset value as compared to 44.72% in the previous year. The Manager endeavours towards reducing its gearing level to at least 42% by the end of 2020 through asset recycling.

The following are the debt instruments undertaken by ARREIT:

Type	Financier	Amount	Rate	Expiry
Term Loan	Affin Bank Berhad	RM162.23 million	COF + 1.0%	May 2020
Medium Term Note	Public Bank Berhad	RM450 million	COF + 0.5%	December 2025
Term Loan	Public Bank Berhad	RM33.92 million	COF + 0.5%	December 2021

RISK MANAGEMENT

The Manager is aware of the many risk factors that could impact the operations and financial performance of ARREIT. Below are the several initiatives taken by the Manager to mitigate risk:

Acquisition and Investment Risk

The Manager undertakes thorough due diligence process including site visit and review of tenants financial standing on the property and tenant(s) in order to avoid impairment of capital values and low rental yield.

Operational Risk

All properties under the fund are reviewed and updated periodically in accordance to the adopted operating procedures, guidelines and regulations imposed by the authorities.

Tenancy Risk

The Manager engages real estate consultants and agents on regular basis to ensure full tenancy. At the same time, the Manager monitors tenants capabilities in paying rental periodically.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Process Risk

The Manager adopted the group policy of Amanah Raya Berhad in managing the financials of ARREIT. Proper controls on asset management, procurement and cash management have been put in place.

Alternate Site/Disaster Recovery Centre ("DRC")

AKRM adopted the group policy of Amanah Raya Berhad on Business Continuity Management which is in compliance with the Securities Commission's requirement for DRC.

Compliance Risk

Regular monitoring by the Group Chief Risk Officer and the appointed Compliance Officer of AKRM is in place in ensuring compliance of the relevant laws and guidelines by the authorities.

Interest Rate Risk

In ensuring good financial performance of ARREIT, the Manager closely monitors the floating rate and has established a cap on the interest rate movement.

Market Risk

Regular review and reporting to the Investment Committee and Board are in place.

Human Capital Risk

The Group Human Capital Division has adopted a policy in line with the market to recruit and retain employees.

Authority Limits

ARREIT is governed by specific authority limits that include but not limited to approvals on investments and divestments, banking facilities, capital and operating expenditure as well as engagement of services from external parties.

Threshold limits was established to ensure transparency and good governance. Provision has also been made for alternate authorised personnel to approve and release payments for transactions with prior approval as per the authority limits.

Internal Audit and Audit Committee

While Internal Audit services come under the Manager's holding company, Amanah Raya Berhad, the Board, Audit Committee and Management meet regularly to monitor, assess and address significant risks faced by ARREIT.

MOVING FORWARD

Acquisition

The Manager will continue to focus on expanding its portfolio through acquisitions of quality properties to ensure growth in terms of dividend and capital values. As prices of properties for sale have turned quite competitive recently, the Manager will acquire yield accretive properties as and when opportunities arise.

Leasing

The Manager will continue to focus its efforts in filling up the available spaces to improve the average occupancy rate of ARREIT properties. At present, the average occupancy rate is at 81%, and the Manager aims to increase it to 85% by the end of 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Performance

As the overall property market has not shown any improvement in 2019, the future poses a challenge for ARREIT. In view of this, the Manager strives to maintain the DPU in the region of 6.0 sen per unit. In order to cushion the impact of a lower DPU due to lower occupancy rates and rental pressure, the Manager will ensure that the operating cost is kept at minimum. Moving forward, the Manager will continue to dispose non-performing assets that are not in line with the long term strategy of ARREIT portfolio.

Capital Management

The Manager will continue its efforts to lower borrowing cost and gearing level.

SOFT COMMISSION

During the financial year under review, the Manager did not receive any soft commission from its broker or any parties by virtue of transactions conducted by ARREIT.

MATERIAL LITIGATION

There is no material litigation pending since the issuance of the last annual report until the date of this report.

CHANGES IN THE STATE OF AFFAIRS

There was no change in the state of affairs of ARREIT during the financial year under review.

MATERIAL CONTRACT

There was no material contract entered by ARREIT that involved the Directors of the Manager of major unitholders of ARREIT during the financial year under review.

DIRECTORS OF THE MANAGER

The Directors of the Manager in office since the date of the last report until the date of this report are:

Mahadzir bin Azizan (Chairman)
 Adenan bin Md Yusof
 Ahmad Suhaimi bin Endut
 Akihiro Nakao (*Resigned with effect from 15 January 2020*)
 Michio Izawa
 Keisuke Ogawa (*Appointed with effect from 15 January 2020*)
 Dato' Haji Che Pee bin Samsudin
 Dato' Anthony @ Firdaus bin Bujang
 Zulazman bin Zulkifli

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive a benefit (other than benefits which are accrued from the fees paid to the Manager or from transactions made with companies related to the Manager as shown in the notes to the financial statements of ARREIT) by reason of a contract made by the Manager or ARREIT or a related corporation with the Director of the Manager or with a firm in which the Director of the Manager is a member, or with a company in which the Director of the Manager has substantial financial interest, other than related party transactions as shown in Note 22 to the financial statements of ARREIT. Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Manager or ARREIT was a party, whereby the Directors of the Manager might acquire benefits by means of acquisition of shares or debentures of the Manager or any other body corporate or the acquisition of units of ARREIT.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

DIRECTORS' INTEREST

None of the Directors of the Manager in office at the end of the financial year had any interest in ARREIT during the financial year ended 31 December 2019.

SANCTION AND / OR PENALTIES

There was no public sanction and/or penalty imposed on ARREIT and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2019.

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND / OR SUBSTANTIAL UNITHOLDERS

None of the Directors of the Manager have any family relationship with any other Directors or major Unitholders of AmanahRaya REIT.

CONFLICT OF INTEREST

No conflict of interest has arisen during the financial year under review.

AUDIT AND NON-AUDIT FEE

The amount of audit and non-audit fees paid or payable to the external auditors for the financial year ended 31 December 2019 are as follows: -

	FY2019
Audit Fee	RM135,000
Non-Audit Fees	RM10,000

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year ended 31 December 2019 other than those disclosed in the Statement of Changes in Net Asset Value.

INFORMATION ON THE FINANCIAL STATEMENTS

In arriving at the financial statements of ARREIT, the Manager took reasonable steps to ascertain that:

- a. any charge on the assets of AmanahRaya REIT which arisen since the end of the financial year which secures the liability of any other person, except as disclosed in Note 4 to the financial statement;
- b. any contingent liability of AmanahRaya REIT which has arisen since the end of financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year of which, in the opinion of the Manager, will affect the ability of ARREIT to meet its obligations as and when they fall due.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OTHER STATUTORY INFORMATION

The Manager states that:

As at the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of AmanahRaya REIT which would render any amount stated in the financial statements misleading.

The Manager opines:

- a. that the results of the operations of ARREIT during the financial year under review were not substantially affected by any item, transaction or event of material and unusual in nature; and
- b. that there was no item, transaction or event of material and unusual in nature that are likely to affect substantially the results of the operations of AmanahRaya REIT arisen during the interval between the end of the financial year under review and the date of this report.

Before the Statement of Comprehensive Income and Statement of Financial Position of ARREIT were made, the Manager took reasonable steps:-

- a. to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts and that no further allowance is required for doubtful debts; and
- b. to ensure that any current asset which is unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they are expected so to be realised at.

At the date of this report, the Manager is not aware of:

- a. any circumstances not otherwise dealt with in this report or financial statements of ARREIT which would render the amount written-off for bad debts or the amount of the provision for doubtful debts made in the financial statements of ARREIT inadequate to any material extent;
- b. any circumstances which have arisen, which would render adherence to the existing method of valuation of assets or liabilities of ARREIT misleading or inappropriate; and
- c. any circumstances not otherwise dealt with in this report or the financial statements of ARREIT which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- a. any charge on the assets of ARREIT which has arisen since the end of the financial year which secures the liabilities of any other person; or
- b. any contingent liability of the ARREIT which has arisen since the end of the financial year.

AUDITORS

The auditor, Messrs KPMG, has indicated their willingness to accept re-appointment.

This concludes the Management Discussion and Analysis Report with a resolution from the Board of Directors.

Mahadzir Azizan

Chairman

Kuala Lumpur

14 February 2020



SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("AKRM") presents the Sustainability Statement for AmanahRaya REIT ("ARREIT") for the financial year ended 31 December 2019 ("FY2019") which reflects the sustainability considerations, which includes economic, environmental and social risks and opportunities, upon ARREIT's business.

In its strategy to deliver sustainable performance, AKRM places emphasis on managing the sustainability matters arising from ARREIT's business, especially those which significantly reflect ARREIT's impact as well as those which substantively influence the assessment and decision of ARREIT's key stakeholders.

This Sustainability Statement is prepared in the manner prescribed by Bursa Malaysia Securities Berhad ("Bursa") in its Main Market Listing Requirement ("Listing Requirements") and taking into consideration the Sustainability Reporting Guide - 2nd Edition and its accompanying Toolkits issued by Bursa.

SCOPE

ARREIT's business is that of a real estate investment trust, the income stream of which comprises largely rental from properties it owns. This Sustainability Statement reports on ARREIT's sustainability performance for FY2019 and scopes in all the properties owned by ARREIT as of the end of financial year.

In summary, unless otherwise stated, the contents in this Sustainability Statement covers the following properties:

1. Vista Tower, The Intermark, Kuala Lumpur;
2. Toshiba TEC, Shah Alam;
3. Dana 13, Petaling Jaya;
4. Wisma Comcorp, Shah Alam;
5. Contraves, Cyberjaya;
6. Block A & B, South City Plaza, Seri Kembangan;
7. Selayang Mall, Selayang;
8. SEGi University, Kota Damansara;
9. HELP University, Jalan Semantan;
10. SEGi College, Subang Jaya;
11. Holiday Villa, Langkawi;
12. Ex-Holiday Villa, Alor Setar; and
13. RHF Stone Factory, Nusajaya.

APPROACH TO CONSIDERING ARREIT'S SUSTAINABILITY MATTERS

The management of ARREIT's sustainability matters is guided by a sustainability management process purposed for the facilitation of a systematic identification, assessment, prioritisation, management and reporting of ARREIT's economic, environmental, and social risks and opportunities. The sustainability management adopts and incorporates the concept of materiality, consistent with Bursa's Sustainability Reporting Guide - 2nd Edition and its accompanying Toolkits, as well as the Listing Requirements, which enables AKRM to focus on Material Sustainability Matters ("MSMs") which:

- (a) reflect ARREIT's significant economic, environmental and social impacts; and/or
- (b) substantively influence the assessment and decision of ARREIT's key stakeholders.

GOVERNANCE

Since its embarkment on the journey of incorporating sustainability in ARREIT's business strategy, key roles and responsibilities pertaining to ARREIT's sustainability strategy have already been incorporated in AKRM's governance structure, presented in the Organisation Chart Section in this Annual Report.

The Board is ultimately responsible for ensuring that ARREIT's business strategy considers sustainability, including the economic, environmental and social impacts on ARREIT. The Board provides leadership by approving ARREIT's sustainability strategy and initiatives and oversees the performance of the management of MSMs.



SUSTAINABILITY STATEMENT (CONT'D)

Senior Management is responsible to ensure effective implementation of sustainability strategy and initiatives approved by the Board and is also responsible to carry out the materiality process in determining sustainability matters material to ARREIT's operations. Senior Management's role includes, amongst others, ensuring key stakeholders are engaged appropriately, understanding stakeholders' concerns, identifying and assessing ARREIT's MSMs, managing MSMs and ensuring processes and controls are in place to manage MSMs.

ARREIT'S STAKEHOLDERS

AKRM believes in, and appreciates, the value stakeholder engagement brings, towards enhancing the value of ARREIT, not only in financial terms but also in the context of the economy, environment and society. Engagement with key stakeholders enables AKRM to understand how ARREIT's business may affect stakeholders as well as how stakeholders may have influence over ARREIT's business. It facilitates informed decision-making for ARREIT as a responsible business in its pursuit to deliver optimal value for stakeholders and ensure business continuity.

Each stakeholder group is unique and ARREIT has adopted engagement strategies and methods customised to effectively and efficiently engage with each stakeholder group. A summary of how stakeholders are engaged, including some of the focus areas raised or discussed during engagements, during FY2019 is summarised as follows:

Stakeholders	Engagement Method	Focus Areas
Investors/Unitholders	- Annual General Meetings - Extraordinary General Meeting - Quarterly results and Bursa announcements	- Growth and income - Financial sustainability - Active engagement
Government, agencies & regulators	- Meetings - Electronic Reporting System	Compliance to laws and regulations
Tenants	Meetings	- Property maintenance - Property enhancement - Property safety and health
Property managers	Monthly and/or quarterly reporting	- Energy usage - Security - Property maintenance
Employees	- Townhall/dialogue - Performance appraisals	- Staff benefits - Professional development - trainings attended/ training hours - Talent retention - Workplace safety and health
Suppliers/vendors/ service providers	Meetings	- Business practices - Credibility/qualification
Local Community	Philanthropic activities	Social contribution



SUSTAINABILITY STATEMENT (CONT'D)

ARREIT'S MATERIAL SUSTAINABILITY MATTERS ("MSMs")

For the financial year under review, AKRM's Management performed a materiality assessment review for ARREIT and noted that ARREIT's MSMs remain unchanged, compared to the previous Sustainability Statement published for FY2018.

ARREIT's MSMs are summarised as follows:

Material Sustainability Matters	Description
Growth and Financial Stability	ARREIT's main investment objective is to continuously provide sustainable returns to its investors and unitholders and nurture quality growth of its portfolio. Hence, maintaining financial stability and sustainable growth is key to obtaining continuous support from Investors and Unitholders.
Health, Safety, and Security	AKRM views the health, safety and security of people involved in ARREIT's business, including employees as well as tenants and users of ARREIT's properties, seriously, and as such, aims to create a secure and safe environment for users of ARREIT's properties as well as a healthy and safe workplace for its employees.
Property Maintenance and Enhancement	ARREIT's properties are the key tangible assets core to the revenue generating capacity of the business. Hence, it is vital for ARREIT to ensure its properties are fit for the purposes they are meant and satisfy the demands and requirements of tenants. A well-maintained property, with due consideration given to environmental and social aspects, is not only favourable to renewal of leases but also creates better market demand.
Compliance with Law and Regulations	It is crucial for ARREIT and AKRM to comply with relevant laws and regulations. It is a responsibility for ARREIT and AKRM to play a part in ensuring the rule of law of its business environment is upheld in protecting the society and stakeholders which the laws and regulations are enacted to protect. Furthermore, ARREIT and AKRM have to ensure compliance with law and regulations to continue to operate legally.
Ethical Business Practices and Integrity	AKRM believes that a healthy business environment in ARREIT's operations can be fostered by businesses upholding integrity and adopting ethical business practices. By upholding business ethics and integrity, a business instils confidence and trust in the relationship between the business and its stakeholders.
Talent Retention, Professional Development, and Succession Planning	In a business world where innovation and intellectual capital are increasingly pivotal to value creation, AKRM places strong emphasis on human capital development in ARREIT's operations. Without the presence of suitable talents, skills and leadership in management, ARREIT would not be able to optimise its value even in the most ideal presence of all other business factors.

GROWTH AND FINANCIAL STABILITY

ARREIT's main investment objective is to continuously provide sustainable returns to its investors and unitholders and nurture quality growth of its portfolio. Hence, maintaining financial stability and sustainable growth is key to obtaining continuous support from Investors and Unitholders.

The growth and financial stability of ARREIT is reported and discussed in detail in the **Management Discussion and Analysis** section of this Annual Report.



SUSTAINABILITY STATEMENT (CONT'D)

HEALTH, SAFETY, AND SECURITY

AKRM views the health, safety and security of people involved in ARREIT's business, including employees as well as tenants and users of ARREIT's properties, seriously, and as such, aims to create a secure and safe environment for users of ARREIT's properties as well as a healthy and safe workplace for its employees.

Health, Safety and Security of ARREIT's Properties

ARREIT's properties are managed by external property managers appointed by AKRM. As such, AKRM does not directly manage the safety and security controls of properties ARREIT owns. Nevertheless, AKRM actively engages with the property managers and obtains monthly management reports from them which includes any incidents or accidents during the reporting period, together with the root causes and action plans.

It is required by law for all properties to obtain an annual renewal of Fire Certificate issued by the Fire Rescue Department of Malaysia and it is the responsibility of property managers to ensure the renewal is obtained for the property to run its operations legally. In this regard, AKRM engages with property managers to monitor the renewal of the Fire Certification. Amongst others, this includes ensuring the property managers have in place an effective fire-fighting system and that at least one fire drill is conducted annually.

For the financial year under review, all ARREIT's properties within the scope of this Sustainability Statement, save for vacant properties, have met the applicable fire safety requirements.

AKRM also ensures the safety and security of its vacant properties, including Ex-Holiday Villa, Alor Setar and Block A, South City Plaza, are fenced-off to prevent unauthorised access and use, as well as for the purpose of safeguarding public safety. For the same reason, security guards are deployed on-site and closed-circuit televisions are also installed in the properties.

Health, Safety and Security at the Workplace

AKRM holds itself responsible for ensuring a safe and healthy workplace for its employees. Where workplace-related fatality and incidents are concerned, AKRM aims to achieve zero fatality rate and zero serious injuries for all its employees, whose workplace is mainly based in AKRM's office as well as during occasional site visits. Where AKRM's employees are required to perform visits at sites under construction or under-maintained, AKRM ensures safety briefing is provided to the employees performing the site visit and personal protection equipment such as hard hats are provided.

For the financial year under review, there was no reported case of workplace-related fatality or serious injury to AKRM's employees.

In addition, the employees of AKRM also receives regular information and knowledge updates from Amanah Raya Berhad, a major unitholder for ARREIT and a major shareholder of AKRM, pertaining to personal and workplace safety and health matter. AKRM employees also attended Health Fair 2019 which was organised for employees of Amanah Raya Berhad Group of Companies ("AmanahRaya Group") to raise health and wellness awareness. The event was participated by a number of established healthcare industry players including pharmacies, hospitals, and wellness equipment and food brands.



SUSTAINABILITY STATEMENT (CONT'D)

PROPERTY MAINTENANCE AND ENHANCEMENT

ARREIT's properties are the key tangible assets core to the revenue generating capacity of the business. Hence, it is vital for ARREIT to ensure its properties are fit for the purposes they are meant and satisfy the demands and requirements of tenants. A well-maintained property, with due consideration given to environmental and social aspects, is not only favourable to renewal of leases but also creates better market demand.

Maintenance of Properties

The day-to-day maintenance of ARREIT's properties are generally managed by the Property Managers. AKRM monitors the maintenance of ARREIT's properties via monthly reports submitted by Property Managers and via quarterly inspections performed by AKRM's Property Management Department. During inspection, assessments are made on the physical and aesthetic conditions of properties. The assessment considers, amongst others, building safety, ingress and egress, structural soundness, cleanliness, lighting, etc.

One of the key responsibilities of Property Managers appointed by AKRM in managing ARREIT's properties is to ensure properties are maintained to a satisfactory level. Therefore, AKRM applies strict criteria in the appointment and reappointment of Property Managers which include an evaluation of how well the properties are managed taking into account various considerations, including the results of quarterly inspections, complaints received (if any), incident reports (if any), etc, aside from other economic factors such as pricing terms and conditions.

During FY2019, AKRM has renewed the property management services for two ARREIT's properties, while it has appointed a new property manager for another one of ARREIT's properties due to a change in tenancy structure. Further information on ARREIT's properties and their respective property managers is provided in the **Overview of Properties under AmanahRaya REIT** section in this Annual Report.

Property Enhancement and Refurbishment

ARREIT has in place scheduled Asset Enhancement Initiatives ("AEI") which set out a plan for the carrying out of property enhancement activities for each of its properties to maintain and enhance property condition as well as to sustain competitiveness.

Major property enhancement and refurbishment works committed during the financial year includes a contract for the refurbishment of Lower Ground Floor of Selayang Mall and a contract for the replacement of cold-water piping system at Vista Tower. Smaller enhancement projects have also been undertaken on other ARREIT's properties.

Further information on ARREIT's AEI is detailed in the **Management Discussion and Analysis** section of this Annual Report.

Resource Conservation

Usage of electricity is commonly one of the major expenses in the operation of a building. While ARREIT does not directly incur the electrical expenses, it nevertheless receives electrical use reports from the Property Managers.

For properties maintained under full-management arrangements, ARREIT receives monthly electrical usage reports from the Property Managers. On the other hand, for properties leased under a triple net arrangement, electricity use is monitored by the lessee and quarterly electrical usage reports are submitted to ARREIT.

FY2019 had seen the commissioning of the solar panel power generation project at ARREIT's SEGi University building. The project, a collaborative initiative between ARREIT and SEGi University which started in 2018, is estimated to help save approximately 30% of the electricity usage of the building prior to the installation of the solar panels, thereby reducing overall building maintenance expenses and elevating the value of the property.



SUSTAINABILITY STATEMENT (CONT'D)

COMPLIANCE WITH LAWS AND REGULATIONS

It is crucial for ARREIT and AKRM to comply with relevant laws and regulations. It is a responsibility for ARREIT and AKRM to play a part in ensuring the rule of law of its business environment is upheld in protecting the society and stakeholders which the laws and regulations are enacted to protect. Furthermore, ARREIT and AKRM have to ensure compliance with laws and regulations to continue to operate legally.

