





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

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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
Registration No. 200901013113 (856167-A)
(Incorporated in Malaysia)

MANAGER'S REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

BOARD OF DIRECTORS OF THE MANAGER

Independent Non-Executive Directors

Mahadzir bin Azizan
(Chairman)

Dato' Haji Che Pee bin Samsudin

Zulazman bin Zulkifli

Dr Iskandar bin Ismail
(Appointed w.e.f. 1 April 2020)

Dato' Anthony @ Firdauz bin Bujang
(Resigned w.e.f. 25 May 2020)

Non-Independent Non-Executive Directors

Adenan bin Md Yusof

Michio Izawa

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

Shahlan bin Md Shukor @ Kadari
(Appointed w.e.f. 1 June 2020)

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

Ahmad Suhaimi bin Endut
(Resigned w.e.f. 28 February 2020)

AUDIT COMMITTEE

Dato' Haji Che Pee bin Samsudin
(Chairman)

Zulazman bin Zulkifli

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

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

INVESTMENT COMMITTEE

Zulazman bin Zulkifli
(Chairman)
(Re-designated as Chairman w.e.f. 25 May 2020)

Adenan bin Md Yusof

Michio Izawa

Dato' Anthony @ Firdauz bin Bujang
(Resigned w.e.f. 25 May 2020)

Dr Iskandar bin Ismail
(Appointed w.e.f. 1 April 2020)

TENDER COMMITTEE

Zulazman bin Zulkifli
(Chairman)
(Appointed w.e.f. 25 May 2020)

Michio Izawa

Ahmad Suhaimi bin Endut
(Resigned w.e.f. 28 February 2020)

Dato' Anthony @ Firdauz bin Bujang
(Resigned w.e.f. 25 May 2020)

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

Abdul Aziz bin Abdul Rasheed
Chief Executive Officer
(Appointed w.e.f. 30 April 2020)

Yusoff Iskandar bin Mohd Zaki
Head of Investment
(Appointed w.e.f. 19 March 2020)

Sahrul Nizam bin Mohd Salleh
Head of Finance
(Appointed w.e.f. 2 February 2021)

Roslin bin Zainuddin
Head of Property Management

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

Isyam Ishak
Head of Finance
(Resigned w.e.f. 11 January 2021)

Firdaus Musa
Head of Legal & Compliance
(Resigned w.e.f. 3 January 2021)

CORPORATE DIRECTORY

(CONT'D)

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 & AF 0758)
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

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

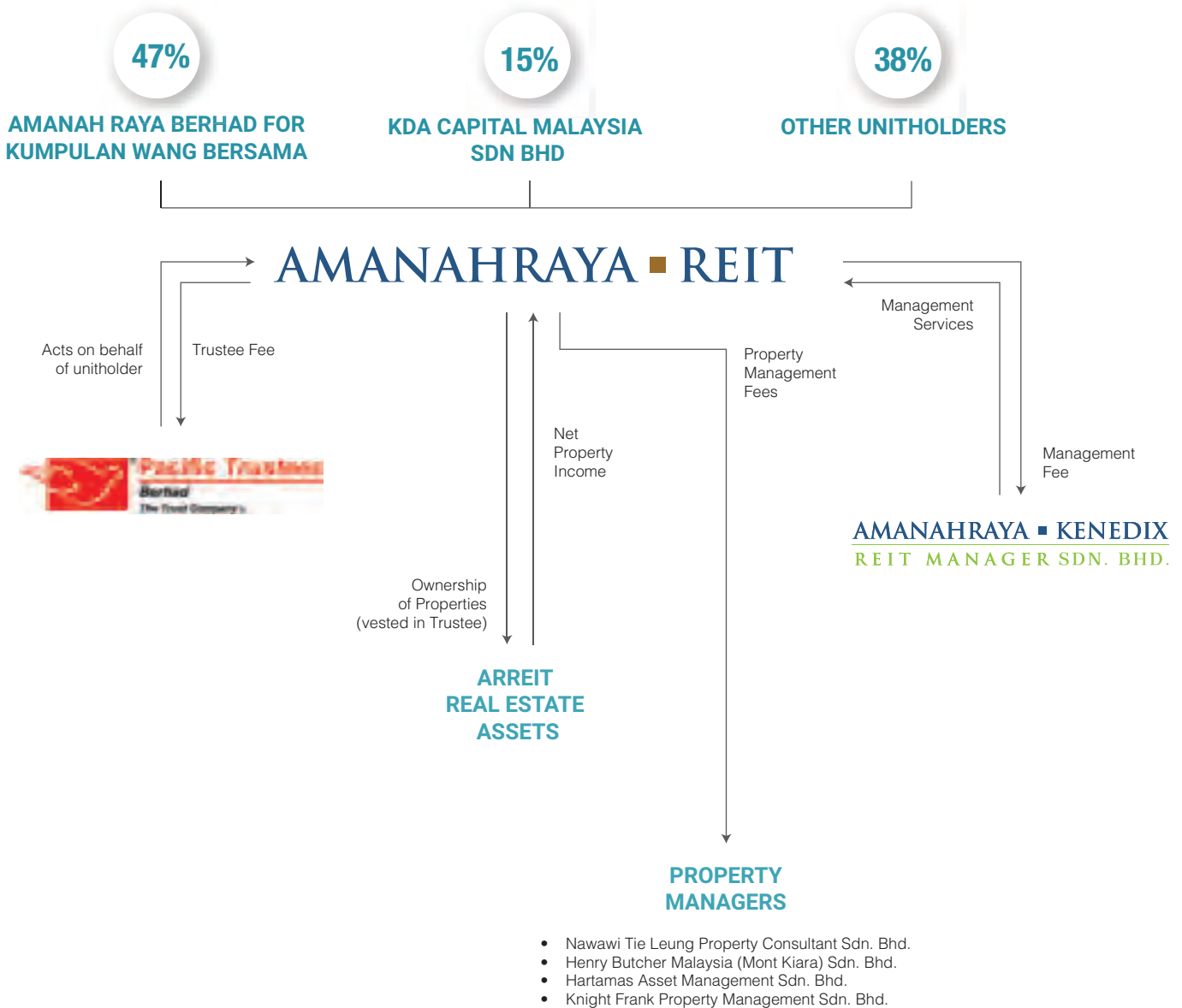
AmanahRaya Real Estate Investment Trust ("ARREIT") was established pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be 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.

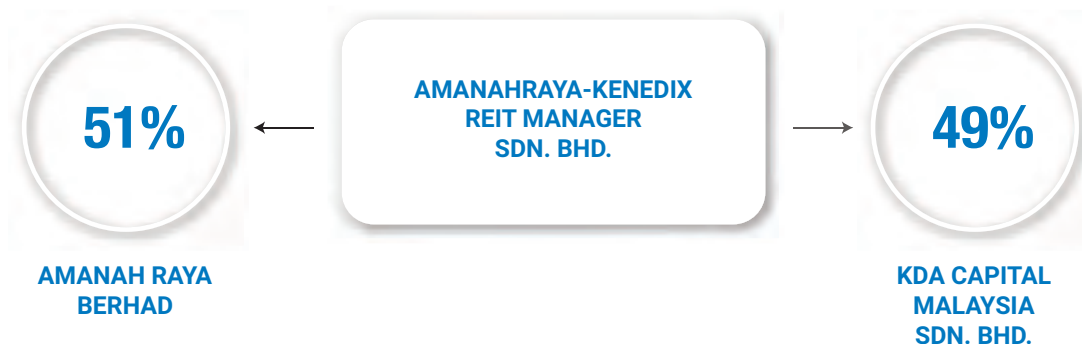
AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("Manager"), (License No: CMSL/A0309/2013) is a jointly owned entity by Amanah Raya Berhad and KDA Capital Malaysia Sdn. Bhd. ("KDA Capital"). The Manager was formed on 8 May 2009 and took over the management of ARREIT from AmanahRaya Investment Management Sdn. 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 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.

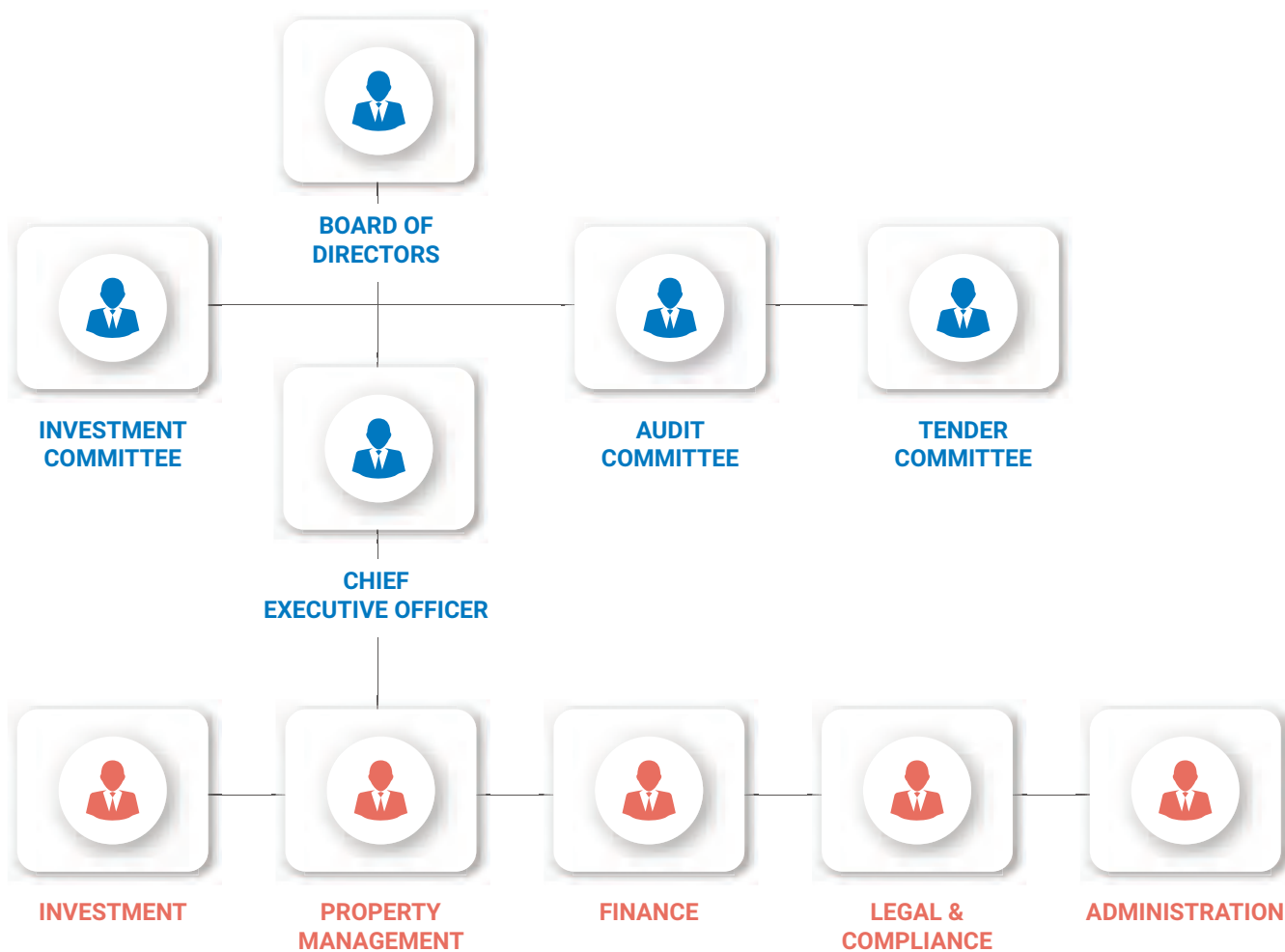
AMANAHRAYA REIT STRUCTURE



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: <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Management expense ratio Total returns Average annual return Distribution yield Net asset value (NAV)
Distribution Policy	<ul style="list-style-type: none"> Semi-annual income distribution Distribution of at least 90% (or such percentage as determined by the Manager at 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	<ul style="list-style-type: none"> RM0.895 - retail RM0.94 - institutional

FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2020



01 RM1.435 Bil

TOTAL ASSET VALUE



02 13

TOTAL NO. OF PROPERTIES



03 573,219,858

TOTAL UNIT ISSUED



04 1.3029

NET ASSET VALUE (NAV)
PER UNIT



05 44.85%

GEARING RATIO



06 5.0840

DPU 2020
(SEN PER UNIT)



07 RM0.66

PRICE AS AT
31 DECEMBER 2020
(PER UNIT)



08 RM378,325,106

MARKET CAPITALIZATION



09 10,372,800

TRADING VOLUME (UNIT)
(OCT-DEC 2020)



10 21,244,300

TRADING VOLUME (UNIT)
(JAN-DEC 2020)



11 RM0.51

LOWEST PRICE 2020



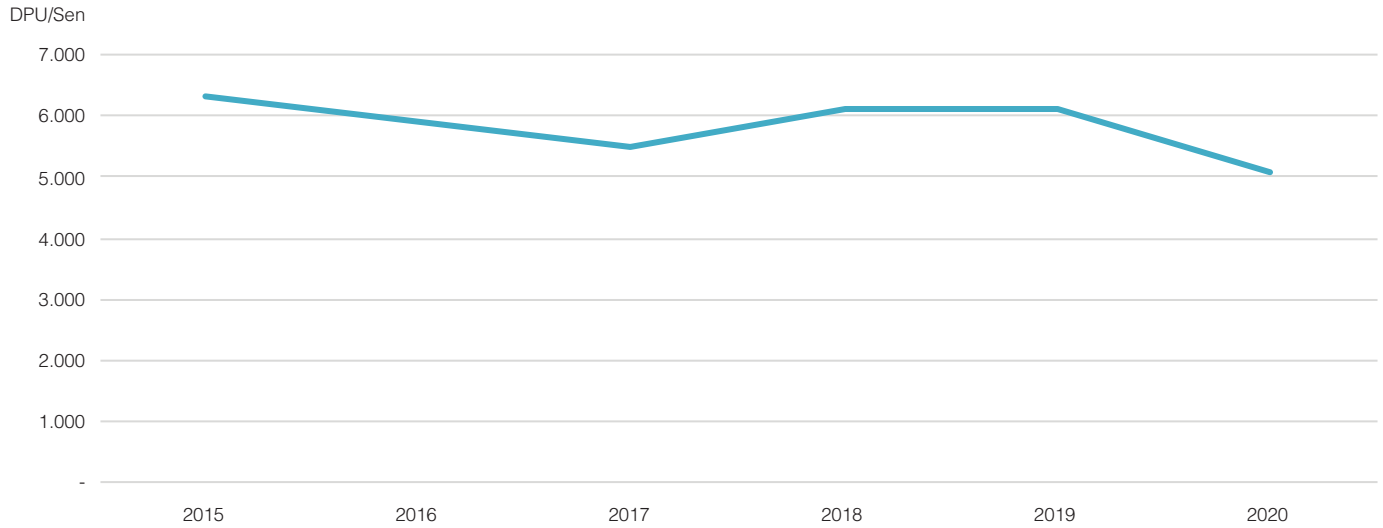
12 RM0.77

HIGHEST PRICE 2020

FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2020 (CONT'D)

DISTRIBUTION PER UNIT (SEN)



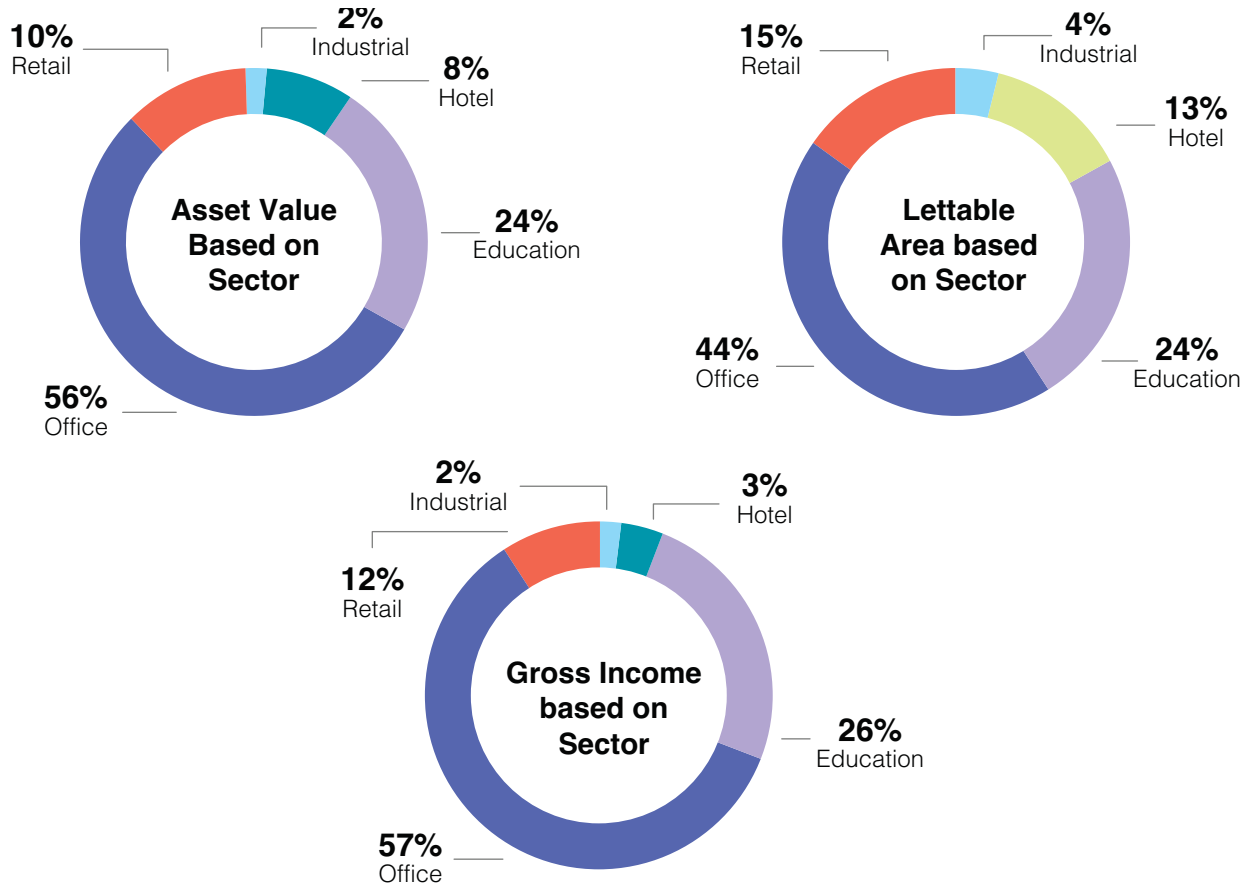
ARREIT VOLUME VS PRICE



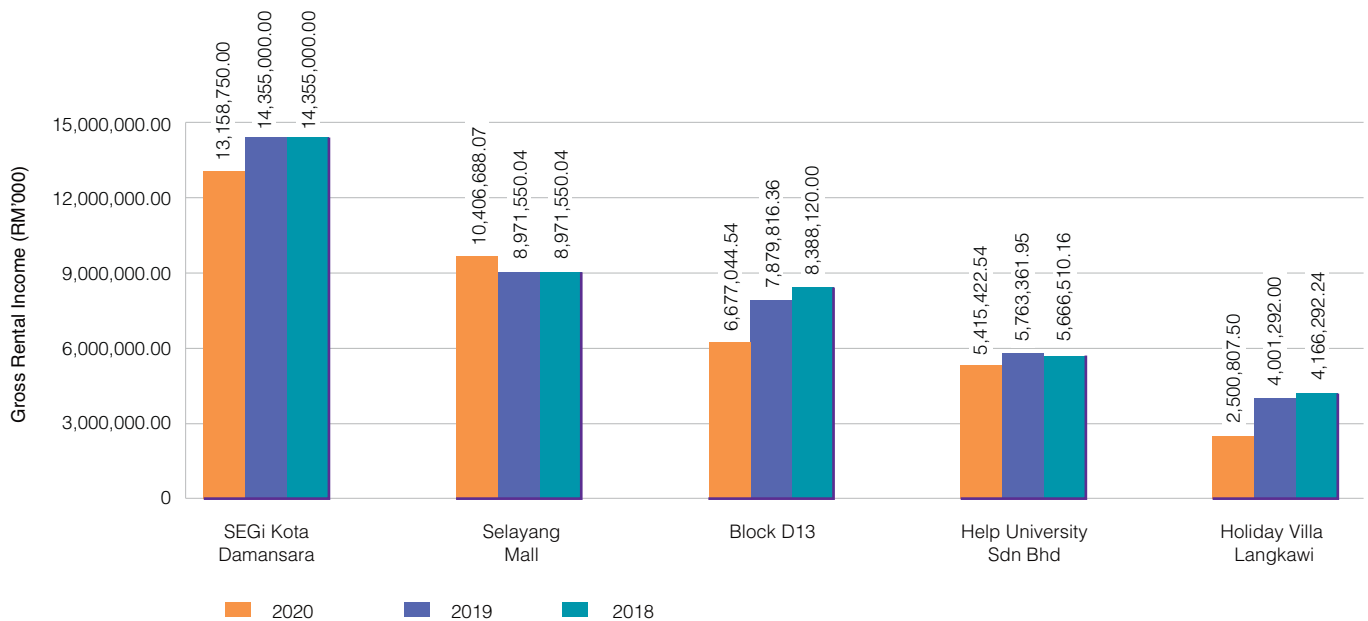
ASSET UNDER MANAGEMENT

Real Estate(s)	Location	Type of Building	Cost of Acquisition (RM'000)	Appreciation in Value (RM'000)	Occupancy	Unexpired Lease / Tenancy Period (approximate)	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	-4,500	Vacant	Vacant	26,500	1.85%
Holiday Villa Langkawi	Langkawi, Kedah	Resort Hotel	55,000	30,000	100%	5.50 yrs	85,000	5.92%
Higher Education Building								
SEGi College, Subang Jaya	Subang Jaya, Selangor	Higher Education Building	52,500	21,000	100%	0.40 yrs	73,500	5.12%
SEGi University, Kota Damansara	Petaling Jaya, Selangor	Higher Education Building	145,000	40,000	100%	8.00 yrs	185,000	12.89%
HELP University, Jalan Semantan	Damansara Heights, Kuala Lumpur	Higher Education Building	53,000	21,000	100%	18.70 yrs	74,000	5.16%
Office Building								
Block A & B, South City Plaza	Seri Kembangan, Selangor	Office Building	18,300	-9,800	50%	2.00 yrs	8,500	0.59%
Wisma Comcorp	Glenmarie, Shah Alam	Office Building	30,000	7,000	100%	8.90 yrs	37,000	2.58%
Dana 13, Dana 1 Commercial Centre	Ara Damansara Petaling Jaya, Selangor	Office Building	99,120	21,880	54%	Multiple Period	121,000	8.43%
Vista Tower	The Intermark, Kuala Lumpur	Office Building	455,000	67,000	63%	Multiple Period	522,000	36.38%
Contraves	Cyberjaya, Selangor	Office Building	40,000	3,600	100%	0.30 yrs	43,600	3.04%
Toshiba TEC	Glenmarie, Shah Alam	Office Building	32,000	400	100%	1.40 yrs	32,400	2.26%
Industrial								
RHF Stone Factory	Nusajaya, Johor	Industrial Factory	24,000	2,000	100%	7.60 yrs	26,000	1.81%
Retail								
Selayang Mall	Selayang, Selangor	Retail Mall	128,165	8,835	95%	Multiple Period	137,000	9.55%
Real Estate-Related Assets							1,371,500	95.58%
Cash and security deposits							54,056	3.77%
Others (Trade and Other Receivables)							9,270	0.65%
Total Asset Value (RM'000)(b)							1,434,826	100.00%

PROPERTY PORTFOLIO



AMANAHRAYA REIT: TOP TENANTS



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Vista Tower, Kuala Lumpur

01

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.

02

Address

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

03

Title Details

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

04

Property type

Office tower.

05

Description

A sixty three (63) office tower with three (3) basement levels B1 to B3 identified as Vista Tower together with 914 car park bays which forms part of the integrated commercial development known as The Intermark, Kuala Lumpur.

Age of property

Approximately 26 years

Tenure

Freehold

Total Land Area

228,948 sq.ft.

Gross Built-up Area

776,196 sq.ft.

Net lettable area

550,324 sq.ft.

Existing use

Office Building

Parking spaces

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

Date of acquisition

16 January 2018

Cost of acquisition

RM455,000,000.00

Valuation as at December 2020

RM522,000,000.00

Valuer

Savills (Malaysia) Sdn. Bhd.

Carrying Amount

RM522,000,000.00

Occupancy rates

63%

Property Manager

Knight Frank Property Management Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



SEGi University, Kota Damansara

01

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 19 kilometres to the west of Kuala Lumpur city centre.

02

Address

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

03

Title Details

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

04

Property type

Education.

05

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 14 years

Tenure

Leasehold for 99 years

Unexpired lease

87 years

Lease period

5+5 years commencing from January 2018

Land Area

425,390 sq.ft.

Gross Floor Area

577,000 sq.ft.

Net lettable area

337,710 sq.ft.

Existing use

A university under the brandname of SEGi

Parking spaces

451 car parking bays

Date of acquisition

28 December 2007

Cost of acquisition

RM145,000,000.00

Valuation as at December 2020

RM185,000,000.00

Valuer

Savills (Malaysia) Sdn. Bhd.

Carrying Amount

RM185,000,000.00

Master Lessee

SEG International Bhd

Occupancy rates

100%

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Selayang Mall, Selayang

01

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.



02

Address

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

03

Title Details

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

04

Property type

Shopping Mall.

05

Description

4-storey retail space with 6-storey car park

Age of property

Approximately 24 years

Tenure

Leasehold for 99 years

Unexpired lease

59 years

Land Area

175,742 sq.ft.

Gross Floor Area

868,305 sq.ft.

Net lettable area

367,947 sq.ft.