AKRM views compliance issues seriously and has dedicated a specific role - i.e. Compliance Officer - to ensure AKRM and ARREIT comply with relevant legal and regulatory requirements, with added focus on law, regulations or guidelines relevant to a REIT which is governed by the Securities Commission Malaysia and Bursa. The Compliance Officer receives regular updates on developments of key legal and regulatory requirements and ensures ARREIT is prepared to respond to these developments.

Amongst others, the Compliance Officer's role is to ensure AKRM as the manager of ARREIT maintains its Capital Markets Services Licence, and that ARREIT's properties remain compliant with laws and regulations which may impede continuous operations, in particular Bursa's Main Market Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

During the financial year under review, ARREIT has incorporated the relevant regulatory changes in relation to a REIT's trust deed, including with respect to the Guidelines on Listed Real Estate Investment Trust issued by Securities Commission Malaysia, amendments to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Guidelines on the Registration and Conduct of Capital Market Service Providers, and the Capital Markets and Services Act 2007, in its principal deed, i.e. the Amended and Restated Deed.

In addition, where available, compliance trainings are provided to relevant personnel of AKRM to keep them updated on recent developments, at the cost of AKRM where training cost is incurred. Training sessions attended by AKRM's employees for the financial year under review includes topics on compliance-related matters and are disclosed in the **Talent Retention, Professional Development and Succession Planning Section** of this Sustainability Statement.

For the financial year under review, AKRM did not receive any fines levied or reprimands by regulator or authorities in relation to compliance issues.

ETHICAL BUSINESS PRACTICES AND INTEGRITY

AKRM believes that a healthy business environment in ARREIT's operations can be fostered by businesses upholding integrity and adopting ethical business practices. By upholding business ethics and integrity, a business instils confidence and trust in the relationship between the business and its stakeholders.

AKRM is committed to fostering a business culture of integrity and ethical business practices.

The overarching business culture of ARREIT is provided and communicated clearly in the Code of Business Ethics which AKRM has adopted from its parent company group, the AmanahRaya Group. Amongst others, the Code of Business Ethics provides for key business matters including the following:

- conflict of interest situations - conflict of interest situations with AKRM's business counterparts, especially where purchasing, supplying or tender is concerned, shall be reported to the Chief Integrity Officer;
- gift and entertainment policy - the size of gift and entertainment shall not appear to be able to impede independent judgement by the employee, and reasonable gift and entertainment allowed by the Code of Business Ethics shall be reported and approved by the relevant authorities within the AmanahRaya Group;
- gratification - prohibition of soliciting and receiving gratification and duty to report to the Chief Integrity Officer; and
- purchasing practices - purchasing practices of AKRM are guided by procedures and guidelines that include controls such as anti-money laundering checks on buyers and tenants, assessment by a tender committee, comparison of quotations, etc.



SUSTAINABILITY STATEMENT (CONT'D)

All employees of AKRM are required to sign and acknowledge their understanding and commitment to the Code of Business Ethics. Apart from employees of AKRM, suppliers and business partners of AKRM are also required to observe the business ethics principles and policies provided in the AmanahRaya Group's Vendor Code of Ethics.

In addition, all vendors of ARREIT are bound by AmanahRaya Group's Vendor Code of Ethics which governs tender practices, including non-collusion in the submission of tender. This includes provision for the vendor to independently assess the tender price without colluding with other bidders, not to communicate with other parties on the tender price, as well as not to induce or influence other parties to submit or not to submit a tender.

Whistleblowing Mechanism

Apart from policies and procedures on ethical business practices and integrity, AKRM has adopted AmanahRaya Group's policy on whistleblowing and its mechanism, to facilitate the raising of integrity concerns or unethical business practices, amongst others, to the AmanahRaya Group. The policy on whistleblowing provides protection to whistleblowers so as to encourage whistleblowing activities without fear of reprisal. The parties to whom whistleblowing shall be made is to the Chief Integrity Officer.

In view of the recently introduced Corporate Liability provision under Section 17A of Malaysia Anti-Corruption Commission Act 2009, AKRM is undertaking all relevant measures to ensure that adequate procedures are in place to safeguard the integrity of AKRM and ARREIT's business environment.

TALENT RETENTION, PROFESSIONAL DEVELOPMENT, AND SUCCESSION PLANNING

In a business world where innovation and intellectual capital are increasingly pivotal to value creation, AKRM places strong emphasis on human capital development in ARREIT's operations. Without the presence of suitable talents, skills and leadership in management, ARREIT would not be able to optimise its value even in the most ideal presence of all other business factors.

AKRM places emphasis on managing and developing human capital to promote skills and talent enhancement as a key initiative towards business continuity.

In its employment practices, AKRM adopts the principle of non-discrimination and evaluates candidates and employees based on merit, credentials, experience and achievements. Likewise, in its human capital development practices, AKRM focuses on the retention of talent, skills and experience, where every employee is provided with equal opportunity to perform and develop themselves professionally in the pursuit of career advancement.

AKRM believes in a workplace that promotes positive thinking, personal and professional development, work-life balance and general wellbeing. AKRM employees receive a competitive remuneration and compensation package that is commensurate with their roles, responsibilities and workload, as well as employee benefit plans such as medical insurance plan and leave, personal leave, etc.

On an annual basis, the performance of all AKRM employees overseeing ARREIT's business is assessed via performance appraisal session initiated by AmanahRaya Group Human Capital Division, at the AmanahRaya Group level. The session serves as a platform for two-way discussion on the performance, career direction and training needs of each employee and also how the AmanahRaya Group and ARKM may improve insofar as overall human capital investment and development is concerned.

In order to retain talents, AKRM incentivises employees by rewarding performance with bonuses and career advancement opportunities. Given the benefit of being a part of a larger group, i.e. AmanahRaya Group, AKRM's performing employees are provided with opportunities for internal transfer or promoted to other functions within the AmanahRaya Group to enhance their working experience. Likewise, AKRM is also open to a wider pool of talents and skills at AmanahRaya Group from which it may be able to source candidates when required.

AmanahRaya Group Human Capital Division has also devised a succession plan for Senior Management of AKRM to ensure continuity in leadership and business operations in case of leadership change or expansion of business.



SUSTAINABILITY STATEMENT (CONT'D)

In AKRM's efforts to support employees' professional development, employees are provided with training at the cost of AKRM. During the financial year under review, the training sessions attended by AKRM's employees, ranging from technical skills to personal development skills, includes the following subject matters, amongst others:

- Malaysian Business Reporting System ("MBRS");
- Performance Management System;
- financial reporting, accounting and taxation;
- financial due diligence;
- public rulings (tax-related) and latest development;
- property tax, trusts, and estates;
- valuation for mergers and acquisitions;
- market misconducts;
- IT awareness;
- cybersecurity;
- combating money laundering and fraud;
- creating positive work culture;
- Next Big Tech Asia 2019;
- Smart Cities Asia 2019;
- Malaysia REIT Forum 2019 - Opportunities in the New Malaysia; and
- International Social Well-being Conference 2019.

Conclusion

In its integrated approach towards delivering sustainable performance of ARREIT, AKRM has incorporated broader value creation factors and considerations as part of its corporate strategy to drive value creation not only to unitholders but also to other stakeholders including the environment and society. AKRM will continue to adopt practical measures and initiatives to manage risks and leverage on opportunities in relation to economic, environmental, and social elements which are material to ARREIT's business.



STATEMENT ON CORPORATE GOVERNANCE

Effective corporate governance has always been a priority to the Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("AKRM" or "the Manager") as the Manager of AmanahRaya Real Estate Investment Trust ("ARREIT"). We are committed towards ensuring that high standard of corporate governance is practised throughout the Manager for the best interest of our unitholders.

In ensuring the implementation and operation of proper corporate governance, AKRM is guided by the principles and recommendations stipulated in Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), Capital Markets & Services Act 2007 ("CMSA 2007") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR").

THE MANAGER OF ARREIT

ARREIT is managed by AKRM. All Directors and employees of the Manager are remunerated by the Manager and not by ARREIT. The Manager's primary role is to ensure good and sustainable return to the unitholders by managing the properties under ARREIT's portfolio in accordance with ARREIT's Deed and the REIT Guidelines.

Other main functions of the Manager are as follows:

- developing business plans as well as strategic and investment policies for ARREIT;
- providing recommendations on the acquisition, divestment and/or enhancement of ARREIT's assets to the Trustee;
- monitoring compliance with all applicable legislations, rules and guidelines as well as ARREIT's Deed;
- ensuring appropriate record keeping;
- formulating proper risk management policies;
- supervising and overseeing the appointed Property Managers on the management of ARREIT's properties; and
- formulating plans for equity and debt financing for ARREIT's capital requirements as well as managing its finances.

DIRECTORS OF THE MANAGER

The Board of Directors

The Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board has collective responsibility for charting the strategic direction, development, and control of the Manager and has adopted the primary responsibilities, roles and duties set out in the REIT Guidelines, which facilitates the discharge of the Directors' stewardship responsibilities. The responsibilities of the Board, amongst others, are as follows:

- setting up the objectives and goals of the Manager and ARREIT;
- formulating and reviewing the adequacy of corporate policies and strategies, including but not limited to policies on investments, internal controls, investor relations and accounting;
- overseeing and evaluating the conduct of the Manager's activities;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure in accordance with established policies and procedures; and
- ensuring proper succession planning is in place, including appointing, training and reviewing the remuneration and compensation for key personnel of the Manager, where appropriate.

Board Balance and Composition

The Board currently comprises four (4) Independent Non-Executive Directors and four (4) Non-Independent Non-Executive Directors. The Board takes cognisance that MCCG recommends that at least two (2) or one-third (1/3) of the Board is independent and the Chairman of the Board is an Independent Director. The Board also has achieved the target of having a majority of Independent Directors in compliance with the MCCG 2017 and exceeding the minimum one-third (1/3) requirement as set out in the MMLR.



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

In terms of diversity in skills, experience and competencies, the Board comprises members with various professional backgrounds from the fields of law, accounting, architecture, management, economics, business and public administration, all of whom bring in depth and diverse experiences, expertise and perspectives to the Manager's operations to ultimately enhance unitholders' value for the long-term.

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account and discussed at length before a decision is made. The roles of Chairman and Chief Executive Officer are separate with clear segregation of roles and responsibilities to ensure balance of power and authority. Whilst the Chairman navigates the Board and ensures that members of the Board work hand-in-hand with the management and encourages constructive relationship between the directors and management, the Chief Executive Officer holds the responsibility of executing the agreed business policies and directions set by the Board as well as making operational decisions in managing ARREIT.

Board Meetings

Board meetings are scheduled regularly at least once every quarter. Special Board meetings are also held to discuss urgent issues, as and when necessary. Throughout 2019, nine (9) Board meetings were held, five (5) of which were Special Board meetings. Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The number of meetings attended by each Director during the financial year ended 31 December 2019 ("FYE2019") are as follows:-

Directors	Designation	Attendance
Mahadzir bin Azizan	Independent Non-Executive Director	9/9
Dato' Anthony @ Firdaus Bin Bujang	Independent Non-Executive Director	7/9
Dato' Haji Che Pee bin Samsudin	Independent Non-Executive Director	5/9
Adenan bin Md Yusof	Non-Independent Non-Executive Director	9/9
Ahmad Suhaimi Bin Endut	Non-Independent Non-Executive Director	6/9
Akihiro Nakao (a)	Non-Independent Non-Executive Director	7/9
Michio Izawa	Non-Independent Non-Executive Director	7/9
Zulazman bin Zulkifli	Independent Non-Executive Director	8/8
Keisuke Ogawa (b)	Non-Independent Non-Executive Director	-

Notes:-

(a) Resigned with effect from 15 January 2020

(b) Appointed with effect from 15 January 2020

Access to and Supply of Information and Advice

Board members are supplied with information in a timely manner. Notices and meeting agenda together with the board papers are usually circulated one (1) week prior to the scheduled Board meeting. The papers provide among others, financial and corporate information, significant operational, financial and corporate issues, performance of ARREIT and management's recommendations and proposals.

The Board has complete and unrestricted access to the advice and service of the Audit Committee, Company Secretary, Group Legal Division, Group Compliance, Integrity and Risk Division and Group Internal Audit Division to enable them to discharge their duties effectively. In discharging their duties, the Board also has access to external independent professional advisers, from time to time and whenever deemed necessary, at the expense of the Manager.

Appointment to the Board

All new nominations are assessed and approved by the entire Board which is in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The selection of candidates are assessed considering various factors including the objectives of ARREIT and the Manager and the relevant experience and expertise of the candidates as well as their potential contributions.

Reviews on the performance of the Board members are done formally. The renewal or replacement of Board members do not necessarily reflect their level of contribution but will most of the time be determined by the need to align and structure the Board in accordance with the goals and directions of ARREIT and its business.

Directors are regularly updated on developments and changes in the operating environment including revisions to accounting standards as well as laws and regulations affecting ARREIT and/or the Manager.



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Directors' Remuneration

The objective of the remuneration policy is to attract, retain, and motivate the Directors to successfully carry out the Manager's and ARREIT's missions and objectives. The level of Directors' remuneration is comparable in order to attract and retain Directors of such calibre to provide the necessary skills and experience as required and to commensurate with the responsibilities for the effective management and operations of the Manager and ARREIT's operations. All Non-Executive Directors are paid directors' remuneration taking into account any additional responsibilities undertaken such as a Director acting as Chairman of a Board Committee and the membership of Board Committees.

Directors' Training

The Directors attended various talks and lecture series organised by regulators and professional bodies to enhance their knowledge and expertise as well as to keep abreast with the relevant changes of the industry, corporate governance, laws and regulations and business environment.

During the FYE2019 the Directors have attended the trainings as indicated below:-

Director	Date	Organiser	Title of Program
Mahadzir bin Azizan	9 May 2019	Amcorp Group Berhad	Corporate Liability Provision and Competition Act
	17 June 2019	BCM Institute	Business Continuity Management
	1 October 2019	Securities Industry Development Corporation ("SIDC")	- Cyber Security: Cyber Proofing for the Next Wave - Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
Dato' Haji Che Pee bin Samsudin	22 March 2019	Institute of Corporate Directors Malaysia ("ICDM")	Directors Talk Series #1: Back to Basics: Rethinking Corporate Governance
	17 June 2019	BCM Institute	Business Continuity Management
	1 October 2019	Securities Industry Development Corporation ("SIDC")	Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
Dato' Anthony @ Firdaus bin Bujang	17 June 2019	BCM Institute	Business Continuity Management
	14-15 October 2019	Institute of Corporate Directors Malaysia ("ICDM")	International Directors Summit 2019
Ahmad Suhaimi bin Endut	9 May 2019	Malaysian Institute of Accountants	Risk Management Conference 2019
	14-15 October 2019	Institute of Corporate Directors Malaysia ("ICDM")	International Directors Summit 2019



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Director	Date	Organiser	Title of Program
Adenan bin Md Yusof	15 May 2019	CHK Consultancy Sdn. Bhd.	Psychology of Investing: Victory Over Your Thoughts, Success is Yours!
	17 June 2019	BCM Institute	Business Continuity Management
	1 October 2019	Securities Industry Development Corporation ("SIDC")	- Cyber Security: Cyber Proofing for the Next Wave - Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
	14-15 October 2019	Securities Industry Development Corporation ("SIDC")	International Directors Summit 2019
Akihiro Nakao	1 October 2019	Securities Industry Development Corporation ("SIDC")	- Cyber Security: Cyber Proofing for the Next Wave - Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
Michio Izawa	1 October 2019	Securities Industry Development Corporation ("SIDC")	- Cyber Security: Cyber Proofing for the Next Wave - Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
Zulazman bin Zulkifli	4 March 2019	KPMG	Audit Committee Institute Breakfast Roundtable
	1 October 2019	Securities Industry Development Corporation ("SIDC")	- Cyber Security: Cyber Proofing for the Next Wave - Combating Money Laundering and Fraud in a Digital Economy
	2 October 2019	Securities Industry Development Corporation ("SIDC")	Compliance Matters - Ensuring Investor Protection and Integrity of the Capital Market
	14-15 October 2019	Securities Industry Development Corporation ("SIDC")	International Directors Summit 2019

The Board Committees

The Board has set up the following committees to assist the Directors in discharging their duties. The committees are:

- The Audit Committee;
- The Investment Committee; and
- The Tender Committee.



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 9 June 2009 to assist the Board in the execution of its responsibilities. It comprises two (2) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member. The full details of the composition and summary of activities of the AC during FYE2019 are set out in the Audit Committee Report of this Annual Report.

INVESTMENT COMMITTEE

The Investment Committee ("IC") was established on 4 August 2006. It operates under the delegated authority from the Board and is represented by members from various fields including banking and property. The IC comprises of two (2) Independent Non-Executive Members and two (2) Non-Independent Non-Executive Members.

The duties and responsibilities of the IC are outlined in its terms of reference, which includes:

- Reviewing, deliberating and deciding on any investments to be made by ARREIT as recommended by the management;
- Reviewing, assessing and deciding on the escalation of proposals relating to asset acquisition, disposal and fund raising exercises to be undertaken by ARREIT to the Board and Trustee for final approval;
- Reviewing and deliberating the following reports;
 - Property Market and Outlook Report
 - ARREIT's Performance Report
- Ensuring that ARREIT is managed in accordance with:-
 - its investment objectives;
 - its Restated Deed;
 - its Prospectus;
 - the REIT Guidelines and other securities laws; and
 - the internal investment restrictions and policies.
- Recommending to the Board the appropriate strategies to achieve the objectives of ARREIT in accordance with its investment policies;
- Ensuring that the selected strategies are properly and efficiently implemented by the management;
- Actively monitoring, measuring and evaluating the performance of the Manager; and
- Carrying out other duties as may be determined from time to time by the Board.

The members of the IC are as follows:

- Dato Anthony @ Firdauz bin Bujang (*Chairman*)
- Adenan bin Md Yusof
- Michio Izawa
- Zulazman bin Zulkifli



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

TENDER COMMITTEE

The Tender Committee ("TC") was established on 24 August 2016. It operates under the delegated authority from the Board. The TC comprises one (1) Independent Non-Executive Member and two (2) Non-Independent Non-Executive Members.

The members of the TC are as follows:

- Dato Anthony @ Firdaus bin Bujang (*Chairman*)
- Encik Ahmad Suhaimi bin Endut
- Michio Izawa

The duties and responsibilities of the TC are outlined in its terms of reference, which includes:

- To reinforce and inculcate good corporate governance, accountability, integrity and transparency in the tendering process and contract management;
- To ensure prudent spending of ARREIT fund for refurbishment works, renovation and other related works to the existing and future properties of ARREIT and are done in the best interest of ARREIT unitholders; and
- To assist the Management in making recommendations to the Board on the services to be provided by the contractor/consultant/service provider etc. through the tendering process are of high standard, value for money and in accordance to the requirements/specifications of the contract/project to be awarded.

COMPANY SECRETARY

The Company Secretary played an important role in advising the Board on issues relating to compliance with relevant laws, rules, procedures and regulations that may affect the Board, the Manager and ARREIT. The Company Secretary is responsible for ensuring that the Board, Board Committees and Unitholders meeting procedures, corporate policies and procedures, and applicable rules and regulations are adhered to. The Company Secretary is also responsible for advising the Board on their obligations and duties to disclose their interests in securities including any conflict of interests in transactions involving the Manager and ARREIT.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial Reporting

The Board is responsible in ensuring that proper maintenance of accounting records for ARREIT and appropriate accounting policies had been consistently applied. The Board is assisted by the AC in overseeing ARREIT's financial reporting processes and the quality thereof.

Relationship with External Auditors

The external auditors, Messrs KPMG is independent and the appointment was nominated by the Manager and approved by the Trustee. The remuneration of the Auditors was approved by the Trustee.

The Audit Committee also reviews the results of the annual audit, the audit report and management letters, including Management's responses thereon with the Auditors. Private sessions between the auditors and the Audit Committee, in the absence of the Management team was held during the period under review.



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Internal Control

The Board has an overall responsibility of 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.

Compliance Officer

The Manager has a dedicated compliance officer working towards ensuring compliance with all legislation, rules and guidelines issued by Securities Commission and Bursa Malaysia as well as the Restated Deed.

MANAGEMENT OF BUSINESS RISK

Effective risk management is an integral part of the Manager's strategic plan. The Manager operates within overall guidelines and specific parameters set by the Board. The risk management framework adopted by the Manager allows it to continuously identify, evaluate, mitigate and monitor risks affecting ARREIT and the Manager.

The risk management process is integrated in the day-to-day operations of the Manager, allowing a more practical and hands-on approach in identifying mitigating strategies.

RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

The Manager has established procedures that will ensure related party transactions and conflicts of interests are undertaken in full compliance with the REIT Guidelines, the Restated Deed and MMLR.

Among the policies adopted by the Manager to deal with potential conflicts of interest issues include:

- transactions on arm's length basis and on normal commercial terms which are not more favourable than those extended to third parties or public and are not to the detriment of the minority Unitholders;
- ARREIT's cash or other liquid assets should be placed in a current or deposit account of institutions licensed or approved to accept deposits;
- the Manager may not act as principal in the sale and purchase of real estate, securities and any other assets to and from ARREIT; and
- all real estate investment and divestment transactions must be consented by the Trustee, consistent with the investment objective and strategy of ARREIT and transacted at a price which is in accordance to the relevant guidelines.



STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

WHISTLEBLOWING POLICY

The Board has put in place procedures to provide employees of the Manager with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to ARREIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow-up action. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

COMMUNICATION WITH UNITHOLDERS

The Board acknowledges the importance of regular communication with unitholders and investors via annual reports, circulars, and quarterly financial reports. The Manager has made various announcements that are released to Bursa Malaysia Securities Berhad via Bursa LINK during the period, through which unitholders and investors are able to obtain an overview of ARREIT's performance and operations.

ARREIT has also established a systematically maintained corporate website, amanahrayareit.com.my, allowing the Unitholders and public to keep abreast with the development of ARREIT at all times.



AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was formed on 9 June 2009 to assist the Board in the execution of its responsibilities. It operates under the delegated authority from the Board and in line with the MMLR. The Audit Committee of ARREIT comprises of two (2) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member.

The members of the Audit Committee are as follows:

- Dato Haji Che Pee bin Samsudin (*Chairman*)
- Akihiro Nakao (*resigned with effect from 15 January 2020*)
- Zulazman bin Zulkifli
- Keisuke Ogawa (*appointed with effect from 15 January 2020*)

The composition of the AC fulfils the requirements of Paragraphs 15.09(1)(a) and 15.09(1)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

Audit Committee Meetings

The Audit Committee held four (4) meetings during FYE2019. The meeting dates were predetermined in advance in order to ensure availability of each member. Meeting papers were circulated to all the AC members prior to the meetings by way of electronic means and hard copy. The details of attendance of each member are as follows:

Directors	Designation	Attendance
Dato' Haji Che Pee bin Samsudin	Independent Non-Executive Director	4/4
Akihiro Nakao (a)	Non-Independent Non-Executive Director	3/4
Zulazman bin Zulkifli	Independent Non-Executive Director	3/3
Keisuke Ogawa (b)	Non-Independent Non-Executive Director	-

(a) *Resigned with effect from 15 January 2020*

(b) *Appointed with effect from 15 January 2020*

Summary of Activities carried out by the Audit Committee during the Financial Year of 2019

The primary role of the AC is to monitor, oversee, review and evaluate the effectiveness and adequacy of the Manager's financial management and reporting system, as well as the risk management and internal control environment of ARREIT. The AC also has the delegated responsibilities to assist the Board in overseeing the external and internal audit functions, conflict of interest situations and related party transactions ("RPT"). Summary of work undertaken by AC during the year under review is as listed below:-

- Reviewing all internal and external reports on the operations of ARREIT and the Manager as well as the portfolio under management and ensuring compliance with all relevant laws and regulations;
- Initiating investigation in respect of activities within its terms of reference and to seek for information it requires from the management and/or any employee;
- Obtaining external legal or other independent professional advice, opinion and/or reports and to secure the attendance of external parties with relevant experience and expertise as and when necessary;
- Reviewing, together with external auditors, the audit plan, scope of the audit and areas of audit for ARREIT and the Manager;
- Discussing and highlighting any problems arising from the audit exercise and/or any other matters raised by external auditors;
- Reviewing external auditors' letters and reports and response from the management;
- Reviewing the audit report prepared by external auditors;



AUDIT COMMITTEE REPORT (CONT'D)

- Making appropriate recommendations to the Board on matters concerning resignations, dismissals and replacements of external auditors;
- Reviewing and reporting the adequacy of the scope, functions and resources of the internal audit function and authorizing it to carry out the audit works;
- Reviewing all financial results and financial statements and all portfolios under management;
- Reviewing and highlighting any related-party transactions; and
- Ensuring that the policy, strategy and operations of ARREIT and the Manager are in compliance with all relevant laws and regulations.

INTERNAL AUDIT FUNCTION

The internal audit function of the Manager was carried out by an in-house Group Internal Audit Division ("GIAD") and is led by the Head of Internal Auditor which reports directly to the Audit Committee. GIAD is an independent, objective assurance and consulting services unit that is designed to add value and improve the Manager's operations. It actively facilitates the Manager to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance processes.

GIAD has the principal responsibility for undertaking a regular and systematic review of the systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. Summary of activities undertaken by GIAD during FYE2019 are listed below:

- To ensure that ARREIT was managed in accordance with the Restated Deed, Prospectus, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts and other applicable guidelines imposed by the SC and other relevant authorities;
- To ensure that the properties are adequately insured by the lessees /tenant;
- To ensure that all reasonable and permitted courses of action taken to pursue overdue rental payments and how is the action taken evidenced;
- To ensure that properties are maintained based on the Property Management Agreement;
- No undue influence or favouritism on selection / appointment of Property Manager;
- The selection of financially stable, competent and reliable Property Managers;
- To ensure that AKRM closely monitors the work performed by the appointed Property Managers which are constantly sourced solution to enhance the value of the properties either via internal and / or external refurbishment and upgrading exercises;
- To ensure that the performance of Property Managers was fully assessed;
- To ensure that all record keeping procedures and audit trail of all records and the confidentiality of information were adhered to; and
- Identify and disclose any non-compliance issue detected during the audit exercise and recommend for corrective actions.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Being a Real Estate Investment Trust, AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT") is not subjected to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Nevertheless, the Board of Directors ("the Board") of AmanahRaya-Kenedix REIT Manager Sdn. Bhd., the management company of AmanahRaya REIT ("the Manager"), has voluntarily opted to include this Statement on Risk Management and Internal Control to demonstrate its commitment in maintaining a sound and effective system of internal control.

THE BOARD'S RESPONSIBILITY

The Board is responsible in ensuring the adequacy and integrity of the overall internal control systems and policies. Strong emphasis has been given by the Board in maintaining a sound system of internal control and effective risk management practices.

Notwithstanding the above, the Board also acknowledges that a sound system of internal control can mitigate but not eliminate the risk of failure in achieving the identified business objectives. It is therefore pertinent to note that the adopted system of internal control should be able to provide reasonable protection against material losses but not absolute shield against the same.

INTERNAL CONTROL SYSTEM

The Manager has established, among others, the following systems of internal control to protect the interest of the unitholders:

- An operational manual has been established to outline the structure and framework in managing the overall operations of the Manager. The operational manual includes inter-alia policies and procedures on acquisition and disposal of properties, property management processes, financial and operational reporting as well as continuing listing and compliance obligations. The operational manual is subject to periodical review and will be updated as and when necessary;
- Authority limits have been specified for the operations of AmanahRaya REIT including but not limited to approvals on investments and divestments, banking facilities, capital and operating expenditure as well as engagement of services from external parties. Approvals from the Trustee and the Board are required for matters of certain threshold limits whereas those which do not exceed the threshold limits are delegated to other Board committees or the Chief Executive Officer to facilitate operational efficiency. A set of other authorised personnel have also been identified to approve and release payments for transactions with prior approval in accordance with the authority limits;
- The Manager has adopted a group wide Integrity Plan and Code of Business Ethics towards recognising and resolving ethical issues that may be encountered in conducting its daily operations. The Code of Business Ethics addresses among others, issues on conflict of interest, whistle blowing policy, ethics and responsibility to stakeholders;
- An Enterprise Risk Management Policy which sets out the approaches and expectations in relation to risk management has also been adopted by the Manager. Via the policy, the Board recognises that risk management is an integral part of good management and corporate governance practice. The policy has been in place for the year under review and up to date of approval of this statement;
- Internal Audit services are outsourced to the Manager's holding company, Amanah Raya Berhad. The cost incurred by the Manager for the outsourced Internal Audit Function in respect of the financial year ended 2019 amounted to RM10,257. Findings obtained from internal audit activities are reported directly to the Audit Committee ("AC"), who are independent from the management team of the Manager;
- Scheduled regular meetings of the Board, AC and Investment Committee ("IC") with representation from the Manager are crucial to the systematic monitoring of AmanahRaya REIT's activities and for identifying, evaluating and managing the significant risks faced by AmanahRaya REIT. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and AmanahRaya REIT and holds the responsibility of leading the respective Heads of Departments towards achieving the identified objectives;



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well deserving personnel;
- The AC conducts reviews on issues relating to the effectiveness of the internal control system raised by internal and external auditors, regulatory authorities and the Manager. Where a weakness on internal control mechanism is identified, the AC shall ensure that appropriate remedial action is taken by the Manager;
- The IC reviews and scrutinises all investment, divestment and fund raising proposals recommended by the Manager. The review process includes identification of risks involved in such activities to ensure that AmanahRaya REIT is managed in accordance with its objectives. The IC also holds the responsibility of actively monitoring the performance of the Manager and AmanahRaya REIT;
- All recommendations endorsed by the AC and IC shall be presented for review and approval by the Board.

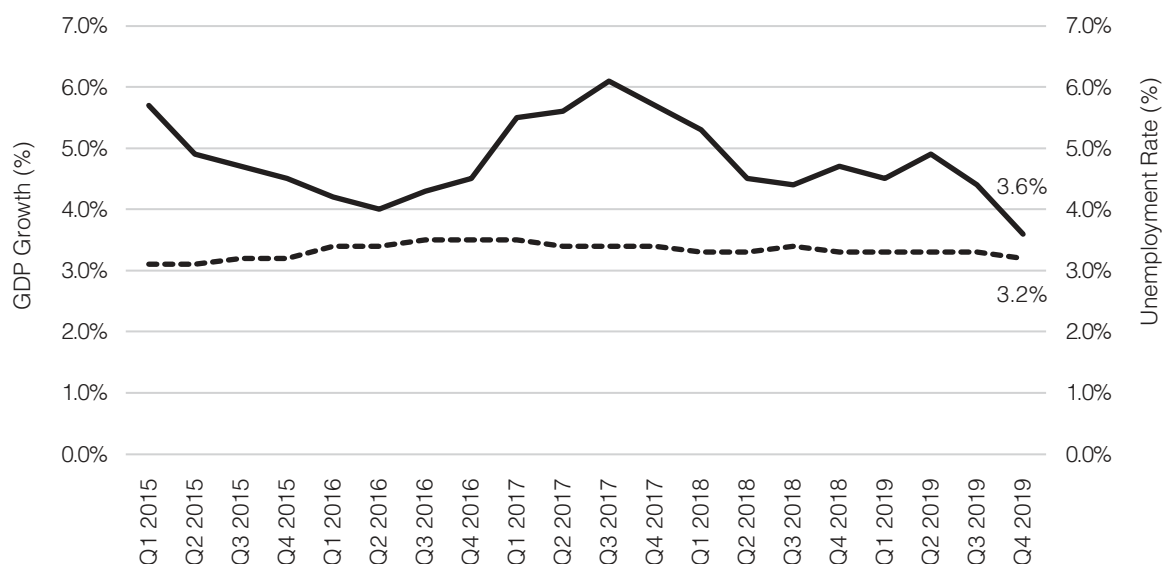
CONCLUSION

Based on the above, the Board is of the view that the risk management and internal control system adopted by the Manager is adequate and sufficient to ensure good corporate governance for AmanahRaya REIT. Assurance had been received from the Chief Executive Officer that the risk management and internal control system of the Manager in relation to managing the operations of AmanahRaya REIT, is operating adequately and effectively, in all material aspects, based on the risk management and internal control system set in place by the Manager.



PROPERTY MARKET OVERVIEW

Figure 1.1: Key Economic Indicators



(Source: Bank Negara Malaysia, Department of Statistics Malaysia)

Amidst unresolved trade tension between China and the U.S., geopolitical tensions and the global tech slump, the Malaysian economy grew at a modest 4.3% in 2019. The overall growth momentum was underpinned by resilient private sector spending as well as sustained growth in services and manufacturing components. A more subdued growth of 3.6% in 4Q 2019 weighed down preceding quarters' performance as the market observed supply disruptions in the commodities sector, softer net exports and contraction in public investment activity.

After sustaining an unemployment rate of 3.3% in 2018 and into most of 2019, 4Q 2019 saw an improvement to 3.2%. Further improvement is expected for 2020 supported by the introduction of Malaysian@Work or #MalaysiaKerja initiative as announced in Budget 2020 which aims at creating job opportunities for youth and women.



PROPERTY MARKET OVERVIEW (CONT'D)

Figure 1.2: Approved Investment 2011-9M 2019

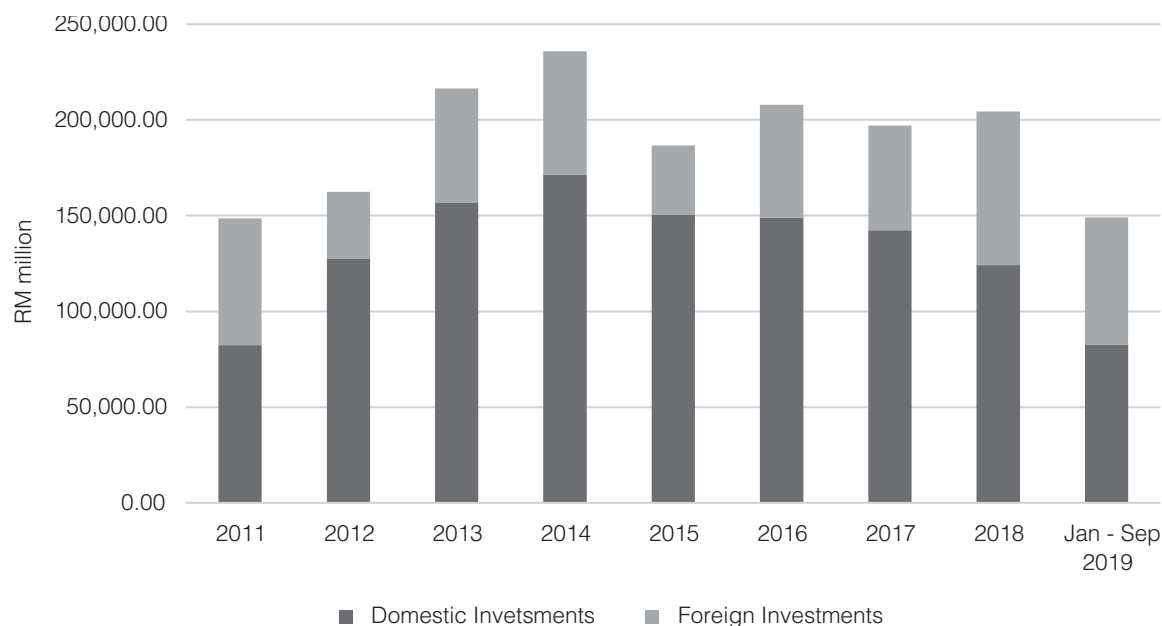


Figure 1.2: Approved Investment 2011-9M 2019

Despite the uncertain global economic conditions, Malaysia had recorded RM149 billion worth of approved investments involving 4,025 projects in services, manufacturing and primary sectors for the first nine months of 2019 (Figure 1.2). This registered an increase of 4.4% compared to the corresponding period in the previous year. Of the total, 56% or RM82.7 billion were from domestic sources and the balance 44% or RM66.3 billion were foreign direct investment (FDI).

Headline inflation rate, based on the annual percentage change in Consumer Price Index (CPI), increased by a marginal 0.7% for 2019 from 1.0% for 2018. This was mainly driven by the moderation in general transportation cost due to the cap on retail fuel prices and the removal of consumption tax. Malaysia's inflation is expected to increase modestly in 2020, with consumer price inflation to average higher in the range of 1.5% to 2% in view of the implementation of the country's departure levy in September 2019 and the reintroduction of the floating pricing mechanism for retail fuel in January 2020 that is expected to result in an increase in transportation costs.

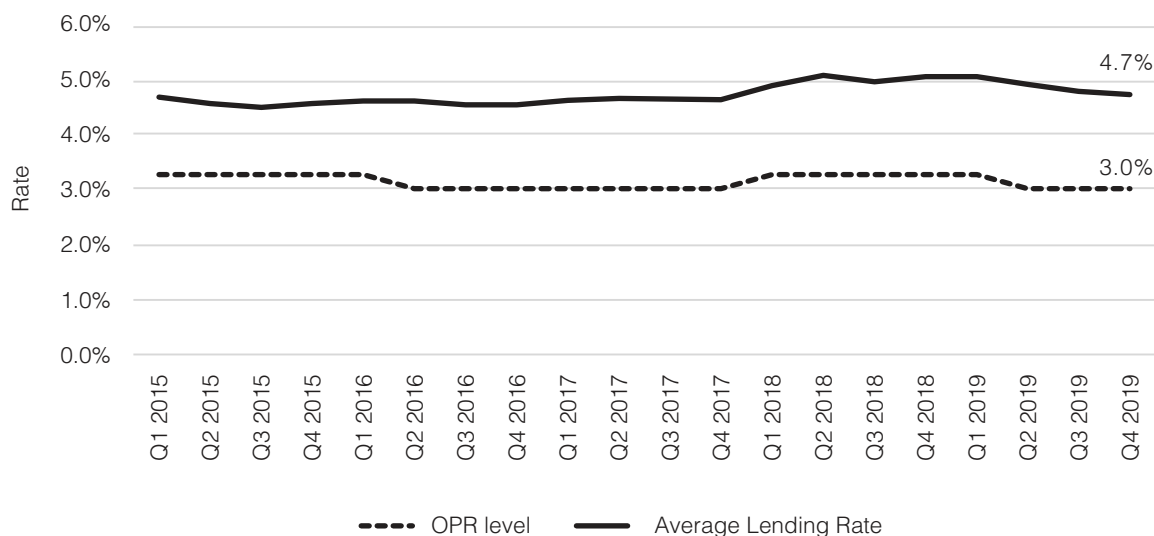
According to the Malaysian Institute of Economic Research (MIER), the Consumer Sentiment Index remained below the 100-point threshold for all four quarters of 2019, ending with 82.3 points for the year. This trend signifies the general consumers' sentiment of being more conservative and cautious in their spending. Nevertheless, according to another survey by The Conference Board out of New York, Malaysia's consumer confidence remained within the top 10 globally as at 3Q 2019.

The Business Confidence Index for 2019 rebounded to 88.3 points in 4Q 2019 after a continuous fall since 1Q 2018, indicating an improvement in the sector's acuity but still remain cautious. Capital investments movement is on a positive track and sales having showed modest improvement.



PROPERTY MARKET OVERVIEW (CONT'D)

Figure 1.3: Overnight Policy Rate & Average Lending Rate



(Source: Bank Negara Malaysia)

The Overnight Policy Rate (OPR) was lowered by 25 basis points to 3.00% in May 2019 by Bank Negara Malaysia (BNM) with the aim of preserving the degree of monetary accommodativeness to stimulate investment, private consumption and support the economy amid continued headwinds from global risks (Figure 1.3). In January 2020, BNM announced a further rate cut of 25 basis points as a pre-emptive measure to secure the nation's improving economic growth trajectory amid price stability.

Following the reported slower growth in 2019 and the impact of Covid-19 outbreak, investment banks and economists have revised down 2020 GDP growth forecast for Malaysia to the range of 3.5% to 4.0%, from 4.3% to 4.5% previously. BNM projects 1Q 2020 growth to be affected by the Covid-19 outbreak, particularly for the tourism-related sectors and manufacturing sector. However, the overall impact is dependent on the duration and spread of the outbreak and could be alleviated with the government's policy responses and special stimulus packages.

OFFICE

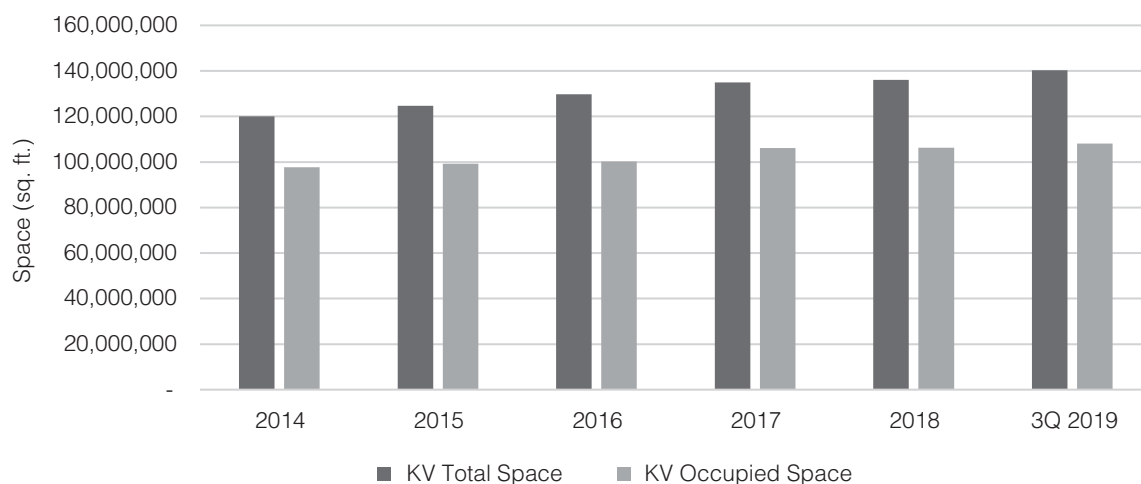
2019 was a challenging year for Klang Valley's office market as the issue of oversupply coupled with a large number of incoming supply and weak absorption rate continue to linger in the market. As at 3Q 2019, Klang Valley registered a total of 140.3 million sq. ft., an increase of 3.1% as compared to 136.0 million sq. ft. in 3Q 2018 (Figure 2.1).

The new supply added during the review period further widens the gap between supply and demand as the occupancy rate of purpose-built office buildings in Klang Valley continues on its downward trend since 2014 with the exception of 2017 who had a slight increase of 1.4% (Figure 2.2).