Existing use

Neighbourhood shopping complex under the brand name of Selayang Mall

Parking spaces

845 parking bays

Date of acquisition

7 May 2010

Cost of acquisition

RM128,165,000.00

Valuation as at December 2020

RM137,000,000.00

Valuer

Knight Frank Malaysia Sdn. Bhd.

Carrying Amount

RM137,000,000.00

Occupancy rates

95%

Property Manager

Knight Frank Property Management Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Dana 13, Dana 1 Commercial Centre, Petaling Jaya

01

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.

02

Address

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

03

Title Details

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

04

Property type

Office building.

05

Description

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

Age of property

Approximately 13 years

Tenure

Leasehold for 99 years

Unexpired lease period

77 years

Gross Floor Area

338,244 sq.ft.

Net lettable area

256,972 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

7 May 2010

Cost of acquisition

RM99,120,000.00

Valuation as at December 2020

RM121,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM121,000,000.00

Occupancy rates

54%

Property Manager

Hartamas Asset Management Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

HELP University, Jalan Semantan

01

Location

HELP University is located in the commercial corner of Damansara Heights approximately 8 kilometres to the west of Kuala Lumpur city centre.



02

Address

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

03

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.

04

Property type

Education.

05

Description

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

Age of property

Approximately 22 years

Tenure

Leasehold for 99 years

Unexpired lease

- 1) HSD 83465 - 51 years
- 2) PN 46441 - 51 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 2020

RM74,000,000.00

Valuer

Savills (Malaysia) Sdn. Bhd.

Carrying Amount

RM74,000,000.00

Master Lessee

Help University Sdn. Bhd.

Occupancy rates

100%

Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Holiday Villa, Langkawi

01

Location

The property is located along one of the most popular beach known as Pantai Tengah. Along the same stretch are other notable hotel resorts including Langkawi Beach Resort, Sunset Beach Resort, Moonlight Bay Resort, Tanjung Mali Beach Resort and Pelangi Beach Resort. 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.

02

Address

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

03

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.

04

Property type

Resort Hotel.

05

Description

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

Age of property

Approximately 29 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

26 February 2007

Cost of acquisition

RM55,000,000.00

Valuation as at December 2020

RM85,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM85,000,000.00

Master Lessee

Langkawi Holiday Villa Sdn. Bhd.

Occupancy rates

100%

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

SEGi College, Subang Jaya

01

Location

It 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 23.6 kilometres to south-west of Kuala Lumpur city centre.



02

Address

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

03

Title Details

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

04

Property type

Education.

05

Description

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

Age of property

Approximately 14 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

26 February 2007

Cost of acquisition

RM52,500,000.00

Valuation as at December 2020

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%

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Wisma Comcorp, Shah Alam

01

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 10 kilometres to the east of Shah Alam city centre.

02

Address

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

03

Title Details

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

04

Property type

Office building.

05

Description

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

Age of property

Approximately 15 years

Tenure

Freehold

Lease period

15 years commencing from April 2014

Total Land Area

55,090 sq.ft.

Gross Built-up Area

116,743 sq.ft.

Net lettable area

74,550 sq.ft.

Existing use

Workshop cum office

Parking spaces

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

Date of acquisition

23 April 2014

Cost of acquisition

RM30,000,000.00

Valuation as at December 2020

RM37,000,000.00

Valuer

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

Carrying Amount

RM37,000,000.00

Master Lessee

Comintel Sdn. Bhd.

Occupancy rates

100%

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Contraves Building, Cyberjaya

01

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.



02

Address

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

03

Title Details

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

04

Property type

Office building.

05

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

89,460 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

16 June 2016

Cost of acquisition

RM40,000,000.00

Valuation as at December 2020

RM43,600,000.00

Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

Carrying Amount

RM43,600,000.00

Master Lessee

Contraves Sdn. Bhd.

Occupancy rates

100%

Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Toshiba TEC, Shah Alam

01

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.

02

Address

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

03

Title Details

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

04

Property type

Office building.

05

Description

A four story office building cum warehouse

Age of property

Approximately 17 years

Tenure

Freehold

Lease period

6 years commencing from May 2016

Total Land Area

67,371 sq.ft.

Gross Built-up Area

74,104 sq.ft.

Net lettable area

62,474 sq ft.

Existing use

Office

Parking spaces

Available within the compound of the
property.

Date of acquisition

25 March 2016

Cost of acquisition

RM32,000,000.00

Valuation as at December 2020

RM32,400,000.00

Valuer

Knight Frank Malaysia Sdn. Bhd.

Carrying Amount

RM32,400,000.00

Master Lessee

Toshiba Tec Malaysia Sdn. Bhd.

Occupancy rates

100%

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

RHF Stone Factory, Nusajaya

01

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 4.5 kilometres to the north of Gelang Patah town centre.



02

Address

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

03

Title Details

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

04

Property type

Industrial Factory.

05

Description

A single storey factory annexed with three storey office building

Age of property

Approximately 8 years

Tenure

Freehold

Lease period

9+3 years commencing from March 2019

Total Land Area

130,685 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

20 April 2016

Cost of acquisition

RM24,000,000.00

Valuation as at December 2020

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%

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Ex-Holiday Villa, Alor Setar

01

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.

02

Address

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

03

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.

04

Property type

Hotel.

05

Description

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

Age of property

Approximately 23 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

Approximately 87 years (Master Title)

Tenancy period

-

Gross Floor Area

150,000 sq.ft.

Existing use

Vacant since July 2018

Date of acquisition

26 February 2007

Cost of acquisition

RM31,000,000.00

Valuation as at December 2020

RM26,500,000.00

Valuer

IPC Island Property Consultants Sdn. Bhd.

Carrying Amount

RM26,500,000.00

Master Lessee

Vacant since June 2018

Occupancy rates

0%

Property Manager

Hartamas Asset Management Sdn. Bhd.

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Block A & B, South City Plaza, Seri Kembangan

01

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 14.7 kilometres to the south of Kuala Lumpur city centre.



02

Address

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

03

Title Details

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

04

Property type

Office building.

05

Description

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

Age of property

Approximately 9 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

73 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

26 February 2007

Cost of acquisition

RM18,300,000.00

Valuation as at December 2020

RM9,200,000.00

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%

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

MESSAGE FROM THE CHAIRMAN



MAHADZIR BIN AZIZAN
Chairman

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 our pleasure and privilege to present the Annual Report and Audited Financial Statement for the financial year ended 31 December 2020.

This year has been an extremely challenging year the world over and our country due to the COVID-19 pandemic, to say the least. It has caused a slew of health, economic and social challenges. The real estate market was not spared of the negative impact either. After the announcement of various lockdowns around the world in beginning in January 2020, the initial fear of global economic meltdown set in. It was no different here in Malaysia. The announcement of the Movement Control Order (MCO) in March 2020 led to the local capital markets witnessing one of its worst decline in history. Malaysian REITs (MREITs) were not spared either. The sharp drop within days driven by fear and uncertainty recovered over the following weeks to a more realistic level.

Once the initial fear subsided and the MCO was eased, there was a glimmer of hope. Various sectors re-opened, economic activities were re-starting and consumer sentiment was slowly recovering. This period saw an upward trend for most economic sectors and recovery was thought to be on its way. However, the spike in COVID-19 cases in September 2020, various iterations of MCO was re-introduced. This time, sentiments and recovery efforts became even dimmer than the first MCO. From the real estate industry perspective, the hardest hit sectors were undoubtedly retail and hospitality assets. Prolonged shutdown, travel restrictions, strict social distancing and mass layoff particularly impacted these asset classes severely.

As we write this, Malaysia is still operating under strict social distancing measures and cautious economic activity resumption. There remains many uncertainties moving forward that will impact earnings and growth moving forward as the COVID-19 situation is still evolving.

Nevertheless, we are pleased to report that ARREIT delivered a satisfactory financial performance in 2020 amidst the challenging market and operational conditions. Despite these challenges, the Board remains focused in strengthening our portfolio, improving our margins and operations.

ECONOMIC AND PROPERTY OVERVIEW

According to Bank Negara Malaysia, the overall economy contracted at a rate of 5.6% during the year under review caused by the COVID-19 pandemic.

The office sector in the KL City and Selangor also weakened but to a lesser extent. The cumulative supply within the office sector is approximately 109.5 million sq. ft. as of Q4 2020. The overall occupancy rate of office space in KL City declined to record low of 69.1% and in Selangor it dropped to 77.9% in Q4 2020. The current oversupply factor aside, the COVID-19 pandemic has severely impacted the demand side. More prospective tenants are reviewing or postponing their workspace decisions to balance between growth and reducing operational and cost. Decision-making at corporate headquarters has also been slowed down by the spike in COVID-19 cases in Q4 2020. While most employees were allowed to work remotely (i.e. Work From Home), there were no termination or contraction of spaces due to the pandemic.

MESSAGE FROM THE CHAIRMAN

(CONT'D)

The education sector saw an almost immediate effect due to the pandemic because of prolonged closure of schools, colleges and universities. Admission of new and existing students was deferred but resumed in May and June 2020, however the spike in COVID-19 cases resulted in enforced closure again. Foreign student intake has virtually ceased due to travel restrictions. Classes for existing students moved online. The pandemic has certainly caused major changes to the education establishments and structure. Future investments in the sector will focus on online learning, technology adoption as well as collaboration between like-minded educational establishments to leverage on each other.

The industrial sector remained the only sector that was resilient and showing upward trends in growth. Specifically, in Johor, there were a slew of positive market activity with several sales of properties and land closed including one in Southern Industrial and Logistic Cluster (SiLC) specifically. This sector will continue to shine in the coming years supported by generous tax incentives to attract Foreign Direct Investments to Malaysia. Johor's close proximity to Singapore with established infrastructure and amenities positions it as ideal for logistic and manufacturing industries.

The retail real estate market was severely impacted. Large sections of both sectors were forced to halt operations on a scale unseen before. Essential services only were allowed to operate. This resulted in a majority of hotels and shopping malls to close for prolonged periods during the MCO. The MIER Consumer Sentiments Index (CSI) remained below the 100-point threshold for all of 2020. This signals deflated consumer spending due to concerns of recessions, rising unemployment and lower disposable income amidst the continuous effect of the pandemic. The retail growth for the year has been revised downwards from -9.3% to -15.8%. The pandemic has altered the retail scene with several local and international brands ceasing operations permanently.

PERFORMANCE OVERVIEW

In the face of all these challenges, ARREIT remained resilient in 2020 owing to a diversified property portfolio and having a large percentage of the leases on long-term triple net lease structures. This has minimised risks and operational costs for ARREIT. The year also saw Selayang Mall's lease with Seal Management Sdn Bhd coming to an end in June 2020. This property has now become one of the properties directly managed by ARREIT.

For the year ended 31 December 2020, the net property income eased to RM72.65 million from RM80.67 million in 2019. The 10% decline is attributable to lower rental income from Vista Tower, change of triple-net lease to multi-tenant property for Dana 13 and higher property expenses.

ARREIT provided targeted tenants with the rental relief package including rental rebates, deferred rental payment, staggered payment plans and allowance for utilities. These were provided for mostly education, hospitality and office tenants to a tune of approximately RM5.56 million.

The Board made the decision to provide the rental relief package taking into account the interest and wellbeing of our stakeholders namely our tenants and unitholders. We realised it is our responsibility to do so in the larger Malaysian context to help tenants manage operations and cashflow difficulties.

The total distribution to unitholders is RM29.14 million for 2020 compared to RM35.54 million in 2019, 18% lower year-on-year. Thus, the final distribution per unit for the full year is 5.1 sen in 2020 compared to 6.2 sen in the year before.

The fair value of ARREIT's investment portfolio saw a slight drop to RM1,363 million in 2020 from RM1,399 million in 2019. The downward adjustment of 3% was made in the face of a conservative outlook going into 2021.

MESSAGE FROM THE CHAIRMAN

(CONT'D)

Despite the lower net property income and distribution for 2020, ARREIT's financial position remains healthy and robust with a gearing level of 44.85% as at 30 December 2020, below the mandated threshold of 50%. Total borrowings stood at RM643.56 million with almost 95% in long-term borrowings. The effect of switching from term loan to long-term borrowings and reduction of Overnight Policy Rates in 2020 resulted in significant saving for ARREIT, to the tune of RM6.8 million throughout the year.

LOOKING AHEAD TO 2021

The World Bank expects Malaysia's economy to grow 6.7% driven by the improvement in global economy projected to grow 4.2% in 2021 and the much anticipated vaccination program. A timely approval and rollout program by the Government is key to achieving the growth projection. Private consumption is expected to reach 7.4% in the coming year. All this will boost investor confidence and business sentiments contingent upon controlling any spike in COVID-19 cases, protecting the most vulnerable sections of the population, reducing high unemployment and avoiding another MCO-like shutdown.

There is no doubt that the year ahead for Malaysia will continue to be challenging. Majority of the effects that we have seen and experienced in 2020 will continue into 2021, albeit to a lesser extent.

ARREIT enters the new year cautiously with tempered expectations. While there are some signs of recovery amidst growth projections, the Manager is aware of the volatility and hardship of businesses in returning to pre-COVID levels, especially for micro, small and midsize enterprises that underpin the economy. We remain focused on enhancing portfolio fundamentals, growth and optimising asset management.

We are looking forward to continue delivering sustainable financial performance, as we have been year after year, with the support of the Board which remains committed to ensuring sustainable performance, prudent capital management, good governance, effective engagement with stakeholders, adherence to compliance requirements, and sound operational strengths.

MOVING FORWARD WITH THE TIMES

We would be remiss if we do not take heed of the lessons we learnt this year. This new normal necessitates us to remain agile, proactive and flexible. This is not only because of the increasingly fast changing consumer trends and tenant needs but also the rapid evolving risk and its mitigation.

To this end, we will be seeking closer cooperation with our tenants to build a more sustainable relationship, enhancing operational efficiency, embarking on asset enhancement initiatives and increase the use of technology as part of our digitalisation programs amongst others. The Manager intends to pay special attention on the health and safety of our tenants and enhance hygienic standards in all our properties.

MESSAGE FROM THE CHAIRMAN

(CONT'D)

Even though the Manager's emphasis will always be on improving financial and operational performance of ARREIT, we will actively endeavour to acquire new properties that are able to provide accretive yields over a long term with solid fundamentals. We believe that the opportunity to acquire such properties is more promising moving forward in this environment, as borrowing costs are favourable, owners are exiting certain property sectors and capital values are undergoing market corrections. We will continue to assess our current portfolio for divestment where appropriate and optimise returns for unitholders.

The Manager will continue to push forward in meeting our objective to increase the fund size to RM3 billion within the next three to five years.

CHANGES IN THE BOARDROOM AND MANAGEMENT

Encik Zulazman bin Zulkifli was appointed and re-designated as the Chairman of both the Tender Committee and the Investment Committee, effective 25 May 2020. We would like to congratulate him for both appointments.

We are please to welcome Dr Iskandar bin Ismail and Encik Shahlan bin Md Shukor @ Kadari, who were appointed as an Independent Non-Executive Director and Non-Independent Non-Executive Director on 1 April 2020 and 1 June 2020, respectively.

We would like to extend our heartfelt appreciation to the former Board Members, Dato' Anthony @ Firdauz bin Bujang and Encik Ahmad Suhaimi bin Endut, for their invaluable contributions and achievements during their tenure with ARREIT.

It is with great pleasure that we announced the appointment of Encik Abdul Aziz bin Abdul Rasheed as the Chief Executive Officer of the Manager. He was selected after an extensive search and rigorous selection process. The Board is confident that with his vast experience spanning across several industries and roles, he is well suited to originate fresh ideas and execute the strategic initiatives required to take ARREIT forward into the future. On behalf of the Board, welcome to the family!

ACKNOWLEDGEMENTS

We wish to take this opportunity to express our sincere gratitude to the members of the Board, Committee Members and the Management, for their continued dedication and commitment in delivering another satisfactory and committed effort for our unitholders despite the challenges of COVID19 pandemic. Rest assured that ARREIT's focus remains unchanged, with top priority given to delivering value to our stakeholders.

In closing, we would like to thank all our unitholders, tenants, employees and business partners for your unwavering support and confidence in 2020. We hope to build a stronger, more resilient and sustainable ARREIT heading into 2021.

Please stay safe and healthy. Our wish is to see this unfortunate phase in our lives behind us together and come out stronger.

Mahadzir bin Azizan

Chairman

PROFILE OF THE BOARD OF DIRECTORS



MAHADZIR BIN AZIZAN

Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 72 / Male

Date of Appointment:

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

Present Directorship:

Listed Company

- ECM Libra Financial Group Berhad
- RCE Capital Berhad

Other Public Companies

- Nil

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 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 2020



ADENAN BIN MD YUSOF

Non-Independent
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 57 / 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 2020

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)



DATO' HAJI CHE PEE BIN SAMSUDIN

Independent
Non-Executive Director

Nationality / Age / Gender:
Malaysian / 64 / 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 (Redesignated as 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 2020



MICHIO IZAWA

Non-Independent
Non-Executive Director

Nationality / Age / Gender:
Japanese / 50 / 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
- 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 2020

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)



KEISUKE OGAWA
Non-Independent
Non-Executive Director

Nationality / Age / Gender:
Japanese / 44 / 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.). Since 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. In October 2013, Keisuke Ogawa was appointed as Head of Strategic Investment Division3 in Kenedix Inc. Since December 2019, Keisuke Ogawa has been serving as Executive Director of Kenedix Asia Pte. Ltd.

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 2020



ZULAZMAN BIN ZULKIFLI
Independent
Non-Executive Director

Nationality / Age / Gender:
Malaysian / 53 / Male

Date of Appointment:

- 11 February 2019 (Independent, Non-Executive Director)
- 11 February 2019 (Member, Audit Committee)
- 11 February 2019 (Member, Investment Committee)
- 25 May 2020 (Chairman, Tender Committee)
- 25 May 2020 (re-designated as Chairman, Investment Committee)

Present Directorship:

Listed Company

- Nil

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
- 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 AmInvestment 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 2020

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)



DR ISKANDAR BIN ISMAIL

Independent,
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 61 / Male

Date of Appointment:

- 1 April 2020 (Independent, Non-Executive Director)
- 1 April 2020 (Member, Investment Committee)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

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

Working Experience and Occupation:

Dr Iskandar holds a Bachelor of Science (Honours) in Land Management, a Masters of Science in Urban Land Valuation (Archie Sherman award winner) and a Ph.D in Real Estate Management, all three from the University of Reading, United Kingdom.

He began his career in 1982 with the Valuation and Property Services Department, Ministry of Finance, Malaysia, valuing properties for listing purposes for the Capital Issues Committee (CIC). He left the public sector in 2002, and joined the corporate sector, becoming a Director at Johor Corp and Khazanah Nasional Berhad, among others. He has also served on the Board of various listed and unlisted companies such as UDA (2005-2008), South Johor Investment Corporation (2006-2008) and Harta Consult (2004).

He is currently the Principal of Iskandar Associates, a real estate consultancy, which he set up in 2004.

Academic/ Professional Qualifications:

- Malay College Kuala Kangsar (1972-1976)
- A-Levels, Norwich City College, Norfolk, United Kingdom (1977-1978)
- B.Sc (Hons.), M.Sc and Ph.D in Real Estate, University of Reading, United Kingdom (1996)
- Registered Valuer and Fellow of the Royal Institution of Surveyors Malaysia

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 2020



SHAHLAN BIN MD SHUKOR @ KADARI

Non-Independent,
Non-Executive Director

Nationality / Age / Gender:

Malaysian / 49 / Male

Date of Appointment:

- 1 June 2020 (Non-Independent, Non-Executive Director)

Present Directorship:

Listed Company

- Syarikat Jaminan Kredit Perumahan Berhad
- Syarikat Jaminan Pembiayaan Perniagaan Berhad
- Pengurusan Danaharta Nasional Berhad

Other Public Companies

- Nil

Board Committee Membership:

- Nil

Working Experience and Occupation:

Shahlan holds a Degree in Accounting from University Teknologi MARA (UiTM) and is a member of the Chartered Accountant (CA) of the Malaysian Institute of Accountants (MIA).

He started his career in 1995 as an Audit Assistant in Azman, Wong, Salleh & Co (Public Accountants) in Kuala Lumpur. In year 2001, he joined Perbadanan Nasional Bhd as an Investment Monitoring Executive and he continued his career with Keretapi Tanah Melayu Bhd (KTMB) in 2004 as an Auditor in the Internal Audit Department.

He began his career as an Accountant in the Government sector since 2005. His extensive experience includes serving at various Government departments including Accountant General's Department of Malaysia Putrajaya (HQ), Accountant General's Department of Malaysia State of Selangor, Selangor State Health Department and Marine Department Malaysia.

He is currently the Senior Principal Assistant Director, Government Investment Company Division (GIC), Ministry of Finance.

Academic/ Professional Qualifications:

- Bachelor Degree in Accounting, Universiti Teknologi MARA
- Member of the Chartered Accountant, Malaysian Institute of Accountants (MIA).

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 2020

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.
- Shahlan bin Md Shukor @ Kadari 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 six (6) times, two (2) of which were special board meetings. The number of meetings attended by each Director is as follows:-

Directors	Number of Board meetings held during Directors' tenure in office	Number of meetings attended by Directors
Mahadzir bin Azizan	6	6
Dato' Haji Che Pee bin Samsudin	6	6
Adenan bin Md Yusof	6	6
Zulazman bin Zulkifli	6	6
Michio Izawa	6	6
Keisuke Ogawa (Appointed w.e.f 15 January 2020)	6	6
Dr Iskandar bin Ismail (Appointed w.e.f 1 April 2020)	5	5
Shahlan bin Md Shukor @ Kadari (Appointed w.e.f 1 June 2020)	3	3
Dato' Anthony @ Firdauz bin Bujang (Resigned w.e.f. 25 May 2020)	3	3
Ahmad Suhaimi bin Endut (Resigned w.e.f. 28 February 2020)	Not Applicable	Not Applicable
Akihiro Nakao (Resigned w.e.f. 15 January 2020)	Not Applicable	Not Applicable

PROFILE OF INVESTMENT COMMITTEE MEMBERS

INVESTMENT COMMITTEE

Zulazman bin Zulkifli (Chairman)

(Please refer to page 32 for profile)

Adenan bin Md Yusof

(Please refer to page 30 for profile)

Michio Izawa

(Please refer to page 31 for profile)

Dr Iskandar bin Ismail

(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 2020

8th Annual General Meeting



The Eighth Annual General Meeting ("AGM") of AmanahRaya Real Estate Investment Trust ("ARREIT") was held as a fully virtual meeting through live streaming and online remote voting on 25th June 2020 from the broadcast venue at 1st Floor, Wisma AmanahRaya, No.2 Jalan Ampang, 50508 Kuala Lumpur. During the AGM, the Management presented the achievements of ARREIT for the year 2019 to all the unitholders.

The AGM was held fully virtual considering the COVID-19 pandemic and as part of the care and safety measures control for the well-being of the unitholders of ARREIT as well as the employees of AmanahRaya-Kenedix REIT Manager Sdn Bhd ("the Manager") and the members of the Board of Directors of ARREIT. The AGM was in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

THE MANAGEMENT TEAM

ABDUL AZIZ BIN ABDUL RASHEED

Chief Executive Officer

Date of Appointment

30 April 2020

Academic/Professional Qualification/Membership(s)

- Bachelor of Engineering (Honours) in Electrical & Electronic Engineering, University of Hertfordshire
- Master of Business Administration, Imperial College London
- Certified Planning Engineer, American Academy of Project Management, USA - 2016
- Project Management Professional (PMP), Project Management Institute (PMI), USA - 2017

Working Experience

Abdul Aziz, a Malaysian aged 44, received an MBA from the Imperial Business School, London and a Bachelor (Hons) in Electrical & Electronic Engineering from University of Hertfordshire, UK. He is a certified Project Management Professional ("PMP") with Project Management Institute ("PMI") USA and Certified Planning Engineer ("CPE") with American Academy of Project Management ("AAPM") USA.

He has more than 22 years' experience across various industries including Private Equity Real Estate, Real Estate Investment Trust, Satellite Systems, Air Traffic Control Systems, Oil & Gas, Broadcast and Communications in various countries across Asia.

Prior to joining AmanahRaya-Kenedix REIT Manager, he was a Project & Programme Manager with AREA Group Sdn Bhd, where he was involved in developing Kuala Lumpur's first inner-city mega e-commerce fulfillment centre and warehouse. Prior to this, he was Head of Engineering of Axis REIT responsible for redevelopment and refurbishment of Asset Under Management ("AUM") of RM2 billion consisting of primarily industrial facility and logistics warehouses. One of the refurbished property was awarded 'Asia-Pacific Property Awards – Commercial Renovation/Redevelopment for Malaysia'.

He was appointed as Chief Executive Officer on 30 April 2020 and has no directorship in other public companies or listed issuers.

YUSOFF ISKANDAR BIN MOHD ZAKI

Head of Investment

Date of Appointment

19 March 2020

Academic/Professional Qualification/Membership(s)

- Bachelor of Commerce (Accounting), Curtin University of Technology
- CPA Australia

Working Experience

Yusoff, a Malaysian aged 35, joined AKRM as the Head of Investment on 19 March 2020. Prior to joining AKRM, he was attached with a boutique shariah-compliant Private Equity firm. He brings along more than ten years of experience encompassing audit, accounting and finance, investment analysis and portfolio management.

Other than as disclosed, he does not hold directorship in other public companies in Malaysia. He does not have any family relationship with any Directors and/or under 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.

THE MANAGEMENT TEAM

(CONT'D)

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 48, 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.

SAHRUL NIZAM BIN MOHD SALLEH

Head of Finance

Date of Appointment

2 February 2021

Academic/Professional Qualification/Membership(s)

- Bachelor of Accounting (Hons) UiTM
- Member of Malaysia Institute of Accountant (MIA)

Working Experience

Sahrul Nizam, a Malaysian aged 44, joined AKRM as the Manager, Finance Department in February 2021. He is responsible for financial reporting, capital management, general accounting and treasury of AKRM and ARREIT. He has working experience for almost 15 years in several local and MNC companies in Malaysia.