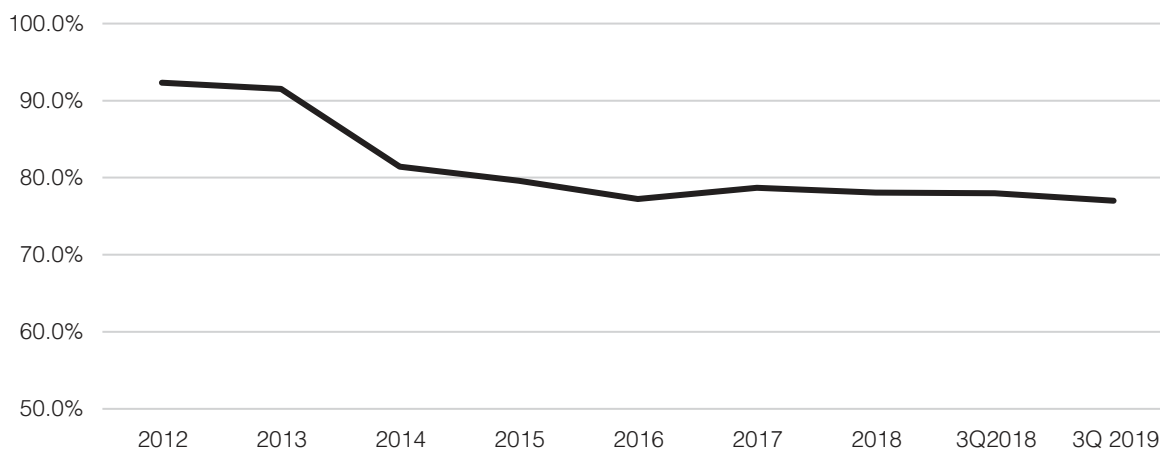
PROPERTY MARKET OVERVIEW (CONT'D)

Figure 2.1: Existing Space & Occupied Office Space



(Source: JPPH)

Figure 2.2: Occupancy Rate of Office



(Source: JPPH)

To name a few of the completed offices throughout 2019: The Exchange 106 (2.6 million sq. ft.), Menara Prudential@TRX (413,000 sq. ft.), BB Tower (260,000 sq. ft.), KYM Tower (180,000 sq. ft.) and Symphony Square (226,000 sq. ft.). In the pipeline, another 11.8 million sq. ft. are already well underway and on track to completion in the coming years.

With this upcoming burden in new supply, the office market in Kuala Lumpur remains challenging and competitive with rental rates continue to be under pressure. Older buildings will be forced to undergo changes if they are to retain healthy occupancy rates whilst new buildings will need to come up with attractive and unique packages to pull in new tenants amidst a saturated market.



PROPERTY MARKET OVERVIEW (CONT'D)

In response to the current situation, some companies have opted to undergo asset enhancements to retain and improve their rental rates. For instance, PNB 1194 by Permodalan Nasional Berhad (PNB) located along Jalan Sultan Ismail is undergoing a redevelopment phase to transform the old MAS building into two-block development by 2021; a 35-storey office block and a 50-storey hotel block. Tower REIT had also announced that their plans to upgrade Menara HLA which involves 250,000 sq. ft. divided into Phase 1 and 2. Final completion is expected to be by end-2020.

In term of transactions, several deals went through in 2018 including Balai Berita (Jalan Riong, Bangsar), Bangunan Ikhlas Point (Bangsar South, Jalan Kerinchi), Bangunan Moccis (Jalan Tun Perak) and Wisma Gurcharan (Jalan Tuanku Abdul Rahman). Two significant sales made in 2019 are the sale of Wisma MPL on Jalan Raja Chulan to Asia New Venture Capital Holdings Sdn. Bhd. for RM189 million and Wisma KFC to Singapore-based property developer and manager, Royal Group, for about RM130 million. At the time of writing, 2 other buildings have been put up for sale which are Menara Weld together with The Weld Shopping Centre at an asking price of RM270 million as well as Menara MIDF for between RM140 million and RM150 million.

But despite gloomy sentiments for the saturated market, headline rents are able to remain stable. Rental rates of Grade A buildings within Kuala Lumpur are within the range of RM7.00 per sq. ft. to RM8.80 per sq. ft. per month. Categorized by their location within the prestigious KLCC precinct and highly favoured by major business players, the Grade AA office buildings command the highest rentals of between RM11.00 per sq. ft. to RM12.00 per sq. ft. per month. For offices located within Selangor, rental rates commanded are at a slightly lower RM4.50 to RM6.00 per sq. ft..

2019 saw some major movement of tenants within the market. Two major tenants exiting are Samsung Malaysia Electronics (SME) Sdn. Bhd. from The Icon at Jalan Tun Razak and CIMB Group Holdings Berhad from Menara Bumiputra Commerce. On new tenants entering, Level 48 to 50 of Naza Tower were taken up by Ismaya Group and another 13,900 sq. ft. by CapitaLand Limited. Equitorial Plaza welcomed WeWork, a New York based co-working platform, in May 2019 which took up a total of 102,000 sq. ft. Menara Prestige and Menara Ilham Baru (IB Tower) also saw a total of 14,125 sq. ft and 6,153 sq. ft taken up respectively.

Moving forward, the office market in Kuala Lumpur is expected to face more challenges in sustaining their rental rates and yield. This is due to increasing supply and the fact that the market is still searching for a catalyst to boost its growth. The improvement in rail network which provides better connectivity and the availability of high grades office buildings in suburbs are driving decentralisation which puts further pressure on the office spaces in Kuala Lumpur City Centre. Not to mention the uncertainties surrounding the global economy, the industry players will need to be creative in keeping up with the competition. But not all hopes are gone. The increasing popularity of co-working space is helping to fill in the available space in office buildings as business operators aim to lower their expenditure cost. Apart from that, InvestKL is confident that another 15 Multi-National Companies (MNCs) are expected to make their appearance in Malaysia in 2020. This should help boost the office market based on the fact that as at 3Q 2019, the existing 85 MNCs in Malaysia contributed to an estimated rental income of RM131 million per annum, as reported by InvestKL.

Table 2.3: Selected Upcoming Purpose-Built Offices

Development	Location	Net Lettable Area (sq. ft.)	Expected Completion
HSBC Malaysia @ TRX	Tun Razak Exchange	568,000	2020
Affin Bank HQ @ TRX	Tun Razak Exchange	823,439 (GFA)	2020
Lot 91 KLCC	KLCC area	1.2 mil	2020
The Stride @ BBCC	Bukit Bintang	400,000	2020
HCK Tower @ Empire City Damansara	Petaling Jaya	N/A	2020
PNB 1194	Jalan Sultan Ismail	N/A	2021
Merdeka 118 Tower	Jalan Hang Jebat	1.7 mil	2021
The MET Corporate Towers	Mont Kiara	600,000	2021
UOB Tower 2	Jalan Raja Laut	N/A	2021
Pavilion Embassy	Jalan Ampang	N/A	2022
Aspire Tower KL Ecocity	Jalan Bangsar	650,000	2022
Atwater @ Section 13	Petaling Jaya	N/A	2022
Bangsar 61	Jalan Bangsar	N/A	2023
Oxley Tower	Jalan Ampang	225,000	2024
Tradewinds Square	Jalan Perak	2.5 mil	N/A

(Source: Rahim & Co Research)



PROPERTY MARKET OVERVIEW (CONT'D)

HOTEL

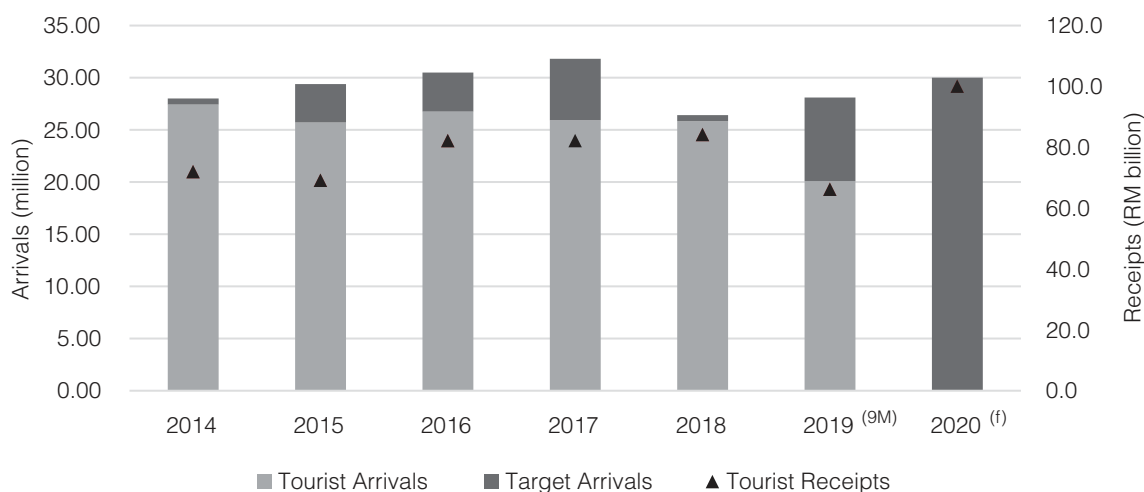
Malaysia saw an influx of more than 20 million international tourist arrivals in the first nine month of 2019, showed positive performance with an increase of 3.7% compared to corresponding period in 2018 (Figure 3.1). Singapore was the highest contributor to the tourist arrivals with 7.9 million followed by Indonesia (2.8 million), China (2.4 million) and Thailand (1.4 million).

Singapore was the highest contributor to the tourist arrivals with 7.9 million followed by tourists from Indonesia (2.8 million); China (2.4 million); Thailand (1.4 million) and Brunei (929,789).

Tourist receipts within the same period increased 6.9% year-on-year to RM66.1 billion, first nine month of 2018 was RM61.8 billion. Singapore again was the highest contributor to the tourist expenditure with RM16.3 billion, followed by China (RM12.8 billion), Indonesia (RM8.8 billion), Thailand (RM2.8 billion) and India (RM2.5 billion).

Although Malaysia has been missing its tourist arrival target for the past six years, Ministry of Tourism Arts and Culture (MOTAC) is still confident in achieving the targeted 28.1 million tourist arrivals in 2019 supported by significant number of tourist arrivals towards the year end, especially in December from countries experiencing winter. But some setbacks are anticipated due to the recent COVID-19 outbreak which has caused mass hotel cancellations and flight schedule disruptions, mainly involving Chinese tourists. That said, MOTAC maintains its Visit Malaysia Year 2020 campaign targets and restructuring will be done to shift focus.

Figure 3.1: Tourist Arrivals, Target Arrivals & Receipts



(Source: Tourism Malaysia)

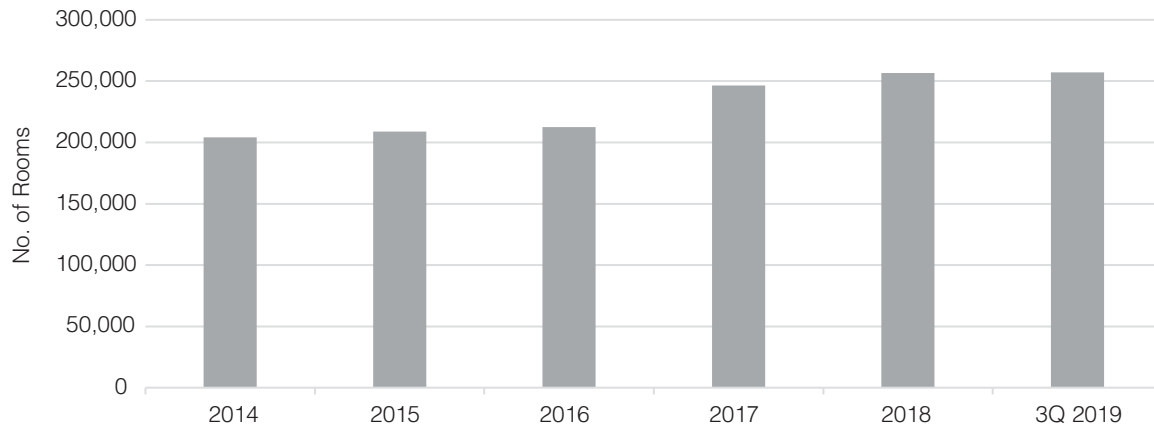
As at 3Q 2019, existing hotel supply in Malaysia stands at 3,225 hotels and 257,195 hotel rooms, registering a marginal growth of 1.2% and 0.8% y-o-y respectively from 3,188 hotels and 255,270 rooms in 3Q 2018 (Figure 3.2). 19.7% of the total establishments or 635 hotels are rated 3 to 5-stars. Another 23,152 new hotel rooms in 107 establishments are currently being constructed within various locations of Malaysia. This new hotel rooms is equivalent to 9.00% of existing supply.

While hotel establishments in Malaysia is expanding, Kedah hotel market saws a drop of 1.7% and 17% y-o-y for hotel establishment and hotel rooms respectively (Figure 3.3). Kedah hotel supply stands at 175 hotels and 13,755 hotel rooms (3Q 2018: 178 hotels and 16,568 hotel rooms). Of these total, 38 establishments with 6,531 rooms are rated 3 to 5-stars. In terms of incoming supply, there are 900 hotel rooms from 7 hotels are under various construction stages.



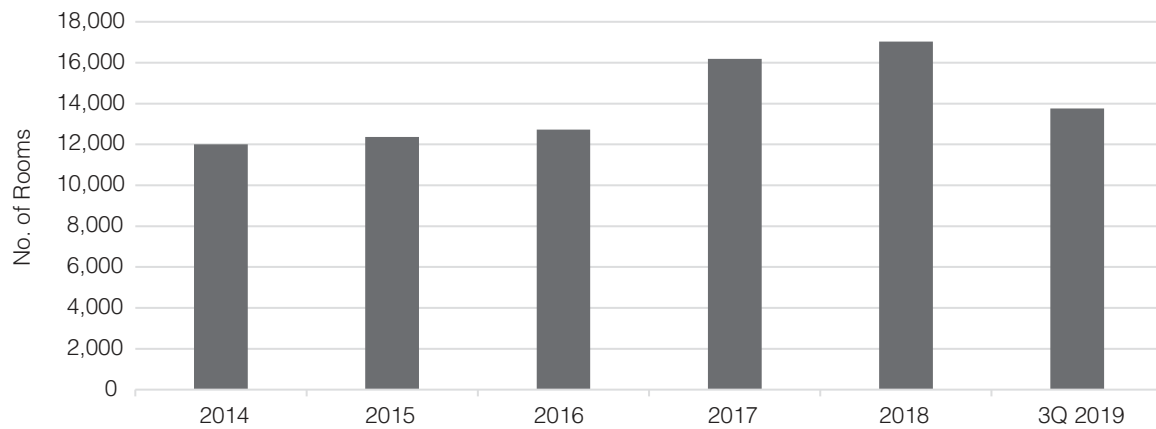
PROPERTY MARKET OVERVIEW (CONT'D)

Figure 3.2: Existing Supply of Hotel rooms in Malaysia



(Source: JPPH)

Figure 3.3: Existing Supply of Hotel rooms in Kedah

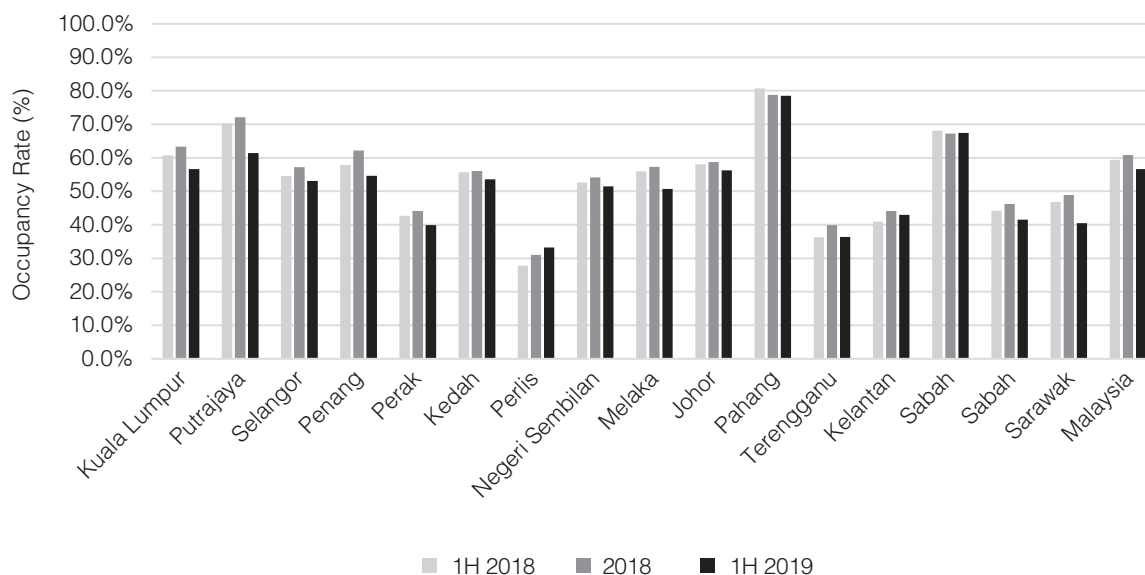


(Source: JPPH)



PROPERTY MARKET OVERVIEW (CONT'D)

Figure 3.4: Average Occupancy Rates of Hotel in Malaysia, 2018/2019



(Source: Tourism Malaysia)

Occupancy rates of hotels within 1H 2019 is generally on the decline, with the exception of Perlis, Terengganu and Kelantan (Figure 3.4). This is not only attributed to the increase in new supply, but also to the rise in popularity of unregulated short-term accommodations like Airbnb and private homestay as the alternate option to conventional hotel rooms. Kedah's occupancy performance was amongst the declining, registering at 53.6% after a slight decline of 2.1% y-o-y.

Langkawi Island being the popular local and international tourist destination has continued to draw interest not only tourists but also business investors. In October 2019, Qatar Airways has launched its service and become the first middle eastern airlines to fly to Langkawi from Doha. On the property development, Tropicana Corp Sdn. Bhd. had signed two joint development agreements for a 18.05ha site in Padang Mat Sirat and a 1.0ha site in Mukim Kedawang.

In tabling the Budget 2020, the Ministry of Tourism Arts and Culture will receive an allocation of RM1.1 billion to fulfil the aspirations of Visit Malaysia 2020 (VMY2020) campaign aiming to achieve 30 million international tourist arrivals-bringing in total tourist receipts of RM100 billion. In effort to make the campaign successful, the government has announced several incentives and tax break targeted at the arts and tourism sector.

Furthermore, government's move to offer visa-free passes to China and India tourists in 2020 coupled with the Visit Malaysia Year 2020 (VMY 2020) will boost the number of tourist arrivals and tourism revenue. Malaysian Association of Hotels (MAH) has also launched the "Discover Malaysia" hotel television channel to promote the country's tourist attractions as one of the strategies to ensure the success of Visit Malaysia Year 2020 (VMY2020).

The Malaysia Healthcare Travel Council (MHTC) has launched the Malaysia Year of Healthcare Travel 2020 (MyHT2020) campaign which is expected to bring in revenue receipts of RM2 billion and contributing RM8 billion to the gross domestic product (GDP). In Budget 2020, RM25 million will be given to the Malaysian Healthcare Tourism Council (MHTC) to strengthen Malaysia's position as the preferred destination for health tourism in ASEAN for oncology, cardiology and fertility treatments.

Table 3.5: Selected Upcoming Hotels=

Development	Location	No. of Room	Completion
Mercure Langkawi Cenang Beach Hotel	Pantai Cenang	165	2020
PARKROYAL Langkawi Resort	Pantai Tengah Beach	310	2021

(Source: Rahim & Co Research)

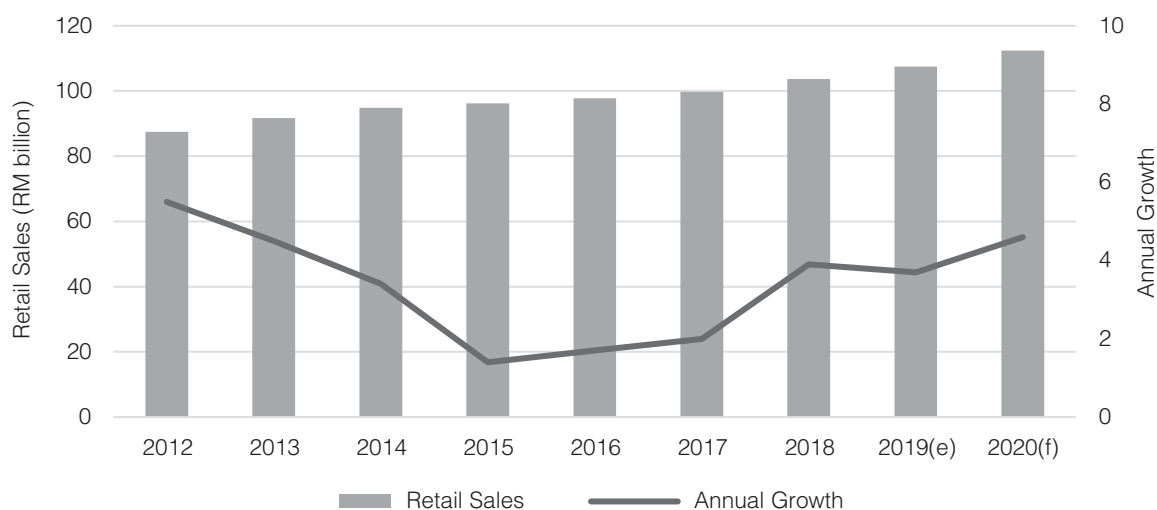


PROPERTY MARKET OVERVIEW (CONT'D)

Retail

Retail Group Malaysia (RGM) had revised retail sales growth for 2019 from the initial 4.4% to 3.7% based on the current challenging environment (Figure 4.1). The slow economic momentum and limited policies to stimulate consumer's spending within the country, coupled with the uncertain external market environments are among the key factors hampering the growth of retail market.