Other than as disclosed, he does not hold directorship 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 2020.

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 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 Trust 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 criterias 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 on 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Covenant's strength

Covenant's 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 up to 6 months.

FINANCIAL REVIEW

FUND'S PERFORMANCE

In 2020, ARREIT recorded a net property income of RM72.16 million against RM79.67 million in the previous year. The decrease was mainly contributed by the decrease in rental income from Vista Tower, The Intermark, and higher property expenses incurred.

Total property expenses increased to RM19.36 million from RM16.21 million in 2019 mainly due to increase in repair and maintenance costs. In terms of realised income, ARREIT recorded RM30.71 million, a decrease of 17.3% as compared to the previous year.

The decrease was mainly due to rental rebates provided to tenants impacted from the Covid-19 pandemic amounting to RM5.59 million during the year. Following the annual revaluation exercise, ARREIT recognised a loss from fair value adjustments of the investment properties amounting to RM38.11 million in comparison to a gain from fair value adjustment of the investment properties amounting to RM3.12 million in 2019.

The significant decrease in fair value adjustment of the investment properties in 2020 is mainly contributed from Selayang Mall amounting to RM31.0 million and Vista Tower, The Intermark, amounting to RM3.0 million. ARREIT's trust expenses managed to decrease slightly by 1.9% mainly due to the reductions in Overnight Policy Rate (OPR) rate as announced by Bank Negara Malaysia (BNM) and also the interest savings from settlement of Affin Bank Term Loan amounting to RM162.23 million during the year.

However, the interest savings was reduced as a result of the impairment loss on financial instruments amounting to RM1.03 million during the year. Consequently, the overall net realised income in 2020 decreased to RM30.71 million from RM37.14 million in the previous year.

Review of Performance

	2020	2019	2018	2017	2016
Total Asset Value (RM)	1,434,826,370	1,471,855,117	1,499,264,735	1,526,616,881	1,040,293,296
Total Net Asset Value (RM)	746,851,505	776,591,192	775,213,754	728,290,587	686,061,728
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)	1.303	1.355	1.352	1.271	1.197
Highest Net Asset Value Per Unit (RM)	1.361	1.364	1.397	1.271	1.197
Lowest Net Asset Value Per Unit (RM)	1.303	1.354	1.352	1.197	1.187
Market Price per unit (RM) as at 31 December	0.66	0.74	0.82	0.91	0.92
Highest Traded Price for the Twelve Months Period (RM)	0.77	0.87	0.92	0.97	0.97
Lowest Traded Price for the Twelve Months Period (RM)	0.51	0.73	0.82	0.91	0.86

Results of ARREIT's Performance

	2020	2019	2018	2017	2016
Total Gross Rental Income	91,516,844	95,877,818	96,684,553	60,417,996	57,385,743
Total Property Expenses	19,359,656	16,210,440	(17,673,739)	(7,236,581)	(4,083,964)
Net Property Income (NPI)	72,645,326	80,665,650	79,570,299	53,799,270	53,301,779
Interest and Other Income	735,044	1,186,193	1,428,555	1,379,529	2,083,066
Total Non-Property Expenses	(42,184,741)	(42,985,977)	(45,473,626)	(22,910,639)	(20,051,656)
Realised Earnings	30,707,491	37,136,577	37,965,743	31,650,305	35,333,189
Changes in Fair Value of Investment Properties	(38,107,358)	3,116,979	49,148,296	42,603,621	5,207,986
(Losses)/Earnings Before Taxation	(7,399,867)	35,494,133	81,250,462	74,253,926	40,541,175
Taxation*	NIL	NIL	NIL	NIL	NIL
(Losses)/Earnings After Taxation	(7,399,867)	35,494,133	81,250,462	74,253,926	40,541,175
(Losses)/Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised)	(1.29)	6.19	14.17	12.95	7.07

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

	2020	2019	2018	2017	2016
(Losses)/EPU Yield (%) (Based on Closing Market Price)	(1.96)	8.36	17.28	14.23	7.68
Distribution Per Unit (DPU) (sen)	5.084	6.200	6.100	5.503	5.899
Distribution Yield (%)	7.70	8.38	7.44	6.05	6.41
MER (%)	1.17	1.35	1.20	1.10	1.07
Annual Total Return (%)**	7.89	7.73	7.23	5.81	6.46
Annual Total Return (3 years) (%)	7.62	6.92	6.50	6.50	6.97
Annual Total Return (5 years) (%)	7.02	6.89	6.79	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.

** 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 ARREIT for the respective year.

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.

Income Distribution

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

First semi-annual	Second semi-annual	Total
2.1972	2.8868	5.0840

For 2020, ARREIT distributed a total income of RM29.14 million or 5.08 sen, which was lower than 2019's income distribution of 6.20 sen. The second and final income distribution of RM16.55 million has been declared at 2.89 sen per unit payable on 12 April 2021. Analysis of income distribution:

	2020	2019	2018	2017	2016
Income distribution per unit (sen)					
First interim income distribution	-	1.5000	1.5000	1.3545	1.4266
Second interim income distribution	-	1.5000	1.5000	1.9394	1.3365
Third interim income distribution	-	1.5000	1.5000	1.3545	1.3992
Proposed Fourth and final income distribution	-	1.7000	1.6000	1.4516	1.3404
First semi-annual income distribution	2.1972	-	-	-	-
Proposed final income distribution	2.8868	-	-	-	-
	5.0840	6.2000	6.1000	5.5027	5.899

Net Asset Value

Net Asset Value (NAV) as at 31 December 2020 stood at RM1.303 per unit.

The net asset value of ARREIT since 2016 is tabulated as follows:

	2020	2019	2018	2017	2016
Total net asset value ("NAV") RM:					
Before provision for income distributions	1.303	1.355	1.352	1.271	1.197
After provision for income distributions	1.274	1.323	1.324	1.257	1.183

Units in Issue

As at 31 December 2020, the total number of units issued was 573,219,858.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Gearing Level

As at 31 December 2020, ARREIT's total debt was RM643.56 million with a gearing ratio of 44.85%.

	2020	2019	2018	2017	2016
Gearing ratio (%)	44.85	43.81	44.72	49.99	30.29

Other Performance Benchmarks

	2020	2019	2018	2017	2016
Total returns (%) ¹	7.89	7.73	7.23	5.81	6.46
Asset Portfolio Turnover (times) ²	-	0.02	0.35	-	0.03
Management Expense Ratio ("MER") % ³	1.17	1.35	1.20	1.10	1.07

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 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 2020 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 ARREIT for the financial year calculated on a daily basis.

OPERATIONAL REVIEW

PROPERTY MANAGEMENT

The Property Management Department is responsible for the management of all properties in ARREIT's portfolio with the main aim to preserve the values of all properties and ensuring that they are always in good tenantable condition. This is done through comprehensive maintenance programs. Periodic inspections are carried out on a quarterly basis by the appointed Property Managers. In 2020, total property expenses incurred was RM19.36 million including statutory payments and insurances.

Asset Enhancement Initiatives ("AEI")

In 2020, the Manager awarded a contract sum of RM1.47 million for various projects. There are no major projects awarded during the year 2020 due to the Movement Control Order enacted in view of the Covid-19 outbreak. Several smaller AEI works were completed such as cooling tower repair works, chiller rectification works, and Air Circuit Breaker replacement works at Selayang Mall. In addition, as a preventive measure to reduce the spread of Covid-19 virus and to comply with the Ministry of Health new rules and regulations in view of the pandemic, the Manager had installed face recognition thermal scanner at Vista Tower.

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	550,324	Multi tenant	63%
Dana 13	256,972	Multi tenant	54%
Contraves	75,014	Single tenant	100%
Blocks 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	367,947	Multi tenant	95%

Weighted Average Lease Expiry ("WALE")

ARREIT's portfolio comprised of short to long term leases. As at year end, the overall portfolio's WALE was about 3.24 years, a decrease from 2019's WALE of 4.43 years. This was mainly due to the change from single tenant to multi tenancy at Selayang Mall.

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 Trust Deed and all applicable rules and guidelines prescribed by the Securities Commission in financing ARREIT. As at 31 December 2020, ARREIT achieved a debt level of 44.85% of the total asset level as compared to 43.81% in the previous year. The Manager endeavours towards reducing its debt level to at least 42% by end 2021 through asset recycling.

The following are the debt instruments undertaken by ARREIT:

Type	Financier	Amount	Rate	Expiry
Medium Term Note 1	Public Bank Berhad	RM450 million	COF + 0.5%	December 2025
Medium Term Note 2	Public Bank Berhad	RM161 million	COF + 0.5%	March 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 operation 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 yields.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Alternate Site/Disaster Recovery Centre ("DRC")

AKRM adopted Amanah Raya Berhad group policy 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 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 Investment Committee and Board are in place.

Human Capital Risk

The Group Human Capital 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 has turned quite competitive recently, the Manager will acquire yield accretive properties as and when the 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 82%, and the Manager aims to increase it to 85% by the end of 2021.

Financial Performance

As the overall property market has not shown any improvement in 2020, the future poses a challenge for ARREIT. In view of this, the Manager strive to maintain the DPU in the region of 6.0 sen per unit. In order to cushion the impact of lower DPU due to lower occupancy and rental pressure, the Manager will ensure that the operating cost is kept at minimum. Moving forward, the Manager will also continue to dispose non-performing assets that are not in line with long term strategy of ARREIT portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Capital Management

The Manager will continue with its effort 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 to 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 and the date of this report are:

Mahadzir bin Azizan (Chairman)
 Adenan bin Md Yusof
 Ahmad Suhaimi bin Endut (resigned with effect from 28 February 2020)
 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 @ Firdauz bin Bujang (resigned with effect from 25 May 2020)
 Dr. Iskandar bin Ismail (appointed with effect from 1 April 2020)
 Shahlan bin Md Shukor @ Kadari (appointed with effect from 1 June 2020)
 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 the 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 2020.

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 2020.

FAMILY RELATIONSHIP WITH ANY DIRECTOR

None of the Directors of the Manager has 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 2020 are as follows:-

	FY2020
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 2020 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:

- 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;
- 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 AmanahRaya REIT 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 were 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 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 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
25 February 2021

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors (the "Board") of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("AKRM") views the management of economic, environmental, and social ("EES") risks and opportunities as integral towards the business sustainability of AmanahRaya REIT ("ARREIT"). This Sustainability Statement for the financial year ended 31 December 2020 ("FY2020") presents the EES matters which are material to ARREIT. AKRM places emphasis on managing and monitoring these material sustainability matters ("MSMs") as they are either significant EES impacts of AKRM and ARREIT or substantively influence the assessments and decisions of AKRM and ARREIT's stakeholders.

This Sustainability Statement is prepared in accordance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa") and has considered Bursa's Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits.

SCOPE

The scope of this Sustainability Statement includes all 13 properties in ARREIT's portfolio as of 31 December 2020 as follows:

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.

OUR SUSTAINABILITY MANAGEMENT PROCESS AND GOVERNANCE

AKRM adopts a structured approach to ensure relevant EES matters are considered in managing ARREIT's business and properties. At least on an annual basis, AKRM conducts a materiality assessment review to assess and prioritise EES risks and opportunities which are material to AKRM and ARREIT. The approach is in line with the concept of materiality stipulated in the Listing Requirements, i.e., a material sustainability matter is one that:

- reflects ARREIT and AKRM's significant economic, environmental, and social impacts; and/or
- substantively influence the assessments and decisions of ARREIT and AKRM's key stakeholders.

Furthermore, AKRM incorporates sustainability strategies and responsibilities in its governance structure. The Board is ultimately responsible for ensuring the business strategic plan including strategies on EES considerations underpinning sustainability, providing leadership by approving key sustainability strategy and initiatives, and overseeing the performance of the management of the MSMs prioritised.

On the other hand, it is the Senior Management's responsibility to ensure sustainability strategy and initiatives are effectively implemented, to carry out materiality assessment review to identify MSMs, to ensure the MSMs are managed, and also to ensure key stakeholders are appropriately identified, engaged, and managed. Each Senior Management personnel, as depicted in the Organisation Chart Section in this Annual Report, is responsible for the sustainability performance of the department or function under their respective purview.

Sustainability considerations are also discussed and managed in the day-to-day management of ARREIT's affairs as the Management is aware of the importance and benefits brought by well-managed EES risks and opportunities to ARREIT's sustainable performance which includes more efficient use of resources and greater human capital quality, amongst others. Managing social impacts in day-to-day business management is especially crucial during the outbreak of COVID-19 pandemic which have put businesses around the world in a difficult situation between ensuring the safety of people and delivering business performance.

SUSTAINABILITY STATEMENT

(CONT'D)

OUR STAKEHOLDERS

As a responsible business, AKRM recognises its role in preserving and creating value for its key stakeholders, including in economic, environmental, and social terms as well as financial terms. Via various engagement methods and channels, AKRM seeks to understand the stakeholders, their concerns, and facilitates ongoing engagement to foster constructive exchange with the different stakeholder groups of ARREIT and AKRM. Stakeholders' concerns and commonly discussed focus areas are taken into consideration in the annual materiality assessment review of ARREIT.

The following table summarises the engagement approaches which AKRM has established with key stakeholders of ARREIT and AKRM and the key focus areas commonly discussed with the respective stakeholder groups. Note that the engagement methods may also be carried out through online platforms, e.g., video/ voice call and online meetings.

STAKEHOLDERS	ENGAGEMENT METHOD	FOCUS AREAS
Investors/Unitholders	<ul style="list-style-type: none"> Annual General Meetings Extraordinary General Meeting Quarterly results and Bursa announcements 	<ul style="list-style-type: none"> Growth and income Financial sustainability Active engagement
Government, Agencies & Regulators	<ul style="list-style-type: none"> Meetings Electronic Reporting System 	<ul style="list-style-type: none"> Compliance with laws and regulations
Tenants	<ul style="list-style-type: none"> Meetings 	<ul style="list-style-type: none"> Property maintenance Property enhancement Property safety and health Water management
Property Managers	<ul style="list-style-type: none"> Monthly and/or quarterly reporting 	<ul style="list-style-type: none"> Energy usage Security Property maintenance Water management
Employees	<ul style="list-style-type: none"> Townhall/dialogue Performance appraisals 	<ul style="list-style-type: none"> Staff benefits Professional development – trainings attended/ training hours Talent retention Workplace safety and health Equal opportunity and non-discrimination
Suppliers/Vendors/ Service Providers	<ul style="list-style-type: none"> Meetings 	<ul style="list-style-type: none"> Business practices Creditability/qualification
Local Community	<ul style="list-style-type: none"> Philanthropic activities 	<ul style="list-style-type: none"> Social contribution

SUSTAINABILITY STATEMENT

(CONT'D)

MATERIAL SUSTAINABILITY MATTERS (“MSMs”)



ARREIT's FY2020 materiality assessment review has seen the inclusion of three MSMs, namely Water Management, Employee Benefits, and Equal Opportunity and Non-Discrimination. ARREIT's MSMs are summarised as follows:

Material Sustainability Matters	Description
A Growth and Financial Stability	ARREIT's main investment objective is to continuously provide sustainable returns to investors and unitholders and nurture quality growth of its portfolio. Maintaining financial stability and sustainable growth is key to obtaining continuous support from investors and unitholders.
B Compliance with Law and Regulations	It is crucial for ARREIT and AKRM to comply with relevant laws and regulations. It is the responsibility of ARREIT and AKRM to ensure the rule of law of its business environment is upheld to protect the society and stakeholders which the laws and regulations are enacted to protect.
C Ethical Business Practices and Integrity	AKRM believes in business sustainability fostered by ethical business environment and practices. Upholding business ethics and integrity instils confidence and trust in the relationship between AKRM, ARREIT, and their stakeholders.
D Health, Safety, and Security	AKRM takes seriously the health, safety, and security of people involved in ARREIT's business, including employees, tenants and users of ARREIT's properties, 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.
E Water Management	Freshwater supply is a basic necessity for all, including businesses, tenants, and users of ARREIT properties. AKRM aims to provide adequate access to water supply to the tenants of ARREIT properties and minimise water shortage impacts in the event of water supply disruption at the municipal level, especially for properties in Selangor area.
F Talent Retention, Professional Development, and Succession Planning	Innovation and intellectual capital are increasingly pivotal to value creation and AKRM places strong emphasis on human capital development. 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.

SUSTAINABILITY STATEMENT

(CONT'D)

Material Sustainability Matters	Description
G Equal Opportunity and Non-Discrimination	AKRM views all people as equal and shall have equal opportunity and no one shall be discriminated on the basis of race, colour, religion, national origin, gender, age, marital status, disability or veteran status. AKRM aims to uphold meritocracy in its workforce.
H Property Maintenance and Enhancement	ARREIT's properties are 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 to serve 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.
I Employment Benefits	AKRM respects the employer-employee relationship it has with its workforce. AKRM aims to provide appropriate benefits that incentivise performance while supporting healthy work-life balance of its employees.

GROWTH AND FINANCIAL STABILITY **A**

ARREIT's investment strategy places emphasis on properties which are able provide strong, continuous, and sustainable returns. To this end, ARREIT has established stringent processes to assess existing and current investments to ensure investment decisions and ARREIT's portfolio remains aligned with ARREIT's strategy. Careful considerations and business decisions are also made in view of optimising property value and rental yield, taking into account strategic and operational risks and managing them accordingly.

Growth and financial performance of ARREIT for the FY2020 are reported and discussed in detail in the **Management Discussion and Analysis** section of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS **B**

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 the laws, 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 AKRM and/or 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 complies with Bursa's Main Market Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia, and other regulations which may impeded continuous operations if not complied with.

Relevant training is also provided to AKRM personnel to ensure they are kept abreast of existing and recently introduced laws and regulations and compliance matters. The subjects of training provided to AKRM personnel during FY2020 are disclosed in the **Talent Retention, Professional Development, and Succession Planning** section of this Sustainability Statement. Senior Management personnel are also responsible for ensuring their respective functions and team members comply with the relevant laws and regulations in their day-to-day work.

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 **C**

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 Amanah Raya Berhad group of companies ("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;

SUSTAINABILITY STATEMENT

(CONT'D)

- 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 to and approved by the relevant authorities within the AmanahRaya Group;
- gratification - prohibition of soliciting and receiving corrupt 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.

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.

The Board of AKRM does not tolerate any corrupt practices in ARREIT's business and such culture of integrity is instilled in the working environment through leadership, culture, and tone from the top. Integrity briefings and training are also provided to employees from time to time. In response to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020, AKRM has reviewed its internal policies and procedures addressing anti-corruption and will continue to ensure adequate and effective controls are in place to manage corruption risks.

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.

HEALTH, SAFETY, AND SECURITY D

Health, Safety and Security of ARREIT's Properties

External Property Managers appointed by AKRM are responsible for managing the respective ARREIT properties, including safety and security matters. AKRM engages closely with Property Managers to understand and address any issues arising. On a monthly basis, Property Managers submit management reports to AKRM including reports on any incidents or accidents during the reporting period together with root causes and action plans to prevent future recurrence.

That said, AKRM oversees compliance with safety standards by Property Managers. One of the key compliance matters is the annual renewal of Fire Certificate by the Fire Rescue Department which requires Property Managers to ensure effective fire-fighting system is in place and at least one fire drill is conducted annually. All fire safety requirements and Fire Certificates for ARREIT's properties are in order.

Vacant properties, i.e., Ex-Holiday Villa, Alor Setar and Block A, South City Plaza, are fenced-off to prevent unauthorised access and use and to safeguard public safety. Security guards are deployed on-site, and closed-circuit televisions are also installed in these properties.

Health, Safety and Security at the Workplace

At the workplace, AKRM strives to create a safe and healthy working environment for employees. AKRM has set a zero serious injury target in relation to its employees, whose workplace is mainly based in AKRM's office and occasional site visits. On top of personal protection equipment such as hard hats, safety briefings are also provided to employees visiting premises which are under construction or maintenance to ensure they are well equipped to manage safety risks and know what to do in case of accidents or emergency.

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

AKRM employees also receive regular information and knowledge updates on personal and workplace safety and health from AKRM's parent company, Amanah Raya Berhad.

SUSTAINABILITY STATEMENT

(CONT'D)

Responding to COVID-19

For FY2020, significant emphasis was placed on health and safety due to the COVID-19 pandemic which affected the economy and livelihood of Malaysians, as well as the entire world. Guided by the federal and state governments, ARREIT's properties continued to operate while tenants were subjected to different levels of operational restrictions due to the various degrees of movement control order ("MCO") imposed by the government.

During MCO periods, AKRM maintains close engagement with the Property Managers of the relevant properties and ensures appropriate operating procedures are put in place. These include ensuring the availability of hand sanitisers, ensuring all persons entering the properties are registered to enable contact tracing, ensuring the practice of mask-wearing, crowd control, regular sanitisation of public areas, temperature checks, etc. Property managers are required to regularly update AKRM on the management efforts and the performance of COVID-19 prevention measures. AKRM is also in regular communication with its tenants and vendors to ensure any known cases are reported, tracked and necessary remedial actions are taken at the properties. Furthermore, where permissible, AKRM personnel also conducts visits to the properties to monitor the implementation of the said control measures.

AKRM employees were also provided with briefing and training focusing on personal hygiene relating to preventing COVID-19 and coping with working from home to ensure employees maintain physical and mental health in dealing with the pandemic. AKRM also provides coverage for employees who wish or need to perform swab tests for COVID-19.

PROPERTY MAINTENANCE AND ENHANCEMENT

Maintenance of Properties

Property managers are responsible for the day-to-day maintenance of the respective properties. That said, AKRM monitors the maintenance of ARREIT's properties via the Property Managers' monthly management reports. Furthermore, AKRM's Property Management Department personnel conducts site inspections and assessment at least on a quarterly basis, considering amongst others, the physical and aesthetic condition of the properties, building safety, ingress and egress, structural soundness, cleanliness, lighting, etc.

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. Maintenance of ARREIT's properties constitute a major portion of AKRM's assessment of Property Managers which contributes to decisions to appoint or reappoint Property Managers. Other factors considered in the assessment of Property Managers include complaints received (if any), incident reports (if any), pricing terms and conditions, etc.

During FY2020, AKRM has renewed the property management services for one property and appointed a new Property Manager to another property in place of an expiring contract. 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 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 include works on escalator modernisation at Selayang Mall and domestic water pipe replacement 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 operations 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. AKRM is currently undertaking an energy conservation study with one of ARREIT's Property Managers to explore energy conservation opportunities at an ARREIT property.

SUSTAINABILITY STATEMENT

(CONT'D)

WATER MANAGEMENT **E**

FY2020 has seen a number of water disruption incidents in some ARREIT properties arising from pollution-related disruptions to municipal water source which affected a few major areas of the Selangor state. In a couple of events, prolonged periods of disruption have depleted water tank reserves in affected properties and the respective Property Managers had to source water externally.

In order to mitigate such risk, Property Managers frequently monitor water tank levels to ensure they are at maximum capacity at all times and have contingency plans such as ready access to water suppliers in the event of another water disruption. AKRM also undertakes initiatives to enhance water efficiency at ARREIT properties. Amongst others, these initiatives include reducing consumption of water used for property maintenance and awareness programs for tenants. These initiatives aim to preserve water and avoid wasting water especially in times of water shortages.

A project for the upgrading of domestic water piping system for Vista Tower was completed in August 2020. The works include the replacement of older piping system for better water pressure and more efficient water use and are expected to help save 100,000L in water consumption every year.

EQUAL OPPORTUNITY AND NON-DISCRIMINATION **G**

AKRM adopts meritocracy and believes in rewarding employees based on performance and contribution. AKRM believes all persons shall have access to equal opportunity regardless of their race, colour, religion, national origin, gender, age, marital status, disability or veteran status.

The principle of equal opportunity and non-discrimination is practiced throughout AKRM's human capital management processes, from employment to career progress. When assessing candidates and employees, AKRM based its assessment on merits, credentials, experience, and achievements. Likewise, every employee is provided with opportunities to develop themselves professionally in the pursuit of their career advancement without preference or discrimination based on race, colour, religion, national origin, gender, age, marital status, disability or veteran status.

Furthermore, such principles are clearly stipulated in the Code of Business Ethics and employees are strongly encouraged to make a report in accordance with the established procedures in the event they feel they have been discriminated against or harassed.

For the financial year under review, there were no reported cases of discrimination or harassment.

TALENT RETENTION, PROFESSIONAL DEVELOPMENT, AND SUCCESSION PLANNING **F**

Human and intellectual capitals are valuable intangibles to AKRM and ARREIT. Successful management of ARREIT relies on, amongst others, suitable mix of talents, skills, and leadership in Management. AKRM places emphasis on human capital management to support skills and talent enhancement as one of the key enablers towards business continuity.

From time to time, AKRM reviews and analyses the skills and mix required for the effective management and operation of AKRM and ARREIT. The assessment serves as a basis in assessing the existing talents, skills, and experience present in AKRM's workforce and in determining if additional training or recruitment is required.

AKRM employees, being part of the AmanahRaya Group, are subjected to AmanahRaya Group's annual performance appraisal program. The performance appraisal session provides a platform for a two-way discussion between an employee and his/her superior. AKRM encourages open communication with the aim to acknowledge contribution and strength as well as to identify shortfall and continuous development opportunities for both the employee and the superior. Apart from work performance, AKRM also encourages employees to discuss their career aspirations so as to enable AKRM to provide relevant support for career progress, including identifying training needs and opportunities to take up additional roles and responsibilities.

Having the benefit of being a part of AmanahRaya Group, performing employees of AKRM may be provided with opportunities for internal transfer or promotion to other functions within the AmanahRaya Group to enrich their working experience and career satisfaction. Internal transfer programs also provide opportunities for AKRM to identify potential talents and leaders through the wider pool of talents and skills at AmanahRaya Group.

AmanahRaya Group Human Capital Division, together with Senior Management of AKRM, discusses on succession planning considerations from time to time to ensure continuity and business operations in AKRM to address any foreseeable business expansion needs and in case of any leadership change.