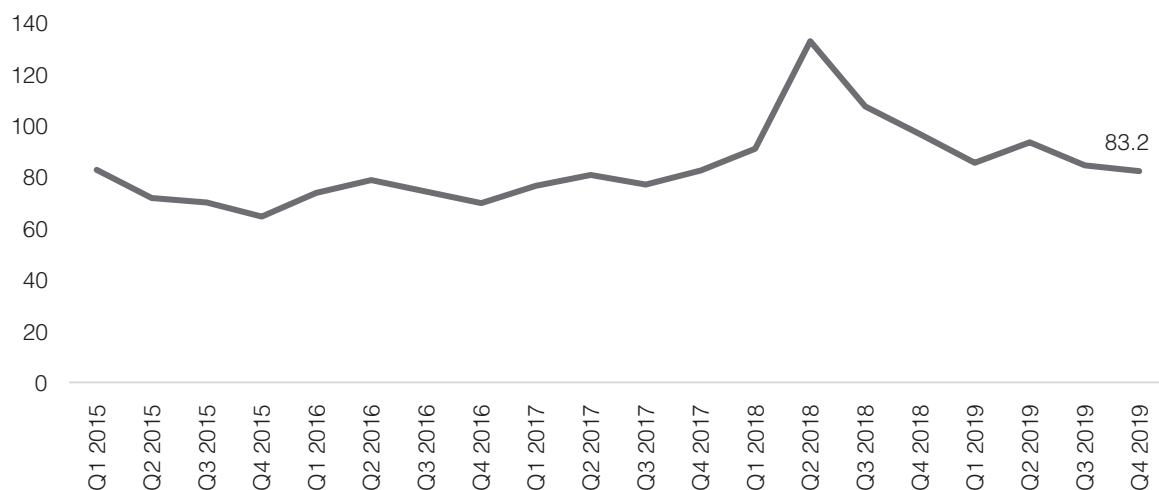
Figure 4.1: Malaysia Annual Retail Sales



(Source: Retail Group Malaysia)

The slower pace in increase concurs with the Consumer Sentiment Index trend which had remained below the 100-point threshold for all four quarters of 2019, ending with 82.3 points for the year. This trend signifies the general consumers' sentiment of being more conservative and cautious in their spending (Figure 4.2).

Figure 4.2: Consumer Sentiment Index



(Source: Retail Group Malaysia)

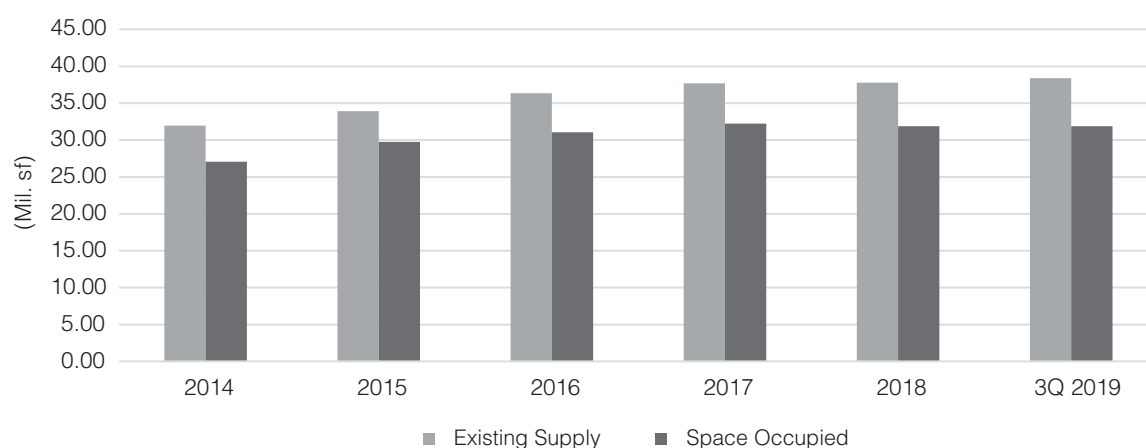


PROPERTY MARKET OVERVIEW (CONT'D)

The supply of retail space in Selangor increased slightly from 38.0 million sq. ft. in 3Q 2018 to 38.4 million sq. ft. in 3Q 2019 (Figure 4.3). The occupancy rate, however, dropped to 83.1% in 3Q 2019 from 84.5% in 3Q 2018 (Figure 4.4). Kelana Jaya registered the sharpest decline for occupancy rate with a double-digit decrease of -14.5%.

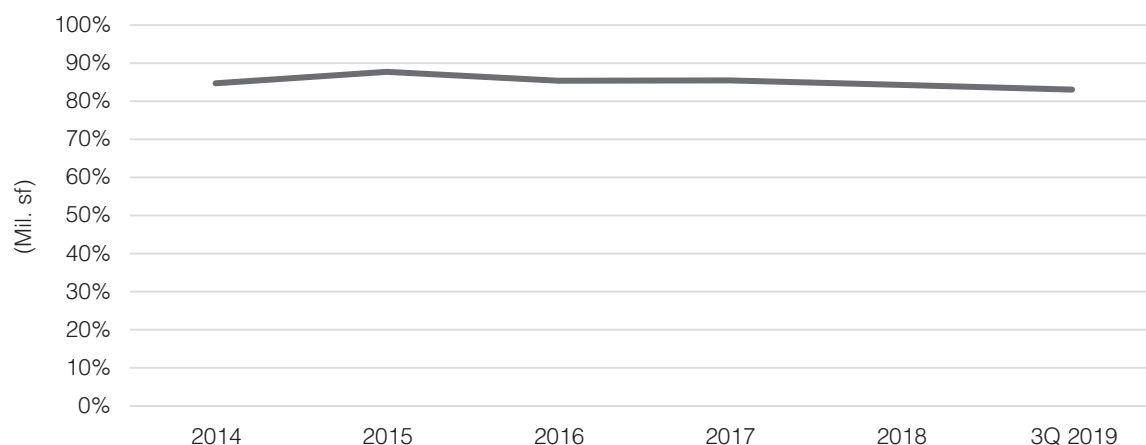
Further declination of occupancy rate of retail malls in Selangor is expected in 2020 as GCH Retail (Malaysia) Sdn. Bhd., who runs Giant and Cold Storage stores, has reported that some 20 more stores are expected to be shut nationwide. Just recently, The Cold Storage supermarket located in Jaya Shopping Centre which is the first shopping mall in Petaling Jaya had closed down.

Figure 4.3: Existing Supply & Space Occupied of Retail Spaces



(Source: JPPH)

Figure 4.3: Occupancy Rate of Retail Spaces



(Source: JPPH)



PROPERTY MARKET OVERVIEW (CONT'D)

However, not all is doom and gloom for the retail sector as some brands are starting to make their presence in Malaysia. For example, Officine Panerai, a luxury Italian watchmaker, and MSGM, an Italian high-end street wear fashion brand had just recently debuted in Pavilion Kuala Lumpur. E-commerce companies such as China's Alibaba Group and JD.com have expanded their stores into the physical space of retail malls in Kuala Lumpur. GCH Retail (Malaysia) Sdn. Bhd. also has plan to relaunch 30 of its Giant outlets and expand its ShopSmart convenience store chain with 500 such outlets expected to be open over the next decade. Malls that are located in prime commercial area such as Sunway Pyramid, Empire Subang, Paradigm Mall and Melawati Mall are performing well with high occupancy rates. Overall, the rentals of retail space had remained stable for most shopping complexes.

With the constant challenges from e-commerce and the amount of retail spaces available, retail malls are going through innovative changes to draw in more customers. This includes cooperating different elements into the mall such as theme parks and co-working spaces instead of the old style of shopping and dining only. For instance, District 21 which is an indoor obstacles park in IOI City Mall, VAR Live which is a Virtual Reality (VR) theme park in MyTown Shopping Centre and Co-Labs at the Starling Mall. This is viewed as a positive and plus point for the customers as it means higher quality and better services in the retail malls.

Moving forward, RGM had forecasted an improved growth of 4.6% for 2020 representing RM112.4 billion in sales value (Figure 3.2), boosted by growth in tourist arrivals in conjunction of the Visit Malaysia 2020 (VM2020) campaign. Under the VM2020 campaign, Malaysia is expecting to receive 30 million tourist arrivals in 2020, with a targeted revenue of RM100 billion.

Table 4.4: Selected Upcoming Retail Malls in Selangor

Development	Location	NLA (sq.ft.)	Completion
Tropicana Gardens	Kota Damansara	1,000,000	2020
Pier8 @Gravit8	Klang	150,000	2020
The Quayside @TwentyFive 7	Kota Kemuning	300,000	2020
Selayang Star City Mall	Selayang	550,000	N/A

(Source: Rahim & Co Research)

Education

Aimed to restructuring the private education management of the country, the moratorium on approvals of new private higher education institutions (IPTS) is still in effect until 31st December 2020. Following this, the government is also committed to improve and uphold the private higher learning institutions via the upcoming IPTS Roadmap 2019 - 2025. Though no further updates have been released on the progress of the roadmap, more so with the withdrawal of the former Education Minister.

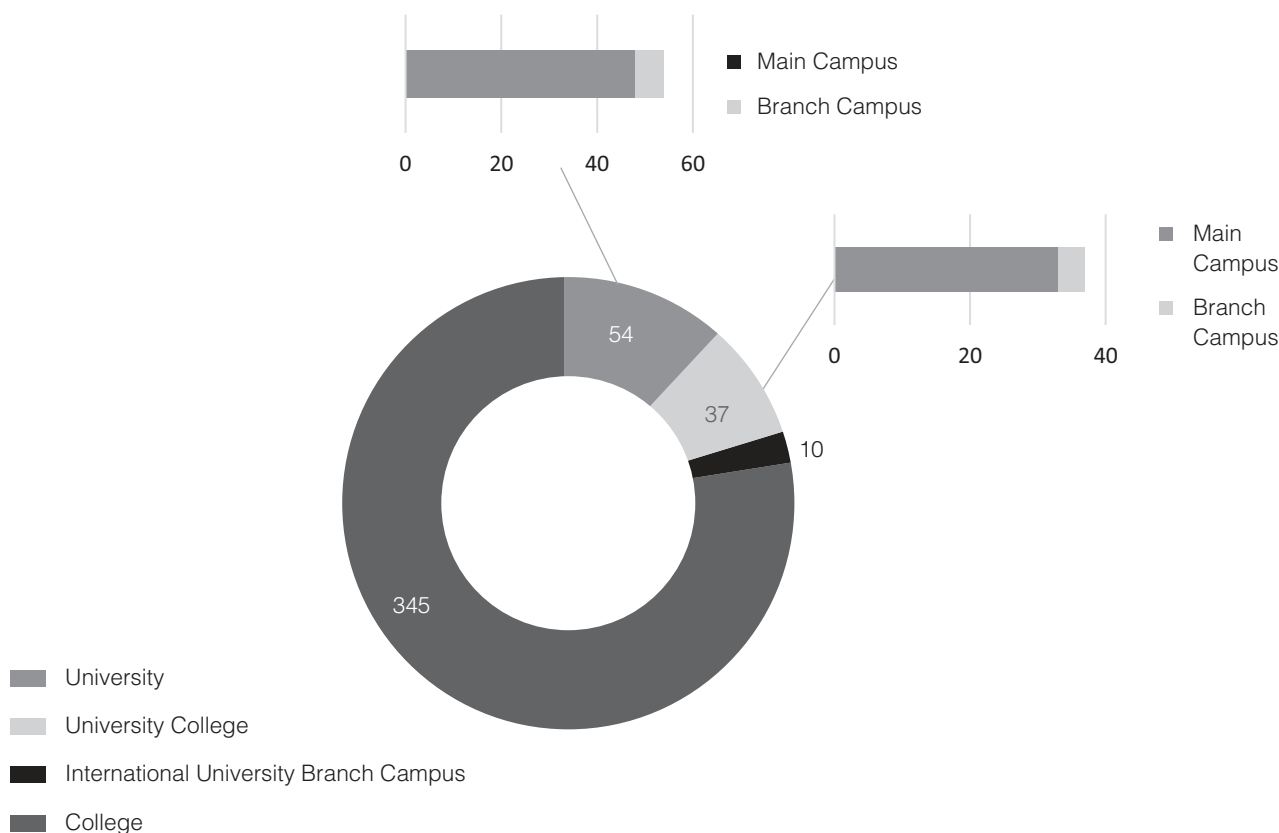
But some transformative changes have been made to the education sector, one being the release of Guidelines to Implement OKU Inclusion Policy in Institution of Higher Learning back in September 2019. This progressive move is aimed to make educational institutions nationwide more accessible and inclusive to people of disability conditions. It includes the creation of facilities and education support systems suitable to students of the OKU category. This is in line with the Ministry's Zero Reject Policy introduced at the school level.

In Budget 2020, the Government continues its commitment to the education sector by maintaining the Ministry of Education to receive the largest allocation at RM64.1 billion, a further increase from RM60.2 billion in 2019.



PROPERTY MARKET OVERVIEW (CONT'D)

Figure 5.1: Number of Private Higher Education Institutions, 2019



As of 2018, the total number of students enrolled in IPTS nationwide was recorded at 668,689 students, registering a small increase of 0.3% from 2017 at 666,617 students. Of this total number, Malaysian students saw a small increment of 2% to 576,982 students in 2018. Whereas foreign students experienced the opposite with a 9.0% drop to 91,707 students. Kuala Lumpur accounts for 32.5% of total student count enrolled in IPTS while Selangor accounts for 36% - making both the top two states in number of students enrolled in IPTS.

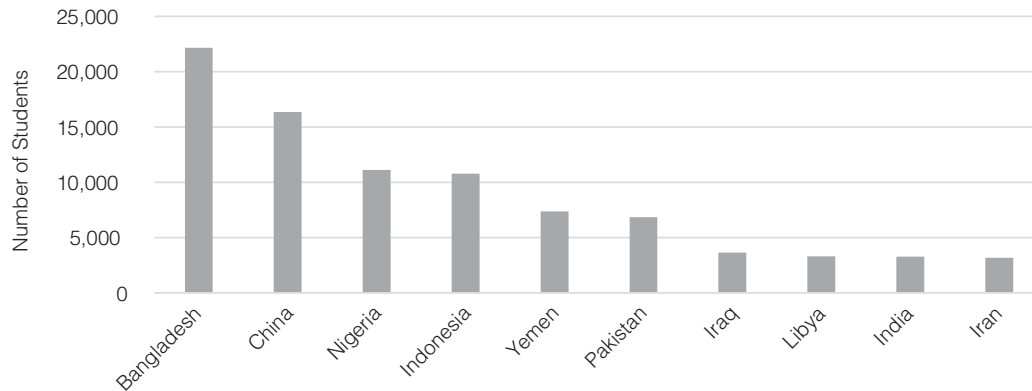
For the public institutions of higher education (IPTA), latest number as of 2018 stood at 538,555 students nationwide, registering a drop of 2.6% from 2017 at 552,702 students. By category, both Malaysian and Foreign student count experienced a drop year-on-year at 2.2% and 8.5% respectively.

On studying abroad, UK, Ireland and Australia remains as the top two popular countries Malaysian students choose as their choice of tertiary education destination. But on a whole, the number of Malaysian students studying abroad has consistently fallen since 2016 at 100,528 students to 78,459 students in 2018. This drop was primarily caused by the drop in self-sponsored students at 60,277 students; a lower number than 2016's 89,241. Some factors that may attribute to this fall is the weakening Ringgit against other major currencies and uncertain economic and political tensions in several major countries.



PROPERTY MARKET OVERVIEW (CONT'D)

Figure 5.2: Top 10 Number of Foreign Students in IPTS, 2018



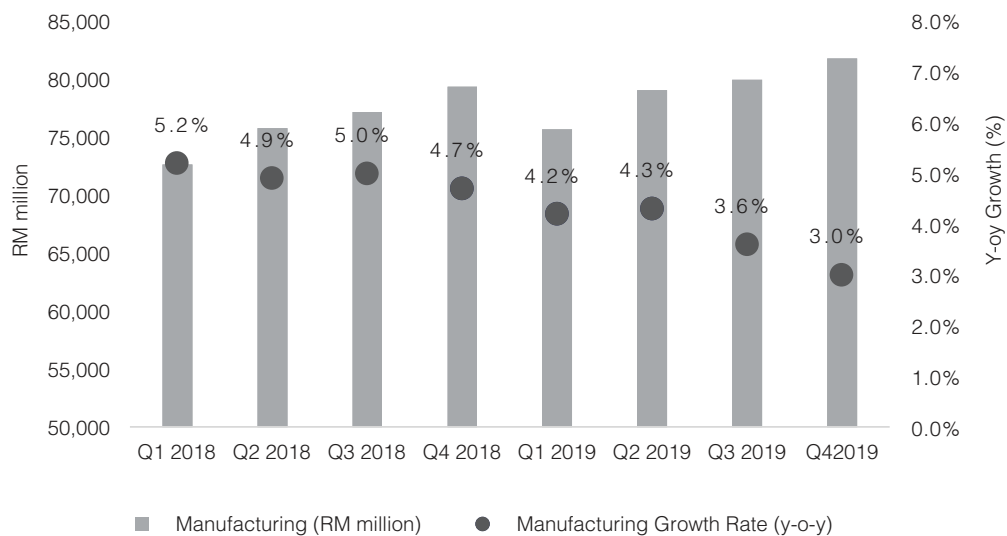
(Source: Ministry of Education)

Bangladesh, China and Nigeria remain as the top three major sources of foreign students enrolled in Malaysia in IPTS for 2018. While Nigeria and Bangladesh experienced a fall of 27.4% and 17.9% respectively from 2017, China saw an improvement of 10.2%. The remaining 7 countries also experienced an increase in number, ranging between 4% to 18%. In opposite to the weakening Ringgit dampening Malaysian students studying abroad, it has become an added value to foreign students choosing Malaysia as their choice for tertiary education destination, particularly in Klang Valley.

Overall, 2018 saw a slight drop of 1.0% in enrolled students nationwide for both IPTS and IPTA, recording a total number of 1,207,244 students. IPTS accounts more than half of the enrolments at 55.4%, proving that private institutions remain a more popular choice by both Malaysian and foreign students; more so for foreign students whose number in IPTS is at three times bigger than in IPTA.

INDUSTRIAL

Figure 6.1: Manufacturing Contribution to Malaysian GDP



(Source: Department of Statistics Malaysia, Bank Negara Malaysia)

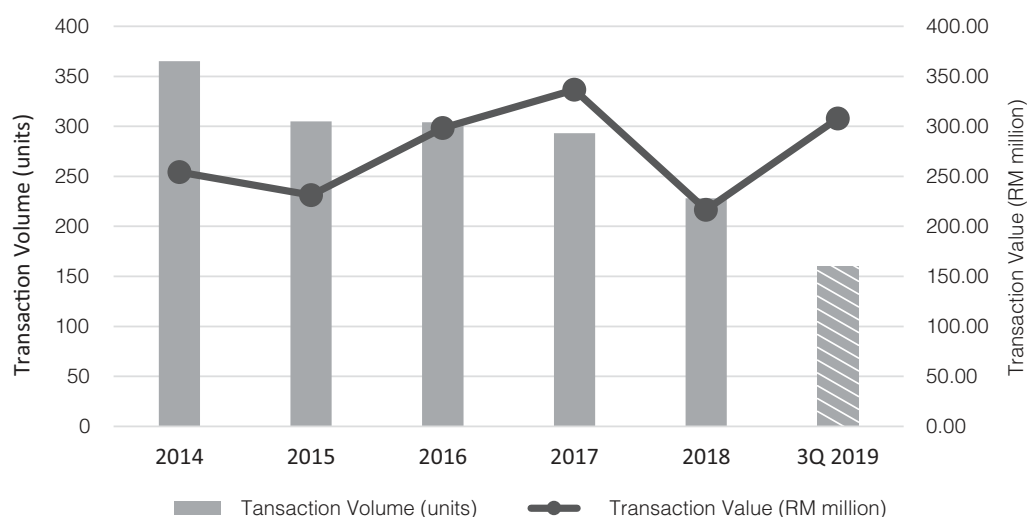


PROPERTY MARKET OVERVIEW (CONT'D)

The manufacturing sector for Malaysia remains as the second largest contributor to GDP after the services sector. In 4Q 2019, the sector grew by a modest 3.0%, amounting to RM81.7 billion - the slowest quarterly growth for the year. E&E production was affected by continued weakness in global demand for semiconductors. Production disruptions in the commodities sector also had a negative impact on downstream manufacturing activities.

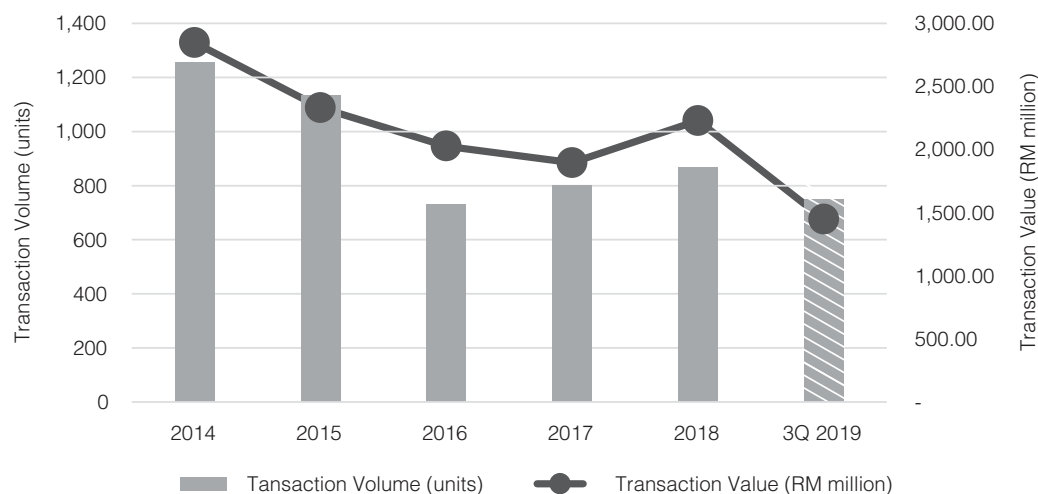
Transaction number of industrial properties constitute 1.9% of total transacted properties in both 2018 and first three quarters of 2019. By end-September 2019, Malaysia had recorded a total cumulative transaction volume of 4,706 units worth RM11.0 billion, registering a notable growth of 15.3% and 36.6% y-o-y respectively. More than 30% of the transactions are in Selangor, maintaining its position as the major industrial hub in Malaysia till now. But Johor is on the path to becoming the next major industrial hub with the rise of well-facilitated industrial parks such as i-Park, Nusajaya Tech Park and Eco Business Park.