SUSTAINABILITY STATEMENT

(CONT'D)

Ongoing personal and professional development programs and training are provided to AKRM's employees. 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:

- information technology;
- personal motivation and development;
- relationship management;
- strategic planning;
- industry forums;
- updates on retail industry;
- corporate liability and Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
- anti-money laundering and counter terrorism-financing;
- managing conflict of interest;
- integrity and management;
- sustainability; and
- public relations.

EMPLOYMENT BENEFITS

AKRM strives to create a workplace that supports career satisfaction, promotes positive thinking, personal and professional development, work-life balance and general wellbeing. In order to understand how AKRM is able to support employees, online employee surveys are conducted annually at the AmanahRaya Group level.

As such, where practical, AKRM provides employee benefits beyond the minimum required by applicable laws and regulations to enable employees achieve a balanced work-life lifestyle. Amongst others, benefits provided to AKRM employees include leaves which include study leaves and Haj leaves, medical benefits including hospitalisation/surgical insurance, Group Term LIFE Insurance, outpatient, and maternity benefits, education assistance, and training and development opportunities.

In AKRM, employees receive competitive remuneration and compensation package which are commensurate with their roles, responsibilities, and workload. In order to ensure employees remain motivated and incentivised, performing employees are further rewarded with bonuses and other incentives for achieving their performance targets.

From time to time, AKRM, together with AmanahRaya Group Human Capital Department, reviews the benefits for AKRM employees to ensure the compensation and benefits remain competitive and relevant to the market AKRM operates in.

CONCLUSION

In challenging business environment like what the world has faced in FY2020, AKRM continues to acknowledge the importance of balancing business performance in all aspects including financial, economic, environmental, and social considerations to remain resilient and sustain business. AKRM will continue to monitor and review both financial and non-financial aspects to manage existing and emerging risks and harness opportunities.

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 facilitate 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 of 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 2020, six (6) Board meetings were held, two (2) 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 2020 ("FYE2020") are as follows:-

Directors	Designation	Attendance
Mahadzir bin Azizan	Independent Non-Executive Director	6/6
Dato' Anthony @ Firdaus bin Bujang ^(a)	Independent Non-Executive Director	3/3
Dato' Haji Che Pee bin Samsudin	Independent Non-Executive Director	6/6
Adenan bin Md Yusof	Non-Independent Non-Executive Director	6/6
Ahmad Suhaimi bin Endut ^(b)	Non-Independent Non-Executive Director	-
Michio Izawa	Non-Independent Non-Executive Director	6/6
Zulazman bin Zulkifli	Independent Non-Executive Director	6/6
Keisuke Ogawa ^(c)	Non-Independent Non-Executive Director	6/6
Dr Iskandar bin Ismail ^(d)	Independent Non-Executive Director	5/5
Shahlan bin Md Shukor @ Kadari ^(e)	Independent Non-Executive Director	3/3
Akihiro Nakao ^(f)	Non-Independent Non-Executive Director	-

Notes:-

- (a) Resigned with effect from 25 May 2020
- (b) Resigned with effect from 28 February 2020
- (c) Appointed with effect from 15 January 2020
- (d) Appointed with effect from 1 April 2020
- (e) Appointed with effect from 1 June 2020
- (f) Resigned 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 completed 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 accessed 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 in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The selection of candidates is 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.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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 contributions 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.

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 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 FYE2020 the Directors have attended the trainings as indicated below:-

DIRECTOR	ORGANISER	TITLE OF PROGRAM
Dato' Haji Che Pee bin Samsudin	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Ahmad Suhaimi bin Endut	Securities Industry Development Corporation	Capital Market Directors Programme
	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Adenan bin Md Yusof	Securities Industry Development Corporation	Business Disruptions – Priorities for Boards
	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Zulazman bin Zulkifli	ICLIF Leadership and Governance Centre	Raising Defences: Section 17A, Malaysian Anti-Corruption Commission Act 2009
	Royal Institution of Chartered Surveyors	Professional Ethics for RICS Members
	Malaysian Industrial Development Finance	Raising the Bar! Measure success through SMART KPIs
	Malaysian Industrial Development Finance	Product development and innovation in Islamic Finance
	Malaysian Industrial Development Finance	Familiarisation of Microsoft Teams
	Institute of Corporate Directors Malaysia	Brands Matter
	Institute of Corporate Directors Malaysia	How to be an effective NED in a Disruptive World
	Bloomberg	How to identify, assess, monitor and control credit risks?
	University of Michigan	Innovation in Investment Technology: Artificial Intelligence
	New York Institute of Finance	Electronic Trading in Financial Markets

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

DIRECTOR	ORGANISER	TITLE OF PROGRAM
Zulazman bin Zulkifli (Continued)	Asian Business School	Digital Transformation Executive Programme
	Permodalan Nasional Berhad	Knowledge Sharing Initiatives Forum
	Malaysian REIT Managers Association	The Malaysian REIT, Navigating the new norm
	Permodalan Nasional Berhad	How safe are the safe haven assets in Malaysia
	Harvard University	Exercising Leadership: Foundational Principle
	Securities Industry Development Corporation	Corporate Liability – Section 17A Malaysian Anti-Corruption Commission Act 2009
	Securities Industry Development Corporation	Strengthening Organisation's Integrity Against Money Laundering and Terrorism Financing
	Securities Industry Development Corporation	Investing in Crypto Assets
	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Dr Iskandar bin Ismail	Iclif Executive Education Center - Asia School of Business	Mandatory Accreditation Program
	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Shahlan bin Md Shukor @ Kadari	Iclif Executive Education Center - Asia School of Business	Mandatory Accreditation Program
	Securities Industry Development Corporation	Amanah Raya Berhad Board of Director's Training 2020
Keisuke Ogawa	Online Compliance Training/Compliance Asia	AML&CTF (Singapore) Training
	Monetary Authority of Singapore	Fund Management Industry Engagement 2020
	Kenedix Asia	BCP Annual Training

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.

AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 9 June 2009 to assist the Board in the execution of its responsibilities. It comprises of 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 FYE2020 are set out in the Audit Committee Report of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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 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:

- Zulazman bin Zulkifli (Chairman)^(a)
- Adenan bin Md Yusof
- Michio Izawa
- Dr Iskandar bin Ismail^(b)
- Dato Anthony @ Firdauz bin Bujang ^(c)

Notes:-

(a) Re-designated as Chairman with effect from 25 May 2020

(b) Appointed with effect from 1 April 2020

(c) Resigned with effect from 25 May 2020

TENDER COMMITTEE

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

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

The members of the TC are as follows:

- Zulazman bin Zulkifli (Chairman)^(a)
- Ahmad Suhaimi bin Endut^(b)
- Michio Izawa
- Dato Anthony @ Firdauz bin Bujang^(c)

Notes:-

(a) Appointed as Chairman with effect from 25 May 2020

(b) Resigned with effect from 28 February 2020

(c) Resigned with effect from 25 May 2020

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 unit holders; and
- To assist the Management in making recommendation to the Board that 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 of their obligations and duties to disclose their interests in securities including any conflict of interests in a transaction 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 PLT is independent and the appointment was nominated by the Manager and approved by the Trustee. The remuneration of the Auditor was approved by the Trustee.

The Audit Committee also reviewed the results of the annual audit and the audit report with the auditors. Private sessions between the auditors and the Audit Committee, in the absence of the Management team were held during the year under review.

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.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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 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 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.

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 year, 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

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*)
- Zulazman bin Zulkifli
- Keisuke Ogawa^(a)
- Akihiro Nakao^(b)

Notes:-

(a) Appointed with effect from 15 January 2020

(b) Resigned 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 FYE2020. 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
Zulazman bin Zulkifli	Independent Non-Executive Director	4/4
Keisuke Ogawa ^(a)	Non-Independent Non-Executive Director	4/4
Akihiro Nakao ^(b)	Non-Independent Non-Executive Director	Not Applicable

Notes:-

(a) Appointed with effect from 15 January 2020

(b) Resigned with effect from 15 January 2020

Summary of Activities carried out by the Audit Committee during the Financial Year of 2020

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;

AUDIT COMMITTEE REPORT

(CONT'D)

- Reviewing the audit report prepared by external auditors;
- 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 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 FYE2020 are listed below:

- To ensure that ARREIT was managed in accordance with the Deed, Prospectus, the Securities Commission's Guidelines on 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 Manager;
- To ensure that AKRM closely monitor 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 audit exercise and recommend for corrective actions.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Being a Real Estate Investment Trust, ARREIT is not subjected to Paragraph 15.26(b) of the MMLR of Bursa Malaysia Securities Berhad. Nevertheless, the Board of Directors of the Manager has voluntarily opted to include this Statement on 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.

RISK MANAGEMENT AND 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 ARREIT 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 recognizing 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 recognizes that risk management is an integral part of good management and corporate governance practice;
- 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 2020 amounted to RM15,533. Finding obtained from internal audit activities are reported directly to the AC and are independent from the management team of the Manager;
- Scheduled regular meetings of the Board, AC and IC with representation from the management provide the key to systematic monitoring of ARREIT's activities. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and ARREIT 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 management. Where a weakness on internal control mechanism is identified, the AC shall ensure that appropriate remedial action is taken by the management;
- The IC reviews and scrutinizes all investment, divestment and fund-raising proposals recommended by the management. The reviewing process includes identification of risks involved in such activities towards ensuring that ARREIT is managed in accordance with its objectives. The IC also holds the responsibility of actively monitoring the performance of the Manager and ARREIT;
- All recommendations endorsed by the AC and IC shall be presented for review and approval by the Board.

AMENDED AND RESTATED TRUST DEED

The Manager has entered into an Amended and Restated Trust Deed dated 5 December 2019 with the Trustee in compliance with the amendments made to the SC's REIT Guidelines. The Amended and Restated Trust Deed clearly describes the powers and responsibilities of the Manager, the Trustee, and will enable the Manager and Trustee to perform their duties and responsibilities effectively to act in the best interest of the unitholders of ARREIT.

ANTI-BRIBERY AND ANTI-CORRUPTION MANAGEMENT SYSTEMS

The Manager has implemented the Anti-Bribery and Anti-Corruption Management System in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 effective from 1 June 2020. The policies and procedures are in place and communicated to relevant parties to mitigate the possibility of the occurrence of bribery and corruption acts.

REVIEW OF THIS STATEMENT

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 ARREIT. Assurance had been received from the Chief Executive Officer and Head of Finance that the risk management and internal control system of the Manager in relation to managing the operations of ARREIT, is operating adequately and effectively, in all material aspects, based on the risk management and internal control system set in place by the Manager.

This Statement has been tabled and approved by the Board on 25 February 2021.

PROPERTY MARKET OVERVIEW

MARKET INDICATIONS

The destructive impact of the nationwide Movement Control Order (MCO) implemented since 18 March 2020 to contain the spread of the novel coronavirus is reflected in the country's poor economic performance for 2Q2020. Malaysia's gross domestic product (GDP) contracted 17.1% on the quarter (1Q2020: +0.7%) as measures such as travel restrictions, enforced business closures and restricted social activities left many businesses and economic sectors struggling to stay afloat.

Following the gradual reopening of the economy and better external demand conditions, Malaysia's GDP moderated 2.7% in 3Q2020, but the fresh wave of COVID-19 cases since September 2020 led to sharper contraction of 3.4% in 4Q2020. The country's economy contracted 5.6% for all of 2020, its worst performance since the Asian financial crisis (1998) and below the Government's earlier projection of -3.5% to -5.5%.

For 2021, the economy is expected to rebound between 6.5% and 7.5%, supported mainly by the recovery of economic and trade activities globally and domestically. As the rollout of COVID-19 vaccines gets underway, more business activities and services sector are allowed to reopen during the current phase of MCO 2.0 subject to conditions and standard operating procedures (SOPs) set by the relevant authorities.

The country's unemployment rate was recorded at 4.7% in 3Q2020, an improvement from 5.1% in 2Q2020. For 2020, the unemployment rate is expected to peak at between 3.5% and 5.5%, the highest since 1995 due to the unprecedented crisis caused by the COVID-19 outbreak.

Malaysia registered a deflation (-1.2%) in 2020, the first time in five decades, primarily due to lower global oil and commodity prices coupled with tiered electricity tariff rebate since April 2020 and suppressed domestic demand amongst other factors. Bank Negara Malaysia (BNM) has projected that headline inflation will average higher to 2.5% in 2021, mainly on improved global oil prices.

The Business Conditions Index (BCI) was recorded at 115.4 points in 4Q2020. With the 29.1 points gain (3Q2020: 86.3 points), the BCI breached the 100-point threshold for the first time since 4Q2018; indicating a boost in manufacturers' confidence level. On the year, the index expanded 27.1 points due to higher levels of domestic demand and export, supported by various stimulus packages announced by the Government.

The Central Bank cut the overnight policy rate (OPR) by 25 basis points to 1.75% on 7 July 2020, its fourth revision in the year to provide a more accommodative monetary environment to support the country's economy.

Malaysia's Industrial Production Index (IPI) expanded 1.7% year-on-year (y-o-y) in December 2020, mainly due to the 4.1% growth in the manufacturing sector. The mining and electricity indices, however, were lower by 5.4% and 0.2% respectively.

Approved Investments, 2018 to Jan-Sept 2020^(p)

Malaysia	2018	2019	Jan–Sept 2020 ^(p)
Number of Approved Projects	5,018	5,287	2,935
Domestic Investment (RM Million)	124,221.5	128,475.3	67,226.7
Foreign Investment (RM Million)	80,133.5	82,908.2	42,611.6
Total Capital Investment (RM Million)	204,355.0	211,383.5	109,838.3

Source: Malaysian Investment Development Authority (MIDA)

Note: (p) = Preliminary data

During the first nine months of 2020, Malaysia recorded a total of 2,935 approved projects worth RM109.8 billion in the manufacturing, serviced and primary sectors. Compared to the corresponding period last year, there was an annual decline of 27.3% in total capital investment (2019: RM151.1 billion).

Of the total investment approved, domestic investment accounted for 61.2% (RM67.2 billion), while the remaining 38.8% share (RM42.6 billion) were foreign direct investment (FDI). The top five (5) sources for the approved FDI originated from China (RM17.0 billion), followed by Singapore (RM8.0 billion), USA (RM2.8 billion), Switzerland (RM2.8 billion) and Netherlands (RM2.4 billion).

PROPERTY MARKET OVERVIEW

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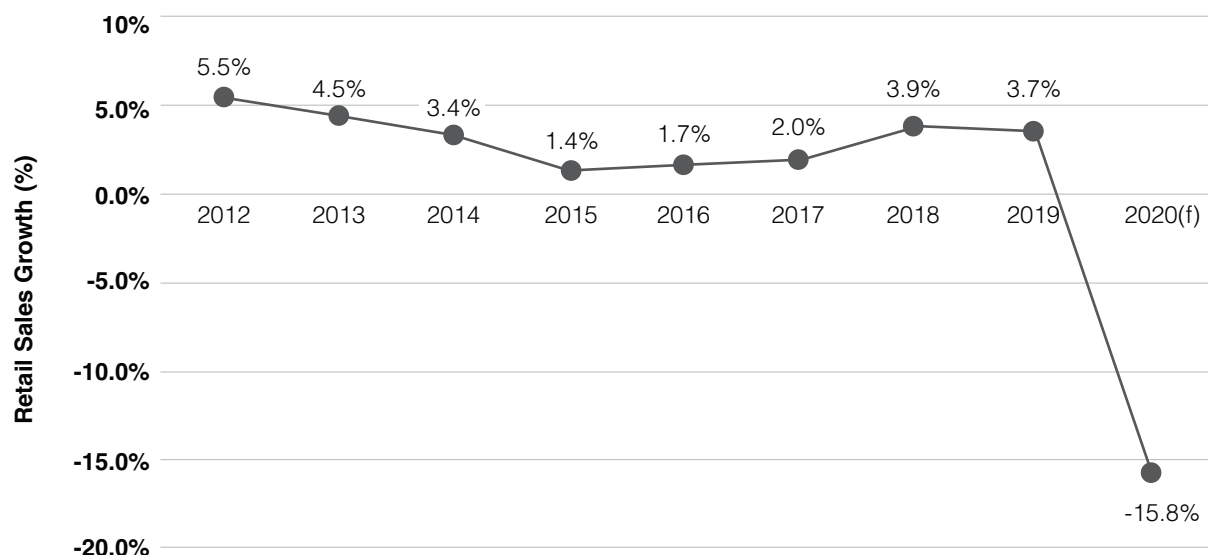
RETAIL MARKET

1.0 MALAYSIA: RETAIL PERFORMANCE

Since 2012, the country's retail sales growth has been trending down, reaching a miniscule growth rate of 1.4% in 2015. The upward adjustments in fuel prices and electricity tariffs, coupled with the implementation of the goods and services tax (GST) in April 2015, have collectively led to higher living cost.

Retail sales growth continued to remain lacklustre in the subsequent years, before peaking at 3.9% in 2018; a sluggish performance despite the three-month tax holiday following the Government's decision to zeroise the GST in June 2018.

Malaysia: Retail Sales Growth, 2012 to 2020^(f)



Sources: Malaysia Retailers Association (MRA) / Knight Frank Research

Note: (f) = Forecast

The onset of the COVID-19 pandemic and the subsequent enforcement of MCO since 18 March 2020 has severely impacted the economy, as majority of business activities slowed or came to a complete halt. The conditional and recovery phases of MCO (CMCO and RMCO), enforced in May 2020 and June 2020 respectively, saw the gradual resumption of most economic sectors and business activities subject to conditions and SOPs.

Although footfall in shopping centres saw recovery, retail sales were reportedly weak as shoppers adopt prudent spending behaviour amid the current economic downturn. Consequently, the retail sales growth was recorded at -9.7% in 3Q2020. For the entire year of 2020, retail sales growth is projected at -15.8% as the resurgence of COVID-19 cases since late September led to the reinstatement of MCO and CMCO for selected states and localities in the country. Since 22 January 2021, the whole country except Sarawak has been placed under lockdown again (MCO 2.0) to contain the spread of infections.

The MIER Consumer Sentiments Index (CSI) was recorded at 85.2 points in 4Q2020, 6.3 points lower on the quarter (3Q2020: 91.5 points); the ninth consecutive quarter since 4Q2018 where the index has remained below the 100-point threshold. This reflects subdued consumer spending on concerns of economic recession, rising unemployment and lower disposable income amid unprecedented crisis.

PROPERTY MARKET OVERVIEW

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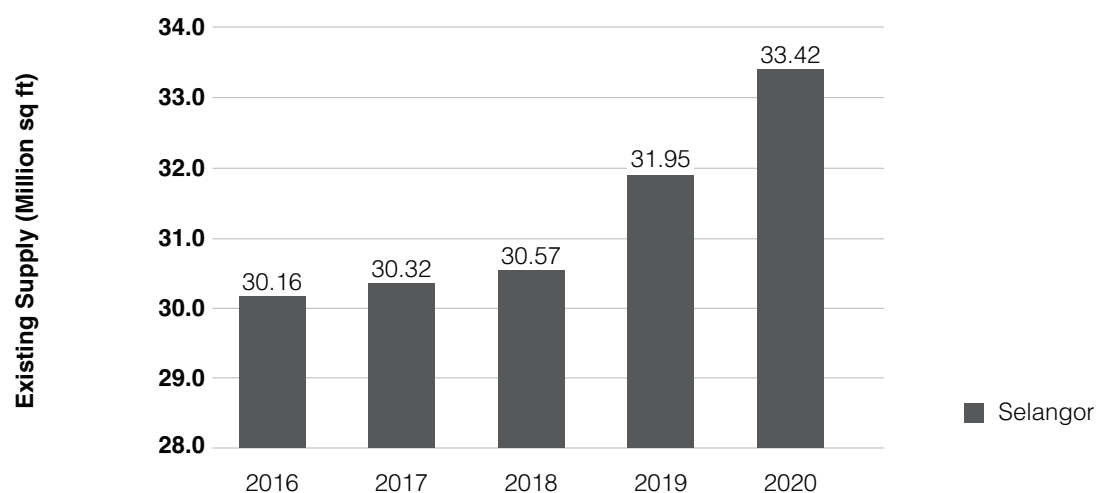
2.0 SELANGOR

2.1 Supply: Existing and Future

As of 2020, the cumulative supply of retail space in Selangor stood at circa 33.42 million sq ft following the completion of Tropicana Gardens Mall in Kota Damansara, KIPMALL Desa Coalfields in Sungai Buloh and Quayside @ Twentyfive 7 in Kota Kemuning with combined NLA of approximately 1,470,000 sq ft. This reflects an annual growth rate of circa 4.6% in supply.

Between 2016 and 2020, approximately 3.3 million sq ft of retail space entered the market, depicting a compound annual growth rate (CAGR) of 2.6% within the four-year period.

Selangor: Cumulative Supply of Retail Space, 2016 to 2020



Source: Knight Frank Research

Note: Putrajaya supply is included in Selangor

By the first half of 2021, four shopping centres/supporting retail components are scheduled for completion in Selangor. Collectively, these completions will increase the existing cumulative retail supply by circa 1.61 million sq ft.

Selangor: Retail Centres/Retail Components Scheduled for Completion/Opening, 1H2021

Shopping Centre	Location	Estimated NLA (sq ft)
Retail Component of Pacific Star	Section 13, Petaling Jaya	240,000
Retail Component of Datum Jelatek	Taman Keramat, Ampang	319,000
Setia City Phase 2	Setia Alam, Shah Alam	400,000
KSL Esplanade Mall	Bandar Bestari, Klang	650,000
Total		1,609,000

Source: Knight Frank Research

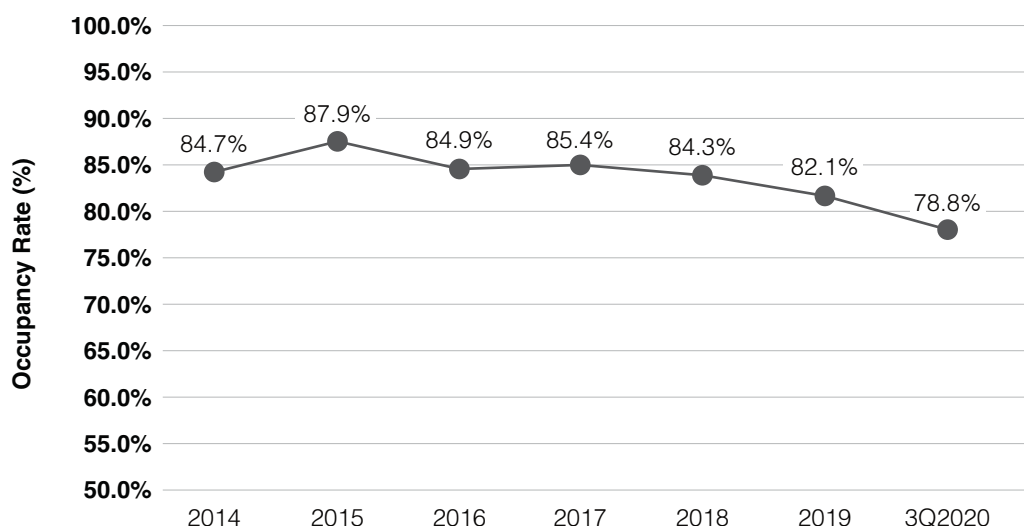
PROPERTY MARKET OVERVIEW

(CONT'D)

2.2 Occupancy

The average occupancy rate of shopping centres in the state peaked at 87.9% in 2015 and has since continued to downtrend. Until 2019, the average occupancy remained firm above the 80.0% threshold, despite a high supply pipeline of retail space coming into the market. However, with the economic fallout from COVID-19, countless businesses have permanently shut their doors, and this has led to the state recording a lower overall occupancy rate of 78.8% in 3Q2020.

Selangor: Overall Occupancy Rate of Retail Space, 2014 to 3Q2020



Sources: NAPIC / Knight Frank Research

2.3 Rental Rates

The rental levels of selected shopping centres in Selangor are summarised in the table below.

Selangor: Rental Levels of Retail Space in Selected Shopping Centres, 1H2020

Shopping Centre	Location	Floor Level	Rental Range (RM per sq ft / month)
1 Utama Shopping Centre	Bandar Utama	Lower Ground	12.00 – 50.00
		Ground	14.00 – 34.00
		1	13.00 – 37.00
		2	7.00 – 31.00
Sunway Pyramid Shopping Mall	Bandar Sunway	Lower Ground 2	19.00 – 45.30
		Lower Ground 1	16.00 – 43.00
		Ground	22.60 – 41.00
		1	17.50 – 33.20
Subang Parade	Subang Jaya	Lower Ground	7.80 – 20.62
		Ground	12.00 – 22.67
		1	4.00

PROPERTY MARKET OVERVIEW

(CONT'D)

Shopping Centre	Location	Floor Level	Rental Range (RM per sq ft / month)
Central I-City	Shah Alam	Lower Ground	6.00 – 17.00
		Ground	10.00 – 23.00
		1	8.00 – 30.00
		2	6.00 – 16.00
		3	8.00 – 13.01
IOI Mall	Bandar Puchong	Ground	9.00 – 33.27
		1	6.00 – 16.50
		2	9.25 – 15.00
Melawati Mall	Taman Melati	Lower Ground	5.60 – 18.80
		Ground	8.60 – 32.60
		1	4.98 – 8.60
		2	6.10 – 18.60
		3	9.25 – 22.60
		4	5.30 – 18.10
		5	5.40 – 18.10
		6	5.60 – 10.60

Source: NAPIC / Knight Frank Research

Prominent shopping centres in Selangor, namely 1 Utama Shopping Centre and Sunway Pyramid Shopping Mall command high rental rates ranging from RM7.00 per sq ft to RM50.00 per sq ft per month depending on the location/orientation/positioning of the retail lot within the mall, floor level, unit sizing and other factors.

Newer built shopping centres with more modern facilities and amenities such as Central I-City and Melawati Mall, have competitive rental rates from RM4.98 per sq ft to RM32.60 per sq ft per month.