Figure 6.2: Transaction Volume and Value of Kedah's Industrial Sector



(Source: JPPH)

Figure 6.2: Transaction Volume and Value of Johor's Industrial Sector



(Source: JPPH)



PROPERTY MARKET OVERVIEW (CONT'D)

Senai Airport City by MMC Group is an integrated industrial zone on 2,718 acres of land strategically situated between two international airports: Senai International Airport and Changi International Airport. This creates an opportunistic environment in capitalizing both Johor's and Singapore's industrial market. As a full-fledged logistics and industry hub, it services various industrial segments such as Hi-Tech & General Manufacturing and Aerospace MRO & Logistics. Two catalyst developers that are currently in Senai Airport City are AME Development Sdn. Bhd.'s i-Park and EcoWorld Development Group Bhd's Eco Business Park II. Plans have been put in motion by AME Elite Consortium Bhd to expand i-Park from the pre-existing 112 acres to approximately 189 acres. This move was driven by global manufacturers seeking new operation bases amidst high tariffs as a result of the US-China trade war.

Kulim High Tech Park (KHTP) in Kedah remains as the key industrial zone with notable presence of multinational companies from various countries such as Japan, US and Germany as well as local Malaysian companies. Much talk and discussion were held in regards to a new cargo airport in Kulim as the next catalyst to expanding KHTP. Named Kulim International Airport (KXP), Kedah Menteri Besar has revealed that the master plan is ready and currently the details of it are being studied. With hopes of KXP in operation by 2024, the new airport will focus on cargo and logistics services as opposed to the passenger-focused Penang International Airport. Apart from KHTP, other industrial mega projects have been announced for the state by the federal government including a logistics hub in Sidam and a petrochemical industrial park in Gurun. Bukit Kayu Hitam Special Border Economic Zone (SBEZ) is still in motion with the most recent component to be constructed being the Kota Perdana logistics hub.

The term Industry 4.0 has often been spoken as the new way of doing things for the industrial sector. It refers to a more sophisticated way of digitalising the production line by means of Artificial Intelligence (A.I.). New factories championing this evolution are referred to as "smart factories" in which cyber physical systems monitor real time physical progress of the production line and from the data collected, decentralized decisions are able to be made in response to any situation or hiccup occurring along the line.

Simultaneously happening is the spread of e-commerce, the online way of shopping that has penetrated the market worldwide successfully in the past few years. As e-commerce continues to grow, other related sectors are also pushed to grow to accommodate the rising consumer demand of today. One key component is the logistics aspect which Malaysia has seen a rise in both development and investment. Deemed as a stable sector to invest in amidst uncertain market conditions, further expansion in manufacturing and a growing logistics segment thanks to e-commerce fortifies Malaysia's potential as a distribution hub in Southeast Asia.



STATUTORY FINANCIAL STATEMENTS

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STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 90 to 125 are drawn up in accordance with the provisions of the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009, the Second Supplemental Trust Deed dated 27 August 2009 and the Supplemental Deed dated 13 May 2019) (collectively be referred to as “the Trust Deed”), Securities Commission’s Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings, Capital Markets & Services Act 2007, Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of AmanahRaya Real Estate Investment Trust as at 31 December 2019 and of its financial performance and cash flows for the financial year ended on that date.

For and on behalf of the Manager,
AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
Signed in accordance with a resolution of the Directors of the Manager:

Mahadzir Bin Azizan

Kuala Lumpur,

Date: 14 February 2020



STATUTORY DECLARATION

I, **Adenan bin Md Yusof**, the Director of the Manager, primarily responsible for the financial management of AmanahRaya Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 90 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, Adenan bin Md Yusof, (I/C No. 640601-10-8334), in Kuala Lumpur on 14 February 2020.

Adenan bin Md Yusof

Before me:

No. W790
Zainul Abidin bin Ahmad
Commissioner for Oaths
Kuala Lumpur, Federal Territory



TRUSTEE'S REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

We, Pacific Trustees Berhad, have acted as Trustee of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT or "the Trust") for the financial year ended 31 December 2019. In our opinion and to the best of our knowledge:

- (a) AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") has managed AmanahRaya REIT in accordance with the limitations imposed on the investment powers of the Manager and the trustee under the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009, the Second Supplemental Trust Deed dated 27 August 2009 and the Supplemental Deed dated 13 May 2019) (collectively be referred to as "the Trust Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 December 2019; and
- (b) the procedures and processes employed by the Manager to value and price the units of AmanahRaya REIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2019 are in line with and are reflective of the objectives of AmanahRaya REIT. Four distributions have been declared for the financial year ended 31 December 2019 as follows:

- 1) 1st interim income distribution of 1.5000 sen per unit paid on 12 July 2019
- 2) 2nd interim income distribution of 1.5000 sen per unit paid on 18 October 2019
- 3) 3rd interim income distribution of 1.5000 sen per unit paid on 10 January 2020
- 4) Final interim income distribution of 1.7000 sen per unit payable on 3 April 2020

For and on behalf of the Trustee,
Pacific Trustees Berhad
(Company No.: 199401031319 (317001-A))

Razak bin Ahmad
Chief Executive Officer

Kuala Lumpur,

Date: 14 February 2020



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

Opinion

We have audited the financial statements of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 90 to 125.

In our opinion, the financial statements give a true and fair view of the financial position of AmanahRaya REIT as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of AmanahRaya REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws"), and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of AmanahRaya REIT for the current year. These matters were addressed in the context of our audit of the financial statements of AmanahRaya REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to Note 3(c) of the significant accounting policies and Note 4, Investment Properties to the financial statements.

The key audit matter

AmanahRaya REIT owns a portfolio of 13 investment properties comprising office/industrial buildings, hotels, a college, campuses and a shopping complex located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position, at RM1,399,000,000 as at 31 December 2019.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation. This is a key audit matter as some of the key assumptions are based on unobservable inputs and hence, significant judgement is required to evaluate the unobservable inputs.

How the matter was addressed in our audit

We assessed the processes and controls of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers based on their membership of recognised professional body. We also examined the terms of engagement of the valuers entered into with AmanahRaya REIT to determine whether there were any matters that might have affected the valuers' objectivity or placed limitations on their scope of work.



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA) (CONT'D)

We assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or condition of each property. We also considered other alternative valuation methods commonly used by external valuers.

- In respect of investment method, we tested the appropriateness of the projected cash flows used in the valuation to supporting lease agreements and title deeds. We challenged the capitalisation rates used in the valuation by comparing them against historical rates and available industry data. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.
- In respect of sales comparison method, we tested the underlying data used by the valuer in the valuation. We also considered the adjustment made by the valuer, if any, for appropriateness.

We also considered the adequacy of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditors' report thereon) which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of AmanahRaya REIT

The Manager is responsible for the preparation of the financial statements of AmanahRaya REIT so as to give a true and fair view in accordance with the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009, the Second Supplemental Trust Deed dated 27 August 2009 and the Supplemental Deed dated 13 May 2019) (collectively be referred to as "the Trust Deed"), Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings, the Capital Markets & Services Act 2007, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of AmanahRaya REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of AmanahRaya REIT, the Manager is responsible for assessing AmanahRaya REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate AmanahRaya REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing AmanahRaya REIT's financial reporting process.



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA) (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements of AmanahRaya REIT

Our objectives are to obtain reasonable assurance about whether the financial statements of AmanahRaya REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements of AmanahRaya REIT.

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of AmanahRaya REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on AmanahRaya REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of AmanahRaya REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause AmanahRaya REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of AmanahRaya REIT, including the disclosures, and whether the financial statements of AmanahRaya REIT represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within AmanahRaya REIT to express an opinion on the financial statements of AmanahRaya REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of AmanahRaya REIT of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA) (CONT'D)

Other Matter

This report is made solely to the unitholders of AmanahRaya REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya,

Date: 14 February 2020

Chan Kah Mun

Approval Number: 03350/01/2022 J
Chartered Accountant



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Assets			
Non-current assets			
Investment properties	4	1,399,000,000	1,401,700,000
Current assets			
Trade and other receivables	5	6,066,341	6,626,765
Security deposits in trust accounts	6	13,806,908	20,628,182
Cash and cash equivalents	7	44,481,868	34,709,788
		64,355,117	61,964,735
Asset classified as held for sale	8	8,500,000	35,600,000
Total current assets		72,855,117	97,564,735
Total assets		1,471,855,117	1,499,264,735
Financed by:			
Unitholders' fund			
Unitholders' capital	9	519,685,915	519,685,915
Distributable income		256,905,277	255,527,839
Total unitholders' funds		776,591,192	775,213,754
Non-current liabilities			
Borrowings	10	482,639,875	670,484,115
Trade and other payables	11	16,260,454	16,018,913
Total non-current liabilities		498,900,329	686,503,028
Current liabilities			
Borrowings	10	162,200,667	-
Trade and other payables	11	23,539,929	31,684,376
Deferred tax liabilities	12	10,623,000	5,863,577
Total current liabilities		196,363,596	37,547,953
Total liabilities		695,263,925	724,050,981
Total unitholders' funds and liabilities		1,471,855,117	1,499,264,735
Net asset value ("NAV")			
- Before income distribution		776,591,192	775,213,754
- After income distribution		758,248,226	759,128,606
Number of units in circulation		573,219,858	573,219,858
NAV per unit (RM)			
- Before income distribution		1.355	1.352
- After income distribution		1.323	1.324

The notes on pages 95 to 125 are an integral part of these financial statements.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Gross revenue			
Rental income			
- Realised		95,877,818	96,684,553
- Unrealised (in relation to unbilled lease income receivable)		998,272	559,485
		96,876,090	97,244,038
Property operating expenses	13	(16,210,440)	(17,673,739)
Net property income		80,665,650	79,570,299
Interest income		1,096,842	1,338,781
Other income		89,352	89,774
Gain on disposal of investment property		-	3,000,000
Changes in fair value of investment properties			
- As per valuation	4	3,116,979	49,148,296
- Unbilled lease income receivable		(998,272)	(559,485)
Net property and investment income		83,970,551	132,587,665
Manager's fees		(6,652,629)	(6,799,633)
Trustee's fees		(442,690)	(439,976)
Valuation fees		(271,630)	(369,230)
Auditors' fees			
- Audit		(135,000)	(128,000)
- Other services		(10,000)	(10,000)
Tax agent's fees		(10,000)	(10,000)
Administrative expenses		(2,296,566)	(1,693,285)
Finance costs		(33,167,462)	(36,023,502)
Total trust expenses		(42,985,977)	(45,473,626)
Profit before taxation		40,984,574	87,114,039
Tax expense	14	(5,490,441)	(5,863,577)
Net profit for the year attributable to unitholders		35,494,133	81,250,462
Total comprehensive income for the year attributable to unitholders		35,494,133	81,250,462



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	2019 RM	2018 RM
Net income for the year is made up as follows:			
Realised		37,136,577	37,965,743
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		998,272	559,485
- Change in fair value of investment properties			
- As per valuation	4	3,116,979	49,148,296
- Unbilled lease income receivable		(998,272)	(559,485)
- Deferred tax expense	12	(4,759,423)	(5,863,577)
		(1,642,444)	43,284,719
		35,494,133	81,250,462
Earnings per unit (sen)			
- Before Manager's fees	15	7.353	15.361
- After Manager's fee	15	6.192	14.174
Net income distribution*			
- First interim income distribution of 1.500 sen per unit paid on 12 July 2019 (2018: 1.354 sen per unit paid on 13 July 2018)		8,598,967	7,762,498
- Second interim income distribution of 1.500 sen per unit paid on 18 October 2019 (2018: 1.939 sen per unit paid on 12 October 2018)		8,598,542	11,117,235
- Third interim income distribution of 1.500 sen per unit paid on 10 January 2020 (2018: 1.355 sen per unit paid on 11 January 2019)		8,598,372	7,764,334
- Proposed final income distribution of 1.700 sen per unit payable on 3 April 2020 (2018: 1.452 sen per unit payable on 2 April 2019)		9,744,594	8,320,814
	16	35,540,475	34,964,881
Income distribution per unit (sen)*	16		
- First interim income distribution		1.500	1.354
- Second interim income distribution		1.500	1.939
- Third interim income distribution		1.500	1.355
- Proposed final income distribution		1.700	1.452

* Withholding tax will be deducted for distributions made for the following categories of unitholders:

	Withholding tax rate	
	2019	2018
Resident corporate	Nil [^]	Nil [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] No withholding tax; taxed at prevailing tax rate

The notes on pages 95 to 125 are an integral part of these financial statements.



STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Unitholders' capital</i> RM	<i>Distributable</i> Realised income RM	<i>Non-distributable</i> Unrealised income RM	Total unitholders' funds RM
At 1 January 2018	519,685,915	27,059,384	181,545,288	728,290,587
Net profit for the year	-	37,965,743	43,284,719	81,250,462
Realisation of unrealised income upon disposal of investment property	-	10,000,000	(10,000,000)	-
Total comprehensive income for the year	-	47,965,743	33,284,719	81,250,462
Unitholders' transactions				
Distributions to unitholders:				
- 2018 interim	-	(26,644,067)	-	(26,644,067)
- 2017 final	-	(7,683,228)	-	(7,683,228)
Decrease in net assets resulting from unitholders' transactions	-	(34,327,295)	-	(34,327,295)
At 31 December 2018/ 1 January 2019	519,685,915	40,697,832	214,830,007	775,213,754
Net profit/(loss) for the year	-	37,136,577	(1,642,444)	35,494,133
Realisation of unrealised loss upon disposal of investment property	-	(7,577,022)	7,577,022	-
Total comprehensive income for the year	-	29,559,555	5,934,578	35,494,133
Unitholders' transactions				
Distributions to unitholders:				
- 2019 interim	-	(25,795,881)	-	(25,795,881)
- 2018 final	-	(8,320,814)	-	(8,320,814)
Decrease in net assets resulting from unitholders' transactions	-	(34,116,695)	-	(34,116,695)
At 31 December 2019	519,685,915	36,140,692	220,764,585	776,591,192

Note 9.1



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Profit before taxation		40,984,574	87,114,039
<i>Adjustments for:</i>			
Finance costs		33,167,462	36,023,502
Interest income		(1,096,842)	(1,338,781)
Changes in fair value of investment properties (net of unbilled lease income receivable)	4	(3,116,979)	(49,148,296)
Operating profit before changes in working capital		69,938,215	72,650,464
Change in trade and other receivables		6,907,456	(3,051,972)
Change in trade and other payables		(8,684,488)	13,386,858
Net cash from operating activities		68,161,183	82,985,350
Cash flows from investing activities			
Interest received		1,040,119	1,284,693
Proceeds from disposal of investment properties		35,400,000	105,000,000
Acquisition of investment property		-	(180,000,000)
Enhancement of investment properties	4	(2,683,021)	(4,451,704)
Gain on disposal of investment property		-	(3,000,000)
Net cash from/(used in) investing activities		33,757,098	(81,167,011)
Cash flows from financing activities			
Distributions paid to unitholders		(33,282,657)	(34,583,453)
Interest paid		(32,867,544)	(36,293,093)
Repayment of term loan		(25,996,000)	(93,000,000)
Net cash used in financing activities		(92,146,201)	(163,876,546)
Net increase/(decrease) in cash and cash equivalents		9,772,080	(162,058,207)
Cash and cash equivalents at 1 January	7	34,709,788	196,767,995
Cash and cash equivalents at 31 December	7	44,481,868	34,709,788

The notes on pages 95 to 125 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. General

AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "the Trust") is a Malaysia domiciled real estate investment trust constituted pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed") between AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") and CIMB Islamic Trustee Berhad ("the Trustee"). The Trust Deed is regulated by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. AmanahRaya REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provision of Clause 26 of the Trust Deed dated 10 October 2006. AmanahRaya REIT is listed on the Main Market of Bursa Malaysia Securities Berhad.

On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Supplementary Deed to effect the change of trustee of AmanahRaya REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 21 May 2019 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 21 May 2019 and 24 May 2019 respectively.

Collectively, the Trust Deed and the Supplementary Deed dated 13 May 2019 are known as the Restated Deed, which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively.

Registered office

Level 11, Wisma AmanahRaya
No. 2, Jalan Ampang
50508 Kuala Lumpur

Principal place of business

Level 2, Wisma AmanahRaya
No. 2, Jalan Ampang
50508 Kuala Lumpur

The financial statements as at and for the financial year ended 31 December 2019 comprise AmanahRaya REIT and its wholly-owned special purpose company, ARREIT MTN 1 Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of AmanahRaya REIT.

AmanahRaya REIT is principally engaged in investing in a diversified portfolio of properties with the objectives of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the financial year.

AmanahRaya REIT has entered into several service agreements in relation to the management of AmanahRaya REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

The Property Managers, Knight Frank Property Management Sdn. Bhd., Nawawi Tie Leung Property Consultants Sdn. Bhd., Hartamas Asset Management Sdn. Bhd. and Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. are entitled to property management fees in respect of the management of the investment properties owned by AmanahRaya REIT as provided in the Trust Deed. The fees are determined by a guaranteed scale based on the gross annual rental income as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981. The property management fees are payable monthly in arrears with permissible discounts.

(b) Manager's fees

Pursuant to the Trust Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value of AmanahRaya REIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging at the rate of 0.85% (2018: 0.85%) per annum of the Net Asset Value.

(c) Trustee's fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of the NAV of the Trust. The Trustee's fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging at the rate of 0.030% (2018: 0.055%) per annum of the Net Asset Value.

The financial statements were approved by the Board of Directors of the Manager on 14 February 2020.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of preparation

(a) Statement of compliance

The financial statements of AmanahRaya REIT have been prepared in accordance with the provisions of the Trust Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and generally accepted accounting principles in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by AmanahRaya REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

AmanahRaya REIT plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

AmanahRaya REIT does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to AmanahRaya REIT.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of AmanahRaya REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise stated in the financial statements and on a going concern basis.

The current liabilities of AmanahRaya REIT has exceeded its current assets by RM123,508,000 as at 31 December 2019 due to the reclassification of RM162,234,000 from non-current liabilities to current liabilities in view of the due date of the Term Loan I and II on 7 May 2020. However, the Manager has secured a refinancing arrangement with a financial institution on 27 August 2019 which is expected to be drawn in April 2020 to repay the Term Loan I and II that are due on 7 May 2020 (see Note 10.1). At 31 December 2019, the refinancing has yet to complete pending the transfer of ownership of the pledged properties from the Retiring Trustee to the New Trustee. The Manager also expects AmanahRaya REIT to continue to be profitable and generate operating cash flows in the next twelve months. Accordingly, the financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of AmanahRaya REIT.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 2(b) - Basis of measurement: going concern; and
- Note 4 - Investment properties.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by AmanahRaya REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

AmanahRaya REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

AmanahRaya REIT also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in AmanahRaya REIT's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to AmanahRaya REIT.

For new acquisitions, AmanahRaya REIT measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, AmanahRaya REIT elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that AmanahRaya REIT incurs in connection with a business combination are expensed as incurred.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Loss of control

Upon the loss of control of a subsidiary, AmanahRaya REIT derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If AmanahRaya REIT retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, AmanahRaya REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless AmanahRaya REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense is recognised in the profit or loss. Any gain or losses on derecognition are also recognised in the profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharge, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Investment property

Investment property carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

External independent valuation firms, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values AmanahRaya REIT's investment properties portfolio annually.

(d) Leases

There is no impact arising from the adoption of MFRS 16.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, AmanahRaya REIT assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(d) Leases (continued)

(i) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, AmanahRaya REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which AmanahRaya REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessor

When AmanahRaya REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, AmanahRaya REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, AmanahRaya REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

AmanahRaya REIT recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. AmanahRaya REIT uses the interest rate implicit in the lease to measure the net investment in the lease.

When AmanahRaya REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which AmanahRaya REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

As a lessor

AmanahRaya REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Previous financial year

Operating lease

Leases, where AmanahRaya REIT does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

(e) Asset held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with AmanahRaya REIT's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents consist of balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(g) Impairment

(i) Financial assets

AmanahRaya REIT recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

AmanahRaya REIT measures loss allowances at an amount equal to lifetime expected credit loss except for cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, AmanahRaya REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on AmanahRaya REIT's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which AmanahRaya REIT is exposed to credit risk.

AmanahRaya REIT estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, AmanahRaya REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when AmanahRaya REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with AmanahRaya REIT's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for investment property measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(i) Provisions

A provision is recognised if, as a result of a past event, AmanahRaya REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Units

Units are classified as equity.

(k) Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. AmanahRaya REIT recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(k) Revenue and other income (continued)

AmanahRaya REIT transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as AmanahRaya REIT performs;
- (b) AmanahRaya REIT's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) AmanahRaya REIT's performance does not create an asset with an alternative use and AmanahRaya REIT has an enforceable right to payment for performance completed to date.

(i) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to the lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Car park rental income

Car park rental income is derived from renting the investment properties' car park spaces to car park operators and is recognised on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Expenses

(i) Property operating expenses

Property operating expenses consist of property management fees, quit rent, assessment, and other outgoings in relation to investment properties where such expenses are the responsibility of AmanahRaya REIT.

Property management fees are recognised on an accrual basis.

(ii) Manager's and Trustee's Fees

The Manager's and Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b) and Note 1(c), respectively.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies (continued)

(m) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, AmanahRaya REIT uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that AmanahRaya REIT can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

AmanahRaya REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Investment properties

	Note	2019 RM	2018 RM
Land and building at fair value			
At 1 January		1,401,700,000	928,700,000
Acquisition		-	455,000,000
Enhancement		2,683,021	4,451,704
Changes in fair value		3,116,979	49,148,296
Reclassified as asset held for sale	8	(8,500,000)	(35,600,000)
At 31 December		1,399,000,000	1,401,700,000

The fair values of the investment properties are categorised as Level 3 fair value and the reconciliation of the fair value movement is shown at the above.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

Details of the investment properties are as follows:

Item Description of property	Tenure of land	Term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2019 %	Fair value as at 31.12.2019 RM	Cost as at 31.12.2019 RM	Percentage of fair value to Net Asset Value as at 31.12.2019 %
(1) Ex-Holiday Villa Alor Setar#	Leasehold	99 years expiring 2107	Alor Setar	Hotel	-	27,300,000	31,000,000	3.52
(2) Holiday Villa Langkawi*	Freehold	Not applicable	Pulau Langkawi	Resort hotel	100	84,000,000	59,536,444	10.82
(3) SEGi College	Freehold	Not applicable	Subang Jaya	College	100	73,500,000	52,500,000	9.46
(4) SEGi University *#	Leasehold	99 years expiring 2108	Kota Damansara	College/ Campus	100	186,000,000	146,062,993	23.95
(5) Block A & B, South City Plaza #	Leasehold	99 years expiring 2093	Seri Kembangan	Office	50	8,500,000	18,300,000	1.09
(6) Dana 13 *#	Leasehold	99 years expiring 2097	Petaling Jaya	Office	60	122,500,000	99,372,672	15.77
(7) Help University*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	75,500,000	53,946,379	9.72
(8) Selayang Mall*	Leasehold	99 years expiring 2079	Selayang Utama	Shopping complex	100	168,000,000	132,608,184	21.63
(9) Wisma Comcorp*	Freehold	Not applicable	Shah Alam	Office	100	37,000,000	30,000,000	4.76
(10) RHF Store Factory*	Freehold	Not applicable	Nusa Jaya	Industrial factory	100	26,000,000	24,216,510	3.35
(11) Toshiba TEC	Freehold	Not applicable	Shah Alam	Office	100	32,200,000	32,142,972	4.15
(12) Contraves*	Freehold	Not applicable	Cyberjaya	Office	100	42,000,000	40,232,532	5.41
(13) Vista Tower*	Freehold	Not applicable	Kuala Lumpur	Office	68	525,000,000	456,193,730	67.60
Investment properties						1,407,500,000	1,176,112,416	
Investment property classified as asset held for sale (Note 8)						(8,500,000)	(18,300,000)	
						1,399,000,000	1,157,812,416	



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

Details of the investment properties are as follows: (continued)

Item	Description of property	Tenure of land	Term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2018 %	Fair value as at 31.12.2018 RM	Cost as at 31.12.2018 RM	Percentage of fair value to Net Asset Value as at 31.12.2018 %
(1)	Ex-Holiday Villa Alor Setar#	Leasehold	99 years expiring 2107	Alor Setar	Hotel	-	28,000,000	31,000,000	3.61
(2)	Holiday Villa Langkawi*	Freehold	Not applicable	Pulau Langkawi	Resort hotel	100	83,500,000	59,536,444	10.77
(3)	SEGi College	Freehold	Not applicable	Subang Jaya	College	100	73,500,000	52,500,000	9.48
(4)	SEGi University *#	Leasehold	99 years expiring 2108	Kota Damansara	College/ Campus	100	185,000,000	145,362,993	23.86
(5)	Block A & B, South City Plaza #	Leasehold	99 years expiring 2093	Seri Kembangan	Office (Block B)	50	10,000,000	18,300,000	1.29
(6)	Dana 13 *#	Leasehold	99 years expiring 2097	Petaling Jaya	Office	100	119,000,000	99,372,672	15.35
(7)	Help University*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	75,700,000	53,946,379	9.77
(8)	AIC Factory *	Leasehold	99 years expiring 2094	Shah Alam	Industrial factory	-	26,800,000	19,207,022	3.46
(9)	Gurun Automotive Warehouse	Leasehold	99 years expiring 2065	Gurun	Industrial warehouse	-	8,800,000	23,970,000	1.14
(10)	Selayang Mall*	Leasehold	99 years expiring 2079	Selayang Utama	Shopping complex	100	166,000,000	130,730,163	21.41
(11)	Wisma Comcorp*	Freehold	Not applicable	Shah Alam	Office	100	37,000,000	30,000,000	4.77
(12)	Deluge Factory*	Freehold	Not applicable	Nusa Jaya	Industrial factory	100	25,000,000	24,111,510	3.22
(13)	Toshiba TEC	Freehold	Not applicable	Shah Alam	Office	100	32,000,000	32,142,972	4.13
(14)	Contraves*	Freehold	Not applicable	Cyberjaya	Office	100	42,000,000	40,232,532	5.42
(15)	Vista Tower*	Freehold	Not applicable	Kuala Lumpur	Office	70	525,000,000	456,193,730	67.72
Investment properties							1,437,300,000	1,216,606,417	
Investment property classified as asset held for sale (Note 8)							(35,600,000)	(43,177,022)	
							1,401,700,000	1,173,429,395	

* These properties were charged to financial institutions for banking facilities granted to AmanahRaya REIT (Note 10). The pledging of assets of AmanahRaya REIT was conducted pursuant to the Trust Deed dated 10 October 2006 under sub-clause 11.2 and is not prejudicial to the interest of the unitholders.

The title deeds of all properties of AmanahRaya REIT are registered under the name of the Trustee, except for these properties, which are pending the issuance of separate individual titles.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

The fair value of the investment properties as at 31 December 2019 were derived by the Directors of the Manager's assessment based on values obtained from latest valuations conducted by independent firms of professional valuers as shown below. The properties were valued by the following appointed valuers adopting suitable valuation approaches depending on the type of properties.

Item	Description of property	Valuer	Method of valuation	Date of valuation
(1)	Ex-Holiday Villa Alor Setar	IPC Island Property Consultants Sdn. Bhd.	Comparison	23 December 2019
(2)	Holiday Villa Langkawi	Rahim & Co International Sdn. Bhd.	Investment	8 January 2020
(3)	SEGi College	IPC Island Property Consultants Sdn. Bhd.	Comparison	17 December 2019
(4)	SEGi University	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	27 December 2019
(5)	Block A & B, South City Plaza	IPC Island Property Consultants Sdn. Bhd.	Investment	19 December 2019
(6)	Dana 13	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	30 December 2019
(7)	Help University	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	26 December 2019
(8)	Selayang Mall	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	26 December 2019
(9)	Wisma Comcorp	Rahim & Co International Sdn. Bhd.	Investment	31 December 2019
(10)	RHF Stone Factory	IPC Island Property Consultants Sdn. Bhd.	Cost	20 December 2019
(11)	Toshiba TEC	IPC Island Property Consultants Sdn. Bhd.	Investment	19 December 2019
(12)	Contraves	IPC Island Property Consultants Sdn. Bhd.	Comparison	23 December 2019
(13)	Vista Tower	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	26 December 2019

The fair value of the investment properties as at 31 December 2018 were derived from the Directors of the Manager's assessment based on values obtained from latest valuations conducted by independent firms of professional valuers as shown below. The properties were valued by the following appointed valuers adopting suitable valuation approaches depending on the type of properties.

Item	Description of property	Valuer	Method of valuation	Date of valuation
(1)	Ex-Holiday Villa Alor Setar	First Pacific Valuers Property Consultants Sdn. Bhd.	Comparison	9 November 2018
(2)	Holiday Villa Langkawi	IPC Island Property Consultants Sdn. Bhd.	Comparison	16 November 2018
(3)	SEGi College	IPC Island Property Consultants Sdn. Bhd.	Comparison	12 November 2018
(4)	SEGi University	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	9 November 2018
(5)	Block A & B, South City Plaza	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	8 November 2018
(6)	Dana 13	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	9 November 2018
(7)	Help University	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	9 November 2018
(8)	AIC Factory	Hakimi & Associates Sdn. Bhd.	Cost	5 November 2018
(9)	Gurun Automotive Warehouse	IPC Island Property Consultants Sdn. Bhd.	Cost	14 November 2018
(10)	Selayang Mall	IPC Island Property Consultants Sdn. Bhd.	Comparison	8 November 2018
(11)	Wisma Comcorp	IPC Island Property Consultants Sdn. Bhd.	Investment	12 November 2018
(12)	Deluge Factory	IPC Island Property Consultants Sdn. Bhd.	Cost	25 October 2018
(13)	Toshiba TEC	IPC Island Property Consultants Sdn. Bhd.	Investment	12 November 2018
(14)	Contraves	IPC Island Property Consultants Sdn. Bhd.	Comparison	12 November 2018
(15)	Vista Tower	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	15 November 2018



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

The following are recognised in profit or loss in respect of investment properties:

	Note	2019 RM	2018 RM
Rental income			
- Realised		95,877,818	96,684,553
- Unrealised (in relation to unbilled lease income receivable)		998,272	559,485
Property operating expenses	13	96,876,090 (16,210,440)	97,244,038 (17,673,739)
Net property income		80,665,650	79,570,299

4.1 Operating lease receivable

The operating lease payments to be received are as follows:

	2019 RM
Less than one year	62,381,495
One to two years	48,907,551
Two to three years	41,923,523
Three to four years	22,095,322
Four to five years	14,793,913
More than five years	33,785,969
Total undiscounted lease payments	223,887,773
	2018 RM
Less than one year	51,039,081
Between one and five years	102,996,210
More than five years	19,573,330
Total undiscounted lease payments	173,608,621

4.2 Fair value information

Fair values of investment properties are categorised as follows:

	2019 Level 3 RM	2018 Level 3 RM
Land and buildings	1,399,000,000	1,401,700,000



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

4.1 Fair value information (continued)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process.	Risk-adjusted capitalisation rates ranging from 5.00% - 6.50%.	The estimated fair value would increase (decrease) if: Risk-adjusted capitalisation rates were lower (higher).
Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	Risk-adjusted discount rate ranging from 5.25% - 6.75%.	Risk-adjusted discount rates were lower (higher).
The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market.	- The occupancy rates are 0% - 80%. - Adjusted land value ranging from RM182.00 per sq. ft. - RM559.90 per sq. ft.	- Average occupancy rate was higher (lower). - Adjusted land value per square foot was higher (lower).
Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.		



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties (continued)

4.1 Fair value information (continued)

Level 3 fair value (continued)

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of size, reconstruction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reconstruction or replacement cost of building is derived from estimates or current market prices for materials, labour and present construction techniques. Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.	- Land value at RM107.00 per sq. ft. - Replacement cost ranging from RM140 per sq. ft. - RM150 per sq. ft. - Depreciation rates at 15%.	The estimated fair value would increase (decrease) if: - Land value per square foot was higher (lower). - Replacement cost per square foot was higher (lower). - Depreciation rates were lower (higher).

Valuation process applied by AmanahRaya REIT for Level 3 fair value

The fair value of investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Highest and best use

AmanahRaya REIT's current use of the properties on its own are the highest and best use as there are no other factors to suggest that a different use would maximise the value of the properties.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Trade and other receivables

	Note	2019 RM	2018 RM
Trade			
Trade receivables	5.1	2,060,766	675,464
Non-trade			
Other receivables		1,863,012	4,306,396
Deposits		1,998,280	1,521,664
Prepayment		144,283	123,241
		4,005,575	5,951,301
		6,066,341	6,626,765

5.1 Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by AmanahRaya REIT ranged from 7 days to 30 days (2018: 7 days to 30 days).

6. Security deposits in trust accounts

	Note	2019 RM	2018 RM
Security deposits placed with ITA-ARB	6.1	13,806,908	20,628,182

6.1 Security deposits placed with ITA-ARB

Security deposits received from the lessees together with their accrued interest are placed with the Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB"). The interest rates of the security deposits placed with ITA-ARB is at 3.75% (2018: 3.75%) per annum. Pursuant to the lease agreements, lessees are entitled to the interest earned from the security deposits placed with ITA-ARB.

AmanahRaya REIT has the right to deduct from the security deposits in the event of arrears in rental payment or early termination by the lessee.

7. Cash and cash equivalents

	Note	2019 RM	2018 RM
Cash and bank balances		12,981,868	2,061,940
Deposits placed with licensed financial institutions	7.1	31,500,000	32,647,848
		44,481,868	34,709,788

7.1 Deposits placed with licensed financial institutions

The deposits are placed with licensed financial institutions at interest rates ranging from 3.05% to 3.55% (2018: 3.00% to 3.70%) per annum.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Asset classified as held for sale

On 30 April 2019, AmanahRaya REIT has accepted an offer from a prospective buyer and has agreed to sell South City Plaza for a total consideration of RM8,500,000. Accordingly, this property was classified as held for sale. The transaction has yet to complete at end of reporting period.

As at 31 December 2019, South City Plaza had a carrying value of RM8,500,000 (Note 4).

On 26 December 2018 and 31 December 2018, AmanahRaya REIT entered into a sale and purchase agreement for the disposal of two investment properties, namely Gurun Automotive Warehouse for a total consideration of RM8,800,000 and AIC Factory for a total consideration of RM26,800,000 respectively. Accordingly, these properties were classified as held for sale.

As at 31 December 2018, Gurun Automotive Warehouse had a carrying value of RM8,800,000 (Note 4) and AIC Factory had a carrying value of RM26,800,000 (Note 4).

The disposal of AIC Factory and Gurun Warehouse were completed on 26 June 2019 and 16 December 2019 respectively.

9. Total unitholders' fund

9.1 Unitholders' capital

	Number of units 2019	2019 RM	Number of units 2018	2018 RM
Issued and fully paid	573,219,858	519,685,915	573,219,858	519,685,915

9.2 Unitholdings of related parties

As at 31 December 2019, the Manager and Directors of the Manager did not hold any units in AmanahRaya REIT. However, the holding company and its related parties held units in AmanahRaya REIT as follows:

	Number of units held	Percentage of total units %	Market value
Direct unitholdings in AmanahRaya REIT of the holding company and its related parties			
2019			
Amanah Raya Berhad	271,186,379	47.31	200,677,920
KDA Capital Malaysia Sdn. Bhd.	85,982,979	15.00	63,627,404
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,504,124
	359,201,958	62.66	265,809,448
2018			
Amanah Raya Berhad	271,186,379	47.31	222,372,831
KDA Capital Malaysia Sdn. Bhd.	85,982,979	15.00	70,506,043
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,666,732
	359,201,958	62.66	294,545,606

The market value is determined by using the closing market price of AmanahRaya REIT as at 31 December 2019 of RM0.74 (2018: RM0.82) per unit.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Borrowings

	Note	2019 RM	2018 RM
Non-current			
Term loan I	10.1	-	85,000,000
Term loan II	10.1	-	103,230,000
Term loan III	10.2	33,920,000	33,920,000
		33,920,000	222,150,000
Unrated medium term notes	10.3	450,000,000	450,000,000
Less: Unamortised transaction costs		(1,280,125)	(1,665,885)
		482,639,875	670,484,115
Current			
Term loan I	10.1	85,000,000	-
Term loan II	10.1	77,234,000	-
		162,234,000	-
Less: Unamortised transaction costs		(33,333)	-
		162,200,667	-
		644,840,542	670,484,115

The term loans are secured by way of first legal charge on investment properties amounting to RM1,266,000,000 (2018: RM1,285,000,000), as disclosed in Note 4 to the financial statements.

Borrowing costs are payable in arrears on a monthly basis.

Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January 2018 RM	Net changes from financing cash flows RM	At 31 December 2018/ 1 January 2019 RM	Net changes from financing cash flows RM	At 31 December 2019 RM
Term loans	290,150,000	(68,000,000)	222,150,000	(25,996,000)	196,154,000
Unrated medium term notes	450,000,000	-	450,000,000	-	450,000,000
Revolving credit	25,000,000	(25,000,000)	-	-	-
Total liabilities from financing activities	765,150,000	(93,000,000)	672,150,000	(25,996,000)	646,154,000

10.1 Term loans I and II

Term loans I and II bear interest based on Cost of Funds ("CoF") plus 1.0% (2018: CoF plus 1.0%) per annum and are each repayable on 7 May 2020.

10.2 Term loan III

Term loan III bears interest based on CoF plus 0.5% (2018: 0.5%) per annum and is repayable on 22 December 2021.

10.3 Medium term notes of RM950 million

On 29 November 2017, the Securities Commission Malaysia had approved and authorised the establishment of a proposed medium term notes ("MTNs") programme of RM950 million in nominal value ("MTN Programme") to be undertaken by ARREIT MTN 1 Sdn. Bhd. ("Issuer"), a company wholly-owned by AmanahRaya REIT. The MTN Programme shall have a tenure of 15 years from the date of the first issuance of MTNs under the MTN Programme.

As at the date of the financial statements, RM450 million has been issued with a floating coupon rate based on CoF plus 0.5% (2018: 0.5%) per annum.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Trade and other payables

	Note	2019 RM	2018 RM
Non-current			
Non-trade			
Tenants' deposits	11.1	16,260,454	16,018,913
Current			
Trade			
Trade payable	11.2	416,902	363,658
Non-trade			
Tenants' deposits	11.1	5,904,556	9,923,732
Other payables and accrued expenses	11.3	17,218,471	21,396,986
		23,539,929	31,684,376
		39,800,383	47,703,289

11.1 Tenants' deposits

Included in tenant deposits are refundable deposits of RM8,332,585 (2018: RM12,858,585) received from lessees for tenancy contracts with tenure of one (1) to twenty-five (25) years which are placed with ITA-ARB as disclosed in Note 6 to the financial statements.

Since the inception of AmanahRaya REIT, the Manager has received rental deposits from tenants by way of bank guarantee as follows:

Tenants	Property	Amount RM	Remarks
SEG International Berhad	SEGi College	12,316,500	Equivalent to three (3) years' rental
SEG International Berhad	SEGi University	14,355,000	Equivalent to one (1) year rental
HELP University Sdn. Bhd.	Wisma Amanah Raya Berhad	1,406,337	Equivalent to three (3) months' rental
Seal Incorporated Berhad	Selayang Mall	2,242,888	Equivalent to three (3) months' rental
Aegis BPO Malaysia Sdn. Bhd.	Dana 13	8,388,120	Equivalent to one (1) year rental
Total		38,708,845	

The bank guarantees are unconditional, irrevocable and payable to AmanahRaya REIT in the event of default of the lease agreement by the lessees.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Trade and other payables (continued)

11.2 Trade payables

In 2018, included in trade payables were amounts owing to the Manager of RM16,912 which were unsecured, interest-free and repayable on demand. The normal trade credit term granted to AmanahRaya REIT is 30 days.

11.3 Other payables and accrued expenses

Included in other payables and accrued expenses is interest of RM5,474,323 (2018: RM7,769,598) generated from security deposits placed with ITA-ARB as disclosed in Note 6 to the financial statements. In addition to that, the Manager declared a third interim income distribution of RM8,598,372 (2018: RM7,764,334) or RM1.500 sen (2018: RM1.355 sen) per unit which has been paid on 10 January 2020 (2018: 11 January 2019).

12. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Investment properties	1,517,000	-	(12,140,000)	(5,863,577)	(10,623,000)	(5,863,577)

Movement in temporary differences during the year:

	At 1.1.2018 RM	Recognised in profit or loss (Note 14) RM	At 31.12.2018/ 1.1.2019 RM	Recognised in profit or loss (Note 14) RM	At 31.12.2019 RM
Investment properties	-	(5,863,577)	(5,863,577)	(4,759,423)	(10,623,000)

13. Property operating expenses

	2019 RM	2018 RM
Assessment and quit rent	3,463,869	3,449,546
Service contracts and maintenance	9,782,820	11,420,973
Property management fees	2,165,471	1,827,729
Insurance	798,280	975,491
	16,210,440	17,673,739



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Tax expense

		2019 RM	2018 RM
Recognised in profit or loss			
Current tax expense			
- Current year		730,965	-
- Prior year		53	-
		731,018	-
Deferred tax expense			
- Current year		4,759,423	5,863,577
Total tax expense		5,490,441	5,863,577
Reconciliation of tax expense			
	Note	2019 RM	2018 RM
Profit before taxation		40,984,574	87,114,039
Income tax using Malaysian tax rate at 24%		9,836,298	20,907,369
Non-deductible expenses		749,312	696,251
Effect of income exempted from tax		(9,854,645)	(21,603,620)
Under provided in prior year		53	-
		731,018	-
Cumulative fair value gain on investment properties subject to RPGT	14.1	4,759,423	5,863,577
Total tax expense		5,490,441	5,863,577

Pursuant to the amendment to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006, which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the Trust is distributed to its unitholders, the total income of the Trust for that year of assessment shall be exempted from tax.

As AmanahRaya REIT has met the abovementioned threshold, its total income for the financial year is exempted from tax. The current year tax of RM730,965 arose from the gain on disposal of the AIC Factory during the year.