Meanwhile, rental levels of neighbourhood shopping centres which cater to the needs of local communities, such as Subang Parade and IOI Puchong, remained firm and range from RM4.00 per sq ft to RM33.27 per sq ft per month.

2.4 Capital Values

Since the sale of SStwo Mall for a consideration of RM180 million in 2018, there has not been any notable transactions of shopping centres in Selangor. Investment transactions remain lacklustre amid low investor confidence and sentiment undermined by the health crisis.

Selangor: Notable Transactions of Shopping Centres in Selangor, 2015 to 2020

Date of Transaction	Building Name	Location	Estimated NLA (sq ft)	Consideration (RM)	Price (RM / sq ft)	Purchaser
2018	SStwo Mall ⁽¹⁾	Petaling Jaya	460,000	180,000,000	391	DK Group of Companies
2017	AEON Mahkota Cheras	Cheras	308,000	88,000,000	286	Foremost Wealth Management Sdn Bhd
2017	Empire Shopping Gallery ⁽²⁾	SS16/1, Subang Jaya	350,000	570,000,000	1,629	Pelaburan Hartanah Bhd (PHB)
2015	DA MEN USJ Shopping Mall ⁽³⁾	USJ 1, Subang Jaya	420,920	486,844,000	1,157	Pavilion REIT

PROPERTY MARKET OVERVIEW

(CONT'D)

Date of Transaction	Building Name	Location	Estimated NLA (sq ft)	Consideration (RM)	Price (RM / sq ft)	Purchaser
2015	Tropicana City Mall ⁽⁴⁾	SS20, Petaling Jaya	448,248	540,000,000	N/A	CapitaMalls Malaysia Trust
2015	Subang Avenue	SS16, Subang Jaya	213,354	139,500,000	654	Sime UEP Properties Bhd and Subang Mall Property

Source: Knight Frank Research

Notes:

- (1) The Puchong-based DK Group of Companies has completed the deal at the end of July 2018. The deal is done between AsiaMalls Sdn Bhd and DK Group of Companies. The mall which was shut down five years ago is set to reopen as a healthcare centre with Life Care Diagnostics Medical Centre as its new tenant. In October 2020, it was reported that LifeCare Property (SS2) Sdn Bhd, a subsidiary of private medical care operator LifeCare Diagnostic Medical Centre, and DK-MY Properties Sdn Bhd have signed the term of purchase (source: nst.com.my).
- (2) Empire Shopping Gallery: The Mammoth Empire Holding Sdn Bhd has been granted a call option to buy back the shopping mall on the fifth anniversary of the sale. It also has the right of first refusal to buy the mall should PHB decide to dispose of it within the five years.
- (3) DA MEN USJ Shopping Mall is part of an integrated commercial development comprising the shopping mall, 41 units of contemporary shops and offices, as well as 480 units of apartments housed in two tower blocks with six levels of podium car parks. The total consideration was revised to RM486,844,000 from the initial total consideration of RM488,000,000 due to the reduction of car parking bays.
- (4) The total purchase consideration of RM540 million include the purchase of both Tropicana City Mall with Tropicana City Office Tower. The apportionment of value is not available.

3.0 RETAIL MARKET OUTLOOK

The economic fallout from the COVID-19 outbreak continues to have unprecedented effect on the retail landscape. Despite gradual recovery of footfall in shopping centres during the CMCO and RMCO phases, retail sales remain weak due to cautious consumer spending amid the economic downturn. The recent resurgence of Covid-19 cases and subsequent reinforcement of MCO 2.0 in all states except Sarawak has thwarted the gradual recovery of the industry.

In Budget 2021, the Government has reduced the employee's EPF contribution from 11% to 9% effective 1 January 2021 in addition to the 1% reduction in the income tax rate for the RM50,001 to RM70,000 bracket effective from 2021 (current tax rate is 14%). The reduction in both EPF contribution and income tax rate is set to increase the disposable income of individuals, helping to ease their financial burden during this trying time.

To cushion the severe impact of the novel coronavirus, the Government has launched a few economic stimulus packages including; PRIHATIN, PENJANA, Prihatin Supplementary Initiative Package (Kita Prihatin). The latest RM15 billion Malaysian Economic and Rakyat Protection Assistance Package (Permai), which was unveiled on 18 January 2021, aims to safeguard the welfare of the people and support the business community as all states in Malaysia except Sarawak entered into MCO 2.0.

Prior to the implementation of the COVID-19 Bill in October 2020, landlords of selected shopping centres have provided relief to their tenants by offering various rental waiver initiatives. Pending the commercial rollout of COVID-19 vaccine by 1H2021, there is potential for subsequent waves of infection that will dampen business confidence and impact rental collection, tenancy renewals, rental revisions and take-up rates. Hence, there is a need for continued measures in terms of rental, marketing and promotional support to rebuild businesses and lift consumer sentiment.

Shopping centres are expected to embrace a new normal, with tighter security measures and heightened hygiene and sanitation practices. With the focus on less contact with surfaces and among people, there is a foreseeable trend of more shopping centres and retailers embracing technological innovations to improve shopper traffic while reassuring consumer safety.

PROPERTY MARKET OVERVIEW

(CONT'D)

The new norm brought upon by the pandemic is set to have lasting impact. Changing consumer behaviour have pushed retailers to adopt e-commerce and strategically connect to their consumers through multiple channels. The booming e-commerce business, which appears to be a silver lining consequential to the pandemic, has also accelerated the growth of last-mile delivery and food delivery services.

The short-term outlook for the sector remains cloudy but there are windows of opportunities in the mid to longer term with the right data, key insights and value.

HOTEL MARKET

4.0 MALAYSIA: TOURISM MARKET PERFORMANCE

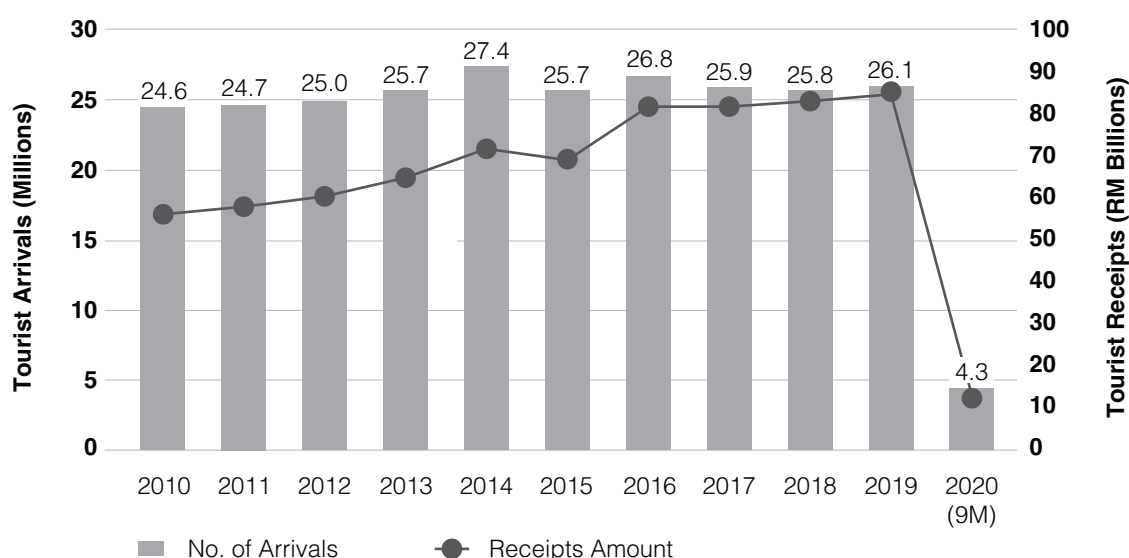
Tourist arrivals and receipts have generally been on an uptrend since 2010 to 2019, with the exception of a decline in 2015. This is likely attributed to the implementation of GST in the second quarter of 2015 and the aviation tragedies related to the national carrier, Malaysian Airlines. During the review period from 2010 to 2019, tourist arrivals and receipts grew at CAGR of 0.7% and 4.8% respectively.

Amid the closure of international borders in response to the COVID-19 outbreak, Malaysia registered 4.30 million arrivals with a corresponding total receipts of RM12.6 billion for the first nine months of 2020. This reflects a sharp annual decline of 78.6% and 80.9% when compared to the corresponding period in 2019 (1Q-3Q2019: 20.1 million arrivals, RM66.1 billion receipts).

Tourists from Singapore recorded the highest arrivals at 1.54 million, a -80.4% decline from the corresponding period in 2019. This is followed by Indonesia, China, Thailand, and India with 710,118 (-74.6%), 403,055 (-83.3%), 372,075 (-74.2%) and 155,448 (-71.2%) arrivals respectively.

The Chart below shows the trend of tourist arrivals and receipts for Malaysia, from 2010 to 3Q2020.

Malaysia: Tourist Arrivals and Receipts, 2010 to 3Q2020



Source: Tourism Malaysia / Knight Frank Research

Note: 3Q2020 (January to September 2020 period)

PROPERTY MARKET OVERVIEW

(CONT'D)

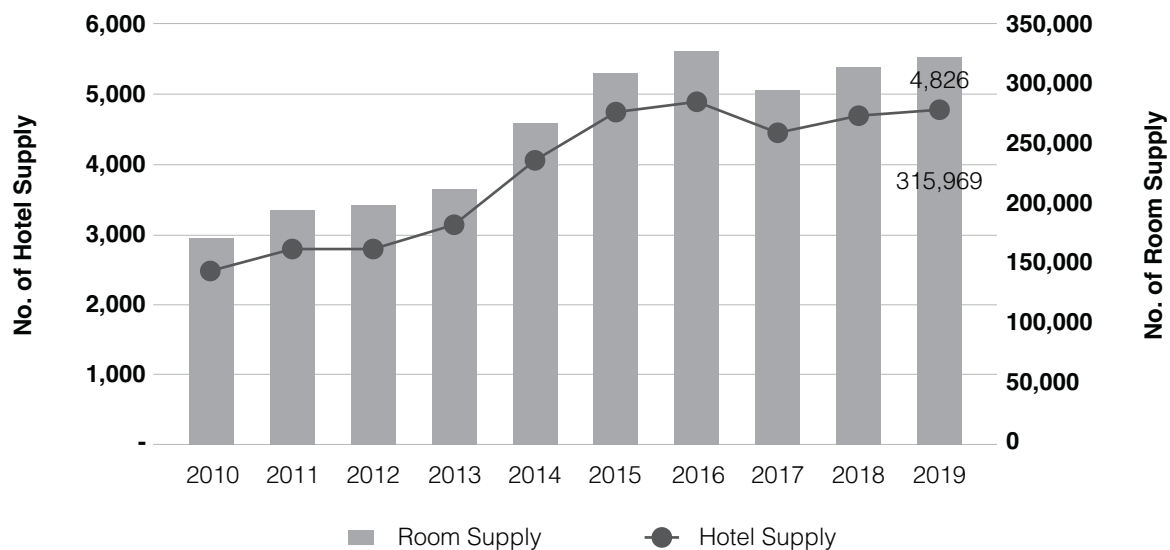
With the cancellation of Visit Malaysia Year 2020 (VMY 2020), Tourism Malaysia have shifted the focus to promoting domestic tourism in an attempt to revive the sector, targeting 92.8 million domestic tourists and corresponding receipts of RM76.9 billion.

In 2019, domestic tourism recorded improved performance with 239.1 million visitors, depicted an annual increase of 8.1% (2018: 221.3 million visitors) while domestic receipts grew by the double digit (11.5%) to register at RM103.2 billion (2018: RM92.6 billion receipts). The state of Kedah welcomed 14.8 million domestic visitors with corresponding spending of RM5.2 billion.

5.0 MALAYSIA & KEDAH

5.1 Supply: Hotel & Room – All Star Rating

Malaysia: Hotel & Room Supply – All Star Ratings, 2010 to 2019



Sources: Tourism Malaysia / Knight Frank Research

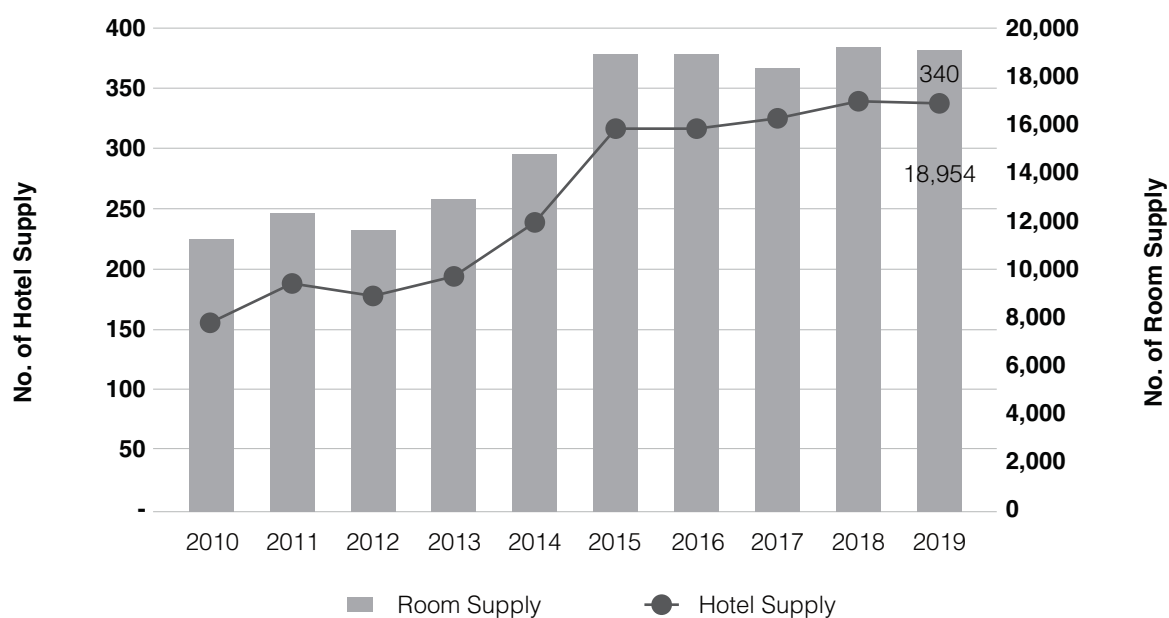
As of 2019, there were a total of 4,826 hotels (all-star categories) contributing 315,969 rooms in Malaysia, this reflects an annual increment of 1.6% and 2.5% respectively. Generally, Malaysia's hotel and room supply have been on an upward trend since 2010, depicting a CAGR growth of 8.2% and 7.2% in the hotel and room supply respectively for the period under review (2010 to 2019).

Similar to the national trend, the Kedah hotel market has also seen positive growth in its hotel and room supply. As of 2019, there were a total of 340 hotels offering 18,954 keys in the state, this depicts a CAGR of 9.2% and 6.0% in hotel and room supply respectively.

PROPERTY MARKET OVERVIEW

(CONT'D)

Kedah: Hotel and Room Supply - All Star Ratings, 2010 to 2019



Sources: Tourism Malaysia / Knight Frank Research

In the pipeline, are some 60 hotels with a total of 21,413 rooms nationwide, of which 26 establishments contributing circa 7,677 rooms are underway in 2021. Kuala Lumpur tops the list with 23 upcoming hotels offering 6,730 rooms while Langkawi in Kedah state is set to have four new establishments with a total of 1,241 rooms.

5.2 Occupancy

During the period from 2010 to 2018, the average occupancy rate of all-star ratings hotels in Malaysia trended upwards gradually to record at 60.8% in 2018 before declining by circa -3.3% to 58.8% in 2019. The lower occupancy in 2019 may be attributed to the addition of new hotels and competition arising from the rise of unregistered accommodation or unregulated short-term accommodations (STA) such as Airbnb.

Similarly, Kedah's hotel average occupancy saw steady growth since 2010 before declining in 2018 (-7.0%) and 2019 (-0.7%). The sharp dip in 2018 is likely attributed to a combination of factors that include the reintroduction of SST in the third quarter of the year, the introduction of tourism tax at a flat rate of RM10 per room per night charged on foreign tourists and higher hotel supply (and rooms).

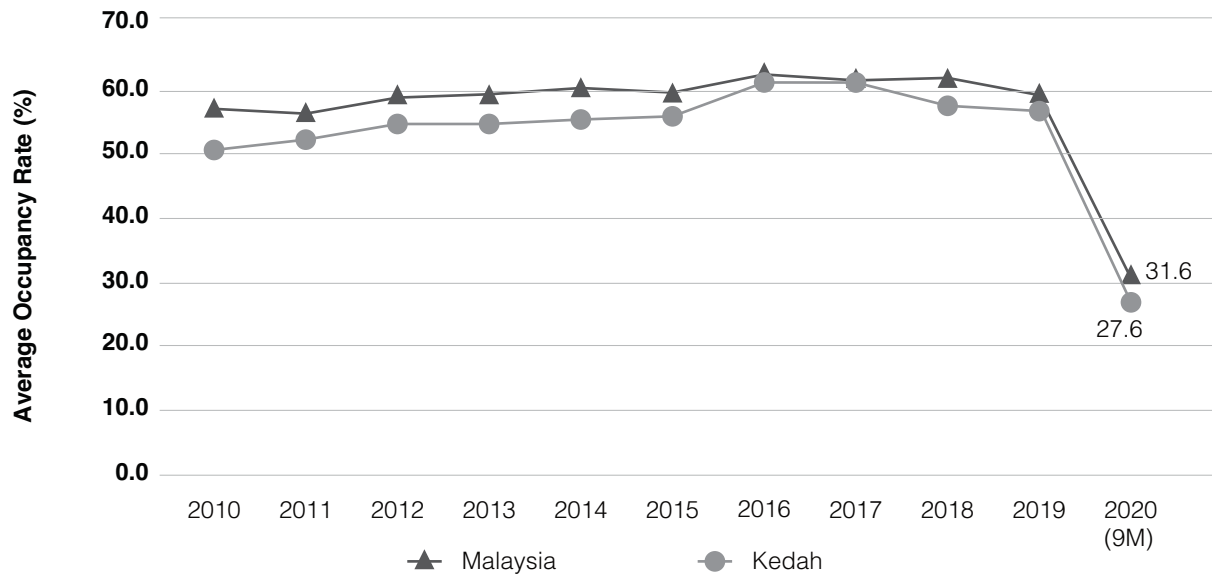
Unsurprisingly, the occupancy rates for year 2020 are significantly lower due to severe impact arising from the COVID-19 pandemic on the hospitality, tourism and aviation related industries as a result of borders closure and restrictions in interstate movements. The average occupancy rates for Malaysia and Kedah, for the first nine months of 2020, are reportedly at 31.6% and 27.6% respectively.

PROPERTY MARKET OVERVIEW

(CONT'D)

The chart below shows the average occupancy rate (AOR) of all-star rating hotels in Malaysia and Kedah for the period from 2010 to 3Q2020.

Malaysia & Kedah: – Average Occupancy Rates of All-Star Hotels, 2010 to 3Q2020



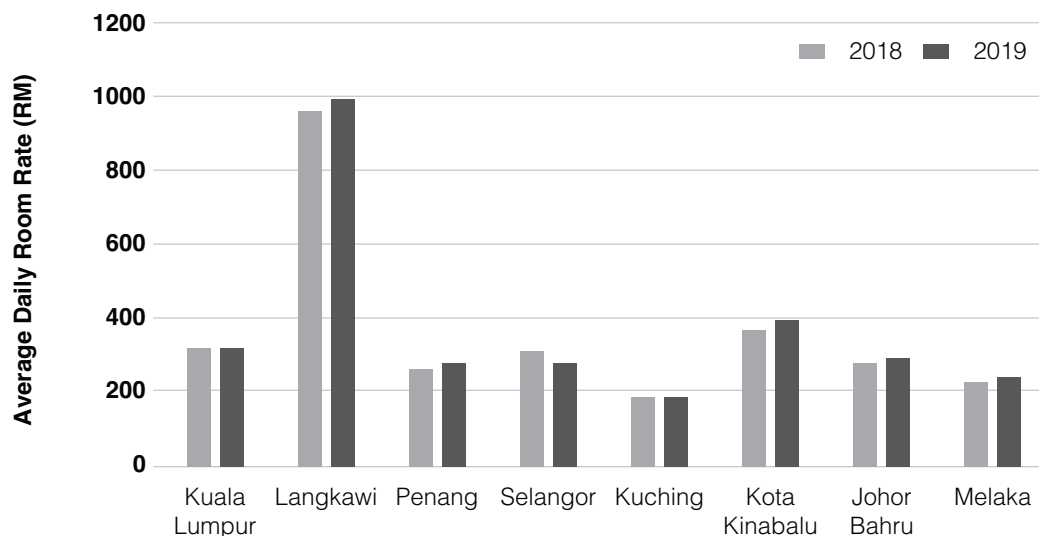
Sources: Tourism Malaysia / Knight Frank Research

Note: 3Q2020 (January to September 2020 period)

5.3 Room Rates

The chart below shows the average daily room rate of hotels in selected states in Malaysia for 2018 and 2019.

Malaysia & Selected States: Average Daily Room Rates, 2018 and 2019



Sources: Horwath HTL Malaysia / Knight Frank Research

PROPERTY MARKET OVERVIEW

(CONT'D)

In 2019, Langkawi registered the highest average daily room rate at RM989, reflecting a year-on-year (y-o-y) increase of 3.1% (2018: RM959). This is followed by Kota Kinabalu and Kuala Lumpur at RM393 and RM320 respectively. With the exception of Selangor, other states/cities recorded positive growth in average room rate in 2019, with Penang experiencing the strongest growth of 5.7%, followed by Kota Kinabalu at 5.4%.

6.0 HOTEL MARKET OUTLOOK

The pandemic has severely impacted many sectors and industries. At the onset of the COVID-19 outbreak, the hospitality, tourism and aviation related segments were the hardest hit with cancellations of flights, tour packages and hotel bookings following international and domestic travel restrictions and lockdown of countries. In Malaysia, foreign travellers have been barred from entry, while citizens and permanent residents are not allowed to travel abroad.

The outbreak has also led to the cancellation of Visit Malaysia Year 2020 (VMY 2020) and the deferment of the Malaysia Year of Healthcare Travel 2020 (MyHT2020) campaign by the Malaysia Healthcare Travel Council (MHTC). Subsequently, the Ministry of Tourism, Arts and Culture (MOTAC) has launched a domestic tourism recovery programme in efforts to revive the sector, including prioritising the use of digital platforms such as social media, blogs, websites, as well as e-marketing to regain the public's confidence to travel again.

Malaysia is also reportedly planning to reopen its tourism in 2021 for 'green travel bubbles' with green status destination, starting from ASEAN countries as a means to bolster the floundering local tourism industry and spur economic growth. Malaysia and Singapore previously agreed to the Reciprocal Green Lane (RGL), which has since been suspended for three months from 1 February 2021 following the spike of Covid-19 cases in Malaysia. Meanwhile, the Periodic Commuting Arrangement (PCA) allows entry of Singapore and Malaysia residents, who hold long-term immigration passes for business and work.

However, the recovery of the tourism and hotel industry is stifled by the third wave of infection since September 2020. The subsequent implementation of MCO 2.0 in all states except Sarawak has resulted in cancellations of hotel bookings although hotels are still allowed to operate with SOPs in place. The ban on interstate and inter-district travel has once again placed the hotel and tourism industry in dire straits. With the severity of cases during the current MCO 2.0, the impact on the sector is expected to be compounded.

The government has responded with stimulus packages to mitigate the impact of the outbreak, including PENJANA, the RM35 billion short-term economic recovery plan which seeks to reinvigorate the tourism sector with RM1 billion financing support and RM1.8 billion tax breaks. The latest RM15 billion Permai stimulus package provides cash handouts to affected individuals, while hotel operators benefit from a 10% electricity rebate from January to March 2021.

In the short to mid-term, the outlook for the hospitality sector is one of pessimism as it is among the worst hit sectors. With many international borders remaining closed coupled with individuals' reticence to travel, many hotels nationwide are halting operations temporarily while there are others who are closing down permanently.

To mitigate plummeting occupancy rates and reduce loss in revenue, several hotels are also coming up with attractive work from hotel packages - offering a refreshing change to those who are tired of working from home and also cater as an alternative place to work for corporations that have to comply with stringent distancing rules and limit their workforce in the office.

OFFICE MARKET

7.0 GREATER KUALA LUMPUR / KLANG VALLEY

7.1 Supply: Existing and Future

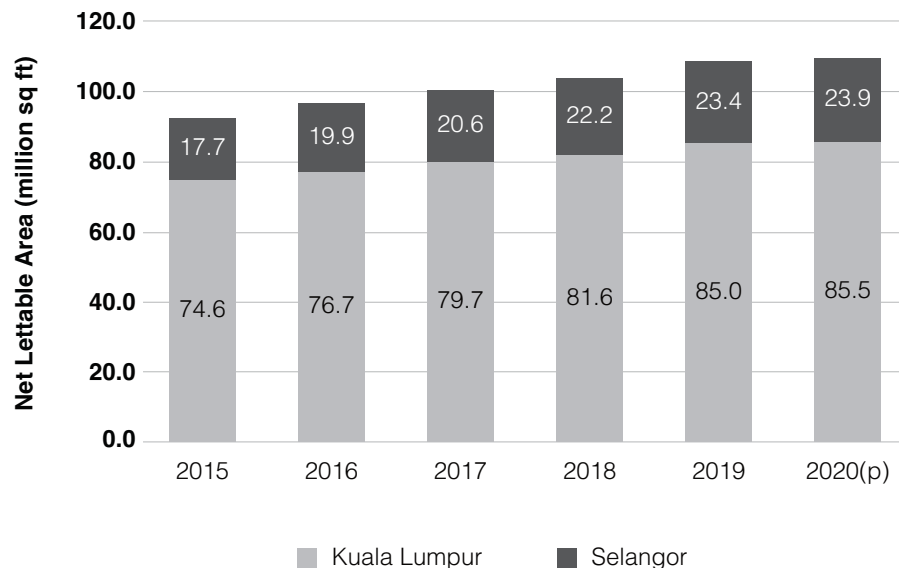
The existing supply of purpose-built office space in Greater Kuala Lumpur/Klang Valley, has been increasing at a steady pace over the years. As of 2020, its cumulative existing supply stands at circa 109.5 million sq ft.

Kuala Lumpur saw the completion of Menara Hap Seng 3 with an additional office space of circa 201,000 sq ft in 1Q2020 and Menara TCM with 372,000 sq ft NLA in 4Q2020. Meanwhile, notable office completion in Selangor during the year include Sumurwang Tower @ i-City (1Q2020) and Menara Star 2 @ Pacific Star (3Q2020) with NLA of circa 285,000 sq ft and 251,000 sq ft respectively.

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater KL / Klang Valley: Cumulative Supply of Purpose-Built Office Space, 2015 to 2020(p)



Source: Knight Frank Research

Note: (p) = Preliminary data

In the supply pipeline is circa 12.8 million sq ft of space with scheduled completions in these two years (2021 and 2022). The bulk of incoming office supply at circa 10.8 million sq ft (84.4%) will be from Kuala Lumpur whilst the remaining space of circa 2.0 million sq ft (15.6%) will come from Selangor.

In first half of 2021, a total of 12 office buildings are due for completion with nine in KL City and the remaining three in Selangor. The upcoming office buildings in the capital city include Affin Tower and HSBC Tower, both located in TRX; The Stride Strata Office, TS Law Tower, UOB Tower 2, Permata Sapura, Menara Great Eastern 2, Legasi Kampong Bharu and Plaza Conlay @ Conlay 301. The remaining three buildings in Selangor are HCK Tower @ Empire City, Quill 9 Annex and Imazium @ Uptown.

7.2 Occupancy Rates

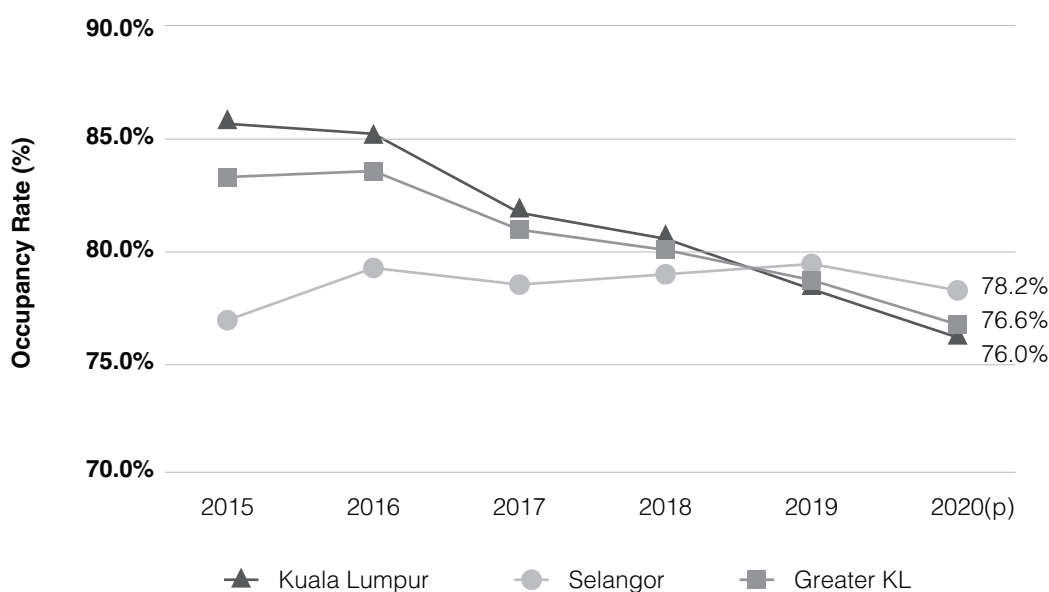
In 2020, the overall occupancy rate of office space in Kuala Lumpur declined further to post at 76.0% (2019: 78.3%), impacted by the coronavirus pandemic.

Meanwhile, the occupational demand in Selangor was more resilient and posted a smaller decline to record at 78.2% in 2020 (2019: 79.4%). The occupancy trend for Selangor appears to be relatively stable due several factors – include smaller mismatch in supply and demand, the availability of good grade office supply at competitive rentals, and the expanding public rail transit lines continue to boost the popularity of decentralised office locations, etc.

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater KL / Klang Valley: Occupancy Trend for Purpose-Built Office Space, 2015 to 2020^(p)



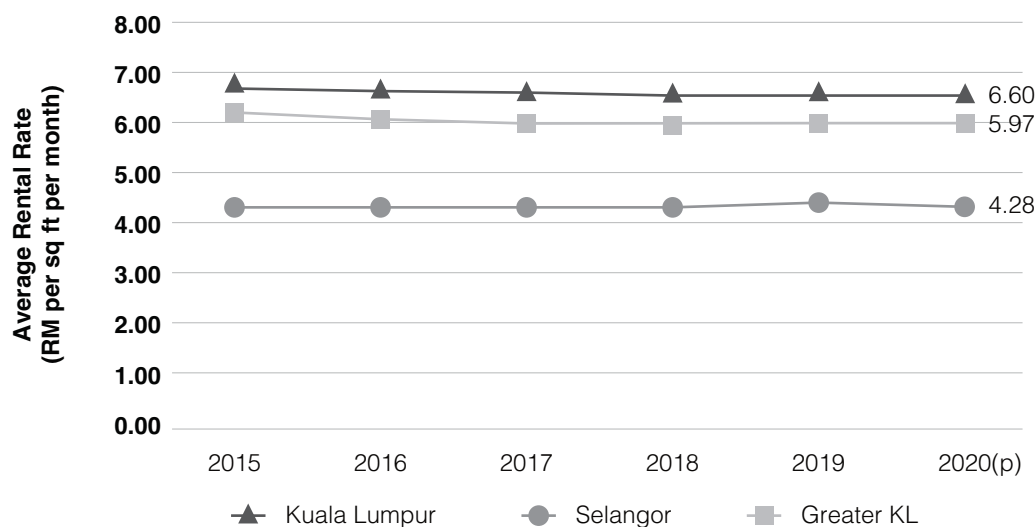
Source: Knight Frank Research

Note: (p) = Preliminary data

7.3 Rental Rates

The average rental rate of office space in Kuala Lumpur was relatively flat in 2020 to record at RM6.60 per sq ft per month (2019: RM6.61 per sq ft per month). Moving forward, the scheduled completions of more office buildings in the next one to two years will further widen the supply – demand gap. With existing and newly completed buildings competing for the same pool of tenants, this will heighten competition in the tenant-led office market.

Greater KL / Klang Valley: Average Rental Rates, 2015 to 2020^(p)



Source: Knight Frank Research

Note: (p) = Preliminary data

PROPERTY MARKET OVERVIEW

(CONT'D)

Similarly, the average office rent in Selangor was under pressure and was quoted at RM4.28 per sq ft per month in 2020 (2019: RM4.31 per sq ft per month). In the sub-markets of Petaling Jaya, Subang Jaya, Shah Alam and Cyberjaya, the average monthly rentals were in the region of RM4.52 per sq ft; RM4.33 per sq ft; RM3.47 per sq ft and RM4.03 per sq ft respectively.

7.4 Capital Values

In 2020, notable office transactions in Greater Kuala Lumpur/Klang Valley include Menara Guoco, The Pinnacle Sunway, UOA Corporate Tower and Quill Building 5 with total value of circa RM1.44 billion.

Greater KL / Klang Valley: Notable Office Transactions, 2020

Transaction Date	Building Name	Locality	Tenure	Estimated NLA (sq ft)	Consideration (RM)	Analysis (RM per sq ft)
March 2020	Menara Guoco ⁽¹⁾	Damansara Heights	Freehold	232,133	242,100,000	1,043
June 2020	The Pinnacle Sunway ⁽²⁾	Bandar Sunway	Leasehold	576,864	450,000,000	780
September 2020	UOA Corporate Tower ⁽³⁾	Bangsar South	Leasehold	732,871	700,000,000	955
November 2020	Quill Building 5 ⁽⁴⁾	Cyberjaya	Freehold	81,602	45,000,000	551

Source: Knight Frank Research

Notes:

- (1) Menara Guoco: MTrustee Berhad, the trustee of Tower REIT ("Trustee"), has entered into a conditional sale and purchase agreement with DC Offices Sdn Bhd for the proposed acquisition of the 19-storey office building for a cash consideration of RM242.1 million. The building, with a gross floor area and net lettable area of 310,183 sq ft and 232,133 sq ft respectively, is 97.1% occupied and has a gross rental income of approximately RM15.6 million for the FYE 30 June 2019.
- (2) The Pinnacle Sunway: Sunway REIT Management Sdn Bhd (SRSB), the manager of Sunway Real Estate Investment Trust (Sunway REIT), had on 29 June 2020 entered into a conditional sale and purchase agreement for the acquisition of The Pinnacle Sunway for RM450 million. The deal was made via RHB Trustees Bhd, the trustee of Sunway REIT, with Sunway Integrated Properties Sdn Bhd and Sunway Pinnacle Sdn Bhd, both of which are wholly-owned indirect subsidiaries of Sunway Bhd. The 24-storey office building with GBI-certified and MSC-status is 100% occupied at the point of sale.
- (3) UOA Corporate Tower: RHB Trustees Berhad, the trustee of UOA REIT ("Trustee"), has entered into a conditional sale and purchase agreement with Distinctive Acres Sdn Bhd and Paramount Properties Sdn Bhd for the proposed acquisition of a stratified 38-storey office building with a penthouse level for a cash consideration of RM700mil. The property has gross floor area (GFA) and net lettable area (NLA) of 959,764 sq ft and 732,871 sq ft respectively.
- (4) Quill Building 5: MRCB Quill Management Sdn Bhd, being the manager of MRCB-Quill REIT (MQREIT), announced that Maybank Trustees Berhad, acting solely in the capacity as trustee for MQREIT, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the proposed disposal of Quill Building 5 for a cash consideration of RM45 million. The 5-storey office building with 1 level of sub-basement and 1 ½ level of a basement car park has a gross floor area of 227,039 sq ft and net lettable area of 81,602 sq ft.

8.0 OFFICE MARKET OUTLOOK

The onset of the COVID-19 pandemic in early 2020 has driven the global economy into recession and many countries, including Malaysia, are responding with stimulus packages. The RM35 billion National Economic Recovery Plan (PENJANA), the RM10 billion Prihatin Supplementary Initiative Package (Kita Prihatin) and the latest RM15 billion Malaysian Economic and Rakyat Protection Assistance Package (PERMAI) collectively aim to stimulate growth and boost economic recovery, while safeguarding the welfare of the people.

In the property sector, the growing sense of uncertainty surrounding supply and demand chains as well as the need to preserve cash and reduce capital expenditure will result in lower level of leasing/transactional activity as businesses and occupiers review or put on hold their real estate decisions.

PROPERTY MARKET OVERVIEW

(CONT'D)

The unprecedented crisis has also compelled many organisations to rethink their standard operating mode while embracing technology such as cloud-based IT solutions and communication channels in their business operations. Moving forward, Business Continuity Plan (BPO) measures such as working from home, split-team arrangement and de-densification requirements may be the new normal for some while physical distancing measures may lead to a reversal of open office trend.

Co-working or flexible space may be a good option for new occupiers and businesses looking to expand to navigate in the near term before committing to a longer-term plan.

Amid challenges in the office market, selected REITs or landlords of well-located buildings which are dated and older are shifting their focus on asset management and enhancement initiatives by refurbishing/revamping their office buildings. They are also motivated to offer attractive leasing packages that are centred on tenant retention to improve their market competitiveness and attract new occupiers.

The rental and occupancy levels of KL City office market is expected to dip further as the gap between supply and demand continues to widen amid weaker office demand and shrinking pool of tenants. Meanwhile, the KL Fringe and Selangor office markets, is expected to remain relatively resilient in the medium to longer term supported by a wider pool of tenants/occupiers, attractive rental and leasing packages as well as improved rail network that continue to drive demand for office space in these decentralised locations.

INDUSTRIAL MARKET

9.0 MALAYSIA: INDUSTRIAL PERFORMANCE

The manufacturing sector has always played a vital role in driving Malaysia's economic growth, attracting both local and foreign investments. In the first nine months of 2020, a total number of 740 projects with total investment value of RM65,335.0 million were approved. These projects are expected to create some 51,172 new job opportunities.

Manufacturing Sector: Investment Overview, 2018 to Jan-Sept 2020^(p)

Malaysia	2018	2019 ^(p)	Jan –Sept 2020 ^(p)
Number of Approved Projects	721	988	740
Domestic Investment (RM Million)	29,353.5	28,288.5	25,901.1
Foreign Investment (RM Million)	58,022.1	54,444.1	39,433.9
Total Capital Investment (RM Million)	87,375.6	82,732.6	65,335.0

Source: Malaysian Investment Development Authority (MIDA)

Note: (p) = preliminary data

The manufacturing sector continues to be a major contributor to the nation's export earnings with about 60.4% share (RM39,433.9 million) while the remaining RM25,901.1 million or 39.6% share was contributed by domestic investments. Investments in the manufacturing sector contributed by the top five (5) foreign countries within the review period are China with RM16,768.7 million (58 approved projects), followed by Singapore (RM7,616.5 million, 85 approved projects), Switzerland (RM2,762.4 million, 9 approved projects), the USA (RM2,324.3 million, 20 approved projects) and Netherlands (RM1,854.6 million, 8 approved projects).

For the review period (January till September 2020), petroleum products industry is the highest investment contributor with a percentage of approved investments in the manufacturing sector at 22.9% (RM14,959.2 million), followed closely by basic metal products industry at 22.2% or RM14,475.9 million. Meanwhile, electrical and electronics products as well as machinery and equipment came after with 11.7% (RM7,651.8 million) and 8.8% (RM5,750.8 million) respectively.

The approved investments in the manufacturing sector for the first nine months of 2020 has been topped by Sarawak, with a resounding amount of RM15,809.0 million (circa 24.2%) out of the country's total investments, followed by Sabah with RM11,860.6 million (18.2%), Pulau Pinang (RM10,607.5 million or 16.2%), Selangor (RM7,300.2 million or 11.2%) and Johor (RM5,714.7 million or 8.7%).

PROPERTY MARKET OVERVIEW

(CONT'D)

10.0 JOHOR

10.1 Industrial Sector

During the January to September 2020 period, the state of Johor recorded a total of 165 projects with combined capital investment value of RM5,714.7 million.

Johor: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Johor	2018	2019 ^(p)	Jan –Sept 2020 ^(p)
Number of Approved Projects	144	209	165
Total Capital Investment (RM Million)	30,514.7	11,455.2	5,714.7

Source: Malaysia Investment Development Authority (MIDA)

Note: (p) = Preliminary data

Notable industrial related announcements in the state include the following:

- A joint-venture agreement signed between PDZ Holdings Bhd and Sanichi Technology Bhd on 30 October 2020 - to jointly develop and operate a regional e-commerce logistics hub on a 234-acre land located in in Desaru, Johor. The GDV of the mixed development project, comprising an e-commerce centre, a distribution centre, warehouses and a transit centre, is expected to exceed RM20 billion.
- Dialog Group Bhd is executing its expansion plan in the south of Johor with an additional RM100 million investment in its wholly-owned Dialog Terminal Langsat facility. The investment will enable it to store an additional 85,000 m³ of clean petroleum products. The plant currently has an operating capacity of 770,000 m³ which has been fully leased out. The expansion is expected to be completed for operation by 4Q2021.
- On 17 June 2020, Serba Dinamik Holdings Bhd announced a proposed acquisition of four adjoining parcels of industrial land, known as Teluk Ramunia Yard from Petronas Assets Sdn Bhd (a wholly-owned subsidiary of Petroliaam Nasional Bhd) for a total purchase consideration of RM320 million. The said land comprises of warehouses, workshops, fabrication yard and other ancillary buildings, measuring a total land area of 68.78 hectares.
- AME Elite Consortium Bhd secured a contract in June 2020 to construct a new 10,000 sq m high-performance factory for global Electronics Manufacturing Services ("EMS") provider Enics AG ("Enics"), the company's first manufacturing site in Southeast Asia. The new high-volume manufacturing facility, to be situated at AME's i-Park@Senai Airport City industrial park is expecting its completion by early 2021.
- AME Elite Consortium Bhd has also been commissioned by HQ Pack Sdn Bhd to construct its expanded facility in i-Park @ Indahpura. Built adjacent to its current premises in i-Park @ Indahpura, the integrated facility with built up area of circa 60,000 sq ft will comprise of a production factory, cleanroom, warehouse and office block. The expansion is expecting for completion in 2H2021.
- AME Elite Consortium Bhd is propelling the expansion of Jstar Motion Sdn Bhd's fourth manufacturing facility by May 2021. The total manufacturing facilities built up area in i- Park @ Indahpura will stand approximately at 467,800 sq ft after taking account of the completion of fourth plant with a built-up area of 137,629 sq ft.
- Pentagon Land Sdn Bhd (wholly-owned subsidiaries of AME Elite Consortium Bhd) had entered two proposed acquisitions with UEM land Bhd and Nusajaya Heights Sdn Bhd. The first proposed acquisition is on thirty-eight (38) plots of freehold industrial land, all located within Phase 3 of Southern Industrial and Logistics Clusters (SiLC) in Iskandar Puteri, Johor for an indicative total consideration of approximately RM233.53 million with total land area measuring approximately 37.09 hectares or 91.64 acres. Meanwhile, the other proposed acquisition on thirty-four (34) plots of freehold industrial land, all located within Phase 3 of SiLC, measuring approximately 31.61 ha (78.11 acres) in total land area is for an indicative consideration of approximately RM200.76 million.

PROPERTY MARKET OVERVIEW

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- Port of Tanjung Pelepas Sdn Bhd (PTP) has welcomed the arrival of four new ship to shore (STS) quay cranes. The purchase of the Super Post Panamax cranes forms part of PTP's asset management strategy, each crane with a lifting capacity of 65 tonnes, 55.5 metres high and weighs 1,900 tonnes - capable of handling containers over 24 rows across ultra large container vessels (ULCV). With the additional four cranes, a total of 66 STS cranes is in operation at PTP of which 24 are Triple-E compliant.
- Johor Port Bhd had acquired a new ship to shore (STS) quay crane as part of Johor Port's Refurbishment and Infrastructure Upgrading Program which also included upgrading and expansion of the container yard from current 32 blocks to 36 blocks. The new crane is an addition to the existing eight quay cranes at Johor Port. The newly acquired crane has a safe lifting capacity of 40.6 tonnes and is capable of handling containers over 15 rows across Post-Panamax size vessel with an outreach of up to 10 stacks high on deck. As of December 2020, the crane is fully operational.
- VS Industry Bhd (VSIB) had entered into sale and purchase and construction agreement with Ipark Development Sdn Bhd on 28 August 2020 and 14 October 2020 respectively, in acquiring six (6) tracts of land with industrial buildings in Johor Bahru and Kulai for RM98.77 million. Ipark Development is an 80%-owned subsidiary of AME Integrated Sdn Bhd, which in turn is a subsidiary of AME Elite Consortium Bhd. The tracts have a combined area of 413,681 sq ft, which will increase VS Industry's capacity in production for future expansion purposes.

10.2 Overview

In 2019, a total of 1,016 industrial properties worth RM2,059.53 million changed hands in the state of Johor, indicating a 17.3% increase in transacted volume albeit lower transacted value (-7.6%).

Johor: Industrial Property Volume and Value Transactions, 2018 to Jan-Sept 2020^(p)

Industrial Property Type	2018		2019 ^(p)		Jan –Sept 2020 ^(p)	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
Terraced	237	156.39	291	197.39	138	116.01
Semi-detached	223	441.27	257	525.79	100	196.77
Detached	152	787.24	176	827.48	72	494.23
Industrial Complex	2	8.48	0	0	2	321.20
Others ⁽¹⁾	252	834.92	292	508.88	122	403.06
Total	866	2,228.30	1,016	2,059.53	434	1,531.27

Source: National Property Information Centre (NAPIC)

Notes:

(1) Others include industrial vacant plot and other types of industrial property.

(2) (p) = Preliminary data

From the first quarter to third quarter of 2020, the state registered a total of 434 transactions with corresponding value of RM1,531.27 million in the industrial sub-sector. Industrial properties in the terraced category was most actively transacted with 138 units changing hands; followed by those categorised under 'Others' with 122 transactions and semi-detached factories (100 transactions). In terms of transacted value, it was dominated by the detached category with RM494.23 million, followed by properties categorised as 'Others' and Industrial Complexes with RM403.06 million and RM321.20 million respectively.

PROPERTY MARKET OVERVIEW

(CONT'D)

10.3 Supply: Existing and Future

As of 3Q2020, the existing supply of industrial properties in Johor stood at 18,025 units. During the first nine months of the year, there was an additional supply of 344 new industrial units made of a terraced unit, 50 semi-detached units, 149 detached units and 144 cluster units.

Johor: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
Terraced	7,822	8,037	8,038	233	206
Semi-detached	4,245	4,538	4,588	406	282
Detached	3,755	3,854	4,003	125	231
Flatted Factory	0	0	0	0	0
Industrial Complex	410	424	424	0	7
Cluster	608	828	972	308	88
Total	16,840	17,681	18,025	1,072	814

Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary data

The existing industrial supply in Johor is predominantly made up of terraced units with circa 44.6% market share, followed by the semi-detached and detached categories with circa 25.5% and 22.2% share respectively. The majority of the existing terraced industrial units (5,0541 units) are located in the highly populated Johor Bahru District.

As for incoming supply, the semi-detached and cluster categories dominate with 406 units (37.9%) and 308 units (28.7%) respectively. The majority of the future supply (244 semi-detached units and 260 cluster units) are be located in Johor Bahru District.

Meanwhile, the planned supply is dominated by semi-detached industrial properties (34.6%), followed by detached units and terraced factories with 28.4% and 25.3% share respectively. The bulk of planned supply will come from Johor Bahru District (72.6%), followed by Kota Tinggi District (10.1%) and Segamat District (8.5%).

Johor: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
Johor Bahru	10,447	10,966	11,229	707	591
Kota Tinggi	395	395	395	62	82
Pontian	407	505	507	32	27
Kluang	977	987	987	28	10
Mersing	66	66	69	0	0
Muar	173	173	173	26	21

PROPERTY MARKET OVERVIEW

(CONT'D)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
Batu Pahat	1,464	1,500	1,520	42	12
Segamat	503	513	513	0	69
Kulai	2,200	2,368	2,424	175	2
Tangkak	208	208	208	0	0
Total	16,840	17,681	18,025	1,072	814

Source: National Property Information Centre (NAPIC)

Note: (p) = Preliminary data

10.4 Capital Values

There were several notable transactions of industrial land and detached factories/warehouses in Johor in 2020, as follow:

Johor: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area (Built-up Area)	Tenure (⁽¹⁾)	Date of Transaction	Consideration (RM million)
1	Southern Industrial & Logistics Clusters (SILC) Phase 3, Iskandar Puteri	Non-Bumiputera and Bumiputera industrial lots	169.8 acres	FH	October 2020	434.3
2	Jalan Idaman 3/4, Taman Perindustrian Idaman, Senai, Kulaijaya	Detached factory with office	1.11 acres (4,199 sq ft)	FH	July 2020	5.5
3	Jalan Firma 3, Kawasan Perindustrian Tebrau IV, Johor Bahru	A single-storey detached factory with a three-storey office building, a one and half-storey detached factory and a single-storey detached warehouse	2.17 acres (N/A)	FH	July 2020	10.7
4	Jalan Mega 1/9, Taman Perindustrian Nusa Cemerlang, Pulai, Johor Bahru	Detached factory	1.41 acres (4,598 sq ft)	FH	May 2020	10.2
5	Jalan i-Park SAC 8, i-Park Senai Airport City (SAC), Tebrau, Johor Bahru	Vacant land	2.21 acres	FH	May 2020	7.7
6	Jalan Firma 2, Perindustrian Tebrau 1, Tebrau, Johor Bahru	Detached factory with office	1.00 acre (22,010 sq ft)	FH	March 2020	6.3
7	Jalan Cemerlang, Taman Perindustrian Cemerlang, Plentong, Johor Bahru	Vacant land	2.29 acres	FH	March 2020	8.0

PROPERTY MARKET OVERVIEW

(CONT'D)

No.	Location	Property Details	Land Area (Built-up Area)	Tenure (1)	Date of Transaction	Consideration (RM million)
8	Jalan Keluli, Kawasan Perindustrian Pasir Gudang, Plentong, Johor Bahru	Vacant land	5.18 acres	LH	February 2020	10.0
9	Jalan 18, Taman Sri Kluang, Kluang	Detached factory with office	2.20 acres (37,537 sq ft)	FH	February 2020	7.0
10	Tepi Jalan Yong Peng – Ayer Hitam Tanjong Sembrong, Batu Pahat	Vacant land	4.69 acres	FH	January 2020	6.1

Sources: Bursa Malaysia / JPPH / Knight Frank Research

Note: (1) FH = Freehold; LH = Leasehold

10.5 Rental Values

In Johor, the average asking rentals for industrial premises in selected established industrial areas remained generally stable.

The detached industrial units in the locality of SILC Industrial Park command monthly asking rentals ranging from RM1.20 per sq ft to RM1.80 per sq ft over built-up area and RM0.50 per sq ft to RM0.90 per sq ft over land area.

11.0 INDUSTRIAL MARKET OUTLOOK

The pandemic has accelerated growth in the e-commerce market and with the rapid increase of e-commerce adoption in products relating to food, fast-moving consumer goods, health and pharmaceutical, etc., this has spurred demand for industrial real estate. To mitigate future disruption to supply chain, there is increasing demand for well-located and accessible warehouses/industrial premises.