14.1 Real property gains tax

For freehold investment property carried at fair value, there is a presumption that its carrying amount will be recovered through sale. Hence, the measurement of deferred tax asset or liability pertaining to the investment property will be based on the RPGT rate.

It is in the business model of AmanahRaya REIT to hold investment properties to earn rental income and for long-term capital growth. Hence, there are no expected disposals of investment properties held for less than 5 years.

Prior to Budget 2020, the RPGT rate prescribed for disposals made by a trustee of a trust was deemed to be 5% following the rate prescribed for individuals (citizens and permanent residents). Based on the Finance Act 2018 which was gazetted in December 2019, it was proposed that the RPGT rate of 10% prescribed for a trustee of a trust.

As a result of this, AmanahRaya REIT has recognised additional deferred tax expense of RM4,759,623, as disclosed above, for the Real Property Gain Tax ("RPGT") exposure on the cumulative fair value gain of investment properties that are expected to be realised through sale.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Earnings per unit

The earnings per unit before Manager's fee of 7.353 sen (2018: 15.361 sen) is calculated by dividing the net income after taxation but before deduction of Manager's fees for the financial year of RM42,146,762 (2018: RM88,050,095) by the weighted average number of units in circulation during the financial year of 573,219,858 (2018: 573,219,858).

The earnings per unit after Manager's fee of 6.192 sen (2018: 14.174 sen) is calculated based on the net income after taxation of RM35,494,133 (2018: RM81,250,462) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2018: 573,219,858).

16. Distributions to unitholders

Distributions to unitholders are from the following sources:

	2019 RM	2018 RM
Net realised rental income	95,877,818	96,684,553
Interest income	1,096,842	1,338,781
Other income	89,352	89,774
	97,064,012	98,113,108
Less: Expenses	(59,927,435)	(63,147,365)
Total income available for distribution	37,136,577	34,965,743
Less: Undistributed income	(1,596,102)	(862)
	35,540,475	34,964,881
Distribution per unit (sen)	6.200	6.100

17. Portfolio turnover ratio

	2019	2018
Portfolio Turnover Ratio ("PTR") (times)	0.02	0.35

The calculation of PTR is based on the average of total acquisitions and total disposals of investments during the year to the average net asset value of AmanahRaya REIT for the financial year calculated on a daily basis.

Since the basis of calculating PTR may vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of PTR of AmanahRaya REIT against other real estate investment trusts.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. Management expense ratio

	2019	2018
Management expense ratio ("MER") (%)	1.35	1.20

The calculation of the MER is based on the total expenses of AmanahRaya REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value of AmanahRaya REIT for the financial year calculated on a daily basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of AmanahRaya REIT with other real estate investment trusts may not be an accurate comparison.

19. Financial instruments

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Carrying amount 2019 RM	AC 2019 RM	Carrying amount 2018 RM	AC 2018 RM
Financial assets				
Trade and other receivables	5,922,058	5,922,058	6,503,524	6,503,524
Security deposits in trust accounts	13,806,908	13,806,908	20,628,182	20,628,182
Cash and cash equivalents	44,481,868	44,481,868	34,709,788	34,709,788
	64,210,834	64,210,834	61,841,494	61,841,494
Financial liabilities				
Borrowings	644,840,542	644,840,542	670,484,115	670,484,115
Trade and other payables	39,800,383	39,800,383	47,703,289	47,703,289
	684,640,925	684,640,925	718,187,404	718,187,404

19.2 Net gains and losses arising from financial instruments

	2019 RM	2018 RM
Net gains/(losses) on:		
Financial assets at amortised cost	1,096,842	1,338,781
Financial liabilities at amortised cost	(33,167,462)	(36,023,502)

19.3 Financial risk management

AmanahRaya REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.4 Credit risk

Credit risk is the risk of a financial loss to AmanahRaya REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. AmanahRaya REIT's exposure to credit risk arises principally from its receivables from tenants. AmanahRaya REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits or bank guarantees. There are no significant changes as compared to prior periods.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, AmanahRaya REIT assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when AmanahRaya REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposures to credit risk arising from receivables are represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. AmanahRaya REIT uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM2,060,766 (2018: RM675,464) and are secured by tenants' deposits.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by tenants was:

	2019 RM	2018 RM
Tenant A	1,031,250	-
Tenant B	415,422	-
Tenant C	138,067	360,000
	1,584,739	360,000



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.4 Credit risk (continued)

Recognition and measurement of impairment loss

AmanahRaya REIT assesses the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. AmanahRaya REIT maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM	Loss allowances RM	Net RM
2019			
Past due 1 - 30 days	456,635	-	456,635
Past due 31 - 60 days	491,932	-	491,932
Past due 61 - 90 days	289,573	-	289,573
Past due more than 120 days	822,626	-	822,626
	2,060,766	-	2,060,766
2018			
Past due 1 - 30 days	331,986	-	331,986
Past due 31 - 60 days	181,114	-	181,114
Past due more than 120 days	162,364	-	162,364
	675,464	-	675,464

AmanahRaya REIT has not recognised any loss allowance on credit impaired tenants as it was not material.

19.5 Liquidity risk

Liquidity risk is the risk that AmanahRaya REIT will not be able to meet its financial obligations as they fall due. AmanahRaya REIT's exposure to liquidity risk arises principally from its various payables, loans and borrowings. Within the loans and borrowings, there are Term Loan I and Term Loan II amounting to RM85,000,000 and RM77,234,000 respectively maturing on 7 May 2020. The Manager has secured a refinancing arrangement with a financial institution to repay these loans as and when they fall due.

In addition, the Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance AmanahRaya REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Listed Real Estate Investment Trusts concerning limits on total borrowing.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of AmanahRaya REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 - 5 years RM	More than 5 years RM
2019						
Financial liabilities						
Trade and other payables	39,800,383	-	39,800,383	23,539,929	7,840,854	8,419,600
Borrowings	644,840,542	4.73 - 5.40	762,673,731	189,437,012	573,236,719	-
	<u>684,640,925</u>		<u>802,474,114</u>	<u>212,976,941</u>	<u>581,077,573</u>	<u>8,419,600</u>
2018						
Financial liabilities						
Trade and other payables	47,703,289	-	47,703,289	30,978,982	8,370,715	8,353,592
Borrowings	670,484,115	4.60 - 5.35	816,614,384	33,290,407	278,570,423	504,753,554
	<u>718,187,404</u>		<u>864,317,673</u>	<u>64,269,389</u>	<u>286,941,138</u>	<u>513,107,146</u>

19.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect AmanahRaya REIT's financial position or cash flows.

Interest rate risk

Exposure to interest rate risk

The interest rate profile of AmanahRaya REIT's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year was:

	2019 RM	2018 RM
Financial asset		
<i>Fixed rate instrument</i>		
Security deposits in trust accounts	13,806,908	20,628,182
Deposits placed with licensed financial institutions	31,500,000	32,647,848
	<u>45,306,908</u>	<u>53,276,030</u>
Financial liabilities		
<i>Floating rate instruments</i>		
Borrowings	644,840,542	670,484,115



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.6 Market risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis

AmanahRaya REIT does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and AmanahRaya REIT does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) unitholders' funds and post-tax profit or loss by the amounts shown below.

	Profit/(Loss)	
	100 bp increase RM	100 bp decrease RM
2019		
Floating rate instruments	(6,448,405)	6,448,405
2018		
Floating rate instruments	(6,704,841)	6,704,841



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.7 Fair value information

The carrying amounts of borrowings and tenants' deposits reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM	RM	RM	RM
2019									
Financial liabilities									
Borrowings	-	-	-	-	-	-	644,840,542	644,840,542	644,840,542
Tenants' deposits	-	-	-	-	-	-	22,165,010	22,165,010	22,165,010
	-	-	-	-	-	-	667,005,552	667,005,552	667,005,552
2018									
Financial liabilities									
Borrowings	-	-	-	-	-	-	670,484,115	670,484,115	670,484,115
Tenants' deposits	-	-	-	-	-	-	25,942,645	25,942,645	25,942,645
	-	-	-	-	-	-	696,426,760	696,426,760	696,426,760



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Financial instruments (continued)

19.7 Fair value information (continued)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits	Discounted cash flows using interest rate placed with ITA-ARB at 3.75% (2018: 3.75%) per annum.
Borrowings	Discounting cash flows using market interest rate on similar instruments

20. Capital management

The primary objective of the Manager is to ensure that AmanahRaya REIT would be able to continue as a going concern while maximising the returns to unitholders through a balance between issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from financial year ended 31 December 2019.

The Manager manages the capital structure of AmanahRaya REIT and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made to the objectives, policies or processes during the financial year ended 31 December 2019.

The Manager will also comply with the provisions of the Trust Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of AmanahRaya REIT.

The Manager monitors capital using a gearing ratio, which is total borrowings divided by total assets of AmanahRaya REIT pursuant to Securities Commission's Guidelines on Listed Real Estate Investment Trusts.

	2019 RM	2018 RM
Total borrowings	644,840,542	670,484,115
Total assets	1,471,855,117	1,499,264,735
Gearing ratio	43.81%	44.72%



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Operating segments

As the principal activity of AmanahRaya REIT is to invest in properties which are all located in Malaysia with the primary objective to derive rental income, there are no risk and returns distinguishable between business and geographical segments. No operating segment reporting is thus presented.

22. Related parties

For the purposes of these financial statements, parties are considered to be related to AmanahRaya REIT if AmanahRaya REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where AmanahRaya REIT and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of AmanahRaya REIT either directly or indirectly. The key management personnel include all the Directors of the Manager and the Trustee and certain members of senior management of the Manager and the Trustee.

Significant related party transactions

Related party transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	2019 RM	2018 RM
Security deposits from lessees placed with the holding company of the Manager (Note 6)	13,806,908	20,628,182
Manager's fees	6,652,629	6,799,633

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.



UNITHOLDERS STATISTICS

Top 30 Unitholders as at 31 December 2019

TOTAL UNITHOLDERS: 5,284

RANKING	UNITHOLDER	NO. OF UNITS	% OF TOTAL ISSUED UNITS
1.	AMANAHRAYA BERHAD (KUMPULAN WANG BERSAMA)	271,186,379	47.31
2.	UOBM NOMINEES (TEMPATAN) SDN. BHD. KDA CAPITAL MALAYSIA SDN. BHD.	85,982,979	15.00
3.	PERBADANAN KEMAJUAN NEGERI SELANGOR	32,360,000	5.65
4.	CAHYA MATA SARAWAK BERHAD	5,000,000	0.87
5.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	4,179,200	0.73
6.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. MCIS INSURANCE BERHAD (LIFE PAR FD)	4,022,000	0.70
7.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,361,000	0.41
8.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR RAM HOLDINGS BERHAD (PB)	2,339,700	0.41
9.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MOHD ISKANDAR LAU BIN ABDULLAH	2,216,300	0.39
10.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. MCIS INSURANCE BERHAD (ANN FD)	2,033,200	0.35
11.	AMANA RAYA BERHAD AMANA RAYA CAPITAL SDN. BHD.	2,032,600	0.35
12.	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIEW SUN YICK	1,585,000	0.28
13.	YEO ENG SENG	1,214,400	0.21
14.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. VALUECAP SDN. BHD.	1,116,100	0.19
15.	KUMPULAN WANG PERSARAAN (DIPERBANKAN)	1,116,100	0.19
16.	PERMODALAN NASIONAL BERHAD	1,116,100	0.19
17.	TEE KIAM HENG	1,100,000	0.19
18.	MALYSIAN RATING CORPORATION BERHAD	1,095,000	0.19
19.	LABUAN REINSURANCE (L) LTD	1,065,500	0.19
20.	ANG SIEW SIANG	1,050,000	0.18
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PEE SIEW BOON (8057713)	1,030,000	0.18
22.	SEG EQUITY SDN. BHD.	1,000,000	0.17
23.	STATE INSURANCE BROKERS SDN. BHD.	1,000,000	0.17
24.	TEW SOO CHIM	999,000	0.17
25.	BOH PLANTATIONS SDN BERHAD	880,600	0.15
26.	CHAN WAI CHON	880,000	0.15
27.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR RHB EMERGING OPPORTUNITY UNIT TRUST	830,000	0.14
28.	LIAN MONG YEE @ LIAN MUNG YEE	810,600	0.14
29.	BOH PLANTATIONS SDN BERHAD	750,300	0.13
30.	CHUAH HOCK SENG @ CHUAH TEONG KOK	750,000	0.13
TOTAL		433,102,058	75.51



ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDERS AS AT 31.12.2019

Unit Class	No. of Unitholders	%	Unitholdings	%
Less than 100	32	0.61	555	0.00
100 - 1,000	803	15.20	561,545	0.10
1,001 - 10,000	2,489	47.10	13,703,700	2.39
10,001 - 100,000	1,635	30.94	55,875,800	9.74
100,001 to less than 5% of issued holdings	322	6.09	113,548,900	19.81
5% and above the issued holdings	3	0.06	389,529,358	67.95
Total	5,284	100.00	573,219,858	99.99

The units in circulation remained at 573,219,858 during the financial year.

CATEGORY OF UNITHOLDERS AS AT 31.12.2019

Category of Unitholders	No. of Holders			No. of Securities hold		
	Malaysian		Foreign	Malaysian		Foreign
	Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra	
1) Individual	165	3,760	57	1,660,600	108,350,289	1,414,700
2) Body Corporate						
a. Banks / Finance Companies	5	-	-	275,851,179	-	-
b. Investments Trust/ Foundation/Charities	-	-	-	-	-	-
c. Other Type of Companies	9	49	1	6,526,000	8,952,611	40,000
3) Government agencies / Institutions*	1	-	-	32,360,000	-	-
4) Nominees	818	380	39	19,524,800	113,296,879	5,242,800
5) Others	-	-	-	-	-	-
Total	998	4,189	97	335,922,579	230,599,779	6,697,500



ADDITIONAL DISCLOSURE

ADDITIONAL INFORMATION PURSUANT TO LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds received during the current financial year.

2. SHARE BUY-BACKS DURING THE FINANCIAL YEAR

AmanahRaya REIT did not carry out any share buy-backs exercise during the financial year ended 31 December 2019.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

AmanahRaya REIT did not issue any warrants or convertible securities for the financial year ended 31 December 2019.

4. AMERICAN DEPOSITORY RECEIPTS (“ADR”)/GLOBAL DEPOSITORY RECEIPT (“GDR”)

AmanahRaya REIT has not sponsored any ADR/GDR programme during the financial year ended 31 December 2019.

5. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2019.



NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of AmanahRaya Real Estate Investment Trust ("**ARREIT**") will be held at Nusantara Ballroom 2 & 3, Level 2, Sheraton Imperial Hotel Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 15 April 2020 at 10.00 a.m. to consider the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of ARREIT together with the Reports attached thereon. (Please refer Explanatory Note 1)

SPECIAL BUSINESS

To consider and if thought fit, to pass Resolution with or without modifications:-

2. **PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW UNITS PURSUANT TO PARAGRAPH 6.59 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("PROPOSED RENEWAL OF AUTHORITY")** Ordinary Resolution (Please refer Explanatory Note 2)

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and subject to the approvals from the relevant regulatory authorities, where such approval is required, the Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd., the Manager of ARREIT ("the Manager"), be and are hereby authorised to allot and issue new units in ARREIT ("New Units") at any time to any such persons, and upon such terms and conditions as the Directors of the Manager may in their absolute discretion, deem fit and in the best interest of ARREIT, provided that the aggregate number of the New Units to be allotted and issued pursuant to this resolution, when the aggregate number of units issued during the preceding twelve (12) months, does not exceed 20% of the issued fund size of ARREIT.

THAT such authority shall continue to be in force until:-

- i. the conclusion of the next Annual General Meeting ("AGM") of ARREIT at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed;
- ii. the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- iii. the Proposed Renewal Authority is revoked or varied by the Unitholders in a Unitholders' meeting.

whichever is the earliest;

THAT such New Units to be issued pursuant to the Proposed Renewal Authority shall, upon allotment and issuance, rank equally in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared, made or paid before the date of allotment and issuance of the New Units;

AND THAT authority be and is hereby given to the Directors of the Manager and Pacific Trustees Berhad ("the Trustee") (acting for and on behalf of ARREIT), to give effect to the Proposed Renewal of Authority with full power to assent to any conditions, variations, modifications, arrangements and/or amendments in relation to the Proposed Renewal of Authority as they may deem fit in the best interests of the Unitholders and/or as may be imposed by the relevant authorities **AND FURTHER THAT** the Directors of the Manager and the Trustee (acting for and on behalf of ARREIT) to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Renewal of Authority."



NOTICE OF EIGHTH ANNUAL GENERAL MEETING (CONT'D)

OTHER BUSINESS

3. To transact any other business for which due notice shall have been given in accordance with the Deed of Trust constituting ARREIT.

By Order of the Board of Directors

AMANAHRAYA-KENEDIX REIT MANAGER Sdn. Bhd.

REGISTRATION NO. 200901013113 (856167-A)

Management Company of ARREIT

Jerry Jesudian a/l Joseph Alexander (MAICSA 7019735)

Leong Shiak Wan (f) (MAICSA 7012855)

Rizana binti Ahmad Rithauddeen (f) (LS 0009663)

Company Secretaries

Kuala Lumpur

28 February 2020

Notes:

- (1) A Unitholder of ARREIT shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to two (2) persons, whether a Unitholder or not, as its proxy to attend and vote.
- (2) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to two (2) persons (whether a Unitholder or not) as its proxy to attend and vote.
- (3) Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (4) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**Authorised Nominee**"), it may appoint at least one (1) proxy (but not more than two (2)) in respect of each securities account it holds with units of ARREIT standing to the credit of the said securities account.
- (5) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (6) Only a depositor whose name appears in the Record of Depositors of ARREIT as at 9 April 2020 shall be regarded as a Unitholder and entitled to attend, speak and vote at this Eighth AGM of ARREIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (7) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is corporation, the Instrument of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (8) To be valid, the original Instrument of Proxy duly completed and signed must be deposited with the Manager at **AmanahRaya-Kenedix REIT Manager Sdn. Bhd. at Level 2, Wisma AmanahRaya, No. 2 Jalan Ampang, 50508 Kuala Lumpur** no later than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the Instrument of Proxy proposes to vote; in default of this provision, the Instrument of Proxy shall not be treated as valid.

EXPLANATORY NOTES ON:

Ordinary Business

- 1) There shall be no voting on the aforesaid Ordinary Business given that the laying of the Audited Financial Statements for the financial year ended 31 December 2019 of ARREIT together with the Reports attached thereon ("the Accounts"), before the Unitholders at the Eighth AGM is meant for discussion only, in accordance with Paragraph 13.18(b) of Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission Malaysia.

The Accounts of ARREIT are contained in the 2019 Annual Report of ARREIT issued to all Unitholders of ARREIT on 28 February 2020 pursuant to Paragraph 9.45(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

If any Unitholder does not have a copy of the 2019 Annual Report, you may download from the corporate website of ARREIT at <http://www.amanahrayareit.com.my/or> request via telephone requisition at +603-2078 0898 from the principal place of business of the Manager.

Special Business

- 2) Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, if passed, the proposed Ordinary Resolution is for the purpose of granting a renewal mandate and would enable the Manager to issue up to a maximum of 20% of units of ARREIT as at the date of such issuance ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a unitholder's meeting, will expire at the conclusion of the next AGM of ARREIT.

The Renewed Mandate will enable the Manager to take swift action in case of a need for fund raising exercises including but not limited to further placement of units for purpose of funding current and/or future investment projects, working capital and/or acquisitions of investment assets

AMANAHRAYA ■ REIT

AMANAHRAYA REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of Malaysia)
(Managed by AmanahRaya-Kenedix REIT Manager Sdn. Bhd.)

INSTRUMENT OF PROXY

I/We.....
(Full Name as per NRIC No./Passport No./Certificate of Incorporation No. in Capital Letters)

NRIC No./Passport No./Certificate of Incorporation No.

of.....
(Full Address)

being a Unitholder of **AMANAHRAYA REAL ESTATE INVESTMENT TRUST**, do hereby appoint

..... NRIC No./Passport No.
(Full Name as per NRIC No./Passport No. in Capital Letters)

of
(Full Address)

or failing *him/her, NRIC No./Passport No.

of
(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy, to vote for *me/us and on *my/our behalf at the Eighth Annual General Meeting of ARREIT to be held at Nusantara Ballroom 2 & 3, Level 2, Sheraton Imperial Hotel Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 15 April 2020 at 10.00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your vote to be casted. If no specific direction is given, the proxy will vote or abstain from voting at his/her discretion.

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Renewal of Authority		

CDS Account No		
Total number of units held		
Number of units to be represented by each proxy	Proxy 1	Proxy 2

Dated this day of 2020

(*Delete if not applicable)

.....
Signature/Common Seal of Unitholder(s)

Notes:

- (1) A unitholder of ARREIT ("Unitholders") shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to two (2) persons, whether a Unitholder or not, as its proxy to attend and vote.
- (2) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to two (2) persons (whether a Unitholder or not) as its proxy to attend and vote.
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STAMP

AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Level 2, Wisma AmanahRaya

No. 2, Jalan Ampang

50508 Kuala Lumpur

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www.amanahrayareit.com.my

AMANAHRAYA ■ KENEDIX
REIT MANAGER

AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Company No. 200901013113 (856167-A)
(The Manager of AmanahRaya Real Estate Investment Trust)
Level 2, Wisma AmanahRaya, No. 2, Jalan Ampang
50508 Kuala Lumpur
Tel : 603 2078 0898 ■ Fax : 603 2026 6322