Among the ASEAN countries, the Malaysian government has collectively rolled out one of the highest values of stimulus packages of USD73.2 billion or RM305 billion as of September 2020.

The stimulus programme – PENJANA, provides generous tax incentives to cushion the impact arising from the pandemic. There is a generous tax holiday period of up to 15 years for corporates with capital investments of more than RM500 million. This, coupled with the fast track approval mechanism for manufacturing licences and tax incentives with the establishment of Project Acceleration and Coordination (PACU) under the Malaysian Investment Development Authority (MIDA), will help to raise the country's competitive advantage over its neighbours in attracting multinational businesses that are diversifying their global supply chains and manufacturing operations to the region.

Budget 2021 also broadens the Authorised Economic Operator (AEO) facility to include logistics service providers and warehouse operators. The Royal Malaysian Customs Department (RMCD) will integrate 43 permit issuing agencies and trading licenses into the AEO platform. To date, circa 56 AEOs have been approved, mainly to manufacturers and traders.

In the RM15 billion Malaysian Economic and Rakyat Protection Assistance Package (PERMAI), unveiled on 18 January 2021, there is a RM300 million allocation for e-commerce campaigns. This is expected to spur further demand in the logistics/warehousing sector. The maximum financing amount of Danajamin PRIHATIN Guarantee Scheme has also been raised from RM500 million under the previous PENJANA initiative to RM1 billion. This will allow foreign companies with a minimum of 75% local employees to apply for the guarantee scheme to boost the growth of private sector and maintain the nation's position as an investment destination.

The outlook for the industrial sector remains optimistic supported by positive sentiments in the manufacturing and logistics sectors.

PROPERTY MARKET OVERVIEW

(CONT'D)

EDUCATION MARKET

12.0 MALAYSIA

Amid the COVID-19 pandemic, several higher educational related matters have been deferred in the past year (2020). The admission of new and existing students to higher education institutions has been postponed while the enrolment of new students as well as learning process continued to be conducted online.

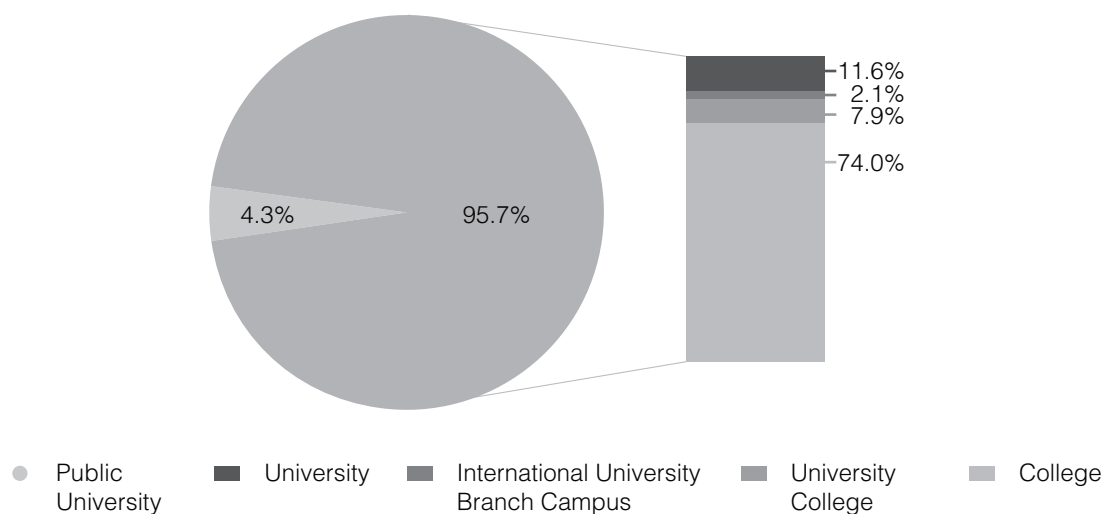
The recent spike in daily positive cases has led to the whole country except Sarawak to be placed under another lockdown (MCO 2.0) since 22 January 2021.

Malaysia's borders were closed to students until 31 December 2020. The country is now in the midst of processing visas to allow new and returning international students to enter the country (except those from the United Kingdom) starting from 1 January 2021 and 1 March 2021 for local students.

(The visa applications will take four weeks and students are required to attend a compulsory ten days of quarantine with a fee).

12.1 Supply: Higher Educational Institutions

Malaysia: Number of Higher Educational Institutions, 2019



Source: Ministry of Higher Education / Knight Frank Research

As of 2019, there were 446 institutions of higher learning registered with the Ministry of Higher Education (MOHE). The majority of these institutions comprise of private higher education institutions (95.7%) while the remaining 4.3% are public universities.

The Private Higher Education Institutions (PHEIs) in Malaysia may be categorised as follow:

- PHEI Universities Standard including Distance Learning Education Institution [DLEI] (University and University Branch Campus)
- PHEI Universities Standard (International University Branch Campus)
- PHEI Universities College Standard (University College and University College Branch Campus)
- PHEI Non-Universities Standard (College)

PROPERTY MARKET OVERVIEW

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The following table provides a breakdown of PHEIs in Malaysia.

Malaysia: Division of Private Higher Educational Institutions, 2019

Private Higher Education Institutions	446
College	345
University	54
University	48
University Branch Campus	6
University College	37
University College	33
University College Branch Campus	4
International University Branch Campus	10

Source: Ministry of Higher Education / Knight Frank Research

12.2 Student Enrolment

During the review period from 2005 to 2019, the number of PHEIs in the country fluctuated between 443 and 570. In 2019, the number of PHEIs stood at 443 (2018: 452). The decline in the number of PHEIs is attributed to various factors that include lower student enrolment, insufficient lecturers and expiry of registrations/licences [Source: Department of Statistics Malaysia (DOSM)].

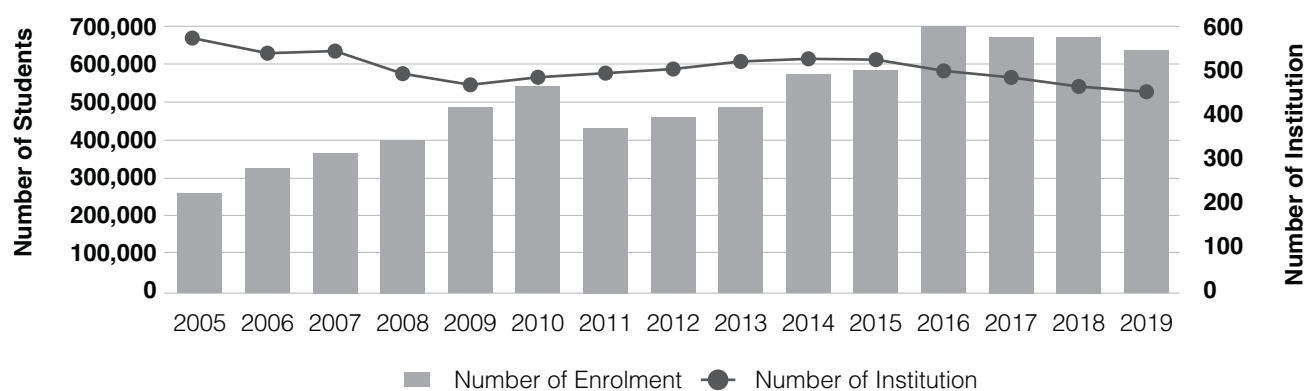
Since 2005, the enrolment rate in PHEIs has been increasing steadily with the exception of year 2011 when it fell sharply by 20.8% to 428,973 students (2010: 541,629 students). In contrast, the public educational institutions (PEIs) saw an uptick in student enrolment especially for new intakes in 2011. The country's economic slowdown with GDP growth moderating to 5.3% in 2011 (2010: 7.2%) may have contributed to this.

Subsequent to the sharp drop in 2011, the enrolment rate rebounded gradually and peaked in 2016 with 695,026 students. However, in 2017, there was a 4.1% decline to record at 666,617 students likely attributed to the tapering effect of the extraordinary year-on-year (y-o-y) growth of 19.6% in student enrolment in 2016 (2015: 580,928 students) [Source: Publication of Higher Education Statistics, Ministry of Education (MOE)].

In 2018, the enrolment rate was relatively flat with a marginal increase of 0.3% to record at 668,689 students. In 2019, the enrolment rate, however, dropped circa 5.3% to register at 633,334 students as more households tighten their finances amid growing market and economic uncertainties.

The following chart illustrates student enrolment and number of private higher educational institutions (PHEIs) in Malaysia from 2005 to 2019.

Malaysia: Student Enrolment & Number of Private Higher Educational Institutions, 2005 to 2019



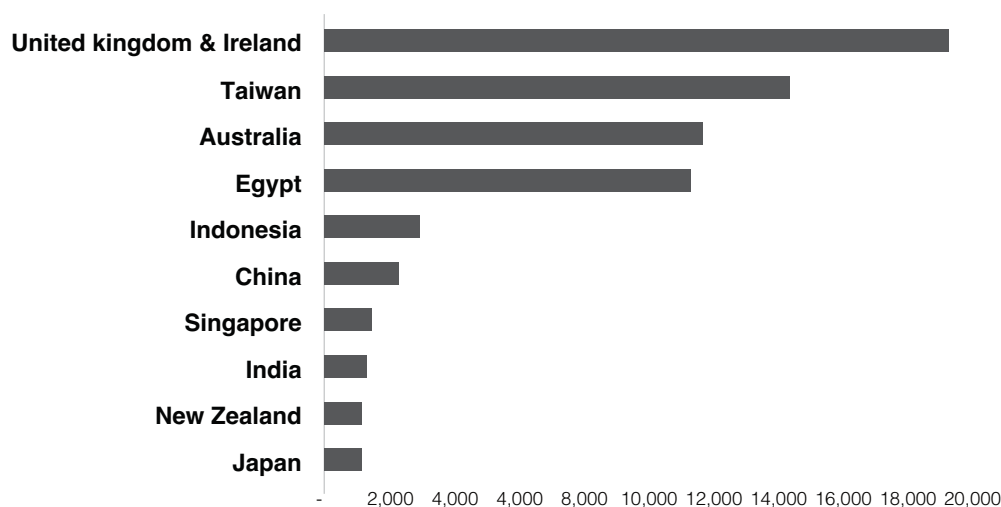
Sources: Publication of Higher Education Statistics by Department of Higher Education, Ministry of Education (MOE) / Department of Statistics Malaysia (DOSM) / Knight Frank Research

PROPERTY MARKET OVERVIEW

(CONT'D)

Meanwhile, the United Kingdom & Ireland remained as the top destination for Malaysians to pursue their studies abroad while Taiwan has surpassed Australia as the second top destination with rising self-sponsored students due to its lower tuition fee. Australia retreated to third spot with declines in both sponsored (-522 students) and self-sponsored (-1,720 students) students.

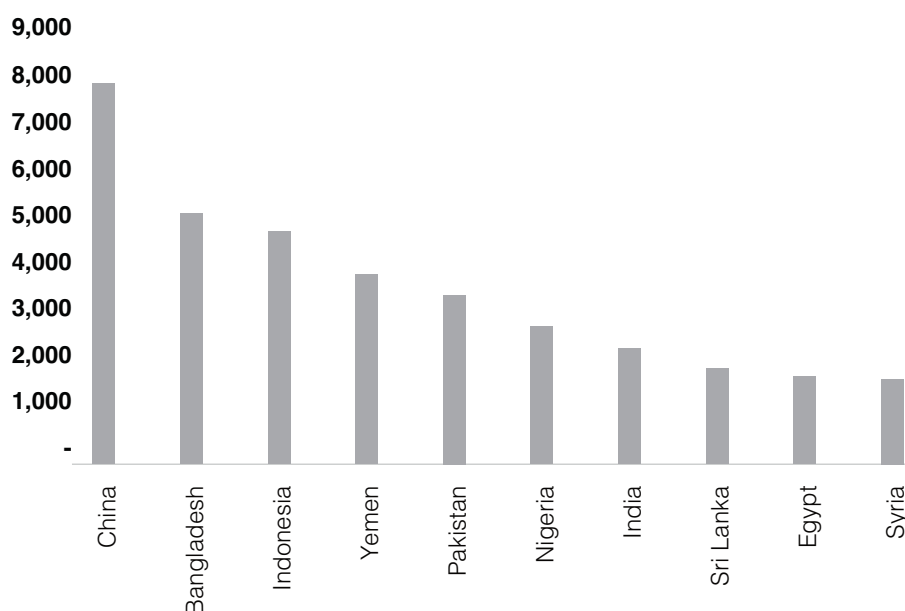
Top Countries for Malaysian Student Studying Abroad, 2019



Sources: Ministry of Higher Education / Knight Frank Research

12.3 Foreign Students

Malaysia: Top 10 International Students by Nationality in Private Higher Educational Institutions, 2019



Sources: Ministry of Higher Education / Knight Frank Research

PROPERTY MARKET OVERVIEW

(CONT'D)

In 2019, international student enrolment in the Private Higher Educational Institutions (PHEIs) stood at 35,915 students. On an annual basis, foreign student enrolment in the PHEIs has declined sharply by -43.7% (2018: 63,758 students).

China, Bangladesh and Indonesia are the top three countries for foreign student enrolment in 2019. However, it is observed that student enrolment from both China and Bangladesh has fallen below the 10,000-student threshold, registering 7,840 students (2018: 12,002 students) and 5,172 students (2018: 19,190 students) respectively, while enrolment from Indonesia also fell by -37.3% (2018: 6,908 students).

13.0 EDUCATION MARKET OUTLOOK

The prolonged COVID-19 pandemic continues to disrupt lives, economies and societies globally. Consequential to the MCO enforced 18 March 2020, schools across the country, from primary to universities and colleges were forced to close and thus, the transition to digital learning. There are constraints in adopting digital learning and these include inadequate access to technology and illiteracy in online or web-based software, leading to widening education gap among students.

The conditional and recovery MCO phases (CMCO and RMCO) enforced on 4 May 2020 and 10 June 2020 respectively saw gradual resumption in the operations and management of institutions and subsequently face-to-face teachings and learning activities, subject to conditions and standard operating procedures (SOPs). The resurgence of COVID-19 cases in late September, however, resulted in the closure of schools once again. Meanwhile, in institutions of higher education, admission of new and existing students has been postponed or shifted online while the learning process continues to be conducted remotely.

A second phase of MCO (MCO 2.0) has been enforced nationwide (except Sarawak) since 22 January 2021. Public examinations that should have been held in 2020 were also deferred and are set to be carried out in stages beginning 20 January 2021. Restrictions in interstate and inter-district travel, along with the delay of the public examinations may cause some students to miss certain intakes at universities or colleges, thus resulting in lower student enrolment in PHEIs/public universities in the short term.

In the midst of online learning, students are unable to access on-campus resources and facilities such as libraries and laboratories, and this has led to calls from students for universities/colleges to reduce fees or offer refunds. Meanwhile, following restrictions on mass gatherings – prolonged remote learning may also impact students' physical and mental health - they may feel discouraged to enrol into institutions of higher education as there is limited opportunity for physical interaction. Hence, this may further impact student enrolment in the near term.

Despite the Ministry of Education Malaysia (MOE) allowing international students to enter their campuses (except those from the United Kingdom) starting 1 January 2021, global travel restrictions as well as the preference to stay closer to home, may dampen the enrolment of foreign students. Hence, Malaysia's enrolment of foreign students which saw a steep decline of -43.7% in 2019, may see a further downtrend.

The pandemic has caused several paradigm shifts in the education structure with more emphasis placed on online learning, utilisation of technology, as well as collaboration between public and private bodies in upgrading the education infrastructure. Amid the economic downturn and increasing unemployment rate, a rising number of individuals may re-enter universities or colleges, as a means to gain or expand their skill set. Selected institutions of higher learning may even see higher enrolment as online learning enable students to study at their time and venue.

In the tabling of Budget 2021, the MOE received an allocation of RM50.4 billion, the second highest after the public health sector. The allocation will be utilised for the education of underprivileged students, renovation of dilapidated buildings and facilities, enhancement of university internet access, provisions of loans and allowances, etc. Among the fund allocated, RM14.4 billion is allocated to the Ministry of Higher Education (MOHE).

In line with economic progression and supported by various developments in the public and private sectors, we expect to see more investments in the education segment as it plays a key role in the nation's growth moving forward. With diverse offering of pre-university/foundation, undergraduate, postgraduate and short learning programmes available locally, more parents are now inclined to have their children further their higher education in the home country supported by the availability of high-quality tertiary education at affordable/lower costs.

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STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 98 to 135 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 Trusts at 31 December 2020 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
Chairman

Kuala Lumpur

Date: 25 February 2021

STATUTORY DECLARATION

I, **Abdul Aziz Bin Abdul Rasheed**, the officer 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 98 to 135 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, Abdul Aziz Bin Abdul Rasheed, (I/C No. 760921-02-5387), in Kuala Lumpur on 25 February 2021.

Abdul Aziz Bin Abdul Rasheed
Chief Executive Officer

Before me:

No. W533
YM Tengku Fariddudin Bin Tengku Sulaiman
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 2020. 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 2020; 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 2020 are in line with and are reflective of the objectives of AmanahRaya REIT. Two distributions have been declared for the financial year ended 31 December 2020 as follows:

- 1) 1st semi-annual income distribution of 2.1972 sen per unit paid on 8 September 2020
- 2) Final income distribution of 2.8868 sen per unit payable on 12 April 2021

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

Razak bin Ahmad
Chief Executive Officer

Kuala Lumpur,

Date: 25 February 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

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 2020, 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 and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 135.

In our opinion, the financial statements give a true and fair view of the financial position of AmanahRaya REIT as at 31 December 2020, and of its financial performance and 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 12 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 RM1,363,000,000 as at 31 December 2020.

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.

In addition, the heightened uncertainty in market conditions caused by the 2019 Novel Coronavirus ("Covid-19") outbreak has resulted in the inclusion by the external valuers of a material uncertainty declaration in their valuation reports. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. Values may change more rapidly and significantly than during standard market conditions.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

(CONT'D)

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.

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.

- 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 as well as understand how the implications of the Covid-19 pandemic were considered in the valuations. 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 as well as understand how the implications of the Covid-19 pandemic were considered in the valuations. 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 the 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

(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 and International Standards on Auditing 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 and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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, actions taken to eliminate threats or safeguards applied.

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 for 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

(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: 25 February 2021

Chan Kah Mun

Approval Number: 03350/01/2022 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Assets			
Non-current assets			
Investment properties	4	1,363,000,000	1,399,000,000
Trade and other receivables	5	52,500	-
		1,363,052,500	1,399,000,000
Current assets			
Trade and other receivables	5	11,503,348	6,066,341
Security deposits in trust accounts	6	14,195,719	13,806,908
Cash and cash equivalents	7	37,574,803	44,481,868
		63,273,870	64,355,117
Asset classified as held for sale	8	8,500,000	8,500,000
Total current assets		71,773,870	72,855,117
Total assets		1,434,826,370	1,471,855,117
Financed by:			
Unitholders' fund			
Unitholders' capital	9	519,685,915	519,685,915
Distributable income		227,165,590	256,905,277
Total unitholders' funds		746,851,505	776,591,192
Non-current liabilities			
Borrowings	10	609,698,080	482,639,875
Trade and other payables	11	18,155,210	16,260,454
Total non-current liabilities		627,853,290	498,900,329
Current liabilities			
Borrowings	10	33,865,514	162,200,667
Trade and other payables	11	15,633,061	23,539,929
Deferred tax liabilities	12	10,623,000	10,623,000
Total current liabilities		60,121,575	196,363,596
Total liabilities		687,974,865	695,263,925
Total unitholders' funds and liabilities		1,434,826,370	1,471,855,117
Net asset value ("NAV")			
- Before income distribution		746,851,505	776,591,192
- After income distribution		730,303,829	758,248,226
Number of units in circulation		573,219,858	573,219,858
NAV per unit (RM)			
- Before income distribution		1.303	1.355
- After income distribution		1.274	1.323

The notes on pages 98 to 135 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Gross revenue			
Rental income			
- Realised		91,516,844	95,877,818
- Unrealised (in relation to unbilled lease income receivable)		488,138	998,272
		92,004,982	96,876,090
Property operating expenses	13	(19,359,656)	(16,210,440)
Net property income		72,645,326	80,665,650
Interest income		605,912	1,096,842
Other income		129,132	89,352
Changes in fair value of investment properties			
- As per valuation	4	(38,107,358)	3,116,979
- Unbilled lease income receivable		(488,138)	(998,272)
Net property and investment income		34,784,874	83,970,551
Manager's fees		(6,653,207)	(6,652,629)
Trustee's fees		(410,920)	(442,690)
Valuation fees		(310,000)	(271,630)
Auditors' fees			
- Audit		(120,000)	(135,000)
- Other services		(10,000)	(10,000)
Tax agent's fees		(10,000)	(10,000)
Net loss on impairment of financial instruments		(6,586,579)	-
Administrative expenses		(1,807,666)	(2,296,566)
Finance costs		(26,276,369)	(33,167,462)
Total trust expenses		(42,184,741)	(42,985,977)
(Loss)/Profit before taxation		(7,399,867)	40,984,574
Tax expense	14	-	(5,490,441)
Net (loss)/profit for the year attributable to unitholders		(7,399,867)	35,494,133
Total comprehensive (expense)/income for the year attributable to unitholders		(7,399,867)	35,494,133
Net (expenses)/income for the year is made up as follows:			
Realised		30,707,491	37,136,577
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		488,138	998,272
- Change in fair value of investment properties			
- As per valuation	4	(38,107,358)	3,116,979
- Unbilled lease income receivable		(488,138)	(998,272)
- Deferred tax expense	12	-	(4,759,423)
		(38,107,358)	(1,642,444)
		(7,399,867)	35,494,133

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	2020 RM	2019 RM
(Losses)/Earnings per unit (sen)			
- Before Manager's fees	15	(0.130)	7.353
- After Manager's fee	15	(1.291)	6.192
Net income distribution*			
- First interim income distribution of 1.500 sen per unit paid on 12 July 2019		-	8,598,967
- Second interim income distribution of 1.500 sen per unit paid on 18 October 2019		-	8,598,542
- Third interim income distribution of 1.500 sen per unit paid on 10 January 2020		-	8,598,372
- Final income distribution of 1.700 sen per unit paid on 3 April 2020		-	9,744,594
- First semi-annual income distribution of 2.1972 sen per unit paid on 8 September 2020		12,595,226	-
- Proposed final income distribution of 2.8868 sen per unit payable on 12 April 2021		16,547,676	-
	16	29,142,902	35,540,475
Income distribution per unit (sen)*	16		
- First interim income distribution		2.1972	1.500
- Second interim income distribution		-	1.500
- Third interim income distribution		-	1.500
- Proposed final income distribution		2.8868	1.700

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

	Withholding tax rate	
	2020	2019
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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2020

	Unitholders' capital RM	Distributable Realised income RM	Non- distributable Unrealised income RM	Total unitholders' funds RM
At 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 income 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 resulted from unitholders' transactions	-	(34,116,695)	-	(34,116,695)
At 31 December 2019/ 1 January 2020	519,685,915	36,140,692	220,764,585	776,591,192
Net profit/(loss) for the year	-	30,707,491	(38,107,358)	(7,399,867)
Total comprehensive income/ (expenses) for the year	-	30,707,491	(38,107,358)	(7,399,867)
Unitholders' transactions				
Distributions to unitholders:				
- 2020 interim	-	(12,595,226)	-	(12,595,226)
- 2019 final	-	(9,744,594)	-	(9,744,594)
Decrease in net assets resulted from unitholders' transactions	-	(22,339,820)	-	(22,339,820)
At 31 December 2020	519,685,915	44,508,363	182,657,227	746,851,505

Note 9.1

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Cash flows from operating activities			
(Loss)/Profit before taxation		(7,399,867)	40,984,574
<i>Adjustments for:</i>			
Finance costs		26,276,369	33,167,462
Finance income		(605,912)	(1,096,842)
Net impairment loss on financial instruments		6,586,579	-
Changes in fair value of investment properties (net of unbilled lease income receivable)	4	38,107,358	(3,116,979)
Operating profit before changes in working capital		62,964,527	69,938,215
Change in trade and other receivables		(12,464,791)	6,907,456
Change in trade and other payables		3,365,404	(8,684,488)
Net cash from operating activities		53,865,140	68,161,183
Cash flows from investing activities			
Interest received		605,806	1,040,119
Proceeds from disposal of investment properties		-	35,400,000
Enhancement of investment properties	4	(2,107,358)	(2,683,021)
Net cash (used in)/generated from investing activities		(1,501,552)	33,757,098
Cash flows from financing activities			
Distributions paid to unitholders		(30,938,192)	(33,282,657)
Interest paid		(27,098,461)	(32,867,544)
Drawdown of MTN Loan II		161,000,000	-
Repayment of term loan		(162,234,000)	(25,996,000)
Net cash used in financing activities		(59,270,653)	(92,146,201)
Net (decrease)/increase in cash and cash equivalents		(6,907,065)	9,772,080
Cash and cash equivalents at 1 January	7	44,481,868	34,709,788
Cash and cash equivalents at 31 December	7	37,574,803	44,481,868

The notes on pages 98 to 135 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 2020 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% (2019: 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% (2019: 0.030%) per annum of the Net Asset Value.

The financial statements were approved by the Board of Directors of the Manager on 25 February 2021.

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 in the ensuing page are accounting standards, interpretations and amendments 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 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020 and 1 January 2021;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(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 note:

- 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.

Investment in a subsidiary is 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(d) Leases (continued)

(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".

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(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.

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 properties measured at fair value, deferred tax assets 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(k) Revenue and other income (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(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	2020 RM	2019 RM
Land and building at fair value			
At 1 January		1,399,000,000	1,401,700,000
Enhancement		2,107,358	2,683,021
Changes in fair value		(38,107,358)	3,116,979
Reclassified as asset held for sale	8	-	(8,500,000)
At 31 December		1,363,000,000	1,399,000,000

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 31.12.2020 %	Fair value as at 31.12.2020 RM	Cost as at 31.12.2020 RM	Percentage of fair value to Net Asset Value as at 31.12.2020 %
(1)	Ex-Holiday Villa Alor Setar #	Leasehold	99 years expiring 2107	Alor Setar	Hotel	-	26,500,000	31,000,000	3.55
(2)	Holiday Villa Langkawi*	Freehold	Not applicable	Pulau Langkawi	Resort hotel	100	85,000,000	59,536,444	11.38
(3)	SEGi College*	Freehold	Not applicable	Subang Jaya	College	100	73,500,000	52,500,000	9.84
(4)	SEGi University*	Leasehold	99 years expiring 2108	Kota Damansara	College/Campus	100	185,000,000	146,062,993	24.77
(5)	Dana 13*#	Leasehold	99 years expiring 2097	Petaling Jaya	Office	54	121,000,000	99,372,672	16.20
(6)	Help University*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	74,000,000	53,946,379	9.91
(7)	Selayang Mall*	Leasehold	99 years expiring 2079	Selayang Utama	Shopping complex	95	137,000,000	132,608,184	18.34
(8)	Wisma Comcorp*	Freehold	Not applicable	Shah Alam	Office	100	37,000,000	30,000,000	4.95
(9)	RHF Stone Factory*	Freehold	Not applicable	Nusa Jaya	Industrial factory	100	26,000,000	24,216,510	3.48
(10)	Toshiba TEC	Freehold	Not applicable	Shah Alam	Office	100	32,400,000	32,142,972	4.34
(11)	Contraves*	Freehold	Not applicable	Cyberjaya	Office	100	43,600,000	40,232,532	5.84
(12)	Vista Tower*	Freehold	Not applicable	Kuala Lumpur	Office	63	522,000,000	456,193,730	69.89
Investment properties							1,363,000,000	1,157,812,416	

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

Details of the investment properties are as follows:

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 Stone 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	

* 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

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4. Investment properties (continued)

The fair value of the investment properties as at 31 December 2020 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	31 December 2020
(2)	Holiday Villa Langkawi	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment and Comparison	31 December 2020
(3)	SEGi College	IPC Island Property Consultants Sdn. Bhd.	Comparison	31 December 2020
(4)	SEGi University	Savills (Malaysia) Sdn. Bhd.	Investment	31 December 2020
(5)	Dana 13	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	31 December 2020
(6)	Help University	Savills (Malaysia) Sdn. Bhd.	Investment	31 December 2020
(7)	Selayang Mall	Knight Frank Malaysia Sdn. Bhd.	Discounted Cash Flow	31 December 2020
(8)	Wisma Comcorp	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	31 December 2020
(9)	RHF Stone Factory	IPC Island Property Consultants Sdn. Bhd.	Cost	31 December 2020
(10)	Toshiba TEC	Knight Frank Malaysia Sdn. Bhd.	Investment	31 December 2020
(11)	Contraves	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	31 December 2020
(12)	Vista Tower	Savills (Malaysia) Sdn. Bhd.	Investment	31 December 2020

The fair value of the investment properties as at 31 December 2019 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	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

NOTES TO THE FINANCIAL STATEMENTS

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4. Investment properties (continued)

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

	Note	2020 RM	2019 RM
Rental income			
- Realised		91,516,844	95,877,818
- Unrealised (in relation to unbilled lease income receivable)		488,138	998,272
Property operating expenses	13	92,004,982 (19,359,656)	96,876,090 (16,210,440)
Net property income		72,645,326	80,665,650

4.1 Operating lease receivable

The operating lease payments to be received are as follows:

	2020 RM	2019 RM
Less than one year	66,977,217	62,381,495
One to two years	53,831,795	48,907,551
Two to three years	25,238,835	41,923,523
Three to four years	14,829,874	22,095,322
Four to five years	12,062,289	14,793,913
More than five years	21,723,680	33,785,969
Total undiscounted lease payments	194,663,690	223,887,773

4.2 Fair value information

Fair values of investment properties are categorised as follows:

	2020 Level 3 RM	2019 Level 3 RM
Land and buildings	1,363,000,000	1,399,000,000

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

4.2 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.	<ul style="list-style-type: none"> Risk-adjusted capitalisation rates ranging from 6.00% - 6.75%. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Risk-adjusted capitalisation rates were lower (higher).
Capitalisation relates income (usually a net income figure) and a defined value 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.	<ul style="list-style-type: none"> Risk-adjusted discount rate ranging from 6.25% - 7.00%. 	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> The occupancy rates are 0% – 80%. Adjusted land value ranging from RM176.00 per sq. ft. – RM548.00 per sq. ft. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> 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

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4. Investment properties (continued)

4.2 Fair value information (continued)

Level 3 fair value (continued)

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
<p>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.</p> <p>Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.</p>	<ul style="list-style-type: none"> Land value at RM107.00 per sq. ft. Replacement cost ranging from RM30 per sq. ft. – RM150 per sq. ft. Depreciation rates at 15%. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Land value per square foot was higher (lower). Replacement cost per square foot was higher (lower). Depreciation rates were lower (higher).
<p>The discounted cash flow method incorporates the estimation of future annual cash flows over an investment horizon (5 years) from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the property as at the valuation date. It is assumed that the property is sold at the commencement of the terminal year of the cash flow at the expected rate of return of similar asset classes.</p>	<ul style="list-style-type: none"> Risk-adjusted capitalisation rates at 6.75%. Risk-adjusted discount rate at 7.00% 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Risk-adjusted capitalisation rates were lower (higher). Risk-adjusted discount rates were lower (higher).

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

4.2 Fair value information (continued)

Level 3 fair value (continued)

Valuation process applied by AmanahRaya REIT for Level 3 fair value

The fair values 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.

4.3 Significant estimate uncertainty and judgements

The heightened uncertainty in market conditions caused by the 2019 Novel Coronavirus ("Covid-19") outbreak has resulted in the inclusion by the external valuers of a material uncertainty declaration in their valuation reports. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. Values may change more rapidly and significantly than during standard market conditions.

5. Trade and other receivables

	Note	2020 RM	2019 RM
Non-current			
Trade			
Trade receivables	5.1	52,500	-
Current			
Trade			
Trade receivables	5.1	4,934,551	2,060,766
Non-trade			
Other receivables		4,037,419	1,863,012
Deposits		2,285,670	1,998,280
Prepayment		245,708	144,283
		6,568,797	4,005,575
		11,503,348	6,066,341
		11,555,848	6,066,341

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 (2019: 7 days to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

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6. Security deposits in trust accounts

	Note	2020 RM	2019 RM
Security deposits placed with ITA-ARB	6.1	14,195,719	13,806,908

6.1 Security deposits placed with ITA-ARB

Security deposits received from the lessee together with its 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% (2019: 3.75%) per annum. Pursuant to the lease agreements, lessee is 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	2020 RM	2019 RM
Cash and bank balances		32,074,803	12,981,868
Deposits placed with licensed financial institutions	7.1	5,500,000	31,500,000
		37,574,803	44,481,868

7.1 Deposits placed with licensed financial institutions

The deposits are placed with licensed financial institutions at interest rates ranging from 1.80% to 1.85% (2019: 3.05% to 3.55%) per annum.

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 Block A & B of 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 2020, South City Plaza had a carrying value of RM8,500,000.

NOTES TO THE FINANCIAL STATEMENTS

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9. Total unitholders' fund

9.1 Unitholders' capital

	Number of units 2020	2020 RM	Number of units 2019	2019 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 2020, 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			
2020			
Amanah Raya Berhad	271,186,379	47.31	178,983,010
KDA Capital Malaysia Sdn. Bhd.	85,982,979	15.00	56,748,766
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,341,516
	359,201,958	62.66	237,073,292
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

The market value is determined by using the closing market price of AmanahRaya REIT as at 31 December 2020 of RM0.66 (2019: RM0.74) per unit.

NOTES TO THE FINANCIAL STATEMENTS

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10. Borrowings

	Note	2020 RM	2019 RM
Non-current			
Term loan III	10.1	-	33,920,000
		-	33,920,000
Unrated medium term notes I	10.2	450,000,000	450,000,000
Less: Unamortised transaction costs		(973,211)	(1,280,125)
		449,026,789	482,639,875
Unrated medium term notes II	10.2	161,000,000	-
Less: Unamortised transaction costs		(328,709)	-
		160,671,291	-
		609,698,080	482,639,875
Current			
Term loan I		-	85,000,000
Term loan II		-	77,234,000
Term loan III	10.1	33,920,000	-
		33,920,000	162,234,000
Less: Unamortised transaction costs		(54,486)	(33,333)
		33,865,514	162,200,667
		643,563,594	644,840,542

The term loans are secured by way of first legal charge on investment properties amounting to RM1,302,100,000 (2019: RM1,266,000,000), 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 2019 RM	Net changes from financing cash flows RM	At 31 December 2019/ 1 January 2020 RM	Net changes from financing cash flows RM	At 31 December 2020 RM
Term loans	222,150,000	(25,996,000)	196,154,000	(162,234,000)	33,920,000
Unrated medium term notes	450,000,000	-	450,000,000	161,000,000	611,000,000
Total liabilities from financing activities	672,150,000	(25,996,000)	646,154,000	(1,234,000)	644,920,000

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

10. Borrowings (continued)

10.1 Term loan III

Term loan III bears interest rate based on CoF plus 0.5% (2019: 0.5%) per annum and is repayable on 22 December 2021.

10.2 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, RM611 million (2019: RM450 million) has been issued with a floating coupon rate based on CoF plus 0.5% (2019: 0.5%) per annum.

11. Trade and other payables

	Note	2020 RM	2019 RM
Non-current			
Non-trade			
Tenants' deposits	11.1	18,155,210	16,260,454
Current			
Trade			
Trade payable		389,895	416,902
Non-trade			
Tenants' deposits	11.1	5,342,938	5,904,556
Other payables and accrued expenses	11.2	9,730,228	17,218,471
Deposits	11.3	170,000	-
		15,633,061	23,539,929
		33,788,271	39,800,383

11.1 Tenants' deposits

Included in tenants' deposits are deposits of RM8,332,585 (2019: RM8,332,585) received from a lessee for tenancy contract with tenure of twenty-five (25) years which is placed with ITA-ARB as disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

11. Trade and other payables (continued)

11.1 Tenants' deposits (continued)

Since the inception of AmanahRaya REIT, the Manager has received rental deposits from the following 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's rental
HELP University Sdn. Bhd.	Wisma Amanah Raya Berhad	1,406,337	Equivalent to three (3) months' rental
Aegis BPO Malaysia Sdn. Bhd.	Dana 13	8,388,120	Equivalent to one (1) year's rental
Total		36,465,957	

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

11.2 Other payables and accrued expenses

Included in other payables and accrued expenses is an interest of RM5,863,134 (2019: RM5,474,323) generated from security deposits placed with ITA-ARB as disclosed in Note 6 to the financial statements.

11.3 Deposits

The deposits represent amount received from the prospective buyer in relation to the disposal of Block A & B of South City Plaza (Note 8).

12. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Investment properties	1,517,000	1,517,000	(12,140,000)	(12,140,000)	(10,623,000)	(10,623,000)

NOTES TO THE FINANCIAL STATEMENTS

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12. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year:

	At 1.1.2019 RM	Recognised in profit or loss (Note 14) RM	At 31.12.2019/ 1.1.2020 RM	Recognised in profit or loss (Note 14) RM	At 31.12.2020 RM
Investment properties	(5,863,577)	(4,759,423)	(10,623,000)	-	(10,623,000)

13. Property operating expenses

	2020 RM	2019 RM
Assessment and quit rent	4,387,431	3,463,869
Service contracts and maintenance	11,317,716	9,782,820
Property management fees	2,841,670	2,165,471
Insurance	812,839	798,280
	19,359,656	16,210,440

14. Tax expense

	2020 RM	2019 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
Total tax expense	-	5,490,441
Reconciliation of tax expense		
(Loss)/Income before taxation	(7,399,867)	40,984,574
Income tax using Malaysian tax rate at 24% (2019: 24%)	(1,775,968)	9,836,298
Non-deductible expenses	607,341	749,312
Effect of fair value loss on leasehold investment properties	8,592,000	-
Effect of income exempted from tax	(7,423,373)	(9,854,645)
Under provided in prior year	-	53
	-	731,018
Cumulative fair value gain on investment properties subject to RPGT	-	4,759,423
Total tax expense	-	5,490,441

NOTES TO THE FINANCIAL STATEMENTS

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14. Tax expense (continued)

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.

15. (Losses)/Earnings per unit

The losses per unit before Manager's fee of 0.130 sen (2019 earnings per unit: 7.353 sen) is calculated by dividing the net loss after taxation but before deduction of Manager's fees for the financial year of RM746,660 (2019 net profit after taxation: RM42,146,762) by the weighted average number of units in circulation during the financial year of 573,219,858 (2019: 573,219,858).

The losses per unit after Manager's fee of 1.291 sen (2019 earnings per unit: 6.192 sen) is calculated based on the net loss after taxation of RM7,399,867 (2019 net profit after taxation: RM35,494,133) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2019: 573,219,858).

16. Distributions to unitholders

Distributions to unitholders are from the following sources:

	2020 RM	2019 RM
Net realised rental income	91,516,844	95,877,818
Interest income	605,912	1,096,842
Other income	129,132	89,352
	92,251,888	97,064,012
Less: Expenses	(61,544,397)	(59,927,435)
Total income available for distribution	30,707,491	37,136,577
Less: Undistributed income	(1,564,589)	(1,596,102)
	29,142,902	35,540,475
Distribution per unit (sen)	5.084	6.200

17. Portfolio turnover ratio

	2020 RM	2019 RM
Portfolio Turnover Ratio ("PTR") (times)	-	0.02

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

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18. Management expense ratio

	2020	2019
Management expense ratio ("MER") (%)	1.17	1.35

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").

	2020		2019	
	Carrying amount RM	AC RM	Carrying amount RM	AC RM
Financial assets				
Trade and other receivables	11,310,140	11,310,140	5,922,058	5,922,058
Security deposits in trust accounts	14,195,719	14,195,719	13,806,908	13,806,908
Cash and cash equivalents	37,574,803	37,574,803	44,481,868	44,481,868
	63,080,662	63,080,662	64,210,834	64,210,834
Financial liabilities				
Borrowings	643,563,594	643,563,594	644,840,542	644,840,542
Trade and other payables	33,788,271	33,788,271	39,800,383	39,800,383
	677,351,865	677,351,865	684,640,925	684,640,925

19.2 Net gains and losses arising from financial instruments

	2020 RM	2019 RM
Net (losses)/gains on:		
Financial assets at amortised cost	(5,980,667)	1,096,842
Financial liabilities at amortised cost	(26,276,369)	(33,167,462)

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 RM4,987,051 (2019: RM2,060,766) and are secured by tenants' deposits.

Concentration of credit risk

The exposure of credit risk for top 3 trade receivables as at the end of the reporting period by tenants were:

	2020 RM
Tenant A	992,500
Tenant B	748,003
Tenant C	335,521
	<hr/> 2,076,024 <hr/>
	2019 RM
Tenant A	1,031,250
Tenant C	415,422
Tenant D	138,067
	<hr/> 1,584,739 <hr/>

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
2020			
Past due 1 - 30 days	1,539,950	(222,705)	1,317,245
Past due 31 - 60 days	1,036,810	(222,705)	814,105
Past due 61 - 90 days	30,529	-	30,529
Past due more than 120 days	3,407,843	(582,671)	2,825,172
	6,015,132	(1,028,081)	4,987,051
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

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.

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
2020						
Financial liabilities						
Trade and other payables	33,788,271	-	33,788,271	15,633,061	9,315,610	8,839,600
Borrowings	643,563,594	3.68 – 4.73	743,310,033	59,448,733	683,861,300	-
	<u>677,351,866</u>		<u>777,098,304</u>	<u>75,081,794</u>	<u>693,176,910</u>	<u>8,839,600</u>
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>

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:

	2020 RM	2019 RM
Financial asset		
<i>Fixed rate instruments</i>		
Security deposits in trust accounts	14,195,179	13,806,908
Deposits placed with licensed financial institutions	5,500,000	31,500,000
	<u>19,695,179</u>	<u>45,306,908</u>
Financial liabilities		
<i>Floating rate instruments</i>		
Borrowings	643,563,594	644,840,542

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

19. Financial instruments (continued)

19.6 Market risk (continued)

Interest rate 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 pre-tax profit or loss by the amounts shown below.

	Profit/(Loss)	
	100 bp increase RM	100 bp decrease RM
2020		
Floating rate instruments	(6,435,636)	6,435,636
2019		
Floating rate instruments	(6,448,405)	6,448,405

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

19. Financial instruments (continued)

19.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and other receivables and payable, Term loan III and short term 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 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2020										
Financial liabilities										
Borrowings	-	-	-	-	-	-	643,563,594	643,563,594	643,563,594	643,563,594
Tenants' deposits	-	-	-	-	-	-	23,498,148	23,498,148	23,498,148	23,498,148
	-	-	-	-	-	-	667,061,742	667,061,742	667,061,742	667,061,742
2019										
Financial liabilities										
Borrowings	-	-	-	-	-	-	644,840,542	644,840,542	644,840,542	644,840,542
Tenants' deposits	-	-	-	-	-	-	22,165,010	22,165,010	22,165,010	22,165,010
	-	-	-	-	-	-	667,005,552	667,005,552	667,005,552	667,005,552

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% (2019: 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 2020.

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 2020.

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 Real Estate Investment Trusts.

	2020 RM	2019 RM
Total borrowings	643,563,594	644,840,542
Total assets	1,434,826,370	1,471,855,117
Gearing ratio	44.85%	43.81%

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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.

	2020 RM	2019 RM
Security deposits from lessees placed with the holding company of the Manager (Note 6)	14,195,719	13,806,908
Manager's fees	6,653,207	6,652,629

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 2020

TOTAL UNITHOLDERS: 5,934

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.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD		
	MCIS INSURANCE BERHAD (LIFE PAR FD)	3,678,900	0.64
5.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	MOHD ISKANDAR LAU BIN ABDULLAH	2,462,200	0.43
6.	CIMB GROUP NOMINEES (ASING) SDN. BHD.		
	EXEMPT AN FOR DBS BANK LTD (SFS)	2,361,000	0.41
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD		
	CIMB FOR RAM HOLDINGS BERHAD (PB)	2,339,700	0.41
8.	AMANA RAYA BERHAD		
	AMANA RAYA CAPITAL SDN BHD	2,032,600	0.35
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD		
	MCIS INSURANCE BERHAD (ANN FD)	1,960,200	0.34
10.	MOHD NASRI BIN ABDUL RAHIM	1,340,000	0.23
11.	YEO ENG SENG	1,214,400	0.21
12.	NG KIM YUEN	1,150,000	0.20
13.	TEE KIAM HENG	1,100,000	0.19
14.	MALAYSIAN RATING CORPORATION BERHAD	1,095,000	0.19
15.	HSBC NOMINEES (TEMPATAN) SDN BHD		
	HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	1,088,900	0.19
16.	LABUAN REINSURANCE (L) LTD	1,065,500	0.19
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR WONG SIEW HUNG	1,053,000	0.18
18.	ANG SIEW SIANG	1,050,000	0.18
19.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR PEE SIEW BOON (8057713)	1,030,000	0.18
20.	TEW SOO CHIM	1,020,000	0.18
21.	SEG EQUITY SDN BHD	1,000,000	0.17
22.	STATE INSURANCE BROKERS SDN BHD	1,000,000	0.17
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	922,600	0.16
24.	CHAN WAI CHON	900,000	0.16
25.	YEAP AH KAU @ YEAP CHAN TOOI	900,000	0.16
26.	BOH PLANTATIONS SDN BERHAD	880,600	0.15
27.	YEOW EWE CHUAN	850,000	0.15
28.	LIAN MONG YEE @ LIAN MUNG YEE	810,600	0.14
29.	LAU BAN YIN	800,000	0.14
30.	CHAN CHOR YOOK	770,000	0.13
TOTAL		425,404,558	74.19

ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDERS AS AT 31.12.2020

Unit Class	No. of Unitholders	%	No. of Unitholding	%
1 - 999	482	8.12	143,000	0.02
1,000 – 10,000	3,321	55.97	15,902,700	2.77
10,001 – 100,000	1,795	30.25	59,827,400	10.44
100,001 – 28,660,991 (Less than 5% of issued holdings)	333	5.61	107,817,400	18.81
28,660,992 (5% and above of issued holdings)	3	0.05	389,529,358	67.95
Total	5,934	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 31.12.2020

Category of Unitholder	No. of Holders		No. of Securities hold			
	Malaysian		Foreign	Malaysian		Foreign
	Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra	
1) Individual	161	4,096	57	3,158,800	115,043,289	1,310,900
2) Body Corporate						
a. Banks / Finance Companies	3	0	0	273,618,979	0	0
b. Investments Trust/ Foundation /Charities	0	0	0	0	0	0
c. Other Type of Companies	7	53	1	1,614,000	8,949,011	40,000
3) Government agencies / Institutions*	1	0	0	32,360,000	0	0
4) Nominees	1,109	407	39	23,441,600	108,314,479	5,368,800
5) Trustee	0	0	0	0	0	0
6) Others	0	0	0	0	0	0
Total	1,281	4,556	97	334,193,379	232,306,779	6,719,700

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 2020.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

AmanahRaya REIT did not issue any warrants or convertible securities for the financial year ended 31 December 2020.

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 2020.

5. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2020.

NOTICE OF NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of AmanahRaya Real Estate Investment Trust (“**ARREIT**”) will be convened and held on a fully virtual basis through live streaming and online remote voting from the broadcast venue, First Floor, Wisma Amanahraya, No. 2, Jalan Ampang, 50508 Kuala Lumpur on Thursday, 8 April 2021 at 10.00 a.m. to consider the following items of business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 of ARREIT together with the Reports attached thereon. (Please refer to Note 1 of the Explanatory Notes)

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification, the following Ordinary Resolution:-

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 to Note 2 of the Explanatory Notes)

“**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 aggregated 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.”

AS 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.

NOTICE OF NINTH ANNUAL GENERAL MEETING

(CONT'D)

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) (SSM PC No. 201908003018)

Rizana binti Ahmad Rithauddeen (f) (LS 0009663) (SSM PC No. 20191224000019)

Leong Shiak Wan (f) (MAICSA 7012855) (SSM PC No. 202008002757)

Company Secretaries

Kuala Lumpur

9 March 2021

NOTES:

Proxy

- (1) A Unitholder/Proxy/Corporate Representative of ARREIT ("**Unitholders**") **WILL NOT BE ALLOWED** to attend the forthcoming 9th AGM in person at the broadcast venue on the day of the meeting.
- (2) Unitholders are to participate, speak (in the form of real time submission of typed texts) and vote remotely at the 9th AGM using the Remote Participation and Voting ("RPV") facility provided by ARREIT's Share Registrar. Please follow the procedures for RPV facility provided in the Administrative Guide for the 9th AGM at <http://amanahrayareit.com.my/investor-relations/>.
- (3) A Unitholder 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. As the 9th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities at the AGM, can appoint the Chairman of the meeting as his/her proxy.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) Only a depositor whose name appears in the Record of Depositors of ARREIT as at 24 March 2021 shall be regarded as a Unitholder and entitled to attend, speak and vote at this 9th AGM of ARREIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (9) 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.
- (10) 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.

NOTICE OF NINTH ANNUAL GENERAL MEETING

(CONT'D)

Remote Participation and Voting

Please refer to the Administrative Guide for Unitholders which is available on the corporate website of ARREIT at <http://amanahrayareit.com.my/investor-relations/> for more details of the fully virtual 9th AGM.

EXPLANATORY NOTES:

(1) Ordinary Business

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 2020 of ARREIT together with the Reports attached thereon ("the Accounts"), before the Unitholders at the 9th 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 2020 Annual Report of ARREIT issued to all Unitholders of ARREIT on 9 March 2021 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 2020 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.

(2) Special Business

The Proposed Authority, if passed, will give a mandate to the Manager to issue units of ARREIT from time to time provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding twelve (12) months must not exceed 20% of the approved fund size of ARREIT for the time being. The Proposed Authority, unless revoked or varied at a unitholder's meeting, will expire at the conclusion of the next Annual General Meeting of ARREIT.

This is a new mandate to be obtained from the Unitholders at the forthcoming Annual General Meeting.

The purpose of this Proposed Authority is for the possible 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.

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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 /Passport /Certificate of Incorporation in Capital Letters)

NRIC No./Passport No./Registration No.

of.....
(Full Address)

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

(Full Name as per NRIC /Passport in Capital Letters)

NRIC No./Passport No.

of.....
(Full Address)

or failing *him/her,
(Full Name as per NRIC /Passport in Capital Letters)

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 Ninth Annual General Meeting of ARREIT to be held on a fully virtual basis at the broadcast venue, First Floor, Wisma AmanahRaya, No. 2, Jalan Ampang, 50508 Kuala Lumpur on Thursday, 8 April 2021 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 of2021

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

(*Delete if not applicable)

NOTES:

Proxy

- (1) A Unitholder/Proxy/Corporate Representative of ARREIT ("Unitholders") **WILL NOT BE ALLOWED** to attend the forthcoming 9th AGM in person at the broadcast venue on the day of the meeting.
- (2) Unitholders are to participate, speak (in the form of real time submission of typed texts) and vote remotely at the 9th AGM using the Remote Participation and Voting ("RPV") facility provided by ARREIT's Share Registrar. Please follow the procedures for RPV facility provided in the Administrative Guide for the 9th AGM at <http://amanahrayareit.com.my/investor-relations/>.
- (3) A 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. As the 9th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities at the AGM, can appoint the Chairman of the meeting as his/her proxy.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) Only a depositor whose name appears in the Record of Depositors of ARREIT as at 24 March 2021 shall be regarded as a Unitholder and entitled to attend, speak and vote at this 9th AGM of ARREIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (9) 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.
- (10) 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.

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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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